



Doosan Engine

Investor Relations 2Q12 Operating Results



Sep 2012
Doosan Engine

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Disclaimer

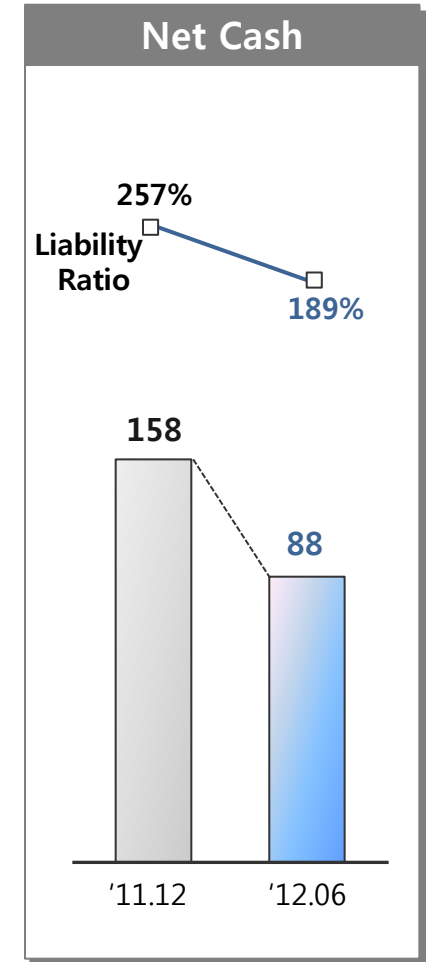
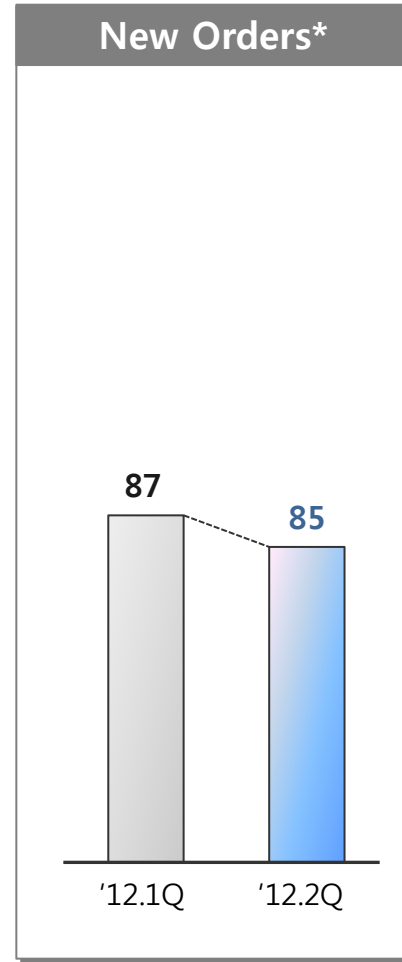
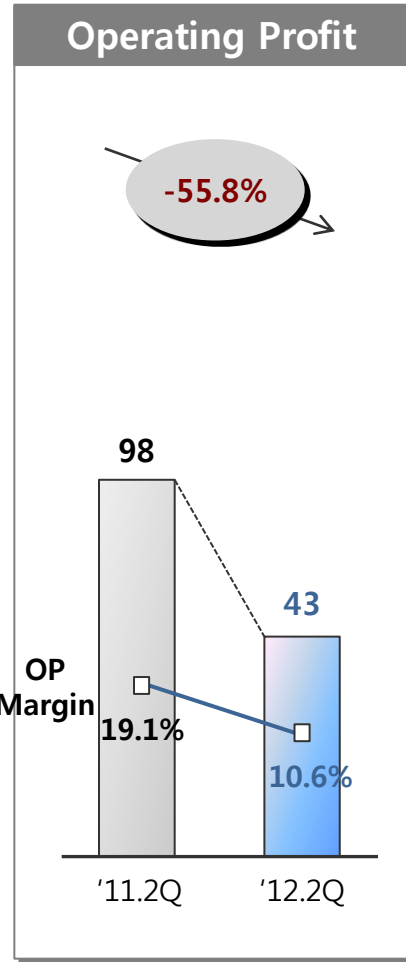
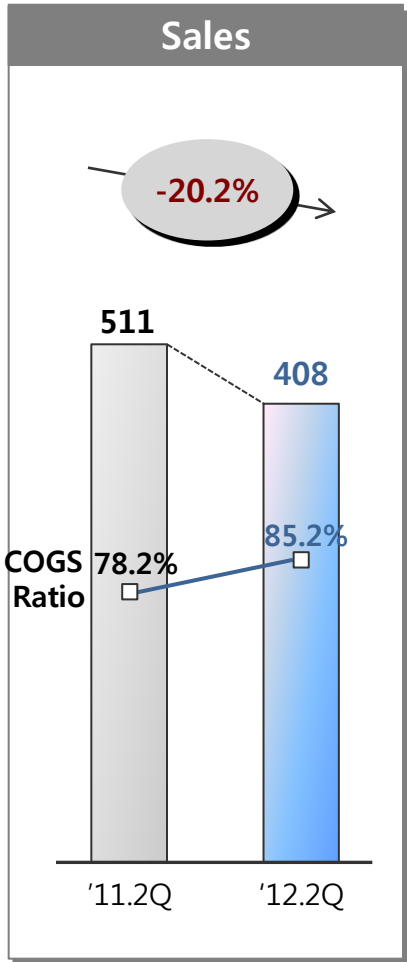
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2Q12 Operating Results Summary

(Wbn)



- New Orders : Based on Receiving Advance Receipts

2Q12 Income Statement

✓ Sales W408bn, Operating Profit W43bn(OPM 10.6%)

(Wbn)

