



Doosan Engine

Investor Relations

2Q11 Operating Results & 2011 Business Plan



August 2011
Doosan Engine

Table of Contents

I. 2Q11 Operating Results & 2011 Guidance

II. Mid-term Strategy

III. Investment Points

Appendix

Disclaimer

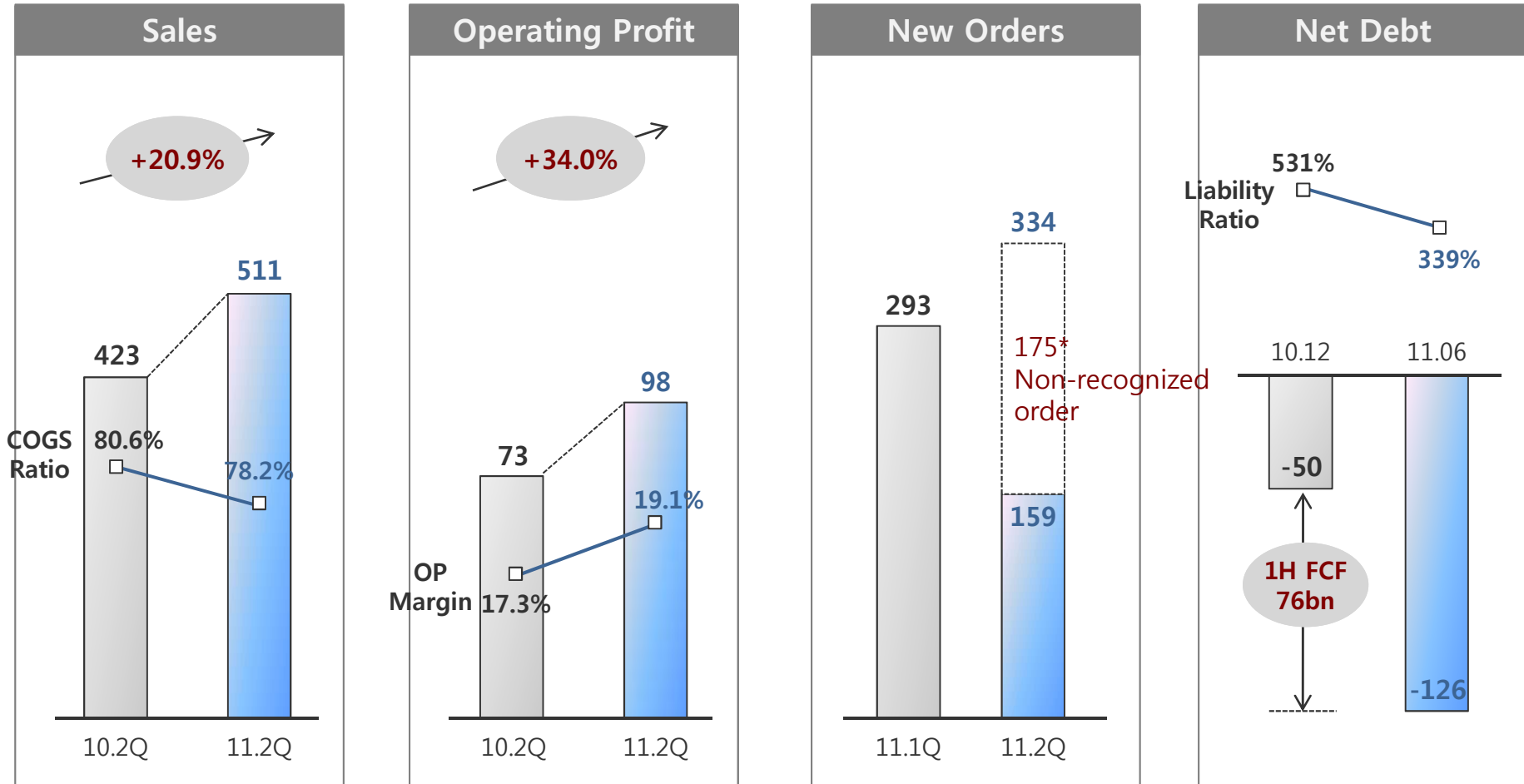
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2Q11 Operating Results Summary

(Wbn)



* Non-recognized order 175bn
: Singed the contract in June, the prepayment not received

2Q11 Income Statement

✓ 2Q11 Sales and OP has increased by 2.3% and 44.7% QoQ

(Wbn)

	'11.2Q	'11.1Q	QoQ	'10.2Q	YoY
Sales	511	500	+2.3%	423	+20.9%
COGS ratio(%)	(78.2%) ¹	(83.0%)	(-4.8%p)	(80.6%)	(-2.4%p)
Gross Profit	111	85	+31.3%	82	+35.3%
SG&A	16	13		15	
Other gain & loss	2 ²	-4		5	
Operating Profit	98	68	+44.7%	73	+34.0%
OP Margin(%)	(19.1%)	(13.5%)	(+5.6%)	(17.3%)	(+1.8%p)
Financial Income	46	53		1	
Financial Expense	43	55		33	
Equity-method	6 ³	8		-23	
Pretax Profit	107	74	+43.7%	18	+485.6%
Tax	23	14		6	
Net Profit	84	60	+39.4%	12	+607.2%

2Q11 Key Points (QoQ)

- 1** COGS 78.2%(-4.8%p)
 - Benefit from strong FX & Product Mix improvement

- 2** Other gain & loss W2bn
 - Miscellaneous income W1.7bn (Sale of scrap), Rent income W0.7bn

- 3** Gain/Loss on Equity-method W6bn
 - Gain on equity-method for Bobcat W6bn (1H11 W15bn)

1H11 Results/Annual Guidance

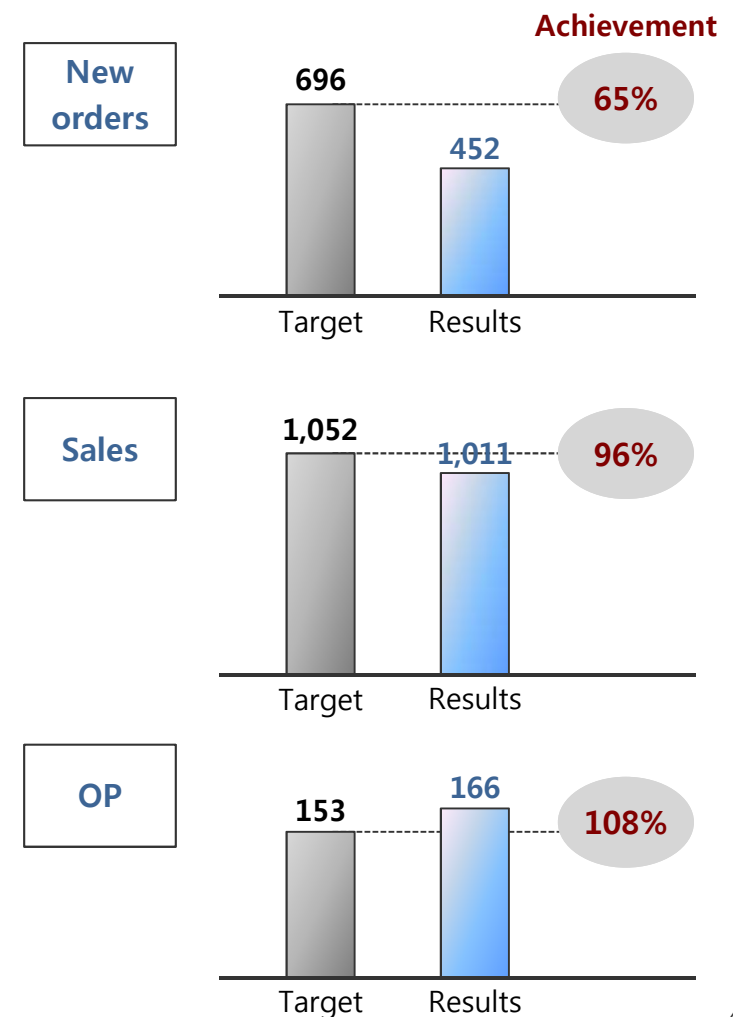
✓ On the track for annual guidance by achieving 50.1% of Sales, 63.7% of OP

(Wbn)

