Doosan Engine

Investor Relations

2012 Operating Results

March 2013
Doosan Engine

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Disclaimer

This presentation contains preliminary figures which may be materially different from the final figures.

While the statement in this presentation represent our current assumptions, plans and expectations, and we believe these judgments are reasonable, they are not guarantees of future performance and involve known and unknown risks, uncertainties such as FX & raw material costs, and other factors that may cause actual results to differ materially from the results, performance, achievements or financial position expressed or implied in this presentation.

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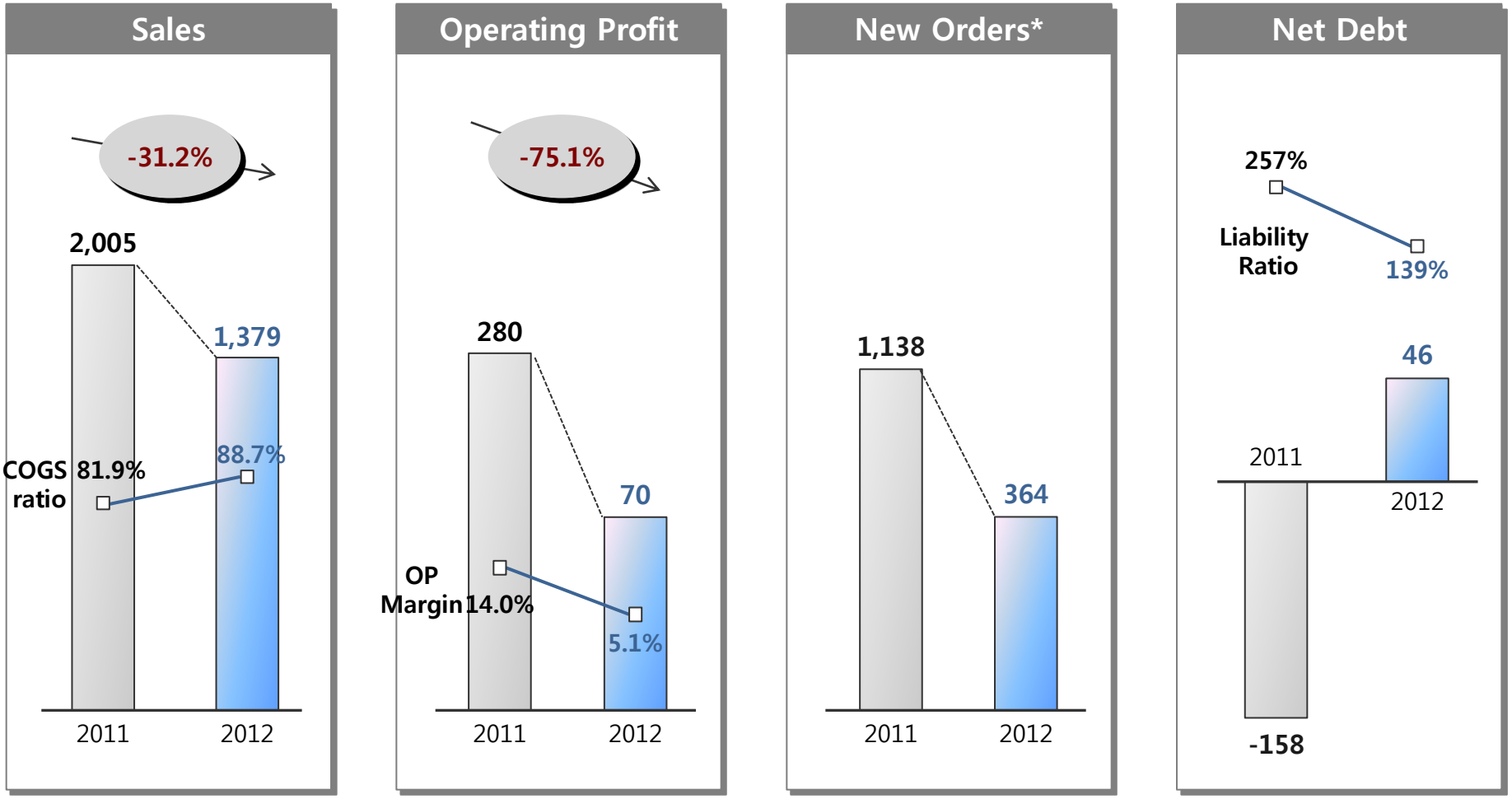
2012 Operating Results Summary

(Wbn)



- New Orders : Based on receiving advance receipts

4Q Income Statement

✓ Sales W318bn, Operating Loss W22bn(OPM -7.0%)

(Wbn)

	'12.4Q	'12.3Q	QoQ	'11.4Q	YoY
Sales	318 ①	288	+10.3%	532	-40.3%
COGS ratio(%)	(96.9%)	(85.7%)	(+11.2%p)	(86.5%)	(+10.4%p)
Gross Profit	10	41	-75.8%	72	-86.1%
SG&A	32	17		21	
Operating Profit	-22	23	TR	51	TR
OP Margin(%)	(-7.0%) ②	(7.9%)	(-15.9%p)	(9.6%)	(-17.5%p)
Other gain & loss*	-4	-1		-10	
Financial income &loss	-0.9 ③	-0.2		+4	
Equity Method gain & loss	111 ④	-0.1		+0.9	
Pretax Profit	85	22	+286.4%	47	+80.9%
Tax	-7	4		18	
Net Profit	91	18	+411.1%	29	+217.2%

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

4Q Main Points (QoQ)

① Sales +10.3%(QoQ)
- Increase in deliveries(deferred from 3Q)

② OP Margin -7.0% (Turned Red)
- Deteriorated Product Mix
- SG&A increased W15bn QoQ
  - One-off expense occurred due to restructuring related cost(W20bn)

③ 4Q Financial Income/Expense -W0.9bn
- Interest income & expense -W0.1bn
- FX translation gain & loss +W5.2bn
- Forward hedging gain & loss –W6.2bn

④ Gain/Loss Equity Method +W114bn
- Gain on equity investment evaluation +W20.1bn
- Gain on disposal of equity investment +W91.3bn (Bobcat stake fell 18.4%→15.5%)

2012 Income Statement

✓ Sales W1,379bn, Operating Profit W69bn(OPM 5.1%)

(Wbn)	2011	2012	YoY
New Orders[1)]	1,138	**346**	-69.6%
Sales	2,005	**1,379**	-31.2%
COGS ratio(%)	81.9%	**88.7%**	+6.8%p
SG&A	68	**85**	
Operating Profit	280	**69**	-75.0%
OPM(%)	14.0%	**5.1%**	-8.9%p
Other Gain[2)]	7	13	
Other Loss[2)]	23	12	
Financial Income	83	121	
Financial Expense	78	120	
Gain/Loss on Equity Method	12	136	
Pretax Profit	297	**208**	-30.0%
Net Profit	225	**190**	-15.6%
Net Debt	-158	**46**	
Debt ratio	257%	**139%**	

