



Doosan Engine

Investor Relations 3Q12 Operating Results



Dec 2012
Doosan Engine

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Disclaimer

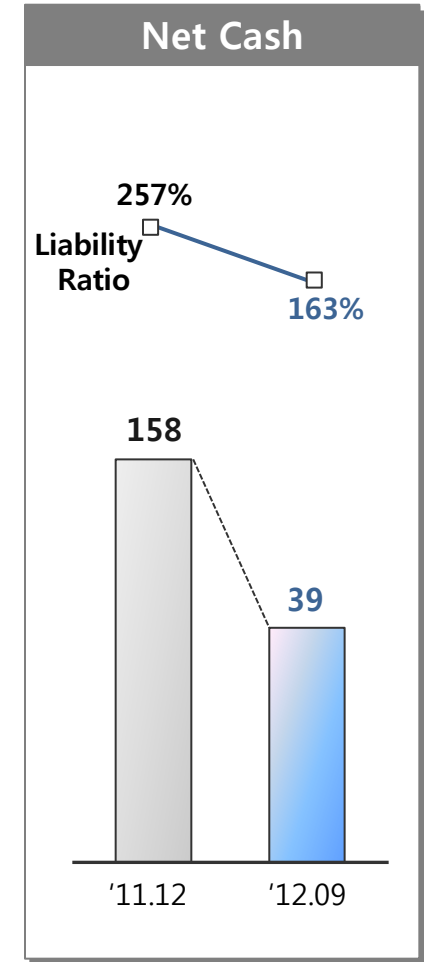
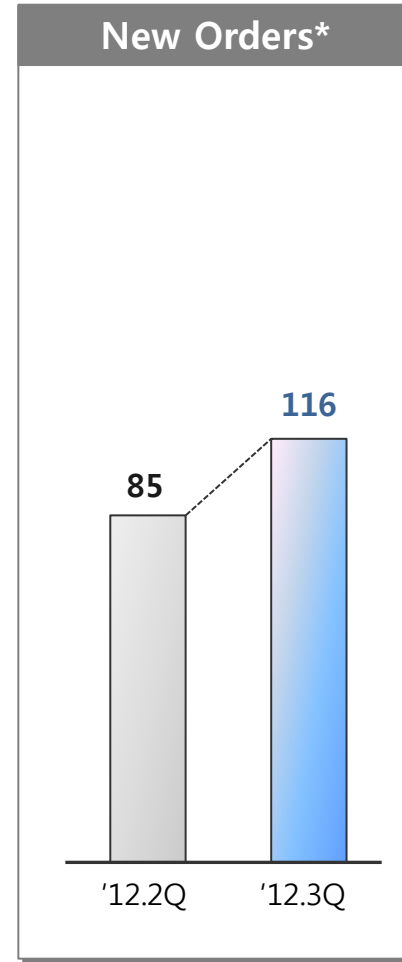
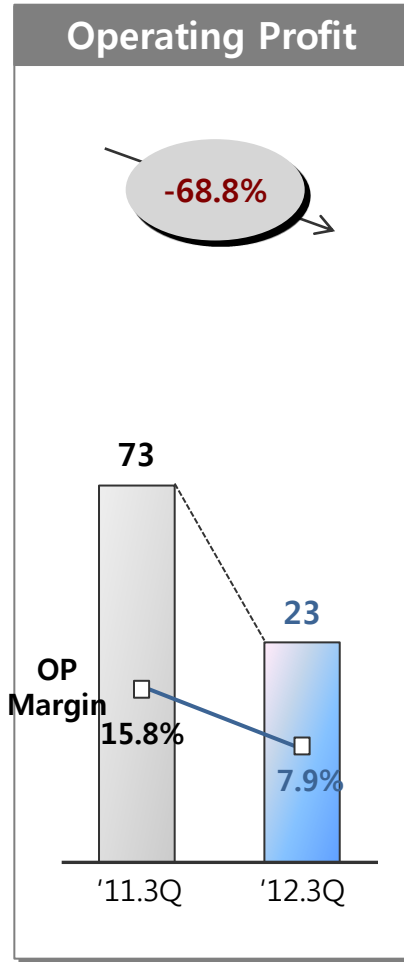
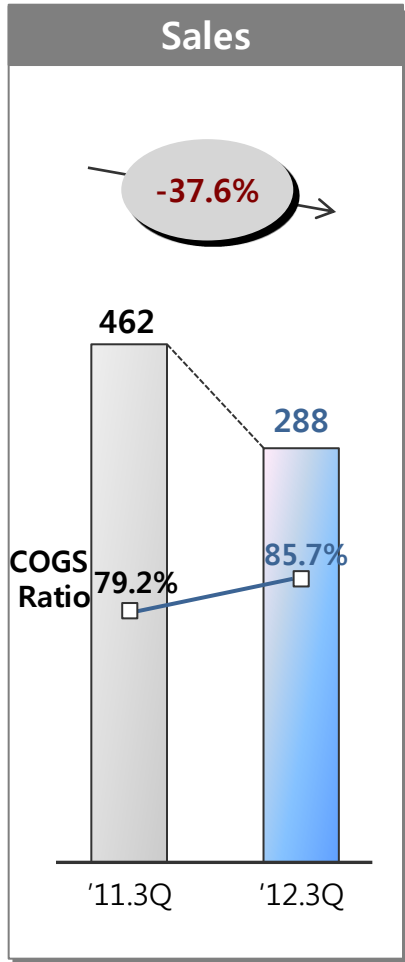
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3Q12 Operating Results Summary