	Guidance	1H11
New orders*	1,796	452
Sales	2,019	1,011
COGS ratio(%)	(83.4%)	(80.6%)
SG&A	72	29
Other Gain	6	4
Other Loss	12	5
Operating Profit	260	166
OPM(%)	(12.9%)	(16.4%)
<i>Interest Income</i>	2	9
<i>Interest Expense</i>	17	7
<i>Gain/Loss on Equity-method</i>	7	14
Pretax Profit	252	181
Net Profit	192	144
Net Debt	-184	-126

* New order recognition : Booked after receiving prepayment deposit

1H11 Operating Results

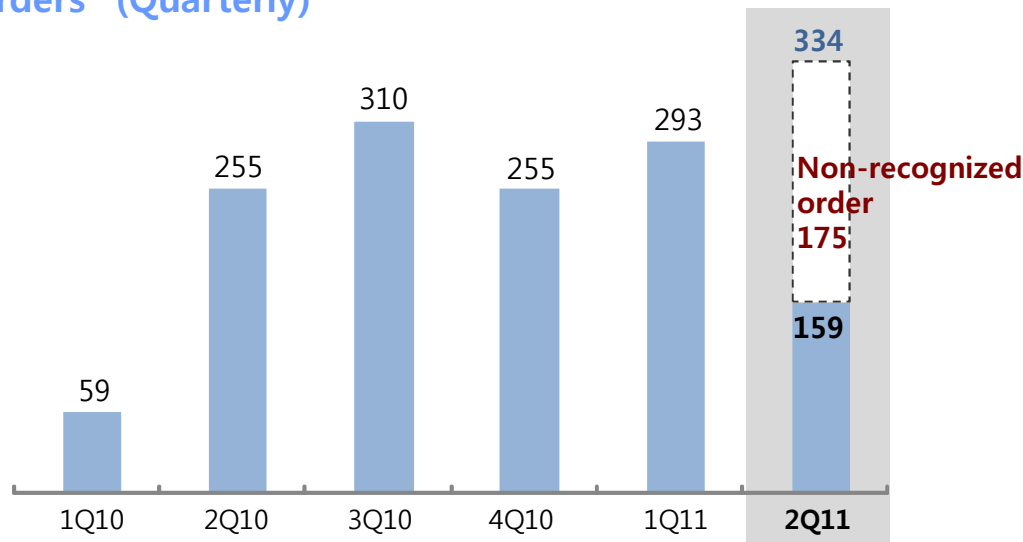


New orders (2Q11)

- ✓ 2Q11 New orders reached W334bn if including the non-recognized orders(W175bn)
- ✓ Delay of orders W204bn in diesel power plant engine/UAE nuclear power plant (June → August)

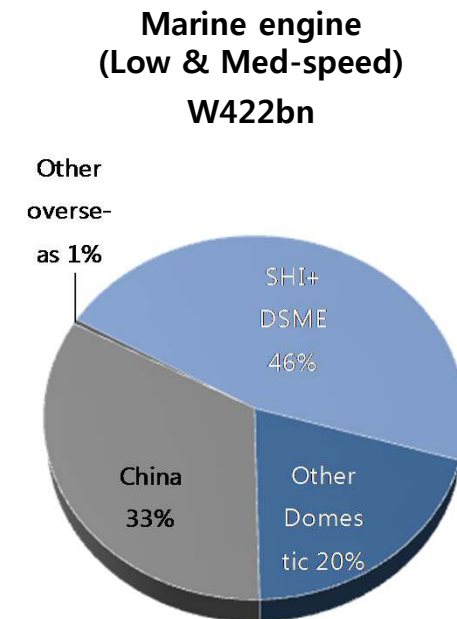
New orders* (Quarterly)

(Wbn)



	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Low-speed engine	57	227	216	206	267	117
Med-speed engine	5	18	38	35	15	25
Diesel Power Plant	-0.7	0	51	0	1	5
Engine parts	7	10	5	14	11	13
New orders	69	255	310	255	293	159

By customers ('11.1H)



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

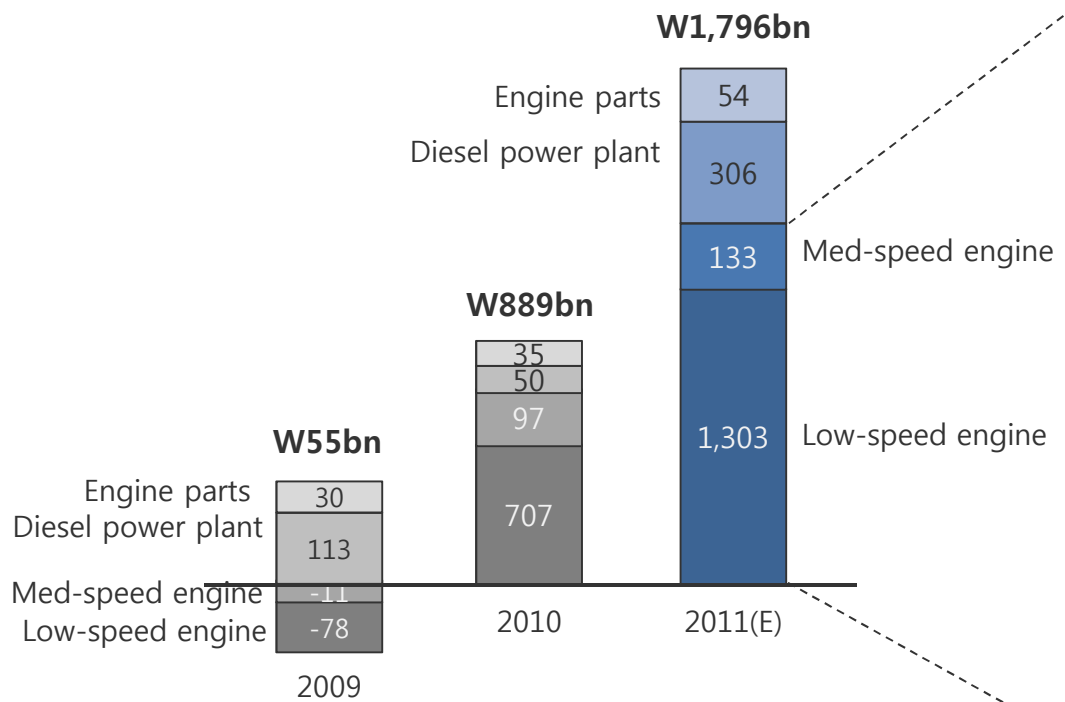
New orders outlook (2011)

Targeting W1,796bn (+102% YoY)

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

New orders

(Wbn)

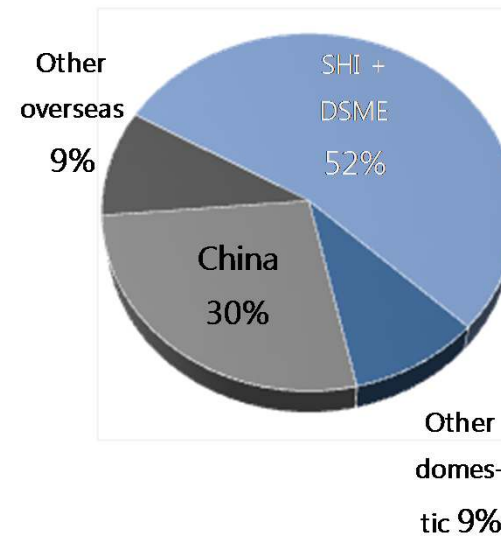


Marine engine new order outlook by customers

(Wbn)

Marine engine (Low&Med-speed)

