Deloitte.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Doosan Infracore Co., Ltd.:

We have audited the accompanying consolidated financial statements of Doosan Infracore Co., Ltd. and subsidiaries (the "Company"). The financial statements consist of the consolidated statements of financial position as of December 31, 2012 and 2011 and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean Won, for the years ended December 31, 2012 and 2011. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the year ended December 31, 2012 and 2011, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Anjin LLC

March 21, 2013

Notice to Readers

This report is effective as of March 21, 2013, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to the auditors' report.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

The accompanying consolidated financial statements including all footnote disclosures were prepared by and are the responsibility of the Company.

Kim, Yong Seong
Chief Executive Officer
DOOSAN INFRACORE CO., LTD.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011
(In Korean Won)

ASSETS	Notes	December 31, 2012	December 31, 2011
CURRENT ASSETS:			
Cash and cash equivalents	2,4,5,11	₩ 462,494,292,429	₩ 624,031,624,968
Short-term financial instruments	2,4,5,11	222,294,825,630	118,138,828,715
Short-term investment securities	2,4,7,11	-	1,200,000,000
Trade and other receivables, less allowance for doubtful accounts	2,3,4,6,11,34,36	1,309,109,422,991	1,569,429,050,863
Derivative assets	2,4,10,11	73,437,207,075	19,307,871,952
Inventories	2,8	1,662,008,926,258	1,782,004,735,816
Assets held for sale	2	2,645,196,457	2,645,196,447
Other current assets	11	130,004,706,876	115,772,755,421
Total Current Assets		3,861,994,577,716	4,232,530,064,182
NON-CURRENT ASSETS:			
Long-term financial instruments	2,4,5,11	2,011,500,000	11,500,000
Long-term investment securities	2,4,9,11	9,244,959,753	2,461,782,534
Long-term trade and other receivables, less allowance for doubtful accounts	2,3,4,6,11,34,36	8,374,860,523	6,648,162,487
Non-current derivative assets	2,4,10,11	4,525,583,392	-
Property, plant and equipment, net	2,3,13,35	2,023,666,222,683	1,907,310,779,496
Intangible assets	2,3,14	4,754,639,097,102	5,038,112,718,225
Investment property	2,15	27,871,356,394	29,032,623,853
Investments in joint ventures and associates	2,12,34,35	145,002,625,289	163,787,811,240
Deferred income tax assets	2,3,31	597,141,831,491	189,780,215,316
Other non-current assets	11	118,368,009,684	133,998,974,130
Total Non-current Assets		7,690,846,046,311	7,471,144,567,281
TOTAL ASSETS		₩ 11,552,840,624,027	₩ 11,703,674,631,463

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DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2012 AND 2011
(In Korean Won)

LIABILITIES AND EQUITY	Notes	December 31, 2012	December 31, 2011
CURRENT LIABILITIES :			
Trade and other payables	4,11,16,36	₩ 1,067,423,350,749	₩ 1,918,021,666,401
Short-term borrowings	2,4,11,17,34,35	1,325,079,857,757	616,572,690,475
Current portion of bonds	4,11,17	469,592,187,972	232,824,289,736
Current portion of long-term borrowings	2,4,11,17,34,35	270,380,842,054	1,149,062,279,887
Income taxes payable	2,31	31,856,682,031	121,456,321,048
Derivative liabilities	2,4,10,11	831,659,485	22,851,007,390
Provisions	2,3,19	146,441,019,324	171,514,008,843
Other current liabilities	11	227,472,882,460	240,863,881,723
Total Current Liabilities		3,539,078,481,832	4,473,166,145,503
NON-CURRENT LIABILITIES :			
Bonds	4,11,17	1,585,861,248,159	1,594,857,576,069
Long-term borrowings	2,4,11,17,34,35	2,508,227,472,114	2,451,412,211,189
Other non-current payables	4,11,16	27,504,331,079	2,287,962,219
Retirement benefit obligation	2,3,18	773,747,548,161	758,148,077,218
Non-current derivative liabilities	2,4,10,11	7,707,578	286,042,423
Deferred income tax liabilities	2,3,31	3,561,696,033	45,568,743,327
Non-current provisions	2,3,19	7,370,145,747	4,430,255,524
Other non-current liabilities	2,11	110,769,464,224	88,316,589,243
Total Non-current Liabilities		5,017,049,613,095	4,945,307,457,212
Total Liabilities		8,556,128,094,927	9,418,473,602,715
EQUITY:			
Capital stock	1,20	843,290,170,000	842,779,420,000
Capital surplus	20	14,254,797,512	8,288,339,555
Capital securities	21	508,259,603,649	-
Other equity items	22	(30,403,879,853)	94,339,619,629
Accumulated other comprehensive income(loss)	9,10,23	(177,281,421,248)	(42,494,821,600)
Retained earnings	24	1,288,381,468,016	942,153,278,515
Equity attributable to owners of the parent		2,446,500,738,076	1,845,065,836,099
Non-controlling interests		550,211,791,024	440,135,192,649
Total Equity		2,996,712,529,100	2,285,201,028,748
TOTAL LIABILITIES AND EQUITY		₩ 11,552,840,624,027	₩ 11,703,674,631,463

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	Notes	2012	2011
SALES	2,25,26,36	₩ 8,158,350,959,705	₩ 8,463,085,724,023
COST OF SALES	2,8,18,27,36	(6,478,129,915,411)	(6,615,691,255,830)
GROSS PROFIT		1,680,221,044,294	1,847,394,468,193
Selling and administrative expenses	18,27,28	(1,317,803,816,096)	(1,167,779,498,194)
OPERATING INCOME		362,417,228,198	679,614,969,999
Finance income	10,11,29	249,570,319,161	175,052,455,482
Finance expense	10,29	(570,352,372,508)	(601,234,228,163)
Other non-operating income	30	35,901,618,689	84,440,796,526
Other non-operating expense	30	(79,589,210,926)	(55,602,159,820)
Share of profit(loss) of associates	2,12	(18,393,850,149)	4,845,287,022
Gain(loss) on disposal of investment in joint ventures and associates	12	704,719,182	(6,771,471,314)
Gain on disposal of investment in subsidiaries	1	-	4,907,819,621
INCOME(EXPENSE) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		(19,741,548,353)	285,253,469,353
INCOME TAX BENEFIT(EXPENSE)	2,31	423,761,523,933	(78,313,983,623)
INCOME FROM CONTINUING OPERATIONS		404,019,975,580	206,939,485,730
INCOME FROM DISCONTINUED OPERATIONS	38	-	103,870,554,756
NET INCOME		₩ 404,019,975,580	₩ 310,810,040,486
Attributable to:			
Owners of the parent		₩ 349,803,841,202	₩ 298,223,624,003
Non-controlling interests		₩ 54,216,134,378	₩ 12,586,416,483
EARNINGS PER SHARE:	2,32		
From continuing operations			
Basic		₩ 2,075	₩ 1,153
Diluted		₩ 2,074	₩ 1,153
From continuing and discontinued operations			
Basic		₩ 2,075	₩ 1,769
Diluted		₩ 2,074	₩ 1,769

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	2012	2011
NET INCOME	₩ 404,019,975,580	₩ 310,810,040,486
OTHER COMPREHENSIVE INCOME		
Actuarial gains and losses	(841,308,862)	(156,771,019,333)
Loss on valuation of available-for-sale financial assets	(61,673,396)	(42,746,482)
Increase(decrease) in equity of associates	(1,195,628,629)	2,523,942,012
Gain(loss) on foreign operations translation	(266,406,054,959)	72,531,233,167
Gain(loss) on valuation of cash flow hedge derivatives	90,106,400,250	(15,975,136,309)
Total other comprehensive income(loss)	(178,398,265,596)	(97,733,726,945)
TOTAL COMPREHENSIVE INCOME	₩ 225,621,709,984	₩ 213,076,313,541
Owners of the parent	₩ 211,441,589,853	₩ 222,416,812,834
Non-controlling interests	₩ 14,180,120,131	(₩ 9,340,499,293)

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	Capital stock	Capital Surplus	Capital securities	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Non-controlling interests	Total
Balance at January 1, 2011	₩842,242,420,000	₩5,298,993,755	₩-	(₩73,759,338,761)	(₩107,243,585,324)	₩784,485,229,405	₩306,514,098,989	₩1,757,537,818,064
Net income	-	-	-	-	-	298,223,624,003	12,586,416,483	310,810,040,486
Actuarial losses	-	-	-	-	-	(140,555,574,893)	(16,215,444,440)	(156,771,019,333)
Exercise and extinguishment of share options	537,000,000	2,989,345,800	-	(1,319,305,800)	-	-	-	2,207,040,000
Share-based payment	-	-	-	4,146,126,117	-	-	-	4,146,126,117
Gain(loss) on valuation of available-for-sale	-	-	-	-	(42,746,482)	-	-	(42,746,482)
Increase in equity of associates	-	-	-	-	2,523,942,012	-	-	2,523,942,012
Gain(loss) on translation of foreign operations	-	-	-	-	78,242,704,503	-	(5,711,471,336)	72,531,233,167
Gain(loss) on valuation of derivatives	-	-	-	-	(15,975,136,309)	-	-	(15,975,136,309)
Capital increase with consideration in subsidiaries	-	-	-	(16,218,695,915)	-	-	16,218,695,915	-
Disposal of investments in subsidiaries	-	-	-	200,781,992,715	-	-	107,451,738,311	308,233,731,026
Business transfer amongst consolidated entities	-	-	-	(13,259,336,389)	-	-	13,259,336,389	-
Equity transfer amongst consolidated entities	-	-	-	(6,031,822,338)	-	-	6,031,822,338	-
Balance at December 31, 2011	₩842,779,420,000	₩8,288,339,555	₩-	₩94,339,619,629	(₩42,494,821,600)	₩942,153,278,515	₩440,135,192,649	₩2,285,201,028,748

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DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	Capital stock	Capital Surplus	Capital securities	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Non-controlling interests	Total
Balance at January 1, 2012	₩842,779,420,000	₩8,288,339,555	₩-	₩94,339,619,629	(₩42,494,821,600)	₩942,153,278,515	₩440,135,192,649	₩2,285,201,028,748
Net income	-	-	-	-	-	349,803,841,202	54,216,134,378	404,019,975,580
Actuarial losses	-	-	-	-	-	(3,575,651,701)	2,734,342,839	(841,308,862)
Exercise and extinguishment of share options	510,750,000	5,966,457,957	-	(4,934,464,091)	-	-	-	1,542,743,866
Share-based payment	-	-	-	3,446,189,499	-	-	-	3,446,189,499
Gain(loss) on valuation of available-for-sale	-	-	-	-	(61,673,396)	-	-	(61,673,396)
Increase in equity of associates	-	-	-	-	(1,195,628,629)	-	-	(1,195,628,629)
Gain(loss) on translation of foreign operations	-	-	-	-	(223,635,697,873)	-	(42,770,357,086)	(266,406,054,959)
Gain(loss) on valuation of derivatives	-	-	-	-	90,106,400,250	-	-	90,106,400,250
Capital increase with consideration in subsidiaries	-	-	-	(215,750,926)	-	-	215,750,926	-
Conversion of convertible preferred stock	-	-	-	(94,499,680,439)	-	-	94,499,680,439	-
Business transfer amongst consolidated entities	-	-	-	(1,181,046,879)	-	-	1,181,046,879	-
Issuance of capital securities	-	-	508,259,603,649	-	-	-	-	508,259,603,649
Others (tax effect)	-	-	-	(27,358,746,646)	-	-	-	(27,358,746,646)
Balance at December 31, 2012	₩843,290,170,000	₩14,254,797,512	₩508,259,603,649	(₩30,403,879,853)	(₩177,281,421,248)	₩1,288,381,468,016	₩550,211,791,024	₩2,996,712,529,100

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	₩ 455,983,304,342	₩ 526,735,894,251
Net income	404,019,975,580	310,810,040,486
Adjustments	234,753,936,999	646,834,882,386
Changes in operating assets and liabilities	(182,790,608,237)	(430,909,028,621)
Interest received	27,692,389,440	24,096,530,961
Interest paid	(782,514,855,762)	(325,021,059,608)
Dividends received	9,599,997	-
Income tax paid	(133,961,580,256)	(108,625,992,573)
Net Cash Provided by(Used in) Operating Activities	(432,791,142,239)	117,185,373,031
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities		
Disposal of short-term investment securities	-	23,622,412,492
Decrease in short-term loans	37,934,761,916	-
Disposal of long-term financial instruments	244,033,153	27,650,000,000
Disposal of property, plant and equipment	90,913,565,877	62,144,082,589
Disposal of intangible assets	731,406,051	499,670,002
Disposal of investment properties	854,076,937	-
Proceeds from transfer of operations	-	272,098,559,032
Sub-total	130,677,843,934	386,014,724,115
Cash outflows for investing activities:		
Increase in short-term financial assets	104,155,996,915	57,942,571,960
Increase in short-term loans	-	51,041,054,443
Acquisition of investment in joint ventures and associates	6,410,284,877	73,393,989,467
Increase in long-term financial instruments	2,000,000,000	-
Acquisition of long-term investment securities	7,095,495,328	1,544,411,586
Acquisition of property, plant and equipment	460,076,971,556	426,060,429,897
Acquisition of intangible assets	95,577,370,919	66,260,324,358
Sub-total	(675,316,119,595)	(676,242,781,711)
Net Cash Used in Investing Activities	(544,638,275,661)	(290,228,057,596)

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DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Korean Won)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Increase of borrowings	1,152,738,130,513	2,159,864,980,230
Issuance of bonds	496,658,603,591	1,125,790,683,323
Exercise of share option	1,594,320,000	2,207,040,000
Disposal of investments in subsidiaries	-	308,233,731,026
Issuance of capital securities	530,535,202,054	-
Sub-total	2,181,526,256,158	3,596,096,434,579
Cash outflows for financing activities:		
Repayment of borrowings	1,137,461,679,197	2,832,487,832,831
Repayment of bonds	233,000,000,000	435,000,000,000
Sub-total	(1,370,461,679,197)	(3,267,487,832,831)
Net Cash Provided by Financing Activities	811,064,576,961	328,608,601,748
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	4,827,508,400	(8,273,578,753)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(161,537,332,539)	147,292,338,430
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	624,031,624,968	476,739,286,538
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 462,494,292,429	₩ 624,031,624,968

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

(1) Parent company

Doosan Infracore Co., Ltd. ("DI" or the "Parent") was incorporated on October 23, 2000 through a spin-off from Daewoo Heavy Industries Ltd. ("DHI") under the Corporate Restructuring Agreement dated January 20, 2000 between DHI and its creditors, approved by DHI's shareholders on June 27, 2000. DI operates and manages DHI's manufacturing, selling, and construction businesses of industrial machinery and equipment.

