



Doosan Engine

Investor Relations
**1Q12 Operating Results &
2012 Guidance**



May 2012
Doosan Engine

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Disclaimer

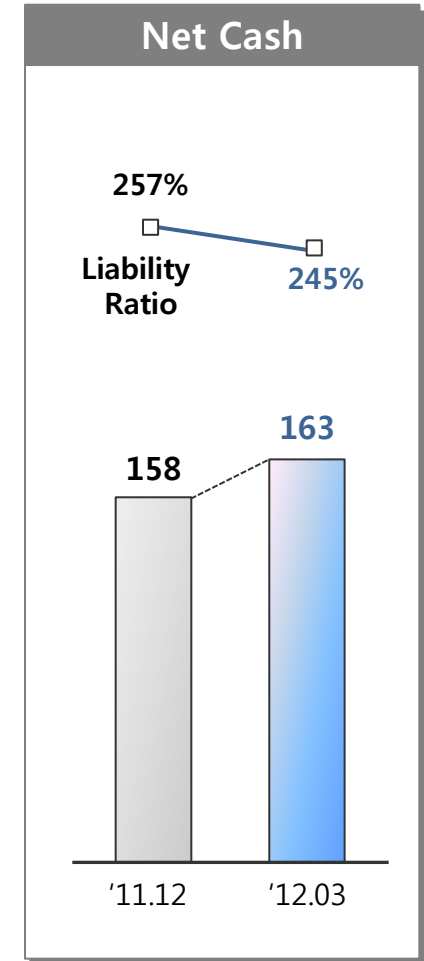
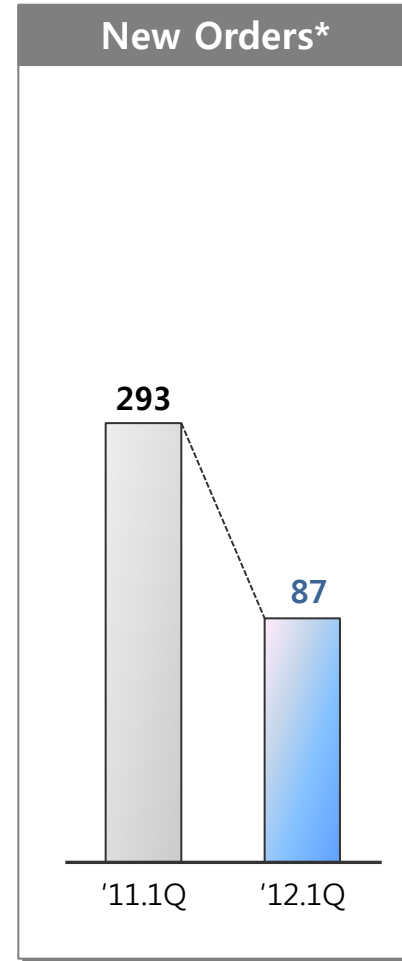
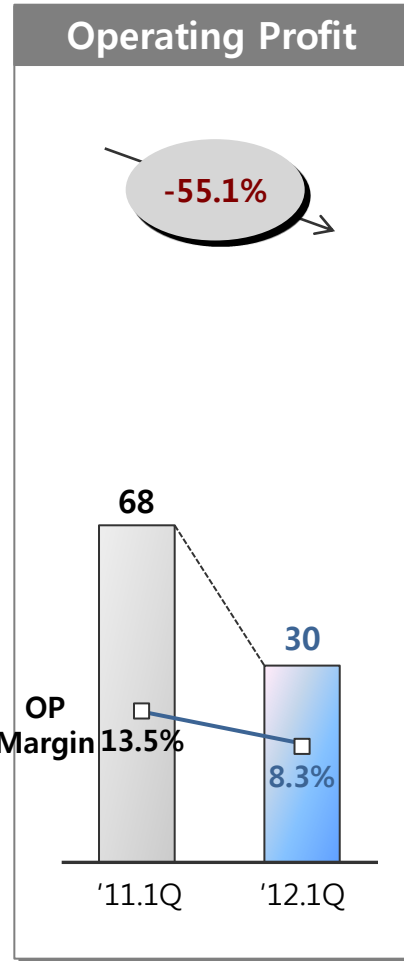
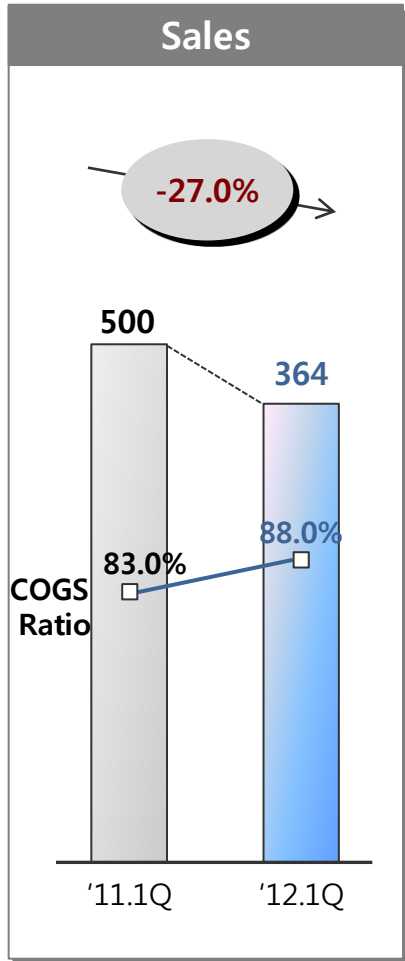
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1Q12 Operating Results Summary

(Wbn)



- New Orders : Based on Receiving Prepayment Deposit

1Q12 Income Statement

✓ Sales W364bn, Operating Profit W30bn(OPM 8.3%)

(Wbn)

	1Q12	1Q11	YoY	4Q11	QoQ
Sales	364 ¹	500	-27.0%	532	-31.5%
COGS ratio(%)	(88.0%)	(83.0%)	(+5.0%p)	(86.5%)	(+1.5%p)
Gross Profit	44	85	-48.3%	72	-39.0%
SG&A	17	13		21	
Other gain & loss	3	-4		-10	
Operating Profit	30 ²	68	-55.1%	41	-26.9%
OP Margin(%)	(8.3%)	(13.5%)	(-5.2%p)	(7.8%)	(+0.5%p)
Financial Income & Loss	-0.8 ³	-2		4	
Equity Method Gain & Loss	0.3 ⁴	8		0.9	
Pretax Profit	30	74	-59.7%	47	-36.4%
Tax	7	14		18	
Net Profit	23	60	-62.0%	29	-22.7%

1Q12 Key Points

1 Sales -27.0%(YoY)

- Decrease in deliveries

2 OP Margin 8.3% (-5.2%p YoY)

- Deteriorated Product Mix
 - COGS Ratio : (1Q11 : 83.0% → 1Q12 : 88.0%)
- Other Gain & Loss +W3.3bn