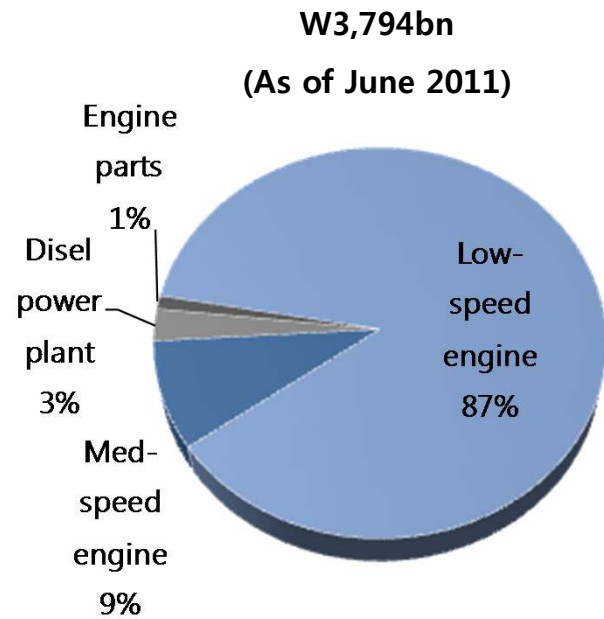
100% = W1,436bn



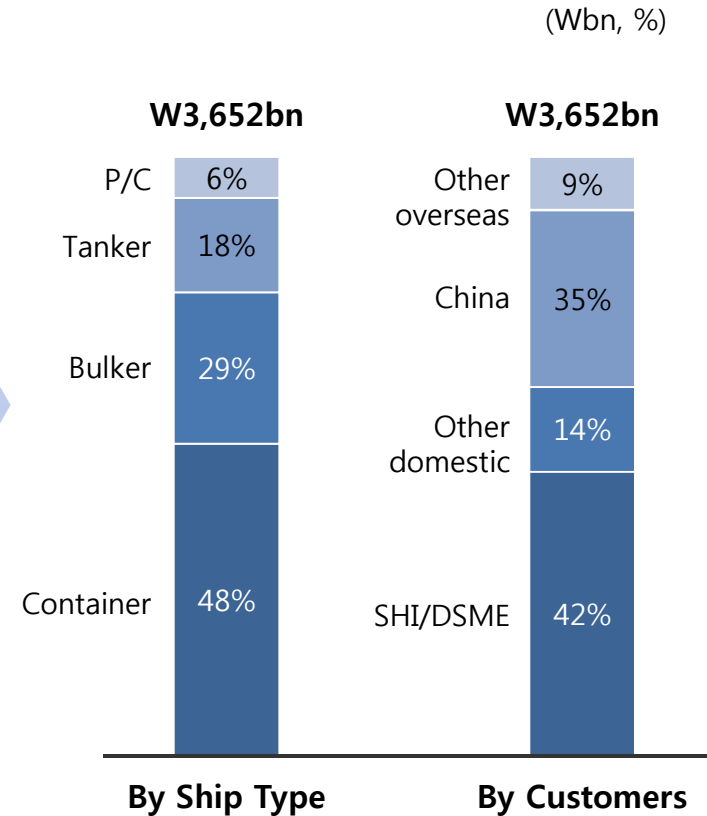
Order backlog

✓ Order backlog: W3.8trn (2.1yrs of sales based on '10 sales)

Order Backlog Breakdown



Marine engine : W3,652bn



※ Order backlog: based on advance payment deposit (W3,949bn based on contract amount)

Table of Contents

I. 2Q11 Operating Results & 2011 Guidance

II. Mid-term Strategy

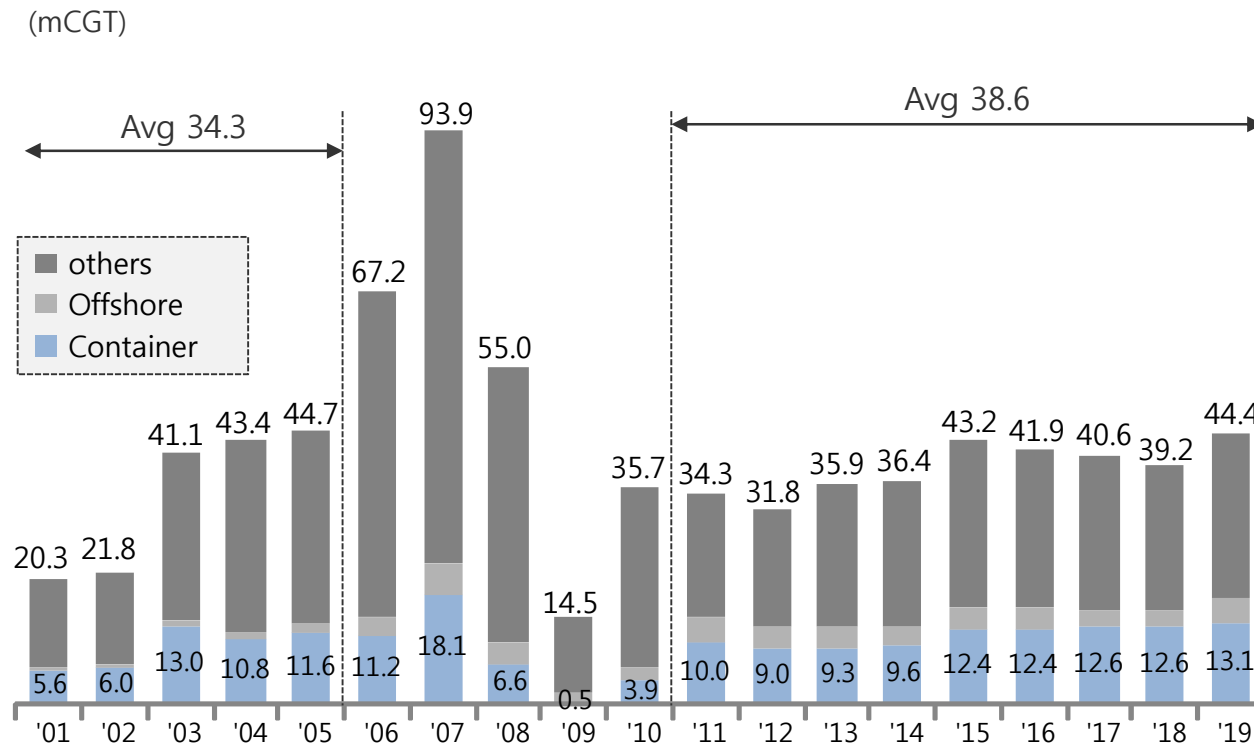
III. Investment Points

Appendix

Shipbuilding market outlook

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

Global new order outlook

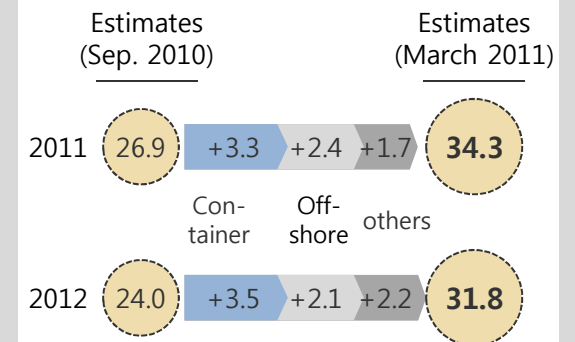


* Source : Clarkson Forecast Report (March 2011, Base Case)

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)



Mid-term plan & 2011 operating target

Strategy	Business target	2011 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)

