



Doosan Engine

Investor Relations 3Q13 Operating Results



November 2013
Doosan Engine

Table of Contents

I. 3Q13 Operating Results

II. Mid to Long-Term Strategy

III. Investment Points

Appendix

Disclaimer

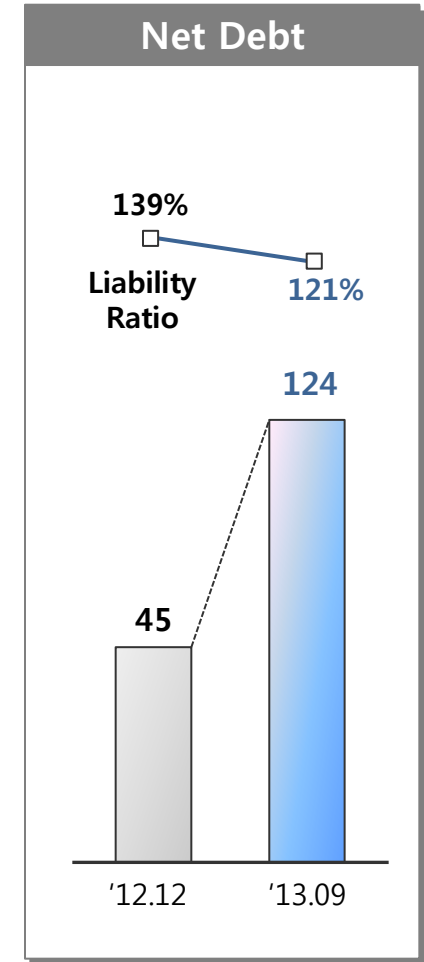
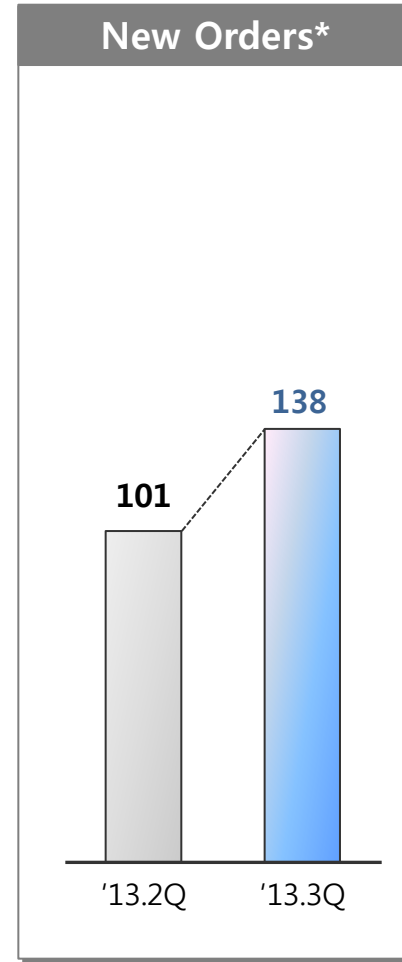
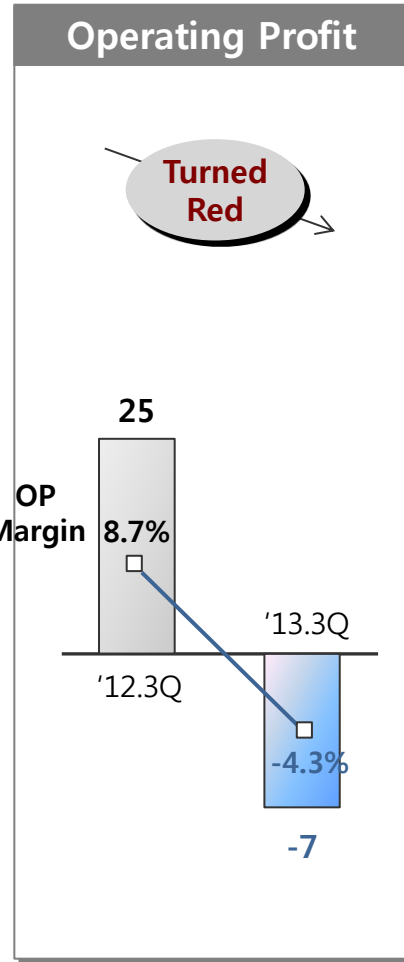
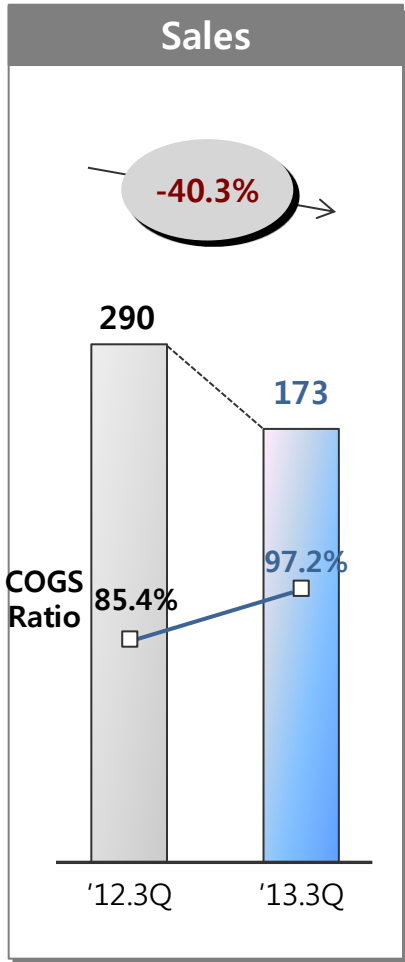
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3Q13 Operating Results Summary

(Wbn)



- New Orders : Based on receiving advance receipts

3Q13 Income Statement

✓ Sales W173bn, Operating Profit –W7bn(OPM -4.3%)

(Wbn)

	'13.3Q	'12.3Q	YoY	'13.2Q	QoQ
Sales	173 ¹	290	-40.3%	212	-18.4%
COGS ratio(%)	(97.2%)	(85.4%)	(+11.7%p)	(91.8%)	(+5.3%p)
Gross Profit	5	42	-88.1%	17	-70.6%
SG&A	12	17		15	
Operating Profit	-7	25	TR	2	TR
OP Margin(%)	(-4.3%) ²	(8.7%)	(-13.0%p)	(+0.9%)	(-5.2%p)
Other gain & loss*	1	-2		0.8	
Financial income & expense	-6 ³	-0.2		-1.8	
Equity Method gain & loss	2 ⁴	-0.1		0.2	
Pretax Profit	-10	22	TR	1.1	TR
Tax	-3	4		0.1	
Net Profit	-7	18	TR	1	TR

- Other gain & loss are classified as non-operating profit and loss according to the new business accounting standard

'13.3Q Main Points

1 Sales -40.3% YoY

- Sales fell due to the delay deliveries in marine engines and diesel power plants

2 Operating Margin -4.3% (Turned Red)

- Operating Profit turned red since sales decreased and the deteriorated COGS ratio - COGS ratio ('12.3Q: 85.4% → '13.3Q: 97.2%)

3 Financial Income/Expense –W5.7bn

- Interest Income & Expense –W3.4bn
- FX Translation Gain & Loss +W2.8bn
- Forward Hedging Gain & Loss –W5.3bn

