



Doosan Engine

Investor Relations

**1Q11 Operating Results &
2011 Business Plan**



May 2011
Doosan Engine

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Disclaimer

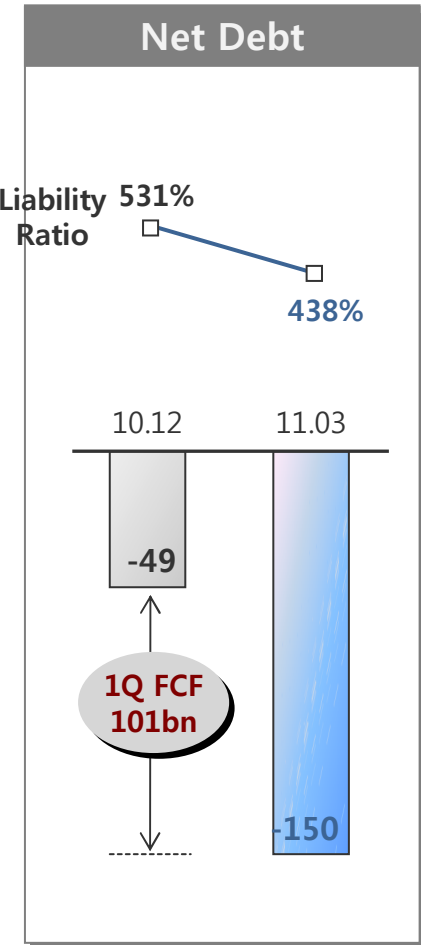
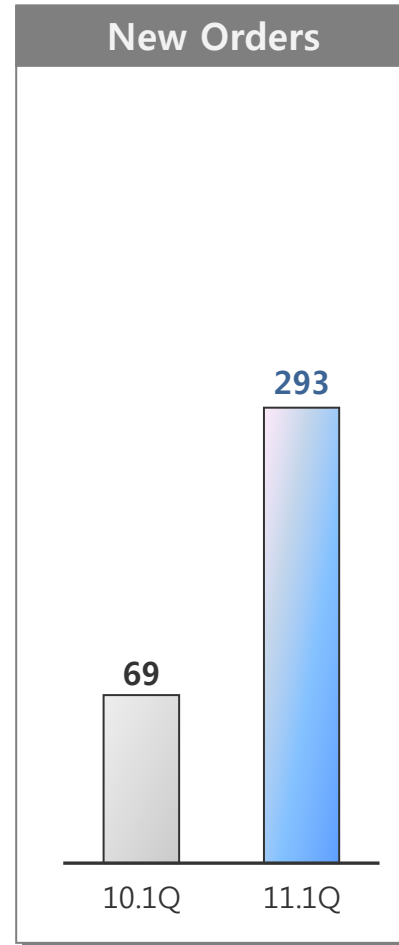
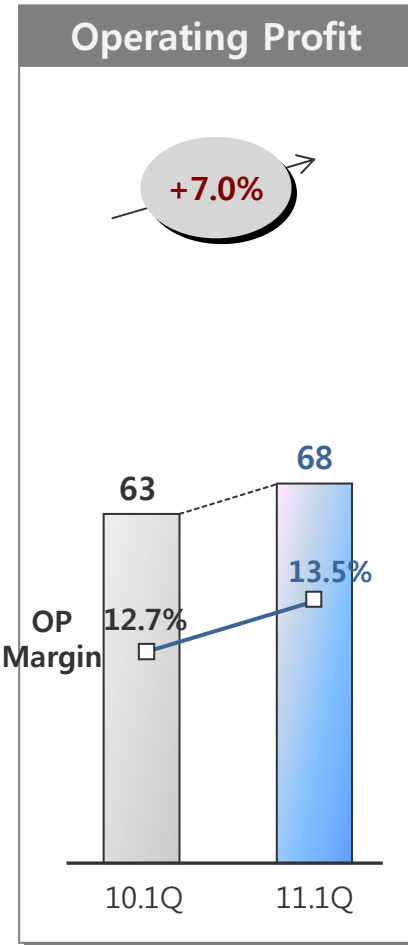
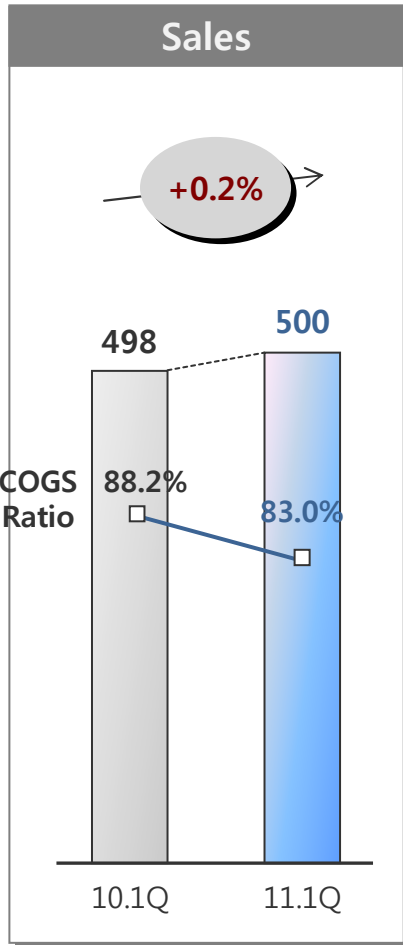
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1Q11 Operating Result Summary

(Wbn)



* Liability Ratio : Total Liabilities to Total Equities

1Q11 Business Result

1Q11 OP has increased by 7.0% YoY thanks to the improvement of COGS ratio

(Wbn)

	'10.1Q (K-GAAP)	IFRS ¹ Conversion	'10.1Q (K-IFRS)	'11.1Q (K-IFRS)	YoY
Sales	363	+135	498	500	+0.2%
COGS ratio(%)	(87.7%)	(+0.5%p)	(88.2%)	(83.0%) ²	(-5.2%p)
Gross Profit	45	+14	58	85	+44.1%
SG&A	14	-1	13	13	
Other gain & loss		+18	18	-4 ³	
Operating Profit	31	+32	63	68	+7.0%
OP Margin(%)	(8.6%)	(+4.1%p)	(12.7%)	(13.5%)	(+0.9%p)
Financial profit	124	+2	126	53	
Financial expense	160	-55	105	55	
Equity method		-33	-33	8 ⁴	
Pretax profit	-5	+56	51	74	+45.6%
Tax	12	+7	19	14	
Net profit	-17	+49	32	60	+89.0%

'10.1Q

1 IFRS Conversion for 1Q10

- Sales increased by W135bn
- OP increased by W32bn (OP Margin +4.1%p)
- Pretax profit increased by W56bn

'11.1Q

2 COGS : 83.0% (-5.2%p)

- Benefit from strong FX & Product Mix improvement

3 Other loss : W4bn

- including Donations(W5bn)

4 Gain/Loss on equity method : W8bn

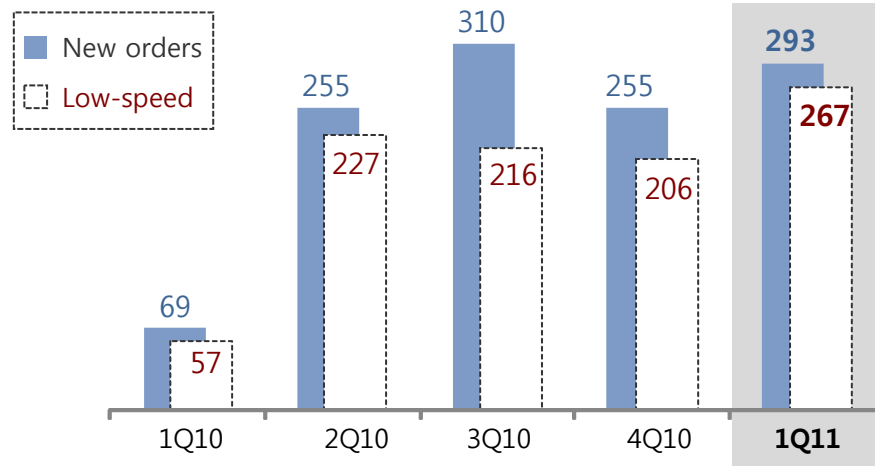
- Gain on equity method W9bn (Bobcat Net Profit for 1Q11 W32bn)

New orders for 1Q11

1Q11 New orders W293bn : on the track of annual plan for new orders
 - New order target for 2011 : W1.8trn (1H W600bn, 2H W1.2trn)

New orders* (Quarterly)

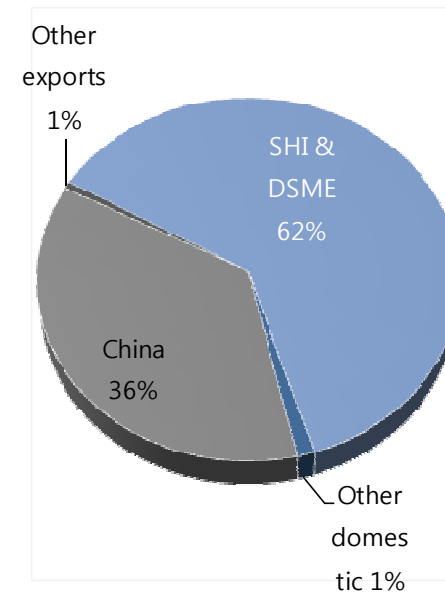
(Wbn)



	1Q10	2Q10	3Q10	4Q10	1Q11
Low-speed engine	57	227	216	206	267
Med-speed engine	6	18	38	35	14
Diesel Power Plant	-1	0	51	0	1
Engine parts	7	10	5	14	11
New orders	69	255	310	255	293

By Customers (1Q11)

