



Doosan Engine

Investor Relations
**3Q11 Operating Results &
2011 Business Plan**



Nov. 2011
Doosan Engine

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Disclaimer

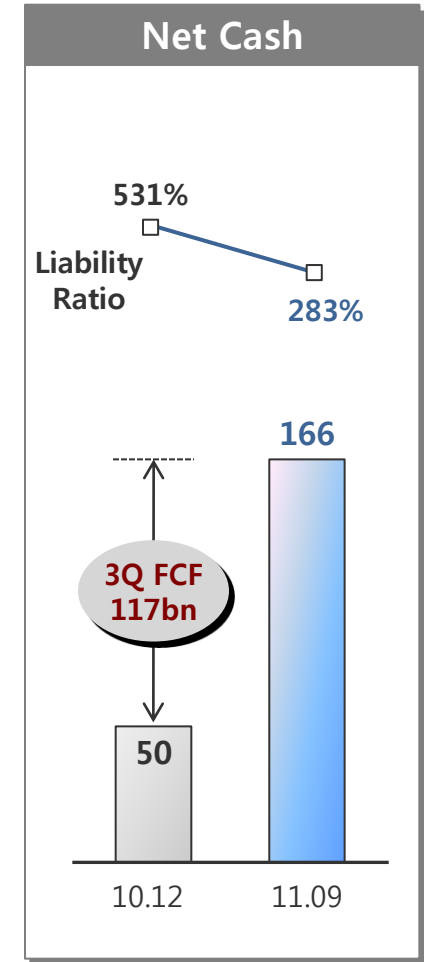
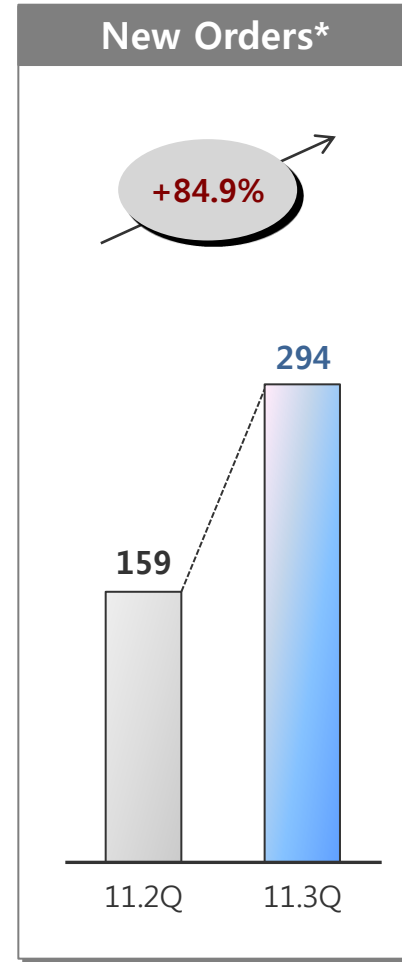
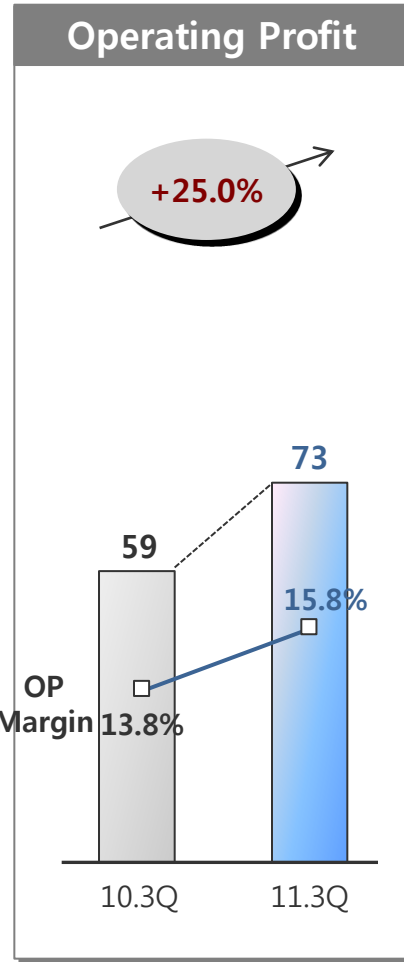
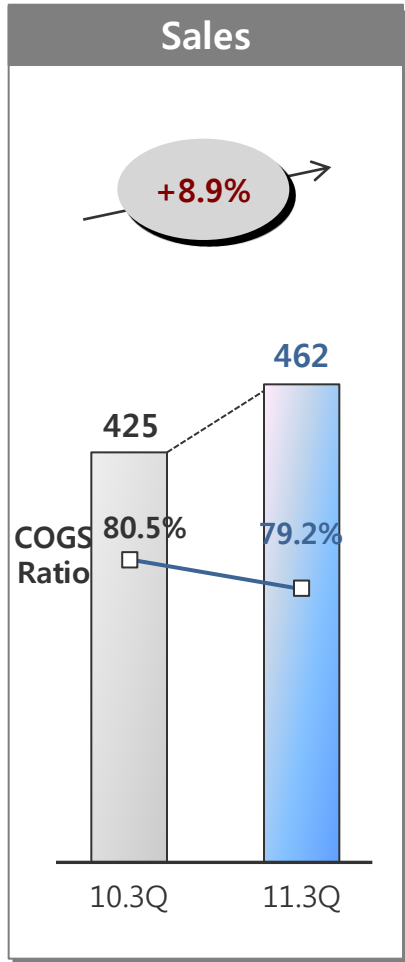
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3Q11 Operating Results Summary

(Wbn)



*New Orders : Based on Receiving Prepayment Deposit

3Q11 Income Statement

✓ Sales W462bn, Operating Profit W73bn (OPM 15.8%)

(Wbn)