(Wbn)



- New Orders : Based on Receiving Advance Receipts

3Q12 Income Statement

✓ Sales W288bn, Operating Profit W23bn(OPM 7.9%)

(Wbn)

	'12.3Q	'12.2Q	QoQ	'11.3Q	YoY
Sales	288 ¹	408	-29.3%	462	-37.6%
COGS ratio(%)	(85.7%)	(85.2%)	(+0.5%p)	(79.2%)	(+6.5%p)
Gross Profit	41	60	-31.8%	96	-57.2%
SG&A	17	19		18	
Other gain & loss	-1	2		-4	
Operating Profit	23 ²	43	-47.1%	73	-68.8%
OP Margin(%)	(7.9%)	(10.6%)	(-2.7%p)	(15.8%)	(-7.9%p)
Financial Income & Expense	-0.2 ³	3		-1	
Equity Method Gain & Loss	-0.1 ⁴	25		-3	
Pretax Profit	22	71	-68.2%	69	-67.1%
Tax	4	13		18	
Net Profit	18	58	-68.4%	51	-64.3%

3Q12 Key Points(QoQ)

1 Sales -29.3%(QoQ)

- Engine shipments declined from the decrease number of business day

2 OP Margin 7.9% (-2.7%p QoQ)

- COGS ratio slightly increased due to the deteriorated product mix
- Other Gain & Loss -W1bn

3 3Q Financial Income/Expense -W0.2bn

- Interest Income & Expense +W0.9bn
- F/X Translation Gain & Loss +W2.5bn
- Forward Hedging Gain & Loss -W3.4bn

4 Equity Method Gain/Loss -W0.1bn

- Equity Method Gain +W30mil (Bobcat)
- Equity Method Loss -W0.2bn(DSD)
- Gain on disposal of equity investment +W0.1bn(Casco)

3Q12 Balance Sheet

✓ Net Cash W39.1bn, Liability Ratio 163%

(Wbn)

	'11.12	'12.09	+/-
Current assets	994	700	1 -294
Non-current assets	1,056	1,050	-6
Total assets	2,050	1,750	-300
Current Liabilities	1,217	826	-391
Advance Receipts	725	467	2 -258
Non-current liabilities	259	258	-1
Total liabilities	1,476	1,084	-392
Paid in capital	69.5	69.5	0
Capital surplus	367	367	0
Retained earnings	140	243	+103
Accumulated other comprehensive income	-3	-14	-11
Total equities	573	666	+93
Total debt	319	239	-80
Cash & Cash equivalents	477	278	-199
Net Debt	-158	-39	3 +119
Liability Ratio	257%	163%	-94%p

3Q12 Key Points

1 Current Asset -W294bn

- Cash & Cash Equivalents fell due to the decrease of advance receipts and return of bond
- Account receivable declined from the decrease number of engine shipments -W69.2bn

2 Advance Receipts -W258bn

- Advance receipts dropped since new orders decreased

3 Net Debt +W119bn

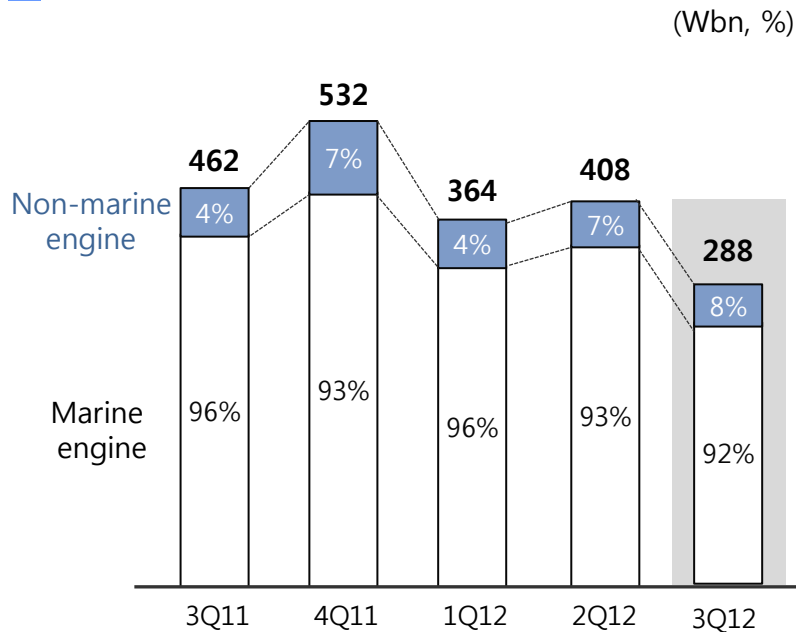
- Bond and Debt Return -W80bn
- Decrease of Cash and Cash Equivalents -W198bn

Quarterly Sales & New Orders

✓ 3Q12 Sales : W288bn(-29.3% QoQ)