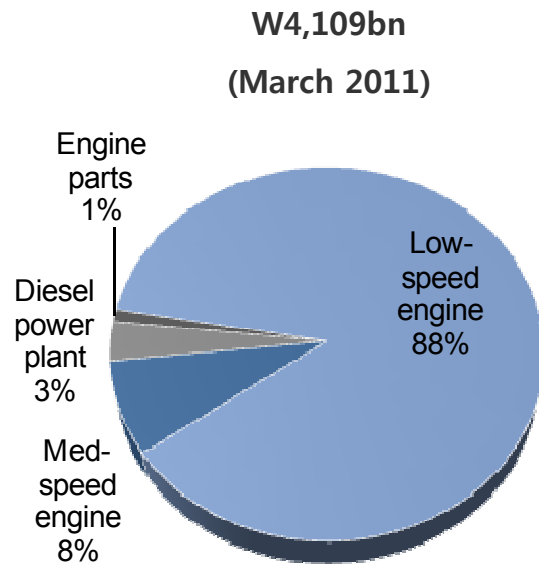
Marine engine (Low & Med-speed)
W281bn



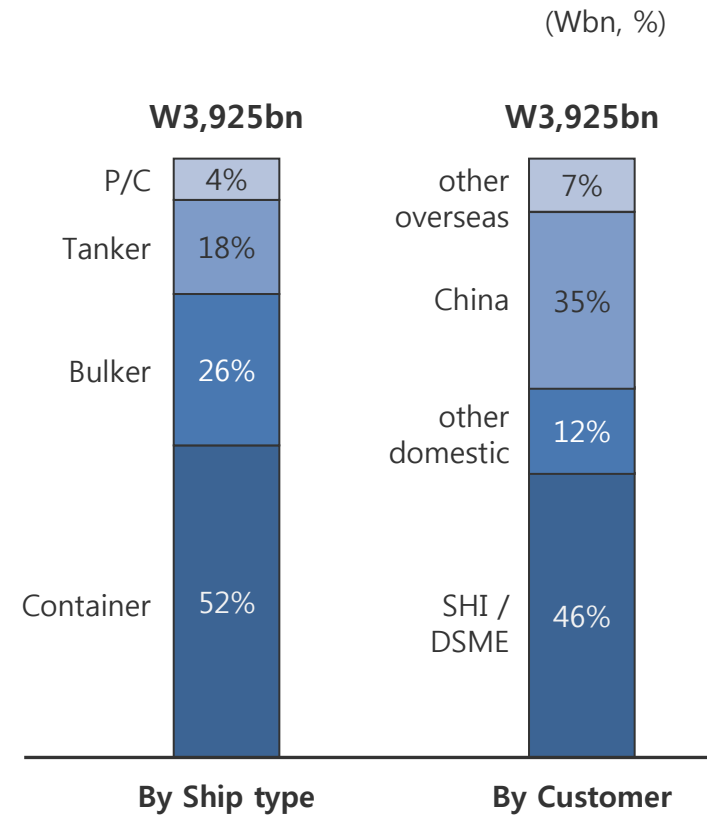
Order backlog

Order backlog : W4.1trn (2.4 yrs of backlog based on '10 sales)

Order backlog Breakdown



Marine engine
: W3,925bn



※ Order backlog : based on advance payments deposit
(W4,168bn based on contract amount)

Balance Sheet

W150bn Net cash as of March 2011 due to 1Q FCF W101bn

Balance sheet (K-IFRS)

(Wbn)

	'10.12	'11.03	+/-
Current assets	1,073	1,118	+45
Non-current assets	1,133	1,095	-38
Total assets	2,206	2,213	+7
Current liabilities	1,488	1,440	-48
<i>Prepayment deposit</i>	<i>979</i>	<i>980</i>	<i>+1</i>
<i>Short-term debt</i>	<i>153</i>	<i>90</i>	<i>-63</i>
Non-current liabilities	369	362	-7
<i>Long-term debt</i>	<i>293</i>	<i>285</i>	<i>-8</i>
Total liabilities	1,857	1,802	-55
Paid-in capital	69.5	69.5	0
Capital surplus	367	367	0
Retained earnings	-67	-6.5	+60.5
Accumulated other comprehensive income	-20.5	-19	+1.5
Total equities	349	411	+62

Net debt

	'10.12	'11.03	+/-
Total debt	446	375	-71
Cash& Equivalents	495	525	30
Net debt	-49	-150	-101

FCF

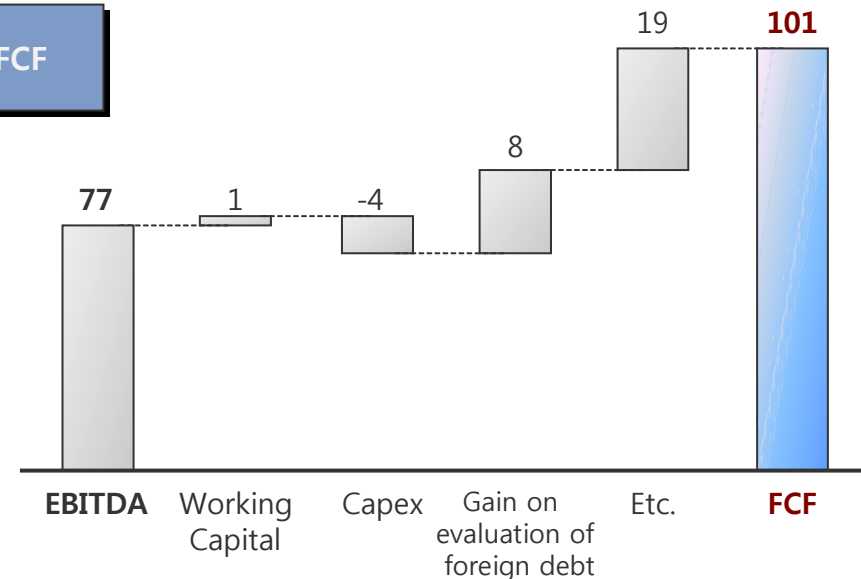


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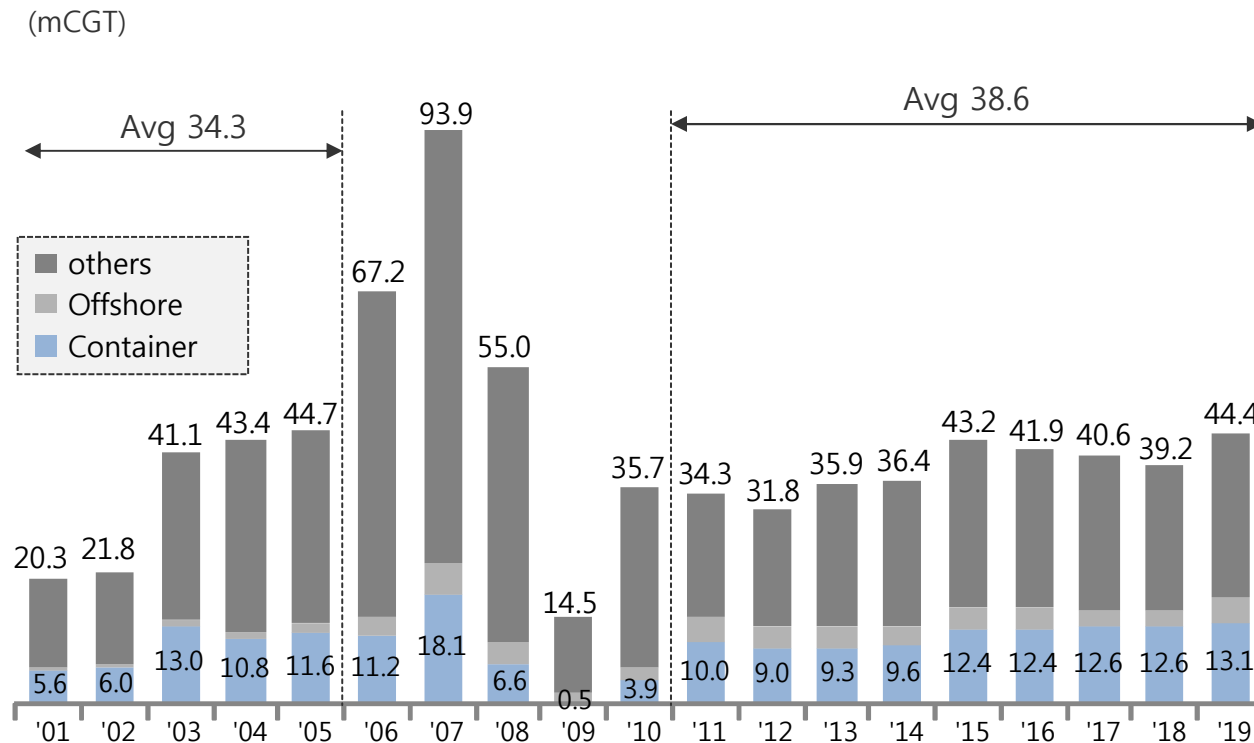
IV. Investment Points

Appendix

Shipbuilding market outlook

Global shipbuilding market should recover to pre-upcycle (normalized) market level from 2011

Global new order outlook

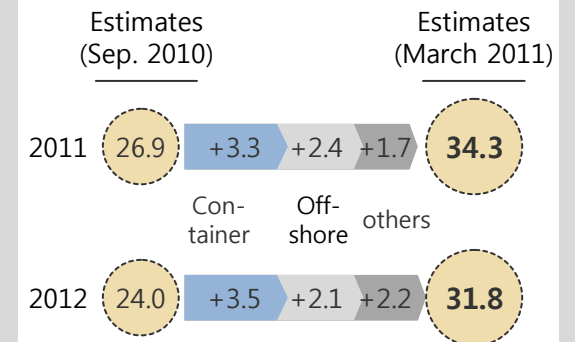


* Source : Clarkson Forecast Report (March 2011, Base Case)