In connection with the spin-off, effective September 30, 2000, DHI transferred to DI certain assets and liabilities amounting to ₩2,494 billion and ₩2,806 billion, respectively.

DI was listed on the stock market of Korean Exchange on February 2, 2001, and changed its name to Doosan Infracore Co., Ltd. from Daewoo Heavy Industries & Machinery Ltd. on April 29, 2005. DI's common stock as of December 31, 2012 amounts to ₩843,290 million, of which 44.77% is owned by Doosan Heavy Industries and Construction Co., Ltd.

(2) Consolidated Subsidiaries

DI's consolidated subsidiaries include entities of which DI owns more than 50 % of the voting power, either directly or indirectly through its subsidiaries. In certain cases, DI and its subsidiaries may own 50 % or less of the voting power, however, the entities are subject to consolidation if DI or its subsidiaries has power to appoint or remove the members of the board of directors or equivalent governing body who can exercise significant influence on financial and operating policies of the entities.

DI's consolidated subsidiaries as of December 31, 2012 are as follows (in millions of Korean Won):

Subsidiaries	Type of Business	Ownership (%)	Asset	Liability	Sales	Net income	Location	Financial closing date
Doosan Infracore China Co., Ltd.	Manufacturing, Sales	80.00	₩1,530,306	₩938,480	₩1,007,121	₩15,422	China	December 31
Doosan Infracore Machine Tools Yantai Co., Ltd.	Manufacturing, Sales	100.00	112,592	71,841	144,558	(1,628)	China	December 31
Doosan Infracore (China) Investment Co., Ltd.	Holdings	100.00	228,559	2,594	9,278	4,273	China	December 31
Doosan Infracore Suzhou Co., Ltd.	Manufacturing, Sales	100.00	138,916	99,721	95,548	(18,073)	China	December 31
Doosan Infracore U.K., Ltd.	Sales	100.00	395	-	-	(2,148)	England	December 31
Doosan Infracore Germany GmbH.	Purchases, Sales	100.00	83,387	58,209	156,506	4,188	Germany	December 31
Doosan Infracore America Corp.	Purchases, Sales	100.00	186,737	114,142	399,255	13,555	U.S.A	December 31
Doosan Infracore Japan Corp.	Purchases	100.00	8,755	7,234	3,246	199	Japan	December 31
Doosan International do Brasil Commercial and Market Related Consulting Ltda.	Sales	100.00	-	-	-	(100)	Brasil	December 31
Doosan International Mexico S.A. de C.V.	Sales	100.00	582	811	-	582	Mexico	December 31

Subsidiaries	Type of Business	Ownership (%)	Asset	Liability	Sales	Net income	Location	Financial closing date
Doosan Bobcat Chile S.A.	Sales	100.00	31,490	18,452	43,612	3,750	Chile	December 31
Bobcat Corp.	Sales	100.00	9,372	2,074	8,402	918	Japan	December 31
Doosan Infracore (Shandong) Co., Ltd.	Manufacturing, Sales	90.18	84,793	67,396	62,815	(16,792)	China	December 31
Doosan Infracore India Private Ltd.	Sales	100.00	65,126	42,438	90,015	3,683	India	March 31
Doosan Infracore Norway AS (*1)	Manufacturing, Sales	100.00	106,971	91,099	66,646	(17,781)	Norway	December 31
Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA	Manufacturing, Sales	99.99	134,381	90,577	5,490	(7,887)	Brazil	December 31
Doosan Infracore International, Inc.	Holdings	88.41	3,631,985	1,466,534	1,420	364,141	U.S.A	December 31
Clark Equipment Co.	Manufacturing, Sales	100.00	1,321,238	687,539	2,618,842	207,611	U.S.A	December 31
Bobcat Equipment Ltd.	Sales	100.00	83,571	30,184	290,798	10,440	Canada	December 31
Doosan Infracore Europe S.A.	Manufacturing, Sales	100.00	258,076	146,244	623,027	11,963	Belgium	December 31
Doosan Holdings Europe Ltd.	Holdings	78.27	2,601,059	1,260,943	-	(18,724)	Ireland	December 31
Doosan Holdings International Ltd.	Holdings	100.00	2,611,317	324,340	-	(5,538)	Ireland	December 31
Doosan Holdings Germany GmbH.	Holdings	100.00	64,122	39,643	-	(1,462)	Germany	December 31
Doosan Holding France S.A.S.	Holdings	100.00	322,167	256,615	-	(5,999)	France	December 31
Goldwave Ltd.	Holdings	100.00	-	-	-	-	Ireland	December 31
Doosan Techno Holding Co., Ltd.(Ireland)	Management	100.00	672,269	448,424	-	1,229	Ireland	December 31
Doosan Benelux SA	Sales	100.00	552,093	518,086	644,833	(102,263)	Belgium	December 31
Doosan International Portable Power of Netherlands BV	Sales	100.00	99	3,102	-	(36)	Netherlands	December 31
Doosan International Italia S.r.L	Sales	100.00	591	830	-	23	Italia	December 31
Doosan International Construction Equipment Espana, S.L.	Sales	100.00	50	1,558	-	(79)	Spain	December 31
CJSC Doosan International Russia	Sales	100.00	361	257	-	155	Russia	December 31
Doosan International UK Ltd.	Sales	100.00	42,935	37,801	129,528	1,256	England	December 31
Doosan International Australia Pty Ltd.	Sales	100.00	2,160	949	264	426	Australia	December 31
Doosan Infracore Portable Power (Shanghai) Co., Ltd.	Sales	100.00	25,744	27,538	28,632	(4,060)	China	December 31
Doosan International China Co., Ltd.	Sales	100.00	28,532	1,179	73	(74)	China	December 31
Doosan International Manufacturing China Co., Ltd.	Sales	100.00	18,989	103	2,605	201	China	December 31
Doosan International South East Asia Pte. Ltd.	Sales	100.00	10,480	2,877	13,485	3,293	Singapore	December 31
Doosan International South Africa Ltd.	Sales	100.00	7,848	2,333	18,050	(64)	South Africa	December 31
Doosan Bobcat Manufacturing s.r.o.	Manufacturing	100.00	93,374	31,037	216,092	6,753	Czech	December 31
Doosan Bobcat Engineering s.r.o.	Research and development	100.00	65,534	3,497	10,839	2,765	Czech	December 31
Doosan Trading Ltd.	Shared service	100.00	392,932	87,728	-	963	Ireland	December 31
Bobcat Parts Services GmbH.	Sales	100.00	4,225	6,787	-	(69)	Germany	December 31
Doosan Beteiligungs GmbH.	Holdings	100.00	186	241	-	(24)	Germany	December 31
Bobcat Bensheim GmbH & Co KG	Sales	100.00	93,113	33,981	91,113	2,888	Germany	December 31
Bobcat Lyon SAS	Sales	100.00	17,560	16,929	54,393	(378)	France	December 31
Bobcat France S.A.	Manufacturing, Sales	100.00	53,965	35,594	92,235	4,101	France	December 31

Subsidiaries	Type of Business	Ownership (%)	Asset	Liability	Sales	Net income	Location	Financial closing date
Montabert	Manufacturing, Sales	100.00	155,832	37,822	125,252	9,738	France	December 31
Geith International Ltd.	Manufacturing, Sales	100.00	50,056	20,799	22,978	(2,934)	Ireland	December 31
Geith International UK Ltd.	Manufacturing, Sales	100.00	-	-	6,855	1,286	England	December 31
Goldwave Holdings Ltd.	Holdings	100.00	-	-	-	37	Ireland	December 31
Geith Patents Ltd.	Management	100.00	-	-	-	(33)	Ireland	December 31
Doosan International Luxemburg	Management	100.00	820,757	638,371	66,332	30,000	Luxemburg	December 31

(*1) For the year ended December 31, 2012, its name was changed from Doosan Moxy AS to Doosan Infracore Norway AS.

(3) Changes in the scope of consolidation

Changes in the scope of consolidation for the year ended December 31, 2012 are as follows:

Subsidiary	Change	Description
Clark Business Services Corporation	Excluded	Merged with another subsidiary
Bobcat Reno	Excluded	Liquidation of subsidiary
Perimeter Bobcat, Inc.	Excluded	Liquidation of subsidiary
CDS Midwest Inc.	Excluded	Liquidation of subsidiary
Clark Distribution Services, Inc.	Excluded	Liquidation of subsidiary
Doosan International India Private Ltd.	Excluded	Merged with another subsidiary
Doosan Infracore Belgium N.V.	Excluded	Liquidation of subsidiary

Changes in the scope of consolidation for the year ended December 31, 2011 are as follows:

Subsidiary	Change	Description
Doosan Construction Equipment Malaysia Co. Sdn. Bhd.	Excluded	Liquidation of subsidiary
Doosan Moxy IP Ltd.	Excluded	Liquidation of subsidiary
Doosan Moxy UK Ltd.	Excluded	Liquidation of subsidiary
Doosan Moxy America LLC	Excluded	Liquidation of subsidiary
Doosan Moxy US Holding Company, Inc.	Excluded	Liquidation of subsidiary
Doosan Infracore Logistics Europe GmbH.	Excluded	Decrease in ownership interest
Doosan International Korea Ltd.	Excluded	Merged with the Parent
Doosan Infracore Norway AS	Excluded	Merged with another subsidiary

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DI and its subsidiaries (the "Company") maintain its official accounting records in Korean Won and prepare consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul).

(1) Basis of Preparation

The Company has adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 *First-time adoption of International Financial Reporting Standards*, the transition date to K-IFRS is January 1, 2010.

The significant accounting policies under K-IFRS followed by the Company in the preparation of its consolidated financial statements are summarized below and these accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

The accompanying consolidated financial statements have been prepared on the historical cost basis except otherwise stated in the notes below.

K-IFRS requires application of significant estimates in preparing consolidated financial statements and management's judgments in application of accounting policies. Items requiring critical judgments or significant assumptions and estimates are explained in Note 3 and significant accounting policies are explained in Note 2. Unless stated otherwise, these accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

1) Changes in accounting policies by newly adopted standards and interpretations for the current year are as follows:

K-IFRS 1107 *Financial Instruments: Disclosures*

The Company may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Company is exposed, description of the nature of the relationship between the transferred assets and the associated liabilities and carrying value of the associated liabilities. When the Company continues its involvement on the transferred assets although the transferred assets are derecognized in their entirety, the Company discloses the carrying amounts of the transferred assets and the associated liabilities and information showing how the maximum exposure to loss. The disclosures due to the application of these amendments are disclosed in Note 34 (4).

K-IFRS 1001 *Presentation of Financial Statements*

In accordance with the amendments to K-IFRS 1001 *Presentation of Financial Statements*, the Company presented operating income by deducting cost of sales and selling and administrative expenses from revenue line item. The amendments have been applied retrospectively for the comparative period and hence the presentation of items of operating income has been modified as follows (in millions of Korean Won):

Description	Year ended December 31, 2012		Year ended December 31, 2011	
	Before	After	Before	After
Sales	₩8,158,351	₩8,158,351	₩8,463,086	₩8,463,086
Cost of sales	(6,478,130)	(6,478,130)	(6,615,691)	(6,615,691)
Selling and administrative expenses	(1,317,804)	(1,317,804)	(1,168,335)	(1,167,780)
Other income	35,902	-	85,022	-
Other expense	(79,589)	-	(55,628)	-
Operating income	₩318,730	₩362,417	₩708,454	₩679,615
Non-operating expense	(338,471)	(382,158)	(423,201)	(394,362)
Income before income tax expense	(₩19,741)	(₩19,741)	₩285,253	₩285,253

K-IFRS 1012 *Income Taxes*

The Company has applied the amendments to K-IFRS 1012 *Income Taxes* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with K-IFRS 1040 *Investment Property* are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. Also, the Company recognizes deferred income tax assets and deferred income tax liabilities on investment properties that were revalued in accordance with K-IFRS 1016 *Property, Plant and Equipment*, under a business model whose objective is to consume substantially all of the economic benefits embodied through sales. The amendments do not have impact on the Company's financial statements.

2) The Company has not applied the following new or revised K-IFRSs that have been issued but are not yet effective:

K-IFRS 1001 *Presentation of Financial Statements*

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments are effective annual periods beginning on or after July 1, 2012. The Company does not anticipate that these amendments will have a significant effect on the Company's financial statements.

K-IFRS 1019 *Employee Benefits*

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and the accelerate the recognition of past service costs. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact on the financial statements upon the adoption of amendments.

K-IFRS 1032 *Financial Instruments: Presentation*

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

The Company’s right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014. The Company is in the process of evaluating the impact on the financial statements upon the adoption of amendments.

K-IFRS 1107 *Financial Instruments: Disclosures*

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that these amendments will have a significant effect on the Company’s financial statements.

K-IFRS 1110 *Consolidated Financial Statements*

K-IFRS 1110 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s return. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact on the financial statements upon the adoption of amendments.

K-IFRS 1111 *Joint Arrangement*

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under K-IFRS 1111, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. If the Company is a joint operator, the Company is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Company is joint ventures, the Company is to account for that investment using the equity method accounting. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact on the financial statements upon the adoption of amendments.

K-IFRS 1112 *Disclosure of Interest in Other Entities*

K-IFRS 1112 is a disclosure standard and is applicable to entities that have investments in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is reviewing the impact of the application of this standard on the Company’s financial statements.

K-IFRS 1113 *Fair Value Measurement*

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is reviewing the impact of the application of this standard on the financial statements.