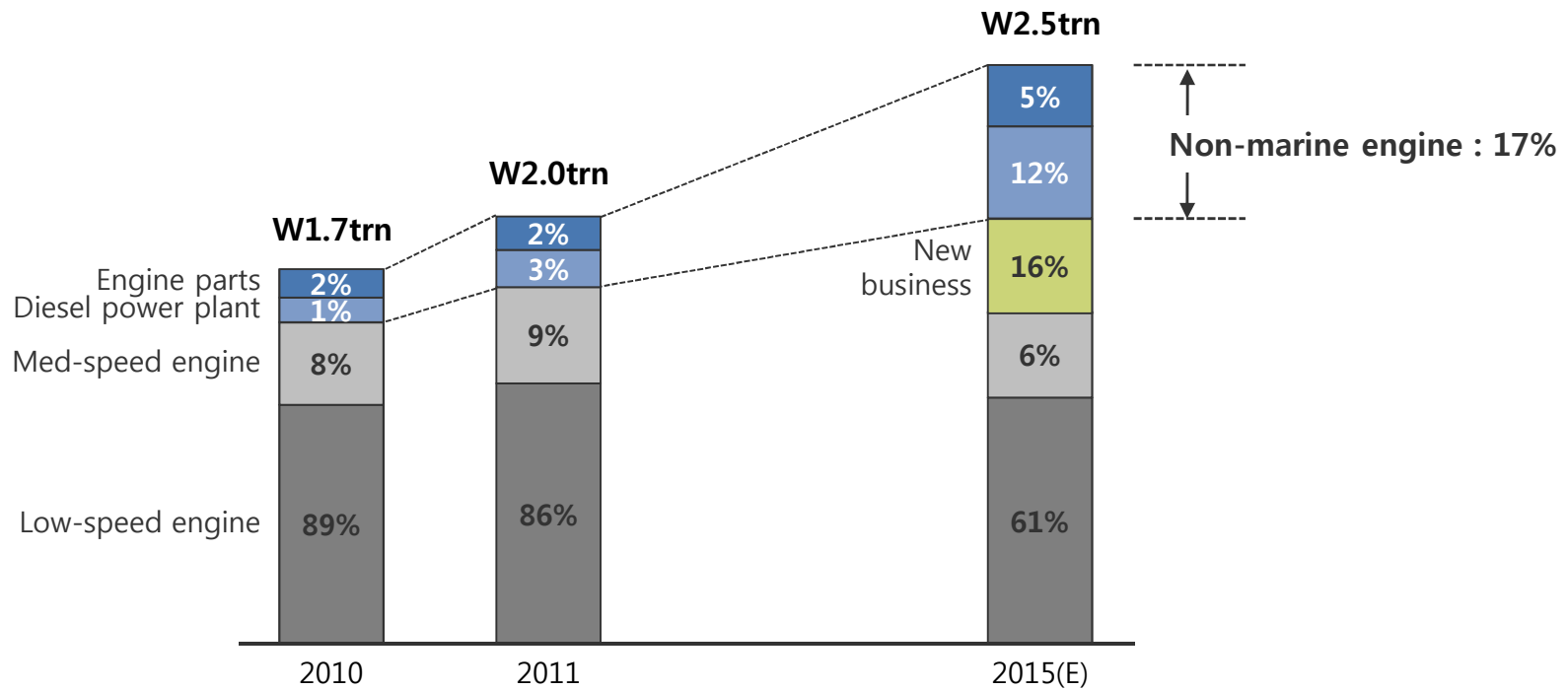


Table of Contents

I. 2Q11 Operating Results & 2011 Guidance

II. Mid-term Strategy

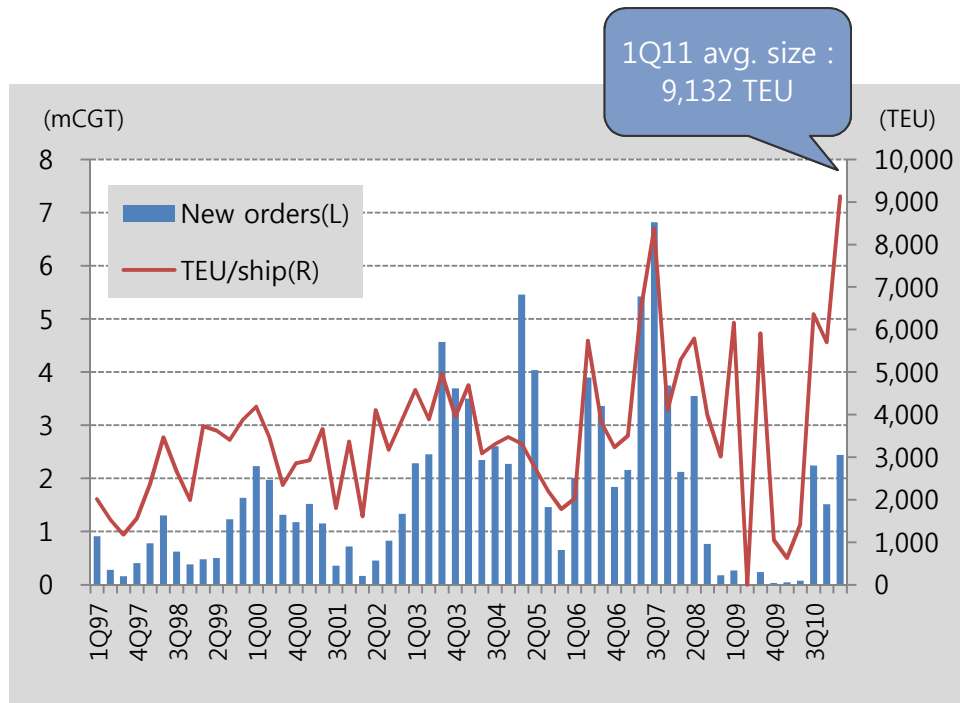
III. Investment Points

Appendix

Investment Point 1. Containership new order recovery(1/2)

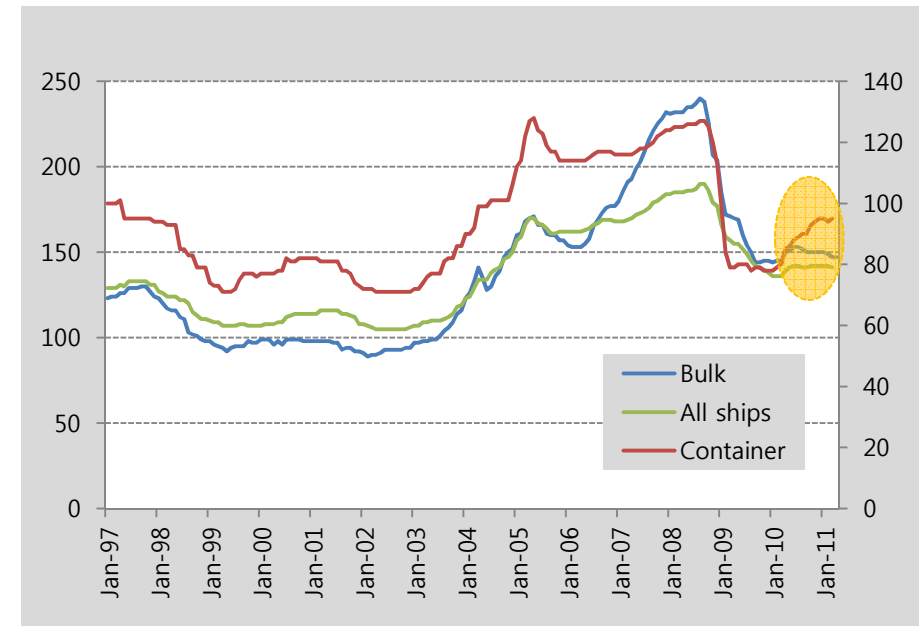
- ✓ 1Q11 avg. New order size of Containership : 9,132TEU (historically high)
- ✓ Upcoming rally in Containership price trend

Containership New order Trend



* Source : Clarkson

Ship price-index Trend (By type)



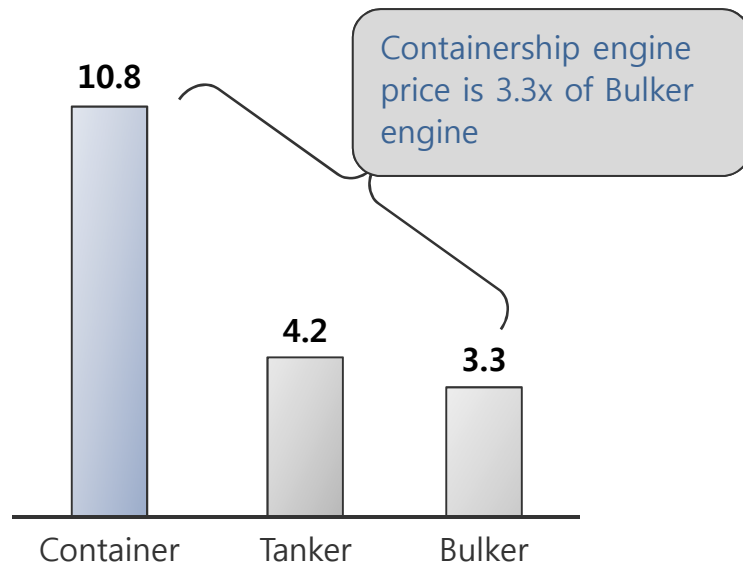
* Source : Clarkson

Investment Point 1. Containership new order recovery(2/2)