3 1Q Financial Income/Loss -W0.8bn

- Interest Income & Loss +W1.2bn
- FX Translation Gain & Loss -W0.4bn
- Forward Hedging Gain & Loss -W1.3bn

4 Equity Method Gain/Loss +W0.3bn

- Equity Method Gain +W0.9bn(Bobcat)
- Equity Method Loss -W0.6bn(Casco, DSD)

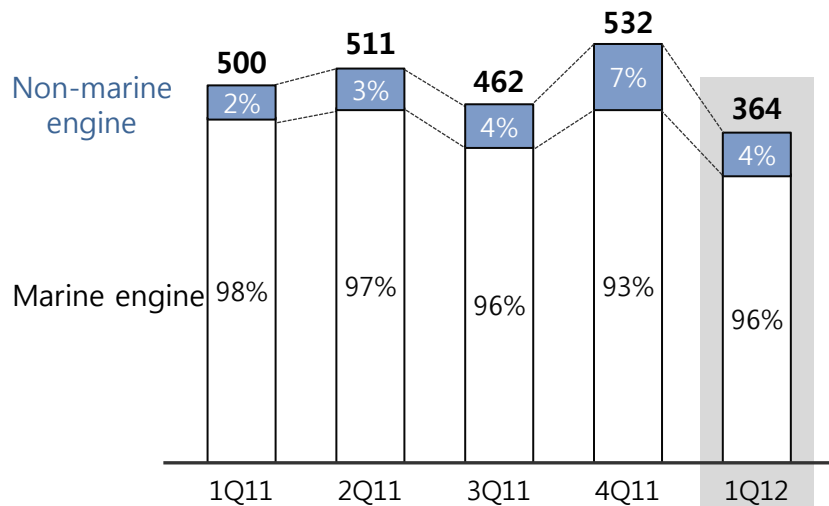
Quarterly Sales & New Orders

✓ 1Q12 Sales : W364bn(-27% YoY)

✓ Marine engine new orders decreased due to depressed commercial vessel market, diesel power plant new orders increased

Quarterly Sales Trend

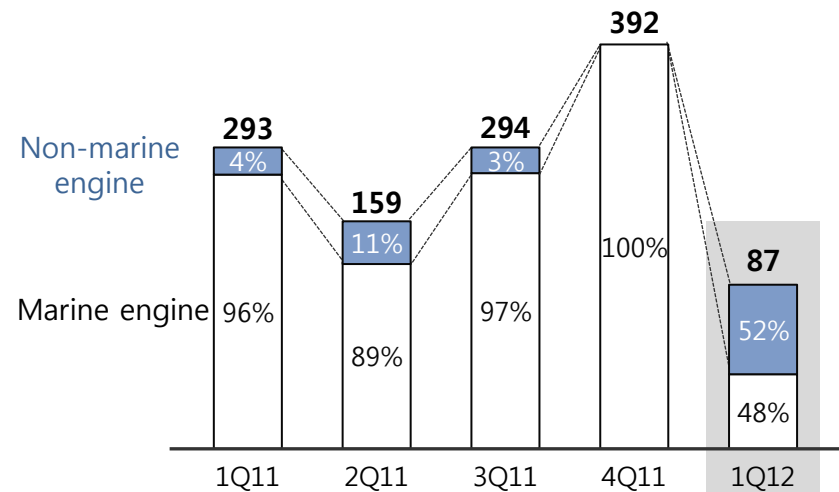
(Wbn, %)



- Marine engine
 - Sales fell due to decrease in deliveries
- Non-marine engine
 - Diesel power plant : Sales jumped W6.3bn due to the increase in completion of progress

Quarterly New Orders Trend

(Wbn, %)



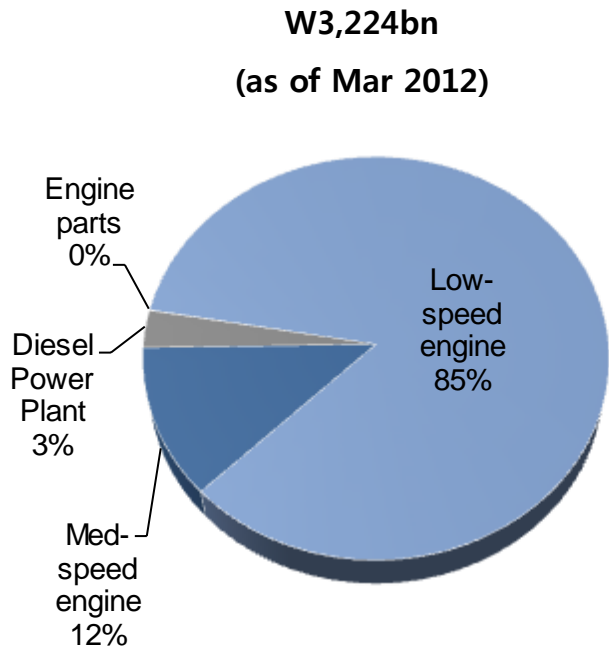
- Marine engine : W42bn
 - Non-recognized order of W62bn not included
- Non-marine engine : W45bn
 - Emergency diesel generator(Shin-UI-Jin #1 and #2)

Order backlog

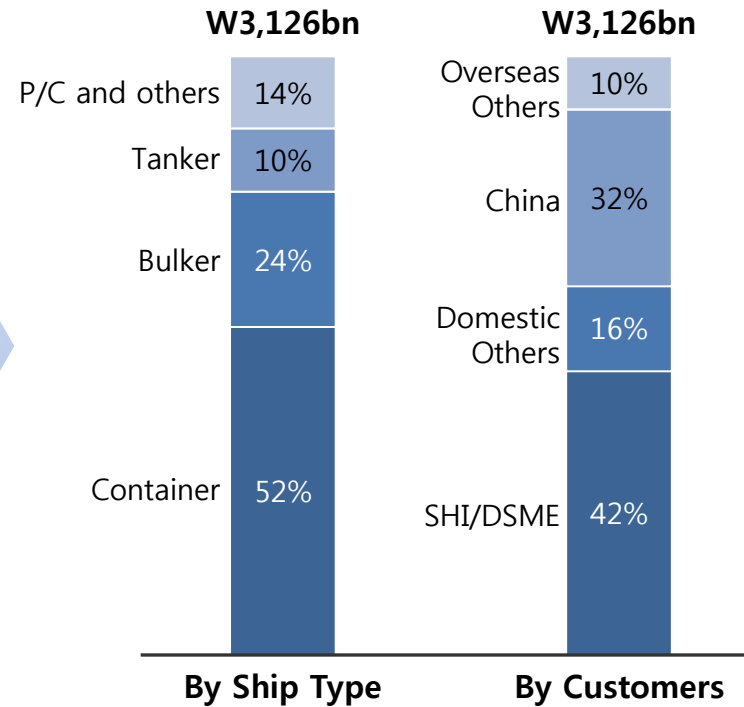
✓ Order backlog : W3.2tr, marine engine accounts 97%

Order backlog breakdown

(Wbn, %)