1) New Orders : Based on receiving advance receipts
2) Other gain & loss are classified as non-operating profit and loss according to the business accounting standard, 2011 operating profit before the change of accounting standard

Main Issues	
New Orders	• **New Orders W346bn (-69.6% YoY)** - Marine engine orders struggled due to the depressed commercial vessel market - Diesel Power Plant new orders W109bn
Sales	• **Marine Engine :** Engine shipments declined from the decrease in engine shipment • **Diesel Engine** : Sales jumped W22bn due to increase in progress completion
Non-Operating gain/loss	• **Financial Income/Expense +W1.2bn** - Interest income & expense +W3.5bn(-W2.2bn YoY) - FX Translation Gain & Loss+W7.4bn(+W10bn YoY) - Forward Hedging Gain & Loss -W9.1bn(-W9.3bn YoY) • **Gain/Loss on Equity Method +W136bn** - DSD, Casco -W1bn - Bobcat +W137bn (Gain on equity investment evaluation W46bn Gain on disposal of equity investment W91bn)

2012 Balance Sheet

✓ Net Debt W45bn, Liability Ratio 139%

(Wbn)

	'11.12	'12.12	+/-
Current assets	994	641	① -353
Non-current assets	1,056	1,145	+89
Total assets	2,050	1,786	-264
Current Liabilities	1,217	718	-499
Advance receipts	724	393	② -331
Non-current liabilities	259	320	+61
Total liabilities	1,476	1,038	-438
Paid in capital	69.5	69.5	0
Capital Surplus	367	367	0
Retained earnings	140	333	+193
Accumulated other comprehensive income	-3	-22	-19
Total equities	573	748	③ +175
Total debt	319	313	-6
Cash & Cash Equivalents	477	267	-210
Net Debt	**-158**	**+45**	④ +203
Liability ratio	**257%**	**139%**	-118%p

Key Points

① Current assets -W353bn

- Cash & Cash Equivalents fell due to the decrease of advance receipts and return of bond -W231bn
- Account receivable declined from the decrease number of engine shipments –W47.9bn

② Advance receipts -W331bn

- Advance receipts dropped since new orders decreased

③ Total equities +W174bn

- Increase of net profit +W190bn

④ Net debt +W203bn

- Cash fell due to the decreased new orders –W210bn

Order backlog

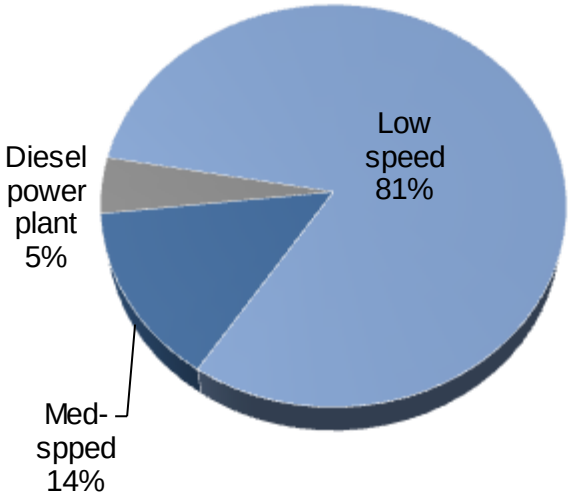
✓ **Order backlog : W2.2tr, marine engine accounts 95%**

Order Backlog Breakdown

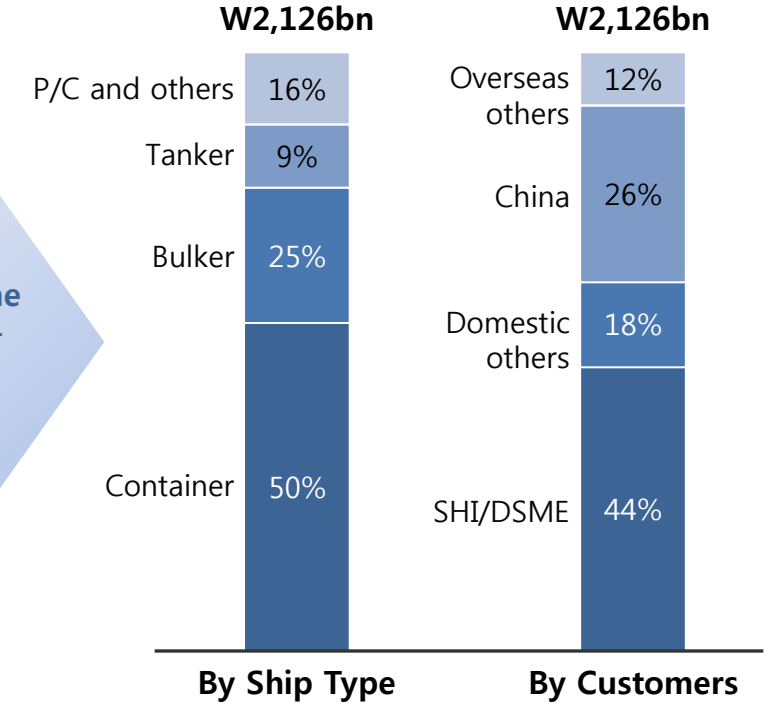
(Wbn, %)

W2,248bn

(as of Dec 2012)



Marine engine (low speed+ med speed) : W2,126bn

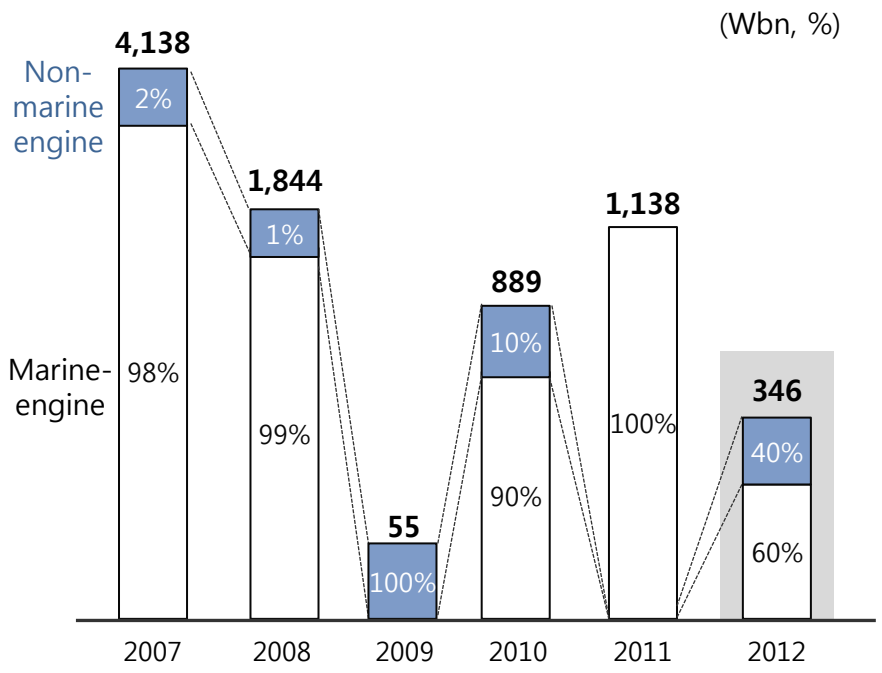


※ Backlog : Recognized upon receiving advance receipts (reflection of cancellation and order changes)