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

Engine ASP by ship type

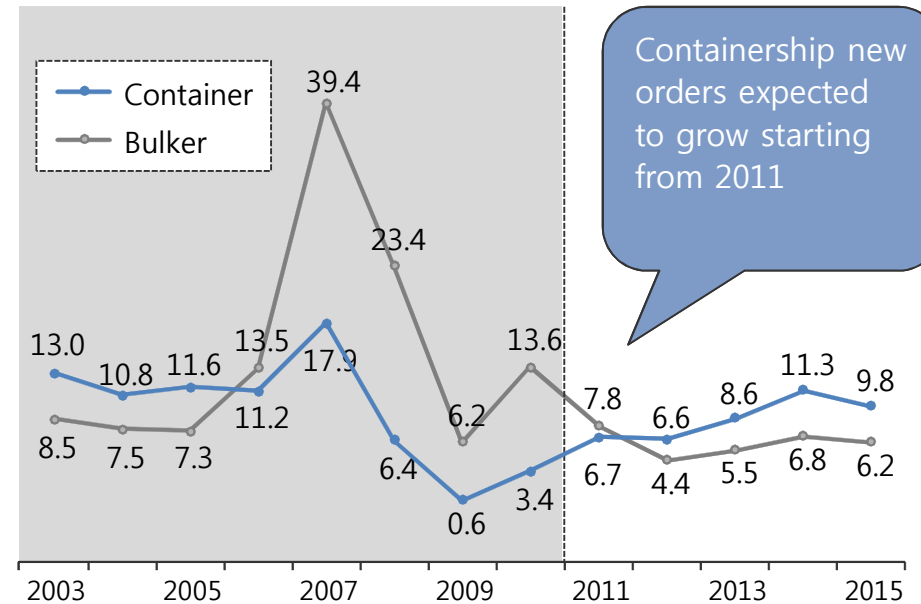
(Unit : M\$/ship)



* Source : ASP of newly ordered Engines after 2005

New order trend by ship type

(Unit : mCGT)

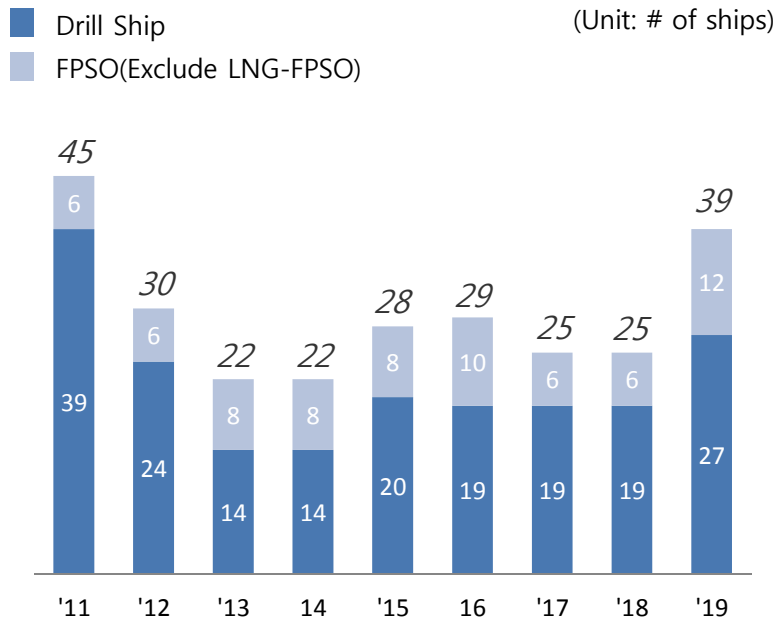


* Source : Clarkson Forecast Report ('10. 9)

Investment Point 2. Offshore plant business

- ✓ 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 to expand the 30% of M/S in captive market

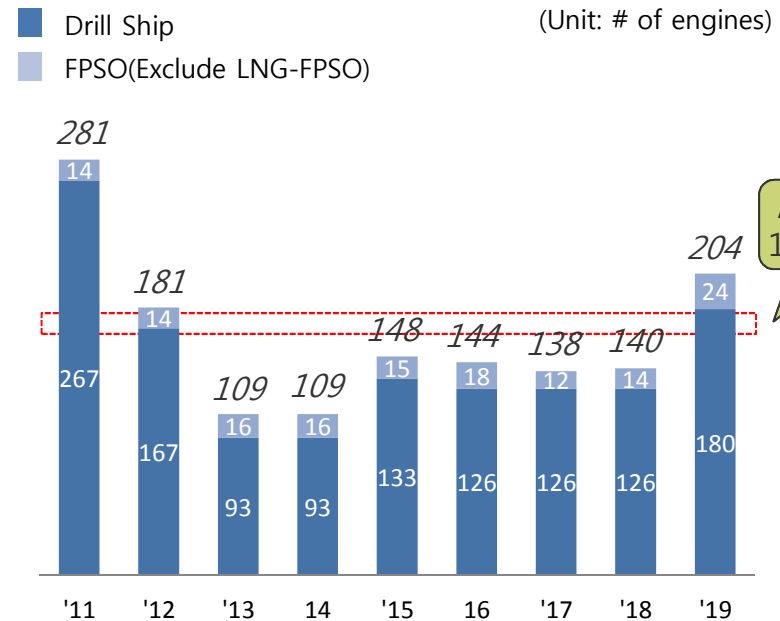
Offshore plant Order outlook for Domestic player



* 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

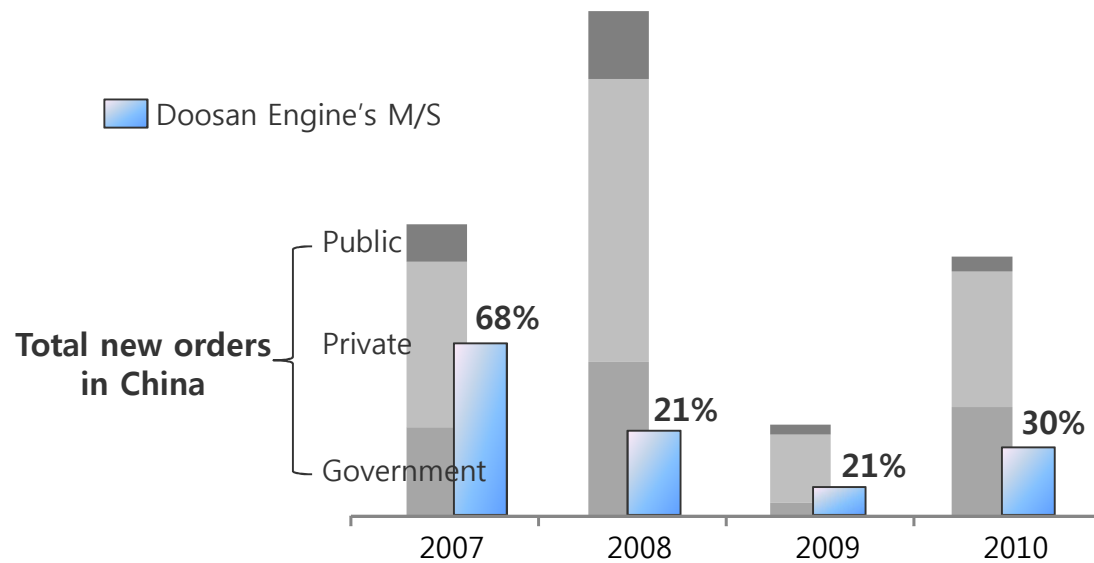
• Number of engines by ship type
 - Drillship : 6~8 Low-speed engines per ship
 - FPSO : 4 Med-speed engines per ship

Investment Point 3. 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)

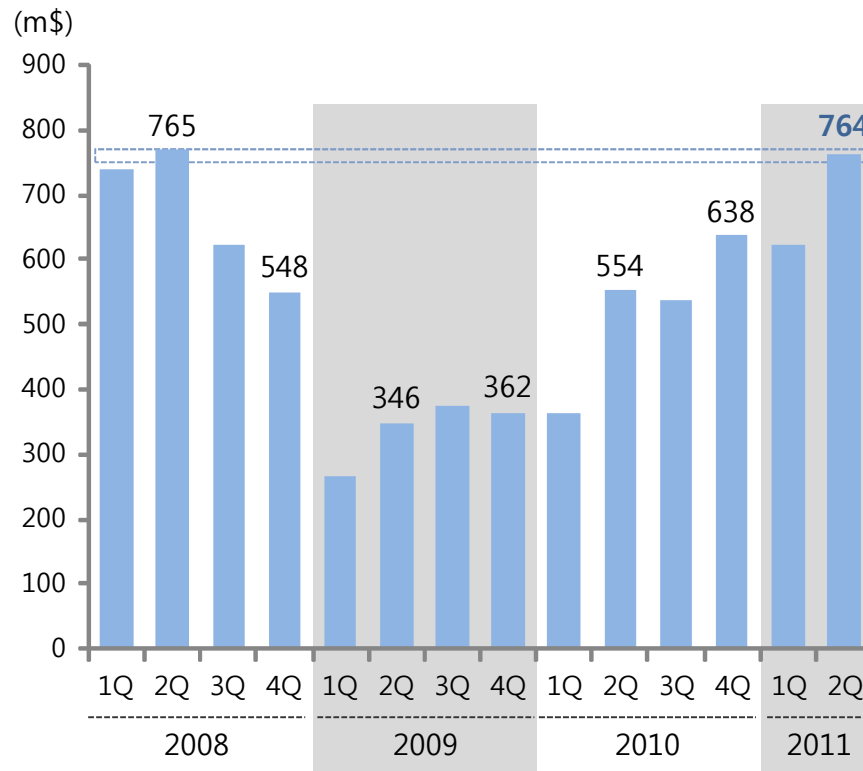
• Avg 35% M/S in China

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

Investment Point 4. Bobcat Turnaround

- ✓ 2Q11 sales of 764 million dollars is nearing the level of sales reported before in the financial crisis
- ✓ Equity method gain has recorded the black-ink balance for two consecutive quarter (1Q11,2Q11)