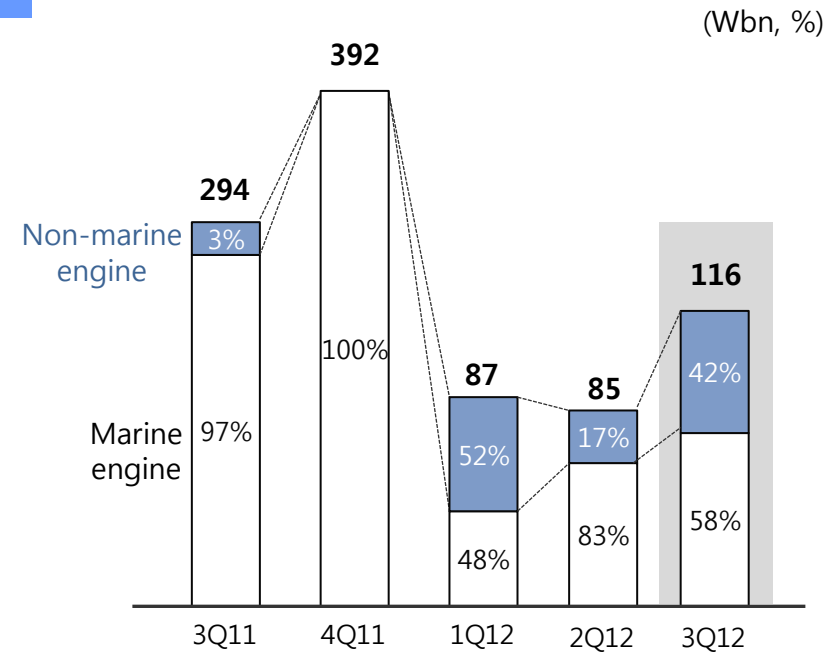
✓ Marine new engine orders struggled, increasing new orders in diesel power plant contributed to building a diverse business portfolio

Quarterly Sales Trend



- Marine engine
 - 3Q12 Sales W264bn(-30% QoQ, -41% YoY)
- Non-marine engine
 - 3Q12 Sales W24bn(-13% QoQ, +48% YoY)

Quarterly New Order Trend

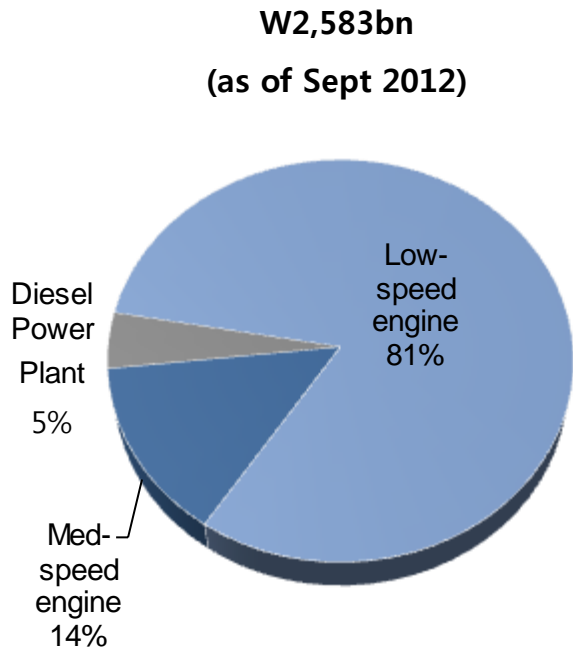


- Marine engine : W67bn
 - Non-recognized order of W38bn not included
- Non-marine engine : W49bn
 - Southeast Asia Diesel Power Plant W44bn