	'11.3Q	'11.2Q	QoQ	'10.3Q	YoY
Sales	462 ¹	511	-9.6%	425	+8.9%
COGS ratio(%)	(79.2%)	(78.2%)	(+1.0%p)	(80.5%)	(-1.3%p)
Gross Profit	96	111	-13.5%	83	+16.0%
SG&A	18	16		14	
Other gain & loss	-5	2		-11	
Operating Profit	73	98	-25.2%	59	+25.0%
OP Margin(%)	(15.8%) ²	(19.1%)	(-3.3%p)	(13.8%)	(+2.0%p)
Financial Income	7	46		-31	
Financial Expense	8	43		-25	
Equity Method	-3 ⁴	6		13	
Pretax Profit	69	107	-35.7%	65	+5.5%
Tax	18	23		13	
Net Profit	51	84	-39.1%	52	-2.2%

3Q Key Points

- 1** Sales -9.6%(QoQ)
 - Sales fell by W49bn due to decrease number of business days
- 2** OP Margin 15.8% (-3.3%p QoQ)
 - Slight increase in SG&A : Advertising Expense W3bn
 - Other gain & loss : -W5bn (Donation W5bn)
- 3** 3Q Financial Income/Expense
 - Interest income & expense : +W2bn
 - FX translation gain & loss : -W20bn
 - Forward hedging gain & loss : +W17bn
- 4** Gain/Loss Equity Method -W3bn
 - 3Q11 Loss on equity-method for Bobcat : W3bn (Gain on equity method 1Q11~3Q11 : W12bn Gain/Loss on equity method 2011 target : W7bn)

3Q11 Accumulated Results/Annual Guidance

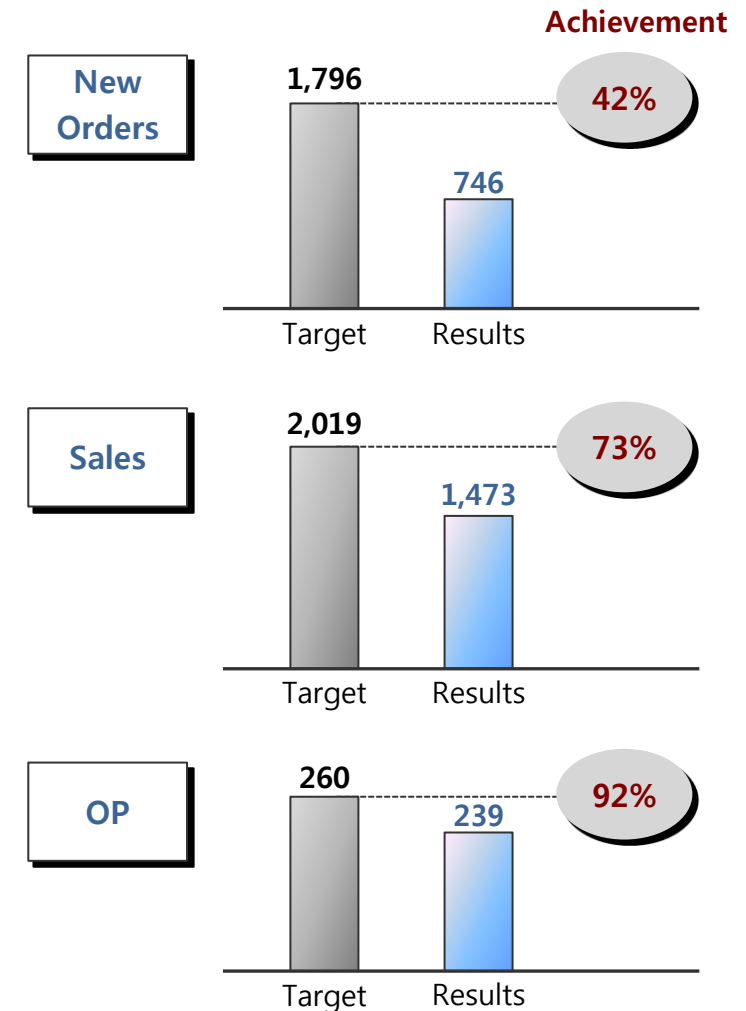
✓ On the track of meeting the annual guidance by achieving 73% of Sales, 92% of OP

(Wbn)

	Guidance	1Q11~3Q11
New Orders*	1,796	746
Sales	2,019	1,473
COGS ratio(%)	(83.4%)	(80.2%)
SG&A	72	47
Other Gain	6	5
Other Loss	12	11
Operating Profit	260	239
OPM(%)	(12.9%)	(16.2%)
<i>Interest Income</i>	2	15
<i>Interest Expense</i>	17	11
<i>Gain/Loss on Equity Method</i>	7	11
Pretax Profit	252	250
Net Profit	192	195
Net Debt	-184	-166

* New order recognition : Booked after receiving prepayment deposit

3Q11 Accumulated Results/Guidance

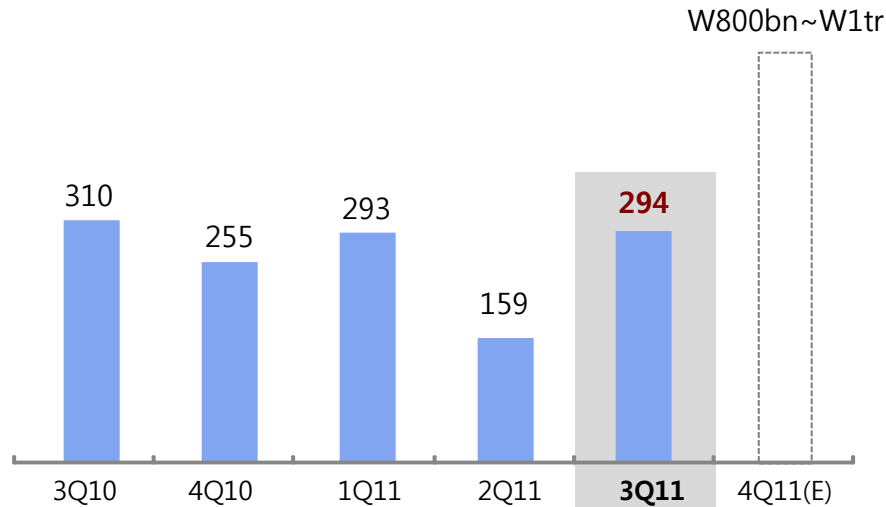


New orders

- ✓ 3Q11 New orders reached W294bn (1Q11~3Q11: W746bn)
- ✓ Likely to achieve large scale new orders of W800bn in 4Q11 from diesel power plant (W290bn) and others