	'12.2Q	'12.1Q	QoQ	'11.2Q	YoY
Sales	408 ¹	364	+11.9%	511	-20.2%
COGS ratio(%)	(85.2%)	(88.0%)	(-2.8%p)	(78.2%)	(+7.0%p)
Gross Profit	60	44	+37.5%	111	-45.8%
SG&A	19	17		16	
Other gain & loss	2	3		2	
Operating Profit	43	30	+42.2%	98	-55.8%
OP Margin(%)	(10.6%) ²	(8.3%)	(+2.3%p)	(19.1%)	(-8.6%p)
Financial Income & Expense	3 ³	-0.8		3	
Equity Method Gain & Loss	25 ⁴	0.3		6	
Pretax Profit	71	30	+136.7%	107	-33.7%
Tax	13	7		23	
Net Profit	58	23	+152.5%	84	-31.2%

2Q12 Key Points(QoQ)

- 1 Sales +11.9%(QoQ)**
 - Sales carried over from the previous quarter

- 2 OP Margin 10.6% (+2.3%p QoQ)**
 - Improvement in COGS ratio ('1Q12: 88% → '2Q12: 85%)
 - Other Gain & Loss +W2.2bn

- 3 2Q Financial Income/Expense +W3.1bn**
 - Interest Income & Expense +W1.4bn
 - Forward Hedging Gain & Loss +W1.8bn

- 4 Equity Method Gain/Loss +W24.6bn**
 - Equity Method Gain +W25bn(Bobcat)
 - Equity Method Loss -W0.4bn(Casco, DSD)

2Q12 Balance Sheet

✓ Net Cash W88.3bn, Liability Ratio 189%

(Wbn)

	'11.12	'12.06	+/-
Current assets	994	803 ¹	-191
Non-current assets	1,056	1,070	+14
Total assets	2,050	1,873	-177
Current Liabilities	1,217	952 ²	-265
Advance receipts	725	512	-213
Non-current liabilities	259	273	+14
Total liabilities	1,476	1,225	-251
Paid in capital	69.5	69.5	0
Capital Surplus	367	367	0
Retained earnings	140	225	+85
Accumulated other comprehensive income	-3	-13	-10
Total equities	573	649 ³	+76
Total debt	319	262 ⁴	-57
Cash & Cash Equivalents	477	351	-126
Net Debt	-158	-88	+70
Liability ratio	257%	189%	-69%p

1H12 Key Points

1 Current Asset -W191bn

- Cash & Cash Equivalents -W122bn
- Account receivable fell due to decrease of engine shipments -W41bn

2 Advance Receipts -W213bn

- Advance receipts fell due to decrease of new orders

3 Total debt -W56bn

- Short-term debt -W71bn(Bond Return W80bn)
- Long-term debt +W15bn(Issuance of new debt)

4 Cash & Cash Equivalents -W126bn

- Decrease of advance receipts and return of debt

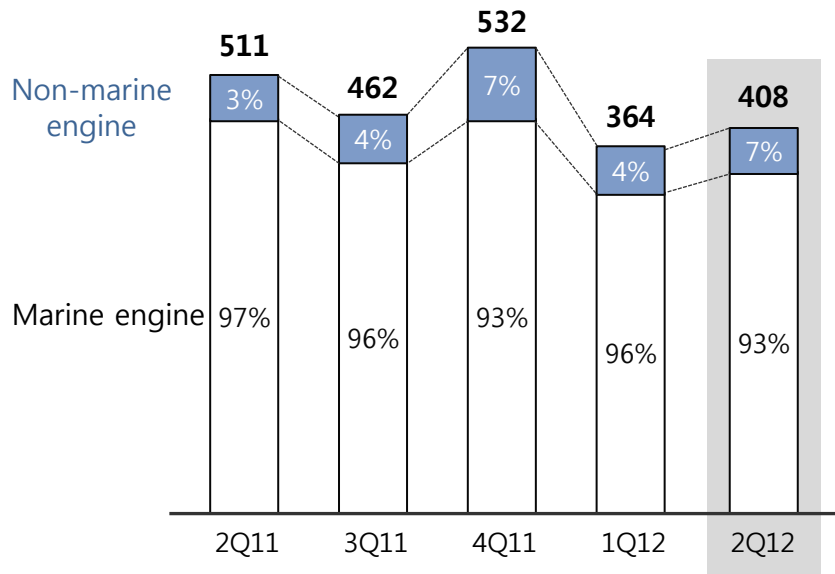
Quarterly Sales & New Orders

✓ 2Q12 Sales : W408bn(+11.9% QoQ)

✓ Marine engine orders decreased due to the depressed commercial vessel market

Quarterly Sales Trend

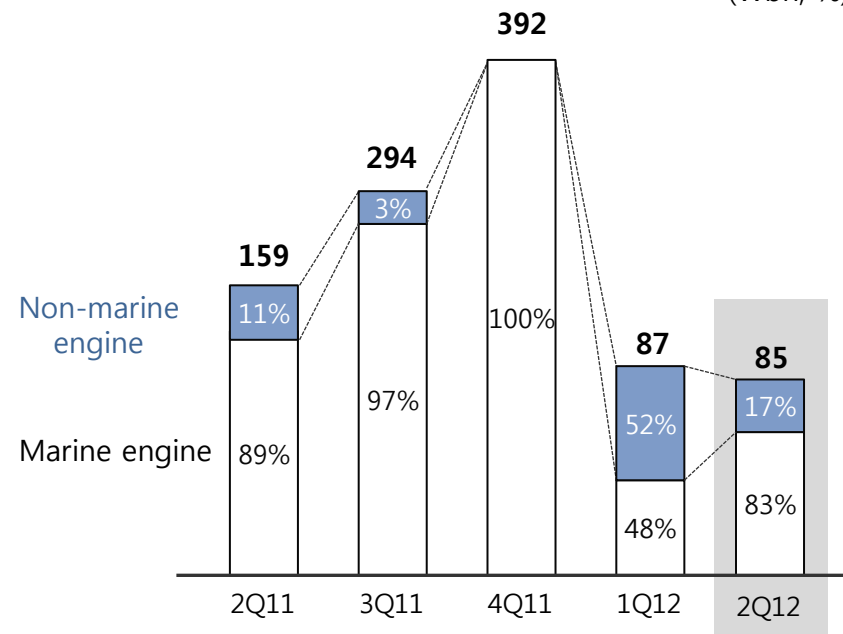
(Wbn, %)