Escalation of Clarkson forecast

- The March 2011 report has higher estimates of 27.5%, 32.5% for 2011~2012 than the Sep. 2010 report

(mCGT)

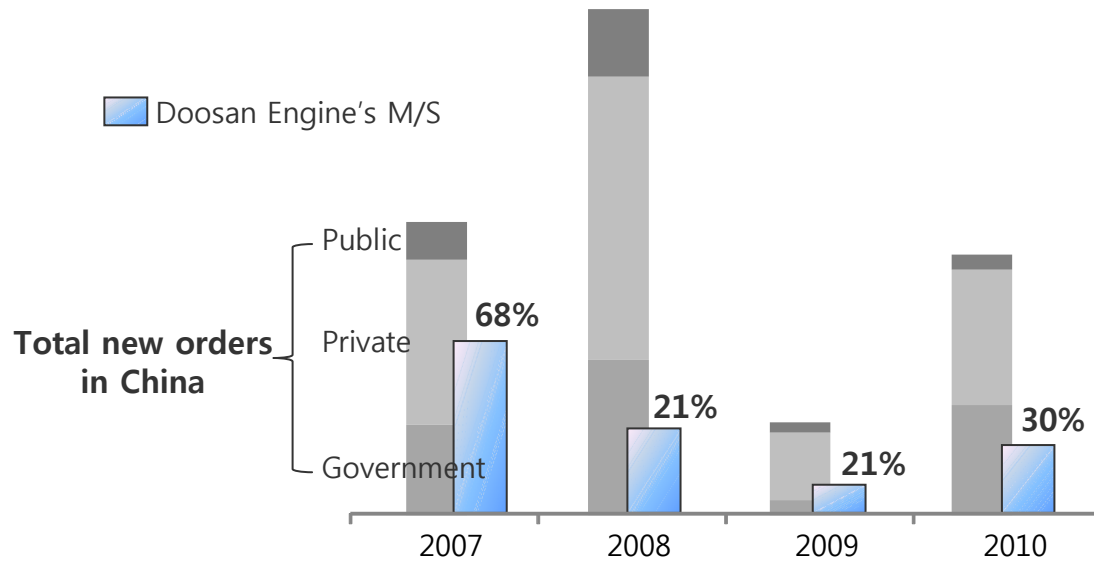


China market

M/S in China recovered to 30% in 2010; expected to sustain 30% level

Doosan engine new order M/S in China

(Unit: '000 HP)



Total new orders in China	7,748	13,400	2,407	6,879
New order to Doosan Engine	5,247	2,800	500	2,026
(M/S)	68%	21%	21%	30%

Doosan Engine's performance('07~'10)

• Avg 35% M/S in China

※ Past M/S : Based on actual engine new order from 42 shipyards in china (Based on 50+ Bore segments)

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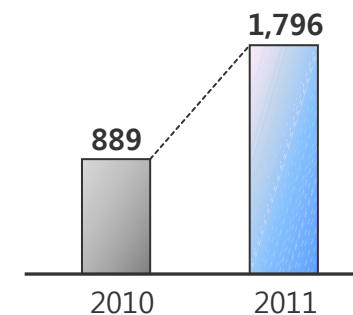
2011 Business plan summary

(Wbn)

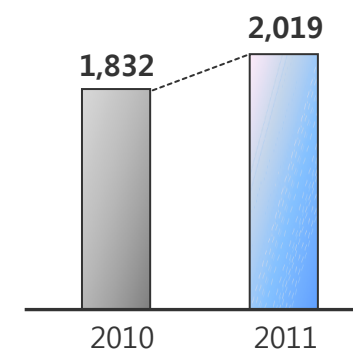
	2010 (K-IFRS)	2011(E) (K-IFRS)	YoY
New orders*	889	1,796	102.1%
Sales	1,832	2,019	10.2%
COGS ratio(%)	(82.8%)	(83.4%)	(+0.6%p)
SG&A	59	72	
Other Profit	34	6	
Other Loss	12	12	
Operating Profit	278	260	-6.4%
OP Margin(%)	(15.2%)	(12.9%)	(-2.3%p)
Financial Profit	88	2	
Financial Expense	118	17	
Gain/Loss on Equity method	24	7	
Pretax Profit	272	252	-7.3%
Net Profit	201	192	-3.8%
Net Debt	-49	-184	
Liability ratio	531%	269%	

* New order recognition : Booked after receiving prepayment deposit

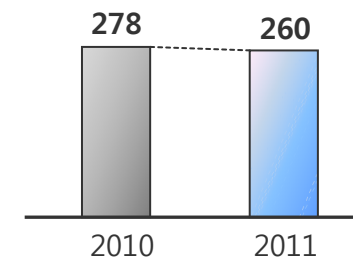
**New orders
+102%**



**Sales
+10.2%**



**OP
-6.4%**

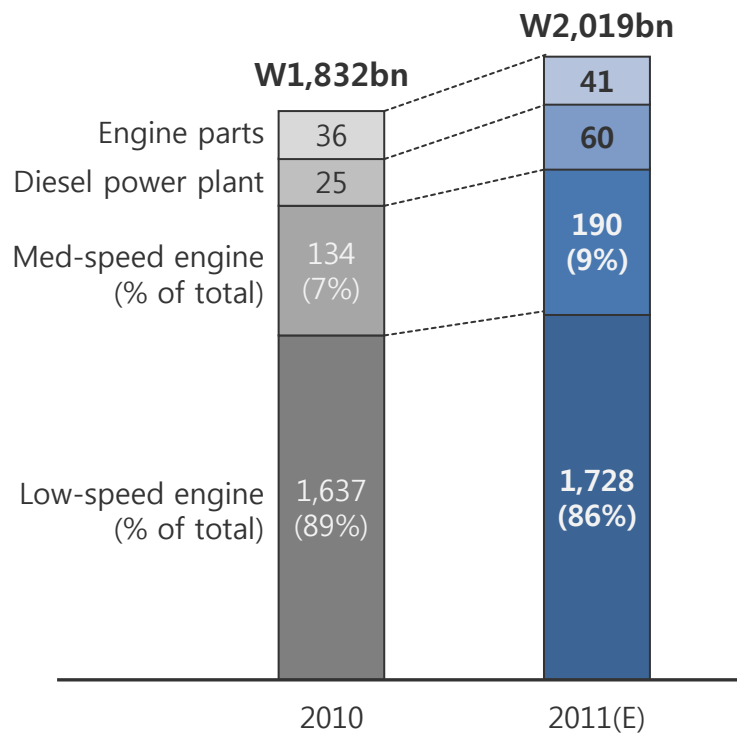


Sales & OPM target

- W2,019bn (+10.2% YoY) expected
 - : Low-speed engine +6% YoY, Med-speed engine +42% YoY

Sales breakdown

(Wbn)



Sales & Operating profit by division

(Wbn)

	FY 2010		FY 2011(E)		Sales growth
	Sales	OPM	Sales	OPM	
Marine Engine	1,771	13.9%	1,918	12.9%	+8.3%
DPP & Engine parts	61	15.3%	101	12.7%	+67.0%
Total	1,832	13.9%	2,019	12.9%	+10.2%

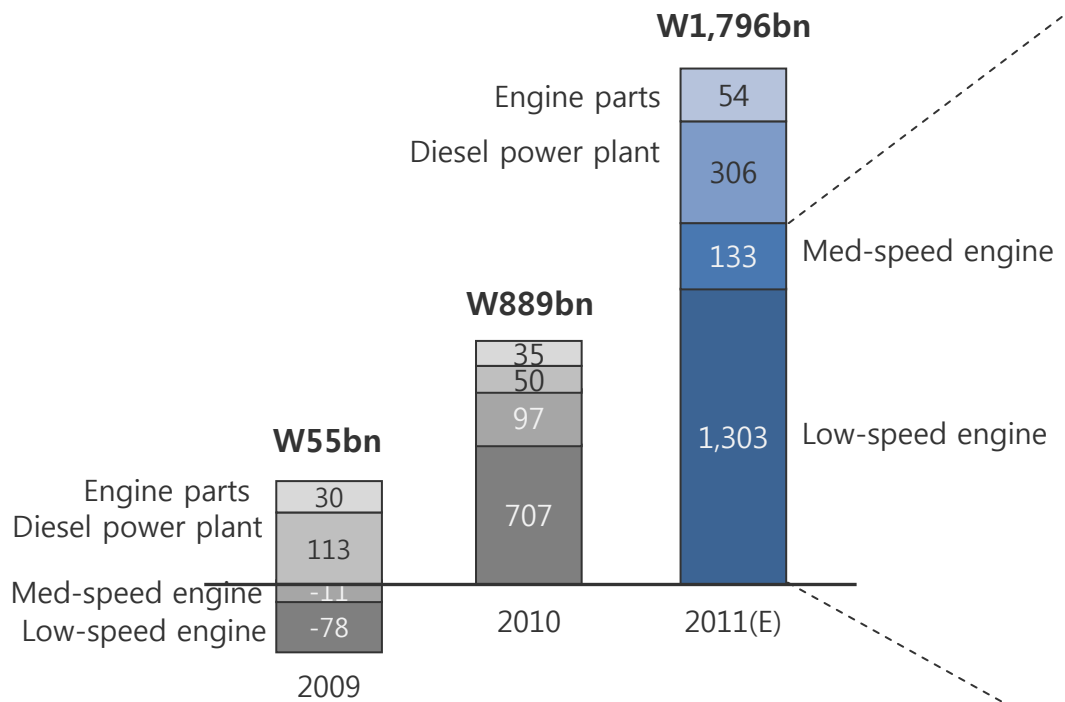
New order outlook

Targeting W1,796bn (+102% YoY)