Marine Engine
(low speed+ Med speed)
: W3,126bn



※ Backlog : Recognized upon receiving prepayment deposit (reflection of cancellation and order changes)

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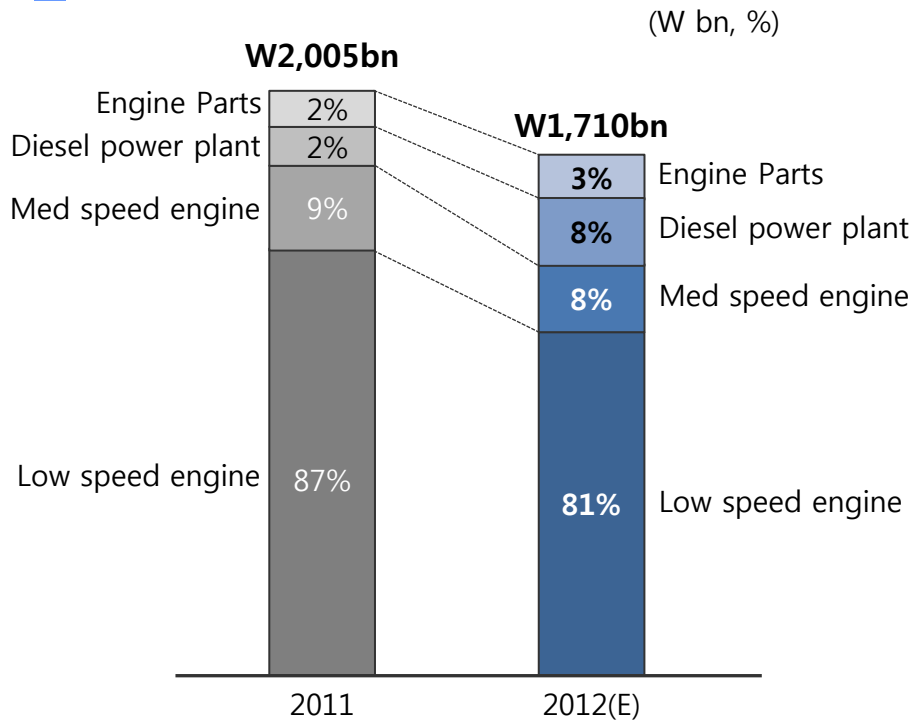
III. Investment Points

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2012 Guidance

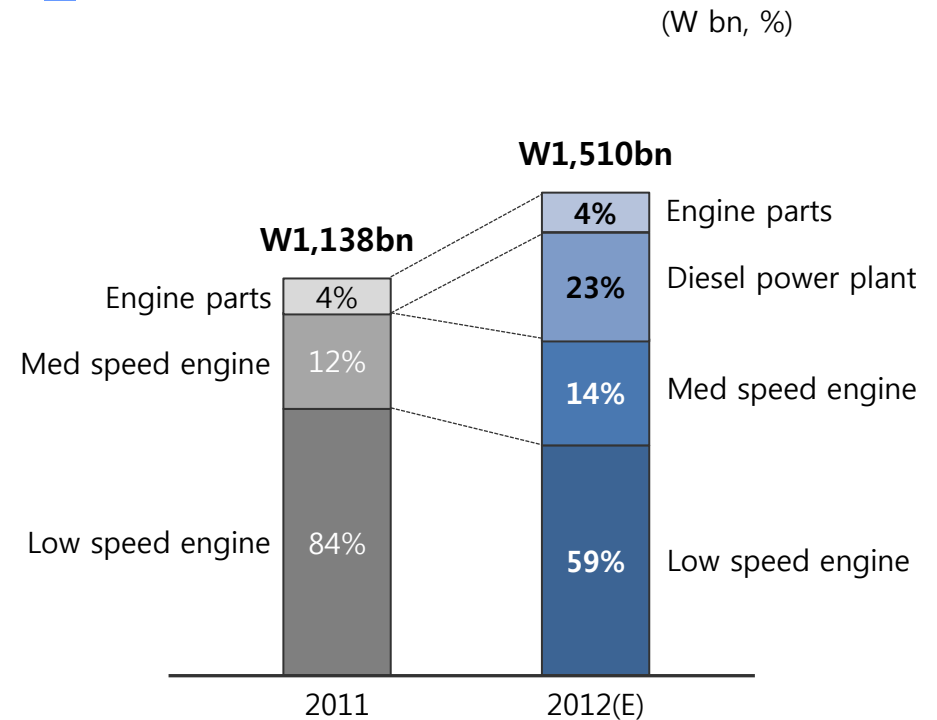
✓ Sales : W1,710bn(-14.7% YoY), New orders : W1,510bn(+33% YoY)

Sales outlook



- Sales expect to fall due to decreased new orders in '09 ~'10
 - New orders: W889bn in '10 → W1,138bn in '11
 - Backlog : W4,408bn in '10 → W3,589bn in '11

New order outlook



- Marine Engine
 - Expansion of overseas market especially in China (W408bn in '11 → W538bn in '12)
- Diesel Power Plant
 - Expanding its new orders(W352bn in '12)

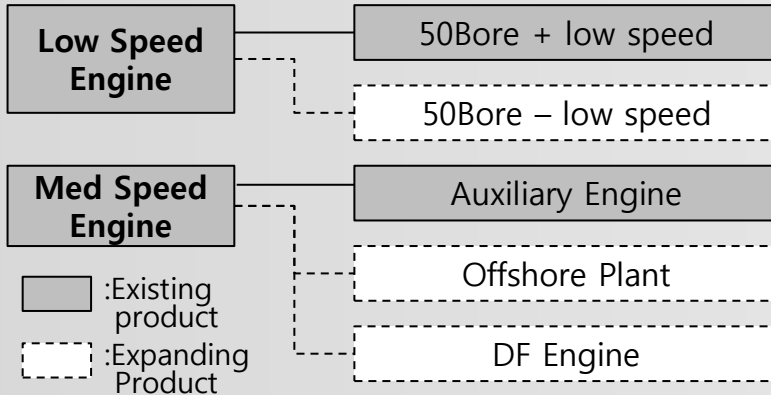
Mid-Long Term Growth Strategy

- ✓ 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

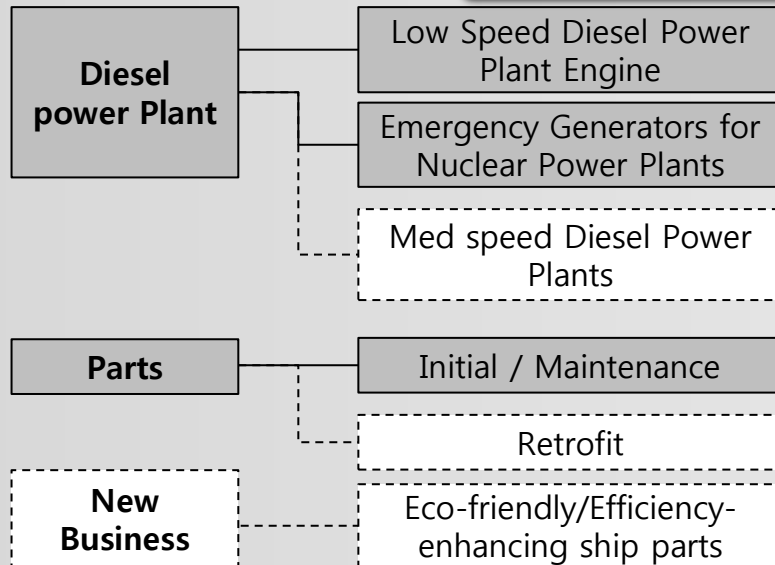
Offshore Plant Engine

- 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 by securing its own engine model