New Orders*

(Wbn)



	3Q10	4Q10	1Q11	2Q11	3Q11
Low-speed engine	216	206	267	117	210
Med-speed engine	38	35	15	25	75
Diesel Power Plant Engine	51	0	1	5	0
Parts	5	14	11	13	9
New Orders	310	255	293	160	294

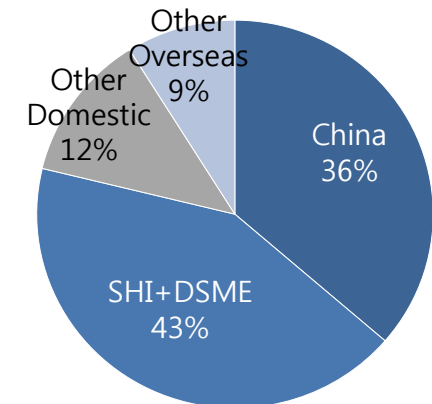
4Q New Orders Pool

- Non-recognized order W107bn
- Under negotiation W670bn
- Diesel Power Plant W290bn

By Customers (1Q11~3Q11)

Marine Engine (Low & Med Speed)

W708bn



※ Received 24 Med-speed engine orders for Drillships



* Recognized upon receiving prepayment deposit (post-reflection of cancellation and order changes)

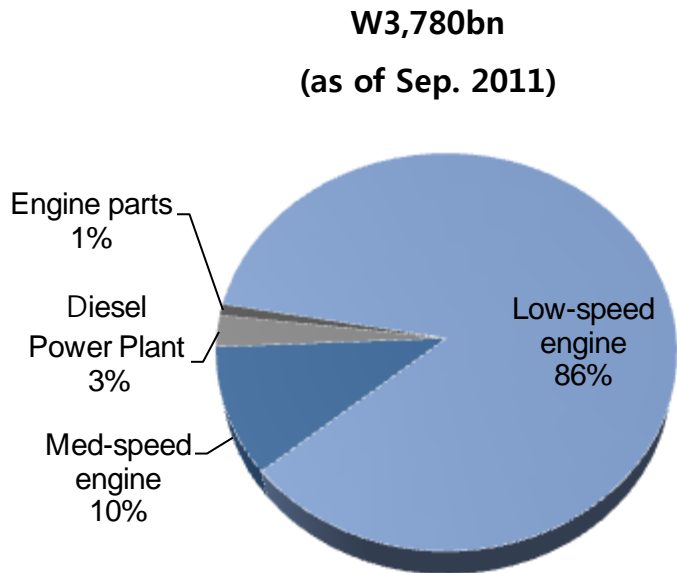
Doosan Engine

Order backlog

✓ Order backlog : W3.8tr (2 yrs of sales based on '10 sales)

Order Backlog Breakdown

(W bn, %)