(2) Consolidation

The consolidated financial statements incorporate the financial statements of Parent and entities controlled by the Parent (or its subsidiaries).

1) Subsidiaries

Subsidiaries generally include those companies over which the Company exercises control. Control over an entity is presumed to exist when the Company owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Company has the power to govern the operating and financial policies of the entity through agreement or the Company has the power to appoint or remove the majority of the members of the board of the entity. It is required to consider the existence and effect of potential voting rights currently exercisable or convertible when assessing whether the Company has control over another entity.

Subsidiaries are fully consolidated from the date when control is transferred to the Company and de-consolidated from the date which control ceases to exist.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in income or loss as a bargain purchase gain.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to make their accounting policies in line with those used by the Company.

Transactions with non-controlling interests are considered as those with owners of the Company. The difference between the consideration for the acquisition of interests from non-controlling interests and the proportionate share of carrying amount of subsidiary's net assets is accounted for as equity transactions. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. When the Company loses control of a subsidiary, the income or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount.

2) Investments in joint ventures and associates

An associate is an entity over which the Company has significant influence, and which is neither a subsidiary nor an investments in a joint venture and the Company generally holds, directly or indirectly through subsidiaries, more than 20 % of the voting power of the entity. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. These investments are initially recognized at cost and accounted for using the equity method.

The carrying amount of the investments contains goodwill arising from the acquisition and is presented at the amount less accumulated impairment losses.

After acquisition, the Company's share of the income or loss and other comprehensive income of the associates and jointly controlled entities are recognized as income or loss and other comprehensive income and the Company's share of the changes in retained earnings of the associates and joint ventures are recognized as retained earnings. When the Company's share of losses of an associates and joint ventures exceeds the Company's interest in those entities (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

Unrealized gains from transactions between the Company and its associates and joint ventures are eliminated up to the interests in those entities. Unrealized losses are also eliminated unless evidence of impairment in assets transferred is provided.

When necessary, the Company may revise associates' and joint ventures' financial statements, to apply consistent accounting policies as the Company, prior to applying the equity method of accounting for its investments in the associates and joint ventures.

For overseas investees whose financial statements are prepared in foreign currencies, the equity method of accounting is applied after assets and liabilities are translated in accordance with the accounting treatments for the translation of the financial statements of overseas' subsidiaries for consolidated financial statements. The Company's proportionate share of the difference between assets net of liabilities and equity after translating into Korean Won is accounted for as "increase (decrease) in equity of associates" included in accumulated other comprehensive income (loss).

(3) Foreign currency translation

1) Functional currency and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of DI and the presentation currency for the consolidated financial statements of the Company are Korean Won.

2) Foreign currency transaction and translation of balance

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Foreign currency gain(loss) from settlements of foreign currency transactions or translation of monetary items denominated in foreign currencies are recognized in income or loss whereas the gain(loss) from qualified cash flow hedge and net investment hedge for foreign operations is deferred as an equity item.

3) Translation of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations having functional currencies different from the Company's are translated in presentation currency of the Company using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Exchange differences from the net investment in the foreign operation, and borrowings and other foreign currency instruments designated as hedging instrument for the net investment in the foreign operation are recognized in other comprehensive income. On the disposal of a foreign operation resulting in loss of control, all of the accumulated exchange differences in respect of that operation are reclassified to income or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, short-term, highly liquid investments with maturities (or date of redemption) of three months or less upon acquisition. Bank overdraft is classified as short-term borrowings on the consolidated statements of financial position.

(5) Financial assets

1) Classification of financial assets

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss'(FVTPL), 'loans and receivables', 'available-for-sale financial assets'(AFS), 'held-to-maturity investments'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) FVTPL

FVTPL includes financial assets classified as held for trading financial assets and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as held for trading financial assets, if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets including an embedded derivative separated from the host contract and accounted for as derivative are classified as held for trading financial assets unless they are designated as effective hedging instruments. These categories of assets are classified as current assets or non-current assets depending on the timing of settlement.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables with maturities of more than 12 months from the end of the reporting period are classified as non-current assets. Otherwise they are classified as current assets.

c) AFS

AFS is non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or FVTPL. AFS is classified as non-current assets unless management has intention to sell them within 12 months.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments, with maturities of more than 12 months from the end of the reporting period, are classified as non-current assets. Otherwise they are classified as current assets.

2) Recognition and measurement

All financial assets are recognized on trade date when the purchase or sale of a financial asset is under a contract and are initially measured at fair value, plus transaction costs, except for FVTPL, which are initially measured at fair value and related transaction costs are recognized in income or loss.

FVTPL and AFS are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method. Gains or losses arising from changes in fair value of financial assets at FVTPL are recognized in the other non-operating income and expense line item in the consolidated statement of income. Dividends on FVTPL are recognized in the finance income when the Company’s right to receive the dividends is established.

Changes in fair value of monetary and non-monetary financial assets which are classified as AFS are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity in reclassified into other non-operating income and expense in the statement of income.

Interest from AFS calculated using the effective interest method is recognized in finance income in the statement of income. Dividends on AFS equity instruments are recognized in the finance income when the Company's right to receive the dividends is established.

3) Impairment of financial assets

a) Financial assets measured at amortized cost

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate at initial recognition. The carrying amount of the financial asset is reduced by the impairment loss and the amount of the loss is recognized in income or loss. The Company measures impairment loss based on fair value of financial assets from observable market data.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in income or loss.

b) AFS

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If there is objective evidence of impairment on AFS, the cumulative loss that has been recognized in other comprehensive income less any impairment loss previously recognized in income or loss is reclassified from equity to income or loss. Impairment losses recognized in income or loss for an investment in an equity instrument classified as AFS are not reversed through income or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income or loss, the impairment loss is reversed through income or loss.

4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

5) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset as a net amount in the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts of the assets and liabilities and intends to settle on a net basis, or to realize the assets and the liabilities simultaneously.

(6) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

When the Company reacquires its own shares, those shares are deducted from equity. No gain or loss is recognized in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. Conversion option over an entity's own equity is accounted for as equity only when it will be settled by the entity delivering (or receiving) a fixed number of its own equity instruments and receiving (or delivering) a fixed amount of cash or another financial asset.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. Conversion option classified as equity is reclassified to share premium when the option is exercised.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to issuance of convertible bonds are allocated between the liability and equity components in proportion to relative fair value. Transaction costs allocated to equity are recognized directly in equity. Transaction costs allocated to liability are included in book value of liability and amortized using effective interest method.

4) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to acquisition of FVTPL are recognized immediately in income or loss.

Financial liabilities are classified as either FVTPL or other financial liabilities.

5) FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 *Financial Instruments*: *Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in income or loss. The net gain or loss recognized in income or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in the consolidated statement of comprehensive income.

6) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial liability, or (when appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the estimated future cash payments or receipts, certain factors, such as commission income and expense; points; transaction costs; and premiums and discounts, are factored into the calculation.

7) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 *Revenue*

8) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between consideration paid and book value of financial liabilities derecognized is recognized in income or loss.

(7) Trade receivables

Trade receivables are amounts owed by customer for products and services provided in the ordinary course of business. Receivables expected to be collected within one year are classified as current assets. Otherwise they are classified as non-current assets. Trade receivables are initially measured at fair value and are presented as net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs which are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by the specific identification method for materials in transit, and the gross average method for all other inventories. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year. The Company periodically reviews changes in net realizable value of inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and recognizes loss on inventory valuation. Loss on inventory valuation is charged to cost of sales when it is ordinary and to other non-operating expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

(9) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. When useful life of each part of an item of property, plant and equipment is different compared to that of the item, the part is recognized separately. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense for property, plant and equipment other than land is computed using the straight-line method which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the Company over the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	20 – 40
Structures	10 – 20
Machinery	3 – 15
Vehicles	3 – 10
Tools	3 – 10
Office equipment	3 – 14

If a part of a property, plant and equipment has a cost that is significant in relation to the total cost property, plant and equipment, it is depreciated separately.

The Company reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation. Upon the derecognition of a property, plant and equipment, the difference between the net disposal proceed and carrying amount of the item is recognized in other non-operating income (expense).

(10) Intangible assets

Intangible assets are initially measured at cost and are carried at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on an intangible asset is capitalized only when it is probable that the expected future economic benefits that are attributable to the asset will increase.

Intangible assets other than goodwill and intangibles with indefinite useful lives are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use. However, useful lives of membership and other intangible assets with similar nature are determined to be indefinite since there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company and they are not amortized but tested for impairment once a year.

The estimated useful lives of the assets are as follows:

	Estimated useful lives (years)
Industrial rights	5 – 10, 20, 40
Development costs	4 – 12
Other intangible assets	3 – 10

Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products; there is technical and commercial feasibility of completing the development; and the Company has the ability to measure reliably the expenditure attributable to the development. Capitalized development cost include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost which is systematically allocated. Capitalized development costs are presented at the acquisition cost less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses.

The expenditure on research and development which does not meet conditions noted above is recognized as an expense when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and for the assets which have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

(11) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment. While land is not depreciated, all other investment property is depreciated using the straight-line method over 20 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

(12) Impairment of non-financial assets

Assets with indefinite useful lives such as goodwill are not amortized but tested for impairment annually. Assets which are amortized or depreciated are tested for impairment to determine whether events and circumstances indicating those assets have suffered impairment exist. Impairment loss is the excess of the carrying amount over recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

(13) Borrowings

Borrowings are measured initially at fair value, net of transaction costs and subsequently at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The difference between the amount received and the redemption amount is amortized using the effective interest method and recognized in income or loss. Borrowings are classified as non-current liabilities when the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise borrowings are classified as current liabilities.

(14) Retirement benefit obligation

The Company operates a defined benefit pension plan. In general, the Company funds its benefit obligation, calculated based on periodic actuarial estimates, through insurance companies who manages the Company's funds.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Generally under defined benefit plan, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings, years of service, ages and other. The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation, less fair value of plan assets and adjustment for unrecognized past service cost. Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method.

The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid, and calculated at the discount rate which is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligation. Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income, which is immediately recognized as retained earnings.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation when the effect of the time value of money is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. In the consolidated statement of income, a net amount is presented, being the anticipated cost of the obligation less the reimbursement.

(16) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is generally recognized as income or loss when it is incurred.

However, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss.

(17) Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved by shareholders` meeting.

(18) Share-based payment arrangement

The Company recognizes share options granted to employees at the fair value at the grant date. The fair value determined at the grant date of the share option is expensed on a straight-line basis over the vesting period. The Company determines fair value of share option using the Black-Scholes model.

(19) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services arising in the course of the ordinary activities of the Company. Revenue is reduced for value added tax, estimated customer returns, rebates and trade discounts and is presented after eliminating intercompany transactions. The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and when transaction meets the revenue recognition criteria specified by activity. When measuring revenue, the Company reliably estimates on contingencies related to sales based on historical data such as customer type, transaction type and trading terms.

1) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is recognized on initial delivery of the goods net of expected discounts and returns estimated based on historical data. The Company estimates and recognizes provision for warranty and sales return arising from sale of goods.

2) Other revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized using the effective interest method. Revenues arising from dividends are recognized when the right to receive the dividend payment is established. Rental income is recognized on a straight-line basis. Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement

(20) Government grants

For the purpose of acquisition of certain assets, government grants related to assets are accounted for as a deduction from related assets on the date that the related assets are received.

If a government grant that will be received is not subject to specific conditions attached to it, government grants related to primary operating activity are recognized in operating income, otherwise those are recognized in other non-operating income. Meanwhile, expense related to the government grants is to be offset first and then recognized in current income.

(21) Income tax and deferred tax

Income tax expense is composed of current and deferred tax. Current and deferred tax are recognized in income or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Income tax (current tax) expense is the sum of corporate tax for each fiscal year and tax added to corporate tax under corporate income tax law and other law. Additional income taxes or tax refunds for the prior periods are included in income tax expense for the current period when recognized. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

(22) Earnings per share

Basic earnings per common share is computed by dividing net income attributable to owners of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing diluted net income attributable to owners of the Company, which is adjusted by adding back the after-tax amount of expenses related to dilutive potential ordinary shares, by weighted average number of common shares and dilutive potential ordinary shares outstanding during the period. Antidilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

(23) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are no longer depreciated or amortized. If the fair value less costs to sell of the non-current assets held for sale (and disposal groups) decrease, impairment loss is recognized immediately in income or loss. A gain should be recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss recognized.

(24) Segment report

Operating segments are reported on the same basis as financial information is reported to management. The management of the Company decides how to allocate resources to segments and assess their performance.

(25) Approval of financial statements

The consolidated financial statements for the year ended December 31, 2012 were approved by the board of directors on February 4, 2013.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and underlying assumptions are based on historical experiences and other factors including expectation on possible future events. Actual results may differ from these estimates. The following are critical assumptions and key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Warranty provision

The Company provides warranty for product when related revenue is recognized. At the end of each reporting period, provisions are recorded for the best estimated costs to fulfill current and future warranty obligations. The Company continuously introduces new products using advanced complex technology and accordingly these estimates may change in future period due to additional provisions required under local legislation and practice.

(2) Impairment of goodwill

The Company performs test for goodwill impairment testing annually. Recoverable amount of cash-generating units are based on calculation of value in use. The value in use calculation requires accounting estimates.

(3) Allowance for doubtful accounts of receivables

In order to calculate the impairment of receivables, the management of the Company estimates an expected bad debt considering the aging of receivables, past experience of bad debt write offs, and economic and industrial factors.

(4) Measurement of property, plant and equipment and intangible assets

If the Company acquires property, plant and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date. It is also required to estimate useful lives for depreciation and amortization. For these estimation processes, the management's judgments shall take an important role.

4. FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks such as market risk (foreign currency risk, interest rate risk), credit risk and liquidity risk relating to the operations of the Company. The purpose of risk management policy which is approved by foreign currency risk management committee and board of directors is to minimize potential risks which could have adverse effect on financial performance.

The foreign currency risk management committee and board of directors provide documented policies on overall risk management as well as specific risk management such as foreign currency risk and interest rate risk. Financial risk management activities such as identification, evaluation and management of financial risks at the Company level are performed by treasury and international finance department, in accordance with the aforementioned documented risk management policies. In addition, the Company enters into derivative contracts to hedge against certain risks.