Retrofit

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

Eco-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

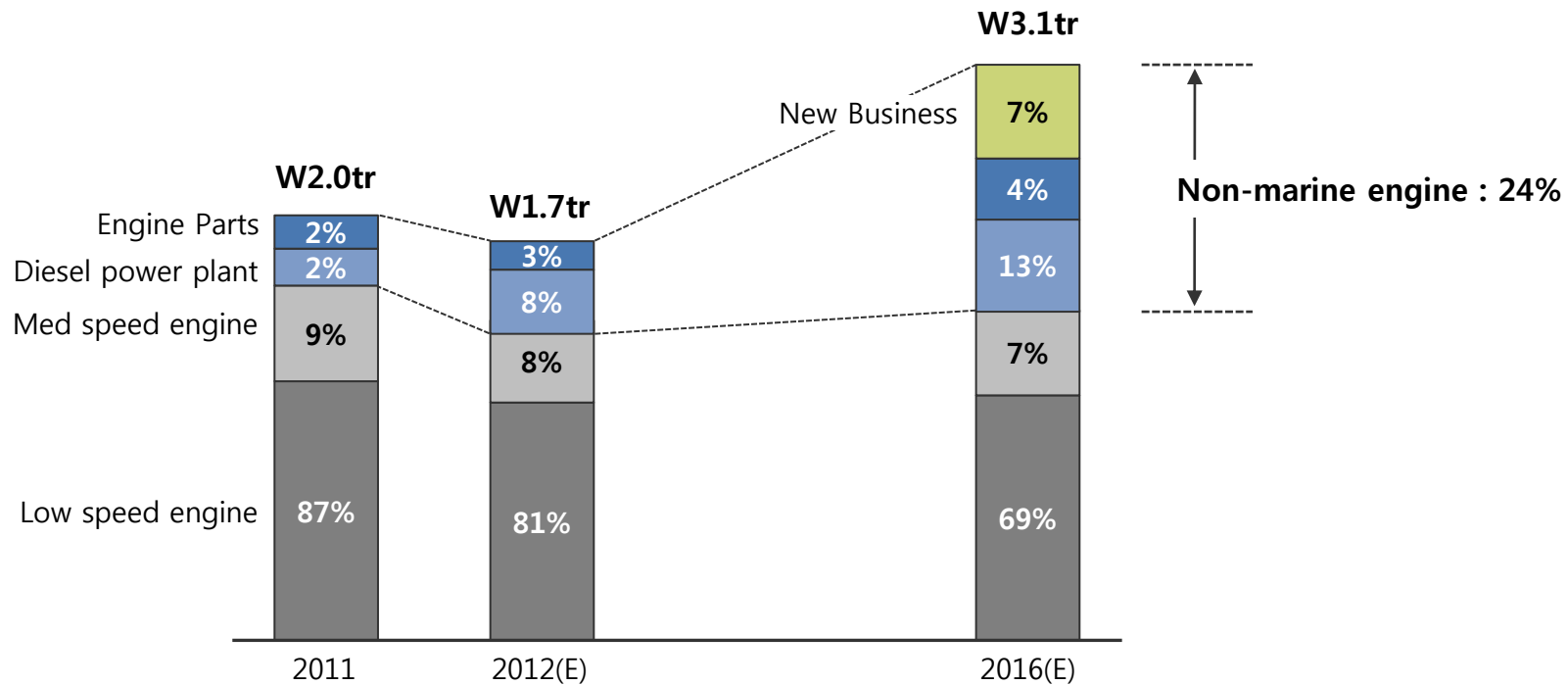


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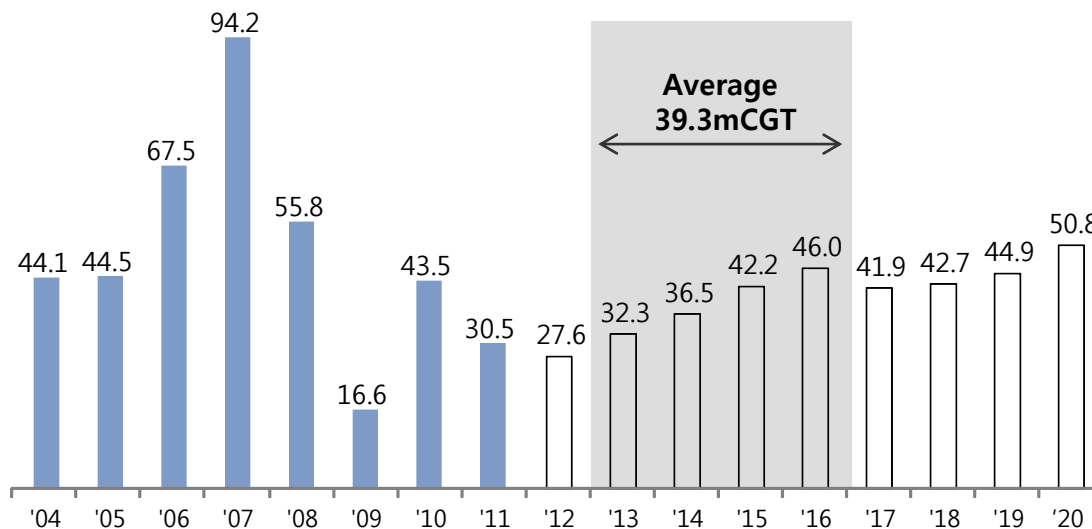
Appendix

Shipbuilding market outlook

- ✓ The global new order outlook 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

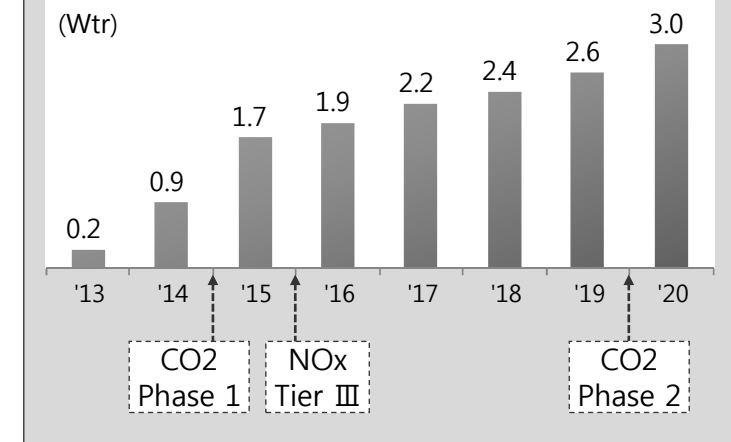
(mCGT)