Marine Engine
: W3,648bn

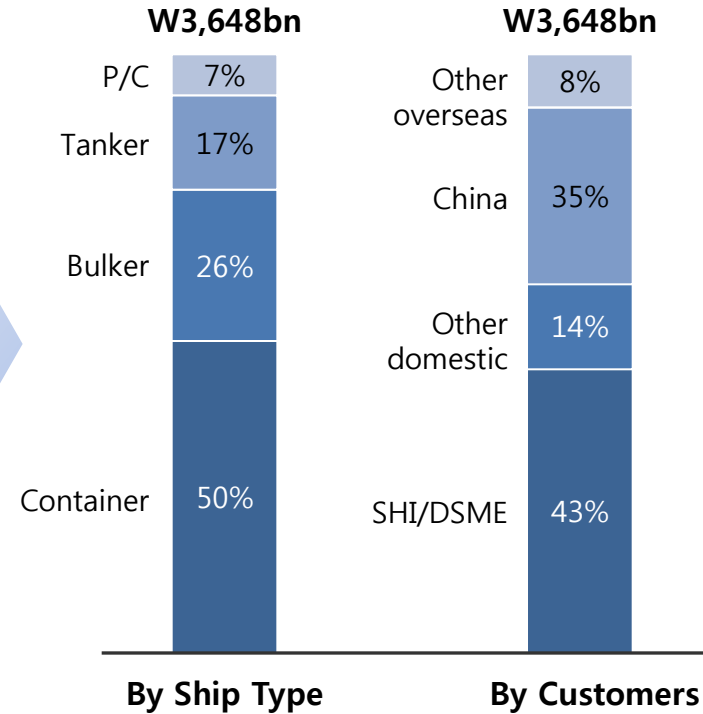


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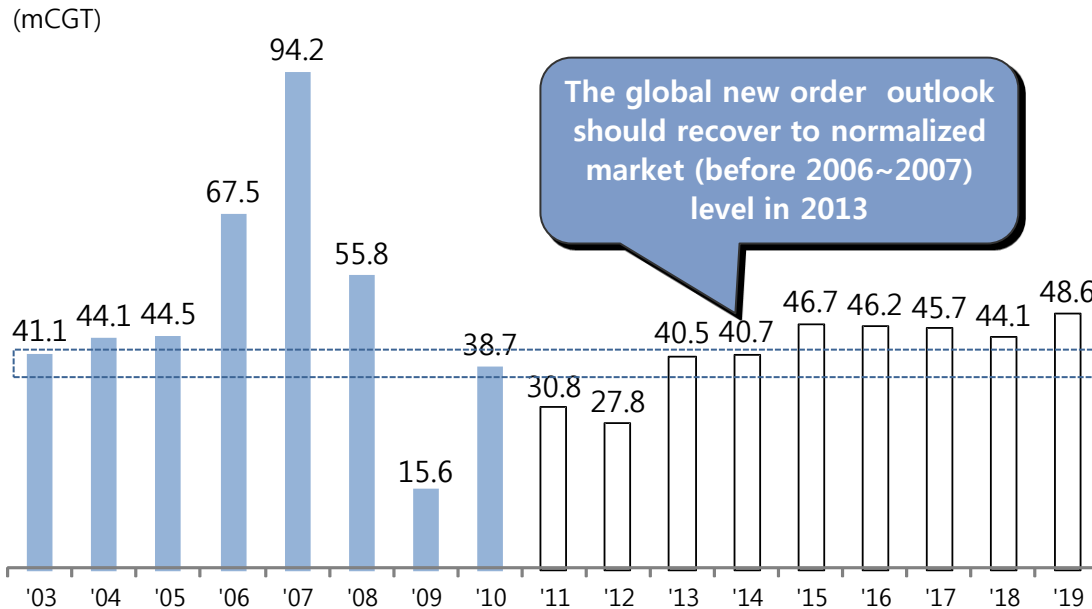
II. Market Outlook & Investment Points

Appendix

Shipbuilding market outlook

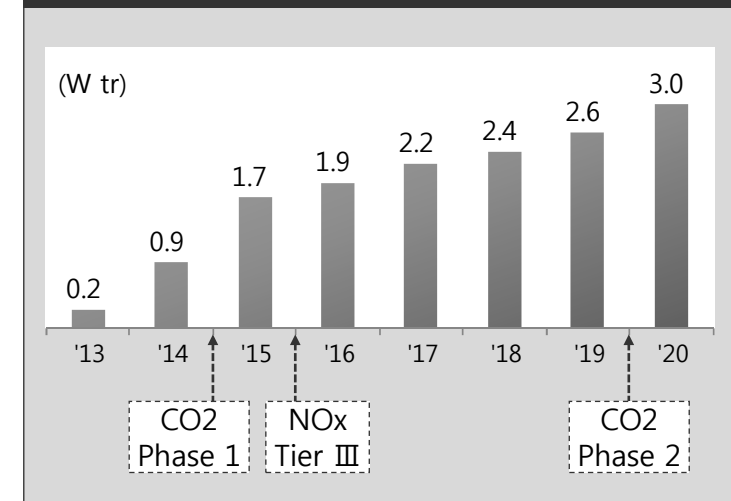
- ✓ The global new order outlook should recover to normalized (40mCGT) market level in 2013
- ✓ The Abatement (emission-reducing equipment) market will significantly grow to W3tr in 2020 after the market develops in 2013