1) Accrued from previous period W257bn, 2) Containership new order increase which has the highest ASP

New orders

(Wbn)

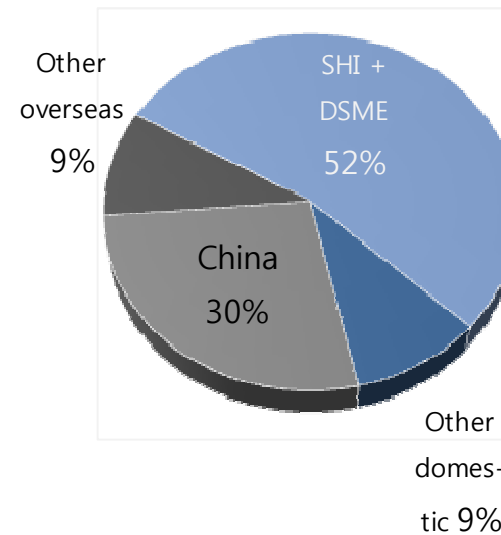


Marine engine new order outlook by customers

(Wbn)

Marine engine (Low&Med-speed)

100% = W1,436bn



Mid/long term plan and '11 operating target

Strategy	Business target	'11 target plan
<p>1</p> <p>Improve order-taking competitiveness during downcycle</p>	<ul style="list-style-type: none"> • Penetrating new markets • Secure cost-competitiveness 	<ul style="list-style-type: none"> • Expand Product Span : Expanding small-low-speed, and med-speed propulsion engine market • Region sales expansion : Strengthen market position in Brazil and Russia • Customer base : Secure new customers by extending agent coverage • Internalizing Turbocharger manufacture starts in 11.2Q
<p>2</p> <p>Stable business portfolio</p>	<ul style="list-style-type: none"> • Customer-value based differentiated marketing • Diversify Business scope via green parts • Strengthen diesel power plant and parts-C/S business 	<ul style="list-style-type: none"> • Differentiated marketing efforts for ship owner/shipyard • Build competitiveness with focus on "quality engine" • Secure "Entity Presence" in China • WHR* : Agreement for developing Licensor's new engine (Feb 2011) • NOx reducing attachment devices • Emergency generator for nuclear power plants : Overseas (e.g. UAE) • Engine parts-C/S business : localization of parts and expansion of Retrofit Items, Increase overseas sales agencies (Currently 2 → 11)

Mid-to-long term Vision

Focus on non-marine engine areas to achieve W2.5trn sales by 2015

Mid-to-long term Financial Aspiration – Sales

(Wtrn)

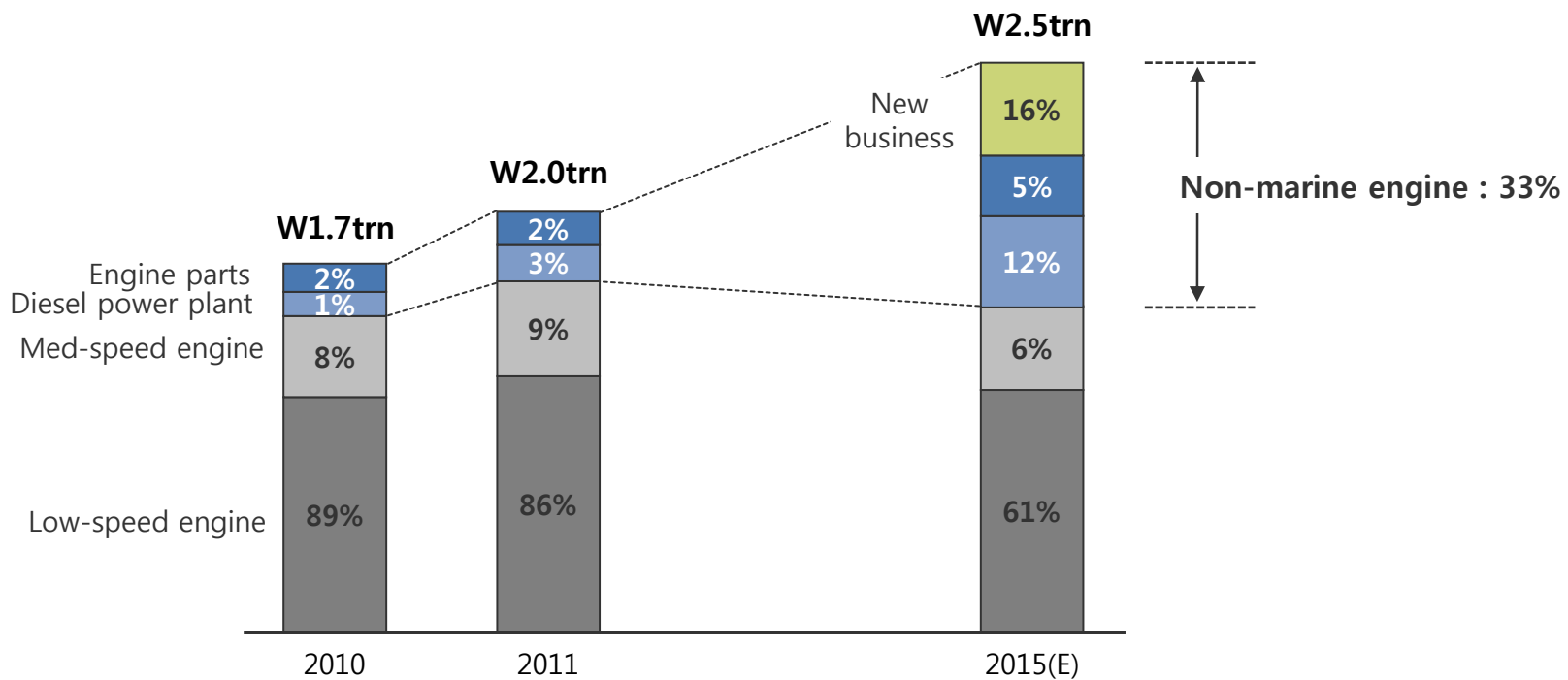


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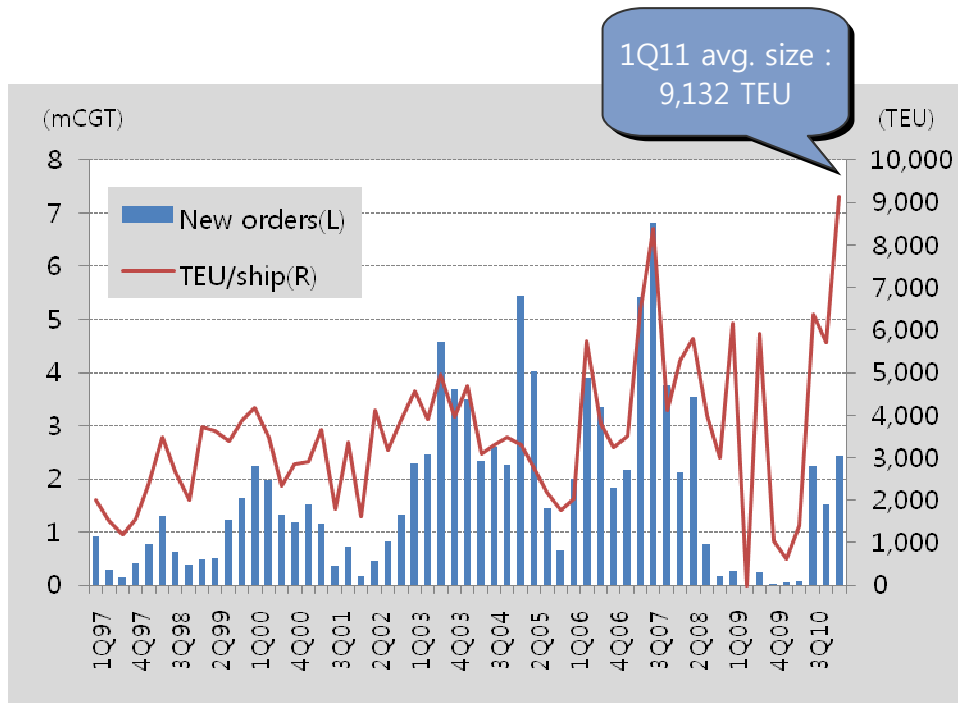
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Investment Point 1. Containership new order recovery

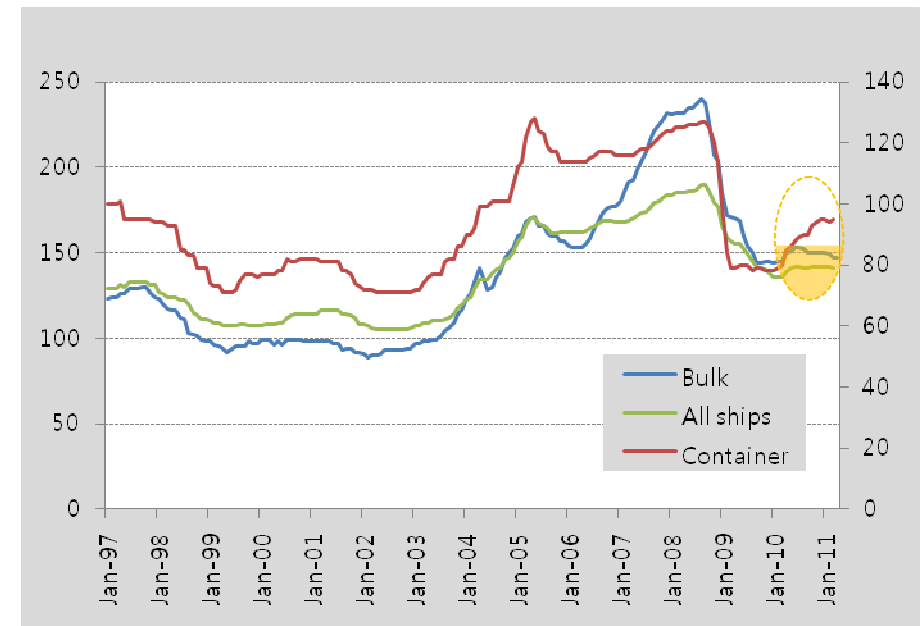
- 1Q11 avg. New order size of Containership : 9,132TEU (historically high)
- Upcoming rally in Containership price trend