* Source : Clarkson Forecast Report(March, 2012)

Abatement market size outlook

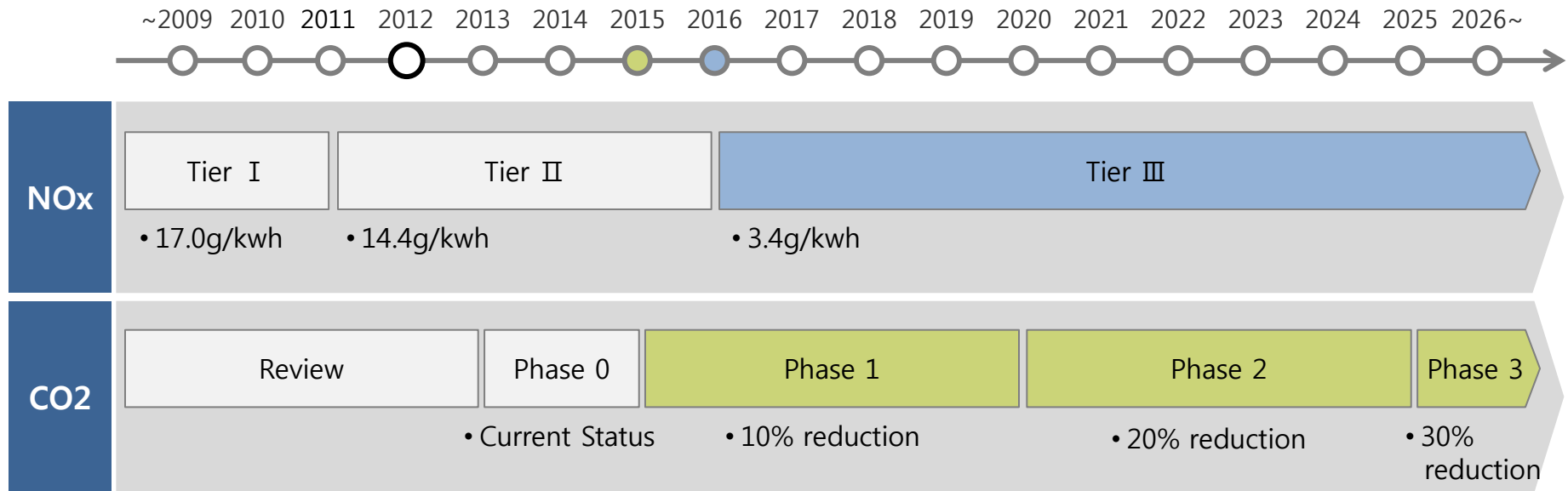
(Wtr)



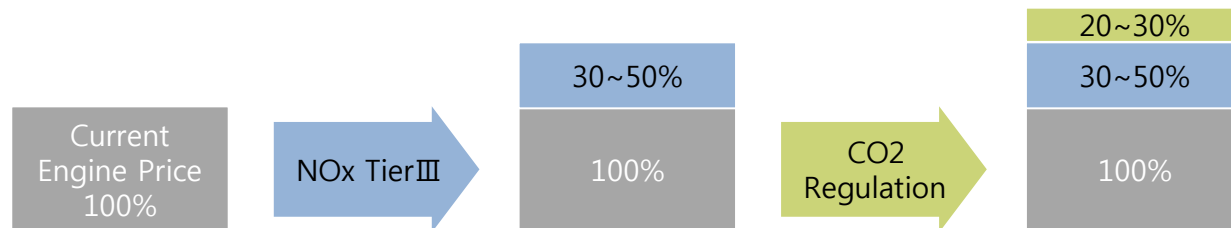
* Source : Doosan Engine Estimates

Investment Point 1. IMO environmental regulation trend

IMO regulation Milestone



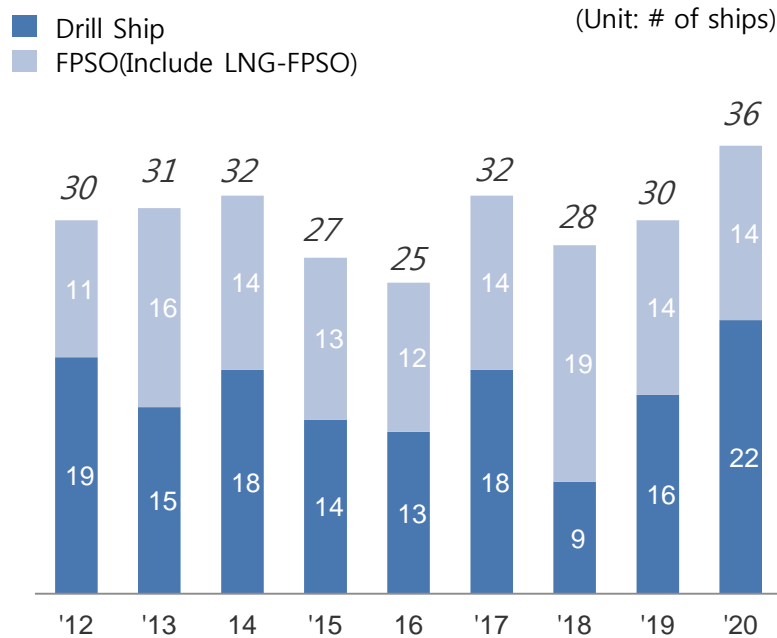
Impact on Engine Price



Investment Point 2. 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%

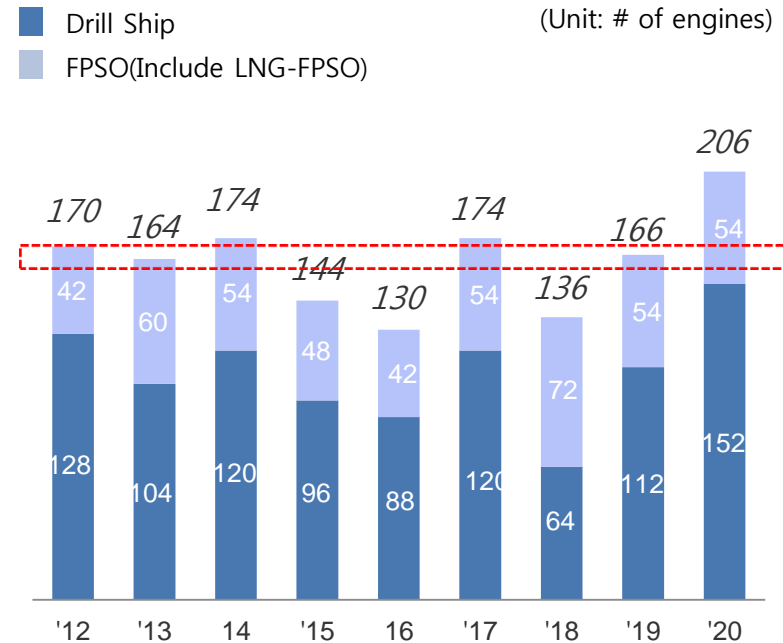
Offshore plant Order outlook for Domestic player