Bobcat Sales Trend ('08.1Q~'11.2Q)



Bobcat Operating Results

(Wbn, %)

	2Q10	1Q11	2Q11
Sales	677.3	696.0	828.4
OP	2.2	22.0	46.6
OPM(%)	(0.3%)	(3.2%)	(5.6%)
NI	-66.5	32.0	16.5

Equity Method Gain/Loss

(Wbn, %)

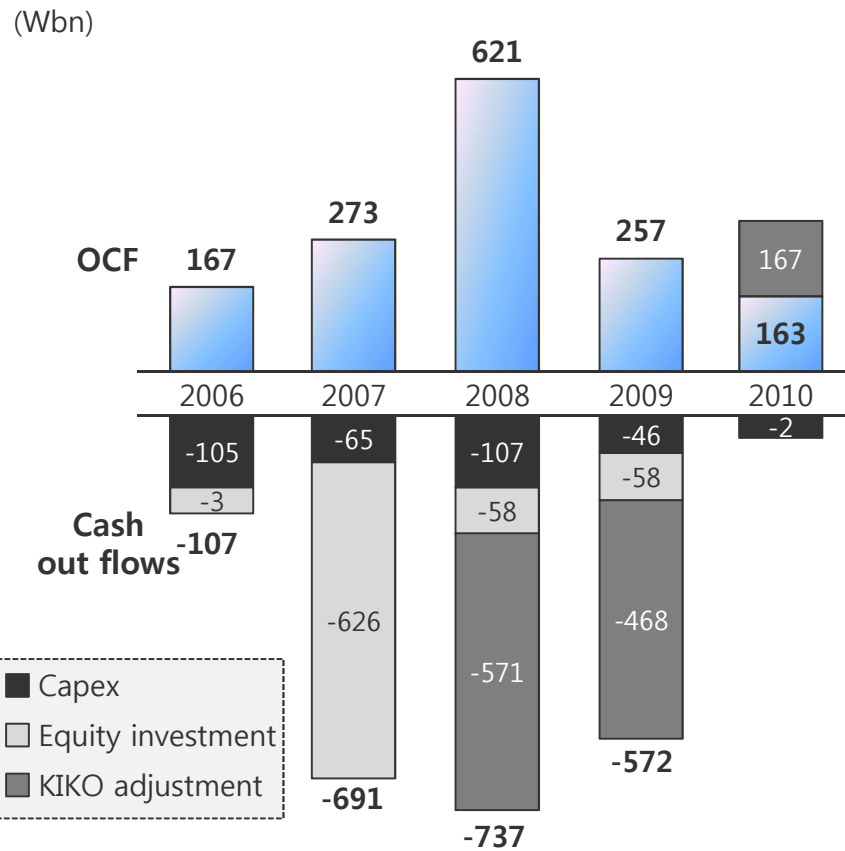
	2011.06.30
Stake(%)	24.2%
Acquisition Cost	738.2
Book Value	330.5
Gain(Loss) on Equity Method	15.0

Investment Point 5. Ample cashflow (K-GAAP)

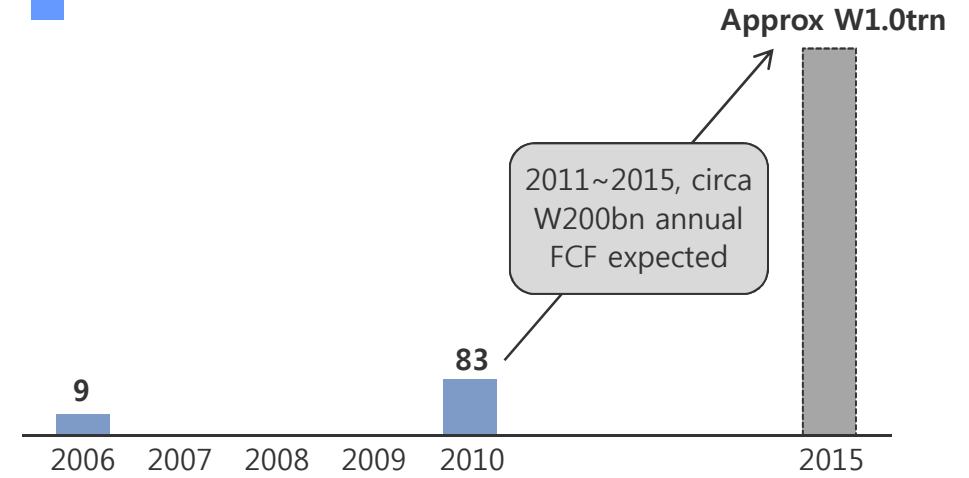
2011~2015, circa W200bn annual FCF expected

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

Annual OCF and major Cash-out flows

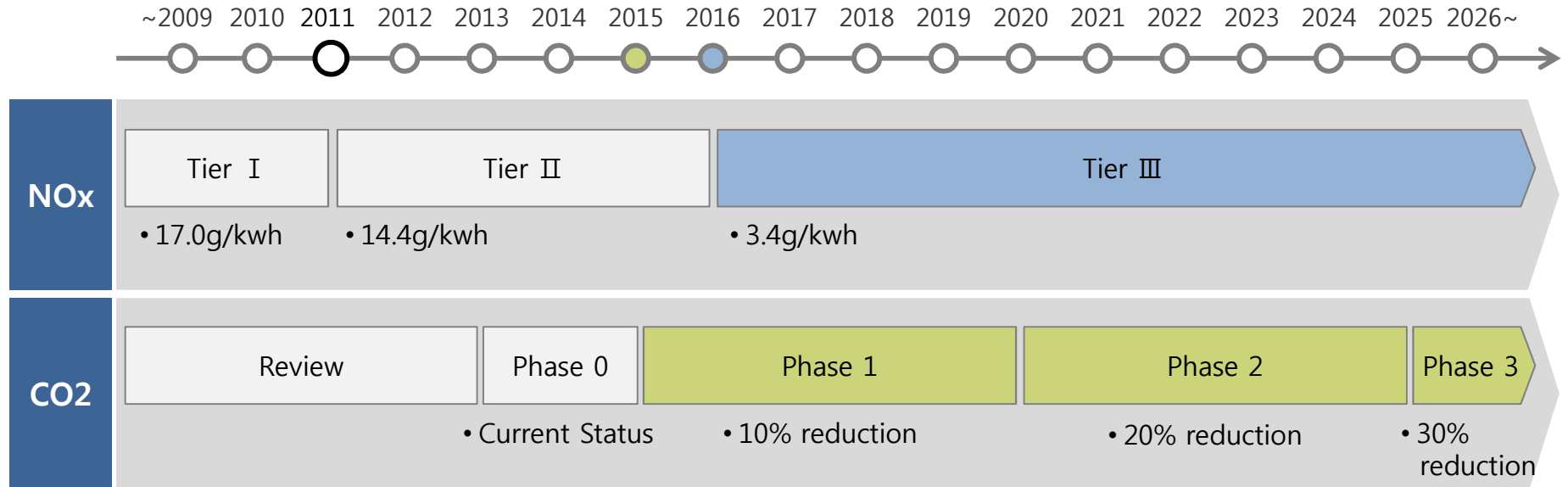


Annual net cash Trend

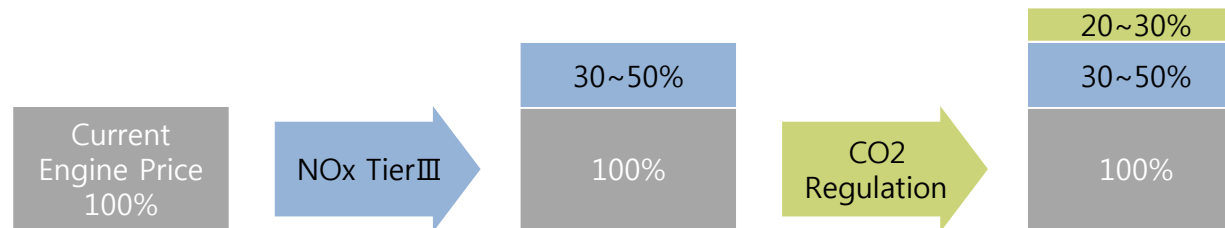


Investment Point 6. IMO environmental regulation trend

IMO regulation Milestone



Impact on Engine Price



Appendix

- I. Company overview**
- II. History**
- III. Plants**
- IV. Production infrastructure**
- V. Business area**
- VI. 2011 Business Plan**
- VII. 1H11 Financial Statements**