Global new order outlook



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

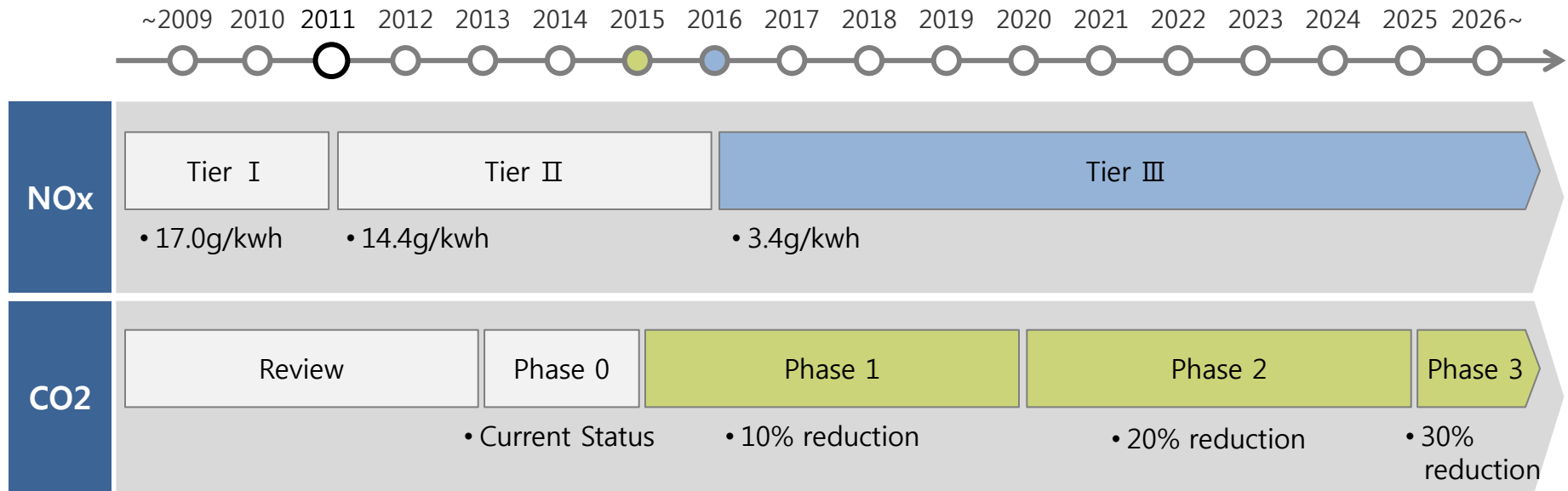
Abatement market size outlook



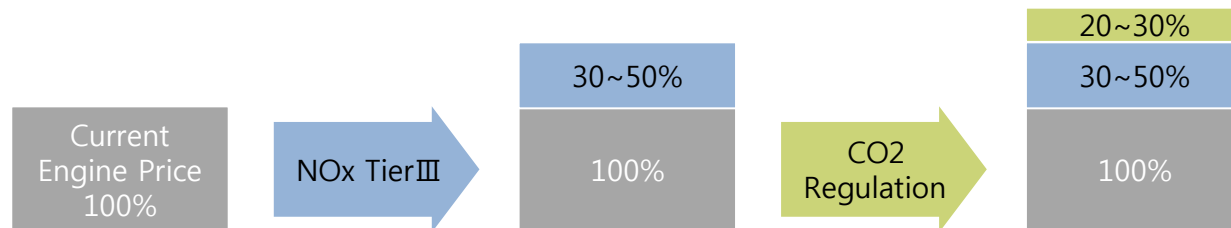
* Source : Doosan Engine Estimates

Investment Point 1. IMO environmental regulation trend

IMO regulation Milestone



Impact on Engine Price

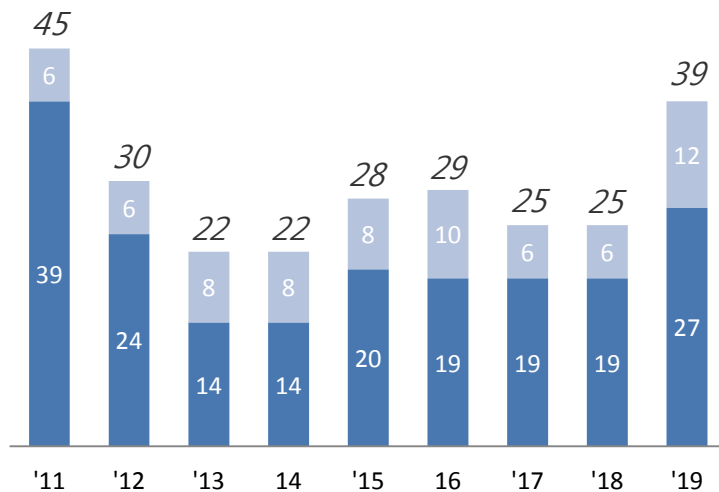


Investment Point 2. Offshore Plant Engine

- ✓ Captive market expect to place an average of 162 engine orders for offshore plant in '11~'19
- ✓ The first Drillship engine order in May 2011 : Plan to secure 50 engines per year and expand the M/S in captive market to 30%

Offshore plant Order outlook for Domestic player

■ Drill Ship (Unit: # of ships)
 ■ FPSO(Exclude LNG-FPSO)

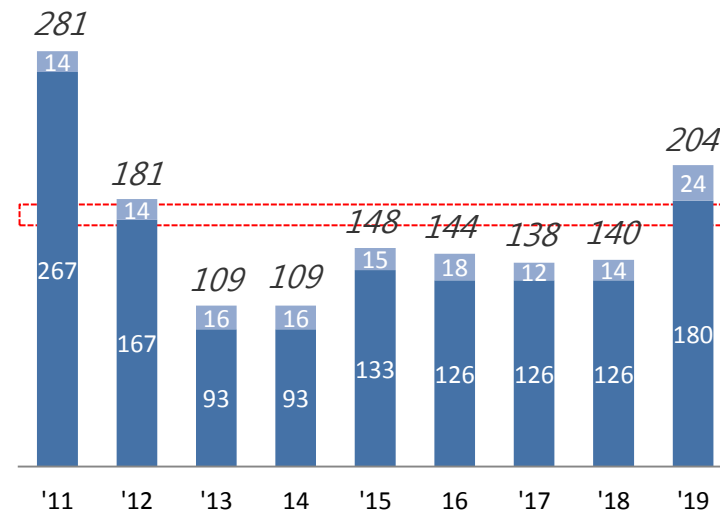


* Source : Clarkson, Doosan Engine

• Based on the amount of order received by ship types and shipyards for '08~'10 (3 years)

Offshore plant Engine Order outlook for Captive Market

■ Drill Ship (Unit: # of engines)
 ■ FPSO(Exclude LNG-FPSO)



Average of 162 engines

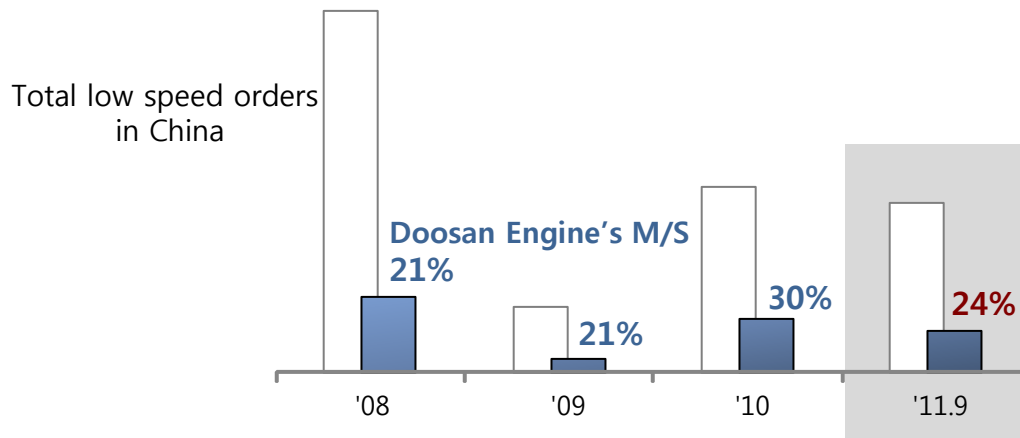
* Source : Clarkson, Doosan Engine

• Number of engines by ship type
 - Drillship : 6~8 Med-speed engines per ship
 - FPSO : 4 Med-speed engines per ship

Investment Points 3. China Market

✓ M/S in China recovered to 30% in 2010, expected to sustain 25~30% level

Doosan Engine new orders M/S in China



(Unit : '000HP)

Total new orders in China	13,400	2,407	6,879	6,309
New orders to Doosan Engine	2,800	500	2,026	1,528