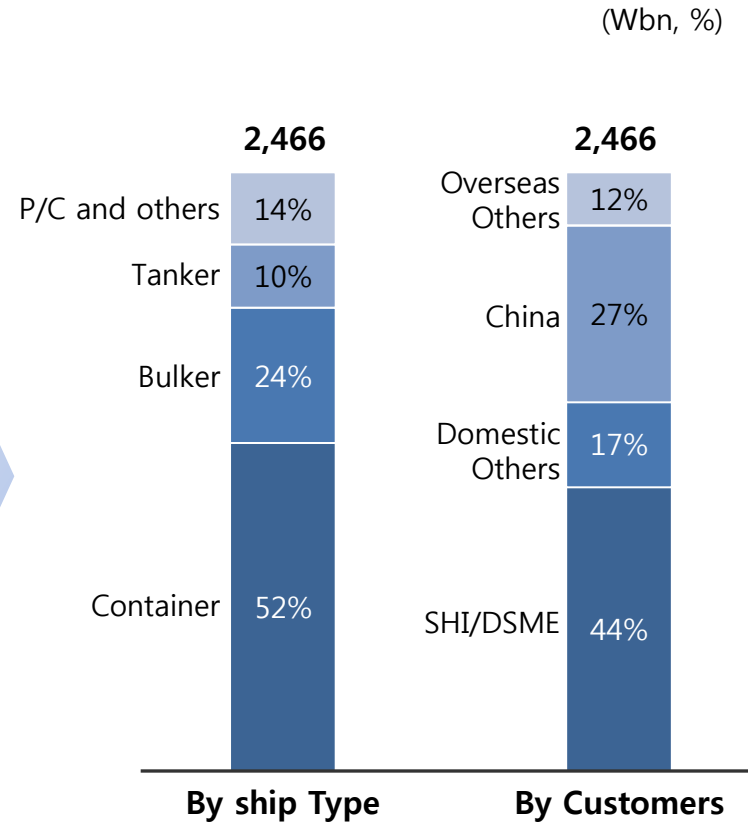
Order backlog

✓ Order backlog : W2.6tr, marine engine accounts 95%

Order backlog breakdown



Marine engine
(low speed + med speed)
: W2,466bn



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

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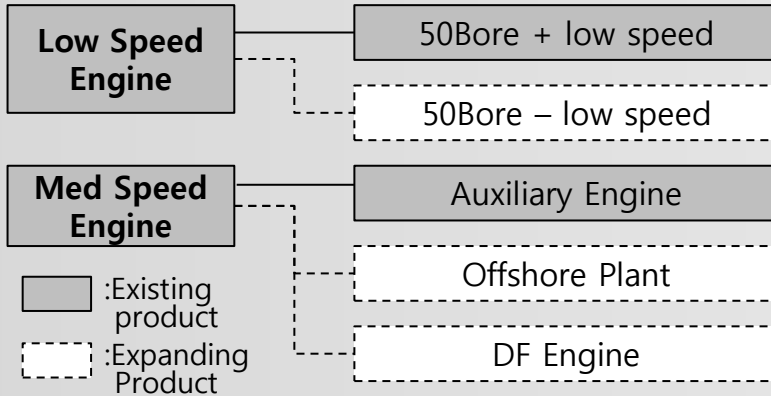
Mid to Long Term Growth Strategy

- ✓ 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

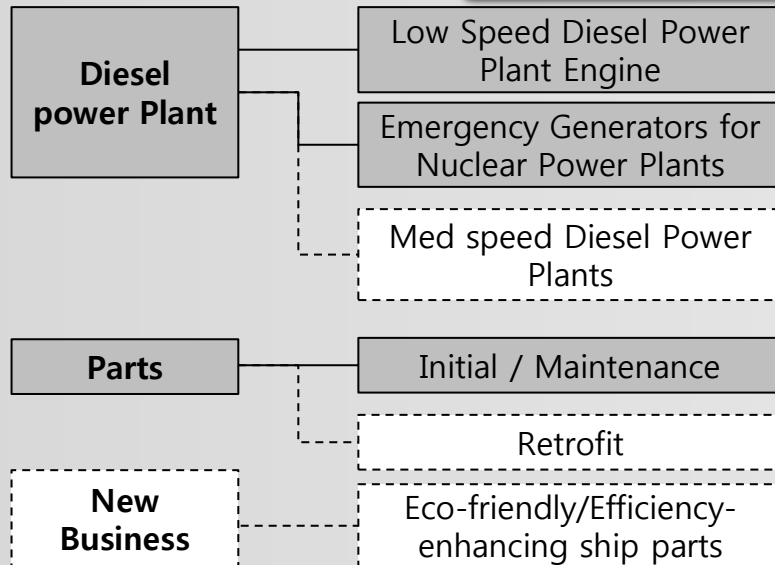
Offshore Plant Engine

- 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

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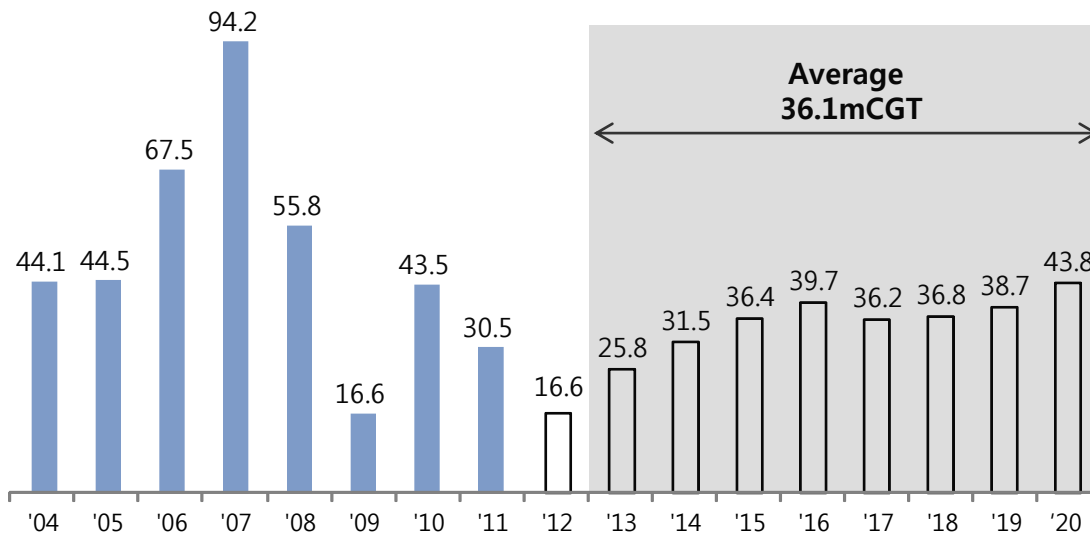
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Shipbuilding market outlook