Containership New order Trend



* Source : Clarkson

Ship price-index Trend (By type)



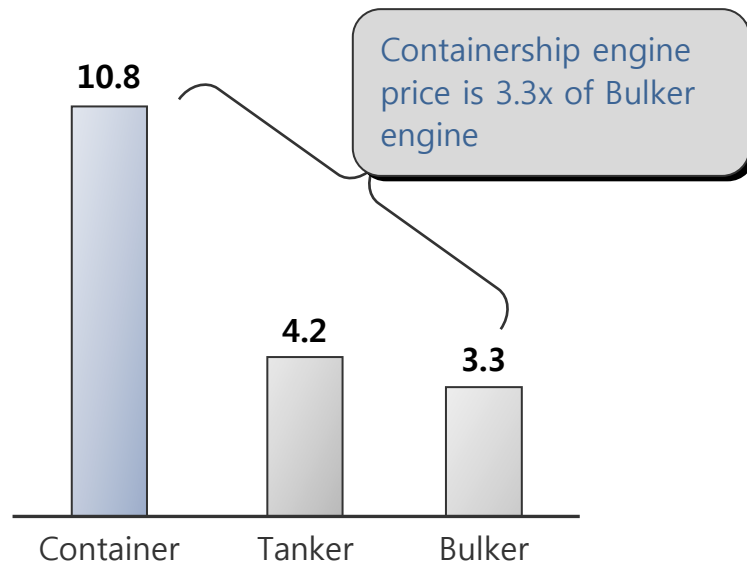
* Source : Clarkson

Investment Point 1. Containership new order recovery

From 2H10, recovery in new orders for large containerships
: NOL, Evergreen, MSC, AP Moller Maersk, etc.

Engine ASP by ship type

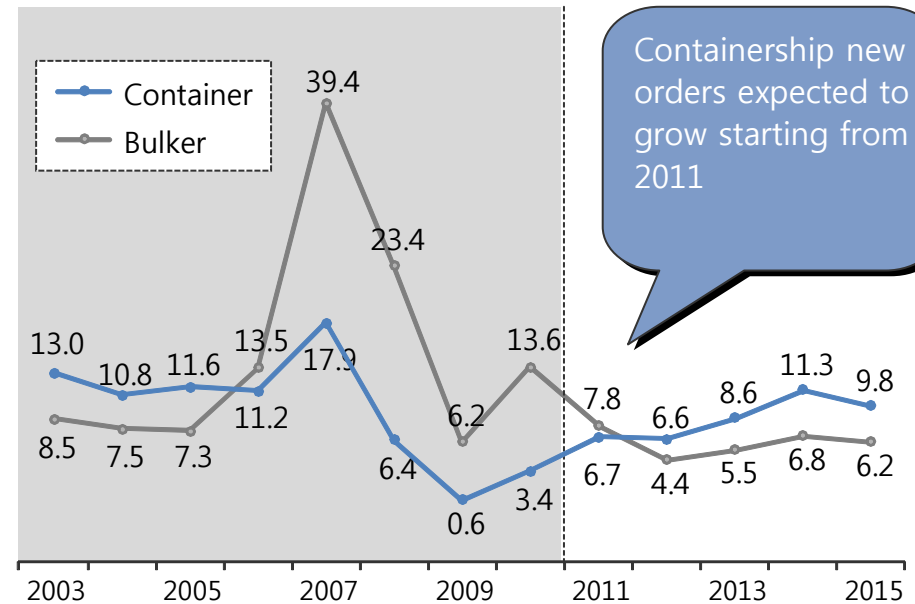
(Unit : M\$/ship)



* Source : ASP of newly ordered Engines after 2005

New order trend by ship type

(Unit : mCGT)

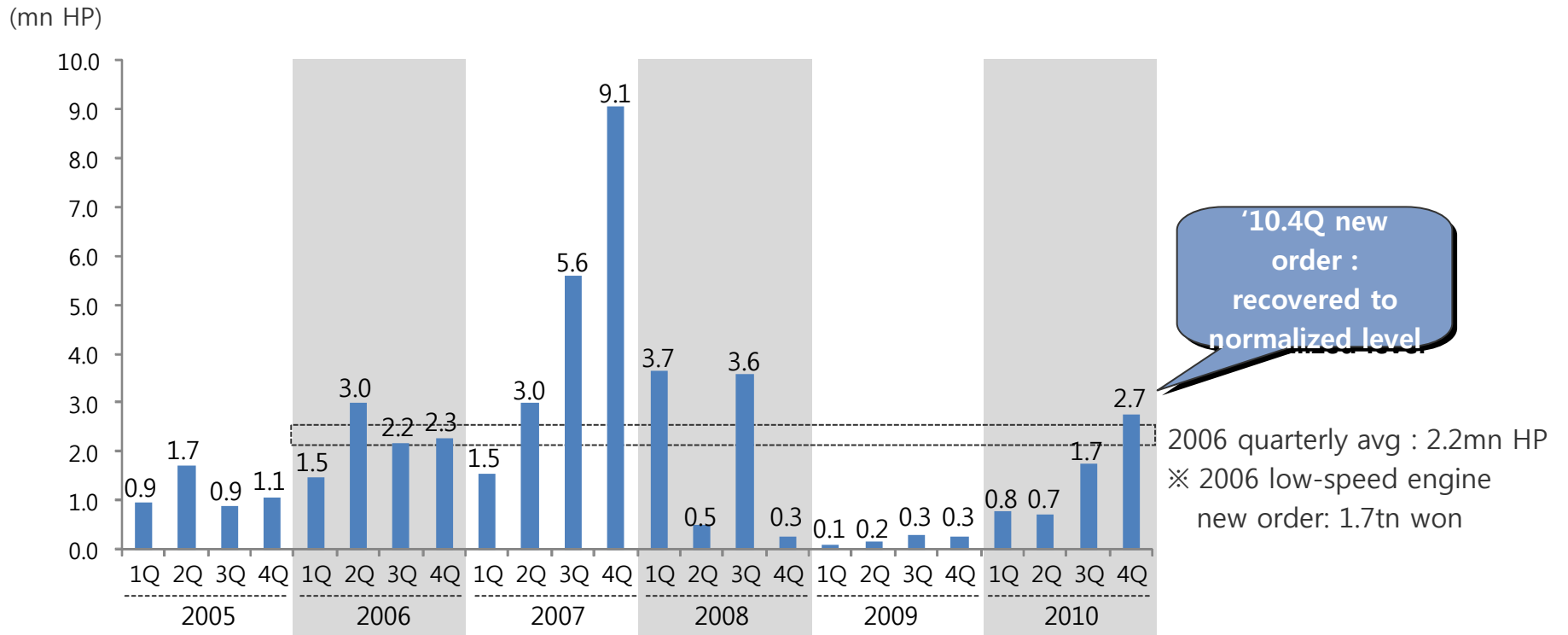


* Source : Clarkson Forecast Report ('10. 9)

Investment Point 2. Quarterly new order trend

From 4Q10, new orders recovered to 2006 level

Quarterly low-speed engine new order trend (contract basis)



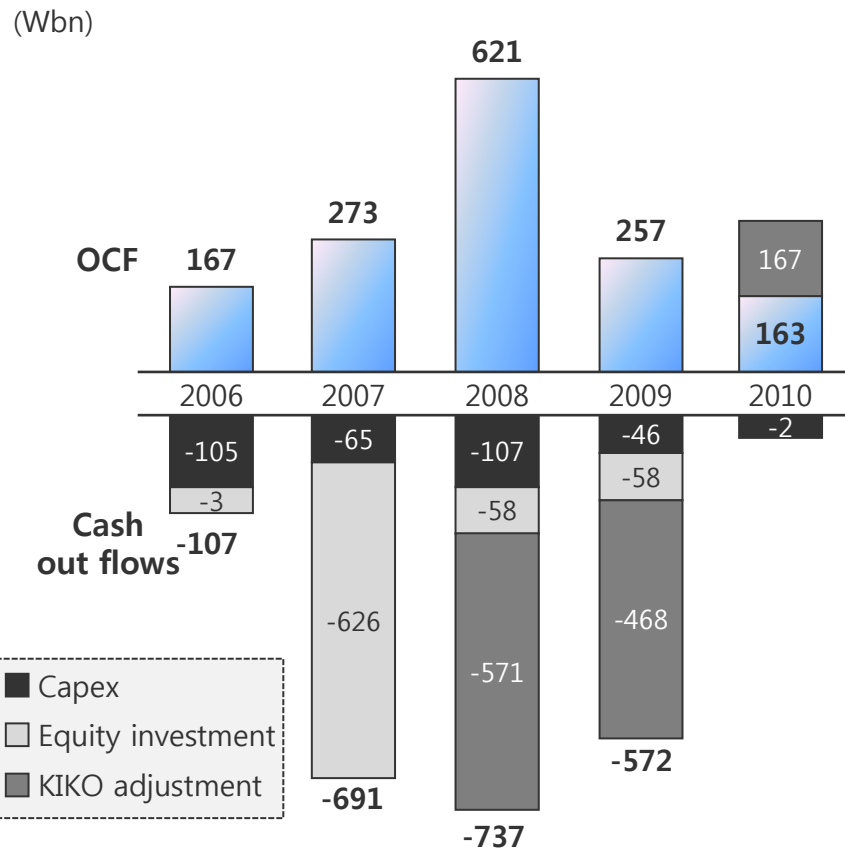
* Quarterly new orders : Not reflecting cancellations