4 Equity Method Gain/Loss +W2bn

- Equity Method Gain +W6bn
- Equity Method Loss -W4bn

Balance Sheet

✓ Net Debt W124bn, Liability Ratio 121%

(Wbn)

	'12.12	'13.09	+/-
Current assets	641	511	① -130
Non-current assets	1,145	1,120	-25
Total assets	1,786	1,631	-155
Current Liabilities	718	522	-196
Advance receipts	393	314	-79
Non-current liabilities	320	372	+52
Total liabilities	1,038	894	② -144
Paid in capital	69.5	69.5	0
Capital Surplus	367	367	0
Retained earnings	333	327	-6
Accumulated other comprehensive income	-22	-27	-5
Total equities	748	737	-11
Total debt	313	348	+24
Cash & Cash Equivalents	267	225	-42
Net Debt	+46	+124	③ +77
Liability Ratio	139%	121%	-18%p

Key Points

① Current assets –W130bn

- Cash & Cash Equivalents fell W42bn due to the decreased new orders and return of debt

② Total liabilities –W144bn

- Advance receipts dropped W79bn since new orders decreased
- Account payable decreased -W47bn
- Short term debt fell -W23bn

③ Net Debt +W77bn

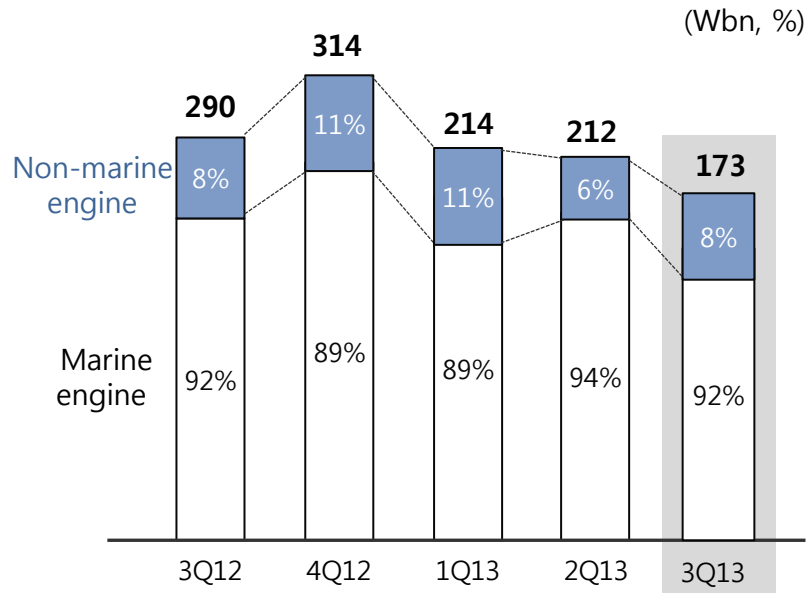
Quarterly Sales & New Orders

✓ 3Q13 Sales : W173bn(-40% YoY)

✓ 3Q13 New orders : W134bn (Including the non-recognized orders the actual new orders reached W180bn)

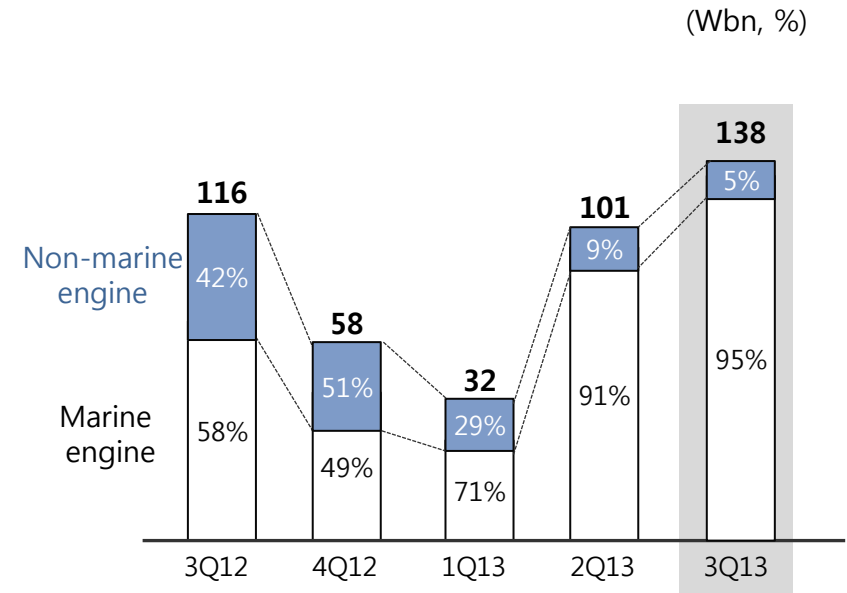
→ Marine engine new orders are showing gradual improvement every quarter due to the recovery in the commercial vessel market

Quarterly Sales Trend



- Marine engine
 - 3Q13 Sales W159bn (-20% QoQ, -40% YoY)
- Non-marine engine
 - 3Q13 Sales W14bn (+10% QoQ, -20% YoY)

Quarterly New Orders Trend

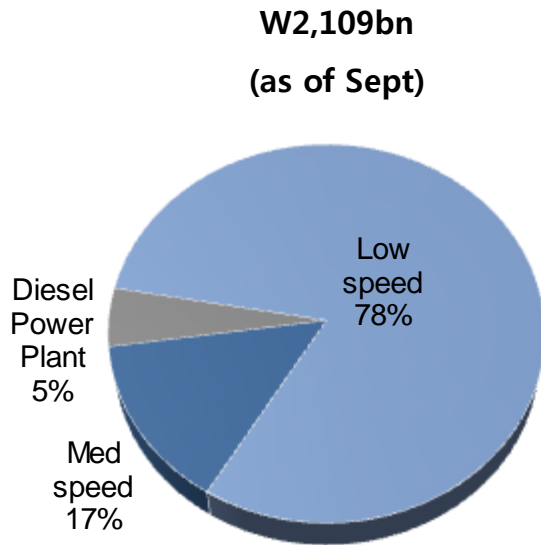


- Marine engine : W131bn
 - Non-recognized order W160bn(as of Sept)
- Non-marine engine : W7bn
 - Diesel Power Plant new orders struggled, Parts W7bn