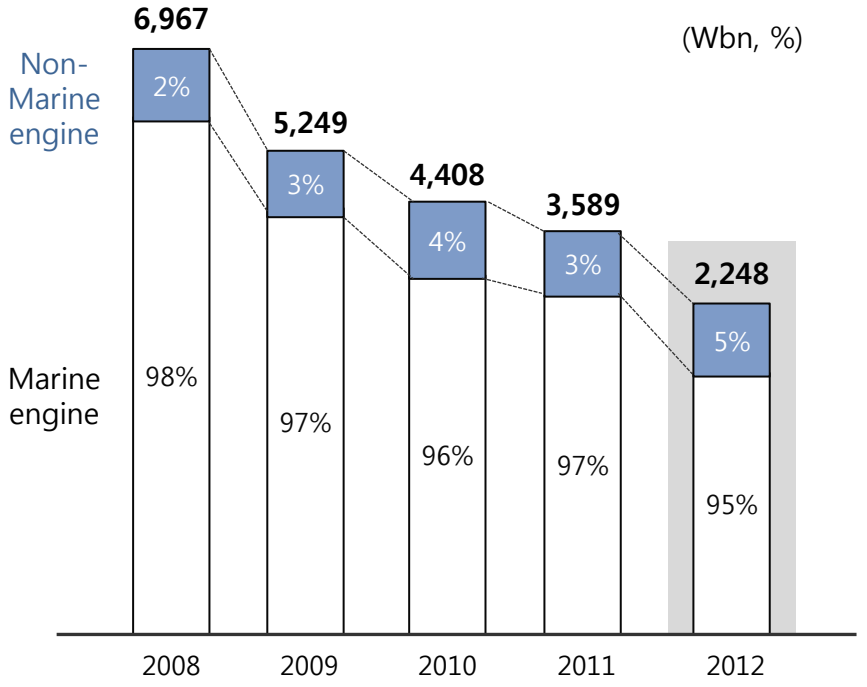
Annual new orders & order backlog

- ✓ **Order backlog dropped 37% YoY since new orders decreased and fell 68% against its peak in '08**
- ✓ **Marine engine new orders have struggled due to the depressed commercial vessel market, but the increasing new orders in diesel power plant contributed to building a diverse business portfolio**

Annual new orders trend



Annual order backlog trend



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Mid to Long Term Growth Strategy

✓ **Implementing a diverse business portfolio by strengthening diesel power plant and focusing non-shipbuilding business**

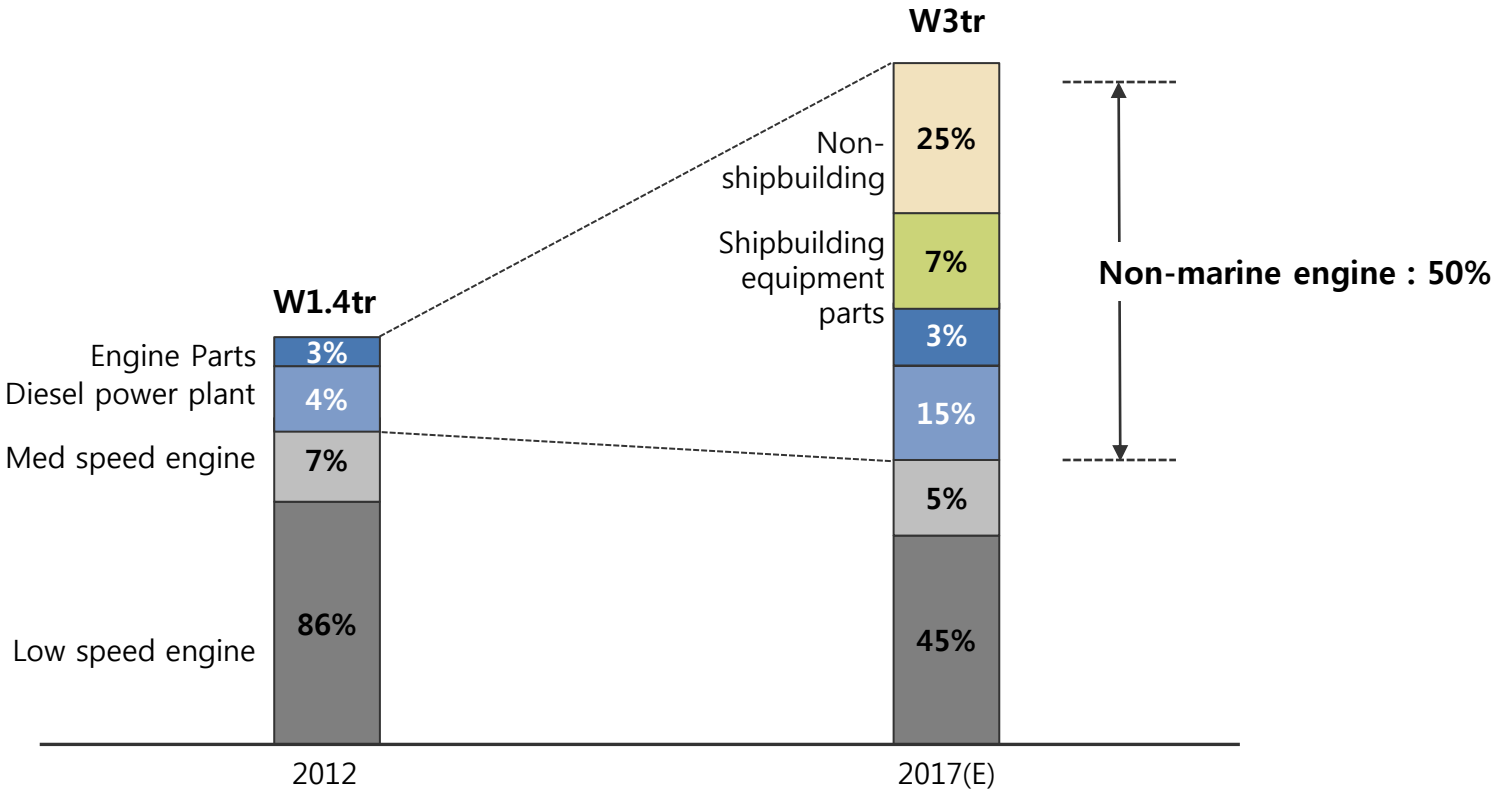
✓ **Differentiated order-taking competitiveness and securing cost competiveness by strengthening marine engine business**