- Marine Engine
 - 2Q12 Sales W378bn(+9% QoQ, -24% YoY)
- Non-marine engine
 - 2Q12 Sales W28bn(+73% QoQ, +118% YoY)

Quarterly New Orders Trend

(Wbn, %)

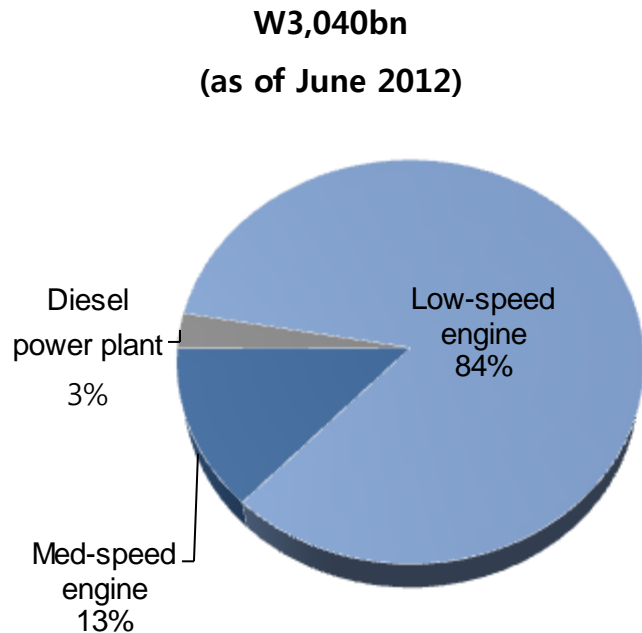


- Marine Engine : W70bn
 - Non-recognized order of W54bn not included
- Non-Marine Engine : W15bn
 - Non-recognized order of diesel power plant (Indonesia PJT) not included

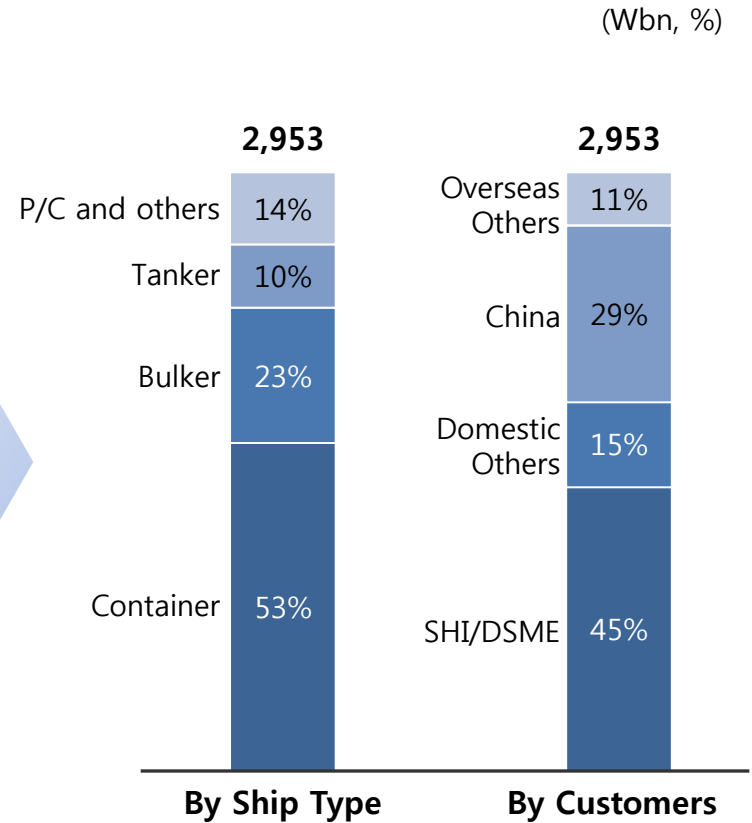
Order backlog

✓ Order backlog : W3tr, marine engine accounts 97%

Order backlog breakdown



Marine Engine
(Low speed+
Med speed)
: W2,953bn



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

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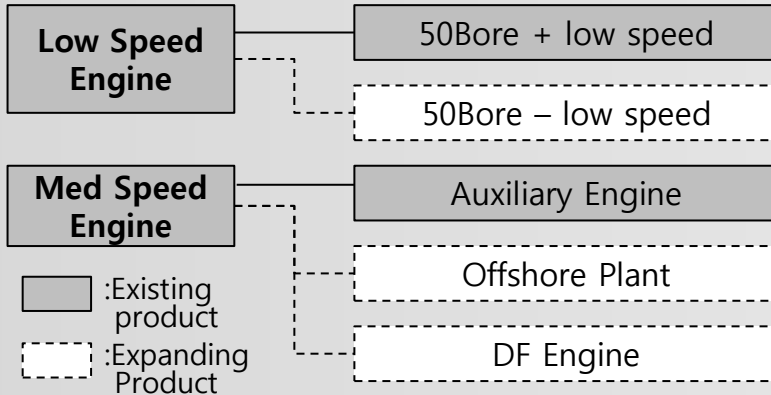
Mid to Long Term Growth Strategy

- ✓ Differentiated order-taking competitiveness and securing cost competitiveness
- ✓ Focusing non-shipbuilding business such as Diesel Power Plant, Parts, C/S Business, shipbuilding equipment business