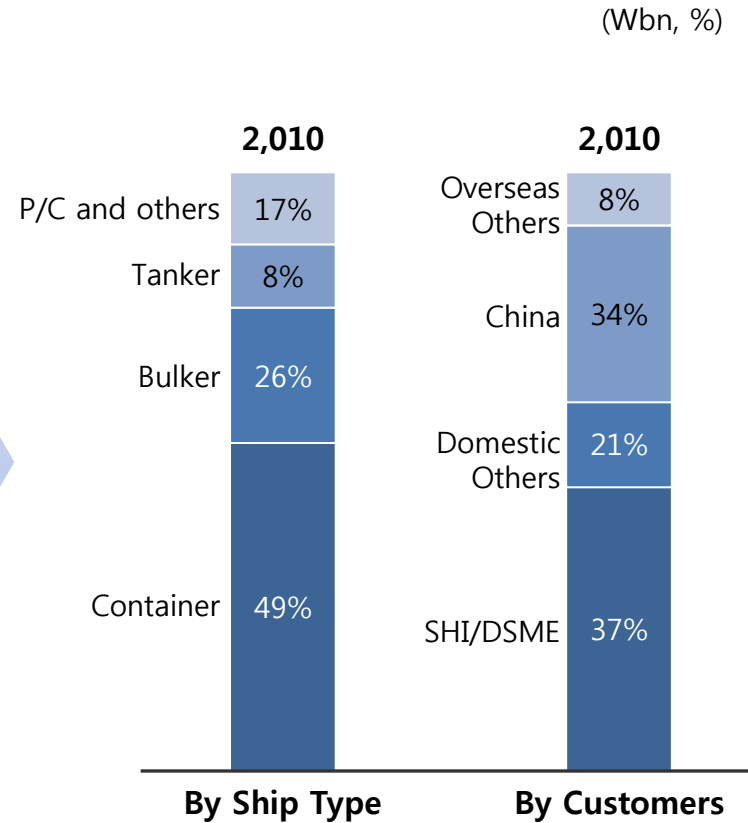
Order backlog

✓ Order backlog : W2.1tr, marine engine accounts 95%

Order Backlog Breakdown



Marine engine
(Low speed+ Med speed)
: W2,010bn



※ Backlog : Recognized upon contract sign basis
(reflection of cancellation and order changes)

Table of Contents

I. 3Q13 Operating Results

II. Mid to Long-Term Strategy

III. Investment Points

Appendix

Mid to Long-Term Growth Strategy

- ✓ Implementing a diverse business portfolio by strengthening diesel power plant and focusing non-shipbuilding business
- ✓ Strengthening marine engine business by securing cost competitiveness and differentiated order-taking competitiveness

Strategy	'13 Key Strategy	Main Issues
<p>1</p> <p>Stable Business Portfolio</p>	<ul style="list-style-type: none"> • Strengthening Diesel Power Plant • Building a diversified business portfolio by improving non-shipbuilding business 	<ul style="list-style-type: none"> • Implementing EPC based system engineering • Expanding new order pool and market intelligence • Developing eco-efficiency ship parts • Developing non-shipbuilding business
<p>2</p> <p>Strengthen Marine Engine Competitiveness</p>	<ul style="list-style-type: none"> • Strengthening marine engine business 	<ul style="list-style-type: none"> • Securing cost competitiveness • Strengthening R&D/sales force