Strategy	'13 Key Strategy	Main Issues
1 Stable Business Portfolio	• Strengthening Diesel Power Plant	• Implementing EPC based system engineering • Expanding new order pool and market intelligence
	• Improving non-shipbuilding business by building a diversified business portfolio	• Developing eco-friendly/efficiency-enhancing ship parts • Developing non-shipbuilding business
2 Strengthen Engine Business Competitiveness	• Strengthening marine engine business	• Securing cost competitiveness • Strengthening R&D/sales force

Mid-to-long term Vision

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

Mid to long term Financial Aspiration – Sales



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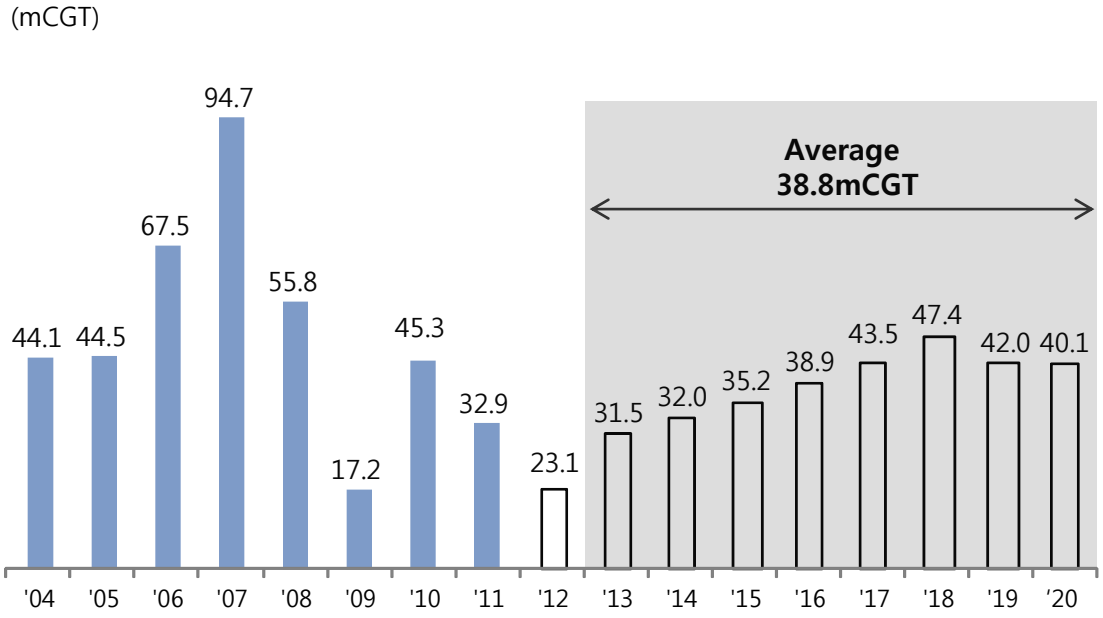
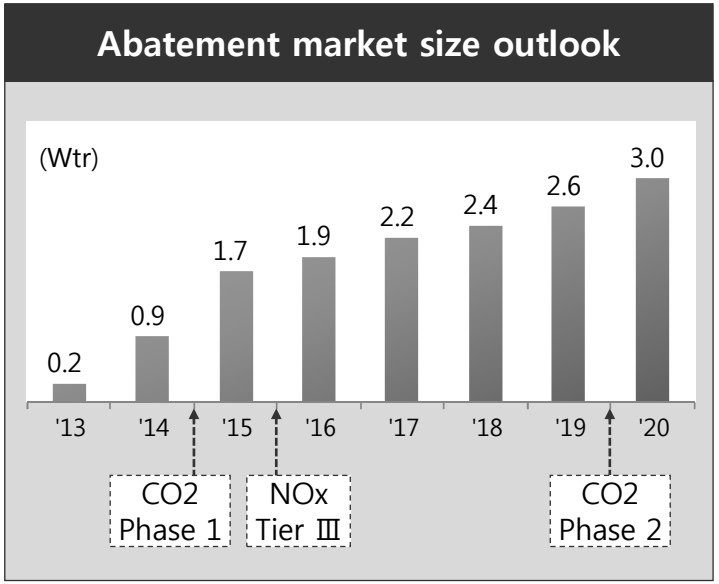
Shipbuilding market outlook

- ✓ **The global new order outlook will start to recover in 2013 and likely to maintain an annual average of 39mCGT level until 2020**
- ✓ **The abatement(emission reducing equipment)market will significantly grow to W3tr in 2020 after the market develops in 2013**

Global new order outlook



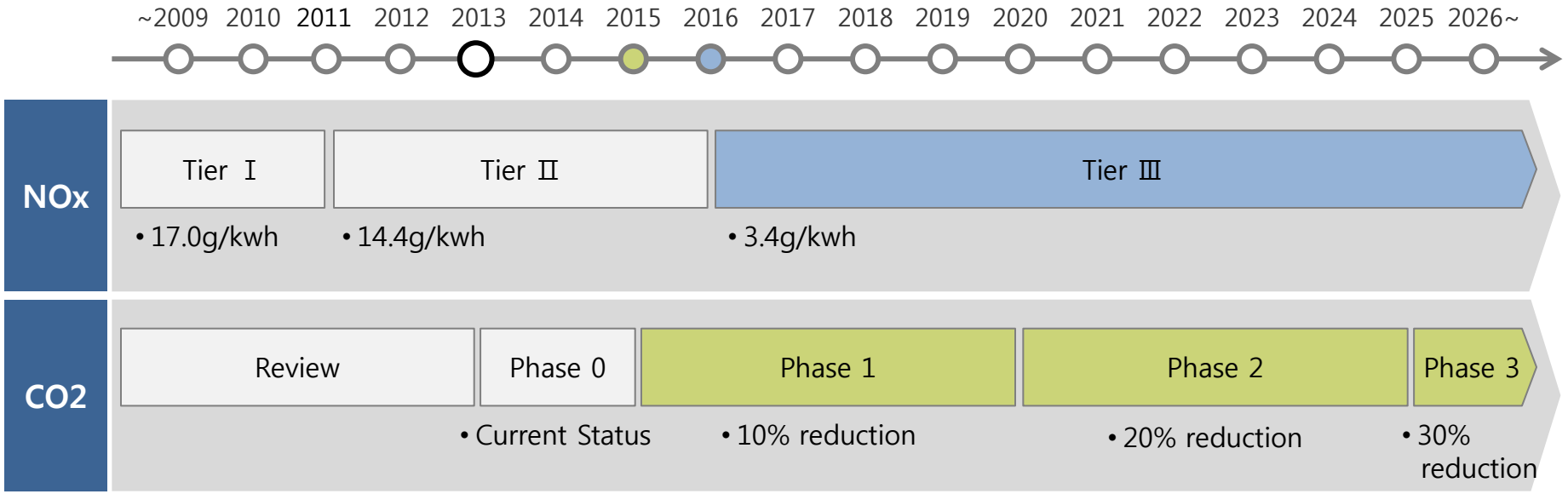
* Source : Clarkson Forecast Report('13.3)