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)

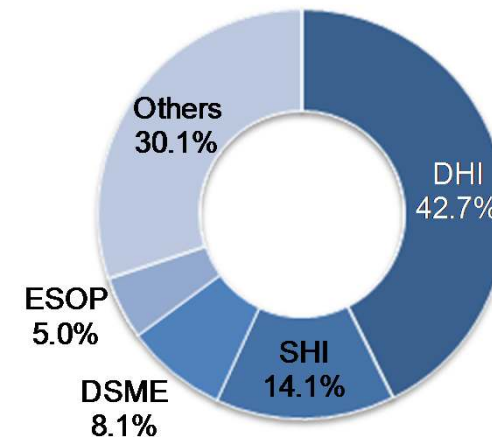


Business Areas

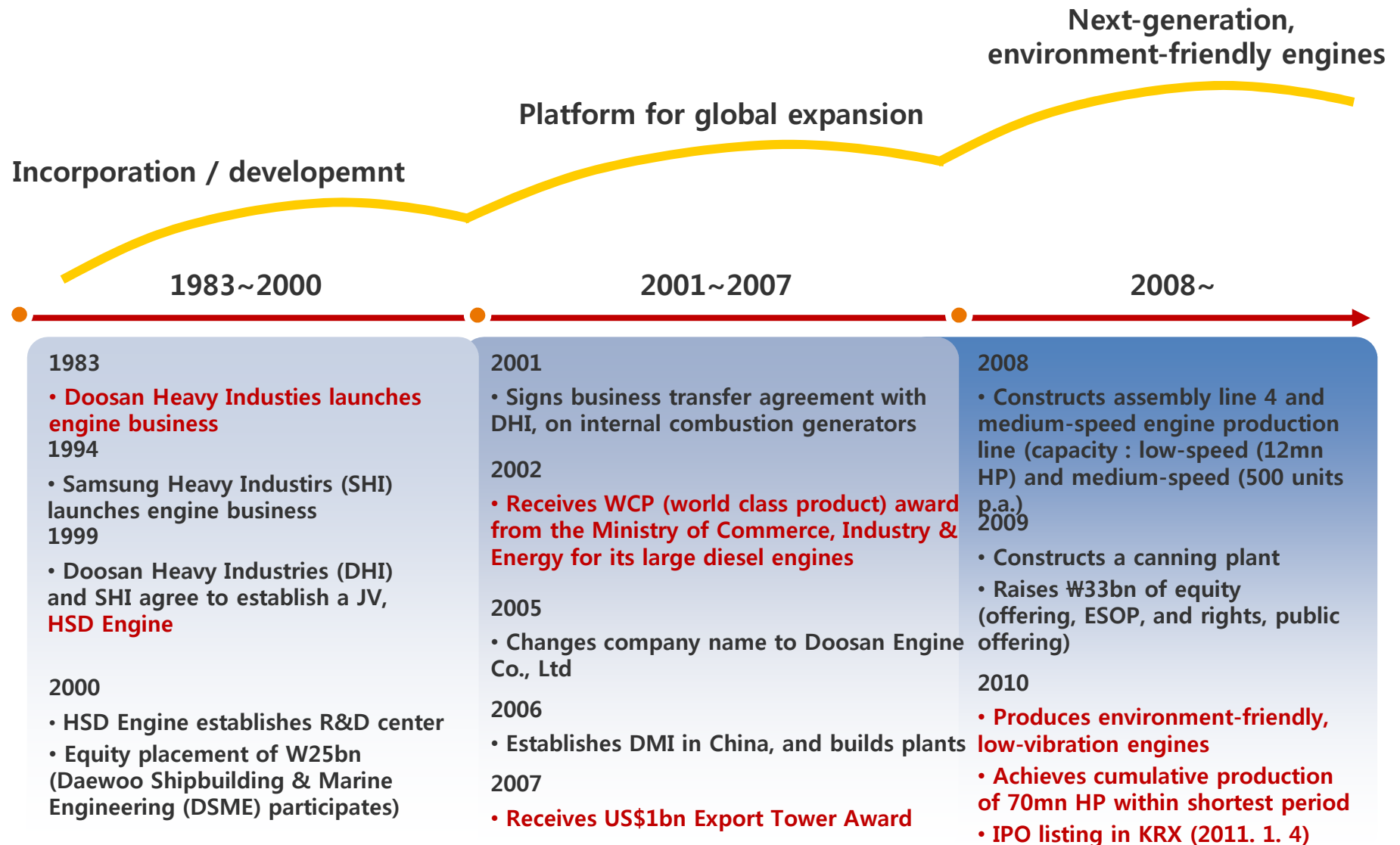
Business Areas	Sales (2010)	% of sales
Low-speed engine	W1,535bn	89%
Med-speed engine	W134bn	8%
Diesel power plant	W25bn	1%
Engine parts and C/S	W36bn	2%
Total	W1,730bn	100%

Shareholders

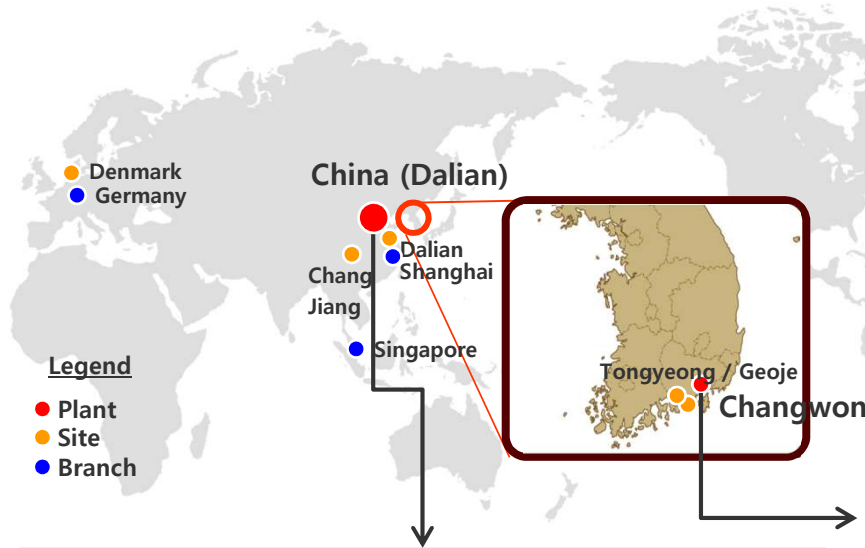
[As of 2011.06.30]



Appendix 2. History



Appendix 3. Plants

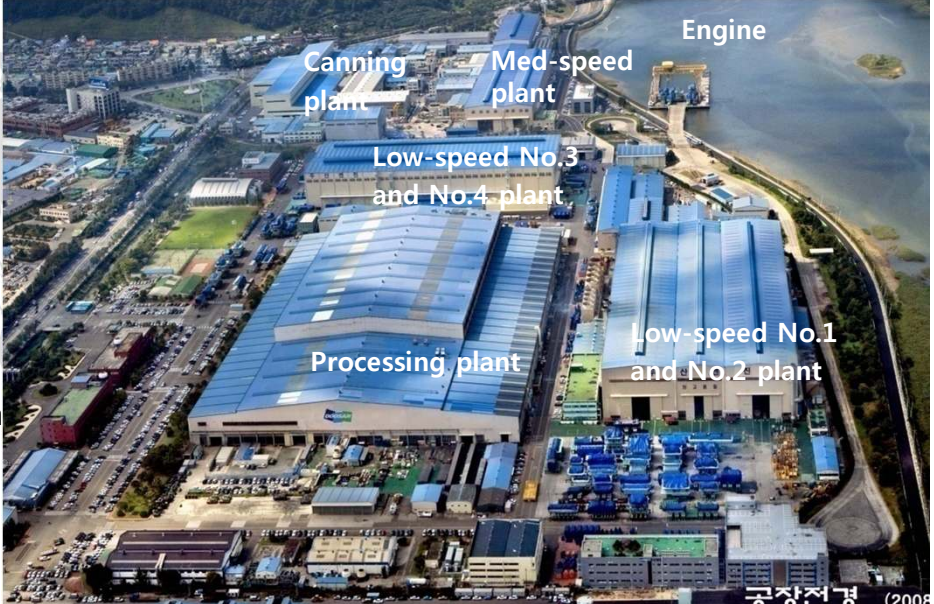


Dalian, China plant



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

Changwon Plant (Headquarter)