Mid to Long-Term Vision

✓ Focusing on non-marine engine areas to achieve W3tr sales by 2017

Mid to long-term Financial Aspiration – Sales

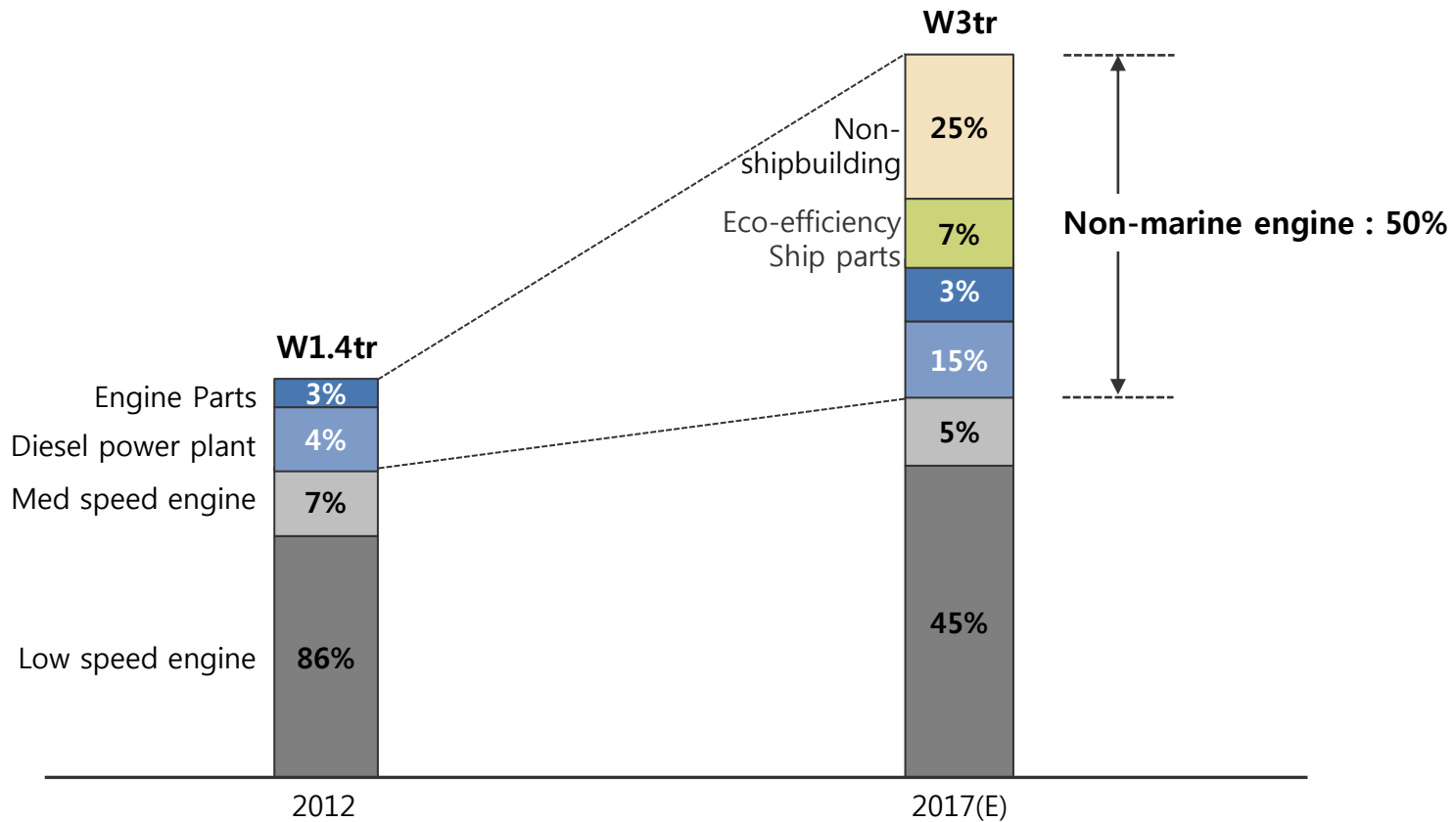


Table of Contents

I. 3Q13 Operating Results

II. Mid to Long-Term Strategy

III. Investment Points

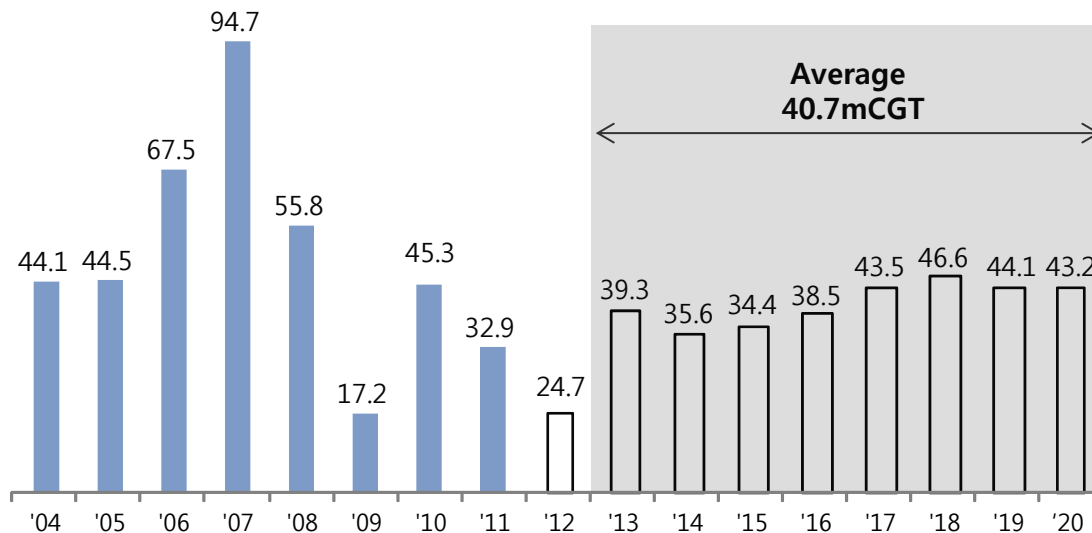
Appendix

Shipbuilding market outlook

- ✓ The global new order outlook will start to recover from 2013 and likely to maintain an annual average of 41mCGT level until 2020
- ✓ Eco-efficiency ship parts market will significantly grow to W3tr in 2020 after the market develops in 2014

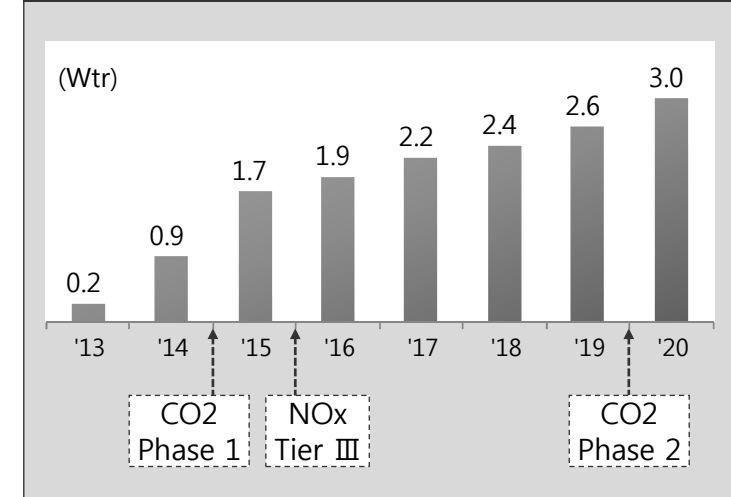
Global new order outlook

(mCGT)



* Source : Clarkson Forecast Report('13.9)

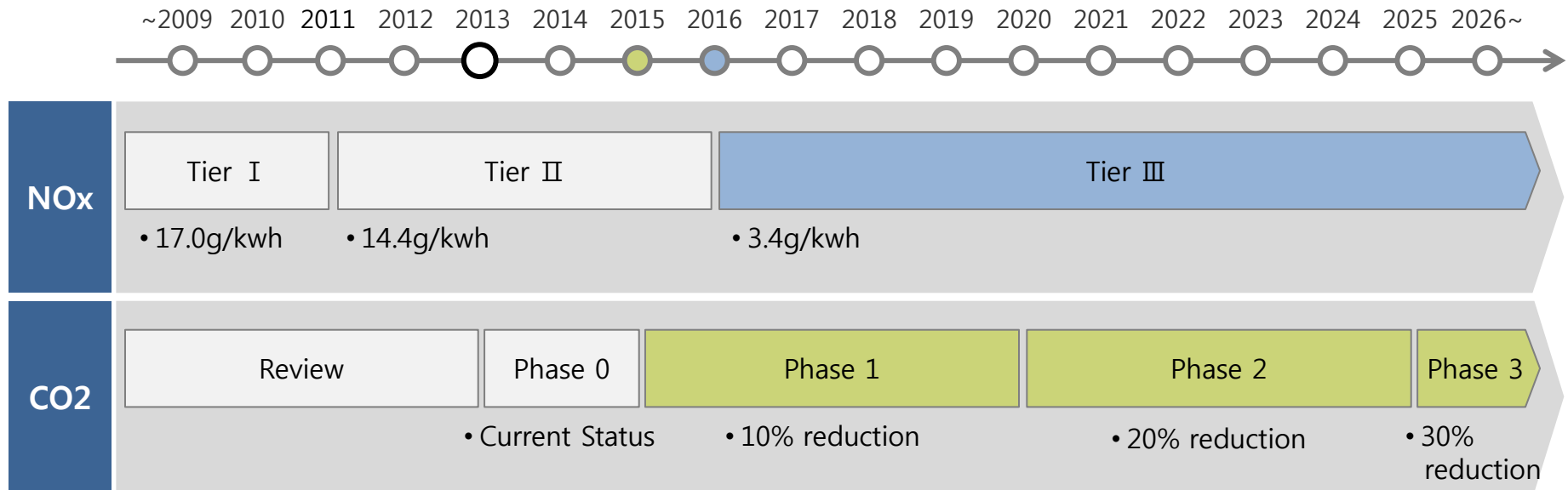
Eco-efficiency ship parts market size outlook