(1) Market risk

1) Foreign currency risk

The Company is exposed to foreign currency risk since it makes international transactions in foreign currencies. Foreign currency risk arises from forecast transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed by the Company's policy on foreign currencies. The Company's basis for foreign currency management is to reduce income/loss volatility. The Company reduces exposure to foreign currency risk by matching the inflow and the outflow of foreign currencies (natural hedge), and manages foreign currency risk by using currency derivatives, such as currency forwards, for the remaining exposures.

The book value of the Company's monetary assets and liabilities denominated in foreign currencies and exposed to foreign currency risk as of December 31, 2012 and 2011 is as follows (in millions of Korean Won):

	December 31, 2012					December 31, 2011				
	USD	EUR	CNY	Others (*)	Total	USD	EUR	CNY	Others (*)	Total
Assets	₩933,120	₩85,741	₩-	₩17,281	₩1,036,142	₩751,833	₩183,721	₩564	₩44,593	₩980,711
Liabilities	(2,156,582)	(286,466)	(128)	(106,836)	(2,550,012)	(2,226,232)	(246,387)	(200)	(138,958)	(2,611,777)
Net assets (liabilities)	(₩1,223,462)	(₩200,725)	(₩128)	(₩89,555)	(₩1,513,870)	(₩1,474,399)	(₩62,666)	₩364	(₩94,365)	(₩1,631,066)

(*) Others are assets and liabilities denominated in foreign currencies other than USD, EUR and CNY.

A sensitivity analysis on the Company’s net income before income tax expense, assuming a 10% increase and decrease in functional currency exchange rates of the respective entity holding the assets and liabilities, for the years ended December 31, 2012 and 2011 is as follows (in millions of Korean Won):

	Year ended December 31, 2012		Year ended December 31, 2011	
	10% appreciation in KRW against foreign currency	10% depreciation in KRW against foreign currency	10% appreciation in KRW against foreign currency	10% depreciation in KRW against foreign currency
Net income(loss) before income tax expense	(₩151,387)	₩151,387	(₩163,107)	₩163,107

2) Interest rate risk

The Company’s interest rate risk is related to borrowings and bank deposits with floating interest rates and the related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing with floating interest rates. Borrowings and bank deposits with fixed interest rates do not have influence on net income and equity due to the changes in market interest rates.

To manage the Company’s interest rate risk in advance, the Company tries to minimize external borrowings using internal funds, reduce borrowings with high interest rates, improve the structure of long-term and short-term borrowings, maintain the appropriate balance between borrowings with floating interest rate and fixed interest rate, and regularly monitor domestic and international interest rate changes with action plans.

The book value of the Company's financial assets and liabilities with floating interest rates exposed to interest rate risk as of December 31, 2012 and 2011 is as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Financial liabilities	₩3,376,109	₩3,061,639

A sensitivity analysis on the Company's net income (loss) before income tax expense, assuming a 1% increase and decrease in interest rate but other factors being unchanged, for the years ended December 31, 2012 and 2011 is follows (in millions of Korean Won):

	Year ended December 31, 2012		Year ended December 31, 2011	
	1% increase	1% decrease	1% increase	1% decrease
Net income(loss) before income tax expense	(₩33,761)	₩33,761	(₩30,616)	₩30,616

3) Price risk

The Company is exposed to equity price risks such as fair value or future cash flow changes arising from its listed equity investments among AFS equity investments. The Company periodically measures the risk that the fair value or future cash flows of equity investments may fluctuate due to the changes in market prices. Important investments in the Company's portfolio are individually managed and acquisition and disposal are approved by the management of the Company.

(2) Credit risk

The credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contract and arises from the Company's normal transaction and investing activity. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the financial status, past experience and other factors. The Company establishes credit limit for each customer and counterparty.

Credit risk arises from cash and cash equivalent, derivatives and deposit in banks and financial institutions as well as the Company's receivables and firm commitment.

The purpose of credit risk management is to maintain an efficient management of credit risk, provide prompt support for decision making and minimize loss through safety measures for receivables. When default is expected for the receivables which have indication of impairment or are past due as of December 31, 2012, the Company evaluates the risk and an allowance is recognized in the consolidated statement of financial position.

1) Exposure to credit risk

The maximum exposure amount of credit risk of financial assets as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

		December 31, 2012	December 31, 2011
Cash and cash equivalent (*)		₩462,470	₩623,994
Loans and receivables	Current and non-current financial instrument	224,306	118,150
	Trade and other receivables	1,309,109	1,569,429
	Non-current trade and other receivables	8,375	6,648
Derivative assets		77,963	19,308
Held-to-maturity investments		7,177	1,296
	Total	₩2,089,400	₩2,338,825

(*) Cash on hand is excluded.

2) Aging analysis of the Company's receivables as of December 31, 2012 and 2011 is as follows (in millions of Korean Won):

	December 31, 2012						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0 – 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
Trade receivables	₩117,054	₩804,672	₩175,921	₩80,715	₩47,580	₩66,648	₩1,292,590
Other receivables	1,081	17,434	55,029	1,290	2,307	17,103	94,244
Accrued income	468	6,728	-	-	-	-	7,196
Short-term loans	-	25,978	-	-	-	-	25,978
Long-term trade receivables	-	6,120	-	-	-	-	6,120
Long-term loans	-	2,255	-	-	-	-	2,255
Total	₩118,603	₩863,187	₩230,950	₩82,005	₩49,887	₩83,751	₩1,428,383

	December 31, 2011						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0 – 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
Trade receivables	₩2,571	₩859,989	₩414,005	₩105,500	₩47,884	₩52,902	₩1,482,851
Other receivables	3,237	27,135	12,895	23,487	969	18,375	86,098
Accrued income	-	13,304	-	-	-	-	13,304
Short-term loans	-	65,913	-	-	-	-	65,913
Long-term trade receivables	-	6,191	-	-	-	-	6,191
Long-term loans	-	457	-	-	-	-	457
Total	₩5,808	₩972,989	₩426,900	₩128,987	₩48,853	₩71,277	₩1,654,814

An allowance is recognized by applying appropriate allowance rate for receivables that can be assessed to be impaired individually due to insolvency, bankruptcy and others. Group of financial assets that are not individually significant and have similar credit risk characteristics are assessed for impairment on a collective basis based on aging analysis and the Company's past experience of receivables collection.

AFS, held-to-maturity financial assets, deposit in financial institution and derivative instruments are individually assessed for impairment.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities obligations related to its financing for its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget for three months and twelve months. Through these forecasts, the Company maintains the required liquidity volume and manages liquidity risk in advance.

The Company's major non-derivative liabilities as of December 31, 2012 and 2011 are matured as follows (in millions of Korean Won):

	December 31, 2012					
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	₩1,094,927	₩1,101,023	₩1,067,423	₩10,618	₩22,982	₩-
Short-term borrowings	1,325,080	1,325,080	1,325,080	-	-	-
Long-term borrowings	2,778,608	2,802,542	270,381	204,685	2,301,501	25,975
Bonds	2,055,453	2,064,128	470,000	429,243	1,164,885	-
Financial guarantee liability	41,036	1,751,171	1,751,171	-	-	-
Total	₩7,295,104	₩9,043,944	₩4,884,055	₩644,546	₩3,489,368	₩25,975

	December 31, 2011					
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	₩1,920,310	₩1,920,310	₩1,918,022	₩2,288	₩-	₩-
Short-term borrowings	616,573	616,573	616,573	-	-	-
Long-term borrowings	3,600,474	3,633,648	1,149,062	263,618	1,553,735	667,233
Bonds	1,827,682	1,836,584	233,000	470,000	1,133,584	-
Financial guarantee liability	13,080	2,352,471	2,352,471	-	-	-
Total	₩7,978,119	₩10,359,586	₩6,269,128	₩735,906	₩2,687,319	₩667,233

(*) Maturity analysis above is based on undiscounted cash flows per the contracts which differs from the financial liability recognized in the consolidated statement of financial position and above amount also includes guarantee amounts.

(4) Capital risk

The Company performs capital risk management to protect its ability to continuously provide income to shareholders and parties in interest and to maintain optimum capital structure to reduce capital expenses.

The Company manages its capital structure, through dividend payments to shareholders, return of capital to shareholders, and issues of new shares and sales of its assets for debt reduction. Debt to equity ratio calculated as total liabilities divided by equity is used as an index to manage the Company's capital similar to overall industry practice.

Debt to equity ratios as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Debt	₩8,556,128	₩9,418,474
Equity	2,996,713	2,285,201
Debt-equity ratio	285.52%	412.15%

5. RESTRICTED FINANCIAL ASSETS

Details of restricted deposits as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011	Description
Cash and cash equivalents	₩256	₩722	Security for tender and others
Short-term financial instruments	70,137	10,454	Pledged for borrowings and others
Long-term financial instruments	2,012	12	Checking account deposit and others
Total	₩72,405	₩11,188	

6. TRADE AND OTHER RECEIVABLES

(1) Trade and other receivables as of December 31, 2012 and 2011 consist of the following (in millions of Korean Won):

	December 31, 2012		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,289,570	(₩89,962)	₩1,199,608
Other receivables	94,244	(17,448)	76,796
Accrued income	7,195	(468)	6,727
Short-term loans	25,978	-	25,978
Total	₩1,416,987	(₩107,878)	₩1,309,109
Long-term trade receivables	₩6,120	₩-	₩6,120
Long-term loans	2,255	-	2,255
Total	₩8,375	₩-	₩8,375

	December 31, 2011		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,482,851	(₩60,423)	₩1,422,428
Other receivables	86,098	(18,314)	67,784
Accrued income	13,304	-	13,304
Short-term loans	65,913	-	65,913
Total	₩1,648,166	(₩78,737)	₩1,569,429
Long-term trade receivables	₩6,191	₩-	₩6,191
Long-term loans	457	-	457
Total	₩6,648	₩-	₩6,648

(*) If transferred trade receivables do not meet the derecognition criteria, the company continues to recognize the trade receivable and also recognizes a collateralized borrowing for the proceeds received.

(2) The changes in allowance for doubtful accounts for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012				
	January 1, 2012	Increase	Reversal	Other	December 31, 2012
Trade receivables	₩60,423	₩39,999	₩-	(₩10,460)	₩89,962
Other receivables	18,314	-	(823)	(43)	17,448
Accrued income	-	468	-	-	468
Total	₩78,737	₩40,467	(₩823)	(₩10,503)	₩107,878

	Year ended December 31, 2011				
	January 1, 2011	Increase	Reversal	Other	December 31, 2011
Trade receivables	₩60,447	₩18,798	(₩555)	(₩18,267)	₩60,423
Other receivables	17,574	1,120	(26)	(354)	18,314
Total	₩78,021	₩19,918	(₩581)	(₩18,621)	₩78,737

Receivables past due are assessed as impaired. An allowance for doubtful account is individually recognized for receivables that can be assessed individually for impairment. An allowance for doubtful account is recognized based on aging analysis and the Company’s past collection experience for the group of receivables that are not individually significant and have similar characteristics. Provision for doubtful accounts is included in selling and administrative expenses and other non-operating expenses in the statements of income.

7. SHORT-TERM INVESTMENT SECURITIES

Short-term investment securities as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Held-to-maturity financial assets	₩-	₩1,200

8. INVENTORIES

Inventories as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

	December 31, 2012		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩331,354	(₩15,752)	₩315,602
Finished goods	599,342	(45,843)	553,499
Semi-finished goods	32,166	(57)	32,109
Work-in-progress	75,478	(2,626)	72,852
Raw materials	581,673	(21,396)	560,277
Supplies	3,091	(79)	3,012
Materials in transit	124,658	-	124,658
Total	₩1,747,762	(₩85,753)	₩1,662,009

	December 31, 2011		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩184,836	(₩11,698)	₩173,138
Finished goods	684,019	(34,463)	649,556
Semi-finished goods	47,820	(93)	47,727
Work-in-progress	108,303	(57)	108,246
Raw materials	634,884	(24,730)	610,154
Supplies	3,706	(43)	3,663
Materials in transit	189,521	-	189,521
Total	₩1,853,089	(₩71,084)	₩1,782,005

Cost of inventory charged to cost of sales amounted to ₩6,103,403 million and ₩6,237,345 million for the years ended December 31, 2012 and 2011, respectively. Loss on inventory valuation added to cost of sales amounted to ₩14,669 million for the year ended December 31, 2012 and reversal of loss on inventory valuation deducted from cost of sales amounted ₩12,733 million for the year ended December 31, 2011.