Strategy	'12 Key Strategy	Main Issues
<p>1</p> <p>Strengthen Engine Business Competitiveness</p>	<ul style="list-style-type: none"> • Differentiated ordering-taking competitiveness • Secure cost competitiveness 	<ul style="list-style-type: none"> • Differentiated marketing efforts for ship-owners and shipyards • Customer valued marketing • Strengthen strategic alliance and collaboration with licensors for developing engines • Securing cost competitiveness by implementing O.E expansion and global sourcing
<p>2</p> <p>Stable Business Portfolio</p>	<ul style="list-style-type: none"> • Strengthen Diesel Power Plant and parts, C/S Business • Diversify business scope via green parts 	<ul style="list-style-type: none"> • Expanding med-speed diesel engine business • Strengthen emergency generators for nuclear power plant • Engine Parts, C/S business, localization parts and expansion of retrofit items • Develop eco-friendly/Efficiency-enhancing ship parts • Develop non-shipbuilding business

Business Portfolio Improvement

Marine Engine



50Bore – low speed engine

- Expanding the market by the increase number of small to mid sized shipbuilders

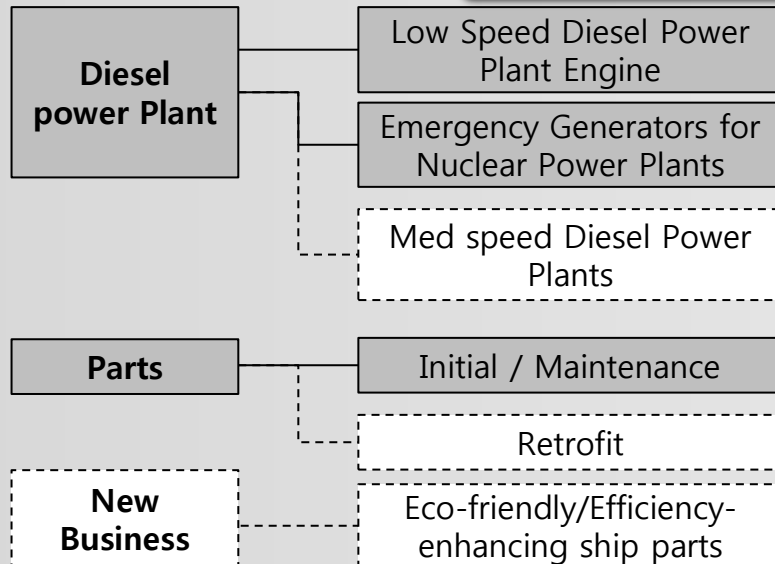
Offshore Plant Engine

- Expanding the M/S in the captive market to 30%

DF(Dual Fuel)Engine

- Acquired MDT Med speed DF engine(Effective January 2012)
- Expanding new orders opportunity after receiving low speed DF engine license

Non-Marine Engine



Med speed diesel power plants

- Strengthening cost competitiveness

Retrofit

- Increasing the demand of high efficient parts to improve the engine efficiency for ship-owners

Environment friendly/Efficiency-enhancing ship parts

- Acquiring core technologies by creating joint development and forming collaboration with the key players