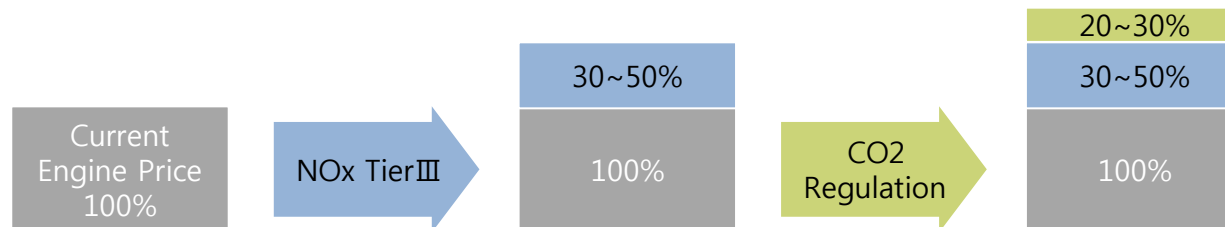
* Source : Doosan Engine Estimates

Investment Points 1. IMO environmental regulation trend

IMO regulation Milestone



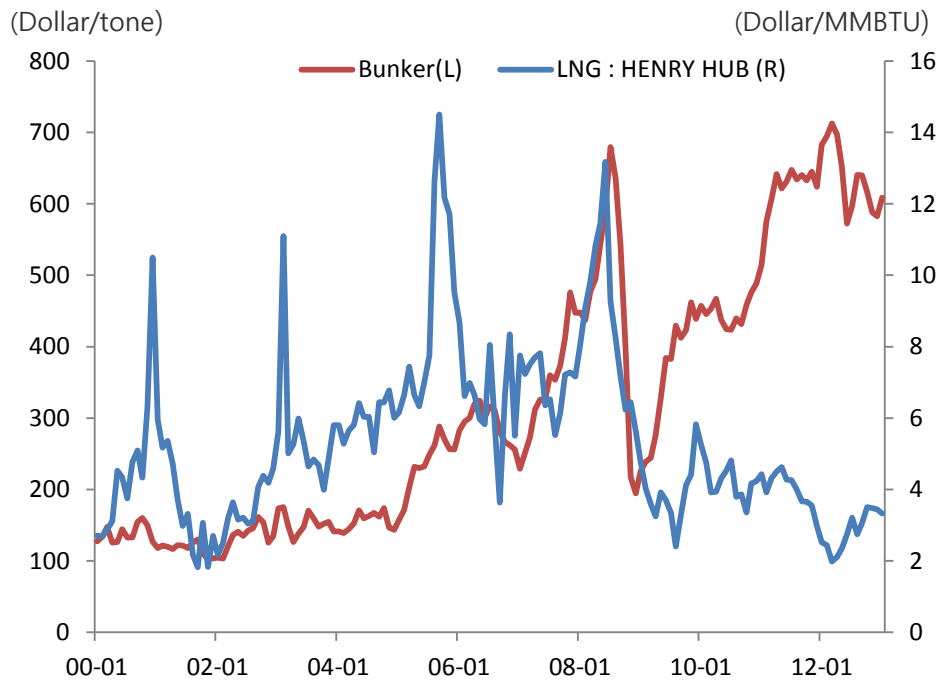
Impact on Engine Price



Investment Points 2. ME-GI(Electric driven-Gas Injection) Engine(1/2)

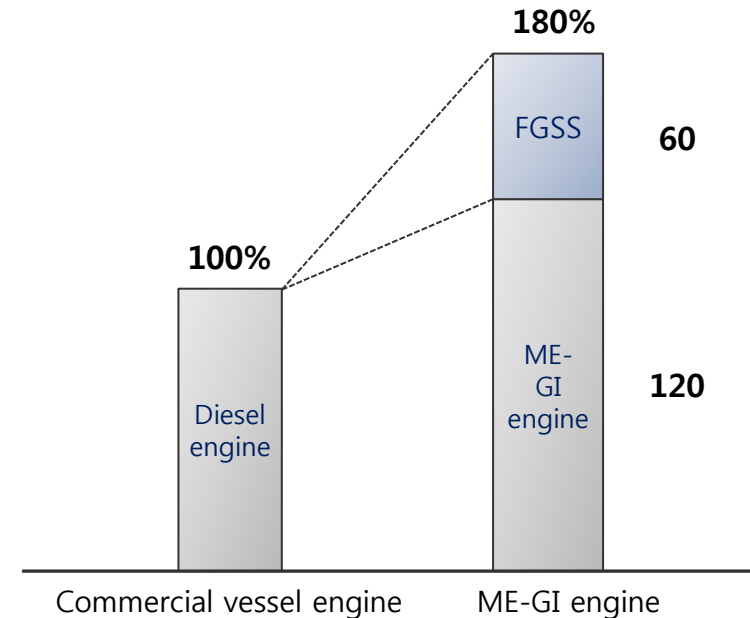
- ✓ The expansion of shale gas led to the decrease of natural gas price, LNG is environment friendly and secures economic efficiency
- ✓ The price of ME-GI engine is higher than the conventional diesel engine, therefore it will create new business opportunity

Natural price and bunker price trend after 2000



* Source : Bloomberg

Engine price impact

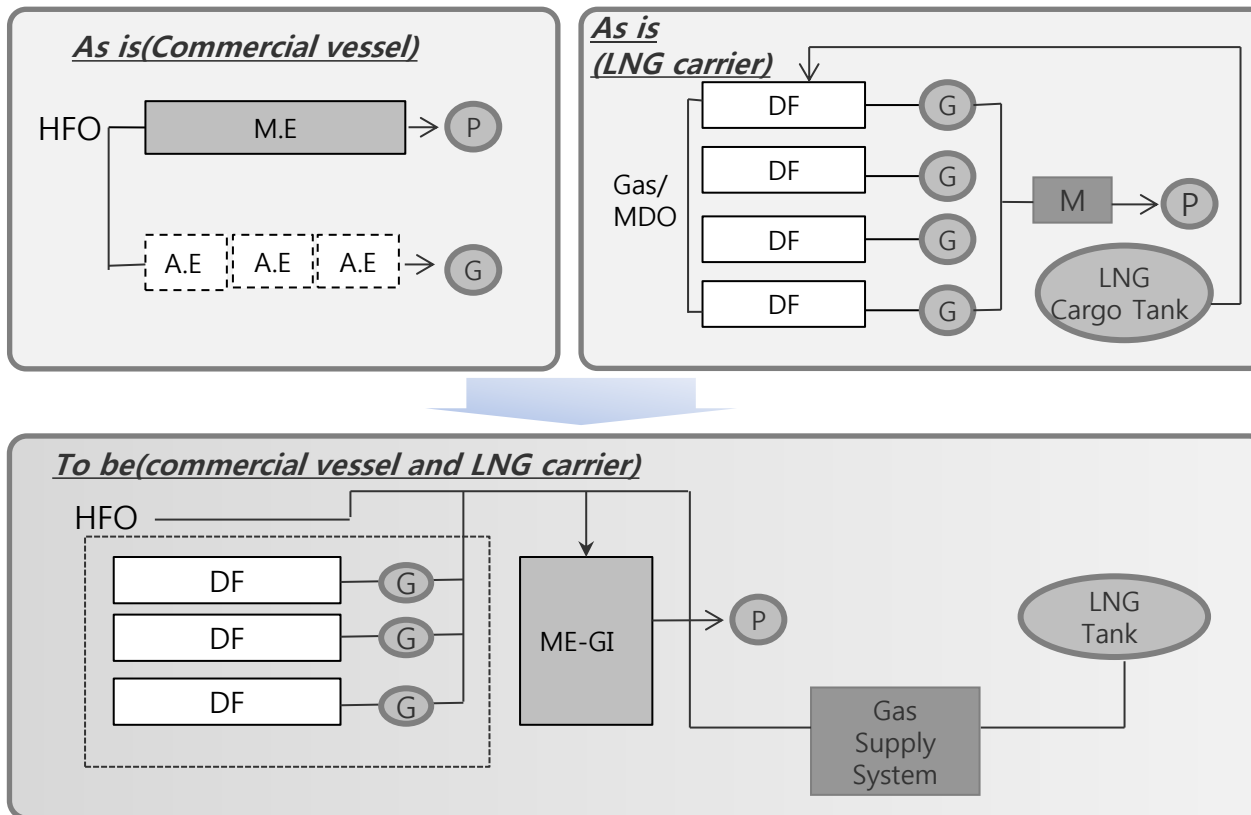


* FGSS : Fuel Gas Supply System, we expect to outsource from DSME

Investment Points 2. ME-GI(Electric driven-Gas Injection) Engine(2/2)

- ✓ ME-GI engine meets environment regulation issues and easily generates massive output power
- ✓ The future engine propulsion system in commercial vessel(diesel engine) and LNG carrier(DF engine) will likely replace to ME-GI engine