- ✓ The global new order outlook will start to recover in 2013 and likely to maintain an annual average of 36mCGT level until 2020
- ✓ The abatement(emission reducing equipment)market will significantly grow to W3tr in 2020 after the market develops in 2013

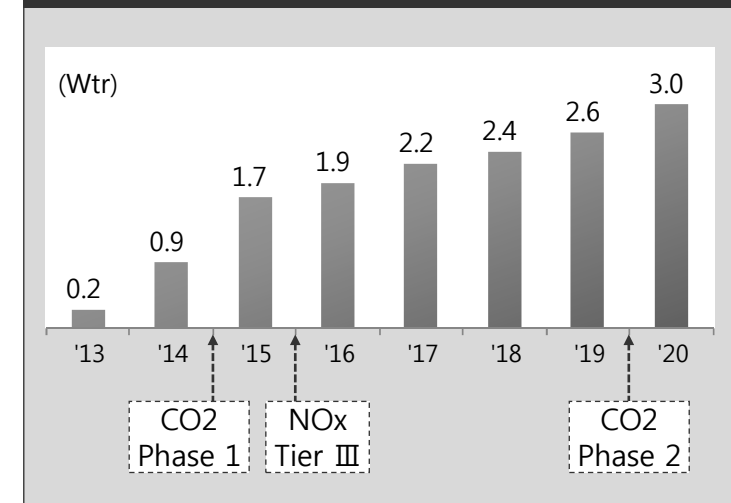
Global new order outlook

(mCGT)



* Source : Clarkson Forecast Report(Sept, 2012)