Investment Point 3. Ample cashflow (K-GAAP)

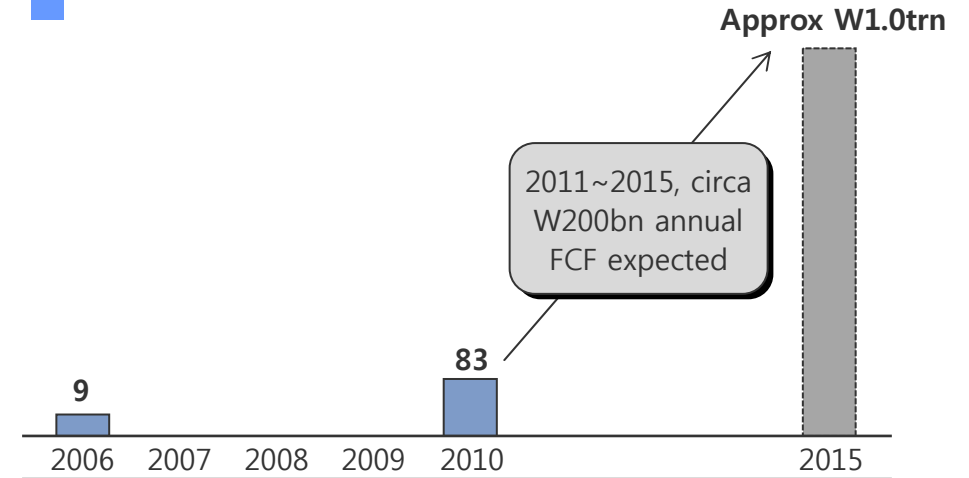
2011~2015, circa W200bn annual FCF expected

: 1)Major Capex completed, 2)Equity investment (DII) terminated, 3)KIKO contract expired

Annual OCF and major Cash-out flows



Annual net cash Trend



Investment Point 4. IMO environment regulation trend(1/2)

- Due to stricter regulation by IMO on emissions, new engine price likely to rise and retrofit market to reduce pollutants for existing ships likely to form
 - : When applying NOx Tier III, engine price could increase by 30~50% for new ships

NOx Emission

- NOx (Nitric Oxides) emission is regulated to be less than 17.0 g/kWh based on IMO Tier I (effective from 2000), 14.4 g/kWh on IMO Tier II (effective from 2011), and 3.4 g/kWh on IMO Tier III (effective from 2016), for low-speed engines with below-130 rpm.
- IMO Tier III is applied only to NOx Emission Control Areas (Baltic sea, The North Sea, etc.), and IMO Tier II will be applied in other areas.

Sulfur Content for Fuel

- Regulation on Sulfur Content for Fuel is applied differently to SOx Emission Control Areas (SOx ECA or SECA, Baltic sea, The North Sea, etc.)
- Sulfur Content for Fuel in SECA area will be limited to 1.5% from 2000, 1.0% from July 2010, and 0.1% from 2015. For other regions, limited to 4.5% from 2000, 3.5% from 2012, and 0.5% from 2020.

GHG Emission

- Currently under discussion for GHG(Green House Gas) regulation, and continually drafting regulatory plans categorically such technical measures as EEDI(Energy Efficiency Design Index), such operational measures as EEOI(Energy Efficiency Operational Indicator) and SEEMP (Ship Energy Efficiency Management Plan) and such market-based measures (M&M) as GHG Fund and ETS (Emission Trading Scheme).

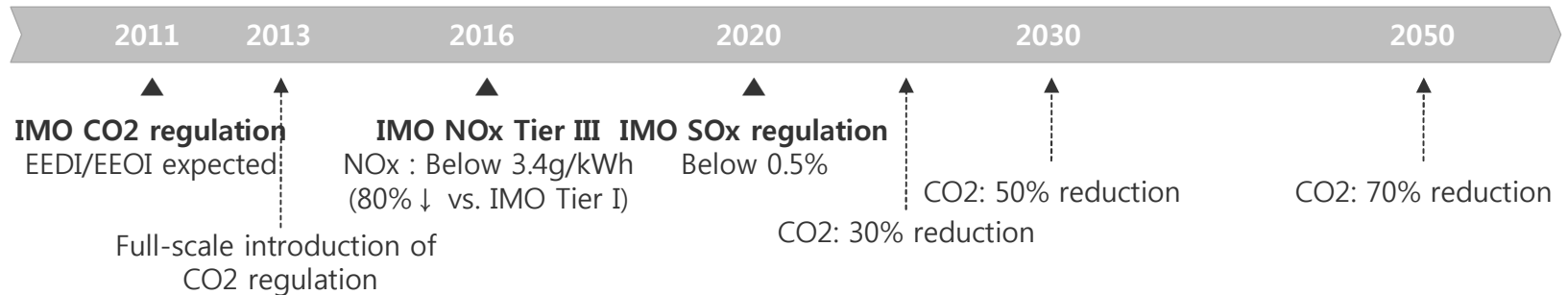
Investment Point 4. IMO environmental regulation trend(2/2)

IMO Regulation

		'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22
NOx		Tier I : 17.0g			Tier II : 14.4g				Tier III : 3.4g							
	SECA	1.5%			1% (2010.7.1~)				0.1% (2015.1.1~)							
SOx	Global	4.5%				3.5% (2012.1.1~)						0.5% (2020.1.1~)				
	CARB*	MGO 1.5%				1.5%										
		MDO 2.0%	0.5%		0.1%											

* CARB(California Air Resources Board) : Provisions regulated by US California State's law

Regulatory Trend



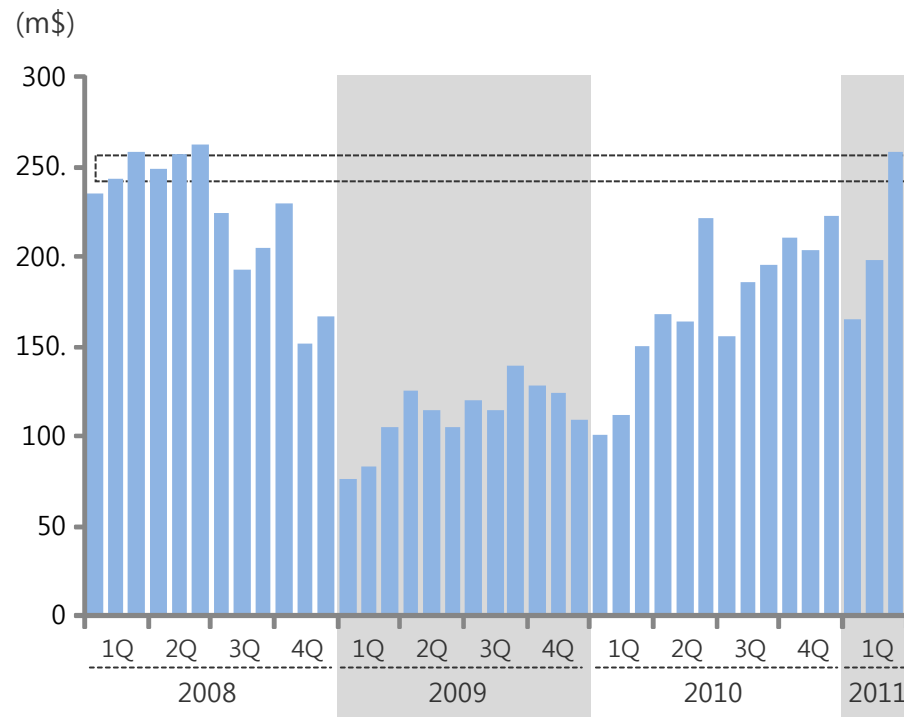
Engine ASP

	Tier I engine	Tier II engine	Tier III engine	Initial investment required
Engine ASP hike (by NOx regulation)	100%	100%	130~150%	<ul style="list-style-type: none"> • SCR : ~98USD/HP • EGR : 63Euro/HP

Investment Point 5. Bobcat Turnaround

Sales in March 2011 is nearing the level of monthly sales reported back in the previous peak cycle due to swift recovery in North America and EMEA regions

Bobcat Sales Trend



Bobcat Operating Results

(Wbn, %)

	1Q10	1Q11	YoY
Sales	411.6	696.0	69.1%
OP	-66.8	22.0	n/a
OP(%)	n/a	(3.2%)	n/a
NI	-125.8	32.0	n/a
Acquisition Cost	738.2	738.2	-
Stake(%)	(27%)	(27%)	-
Gain(Loss) on Equity Method	-36.8	8.7	45.5
Book Value	339.4	322.5	-16.9

Appendix

- I. Company overview**
- II. History**
- III. Plants**
- IV. Production infrastructure**
- V. Business area**
- VI. Impact from IMO's environment regulation**
- VII. GAAP differences**

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%) (Based on 2010 sales)
Capital	W69.5bn
No. of Employees	1,269 [As of Dec 2010]
Subsidiary	Doosan Marine Industrial (DMI) Dalian Co., Ltd (100% owned)