The change of engine propulsion system



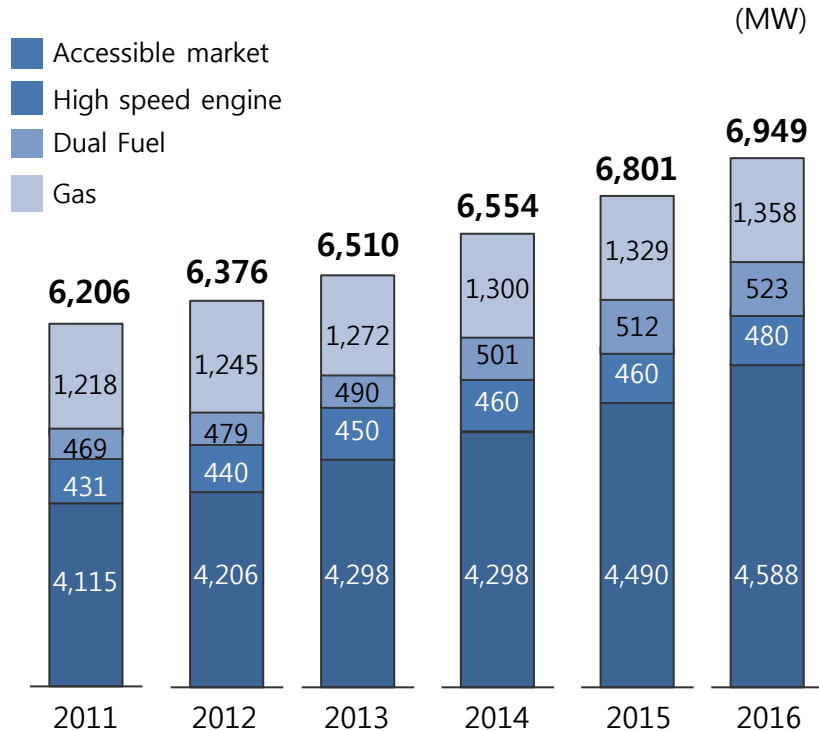
Engine efficiency/ Environment regulation		
	Engine efficiency	Environment regulation
Diesel engine	46%	X
Med speed DF engine	40%	O
ME-GI engine	46%	△

- M/E= Main Engine A/E= Auxiliary Engine, DF=Dual Fuel, P=Propeller G=Generator HFO=Heavy Fuel Oil MDO= Marine Diesel Oil, M=Motor

Investment Points 3. Diesel Power Plant Market

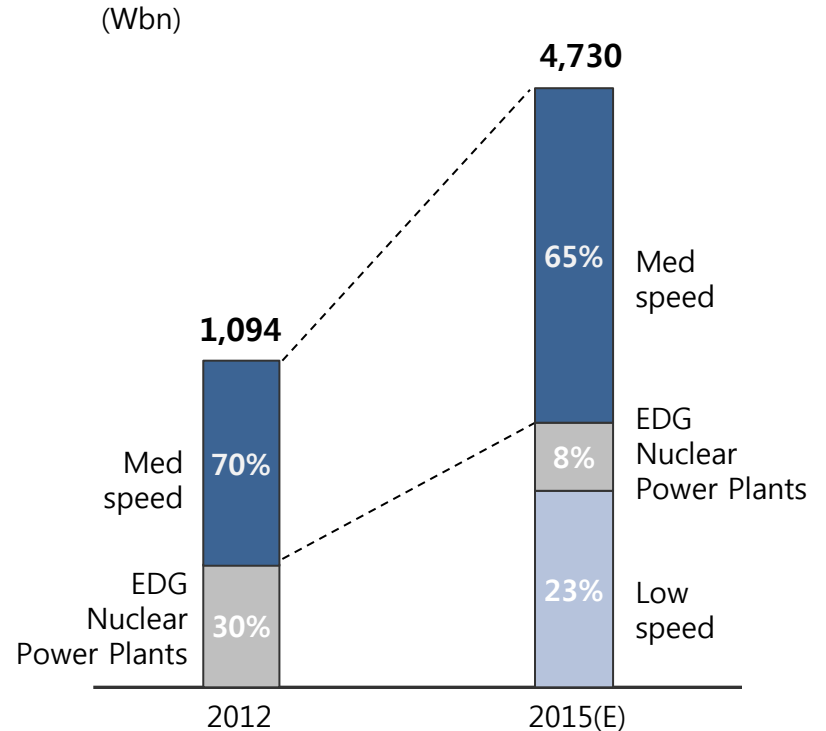
- ✓ The diesel power plant market will grow an average of 6,585MW per year since the increasing demand of small to mid sized electricity, our accessible market is around 4,348MW(W4tr)
- ✓ Improvement in EPC based system engineering will strengthen the diesel power plant business in the long term

Diesel power plant market outlook



* Source : IEA, World Energy Outlook 2010

Mid to long-term new order outlook

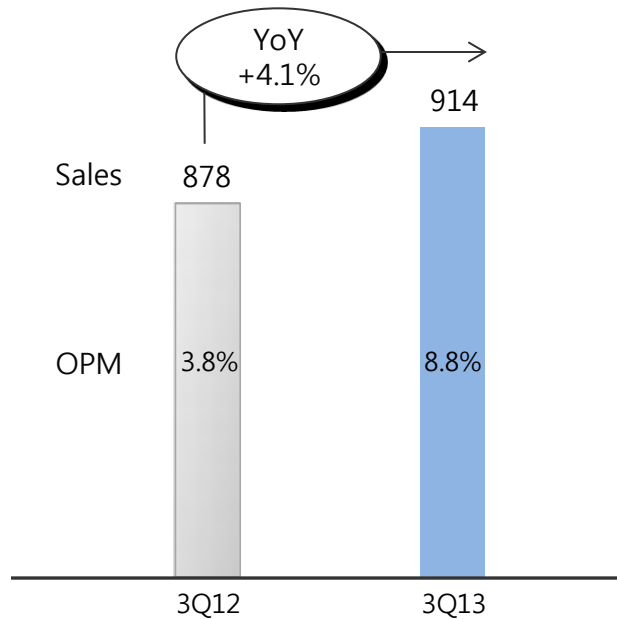


Investment Points 4. Bobcat Earnings

- ✓ 3Q13 Sales : W914bn (+4.1% YoY)
- ✓ The favorable performance in North America and recovery in Europe resulted 3Q13 equity method gain of Bobcat W2bn (2Q13 Equity method gain of Bobcat W0.2bn)

Bobcat Sales and Operating Profit Trend

(Wbn, %)



* Source : Doosan Infracore IR Presentation ('13.10)

Bobcat Operating Results

(Wbn, %)

	'12.3Q	'13.3Q	YoY
Sales	878	914	+4.1%
OP	33	81	+145.5%
OPM(%)	(3.8%)	(8.8%)	(+5.0%p)

Equity Method Gain/Loss

(Wbn, %)

	'12.3Q	'13.3Q
Stake(%)	18.4%	15.5%
Acquisition Cost	738	738
Book Value	344	440
Gain(Loss) on Equity Method of Bobcat	0	2

Appendix

- I. Company overview**
- II. History**
- III. Plants**
- IV. Production infrastructure**
- V. Business area**