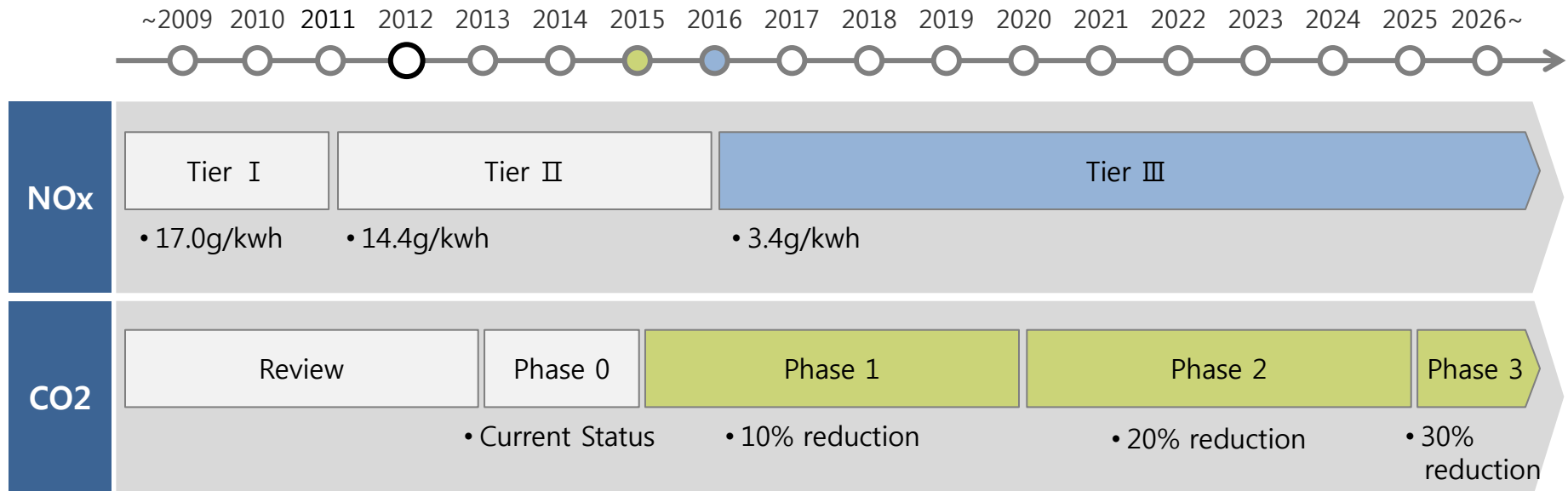
Abatement market size outlook



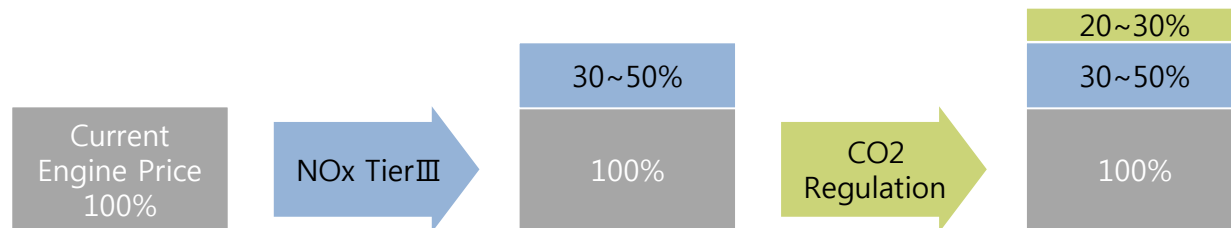
* Source : Doosan Engine Estimates

Investment Point 1. IMO environmental regulation trend

IMO regulation Milestone



Impact on Engine Price

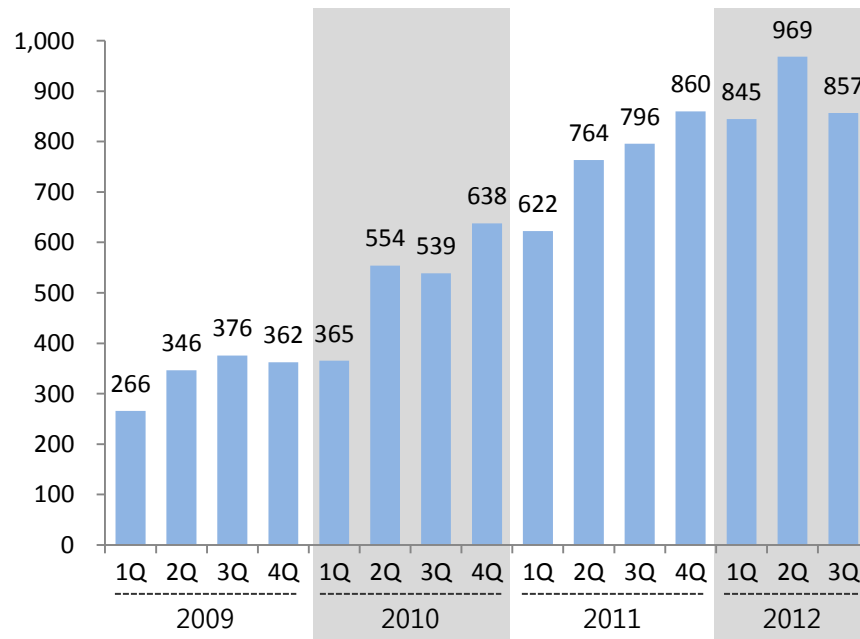


Investment Points 2. Bobcat Turnaround

- ✓ 3Q12 Sales W971bn (14% YoY), Sales increased thanks to favorable trends in North America
- ✓ 3Q12 Gain on equity method of Bobcat W30mil due to the weak performance in Europe market (2Q Gain on equity method of Bobcat W25bn)

Bobcat Sales & Annual Growth Rate

(Unit :mn\$)



Bobcat Operating Results

(Wbn, %)

	'11.3Q	'12.3Q	YoY
Sales	855	971	+13.6%
OP	41	36	-13.8%
OPM(%)	(4.8%)	(3.7%)	(-1.2%p)

Equity Method Gain/Loss

(Wbn, %)

	'11.3Q	'12.3Q
Stake(%)	24.2%	18.4%
Acquisition Cost	738	738
Book Value	361	344
Gain(Loss) on Equity Method of Bobcat	-0.3	30mil

Appendix

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- IV. Production infrastructure**
- V. Business area**

Appendix 1. Company Overview

Overview

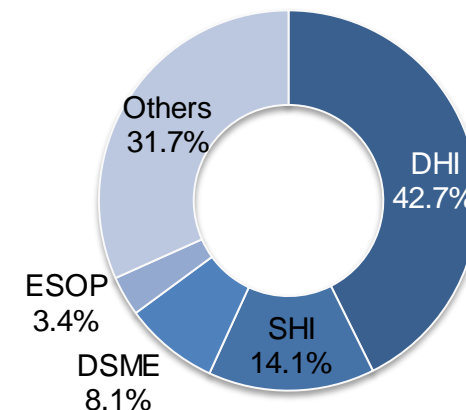
Company	Doosan Engine Co., Ltd
Date of Foundation	Dec 30, 1999
Address	Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam
Business	Marine diesel engines / Diesel engines for power plants
Exports	Local/direct Exports(96%), Domestic (4%)
Capital	W69.5bn
No. of Employees	1,294 [As of Dec 2011]
Subsidiary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