9. LONG-TERM INVESTMENT SECURITIES

(1) Long-term investment securities as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Available-for-sale financial assets	₩2,068	₩2,366
Held-to-maturity financial assets	7,177	96
Total	₩9,245	₩2,462

(2) Available-for-sale financial assets

1) Available-for-sale securities as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Investments in non-listed company	₩1,266	₩1,382
Beneficiary certificates	322	519
Investments in funds	480	465
Total	₩2,068	₩2,366

2) Changes in unrealized gain (loss) on available-for-sale financial assets for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012			
	January 1, 2012	Valuation	Reclassification from equity to profit or loss	December 31, 2012
Beneficiary certificates	₩237	₩54	(₩135)	₩156
Tax effect	(58)	(13)	33	(38)
Total	₩179	₩41	(₩102)	₩118

	Year ended December 31, 2011			
	January 1, 2011	Valuation	Reclassification from equity to profit or loss	December 31, 2011
Beneficiary certificates	₩285	(₩48)	₩-	₩237
Tax effect	(63)	5	-	(58)
Total	₩222	(₩43)	₩-	₩179

(3) Held-to-maturity financial assets as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Government bonds and public bonds	₩177	₩96
Other debt securities	7,000	-
Total	₩7,177	₩96

10. DERIVATIVES

(1) Details of the Company's derivatives contracts are as follows:

Purpose	Derivative instruments	Contract description
Cash flow hedge	Foreign currency forwards	A contract to avoid cash flow risk arising from forecasted sales in foreign currencies
	Interest rate swap	A contract to receive floating rate indexed to Libor in foreign currency and pay fixed interest in foreign currency at the date of payment to avoid risk of changes in interest rates
	Long-term foreign currency borrowings	Designation of long-term foreign currency borrowings as hedging instruments to avoid cash flow risk arising from forecasted sales in foreign currencies
Other	Foreign currency forwards	Foreign currency forwards to hedge future cash flows

(2) Details of gain and loss on valuation of derivatives as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012				
	Notional amount				Other
			Assets	Gains	comprehensive
	Currency	Amount	(liabilities)	(losses)	Income(loss)
Foreign currency forwards	USD	1,295,000	₩73,613	₩-	₩73,613
	EUR	225,019	2,049	244	1,838
	GBP	29,500	1,696	-	1,696
Interest rate swap	(*1)		(235)	-	(235)
Long-term foreign currency borrowings	USD	280,000	-	-	(7,756)
Total			₩77,123	₩244	₩69,156

	December 31, 2011				
	Notional amount				Other
			Assets	Gains	comprehensive
	Currency	Amount	(liabilities)	(losses)	Income(loss)
Foreign currency forwards	USD	989,000	(₩21,295)	₩-	(₩21,295)
	EUR	277,030	10,816	349	11,085
	GBP	21,000	616	-	616
	JPY	19,100,000	7,607	-	7,607
Interest rate swap	(*1)		(1,573)	-	(1,573)
Long-term foreign currency borrowings	USD	420,000	-	-	(46,158)
Total			(₩3,829)	₩349	(₩49,718)

(*1) DI entered into a loan agreement with the Korea Development Bank for long-term borrowings of USD 50 million with interest rate of 3M Libor + 3.5%. To hedge against the risk of variability of interest rates of this borrowing, DI entered into an interest rate swap that requires DI to pay fixed rate of interest of 4.65% for principal amounting to USD 50 million and to receive variable rate of interest.

Derivative instruments classified as financial assets at FVTPL are classified as current assets or current liability. Derivatives that are designated as hedging instruments are classified as non-current assets (liabilities) when their maturities exceed 12 months from end of the reporting period. Otherwise they are classified as current assets (liabilities).

There is no gain or loss relating to the ineffective portion which shall be recognized in income or loss in applying cash flow hedge.

11. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012						
	FVTPL - assets	Loans and receivables	AFS	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩222,295	₩-	₩-	₩-	₩222,295	₩222,295
Trade and other receivables	-	1,309,109	-	-	-	1,309,109	1,309,109
Derivatives assets	211	-	-	-	77,752	77,963	77,963
Long-term financial instruments	-	2,012	-	-	-	2,012	2,012
Long-term investment securities	-	-	2,068	7,177	-	9,245	9,245
Long-term trade and other receivables	-	8,375	-	-	-	8,375	8,375
Other non-current assets	-	79,212	-	-	-	79,212	79,212
Total	₩211	₩1,621,003	₩2,068	₩7,177	₩77,752	₩1,708,211	₩1,708,211

	December 31, 2012				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,067,423	₩-	₩1,067,423	₩1,067,423
Borrowings and bonds	-	6,159,142	-	6,159,142	6,159,142
Derivatives liabilities	-	-	839	839	839
Other current liabilities	-	5,078	-	5,078	5,078
Other non-current payables	-	27,504	-	27,504	27,504
Financial guarantee liabilities	-	41,036	-	41,036	41,036
Total	₩-	₩7,300,183	₩839	₩7,301,022	₩7,301,022

	December 31, 2011						
	FVTPL - assets	Loans and receivables	AFS	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩118,139	₩-	₩-	₩-	₩118,139	₩118,139
Short-term investment securities	-	-	-	1,200	-	1,200	1,200
Trade and other receivables	-	1,569,429	-	-	-	1,569,429	1,569,429
Derivatives assets	-	-	-	-	19,308	19,308	19,308
Long-term financial instruments	-	12	-	-	-	12	12
Long-term investment securities	-	-	2,366	96	-	2,462	2,462
Long term trade and other receivables	-	6,648	-	-	-	6,648	6,648
Other non-current assets	-	92,088	-	-	-	92,088	92,088
Total	₩-	₩1,786,316	₩2,366	₩1,296	₩19,308	₩1,809,286	₩1,809,286

	December 31, 2011				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,918,022	₩-	₩1,918,022	₩1,918,022
Borrowings and bonds	-	6,044,729	-	6,044,729	6,044,729
Derivatives liabilities	270	-	22,867	23,137	23,137
Other current liabilities	-	5,804	-	5,804	5,804
Other non-current payables	-	2,288	-	2,288	2,288
Financial guarantee liabilities	-	13,080	-	13,080	13,080
Total	₩270	₩7,983,923	₩22,867	₩8,007,060	₩8,007,060

(2) Fair value measurements of financial instruments by fair-value hierarchy level as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012			
Type	Level 1	Level 2	Level 3	Total
Financial Assets:				
FVTPL	₩-	₩211	₩-	₩211
AFS	322	-	1,746	2,068
Derivatives designated as hedging instruments	-	77,752	-	77,752
Total	₩322	₩77,963	₩1,746	₩80,031
Financial Liabilities:				
Derivatives designated as hedging instruments	₩-	(₩839)	₩-	(₩839)
Total	₩-	(₩839)	₩-	(₩839)

Type	December 31, 2011 Level 1	Level 2	Level 3	Total
Financial Assets:				
AFS	₩519	₩-	₩1,847	₩2,366
Derivatives designated as hedging instruments	-	19,308	-	19,308
Total	₩519	₩19,308	₩1,847	₩21,674
Financial Liabilities:				
FVTPL	₩-	(₩270)	₩-	(₩270)
Derivatives designated as hedging instruments	-	(22,867)	-	(22,867)
Total	₩-	(₩23,137)	₩-	(₩23,137)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs that are not based on observable market data(unobservable inputs).

(3) Net finance income(loss) by each category of financial instruments for the years ended December 31, 2012 and 2011 is as follows (in millions of Korean Won):

Description	Year ended December 31, 2012		Year ended December 31, 2011	
	Finance Income(expenses)	Other comprehensive Income(loss)	Finance Income(expenses)	Other comprehensive Income(loss)
Financial Assets:				
Cash and cash equivalents	₩15,839	₩-	₩19,161	₩-
FVTPL	244	-	14,766	-
Loans and receivables	(91,120)	-	(575)	-
AFS	10	(81)	-	(48)
Held-to-maturity investments	487	-	2,476	-
Derivatives designated as hedging instruments	-	58,444	-	(25,071)
Sub-total	(₩74,540)	₩58,363	₩35,828	(₩25,119)
Financial Liabilities:				
FVTPL	(₩4,803)	₩-	(₩67,588)	₩-
Financial liabilities at amortized cost	(241,439)	-	(394,422)	-
Derivatives designated as hedging instruments	-	60,430	-	3,604
Sub-total	(₩246,242)	₩60,430	(₩462,010)	₩3,604
Total	(₩320,782)	₩118,793	(₩426,182)	(₩21,515)

12. INVESTMENT IN JOINT VENTURES AND ASSOCIATES

(1) Investments in joint ventures and associates as of December 31, 2012 are summarized as follows:

Company	Type of business	Location	Financial closing date
-Investments in associates			
Daewoo Machinery Co., Ltd. (*1)	Manufacturing	Taiwan	December 31
Daewoo Maquinas E Equipamentos Ltda. (*1)	Manufacturing	Brazil	December 31
Doosan (China) Financial Leasing Corp.	Finance	China	December 31
Doosan Capital Co., Ltd. (*2)	Finance	Republic of Korea	December 31
- Investments in joint ventures			
Xuzhou Xugong Doosan Engine Co., Ltd. (*3)	Manufacturing	China	December 31

(*1) As of December 31, 2012, the investees are in liquidation process and are reclassified into investment in associates.

(*2) The Company accounts for its investment in Doosan Capital Co., Ltd. using the equity method despite its ownership interest is less than 20% as it has significant influence through representation on the board of directors.

(*3) The Company has no control over the investee due to the agreement in which the Company cannot solely make decision on the financial and operating policy of the investee. As a result, the investee is classified into joint ventures.

(2) Investment in joint ventures and associates as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

Company	Percentage of ownership (%)	Acquisition cost		Book value		Proportionate share of net assets	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
-Investments in associates							
Daewoo Machinery Co., Ltd.	100.00	₩1,308	₩1,308	₩-	₩-	₩-	₩-
Daewoo Maquinas Equipamentos Ltda.	70.00	1,181	1,181	-	-	-	-
Doosan (China) Financial Leasing Corp. (*1)	49.00	96,248	89,838	98,935	93,831	84,837	77,463
Doosan Capital Co., Ltd.	16.65	76,000	76,000	37,306	53,853	23,980	40,527
- Investments in joint ventures							
Xuzhou Xugong Doosan Engine Co., Ltd.	50.00	16,232	16,232	8,762	16,104	8,762	16,104
Total		₩190,969	₩184,559	₩145,003	₩163,788	₩117,579	₩134,094

(*1) For the year ended December 31, 2012, the Company acquired new shares of Doosan (China) Financial Leasing Corp. for ₩6,410 million, and the Company's ownership interest was increased to 49%.

(3) Changes in investment in joint ventures and associates for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

Company	Year ended December 31, 2012					
	January 1, 2012	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other	December 31, 2012
Doosan (China) Financial Leasing Corp.	₩93,831	₩6,410	₩4,020	₩-	(₩5,326)	₩98,935
Doosan Capital Co., Ltd.	53,853	-	(15,760)	(787)	-	37,306
Xuzhou Xugong Doosan Engine Co., Ltd.	16,104	-	(6,654)	-	(688)	8,762
Total	₩163,788	₩6,410	(₩18,394)	(₩787)	(₩6,014)	₩145,003

Company	Year ended December 31, 2011					
	January 1, 2011	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other	December 31, 2011
Doosan (China) Financial Leasing Corp.	₩17,489	₩73,394	₩2,341	₩-	₩607	₩93,831
Doosan Capital Co., Ltd.	56,288	-	1,320	2,491	(6,246)	53,853
Xuzhou Xugong Doosan Engine Co., Ltd.	15,923	-	(698)	-	879	16,104
Doosan Infracore Xinjiang Machinery Co., Ltd.	731	-	1,882	33	(2,646)	-
Total	₩90,431	₩73,394	₩4,845	₩2,524	(₩7,406)	₩163,788

(4) The condensed financial information of the investees as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

Company	As of and for the year ended December 31, 2012				As of and for the year ended December 31, 2011			
	Total assets	Total liabilities	Sales	Net income (loss)	Total assets	Total liabilities	Sales	Net income (loss)
Doosan (China) Financial Leasing Corp.	₩1,082,355	₩909,218	₩95,794	₩14,049	₩ 1,006,832	₩840,686	₩68,467	₩13,274
Doosan Capital Co., Ltd.	2,750,749	2,520,348	254,090	(94,659)	2,955,137	2,634,178	274,596	7,286
Xuzhou Xugong Doosan Engine Co., Ltd.	71,540	54,016	588	(13,307)	62,087	29,879	21	(1,396)

13. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in-progress	Total
January 1, 2012	₩750,033	₩444,449	₩64,110	₩413,476	₩9,228	₩60,397	₩37,744	₩127,874	₩1,907,311
Acquisition	3,241	13,625	2,520	147,522	2,944	39,590	19,840	230,795	460,077
Disposal	(18,177)	(18,530)	(282)	(38,333)	(3,709)	(3,427)	(323)	-	(82,781)
Depreciation	-	(25,674)	(5,110)	(86,441)	(3,605)	(19,699)	(18,683)	-	(159,212)
Others	(2,245)	96,486	7,495	53,651	4,040	(1,734)	(693)	(258,729)	(101,729)
December 31, 2012	₩732,852	₩510,356	₩68,733	₩489,875	₩8,898	₩75,127	₩37,885	₩99,940	₩2,023,666
Acquisition cost	₩732,965	₩675,525	₩106,149	₩1,015,806	₩26,187	₩178,285	₩129,818	₩99,940	₩2,964,675
Accumulated depreciation	-	(160,539)	(37,416)	(522,375)	(17,289)	(103,158)	(91,933)	-	(932,710)
Accumulated impairment losses	(113)	-	-	-	-	-	-	-	(113)
Government subsidy	-	(4,630)	-	(3,556)	-	-	-	-	(8,186)

	Year ended December 31, 2011								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in-progress	Total
January 1, 2011	₩784,162	₩414,700	₩54,628	₩376,019	₩11,422	₩43,888	₩43,075	₩75,146	₩1,803,040
Acquisition	1,509	15,583	5,222	140,172	4,167	35,865	17,362	206,179	426,059
Disposal	(562)	(5,608)	(5)	(44,880)	(3,645)	(89)	(7,353)	(302)	(62,444)
Depreciation	-	(24,286)	(4,274)	(83,032)	(3,103)	(16,160)	(18,714)	-	(149,569)
Others	5,295	54,022	9,907	29,801	584	1,378	4,117	(151,566)	(46,462)
Transfer of operations	(40,371)	(9,962)	(1,368)	(4,604)	(197)	(4,485)	(743)	(1,583)	(63,313)
December 31, 2011	₩750,033	₩444,449	₩64,110	₩413,476	₩9,228	₩60,397	₩37,744	₩127,874	₩1,907,311
Acquisition cost	₩750,146	₩602,851	₩97,525	₩885,624	₩24,959	₩146,589	₩114,605	₩131,677	₩2,753,976
Accumulated depreciation	-	(150,195)	(33,415)	(471,367)	(15,731)	(86,192)	(76,861)	-	(833,761)
Accumulated impairment losses	(113)	(3,299)	-	-	-	-	-	-	(3,412)
Government subsidy	-	(4,908)	-	(781)	-	-	-	(3,803)	(9,492)

As of December 31, 2012, the Company's land, buildings and machinery are pledged as collateral for loans from Korea Development Bank and others. Refer to Note 35.