Appendix 1. Company Overview

Overview

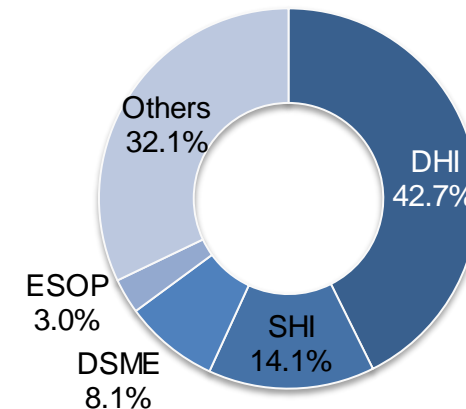
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%)
Capital	W69.5bn
No. of Employees	1,005 [As of Dec 2012]
Subsidiary	Doosan Marine Industrial (DMI) Dalian Co., Ltd (100% owned)

Business Areas

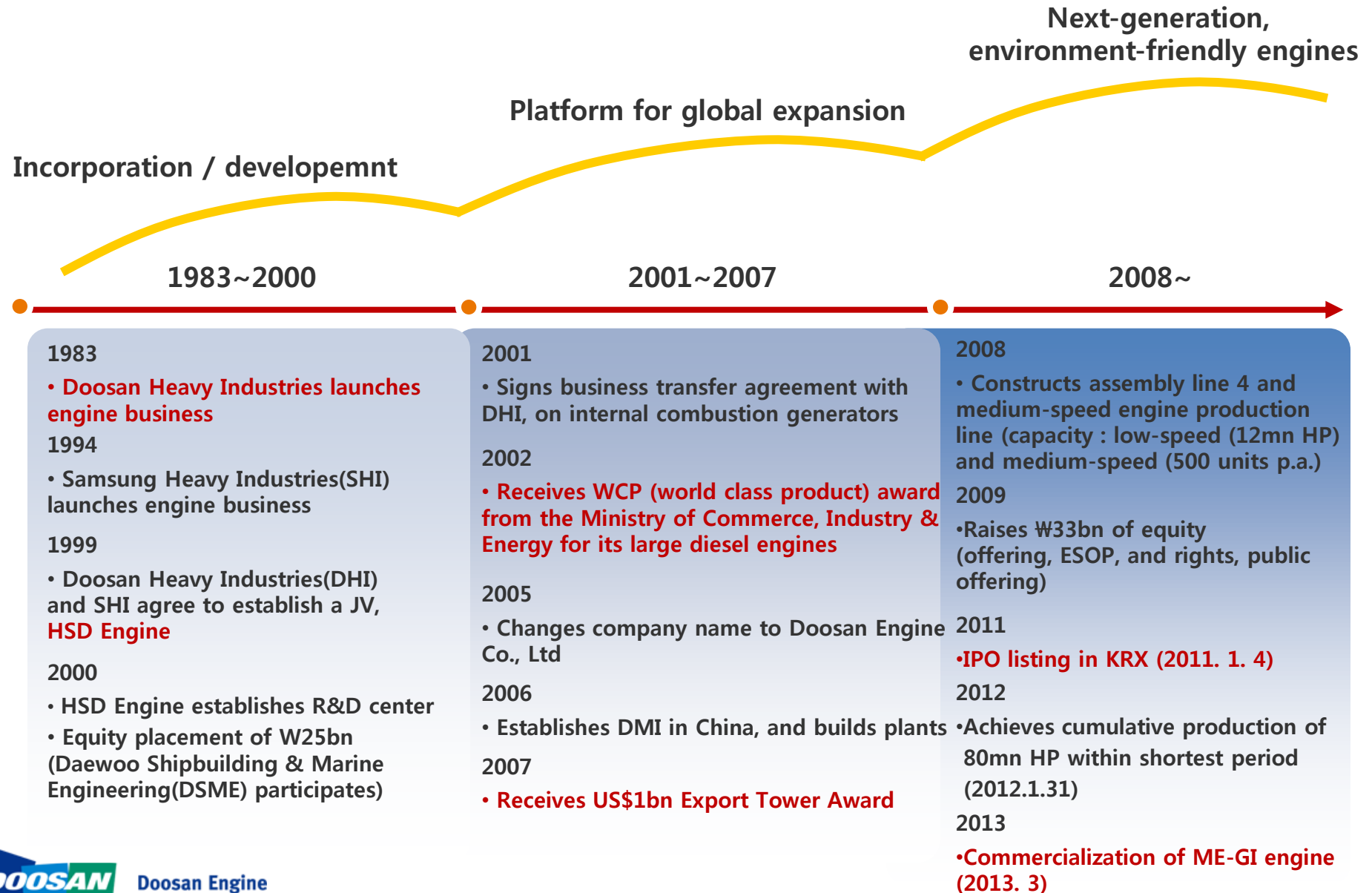
Business Areas	Sales (2012)	% of sales
Low-speed engine	W1,183bn	86%
Med-speed engine	W92bn	7%
Diesel power plant	W59bn	4%
Engine parts and C/S	W45bn	3%
Total	W1,379bn	100%

Shareholders

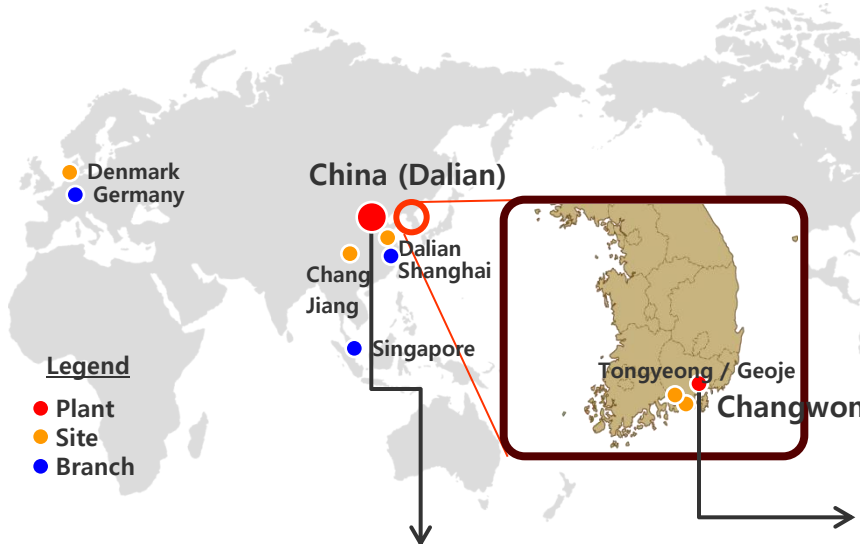
[As of 2012.12.31]



Appendix 2. History



Appendix 3. Plants



Dalian, China plant



- Size : 57,904m² (17,500 pyeong)
- Product line-up : Diesel engine parts
- Production capacity : 250 blocks of engine canning parts