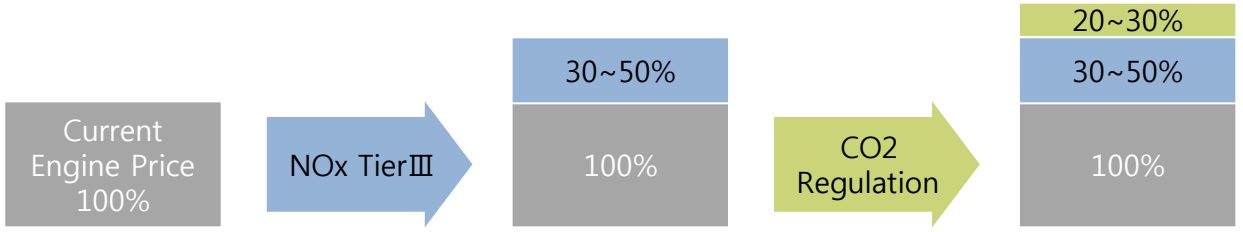
* Source : Doosan Engine Estimates

Investment Point 1. IMO environmental regulation trend

IMO regulation Milestone



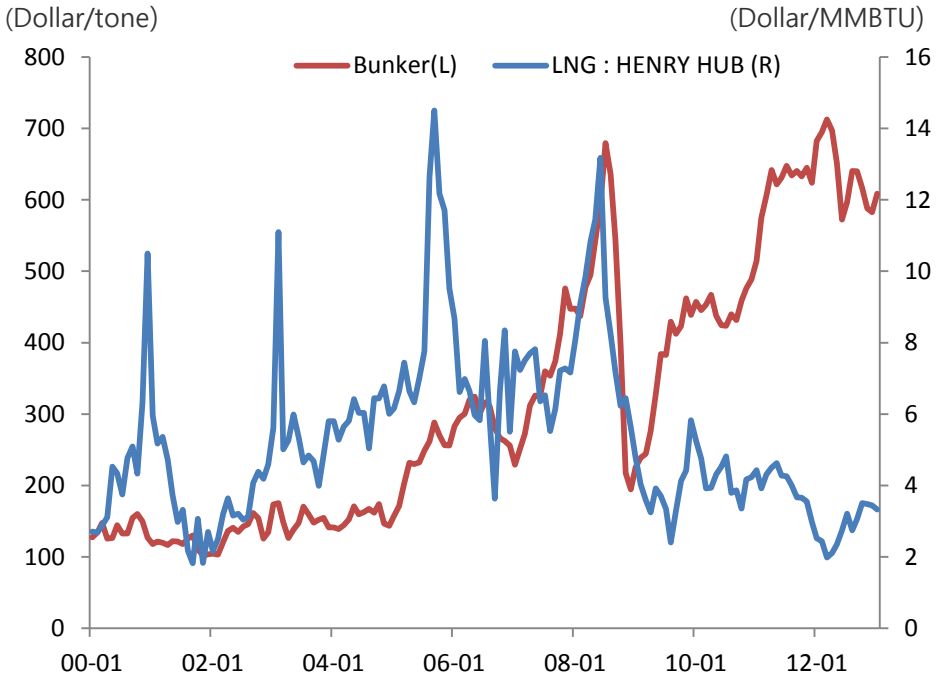
Impact on Engine Price



Investment Point 2 : ME-GI(ELECTRIC DRIVEN - GAS INJECTION) Engine(1/2)

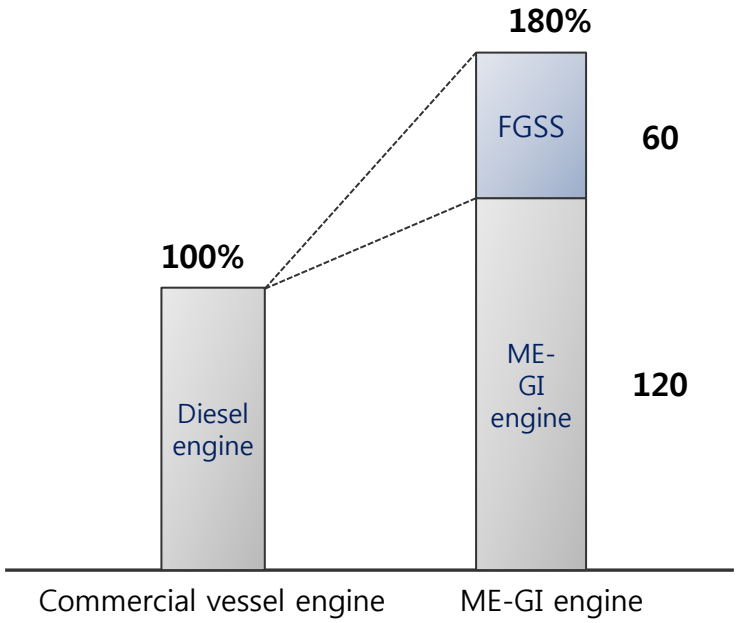
- ✓ **The expansion of shale gas led to the decrease of natural gas price, LNG is environment friendly and secures economic efficiency**
- ✓ **The price of ME-GI engine is higher than the diesel engine, therefore it will create new business opportunity**