Mid-to-long term Vision

✓ Focus on non-marine engine areas to achieve W3.1tr sales by 2016

Mid to long term Financial Aspiration – Sales

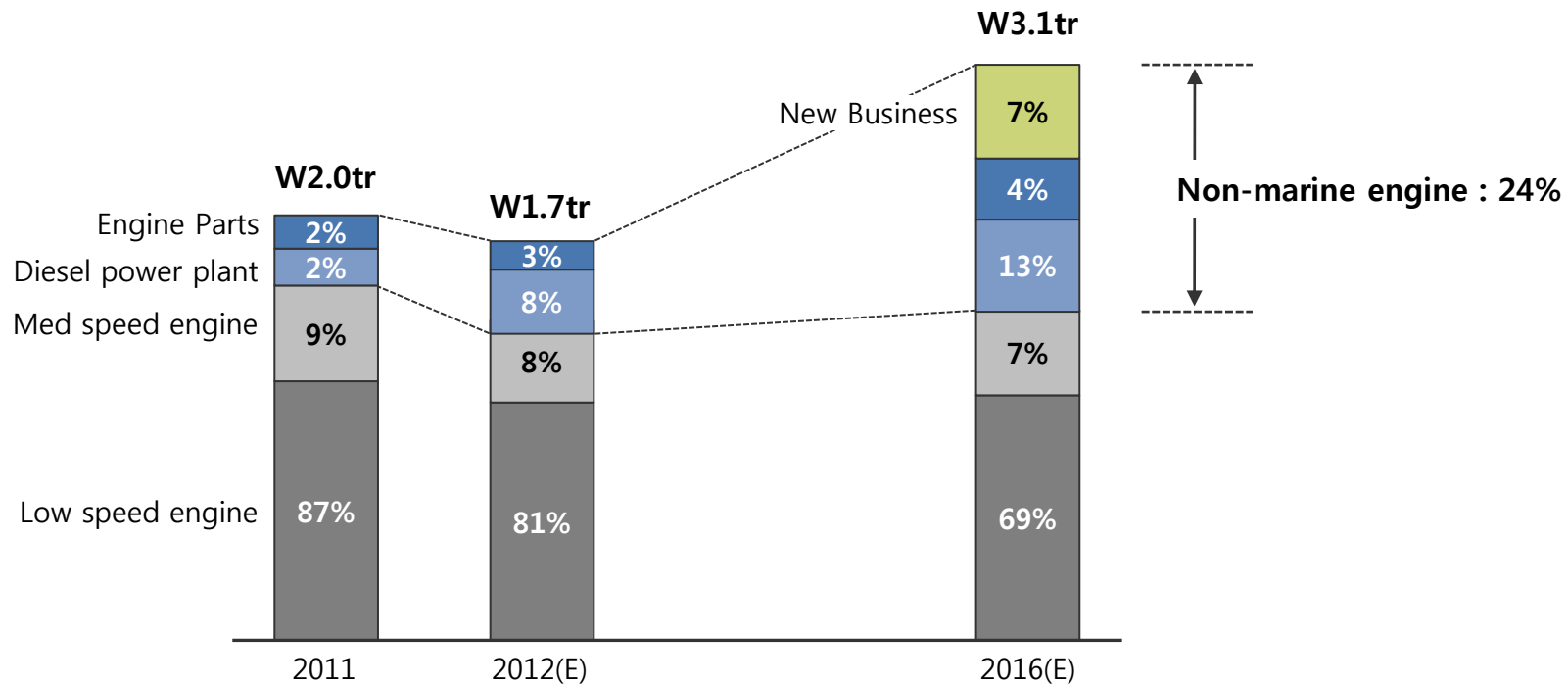


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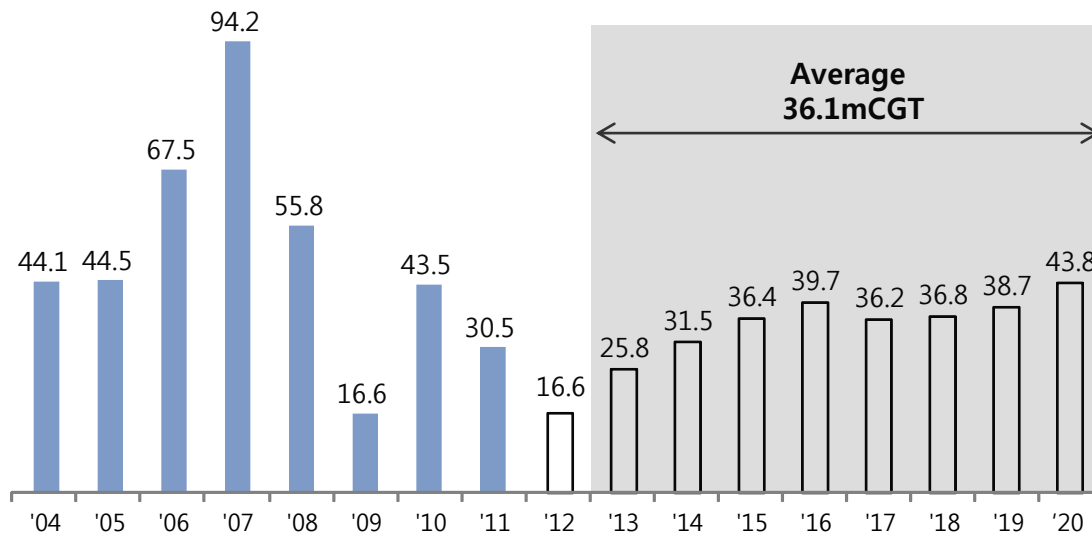
Appendix

Shipbuilding market outlook

- ✓ The global new order outlook will start to recover in 2013 and likely to maintain an annual average of 36mCGT 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

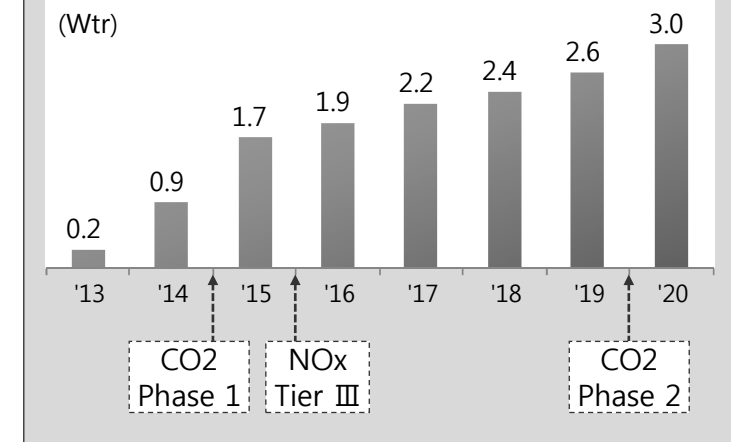
(mCGT)



* Source : Clarkson Forecast Report(March, 2012)

Abatement market size outlook

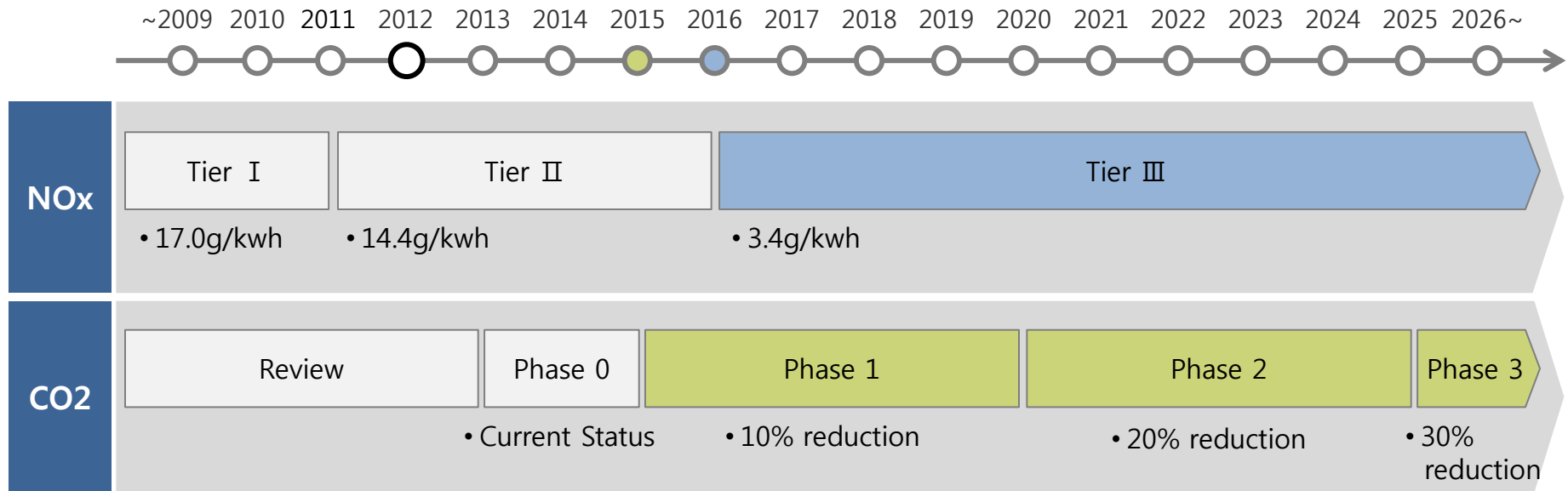
(Wtr)