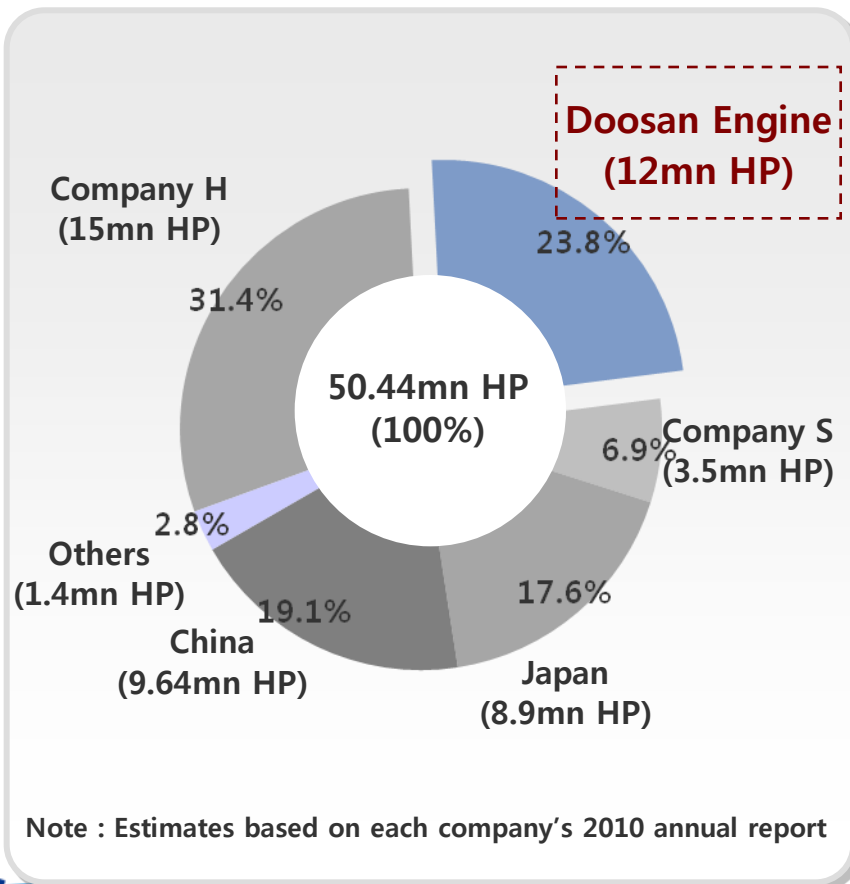


- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

Classification	Size(m ²)	Production CAPA (per year)
Low-speed engine plants	42,720 (12,922 pyeong)	12,000,000 HP
Med-speed engine plant	17,010(5,145 pyeong)	2,000,000 HP
Processing plant	27,100(8,197 pyeong)	
Canning plant	4,894(1,480 pyeong)	
Total Capacity		14,000,000 HP

Second largest diesel engine production facility in the world

Low-speed diesel engine production Capacity



Production facilities and infrastructure

1. Large low-speed diesel engine plant

- Production capacity : 12mn HP
(Operating in 9mn HP)
- Assembly and testing plants
- Processing plant (7 Plano Millers, 8 Boring)
- Canning plant(250 blocks/year)

2. Medium-speed diesel engine plant

- Production capacity : 500units
- Assembly and testing plants
- Processing plant (5 Plano Millers, 4 Mill-Turns)

3. Top-of-line production infrastructure

- High-quality supply chain
(Quality/stable procurement and joint R&D)
- Cutting-edge production system
("Flow production", "fool-proof" system)
- Skilled design and production workforce

Appendix 5. Business area : Low-speed diesel engines

Low-speed diesel engines



- Main Business(2012 Sales- 86% of total sales)
- Uses : Large vessels
(e.g. containerships, crude tankers, LNG carriers)
- Market position : No.2 globally, with 24% m/s
- Customers : SHI, DSME, Yangzijiang(China)
Sinopacific(China), COSCO(China)

Containership engines



Crude tanker engines



LNG carrier engines



Bulk carrier engines



Appendix 5. Business area : Med-speed diesel engines

Medium-speed diesel engines



- New growth business
(Sales : 7% of total sales in '12)
- Uses : Auxiliary engines in large ship engines,
Propulsion engines in small to mid-sized ships
- Customers : SHI, DSME, China, Brazil



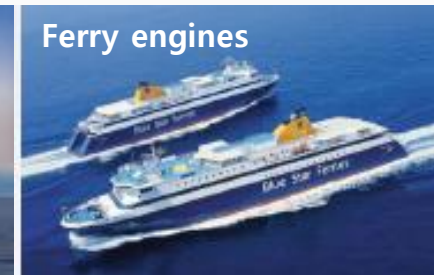
Warship (Dokdo
naval ship) engines



Cruise engines



Drillship engines



Ferry engines

Appendix 5. Business area : Power plants (Low-speed & Medium-speed)

Diesel Power Plant

Med-speed Diesel Power Plant

- Med-speed diesel power plant engine
- Generates 1~25MW power suited for small capacity power plant
- Installed in small islands or remote areas and used for emergency purpose
(Philippines, Fujairah, Bangladesh)



Emergency Generators for Nuclear Power Plants

No.1 supplier of emergency generators for nuclear power plants

- Exclusive supplier of emergency generators for nuclear power plants in Korea; Orders to grow from rise in nuclear power plant exports
- Generates power capacity of 3,500 ~ 9,000KW
- Supplied to the major nuclear power plants in Korea

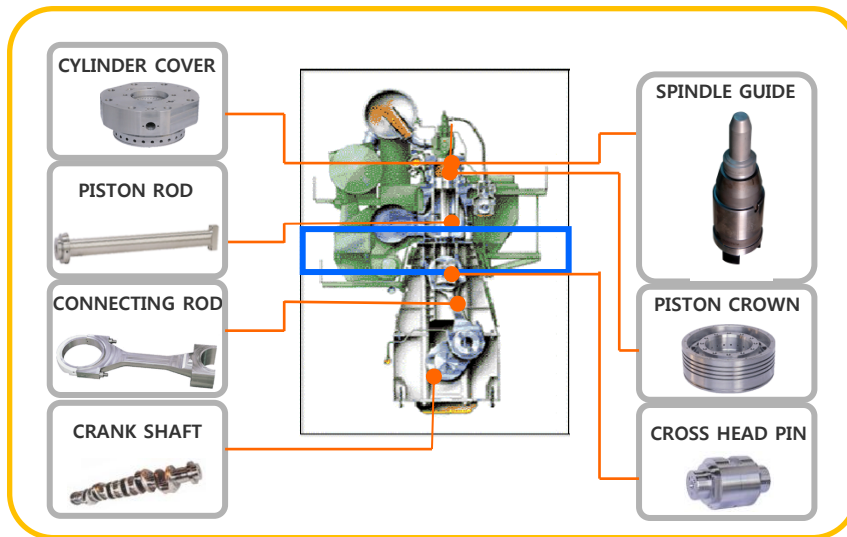


※ DPP (Diesel Power Plant) : Power plant with small capacity that is used in a place where construction is difficult (e.g. islands)

EDG (Emergency Diesel Generator) : EDG is a diesel-powered emergency backup systems for nuclear power plants

Appendix 5. Business area : Parts & C/S

Main engine parts



- Uses : Ship engines, Retrofit
- Customers :
 - 14 agencies (12 domestic, 2 overseas)
 - Ship owners: A.P.Moller(Denmark), CSCL(China), NOVO Ship(Russia)
- Market size : ₩600bn(as of 2012)
- Business overview
 - Domestic production of engine parts
 - Developing paid A/S items



CYLINDER COVER



ROD(CON/PISTON)



ALPHA RETROFIT



CROSS HEAD PIN