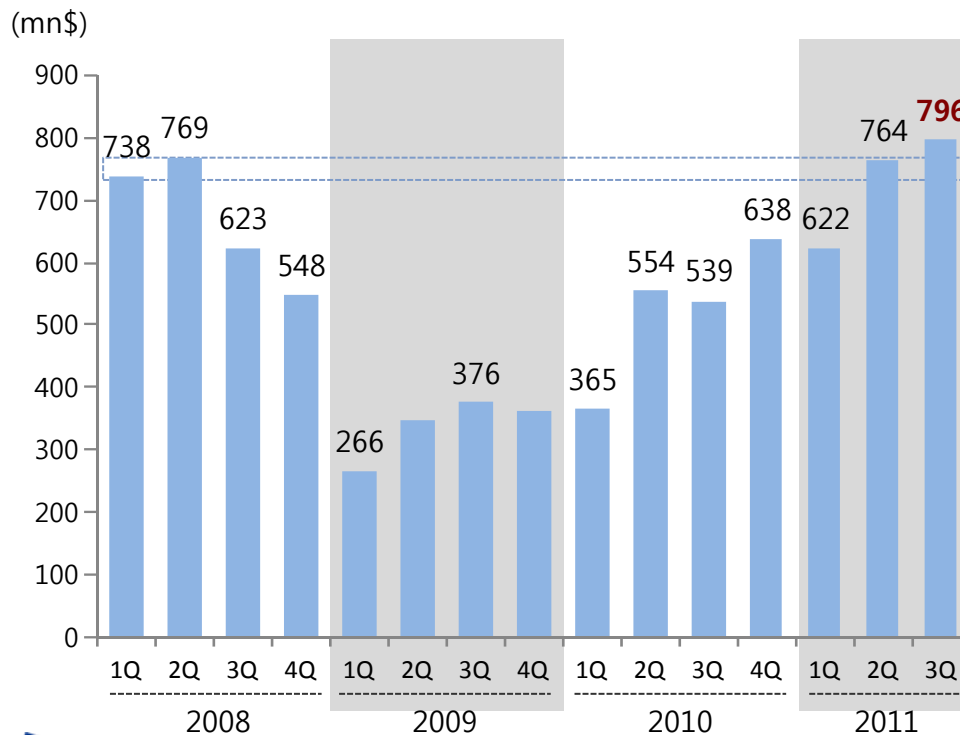
- 24% M/S in China (1Q11~3Q11)
- ➔ Including the 4Q11 new orders, M/S will likely sustain 25~30% level

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

Investment Points 4. Bobcat Turnaround

- ✓ Bobcat recorded sales of 796 million dollars in 3Q11 which the sales continue to increase after 1Q11
- ✓ Equity method loss of W3bn in 3Q11, F/X translation loss on dollar denominated debt due to weak euro (Equity Method Gain of W12bn in 1Q11~3Q11, exceeding its annual target of W7bn)

Bobcat Sales Trend ('08.1Q~'11.3Q)



Bobcat Operating Results

(Wbn, %)

	3Q10	2Q11	3Q11	YoY
Sales	594.1	828.4	854.8	+44%
OP	18.8	46.6	41.2	+119%
OPM(%)	(3.2%)	(5.6%)	(4.8%)	(+1.7%p)
NI	25.3	16.5	-7.8	Turn to Red

Equity Method Gain/Loss

(Wbn, %)

	2010.12.31	2011.09.30
Stake(%)	27.3%	24.2%
Acquisition Cost	738.2	738.2
Book Value	312.0	361.4
Gain(Loss) on Equity Method	-52.1	11.9

Appendix

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Appendix 1. Company Overview

Overview

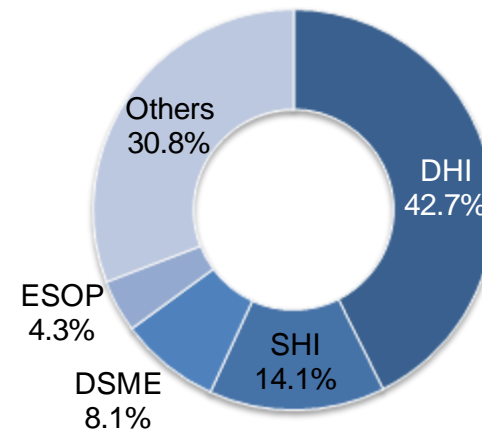
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%) (Based on 2010 sales)
Capital	W69.5bn
No. of Employees	1,269 [As of Dec 2010]
Subsidiary	Doosan Marine Industrial (DMI) Dalian Co., Ltd (100% owned)