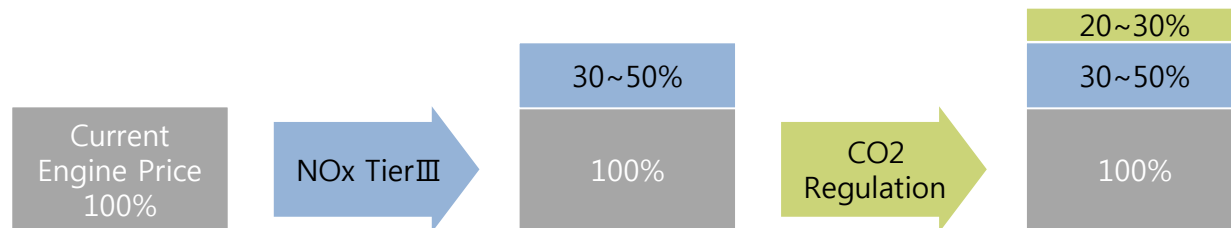
* Source : Doosan Engine Estimates

Investment Point 1. IMO environmental regulation trend

IMO regulation Milestone



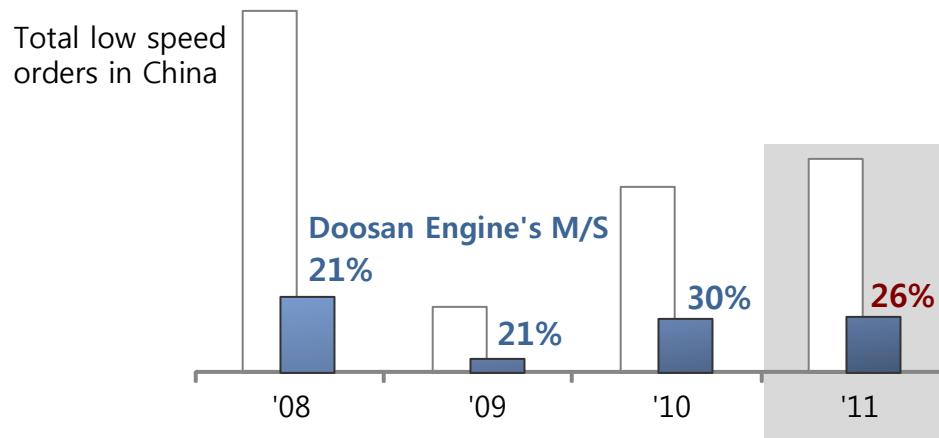
Impact on Engine Price



Investment Point 2. China Market

- ✓ M/S in China maintained the number one position(26% in 2011), the growth of Chinese shipbuilders is an opportunity

Doosan Engine new orders M/S in China



(Unit: '000HP)

Total new orders in China	13,400	2,407	6,879	7,875
New orders to Doosan Engine	2,800	500	2,026	2,034

- Recorded M/S of 26% in '11
- ➔ Likely to maintain M/S of 25~30%

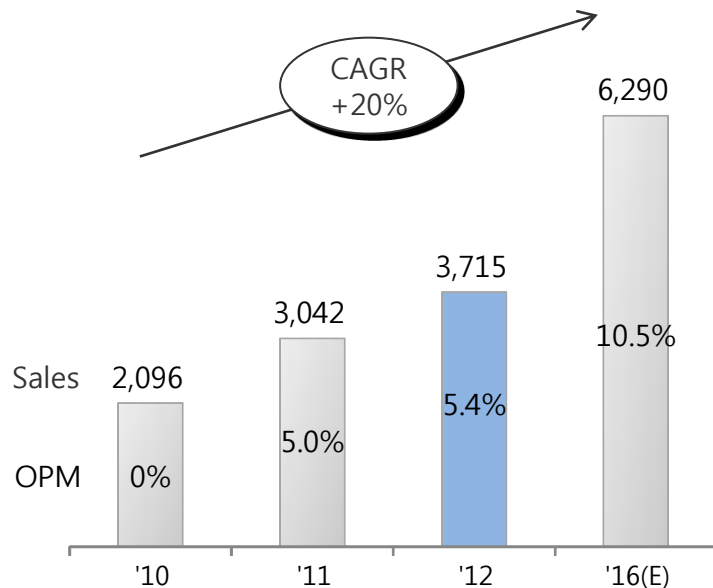
※ M/S : Based on actual engine new orders from 42 shipyards in China(Based on 50+ Bore segments)
(Detailed orders breakdown in '08 is not accessible
We figured out the M/S based on our contract basis against the Clarkson new engine orders)

Investment Points 3. Bobcat Turnaround

- ✓ 2Q12 Sales : W1,115bn(35% YoY), Sales increased thanks to favorable trends in North America market
- ✓ 2Q12 Gain on equity method of Bobcat W25bn(1Q12 Gain on equity method of Bobcat W0.9bn)

Bobcat Sales and OPM outlook

(mn\$)



* Source : Doosan Infracore IR material(February, 2012)

Bobcat Operating Results

(Wbn, %)