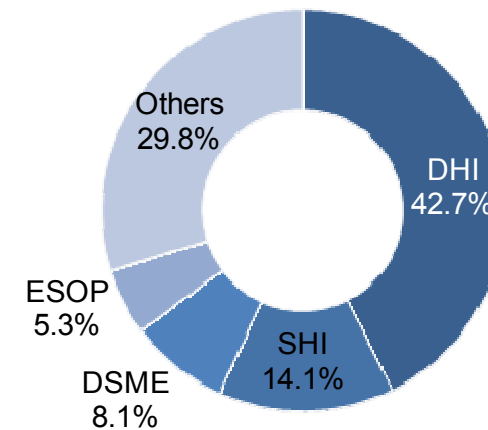


Business Areas

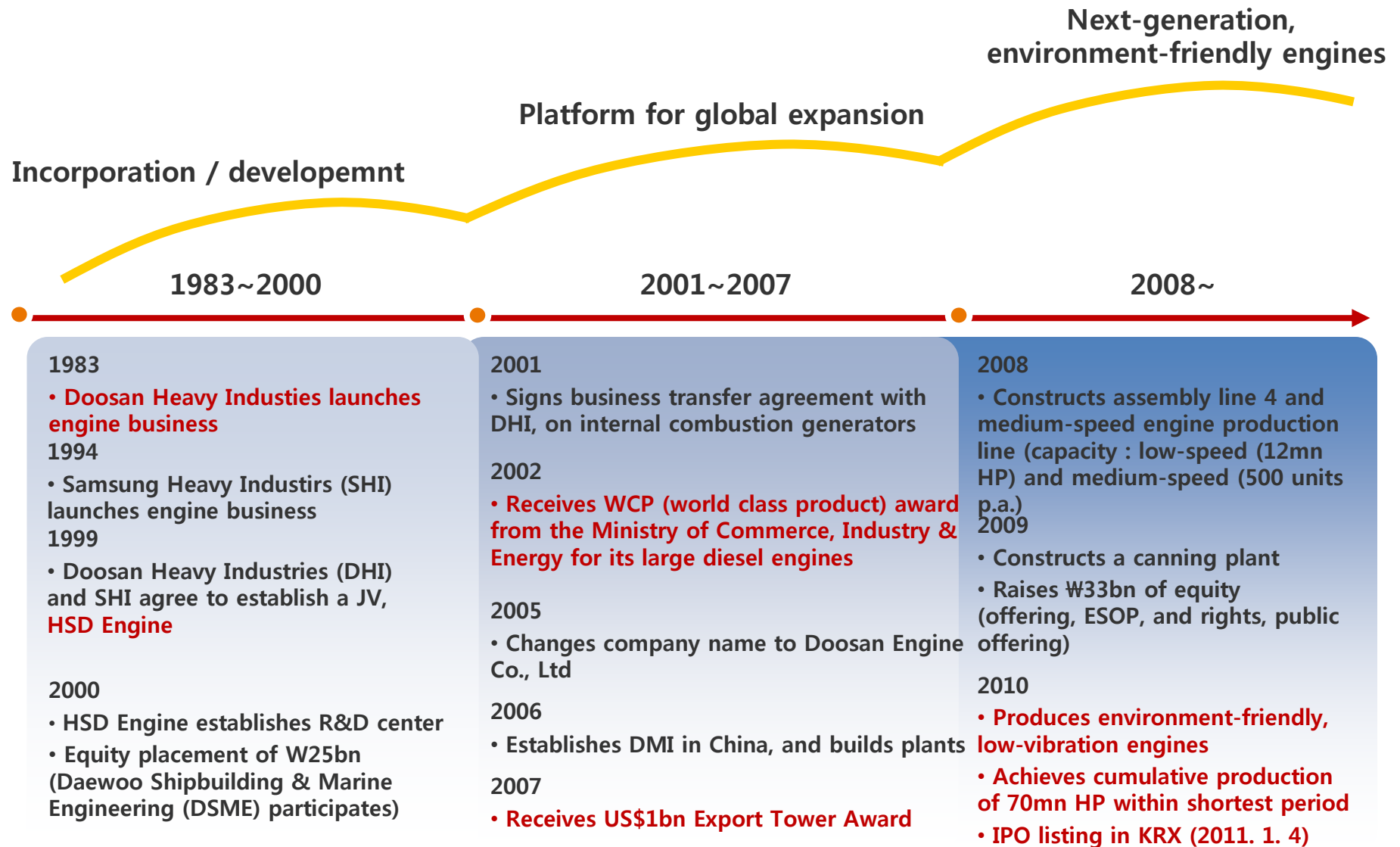
Business Areas	Sales (2010)	% of sales
Low-speed engine	W1,535bn	89%
Med-speed engine	W134bn	8%
Diesel power plant	W25bn	1%
Engine parts and C/S	W36bn	2%
Total	W1,730bn	100%

Shareholders

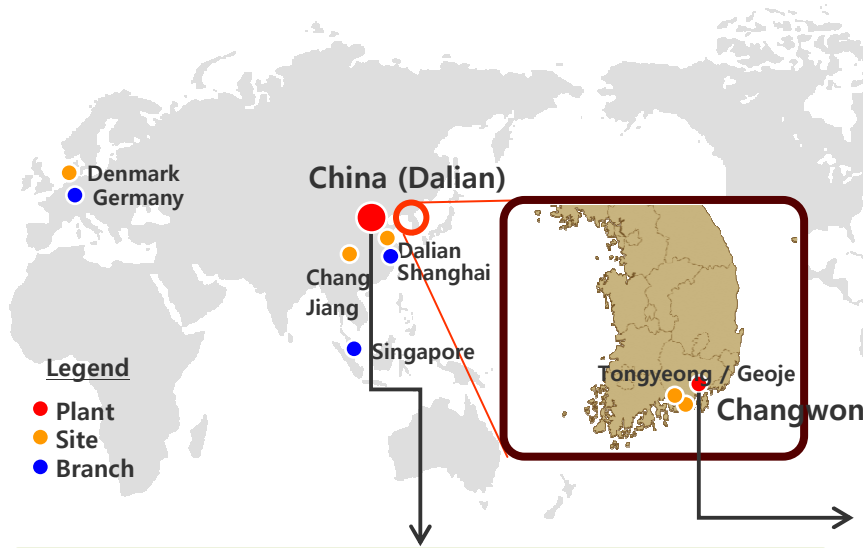
[As of 2011.04.30]



Appendix 2. History



Appendix 3. Plants

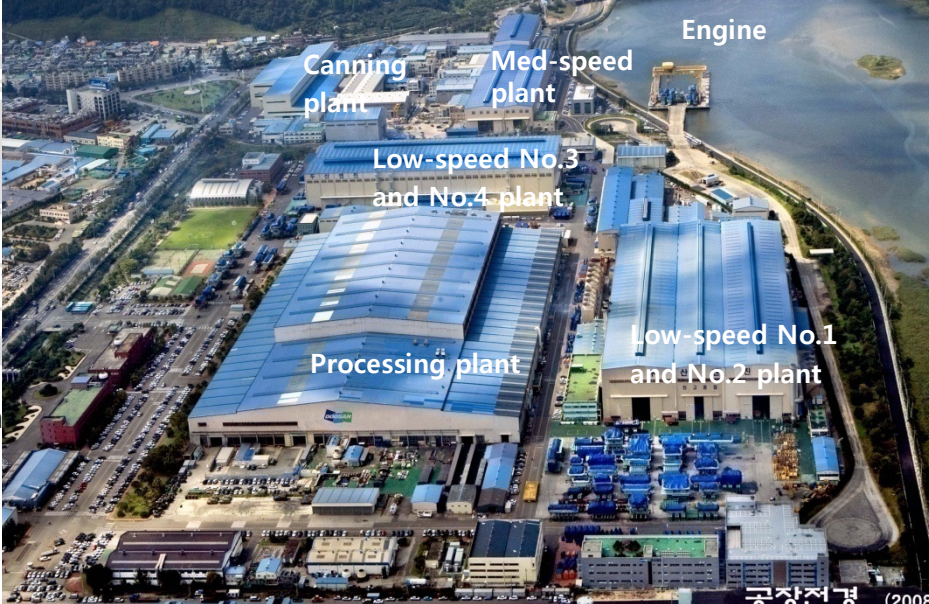


Dalian, China plant



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

Changwon Plant (Headquarter)



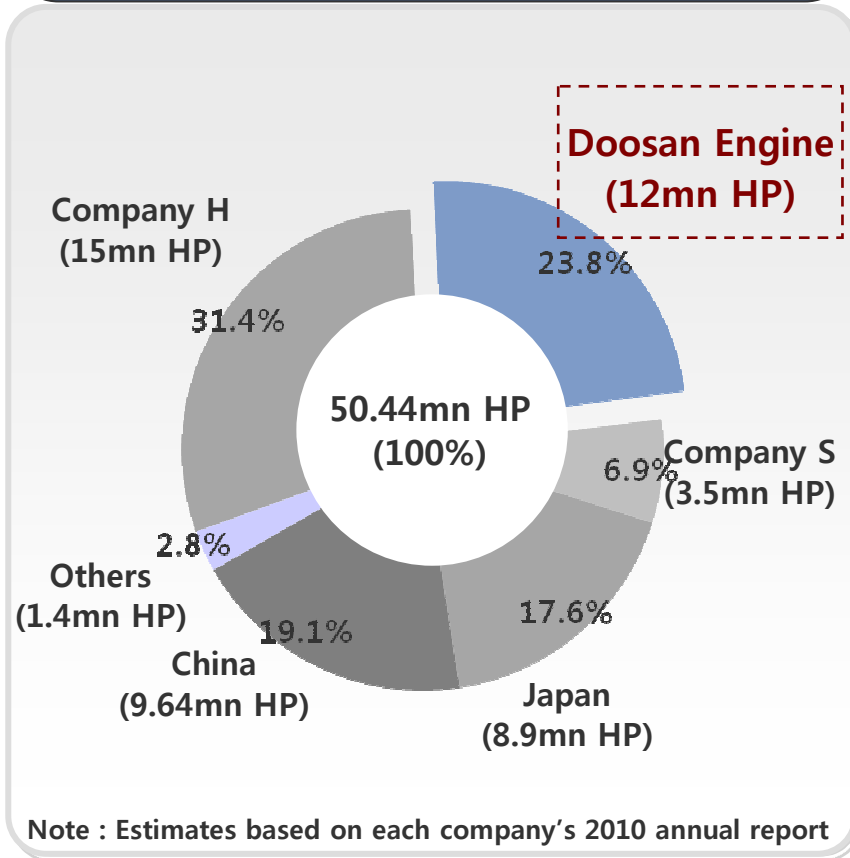
- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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)	500 units / 2,000,000 HP
Processing plant	27,100(8,197 pyeong)	
Canning plant	4,894(1,480 pyeong)	
Total Capacity		14,000,000 HP