Natural price and bunker price trend after 2000



* Source : Bloomberg

Engine price impact

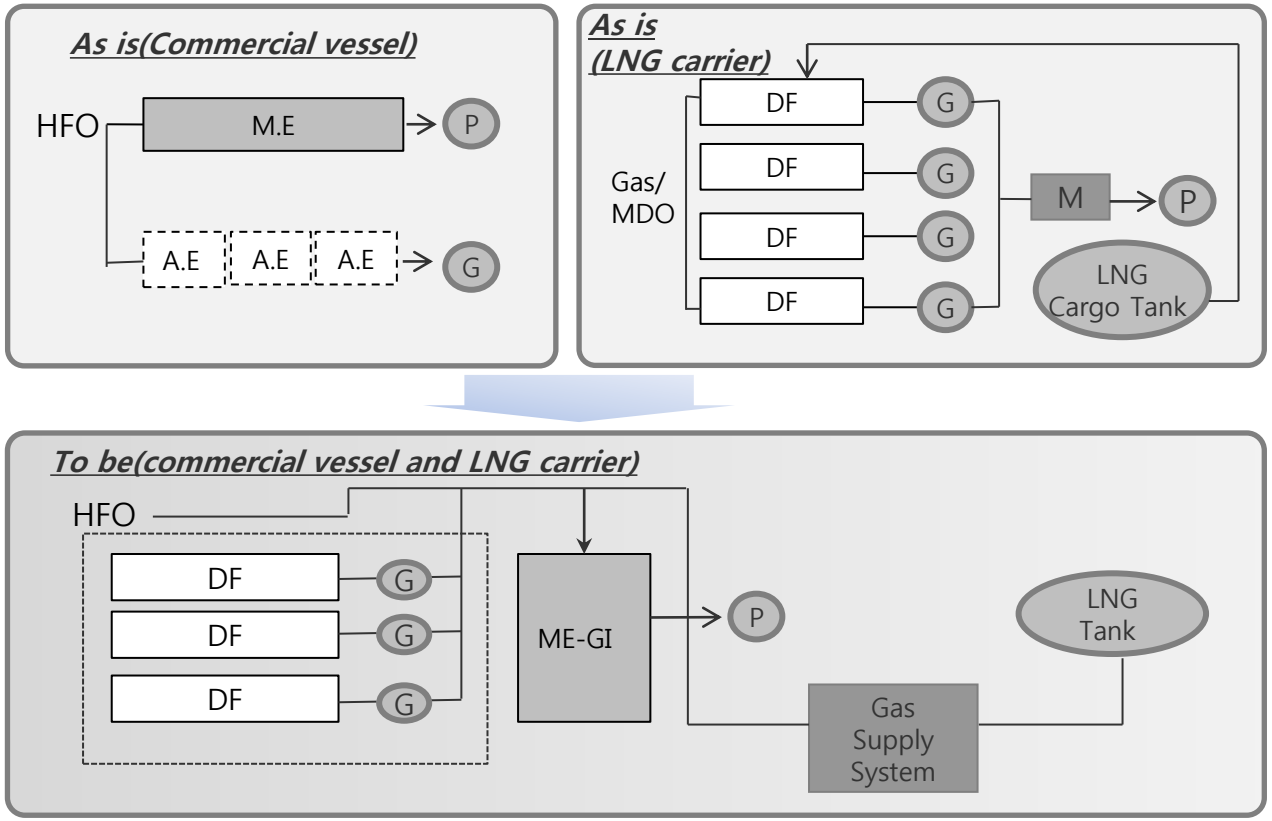


* FGSS : Fuel Gas Supply System, we expect outsource from DSME

Investment Point 2 : ME-GI(ELECTRIC DRIVEN - GAS INJECTION) engine(2/2)

- ✓ **ME-GI engine meets environment regulation issues and 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

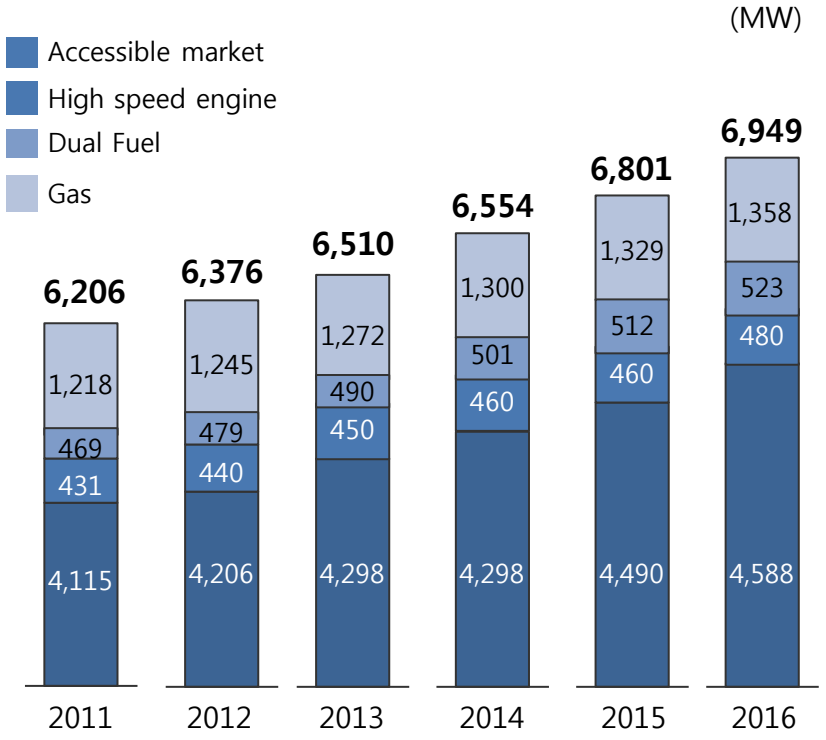
	Engine efficiency	Environment regulation
Diesel engine	46%	X
Med speed DF engine	40%	O
ME-GI engine	**46%**	△

- 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

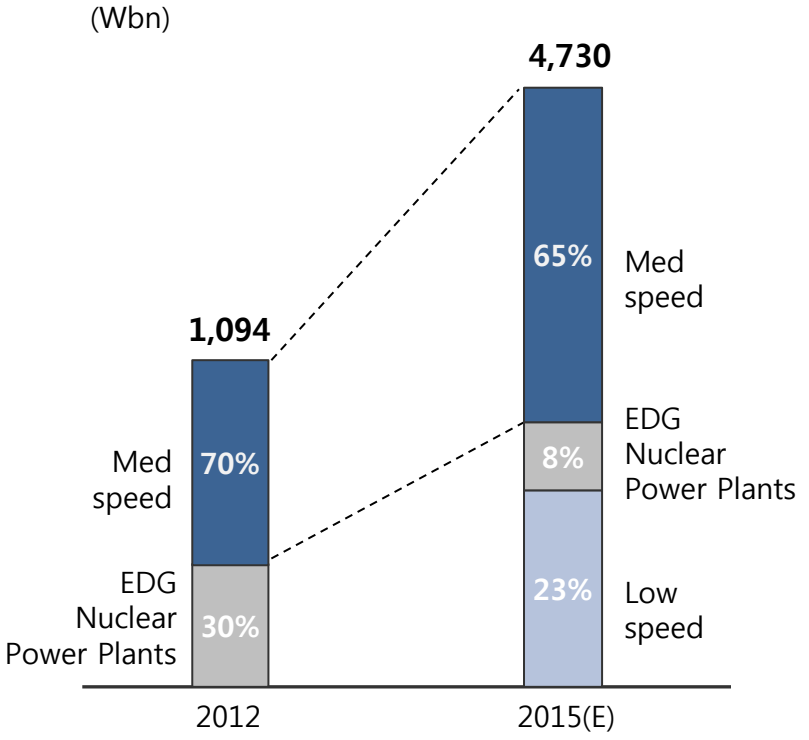
- ✓ **The diesel power plant market will grow an average of 6,585MW per year since the increasing demand of small to mid sized electricity, our accessible market is around 4,348MW(W4tr)**
- ✓ **Improvement in EPC based system engineering will strengthen the diesel power plant business in the long term**