14. INTANGIBLE ASSETS

(1) Changes in intangible assets for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2012	₩3,387,461	₩1,280,876	₩254,884	₩114,892	₩5,038,113
Acquisition	-	811	73,328	21,438	95,577
Disposal	-	-	-	(1,005)	(1,005)
Amortization	-	(20,103)	(30,974)	(36,371)	(87,448)
Impairment	-	(303)	(9,002)	(9,012)	(18,317)
Others	(231,698)	(80,697)	(5,515)	45,629	(272,281)
December 31, 2012	₩3,155,763	₩1,180,584	₩282,721	₩135,571	₩4,754,639
Acquisition cost	₩3,155,763	₩1,285,054	₩422,410	₩255,599	₩5,118,826
Accumulated amortization	-	(104,470)	(139,689)	(120,028)	(364,187)

	Year ended December 31, 2011				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2011	₩3,385,727	₩1,305,304	₩221,389	₩101,812	₩5,014,232
Acquisition	-	765	52,555	12,941	66,261
Disposal	-	-	(132)	(1,059)	(1,191)
Amortization	-	(20,900)	(17,151)	(33,871)	(71,922)
Impairment	-	-	(605)	-	(605)
Others	1,734	(3,793)	428	45,209	43,578
Transfer of operations	-	(500)	(1,600)	(10,140)	(12,240)
December 31, 2011	₩3,387,461	₩1,280,876	₩254,884	₩114,892	₩5,038,113
Acquisition cost	₩3,387,461	₩1,371,099	₩343,715	₩190,490	₩5,292,765
Accumulated amortization	-	(90,223)	(88,831)	(75,598)	(254,652)

(2) Expenditure on research and development recognized as expenses amounted to ₩195,037 million and ₩179,714 million for the years ended December 31, 2012 and 2011, respectively.

(3) Impairment test of goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives allocated to the Company's segment as of December 31, 2012 are as follows (in millions of Korean Won):

	Segment		
	Construction equipment	Others	Total
Goodwill	₩3,155,763	₩-	₩3,155,763
Industrial rights	1,101,485	-	1,101,485
Total	₩4,257,248	₩-	₩4,257,248

15. INVESTMENT PROPERTIES

Changes in investment properties for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012		
	Land	Building	Total
January 1, 2012	₩23,965	₩5,068	₩29,033
Disposal	(913)	-	(913)
Depreciation	-	(248)	(248)
December 31, 2012	₩23,052	₩4,820	₩27,872
Acquisition cost	₩23,052	₩9,180	₩32,232
Accumulated depreciation	-	(3,284)	(3,284)
Accumulated impairment losses	-	(1,076)	(1,076)

	Year ended December 31, 2011		
	Land	Building	Total
January 1, 2011	₩23,965	₩5,316	₩29,281
Depreciation	-	(248)	(248)
December 31, 2011	₩23,965	₩5,068	₩29,033
Acquisition cost	₩23,965	₩9,180	₩33,145
Accumulated depreciation	-	(3,036)	(3,036)
Accumulated impairment losses	-	(1,076)	(1,076)

The fair values of investment properties were ₩20,475 million and ₩20,504 million as of December 31, 2012 and 2011, respectively.

16. TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Current		
Trade payables	₩583,469	₩961,054
Other payables	325,963	423,476
Accrued expenses	157,991	533,491
Total	₩1,067,423	₩1,918,021
Non-current		
Other payables	₩27,504	₩2,288

17. BORROWINGS AND BONDS

(1) Bonds as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

Type	Annual interest rate(%)	December 31, 2012	December 31, 2011
Public bonds	2.66 ~ 6.70	₩2,014,128	₩1,746,584
Private bonds	4.95	50,000	90,000
Sub-total		₩2,064,128	1,836,584
Less: discount on bonds		(8,675)	(8,902)
Less:current portion of bonds		(469,592)	(232,824)
Long-term bonds		₩1,585,861	₩1,594,858

(2) Long-term and short-term borrowings as of December 31, 2012 and 2011 are as follows (in thousands of foreign currencies and millions of Korean Won):

1) Short-term borrowings

Type	Lender	Annual interest rate (%)	December 30, 2012	December 31, 2011
Short-term borrowings in Korean Won	Korea Exim Bank and others	3.55 ~ 6.76	₩195,564	₩-
Short-term borrowings in foreign currencies	Hana Bank and others	3.05 ~ 9.25	780,888	406,326
Usance	Shinhan Bank and others	0.72 ~ 2.00	131,634	186,479
Transferred receivables	Korea Exchange Bank and others (*)	-	216,994	23,768

Type	Lender	Annual interest rate (%)	December 30, 2012	December 31, 2011
Short-term borrowings in Korean Won	Korea Exim Bank and others	3.55 ~ 6.76	₩195,564	₩-
Short-term borrowings in foreign currencies	Hana Bank and others	3.05 ~ 9.25	780,888	406,326
Usance	Shinhan Bank and others	0.72 ~ 2.00	131,634	186,479
Transferred receivables	Korea Exchange Bank and others (*)	-	216,994	23,768
Total			₩1,325,080	₩616,573

(*) Financial liabilities related to transferred trade receivables which did not meet the derecognition criteria amounted to ₩216,994 million and ₩23,768 million as of December 31, 2012 and 2011, respectively. The trade receivables were pledged as collateral for these liabilities.

2) Long-term borrowings

Type	Lender	Annual interest rate (%)	December 31,2012	December 31,2011
Borrowings in Korean Won	Korea Development Bank	4.65 ~ 6.41	₩141,000	₩154,000
	Woori Investment & Securities	5.10	50,000	-
	Kyongnam Bank	5.28	40,000	-
	TY Solution 1st Co., Ltd. and 5 others	5.10	135,000	-
	Sub-total		₩366,000	₩154,000
Borrowings in Foreign currencies	AKA Bank	6M Eulibor + 0.45	EUR 3,355	EUR 3,932
	Korea Development Bank	3M Libor + 3.50	USD 50,000	USD 50,000
	Kookmin Bank	3M Libor + 3.10	USD 30,000	-
	Bank of China	3M Libor + 2.90	USD 18,000	-
	Korea Exchange Bank	3M Libor + 3.60	USD 50,000	-
	Shinhan Bank	6M Libor + 3.35	USD 50,000	-
	Kookmin Bank and 9 others	6M Libor + 1.60	USD 280,000	USD 420,000
	Korea Development Bank and 7 others	6M Libor + 4.30	USD 1,720,000	USD 1,720,000
	Innovasjon Norge	4.47	NOK 8,867	NOK 4,750
	SG Finance	6.20	NOK 323	-
	GEMSA Loan Services	6.93	-	USD 687
	Bank of New York	8.00	USD 4,250	USD 4,250
	Hana Bank	PBOC(12M)*90%	CNY 100,000	CNY 100,000
	Korea Exim Bank	6M Libor + 4.30	USD 50,000	-

Type	Lender	Annual interest rate (%)	December 31,2012	December 31,2011
	Shell Brasil Petroleo Ltda	0.00	BRL 1,200	-
	Tongyang Securities Inc. and 5 others	9.00	-	USD 800,000
	Sub-total		EUR 3,355 USD 2,252,250 CNY 100,000 NOK 9,190 BRL 1,200	EUR 3,932 USD 2,994,937 CNY 100,000 NOK 4,750 -
Korean Won equivalent			₩2,802,542	₩3,633,648
Less: discount on borrowings			(23,934)	(33,174)
Less: current portion			(270,381)	(1,149,062)
Long-term borrowings			₩2,508,227	₩2,451,412

18. RETIREMENT BENEFIT OBLIGATION

(1) Details of retirement benefit obligation as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Present value of defined benefit obligation	₩1,220,133	₩1,213,475
Fair value of plan assets	(466,322)	(479,265)
Unrecognized negative past service benefit	19,937	23,938
Total	₩773,748	₩758,148

(2) Expenses recognized in income and loss for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Current service cost	₩47,663	₩35,661
Interest cost	52,561	51,885
Expected return on plan assets	(27,672)	(26,620)
Recognition of negative past cost service	(2,402)	(2,157)
Total	₩70,150	₩58,769

(3) Details of total expenses recognized in consolidated statements of income for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Cost of sales	₩14,634	₩14,315
Selling and administrative expenses	46,484	38,334
Research and development cost	9,032	6,120
Total	₩70,150	₩58,769

(4) Changes in defined benefit obligation for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩1,213,475	₩1,056,755
Current service cost	47,663	35,661
Transfer in	1,491	1,049
Transfer out	(599)	(525)
Interest cost	52,561	51,885
Actuarial gain or loss	58,225	167,327
Plan participants' contributions	2,159	2,255
Foreign currency translation	(72,101)	(5,836)
Benefit payment	(82,741)	(83,888)
Transfer of operations	-	(11,208)
Ending balance	₩1,220,133	₩1,213,475

(5) Changes in plan assets for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩479,265	₩481,342
Expected return on plan assets	27,672	26,620
Transfer out	(34)	(183)
Plan participants' contributions	2,159	2,255
Contributions by employer directly to plan assets	33,451	32,261
Actuarial gain or loss	16,266	5,519
Foreign currency translation	(26,122)	5,047
Benefit payment	(66,335)	(68,445)
Transfer of operations	-	(5,151)
Ending balance	₩466,322	₩479,265

(6) Assumptions used on actuarial valuation as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Discount rate for defined benefit obligations	3.70 ~ 4.70%	4.40 ~ 5.50%
Expected rate of return on plan assets	3.40 ~ 8.30%	3.50 ~ 8.20%
Expected rate of salary increase	3.00 ~ 5.40%	4.00 ~ 8.00%

Expected rates of return on plan assets are weighted average of expected return by each category of plan asset and based on historical trend of rate of return and market forecast analysis for the period for which defined benefit obligation exist.

(7) Details of plan assets as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Equity instruments	₩128,428	₩142,299
Debt instruments	265,506	317,265
Others	72,388	19,701
Total	₩466,322	₩479,265

The expected return on plan assets is determined considering applicable expected return on plan assets under current investment policy. The expected rates of return on debt securities are based on redemption yields at the end of the reporting period. The expected return on equity securities and other assets reflect historical market return data by asset category.

Actual gain on plan assets is recognized ₩43,938 million and 32,139 million for the years ended December 31, 2012 and 2011, respectively.

19. PROVISIONS

Changes in provisions for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012						
	January 1, 2012	Increase	Decrease	Others	December 31, 2012	Current	Non-current
Provision for product warranties	₩171,814	₩30,822	(₩41,829)	(₩9,008)	₩151,799	(₩144,690)	₩7,109
Provision for returned goods	104	645	(104)	-	645	(645)	-
Others	4,026	491	(2,973)	(177)	1,367	(1,106)	261
Total	₩175,944	₩31,958	(₩44,906)	(₩9,185)	₩153,811	(₩146,441)	₩7,370

	Year ended December 31, 2011						
	January 1, 2011	Increase	Decrease	Others	December 31, 2011	Current	Non-current
Provision for product warranties	₩171,382	₩123,164	(₩124,690)	₩1,958	₩171,814	(₩167,384)	₩4,430
Provision for returned goods	388	207	(491)	-	104	(104)	-
Others	278	3,950	(443)	241	4,026	(4,026)	-
Total	₩172,048	₩127,321	(₩125,624)	₩2,199	₩175,944	(₩171,514)	₩4,430

The Company estimates expenditure required to settle the Company's obligation for product warranty, refund, related after sales service and other based on warranty period, historical claim rate and other.

20. CAPITAL STOCK AND CAPITAL SURPLUS

Changes in capital stock and capital surplus for the year ended December 31, 2012 are as follows (in millions of Korean Won):

	Number of shares	Capital stock	Share premium	Other capital surplus
Beginning balance	168,555,884	₩842,779	₩7,232	₩1,056
Exercise of share options	102,150	511	1,869	-
Extinguishment of share options	-	-	-	4,098
Ending balance	168,658,034	₩843,290	₩9,101	₩5,154

DI's number of shares authorized are 400,000,000 shares with par value of ₩5,000 per share. The number of shares issued by DI is 168,658,034 and 168,555,884 as of December 31, 2012 and 2011, respectively. There are no issued shares with restricted voting rights under *the commercial law*.

21. CAPITAL SECURITIES

Details of capital securities as of December 31, 2012 are as follows:

	Description
Issue price	$500,000,000
Maturity date	30 years and automatic revolving
Dividend condition	- Amount: 3.25% at par value, reset every 5 years - Distribution: semi-annually in arrears, optional deferral of distributions is available
Others	- DI can call the capital securities at year 5 and distribution payment date afterwards - Investor can put the capital securities to Core Partners Limited, a special purpose entity ("SPE") if DI does not exercise its call option

If investors exercise their put option and Core Partners Limited, a SPE, acquires the capital securities after 5 years since issue date, the SPE has a right to put the capital securities back to DI (the "Stock Exchange Right") under which the SPE can exchange the capital securities with a par value of $15.4 for a share of DI's common stock.

The capital securities are classified as equity as of December 31, 2012 as it does not contain a contractual financial obligation for DI to settle in cash and the Stock Exchange Right confers at issue date a right to receive a fixed number of DI's common stock.

22. OTHER EQUITY ITEMS

(1) Other equity items as of December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

Description	December 31, 2012	December 31, 2011
Loss on disposal of treasury stock	(₩7,909)	(₩7,909)
Share options	14,845	16,333
Other capital adjustments	(37,340)	85,916
Total	(₩30,404)	₩94,340

(2) Share-based payment

The Company granted share options to its directors. Share options are settled based on board of directors' decision by issuance of new shares, treasury shares or cash settlement. These share options carry a two year service vesting condition, subsequent to the resolution of the shareholders' meeting. Number of granted options as of December 31, 2012 is as follows (in millions of Korean Won, except for share data).