Appendix 4. Manufacturing Infrastructure

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
- 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
(2010 Sales : ₩1,535bn – 89% 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



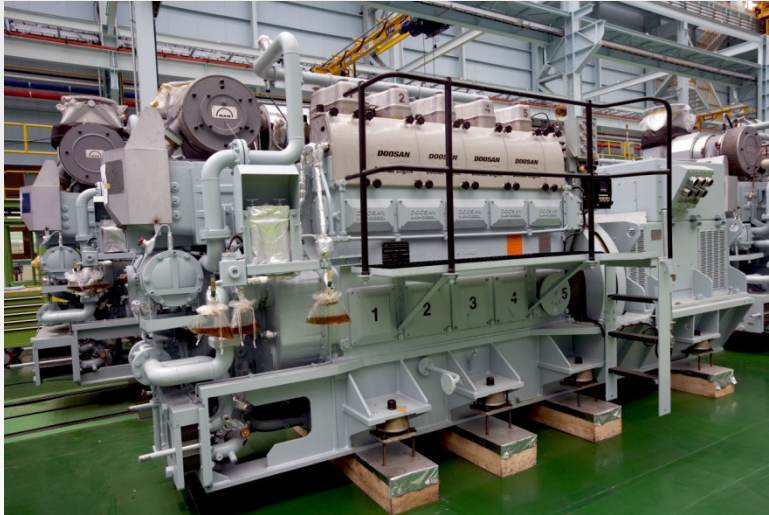
LNG carrier engines



Bulk carrier engines

Appendix 5. Business area : Med-speed diesel engines

Medium-speed diesel engines



- New growth business
(Sales : ₩134bn – 8% of total sales, +64% YoY)
- 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



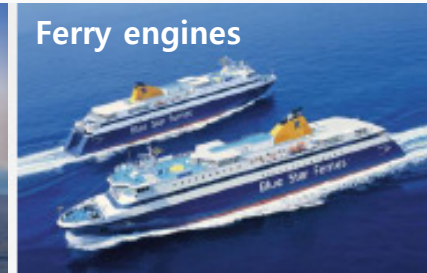
Cruise engines



Drillship engines



Ferry engines



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

Low-speed diesel power plant engines

No.1 builder of large DPP engines

- Uses low-speed diesel engines (designed for large ships)
- Supply electricity in 10 countries currently
- Small/mid-size capacity power plants installed in small countries, developing countries, and islands (Namjeju Island, Papua New Guinea, India, Greece, etc.)
- Technology alliance with MAN of Germany



Med-speed diesel power plants

No.1 supplier of emergency generators for nuclear power plants

- Medium-speed diesel engines for power plants
- Exclusive supplier of emergency generators for nuclear power plants in Korea; Orders to grow from rise in nuclear power plant exports
- Medium-speed DPP : Small-capacity power plants for islands and other remote areas (Philippines, Fujairah, Bangladesh)
- Technology alliance with Daihatsu(2010) to help increase overseas orders for medium-speed DPP



Emergency power generator

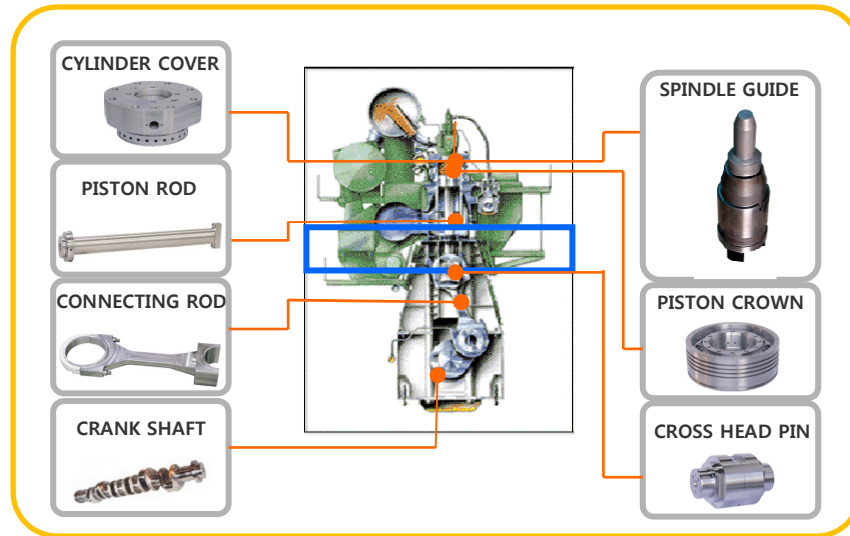


Med-speed DPP

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

Appendix 5. Business area : Parts & C/S

Main engine parts



- **Uses** : Ship engines, Retrofit
- **Customers** :
 - 12 agencies (10 domestic, 2 overseas)
 - Ship owners: A.P.Moller(Denmark), CSCL(China), NOVO Ship(Russia)
- **Market size** : ₩616bn(as of 2009)
- **Business overview**
 - Domestic production of engine parts
 - Expanding of parts sales network : 11 in 2010 to 20 in 2012
 - Developing paid A/S items



CYLINDER COVER



ROD(CON/PISTON)



ALPHA RETROFIT



CROSS HEAD PIN

Appendix 6. Impact from IMO's environment regulation

Emission Control – Cost



	Reduction capability				First cost in % of engine price	Running cost index Tier 1 = 100
	NOx	CO	HC	PM		
Primary methods						
Engine adjustments	10-15%	👇	👇	👇	0%/Small	102
SL & Alpha lube	-	-	👇	👇	0%/Small	101
Water emulsion	20-30%	-	-	👇	10-20% *)	101
SAM (Scavenge Air Moistening)	40-50%	👇	👇	👇	20-30% *)	101
Secondary methods						
SCR (Sel. Cat. Reduction)	80-98%	?	?	?	50-70%	110

*) Depending on installation

Appendix 7. GAAP Differences (1/2)

Converting from K-GAAP to K-IFRS, 1Q10 Sales increased by W135bn(OP by W32bn)

- 1) Reclassification : OP increased by W18bn(+4.9%p)
- 2) GAAP differences : increasing of Sales and Pretax profit

Income Statement for 1Q10

(Wbn)

	K-GAAP	Reclassification	After Reclassification	K-IFRS	GAAP Differences
Sales	363	0	Sales 363	498	+135 ✓ % of Completion method → Delivery basis
COGS	318	0	COGS 318	440	+122
(%)	(87.7%)	0	(%) (87.7%)	(88.2%)	+0.5%p
SG&A	14	0	SG&A 14	13	-1
		+18.2 ①	Other profit 18.2	18.2	0
		+0.2 ②	Other expense 0.2	0.2	0
OP	31	+18	OP 49	63	+14 Due to sales growth
(%)	(8.6%)	+4.9%p ✓	(%) (13.5%)	(12.7%)	-0.8%p
Non-op profit	124	-18	Financial profit 106	126	+20 ✓ Acc'ting principle changed for Option W19bn
Non-op expense	160	-57	Financial exp. 103	105	+2
		-57 ③	Equity method -57	-33	+24 ✓ No amortization of Goodwill
Pretax profit	-5	0	Pretax profit -5	51	+56
Net profit	-17	0	Net profit -17	32	+49

- ① Other Income W18bn : Non-op profit → Other profit
- ② Donations W0.3bn : Non-op expense → Other expense
- ③ Loss on equity method W57bn : reclassification from Non-op expense

Appendix 7. GAAP Differences (2/2)

Converting from K-GAAP to K-IFRS, 2010 Sales increased by W102bn(OP by W48bn)

- 1) Reclassification : OP increased by W41bn(+2.3%p)
- 2) GAAP differences : increasing of Sales and Pretax profit

Income Statement for 2010

(Wbn)

	K-GAAP	Reclassification	After Reclassification	K-IFRS	GAAP Differences
Sales	1,730	0	Sales 1,730	1,832	+102 ✓ % of Completion method → Delivery basis
COGS	1,445	0	COGS 1,445	1,517	+72
(%)	(83.5%)	0	(%) (83.5%)	(82.8%)	-0.7%p
SG&A	55	0	SG&A 55	59	+4 Increase of Bad debt exp. W3bn
	0	+52 ①	Other profit 52	34	-18
	0	+11 ②	Other expense 11	12	+1
OP	230	+41	OP 271	278	+7
(%)	(13.3%)	+2.3%p ✓	(%) (15.7%)	(15.2%)	-0.5%p
Non-op profit	266	-173	Financial profit 93	88	-5 ✓ Acc'ting principle changed for Option W19bn
Non-op expense	259	-142	Financial exp. 117	118	+1
		-10 ③	Equity method -10	24	+34 ✓ No amortization of Goodwill
Pretax profit	237	0	Pretax profit 237	272	+35
Net profit	166	0	Net profit 166	201	+35

- ① Other Income W33bn : Non-op profit → Other profit
- ② Other Loss W8bn : Non-op expense → Other expense
- ③ Loss on equity method W10bn : reclassification from Non-op expense