Business Areas

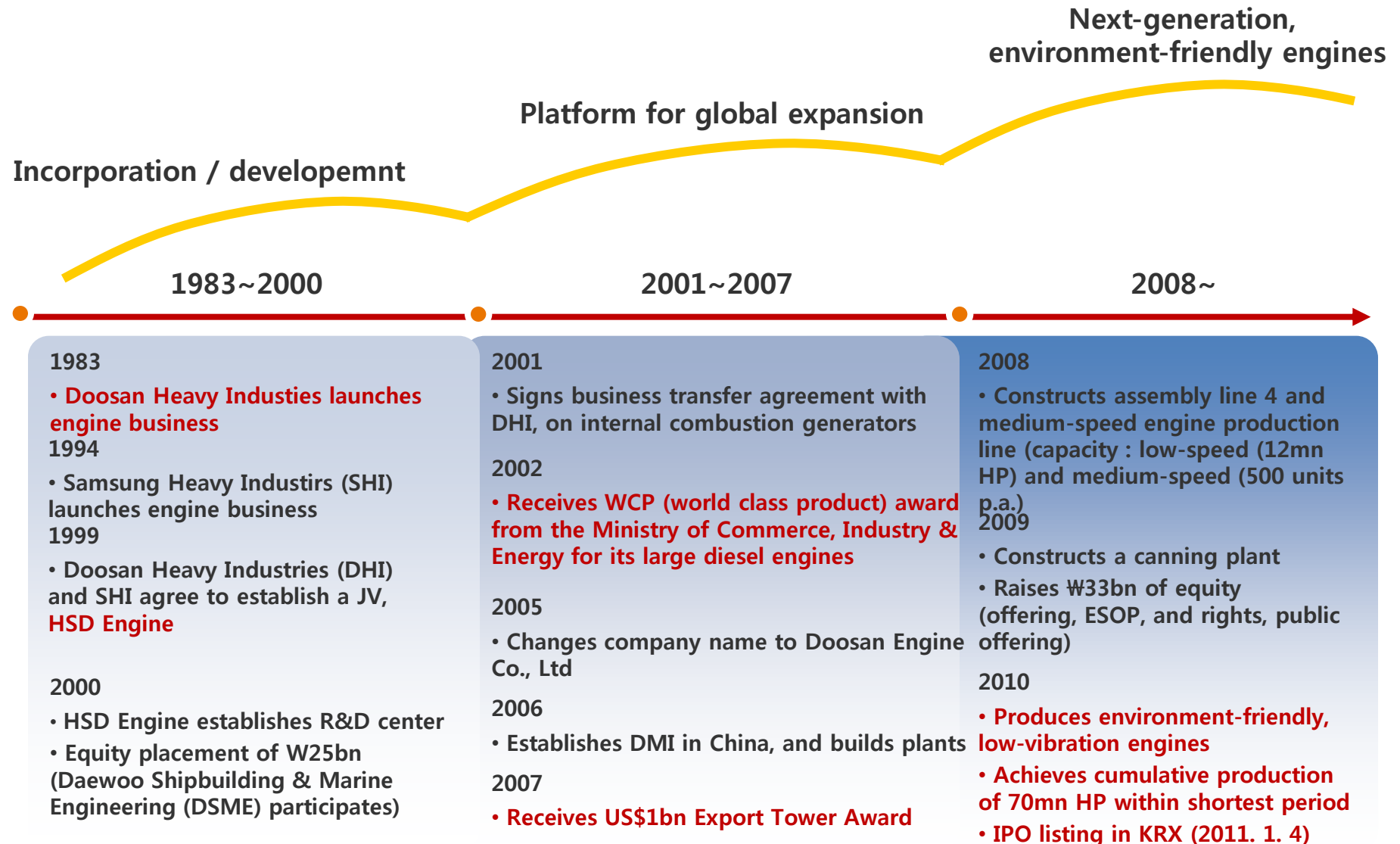
Business Areas	Sales (2010)	% of sales
Low-speed engine	W1,535bn	89%
Med-speed engine	W134bn	8%
Diesel power plant	W25bn	1%
Engine parts and C/S	W36bn	2%
Total	W1,730bn	100%

Shareholders

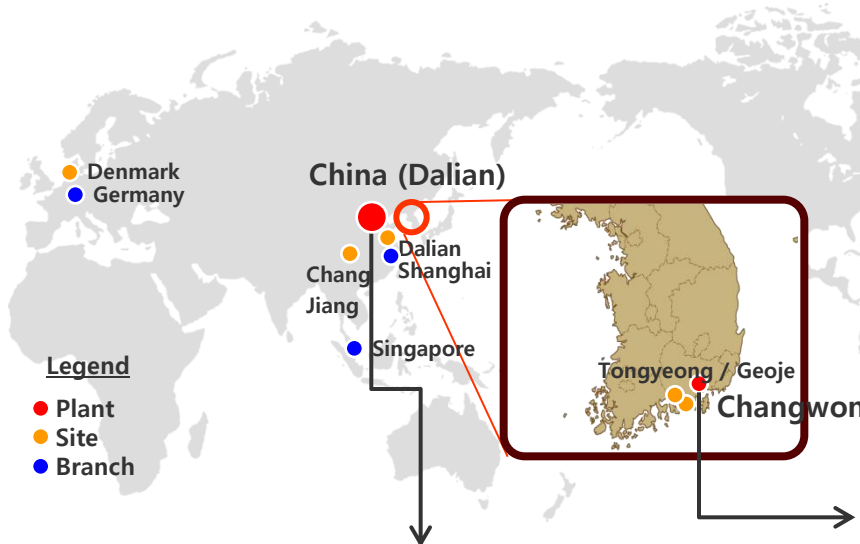
[As of 2011.09.30]



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

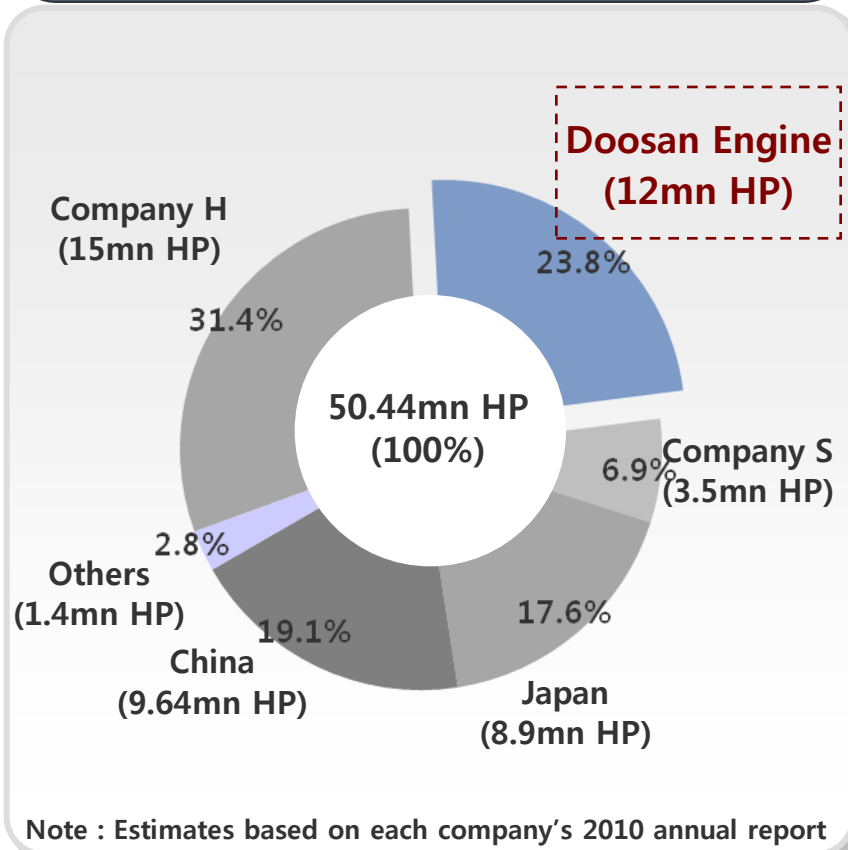


- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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
(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