Diesel power plant market outlook



* Source : IEA, World Energy Outlook 2010

Mid to long-term new order outlook

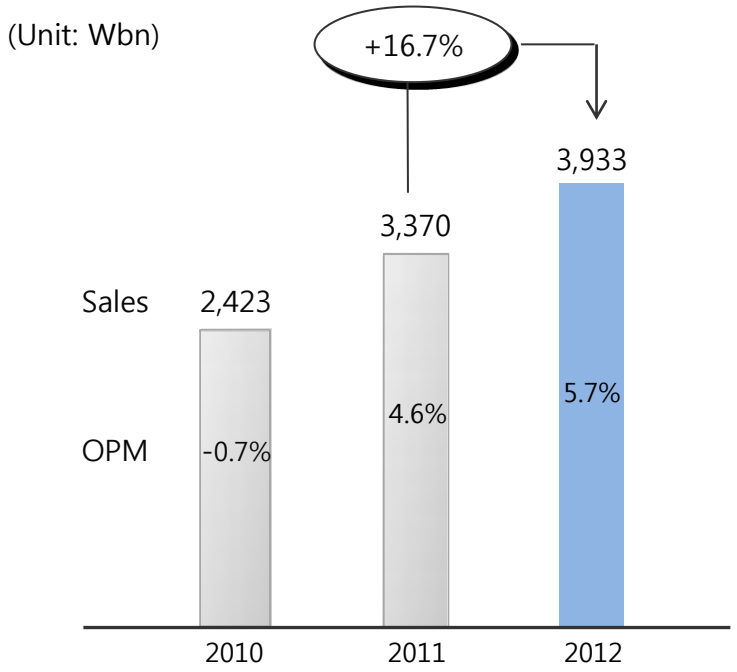


Investment Points 4. Bobcat Turnaround

✓ **4Q Sales W891bn(-10% YoY), '12 Sales 3,933bn(+16.7% YoY)**

✓ **12 Gain(Loss) on Equity Method of Bobcat W137bn(Gain on equity investment evaluation W46bn, Gain on disposal of equity investment W91bn)**

Bobcat Sales and Operating Profit Trend ('10~'12)



* Source : Doosan Infracore IR material('13. 2)

Bobcat Operating Results

(Wbn, %)

	'11.4Q	'12.4Q	YoY
Sales	991	**891**	-10.0%
OP	58	**39**	-32.4%
OPM(%)	(5.9%)	**(4.4%)**	(-1.5%p)

Equity Method Gain/Loss

(Wbn, %)

	FY 2011	FY 2012
Stake(%)	18.4%	**15.5%**
Acquisition Cost	738	**738**
Book Value	325	**447**
Gain(Loss) on Equity Method of Bobcat	13	***137**

*Gain(Loss) on equity method includes gain on equity investment evaluation and gain on disposal of equity investment

Appendix

I. Company overview

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IV. Production infrastructure

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Appendix 1. Company Overview

Overview

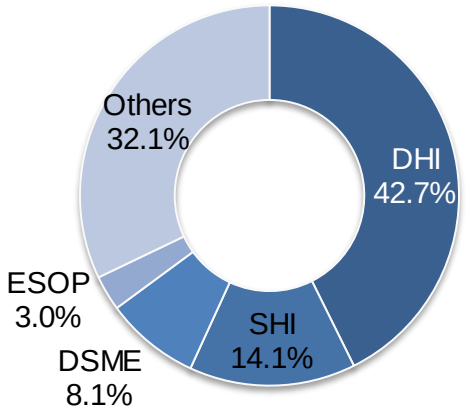
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%)
Capital	W69.5bn
No. of Employees	1,005 [As of Dec 2012]
Subsidiary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

1983

- **Doosan Heavy Industries launches engine business**

1994

- Samsung Heavy Industries(SHI) launches engine business

1999

- Doosan Heavy Industries(DHI) and SHI agree to establish a JV, **HSD Engine**

2000

- HSD Engine establishes R&D center
- Equity placement of W25bn (Daewoo Shipbuilding & Marine Engineering(DSME) participates)

2001

- Signs business transfer agreement with DHI, on internal combustion generators

2002

- **Receives WCP (world class product) award from the Ministry of Commerce, Industry & Energy for its large diesel engines**

2005

- Changes company name to Doosan Engine Co., Ltd

2006

- Establishes DMI in China, and builds plants

2007

- **Receives US$1bn Export Tower Award**

2008

- Constructs assembly line 4 and medium-speed engine production line (capacity : low-speed (12mn HP) and medium-speed (500 units p.a.)

2009

- Raises ₩33bn of equity (offering, ESOP, and rights, public offering)

2011

- **IPO listing in KRX (2011. 1. 4)**

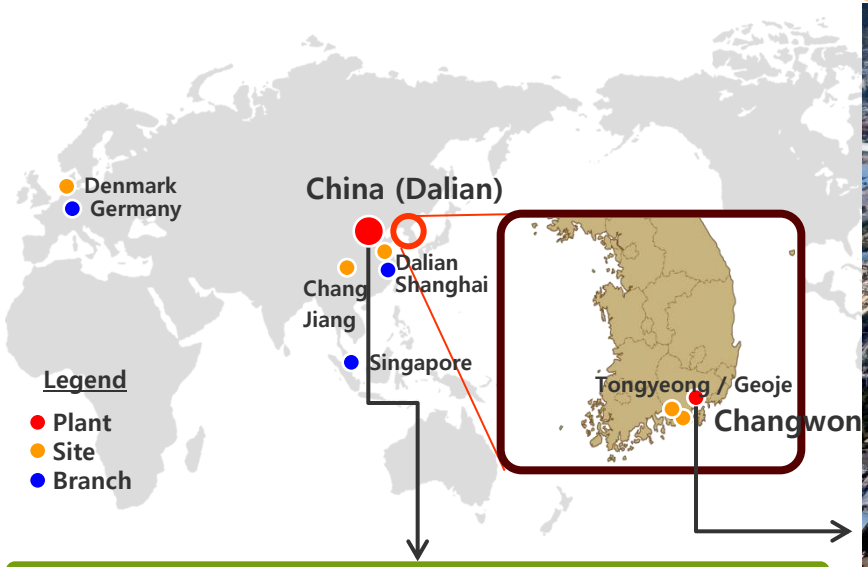
2012

- Achieves cumulative production of 80mn HP within shortest period (2012.1.31)