Business Areas

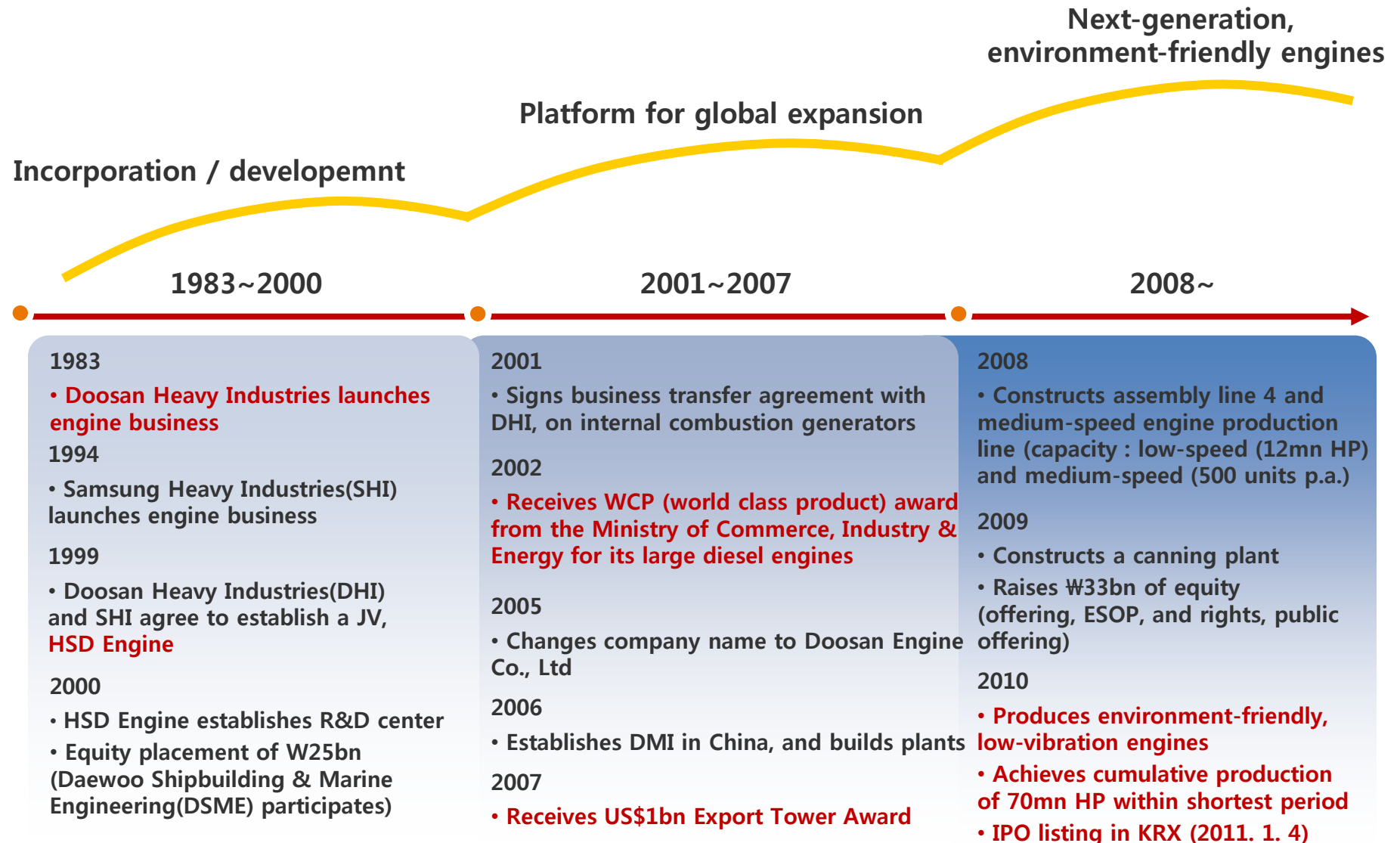
Business Areas	Sales (2011)	% of sales
Low-speed engine	W1,754bn	87%
Med-speed engine	W176bn	9%
Diesel power plant	W36bn	2%
Engine parts and C/S	W39bn	2%
Total	W2,005bn	100%

Shareholders

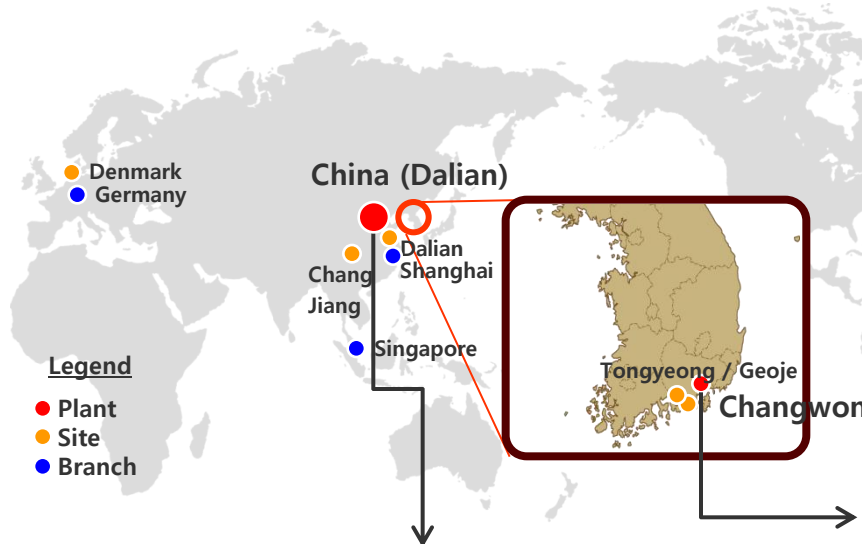
[As of 2012.06.30]