* 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



* Source : Clarkson, Doosan Engine

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

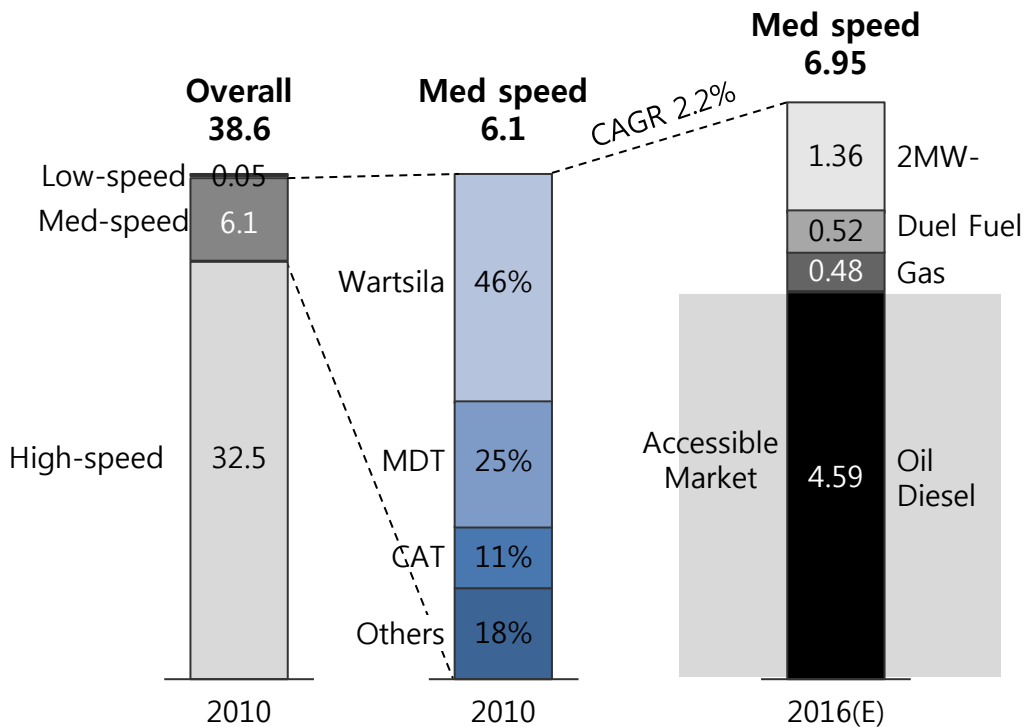
Average of 162 engines

Investment Point 3. Diesel Power Plant Market

- ✓ Med-speed diesel power plant market will grow to 6.95GW due to the increasing demand of electricity (med-small sized) in 2016
- ✓ Expanding med-speed diesel power plant business and strengthening its emergency generators for nuclear power plants business

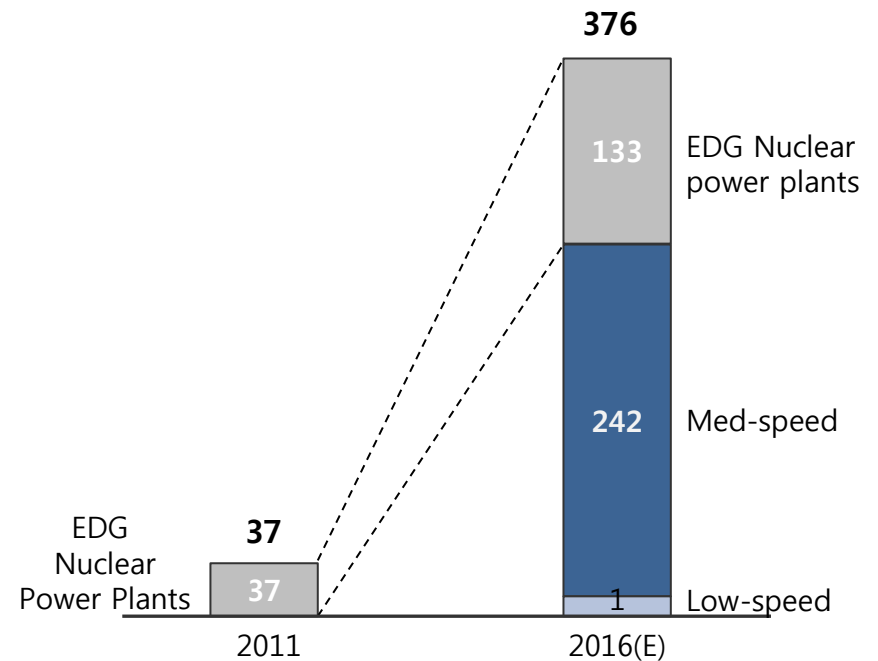
Diesel power plant market

(GW)



Mid-to-long term financial goals

(W bn)