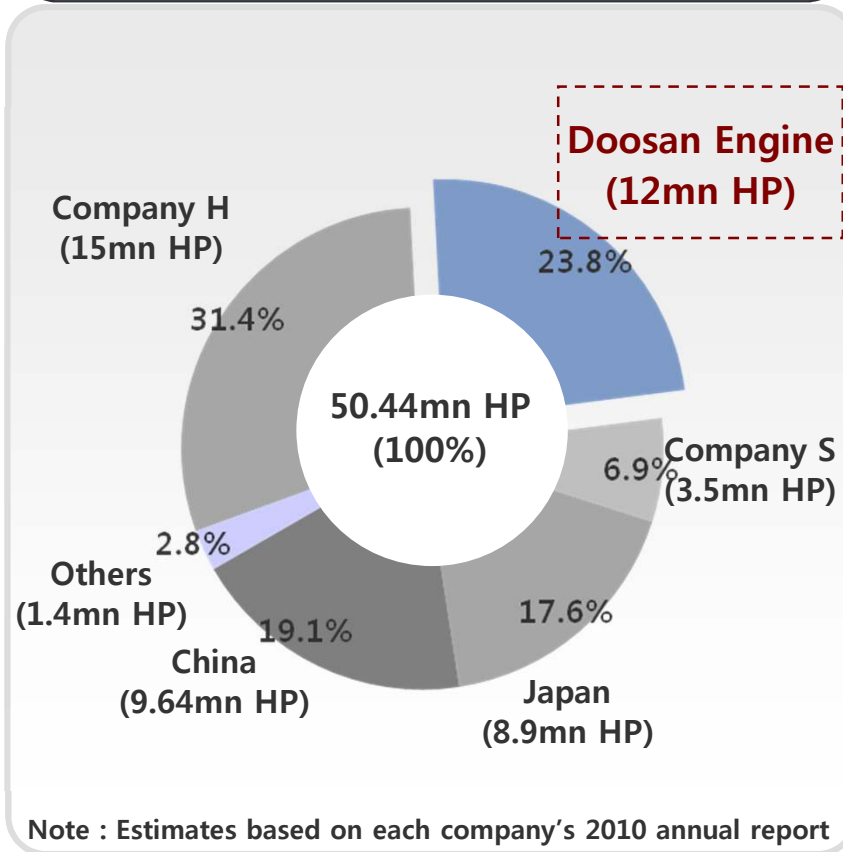
- Products : Diesel engines
- Size : 328,000m² (99,500 pyeong)
- Overview

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

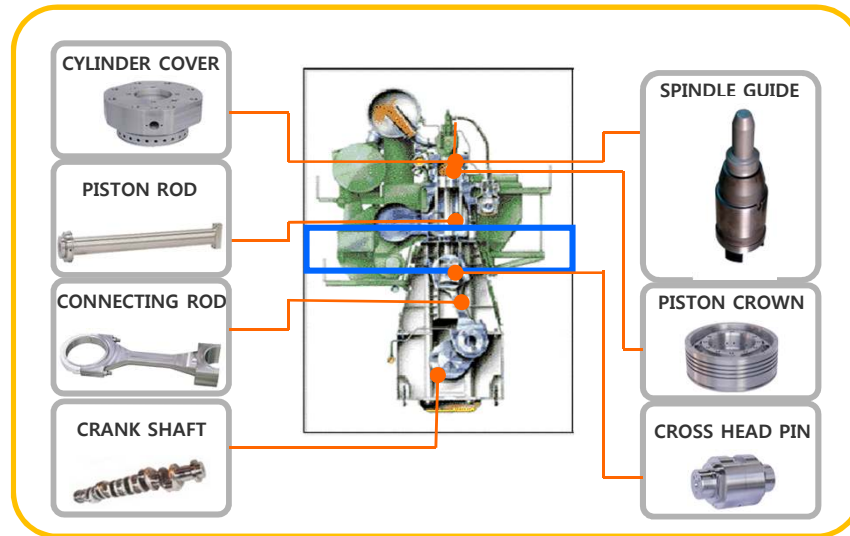


Med-speed DPP

※ 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

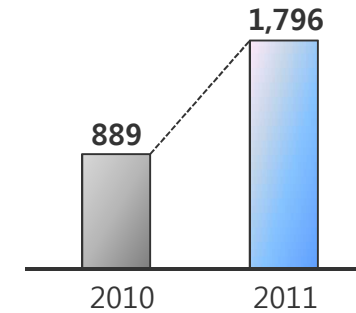
Appendix 6. 2011 Business Plan

(Wbn)

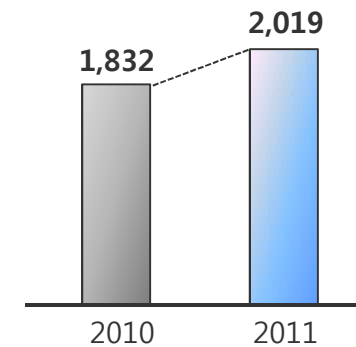
	2010 (K-IFRS)	2011(E) (K-IFRS)	YoY
New orders*	889	1,796	102.1%
Sales	1,832	2,019	10.2%
COGS ratio(%)	(82.8%)	(83.4%)	(+0.6%p)
SG&A	59	72	
Other Profit	34	6	
Other Loss	12	12	
Operating Profit	278	260	-6.4%
OP Margin(%)	(15.2%)	(12.9%)	(-2.3%p)
Financial Profit	88	2	
Financial Expense	118	17	
Gain/Loss on Equity method	24	7	
Pretax Profit	272	252	-7.4%
Net Profit	201	192	-4.5%
Net Debt	-49	-184	
Liability ratio	531%	269%	

* New order recognition : Booked after receiving prepayment deposit

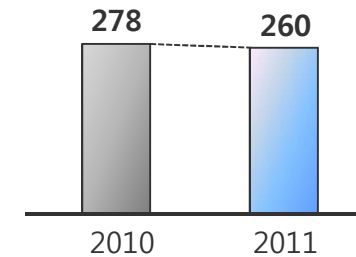
New orders
+102%



Sales
+10.2%



OP
-6.4%



Appendix 7. 1H11 Financial Statements

Balance Sheet (K-IFRS)

(Wbn)

	'10.12	'11.06	+/-
Current assets	1,073	1,098	+25
Non-current assets	1,133	1,084	-49
Total assets	2,206	2,182	-24
Current Liabilities	1,488	1,418	-70
Prepayment deposit	979	902	-77
Short-term debt	153	182	+29
Non-current liabilities	369	267	-102
Long -term debt	293	168	-125
Total liabilities	1,857	1,685	-172
Paid in capital	69.5	69.5	0
Capital surplus	367	367	0
Retained earnings	-67	77	+144
Accumulated other comprehensive income	-20	-17	+4
Total equities	349	497	148
Total debt	446	350	-96
Cash & Cash Equivalents	496	476	-20
Net Debt	-50	-126	-76

Income Statement (K-IFRS)

(Wbn)

	'10.1H	'11.1H	YoY
Sales	921	1,011	+9.7%
COGS ratio(%)	(84.7%)	(80.6%)	(-4.1%p)
Gross Profit	141	196	
SG&A	28	29	
Other gain & loss	23	-1	
Operating Profit	136	166	+21.4%
OP Margin(%)	(14.8%)	(16.4%)	(+1.6%p)
Financial income	127	99	
Financial expense	138	98	
Equity method	-56	14	
Pretax profit	69	181	+161.4%
Tax	25	37	
Net profit	44	144	+229.7%