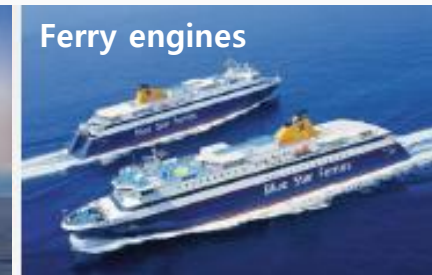
Warship (Dokdo
naval ship) engines



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

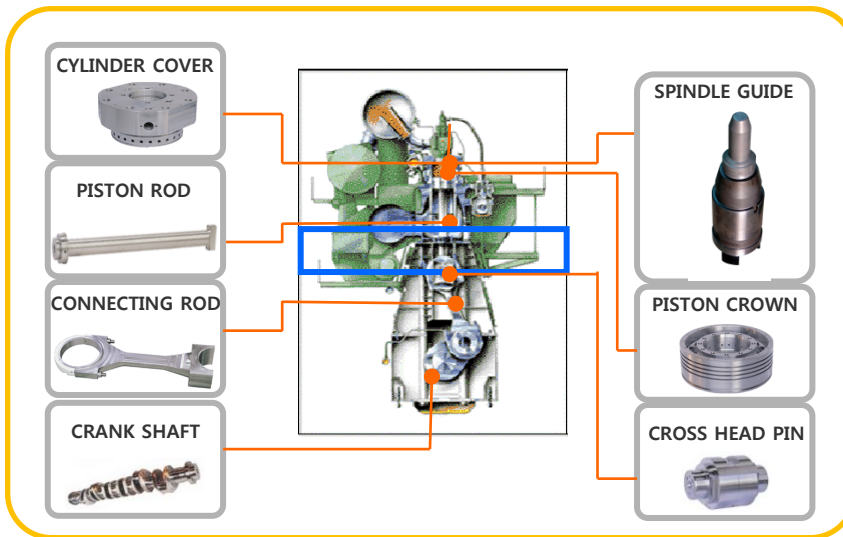


Med-speed DPP

※ 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

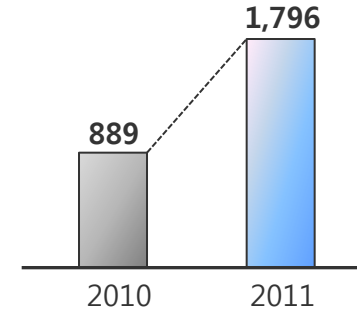
Appendix 6. 2011 Business Plan

(Wbn)

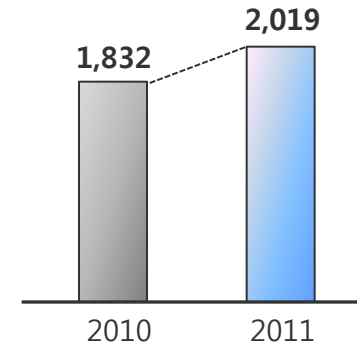
	2010 (K-IFRS)	2011(E) (K-IFRS)	YoY
New orders*	889	1,796	102.1%
Sales	1,832	2,019	10.2%
COGS ratio(%)	(82.8%)	(83.2%)	(+0.4%p)
SG&A	59	72	
Other Profit	34	6	
Other Loss	12	12	
Operating Profit	278	260	-6.4%
OP Margin(%)	(15.2%)	(12.9%)	-2.3%p
Financial Profit	88	2	
Financial Expense	118	17	
Gain/Loss on Equity method	24	7	
Pretax Profit	272	252	-7.3%
Net Profit	201	193	-3.8%
Net Debt	-49	-187	
Liability ratio	531%	284%	

* New order recognition : Booked after receiving prepayment deposit

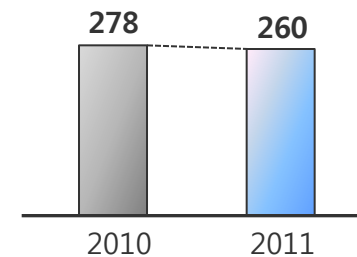
New orders
+102%



Sales
+10.2%



OP
-6.4%



Appendix 7. 3Q11 Financial Statements

Balance Sheet (K-IFRS)

(Wbn)

	'10.12	'11.09	+/-
Current assets	1,073	1,111	+38
Non-current assets	1,133	1,130	-3
Total assets	2,206	2,241	+35
Current Liabilities	1,488	1,360	-128
Prepayment deposit	979	829	-150
Short-term debt	153	185	+32
Non-current liabilities	369	296	-73
Long -term debt	293	184	-109
Total liabilities	1,857	1,656	-201
Paid in capital	69.5	69.5	0
Capital surplus	367	367	0
Retained earnings	-67	128	+195
Accumulated other comprehensive income	-20	20	+40
Total equities	349	585	236
Total debt	446	368	-78
Cash & Cash Equivalents	496	535	+39
Net Debt	-50	-167	-117

Income Statement (K-IFRS)

(Wbn)

	1Q10~3Q10	1Q11~3Q11	YoY
Sales	1,350	1,473	+9.4%
COGS ratio(%)	(83.4%)	(80.2%)	(-3.2%p)
Gross Profit	224	292	
SG&A	41	47	
Other gain & loss	12	-6	
Operating Profit	195	239	+22.5%
OP Margin(%)	(14.5%)	(16.2%)	(+1.7%p)
Financial income	95	106	
Financial expense	113	106	
Equity method	-43	11	
Pretax profit	134	250	+85.9%
Tax	38	55	
Net profit	96	195	+103.5%