2013

- **Commercialization of ME-GI engine (2013. 3)**

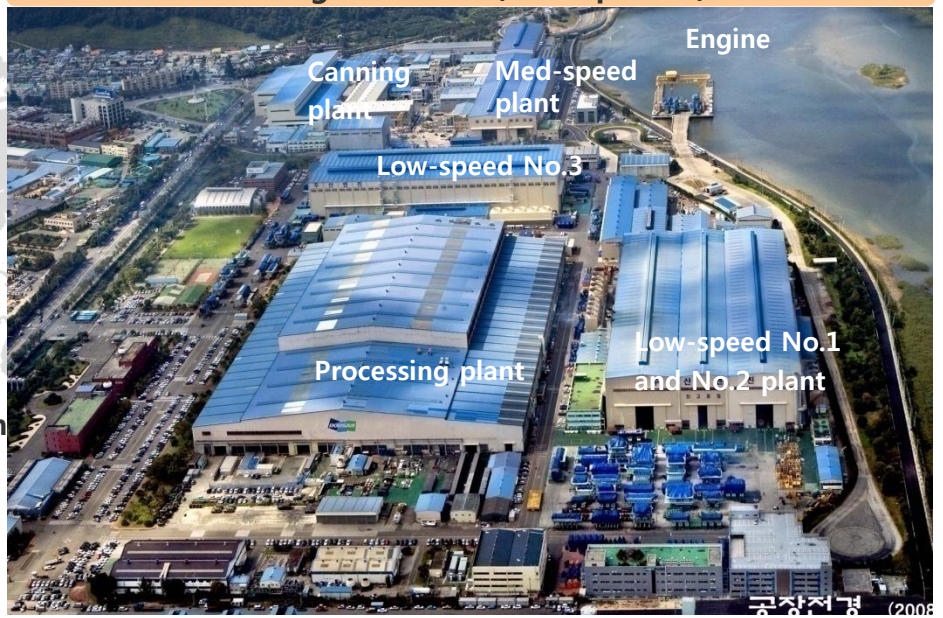
Appendix 3. Plants



Dalian, China plant

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

Changwon Plant (Headquarter)

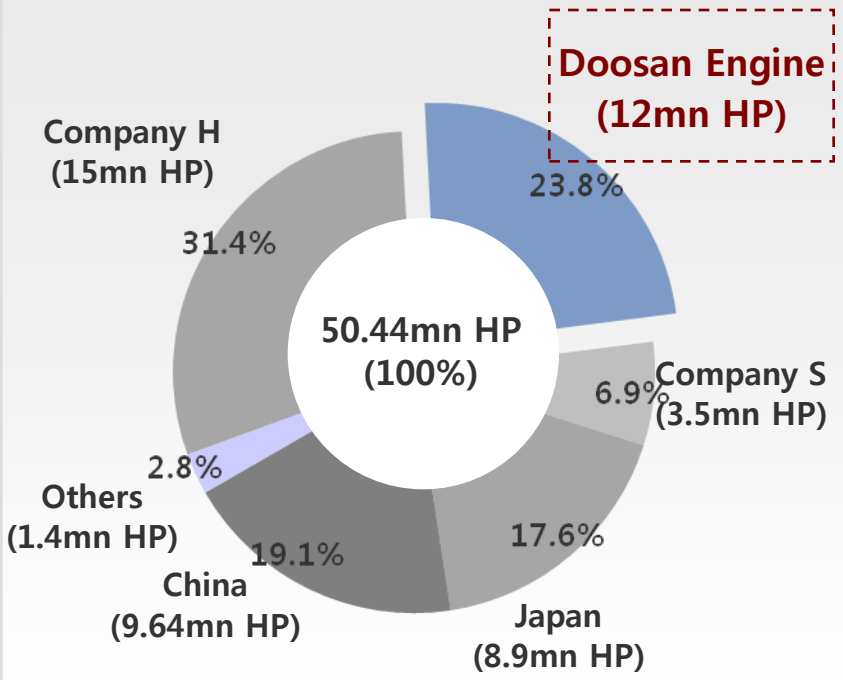


- Products : Diesel engines
- Size : 328,000㎡(99,500 pyeong)
- Overview

Classification	Size(㎡)	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 Capcity		**14,000,000 HP**

Second largest diesel engine production facility in the world

Low-speed diesel engine production Capacity



Note : Estimates based on each company's 2010 annual report

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

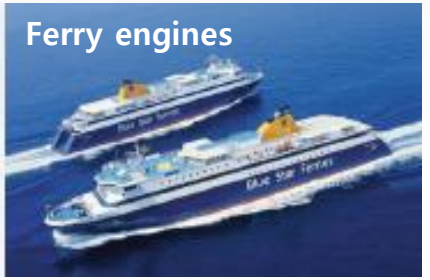
Low-speed diesel engines

- 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)

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



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

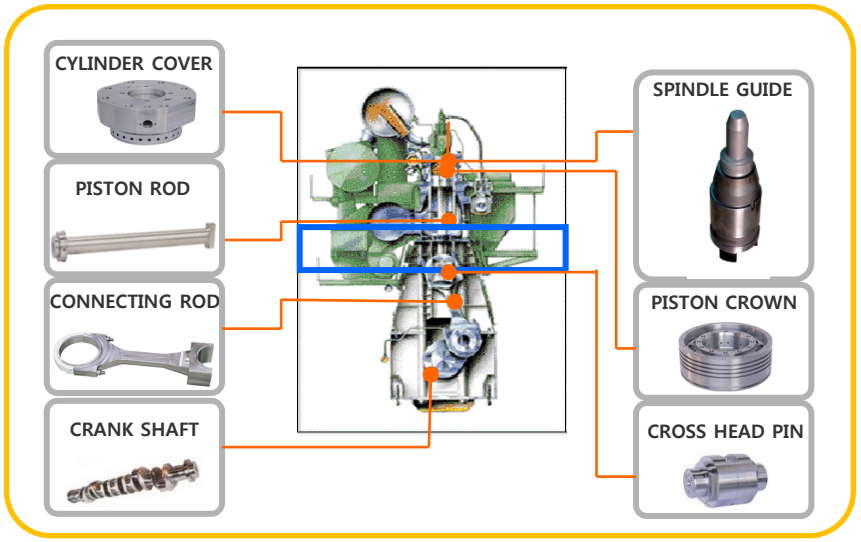
- Exclusive supplier of emergency generators for nuclear power plants in Korea; Orders to grow from rise in nuclear power plant exports
- Generates power capacity of 3,500 ~ 9,000KW
- Supplied to the major nuclear power plants in Korea

※ 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

Appendix 6. IR Contact point

For further information about our company or affiliates, please contact us at the following.

Company	Name	Phone	E-mail
Doosan Engine	**Mr. LEE Moosup**	**82-2-519-5878**	**moosup.lee@doosan.com**
Doosan Corp.	Ms. LEE Jiwon	82-2-3398-1248	jiwon4lee@doosan.com
Doosan Heavy	Ms. WON Youngsoo	82-2-513-6789	youngsoo.won@doosan.com
Doosan Infracore	Ms. OH Hyunji	82-2-3398-8416	hyunji.oh@doosan.com
Doosan E&C	Ms. LEE Hayoung	82-2-510-3896	hayoung.lee@doosan.com