	2Q11	2Q12	YoY
Sales	828	1,115	+34.5%
OP	46	77	+65.2%
OPM(%)	(5.6%)	(6.9%)	(+1.3%p)

Equity Method Gain/Loss

(Wbn, %)

	2Q11	2Q12
Stake(%)	24.2%	18.4%
Acquisition Cost	738	738
Book Value	330	345
Gain(Loss) on Equity Method of Bobcat	15	25

Appendix

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

Appendix 1. Company Overview

Overview

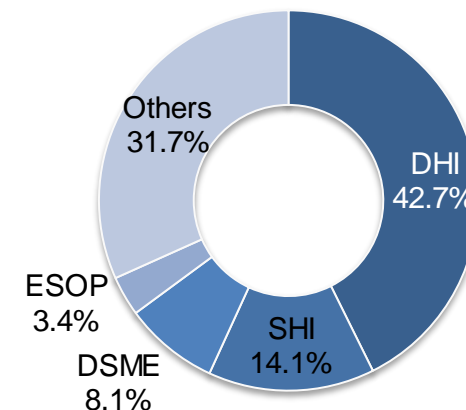
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%)
Capital	W69.5bn
No. of Employees	1,294 [As of Dec 2011]
Subsidiary	Doosan Marine Industrial (DMI) Dalian Co., Ltd (100% owned)

Business Areas

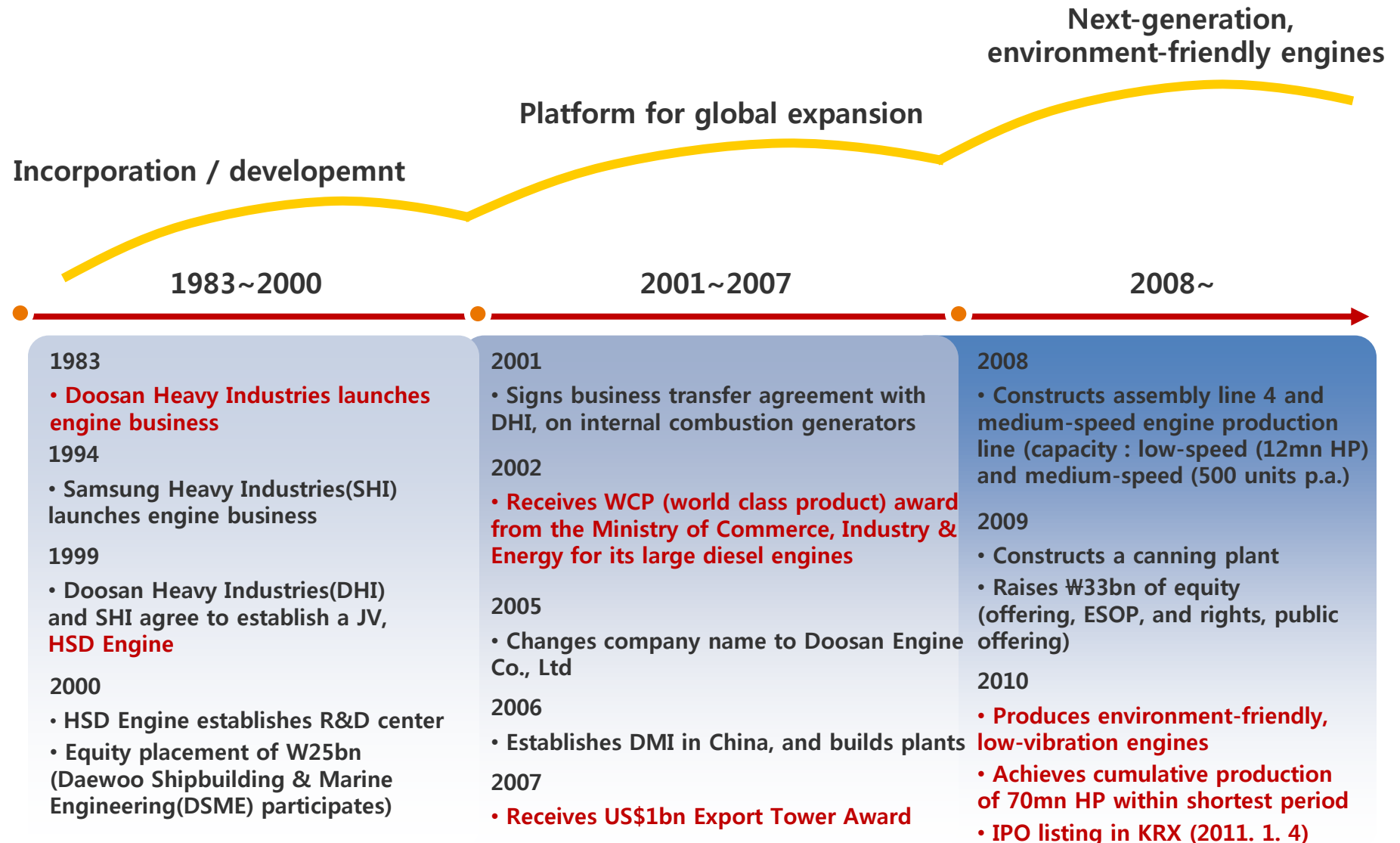
Business Areas	Sales (2011)	% of sales
Low-speed engine	W1,754bn	87%
Med-speed engine	W176bn	9%
Diesel power plant	W36bn	2%
Engine parts and C/S	W39bn	2%
Total	W2,005bn	100%