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

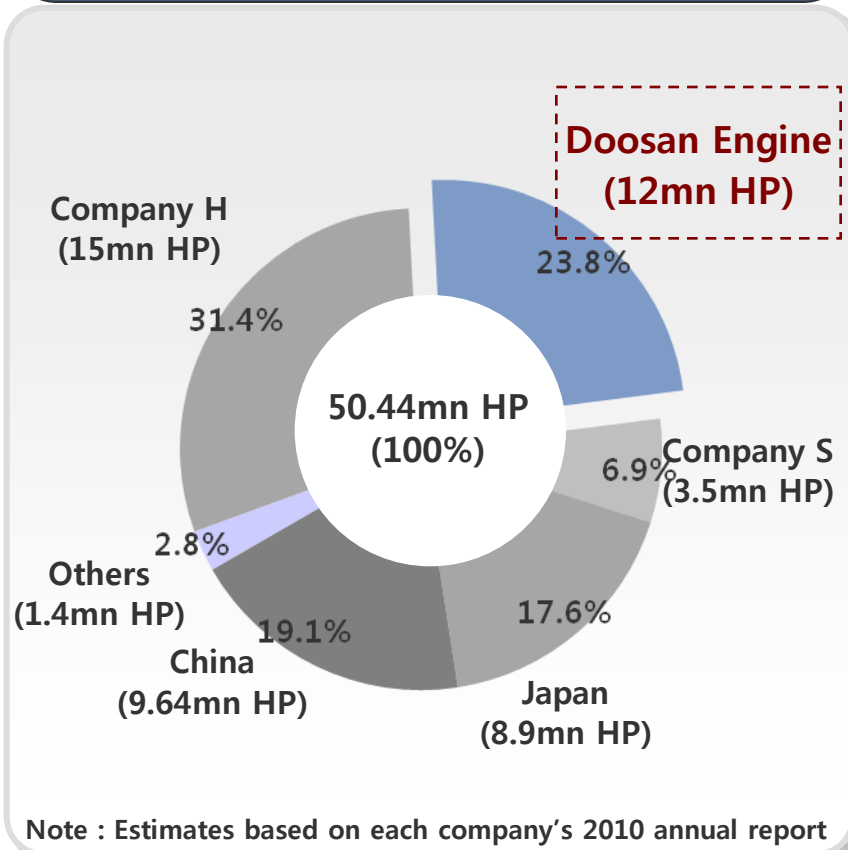


- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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

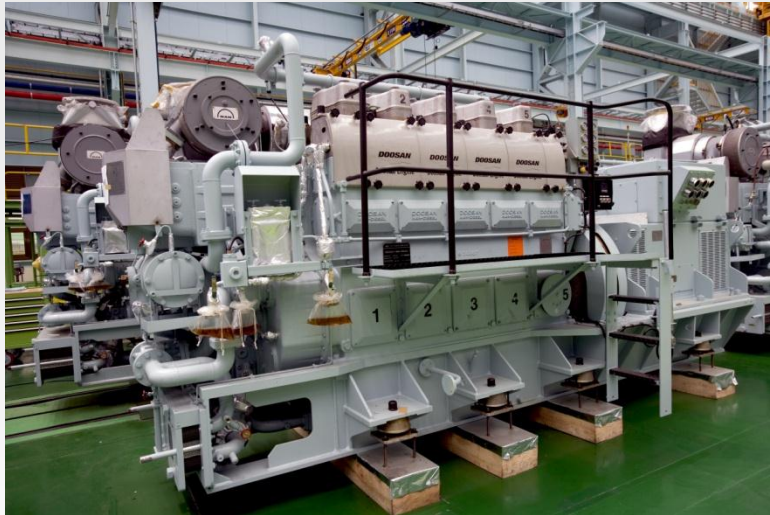


Bulk carrier engines



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



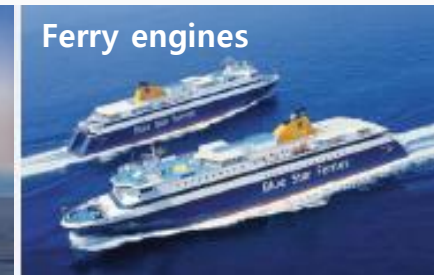
Warship (Dokdo naval ship) engines



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

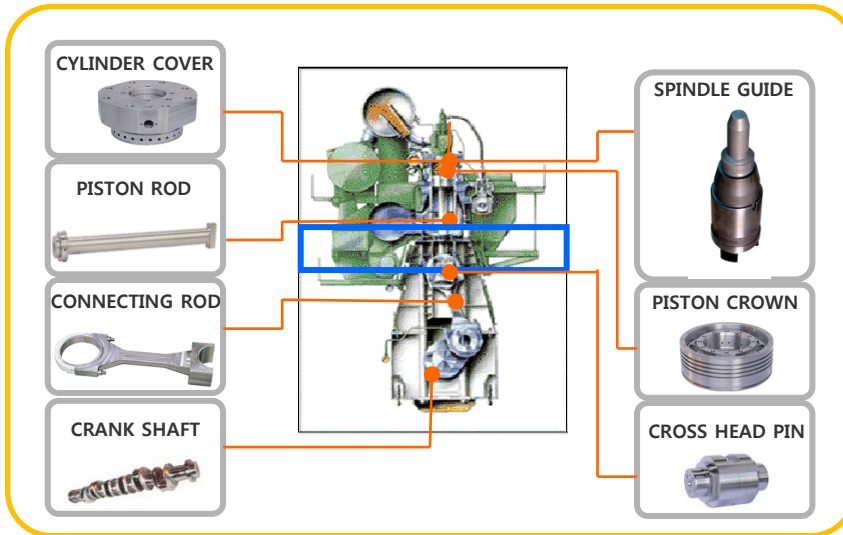


Med-speed DPP

※ 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