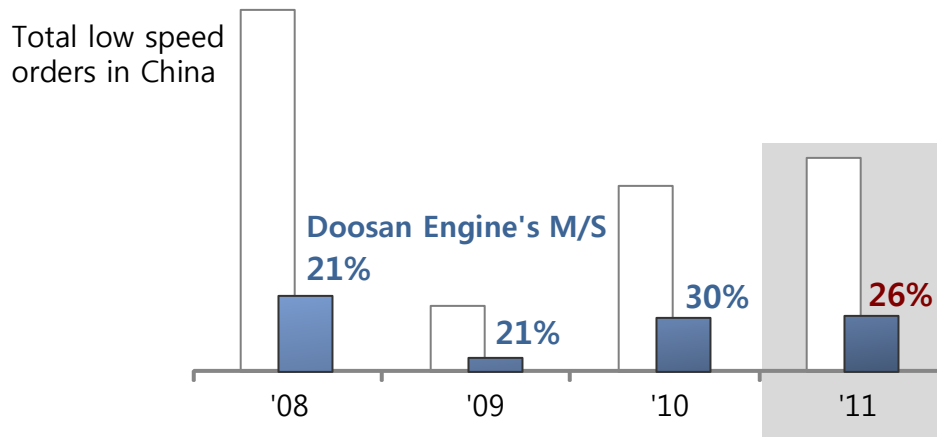


* Source : Diesel & Turbo, IEA World Energy Outlook 2010

Investment Point 4. 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%

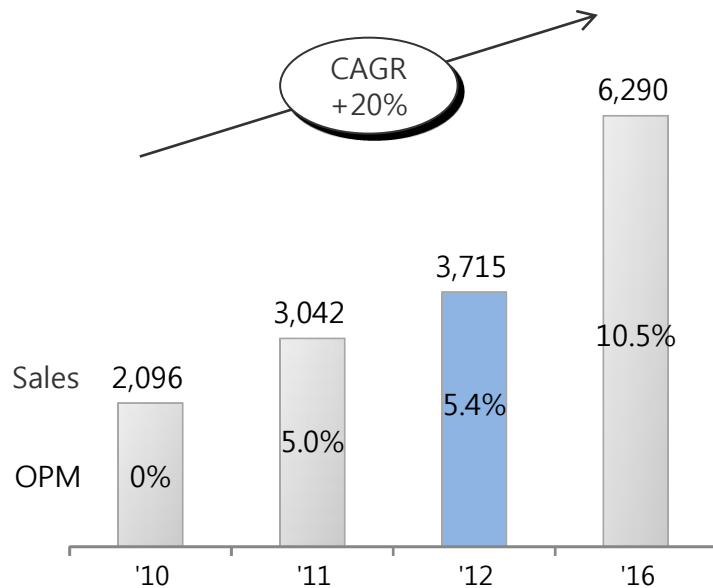
※ M/S : Based on actual engine new orders from 42 shipyards in China(Based on 50+ Bore segments)
 (Detailed orders breakdown in '08 is not accessible
 We figured out the M/S based on our contract basis against the Clarkson new engine orders)

Investment Points 5. Bobcat Turnaround

- ✓ 1Q Sales : W955bn(37% YoY), Sales increased thanks to favorable trends in North America and Europe
- ✓ Profitability improved by posting OPM of 6.6%, Gain on equity method of W0.9bn in 2011

Bobcat Sales and OPM Outlook

(mn\$)



Bobcat Operating Results

(Wbn, %)

	1Q11	1Q12	YoY
Sales	696	955	+37.3%
OP	22	63	+184.5%
OPM(%)	(3.2%)	(6.6%)	(+3.4%p)

Equity Method Gain/Loss

(Wbn, %)

	1Q11	1Q12
Stake(%)	27.3%	18.4%
Acquisition Cost	738	738
Book Value	323	329
Gain(Loss) on Equity Method of Bobcat	9	0.9

Appendix

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Appendix 1. Company Overview

Overview

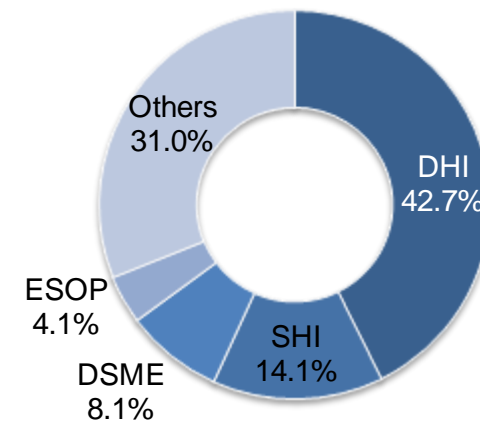
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%)
Capital	W69.5bn
No. of Employees	1,294 [As of Dec 2011]
Subsidiary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

Business Areas

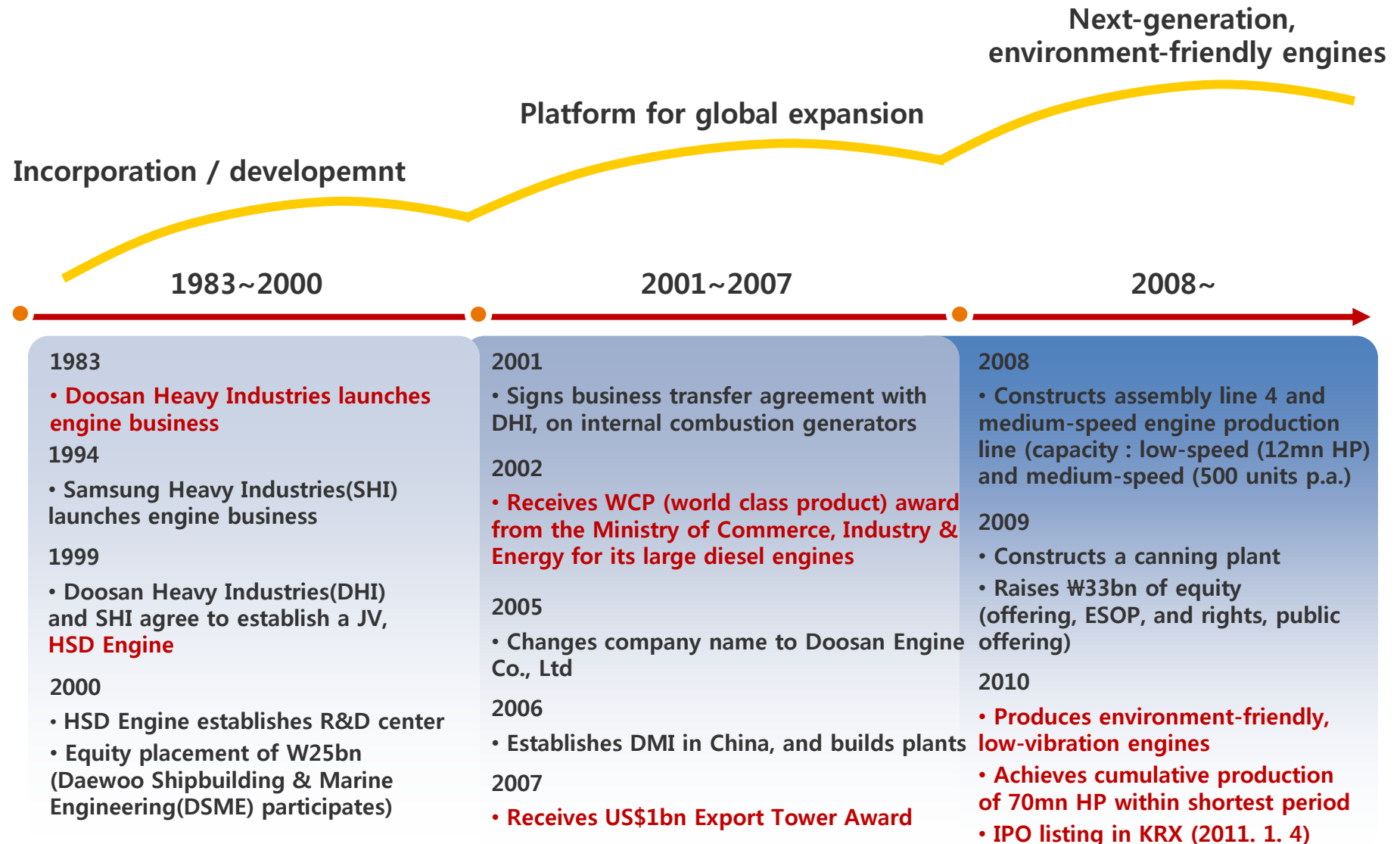
Business Areas	Sales (2011)	% of sales
Low-speed engine	W1,754bn	87%
Med-speed engine	W176bn	9%
Diesel power plant	W36bn	2%
Engine parts and C/S	W39bn	2%
Total	W2,005bn	100%