	Date of grant	Number of granted options	Exercisable period	Exercisable price	Expected fair value at the date of grant
2nd grant	2006.03.17	70,600	2009.03.17 ~ 2016.03.16	₩15,900	₩7,881
3rd grant	2007.03.16	139,000	2010.03.16 ~ 2017.03.15	20,100	8,143
4th grant	2008.03.21	231,500	2011.03.21 ~ 2018.03.20	28,700	15,709
5th grant	2009.03.27	119,650	2012.03.27 ~ 2019.03.26	15,600	7,674
6th grant	2010.03.26	396,460	2013.03.26 ~ 2020.03.25	19,400	10,543
6-1st grant	2010.04.01	49,600	2013.04.01 ~ 2020.03.31	20,500	11,164
7th grant	2011.03.25	161,600	2014.03.25 ~ 2021.03.24	30,700	16,800
8th grant	2012.03.30	288,200	2015.03.30 ~ 2022.03.29	22,300	11,951
Total		1,456,610			

Changes in share option for the year ended December 31, 2012 are as follows.

1) Number of common shares to be issued:

	January 1, 2012	Granted	Exercised	Forfeited	December 31, 2012
2nd grant	73,200	-	(2,600)	-	70,600
3rd grant	150,500	-	-	(11,500)	139,000
4th grant	366,700	-	-	(135,200)	231,500
5th grant	220,300	-	(99,550)	(1,100)	119,650
6th grant	426,660	-	-	(30,200)	396,460
6-1st grant	49,600	-	-	-	49,600
7th grant	174,900	-	-	(13,300)	161,600
8th grant	-	296,700	-	(8,500)	288,200
Total	1,461,860	296,700	(102,150)	(199,800)	1,456,610

2) Valuation amount (in millions of Korean Won):

	January 1, 2012	Exercised	Change	December 31, 2012
2nd grant	₩577	(₩20)	(₩1)	₩556
3rd grant	2,135	-	(1,003)	1,132
4th grant	5,769	-	(2,132)	3,637
5th grant	1,748	(764)	(66)	918
6th grant	4,496	-	(316)	4,180
6-1st grant	477	-	77	554
7th grant	1,131	-	1,401	2,532
8th grant	-	-	1,336	1,336
Total	₩16,333	(₩784)	(₩704)	₩14,845

The weighted average price of share based on the respective exercise dates for the year ended December 31, 2012 is ₩20,583. The weighted average remaining contractual period of the share options is 6.86 years. Expense recognized related to the share option granted amounted to ₩3,446 million and ₩4,146 million for the years ended December 31, 2012 and 2011, respectively. Expense to be recognized in the future periods amounted to ₩2,490 million.

The Company calculated expenses applying fair value approach. Assumptions used in determining fair value of share options are as follows:

	Risk free interest rate (note)	Expected exercisable period	Expected volatility	Expected dividend yield ratio
2nd grant	5.13%	5 years	55.97%	0.90%
3rd grant	4.81%	5 years	47.08%	1.23%
4th grant	5.19%	6. 5 years	47.94%	1.47%
5th grant	4.74%	6. 5 years	59.76%	1.67%
6th grant	4.53%	6. 5 years	58.82%	1.34%
6-1st grant	4.65%	6. 5 years	58.76%	1.34%
7th grant	4.19%	6. 5 years	58.01%	1.07%
8th grant	3.80%	6. 5 years	57.96%	0.44%

(Note) Risk free interest rate is based on 3 year treasury bond yield rate.

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012						
	Unrealized gain on available-for-sale securities	Increase in equity of associates	Decrease in equity of associates	Gain (Loss) on translation of foreign operation	Unrealized gain on valuation of derivatives	Unrealized loss on valuation of derivatives	Total
Beginning balance	₩179	₩2,943	-	(₩7,932)	₩14,635	(₩52,320)	(₩42,495)
Increase	-	-	-	-	44,301	-	44,301
Decrease	(61)	(1,196)	-	(223,635)	-	45,805	(179,087)
Ending balance	₩118	₩1,747	-	(₩231,567)	₩58,936	(₩6,515)	(₩177,281)

	Year ended December 31, 2011						
	Unrealized gain on available-for-sale securities	Increase in equity of associates	Decrease in equity of associates	Gain(Loss) on translation of foreign operation	Unrealized gain on valuation of derivatives	Unrealized loss on valuation of derivatives	Total
Beginning balance	₩222	₩433	(₩14)	(₩86,175)	₩36,719	(₩58,429)	(₩107,244)
Increase	-	2,510	-	-	-	-	2,510
Decrease	(43)	-	14	78,243	(22,084)	6,109	62,239
Ending balance	₩179	₩2,943	₩-	(₩7,932)	₩14,635	(₩52,320)	(₩42,495)

Tax effects directly recognized in accumulated other comprehensive as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012		
Description	Before tax	Deferred tax assets(liabilities)	After tax
Unrealized gain (loss) on available-for-sale securities	₩156	(₩38)	₩118
Increase(decrease) in equity of associates	2,216	(469)	1,747
Gain(loss) on translation of foreign operation	(245,675)	14,108	(231,567)
Unrealized gain(loss) on valuation of derivatives	69,156	(16,735)	52,421
Total	(₩174,147)	(₩3,134)	(₩177,281)

	December 31, 2011		
Description	Before tax	Deferred tax assets(liabilities)	After tax
Unrealized gain (loss) on available-for-sale securities	₩237	(₩58)	₩179
Increase(decrease) in equity of associates	2,943	-	2,943
Gain(Loss) on translation of foreign operation	(23,579)	15,647	(7,932)
Unrealized gain(loss) on valuation of derivatives	(49,717)	12,032	(37,685)
Total	(₩70,116)	₩27,621	(₩42,495)

24. RETAINED EARNINGS

(1) Retained earnings as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Retained earnings before appropriations	₩885,963	₩919,735
Technology development reserve	302,418	22,418
Facilities investment reserve	100,000	-
Total	₩1,288,381	₩942,153

(2) Changes in retained earnings for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩942,153	₩784,485
Net income for the year	349,804	298,224
Actuarial losses recognized in retained earnings and others	(3,576)	(140,556)
Ending balance	₩1,288,381	₩942,153

25. SEGMENT INFORMATION

The Company’s operating segments are as follows:

Business segment (*)	Main products
Engines (“Engine”)	Engine of the commercial cars and buses
Construction Equipment (“CE”)	Crawler excavator, excavator parts
Machine Tools (“MT”)	Machine tools and factory automation system

As of December 31, 2011, sales and expenses from the industrial vehicle segment are classified as discontinued operations in the consolidated statement of income since the business transfer has been completed.

(1) The following table provides information for each business segment as of and for the years ended December 31, 2012 and 2011 (in millions of Korean Won):

	Year ended December 31, 2012			
	Sale	Inter-company	Net	Operating income
Engine	₩694,880	(₩4,582)	₩690,298	(₩26,977)
CE	8,755,097	(2,681,932)	6,073,165	125,424
MT	2,002,699	(543,846)	1,458,853	145,958
Other	(60,339)	(3,626)	(63,965)	84,427
Sub-total	₩11,392,337	(₩3,233,986)	₩8,158,351	₩328,832
Elimination	(3,233,986)	3,233,986	-	33,585
Total	₩8,158,351	₩-	₩8,158,351	₩362,417

	Year ended December 31, 2011			
	Sale	Inter-company	Net	Operating income
Engine	₩767,494	(₩3,894)	₩763,600	₩49,520
CE	9,311,292	(2,850,778)	6,460,514	493,369
MT	1,855,170	(436,038)	1,419,132	200,220
Other	(179,481)	(679)	(180,160)	(65,320)
Sub-total	11,754,475	(3,291,389)	8,463,086	677,789
Elimination	(3,291,389)	3,291,389	-	1,826
Total	₩8,463,086	₩-	₩8,463,086	₩679,615

Sales transactions between the Company's segments are conducted on an arm's length basis.

(2) Total assets of business segment as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Engine	₩788,882	₩695,672
CE	8,399,653	8,808,500
MT	753,519	729,183
Other	1,610,786	1,470,320
Total	₩11,552,840	₩11,703,675

(3) Total liabilities of business segment as of December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Engine	₩641,744	₩491,902
CE	9,601,029	10,340,134
MT	253,263	301,349
Other	(1,939,908)	(1,714,911)
Total	₩8,556,128	₩9,418,474

(4) The following table provides sale information by geographical segment for the years ended December 31, 2012 and 2011 (in millions of Korean Won):

	Revenue	
	Year ended December 31, 2012	Year ended December 31, 2011
Asia Pacific & Emerging Market	₩2,846,992	₩2,659,543
China	1,106,533	2,074,085
Europe & Middle East & Africa	1,536,039	1,539,740
North America & Oceania	2,668,787	2,189,718
Total	₩8,158,351	₩8,463,086

(5) There is no single external customer accounted for 10% or more of the Company's sales for the years ended December 31, 2012 and 2011, respectively.

26. SALES

Details of sales for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Sales of goods		
-Manufactured products	₩6,617,749	₩7,287,652
-Merchandise	1,482,074	1,123,132
Others	58,528	52,302
Total	₩8,158,351	₩8,463,086

27. EXPENSES BY NATURE

Expenses classified by nature for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefits	₩1,028,320	₩914,548
Depreciation and amortization	246,908	221,739

28. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Salaries	₩344,115	₩327,969
Retirement benefits	47,881	37,991
Other employee benefits	94,524	85,008
Printing	6,493	6,085
Freight and custody	5,877	5,715
Communications	9,229	8,500
Utilities	7,257	5,570
Maintenance	6,810	8,499
Insurance	20,487	14,381
Depreciation	25,890	25,908
Amortization	53,757	43,782
Research and development	195,037	174,854
Advertising	81,788	70,492
Sales commission	69,135	74,640
Taxes and dues	11,509	12,391
Travel	49,533	46,561
Sundry	192,718	122,063
Entertainment	6,813	4,336
Education and training	20,713	15,561
Bad debt expenses	39,999	18,242
Others	28,239	59,231
Total	₩1,317,804	₩1,167,779

29. FINANCE INCOME AND EXPENSES

Finance income and expenses for the years ended December 31, 2012 and 2011 are summarized as follows (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Finance income:		
Interest income	₩21,116	₩26,241
Dividend Income	10	-
Gain on foreign currency transaction	150,467	111,506
Gain on foreign currency translation	77,399	16,131
Gain on derivative transaction	277	19,287
Gain on valuation of derivatives	244	349
Income on financial guarantee	57	1,538
Sub-total	249,570	175,052
Finance expenses:		
Interest expenses	(381,649)	(346,350)
Loss on foreign currency transaction	(123,783)	(106,704)
Loss on foreign currency translation	(24,553)	(34,745)
Loss on derivative transaction	(5,080)	(19,418)
Loss on valuation of firm commitments	-	(53,040)
Expense on financial guarantee	(35,287)	(8,791)
Loss on debt repayment	-	(32,186)
Sub-total	(570,352)	(601,234)
Net finance Expense	(₩320,782)	(₩426,182)

30. OTHER NON-OPERATING INCOME AND EXPENSES

(1) Other non-operating income and expenses for the years ended December 31, 2012 and 2011 consist of the following (in millions of Korean Won):

	Year ended December 31, 2012	Year ended December 31, 2011
Other non-operating income:		
Gain on disposal of property, plant and equipment	₩12,201	₩1,421
Gain on disposal of long-term investment securities	129	-
Rental income	80	390
Gain on disposal of intangible assets	-	98
Other	23,492	82,532
Sub-total	35,902	84,441
Other non-operating expenses:		
Impairment loss of short-term investment securities	(1,200)	-
Loss on disposal of trade receivables	(7,738)	(4,044)
Loss on disposal of property, plant and equipment	(4,069)	(1,740)
Loss on disposal of intangible assets	(274)	(692)
Impairment loss of intangible assets	(18,317)	(605)
Loss on disposal of investment property	(59)	-
Other bad debt expenses	341	(1,434)
Donations	(15,319)	(20,873)
Other	(32,954)	(26,214)
Sub-total	(79,589)	(55,602)
Total	₩43,687	₩28,839

31. INCOME TAX EXPENSE (BENEFIT)

(1) Components of income tax expense (benefit) for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31,	
	2012	2011
Current	₩45,347	₩208,257
Deferred	(469,109)	(129,943)
Income tax expense	(₩423,762)	₩78,314

(2) The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the years end December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2012		
	January 1, 2012	Change	December 31, 2012
Advances from government	₩3,637	(₩711)	₩2,926
Allowance for doubtful accounts	5,772	(286)	5,486
Provision for product warranties	5,346	(225)	5,121
Retirement benefit obligation	18,016	14,142	32,158
Investment in associates	1,054	9,364	10,418
Provision for temporary depreciation	(6,526)	365	(6,161)
Reserve for research and development	(64,372)	(23,716)	(88,088)
Gain on revaluation of land	(104,339)	2,564	(101,775)
Derivative assets (liabilities)	11,020	(29,633)	(18,613)
Accrued expenses	133,423	(133,423)	-
Net loss carryforwards	39,951	(6,439)	33,512
Others	101,229	617,367	718,596
Total	₩144,211	₩449,369	₩593,580

	Year ended December 31, 2011		
	January 1, 2011	Change	December 31, 2011
Advances from government	₩3,313	₩324	₩3,637
Allowance for doubtful accounts	5,334	438	5,772
Provision for product warranties	5,718	(372)	5,346
Retirement benefit obligation	7,958	10,058	18,016
Goodwill from acquisition of Doosan Mecatec Co., Ltd.	2,427	(2,427)	-
Investment in associates	484	570	1,054
Provision for temporary depreciation	(6,340)	(186)	(6,526)
Reserve for research and development	(34,076)	(30,296)	(64,372)
Gain on revaluation of land	(100,362)	(3,977)	(104,339)
Derivative assets (liabilities)	3,382	7,638	11,020
Accrued expenses	108,490	24,933	133,423
Net loss carryforwards	39,003	948	39,951
Others	31,449	69,780	101,229
Total	₩66,780	₩77,431	₩144,211

(3) Temporary differences which have not been recognized as deferred tax assets as of December 31, 2012 and 2011 are as follows (in millions Korean Won):

	December 31, 2012	December 31, 2011
Net loss carryforwards	₩677,936	₩2,154,602
Other	20,777	23,803
Total	₩698,713	₩2,178,405

The probability of deferred tax assets being realized depends on the Company's ability to generate taxable income in future years, the economic situation and industry forecast. The Company periodically reviews such matters.