Shareholders

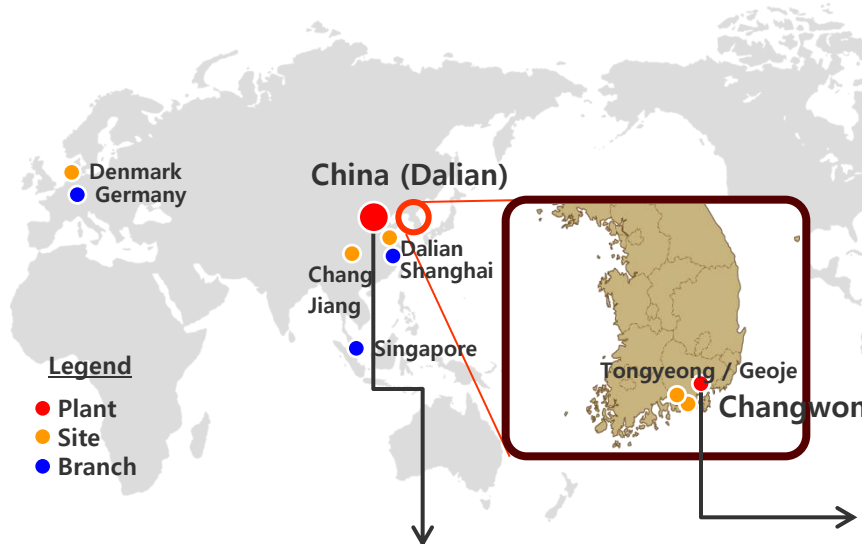
[As of 2012.06.30]



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

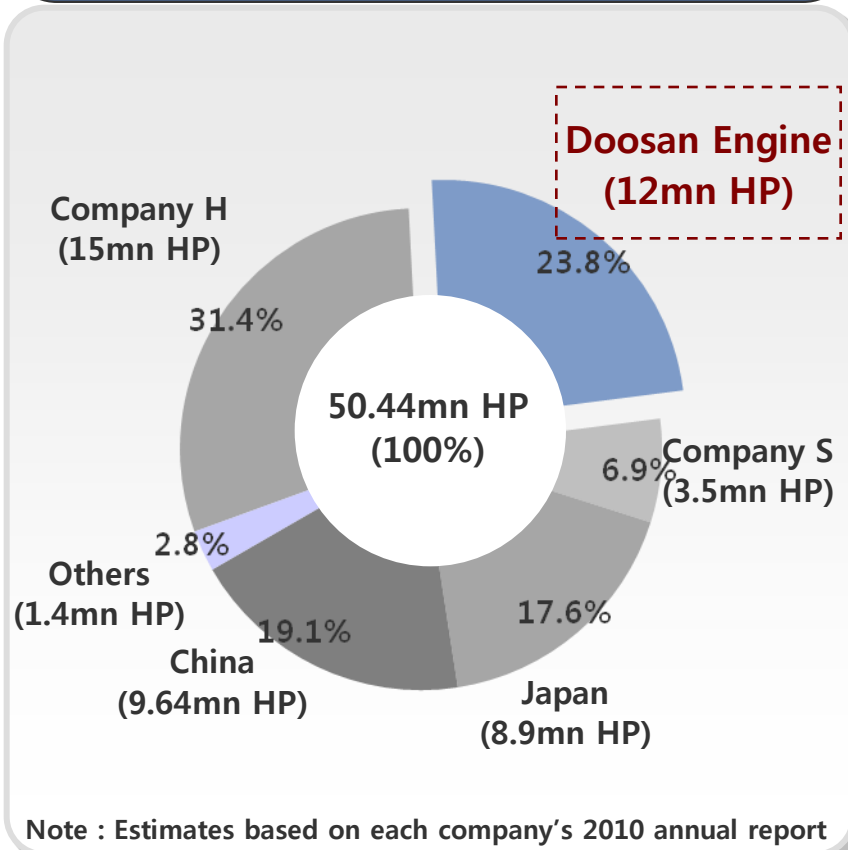


- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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
- 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(2011 Sales- 87% 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 : 9% of total sales in '11,+32% YoY)
- Uses : Auxiliary engines in large ship engines,
Propulsion engines in small to mid-sized ships
- Customers : SHI, DSME, China, Brazil



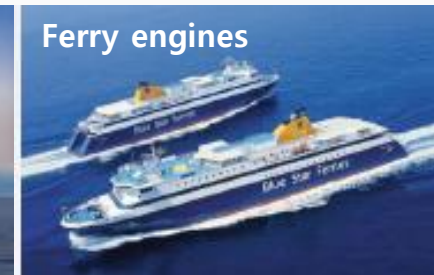
Warship (Dokdo naval ship) engines



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

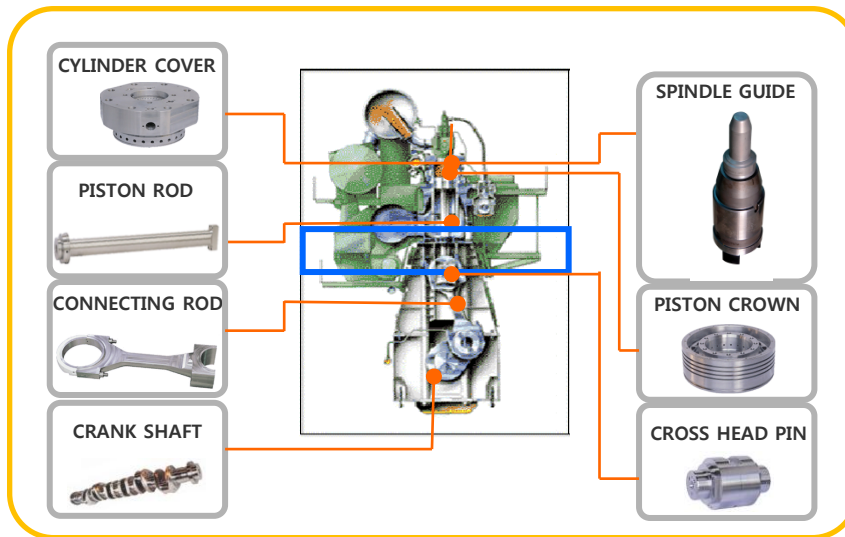


Med-speed DPP

※ 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