Shareholders

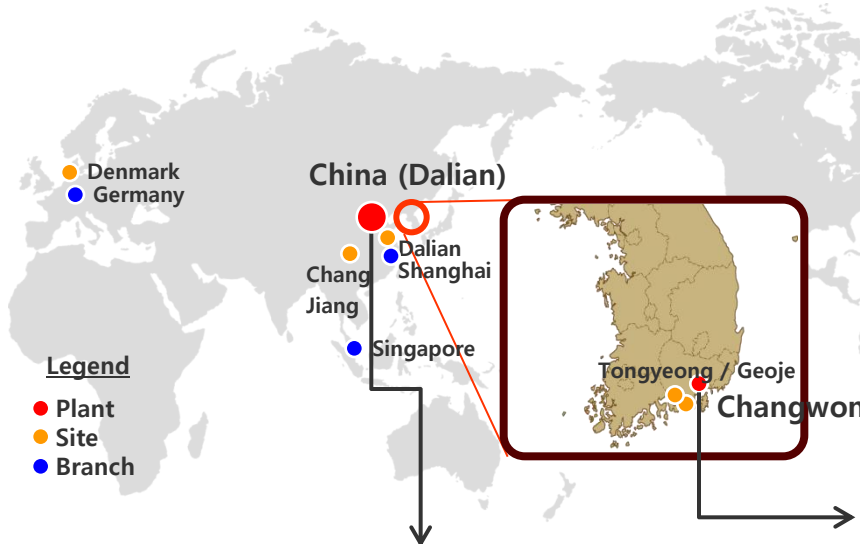
[As of 2011.12.31]



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

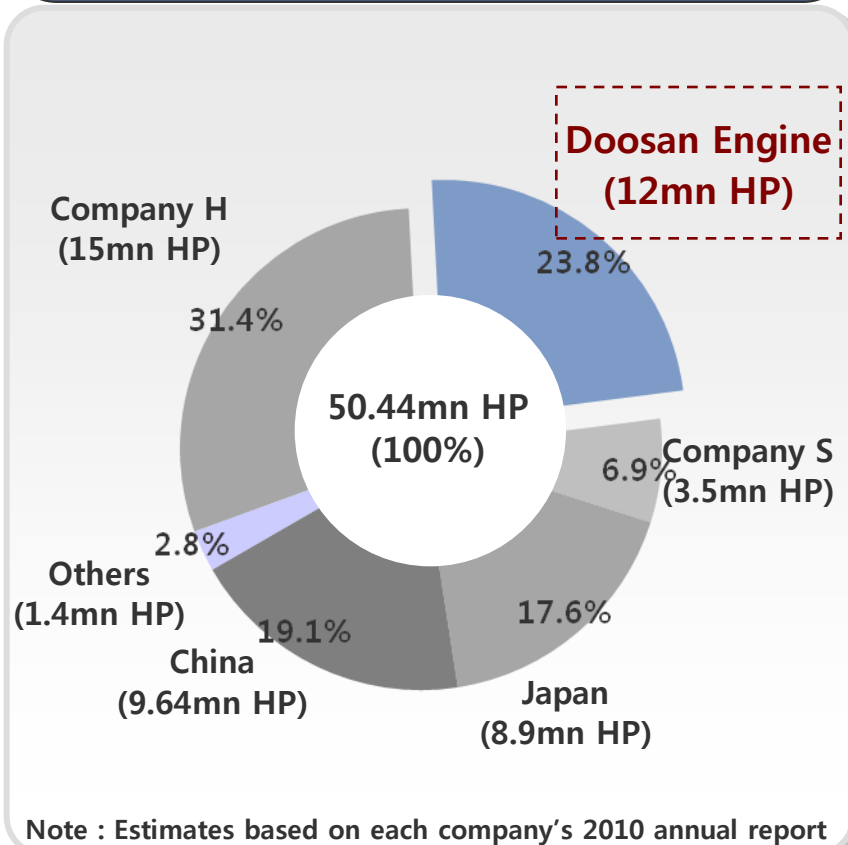


- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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
- 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

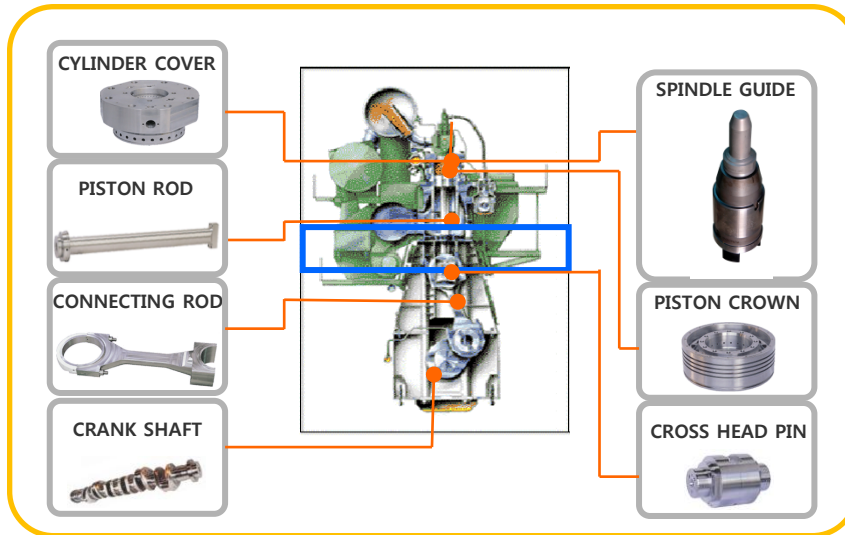


Med-speed DPP

※ 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

Appendix 6. 1Q12 Financial Statements

Balance Sheet (K-IFRS)

(W bn)

	'11.12	'12.03	+/-
Current assets	994	1,015	+21
Non-current assets	1,056	1,057	+1
Total assets	2,050	2,072	+22
Current Liabilities	1,217	1,173	-44
Prepayment deposit	725	622	-103
Short-term debt	175	176	+1
Non-current liabilities	259	299	+40
Long -term debt	143	191	+48
Total liabilities	1,476	1,472	-4
Paid in capital	69.5	69.5	0
Capital surplus	367	367	0
Retained earnings	140	162	+22
Accumulated other comprehensive income	-3	0.3	+3.0
Total equities	573	600	+27
Total debt	319	368	+49
Cash & Cash Equivalentents	477	531	+54
Net Debt	-158	-163	-45

Income Statement (K-IFRS)

(W bn)

	'11.03	'12.03	YoY
Sales	500	364	-27.0%
COGS ratio(%)	(83.0%)	(88.0%)	(+5.0%p)
Gross Profit	84	44	
SG&A	13	17	
Other gain & loss	-4	3	
Operating Profit	68	30	-55.1%
OP Margin(%)	(15.1%)	(8.3%)	(-5.2%p)
Financial income	53	8	
Financial expense	55	8	
Equity method	8	1	
Pretax profit	74	30	-59.7%
Tax	14	7	
Net profit	60	23	-62.0%