(4) Temporary differences from investments in subsidiaries, joint ventures and associates which are not recognized as deferred tax assets are as follows (in millions of Korean Won):

	December 31, 2012	December 31, 2011
Subsidiaries and other	₩151,990	₩375,523

(5) A reconciliation of income tax expense(benefit) and accounting income(loss) before income tax expense for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31,	
	2012	2011
Income(loss) from continuing operations before income tax expense	(₩19,742)	₩285,253
Income tax expense(benefit) at statutory income tax rate	(2,402)	87,682
Adjustment:		
Non-temporary difference	978	4,502
Effect of change in recognition of deferred income tax	(426,480)	(20,745)
Tax credits	(12,199)	(24,414)
Additional income tax and tax refund for prior periods	1,735	27,989
Other	14,606	3,300
Income tax expense(benefit)	(₩423,762)	₩78,314
Average effective tax rate	(*)	27.5%

(*) Average effective tax rate for the year ended December 31, 2012 was not calculated due to the effect of change in recognition of deferred income tax.

The Company's tax rate varies from 15% to 35% according to tax authorities.

32. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2012 and 2011 are computed as follows (in millions of Korean Won, except for share data).

(1) Basic earnings per share

Basic earnings per share is computed by dividing net income attributable to owners of the Company by the weighted average number of common shares outstanding during the period excluding treasury shares.

	Year ended December 31, 2012			Year ended December 31, 2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net income available to common share	₩349,804	₩-	₩349,804	₩194,394	₩103,830	₩298,224
Weighted average number of common shares outstanding	168,618,942	168,618,942	168,618,942	168,532,879	168,532,879	168,532,879
Basic earnings per share (in Korean Won)	₩2,075	₩-	₩2,075	₩1,153	₩616	₩1,769

The weighted average number of common shares outstanding used in basic earnings per share calculation is as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Beginning outstanding shares	168,555,884	168,448,484
Effect of share option exercised	63,058	84,395
Weighted average number of common shares outstanding	168,618,942	168,532,879

(2) Diluted earnings per share

Diluted earnings per share are calculated on the basis of the weighted average number of common and diluted potential common shares outstanding. The denominator of the diluted net income per share is adjusted to include the number of share options which have a dilutive effect as if they were issued at the beginning of the year.

	Year ended December 31, 2012			Year ended December 31, 2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Controlling interest in net income	₩349,804	₩-	₩349,804	₩194,394	₩103,830	₩298,224
Share-based payment, net of tax	-	-	-	-	-	-
Adjusted net income available to common share	349,804	-	349,804	194,394	103,830	298,224
Adjusted weighted average number of common shares outstanding	168,651,018	168,651,018	168,651,018	168,586,183	168,586,183	168,586,183
Diluted earnings per share (in Korean Won)	₩2,074	₩-	₩2,074	₩1,153	₩616	₩1,769

The adjusted weighted average number of common shares outstanding used in the diluted earnings per share calculation is as follows:

	Year ended December, 2012	Year ended December, 2011
Weighted average number of common shares outstanding	168,618,942	168,532,879
Effect of share option	32,076	53,304
Adjusted weighted average number of common shares outstanding	168,651,018	168,586,183

For the year ended December 31, 2012, share options grant 3th, 4th, 6th, 6-1st, 7th and 8th were excluded from the diluted earnings per share calculation as they have an anti-dilutive effect during the period. For the year ended December 31, 2011, share option grant 4th, 5th, 6th and 6-1st were excluded from the diluted earnings per share calculation, notwithstanding they would dilute the basic earnings per share in future, as they have an anti-dilutive effect during the period.

33. DIVIDEND

DI did not declare or pay any dividends for the years ended December 31, 2012 and 2011.

34. COMMITMENTS AND CONTINGENCIES

(1) The Company is involved in lawsuits as a defendant with total claims exposure of ₩102,885 million as of December 31, 2012. Currently, the ultimate outcome of these lawsuits cannot be determined.

(2) Financial covenant

DI entered into a loan agreement with lenders consisting of the Korea Development Bank and nine other financial institutions for long-term borrowing of USD 280 million in connection with DI's capital contributions to Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd. This agreement, as mutually agreed, requires DI to maintain its EBITDA more than 1.5 times of its net interest expense and its financial debt less than 6 times of its EBITDA for fiscal years beginning on or after January 1, 2013.

For the year ended December 31, 2011, DI issued 18th and 19th foreign currency denominated bonds for USD 130 million and USD 350 million, respectively. When issuing the 18th foreign currency denominated bond, DI entered into an agreement to maintain its debt ratio under 800% and to liquidate no more than KRW 5 trillion annually.

In accordance with the agreement, an early redemption clause exists for when and if DI's guarantor Korea Development Bank becomes privatized and the funds required for such redemption will be provided by Korea Development Bank to DI. In turn, DI has provided its 20,429 shares of Doosan Infracore International, Inc., acquired on November 25, 2011 as collateral to Korea Development Bank.

(3) As of December 31, 2012, DI, a shareholder of Doosan Infracore China Co., Ltd ("DICC") entered into an agreement with unrelated financial investors under which DI and the unrelated financial investors, as they mutually agree, may collectively dispose of all shares of DICC, belonging to each of them, to third party. Upon exercise of the agreement by the unrelated financial investors, DI has a right to sell its shares of DICC pursuant to the agreement or otherwise repurchase the shares held by the unrelated financial investors.

(4) For the year ended December 31, 2012, the Company transferred trade receivables amounting to ₩635,843 million to banks with guarantee for default losses. Therefore the Company continues to recognize trade receivables by maturity of trade receivables and newly recognized financial liabilities as secured borrowing for the proceeds received. The financial liabilities related to the transferred receivables which the Company continues to recognize because the Company retains substantially all of the risks and rewards of ownership as of December 31, 2012 amounted to ₩216,994 million.

(5) As of December 31, 2012, guarantees provided by the Company for third parties are as follows (in thousands of foreign currencies and millions of Korean Won):

Provider	Provided for	Guarantee	Won equivalents
Doosan Infracore Co., Ltd.	Daewoo Construction	EUR 3,534	₩5,005
	Daewoo International	EUR 1,821	2,578
	KJ Industry	KRW 3,000	3,000
Doosan Infracore China Co., Ltd.	Vendors and counterparties	CNY 9,932,532	1,707,204
Doosan Infracore International, Inc. and others	End-User	USD 26,565	28,453
Doosan Holdings Europe Ltd. and others	End-User	USD 4,604	4,931
			₩1,751,171

As of December 31, 2012, DI entered into agreements with Korea Development Bank for the guarantees of 18th and 19th foreign currency denominated bond, which amount to USD 130 million and USD 350 million, respectively. DI entered into agreements with various banks for the guarantees of letters of credit and usance bills related to DI's exports and imports, totaling USD 5,379 thousand, and entered into contracts with Seoul Guarantee Insurance Company and Machinery Financial Cooperative for the guarantees related to contracts and warranties totaling ₩55,339 million.

35. PLEDGED ASSETS

DI's assets pledged as collateral for long-term and short-term borrowings as of December 31, 2012 are as follows (in thousands of foreign currencies and millions of Korean Won):

Institution	Asset	Borrowings	Collateralized value
Korea Development Bank	Land, buildings, and machinery (*)	₩141,000	₩184,413
		USD 177,660	USD 95,026
		EUR 3,027	DM 84,000

(*) DI's rights to property insurance benefits are pledged as collateral to the Korea Development Bank.

DI has provided its 3,188 shares of Doosan Infracore International, Inc., and its 3,413 shares of Doosan Holdings Europe Ltd. as collateral to TY Solution 1st Co., Ltd. and other 5 parties for borrowings on February 28, 2013.

For the year ended December 31, 2011 Doosan Holdings Europe Ltd. repaid all the borrowings funded from Korea Development Bank and other creditors in 2007 in relation to the acquisition of compact equipment of Ingersoll Rand Company Limited and entered into new loan agreement with the creditors to borrow USD 1,720,000 thousand on November 30, 2011. The new loan is secured by all shares of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd. held by DI, certain tangible and intangible assets of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd., and their subsidiaries. In relation to this new loan agreement entered amongst Doosan Holdings Europe Ltd., Doosan Infracore International, Inc., Korea Development Bank and other 7 banks, the Company should maintain EBITA more than equal to 1.5 times or higher of net interest and financial liabilities of 2.0 time or lower of equity in the combined financial statements of Doosan Holdings Europe Ltd. and Doosan Infracore International, Inc., as included in the DI's consolidated financial statements in accordance with K-IFRS. In case of breach of these debt covenants, appropriate remedies to make additional cash inflow such as capital injections or borrowings of shareholders are required and this may result in DI's obligation to make additional funding.

36. RELATED PARTY TRANSACTIONS

Related party disclosures for the years ended December 31, 2012 and 2011 are as follows.

(1) Nature of relationship

Relationship with the Company	Company name
Shareholders with significant influence	Doosan Corp., Doosan Heavy Industries and Construction Co., Ltd.
Associates	Doosan Capital Co., Ltd., Doosan (China) Financial Leasing Corp., Xuzhou Xugong Doosan Engine Co., Ltd. and others
Other related parties	Doosan Engine Co., Ltd., Doosan DST Co., Ltd., Doosan Construction & Engineering Co., Ltd., Doosan Tower, Oricom Inc., Doosan Bears Inc., Doosan Cuvex Co., Ltd., Doosan Dong-A Co., Ltd., Neoplux Co., Ltd., Doosan Industrial Vehicle Co., Ltd., Doosan Infracore Xinjiang Machinery Co., Ltd. and others

(2) Significant transactions for the years ended December 31, 2012 and 2011 with related parties are as follows (in millions of Korean Won):

	Year ended December 31, 2012		Year ended December 31, 2011	
Description	Sales and others	Purchases and others	Sales and others	Purchases and others
Shareholders with significant influence	₩1,654	₩350,316	₩12,576	₩349,394
Associates	9,156	-	55,465	7,946
Other related parties	74,164	150,329	78,170	114,147
Total	₩84,974	₩500,645	₩146,211	₩471,487

(3) As of December 31, 2012 and 2011 related significant balances are as follows (in millions of Korean Won):

Description	December 31, 2012		December 31, 2011	
	Receivables	Payables	Receivables	Payables
Shareholders with significant influence	₩1,145	₩78,644	₩119	₩96,998
Associates	21,547	-	81,318	16
Other related parties	51,168	48,613	45,299	56,141
Total	₩73,860	₩127,257	₩126,736	₩153,155

(4) DI defines key management personnel as registered officer and non-registered officer (including outside director) who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of DI for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

Description	Year ended December 31,	
	2012	2011
Employee benefits	₩28,040	₩24,568
Retirement benefits	2,027	1,744
Share-based payment	3,446	4,146
Total	₩33,513	₩30,458

37. CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) The adjustments and changes in operating assets and liabilities in the consolidated statements of cash flows for the years ended December 31, 2012 and 2011 are as follows (in millions of Korean Won):

	Year ended December 31,	
	2012	2011
Adjustments:		
Income tax expense(benefit)	(₩423,762)	₩104,313
Finance income	(98,826)	(49,748)
Finance expense	406,202	465,365
Depreciation	159,460	149,817
Amortization	87,448	71,922
Retirement benefits	70,150	58,769
Gain on disposal of long-term investment securities	(129)	-
Gain on disposal of operation	-	(104,316)
Gain on disposal of property, plant and equipment	(12,202)	(1,466)

	Year ended December 31,	
	2012	2011
Impairment of short-term investment securities	1,200	-
Loss on disposal of property, plant and equipment	4,069	1,765
Loss on disposal of intangible assets	274	692
Impairment of intangible assets	18,317	605
Loss on disposal of investment property	59	-
Share of loss (profit) of equity-accounted investees	18,394	(4,845)
Loss (gain) on disposal of investment in associates	(705)	6,771
Gain on disposal of investment in subsidiaries	-	(4,845)
Other	4,805	(47,964)
Total	₩234,754	₩646,835

	Year ended December 31	
	2012	2011
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	₩202,671	(₩49,269)
Decrease(increase) in other receivables	(16,100)	4,898
Decrease(increase) in derivative assets	(23,227)	92,038
Decrease(increase) in inventories	119,996	(463,816)
Decrease(increase) in other current assets	4,575	(3,572)
Decrease(increase) in other non-current assets	15,631	(44,782)
Decrease in trade payables	(311,051)	(100,326)
Increase(decrease) in other payables	(162,238)	536,693
Increase in derivative liabilities	38,376	7,357
Increase(decrease) in provisions	(15,711)	56,306
Increase(decrease) in other current liabilities	(7,872)	589
Payment of severance benefits	(81,181)	(84,414)
Transfer in	1,491	1,049
Decrease in plan assets	30,758	36,367
Increase(decrease) in other non-current liabilities	21,091	(420,027)
Total	(₩182,791)	(₩430,909)

(2) Significant non-cash transactions for the years ended December 31, 2012 and 2011 are nil.

38. DISCONTINUED OPERATION

(1) Transfer of industrial vehicle segment

For the year ended December 31, 2011, the Company sold its industrial vehicle segment for ₩245,000 million to Doosan Industrial Vehicles Co., Ltd. which is jointly established by DIP Holdings Co., Ltd, a wholly owned subsidiary of Doosan Corp., and other investors.

(2) Income from discontinued operations

Details of income from discontinued operations for the year ended December 31, 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2011
Sales	₩332,548
Cost of sales	(263,806)
Gross profit	68,742
Selling and administrative expenses	(38,387)
Operating income	30,355
Finance income	3,024
Finance expense	(3,090)
Other non-operating income	104,819
Other non-operating expense	(871)
Income before income tax expense	134,237
Income tax expense	(30,366)
Income from discontinued operations	₩103,871
Net income attributable to:	
Owners of the parent	103,830
Non-controlling interests	41

The above includes gain on disposal of the operation amounting to 104,316 million.

(3) Cash flows from discontinued operations

Cash flows from discontinued operations for the year ended December 31, 2011 are as follows (in millions of Korean Won):

	Year ended December 31, 2011
Cash flows from operating activities	(₩33,799)
Cash flows from investing activities	9,711
Cash flows from financing activities	(5,243)
Total	(₩29,331)