

DOOSAN INFRACORE CO., LTD.

Non-Consolidated Financial Statements

**December 31, 2008 and 2007**

(With Independent Auditors' Report Thereon)

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## Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders  
Doosan Infracore Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Doosan Infracore Co., Ltd. (the "Company") as of December 31, 2008 and 2007, and the related non-consolidated statements of operations, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Doosan Infracore Co., Ltd. as of December 31, 2008 and 2007 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As discussed in notes 2(a) and 28 to the non-consolidated financial statements, the Company changed the accounting policy on the derivatives transactions regarding sales contracts that meet the definition of a firm agreement, and elected to early adopt the revaluation of property, plant and equipment and the designation of non-derivative financial instruments for hedge accounting. As a result of these changes in accounting policy on the derivatives transactions, the firm commitment assets of ₩ 974,200 million, the firm commitment liability of ₩ 59,693 million and the equity of ₩ 914,507 million increased with no effect on net income. In addition, as a result of early adoption of the revaluation model, assets, equity and net income increased ₩ 459,965 million, ₩ 358,428 million and ₩ 344 million, respectively. In addition as the Company adopted the designation of non-derivative financial instruments for hedge accounting equity decreased ₩ 116,899 million and net income increased ₩ 116,899 million.

As discussed in note 34 to the non-consolidated financial statements, in order to enhance business specialization and improve management efficiency the Company spun off its defense manufacturing business unit and a new company called Doosan DST Co.,Ltd. was incorporated through the decision of the Board of Directors in November 12, 2008 and of General Meeting of Shareholders in December 24, 2008. As a result of the spin-off, the Company holds all shares of the new company.

As discussed in notes 10 and 14 to the non-consolidated financial statements, the Company has transactions with related companies and provides collateral and guarantee for borrowing of its related companies.

KPMG Samjong Accounting Corp.

Seoul, Korea  
March 16, 2009

This report is effective as of March 16, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

DOOSAN INFRACORE CO., LTD.  
Non-Consolidated Balance Sheets

As of December 31, 2008 and 2007

(In thousands of Won, except share data)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Cash and cash equivalent	17	₩ 24,013,173	10,551,869
Short-term financial instruments	3	67,334	66,179
Short-term investment securities	6,8	522,435	788,460
Accounts and notes receivable - trade, less allowance for doubtful accounts of ₩ 14,688,510 in 2008 and ₩ 12,113,056 in 2007	4, 10, 17	490,327,755	676,163,984
Accounts and notes receivable - other, less allowance for doubtful accounts of ₩ 17,765,147 in 2008 and ₩ 13,403,668 in 2007	17	36,007,145	56,695,947
Advance payment		11,894,767	65,212,623
Inventories	5	529,078,582	407,851,852
Current deferred tax assets	25	20,433,436	33,982,001
Current derivative instrument assets	20	26,588,451	28,888,661
Current firm commitment assets	20, 28	848,582,072	-
Other current assets	7	8,341,006	6,201,905
<b>Total current assets</b>		<u>1,995,856,156</u>	<u>1,286,403,481</u>
Equity method accounted investments	9	1,444,389,877	1,045,664,918
Non-current investments	3, 8	14,274,244	8,823,447
Property, plant and equipment, net	11, 14, 28, 33	1,246,851,678	753,669,392
Intangible assets, net	12, 33	70,401,896	72,006,827
Non-current derivative instrument assets	20	30,870	2,020,832
Non-current firm commitment assets	20, 28	125,617,632	-
Other non-current assets	10, 13	28,206,361	38,733,943
<b>Total non-current assets</b>		<u>2,929,772,558</u>	<u>1,920,919,359</u>
<b>Total assets</b>		<u>₩ 4,925,628,714</u>	<u>3,207,322,840</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
Non-Consolidated Balance Sheets, Continued

As of December 31, 2008 and 2007

(In thousands of Won, except share data)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Liabilities</b>			
Short-term borrowings	14, 17	₩ 283,923,165	59,147,459
Accounts and notes payable - trade	10, 17	267,695,977	439,838,282
Accounts and notes payable - other	14, 17	209,077,771	225,570,187
Current portion of long-term liabilities, net	14, 16, 17	233,671,195	70,326,123
Advance receipts		13,155,661	77,246,898
Accrued expenses	17	22,472,716	20,454,246
Income tax payable	25, 28	85,584,737	90,146,221
Current derivative instrument liabilities	20	820,007,777	79,733,062
Current firm commitment liabilities	20, 28	59,693,055	-
Accrued product warranties		14,893,611	14,784,329
Other current liabilities	15	35,820,245	22,433,303
<b>Total current liabilities</b>		<u>2,045,995,910</u>	<u>1,099,680,110</u>
Long-term debt, net	14, 16, 17	1,012,927,982	875,527,468
Long-term accounts and notes payable - other	17	5,635,263	7,229,663
Provision for retirement and severance benefits	18	64,488,475	55,707,815
Non-current deferred tax liabilities	25, 28	108,396,128	39,971,023
Non-current derivative instrument liabilities	20	142,480,849	19,888,758
<b>Total non-current liabilities</b>		<u>1,333,928,697</u>	<u>998,324,727</u>
<b>Total liabilities</b>		<u>3,379,924,607</u>	<u>2,098,004,837</u>
<b>Stockholders' equity</b>			
Common stock of ₩ 5,000 par value			
Authorized - 400,000,000 shares			
Issued - 168,207,384 shares in 2008			
and 168,157,384 shares in 2007	1, 21	841,036,920	840,786,920
Capital surplus	28	612,500	5,979,297
Capital adjustments	22, 28, 29	(195,409,358)	(195,877,583)
Accumulated other comprehensive income	8, 9, 20, 28, 30	571,153,189	(40,640,496)
Retained earnings	23, 28	328,310,856	499,069,865
<b>Total stockholders' equity</b>		<u>1,545,704,107</u>	<u>1,109,318,003</u>
<b>Total liabilities and stockholders' equity</b>		<u>₩ 4,925,628,714</u>	<u>3,207,322,840</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
Non-Consolidated Statements of Operations

For the years ended December 31, 2008 and 2007

(In thousands of Won, except earnings per share)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Revenue	10,32,33	₩ 3,963,378,989	3,719,881,303
Cost of sales	10	<u>3,010,992,681</u>	<u>2,843,449,280</u>
<b>Gross profit</b>	33	952,386,308	876,432,023
Selling, general and administrative expenses	24	<u>605,020,367</u>	<u>555,124,494</u>
<b>Operating income</b>	32,33	347,365,941	321,307,529
Interest income	8	9,174,339	5,345,385
Interest expense		(73,313,268)	(29,668,381)
Gain on sale of non-current investments, net	10	1,889,002	33,781,856
Loss on sale of accounts and notes receivable - trade	4	(10,892,362)	(7,039,428)
Foreign currency translation loss, net	17	(57,118,943)	(7,324,452)
Foreign currency transaction gain, net		71,012,896	6,814,584
Dividend income		7,200	39,960
Equity in net loss of equity method accounted investments	9	(440,476,281)	(35,625,167)
Reversal of allowance for doubtful accounts		-	3,923,589
Other bad debt expense		(4,585,482)	-
Gain on sale of property, plant and equipment, net		114,669,204	1,434,071
Loss on transaction of derivatives, net		(22,034,042)	(13,432,023)
Loss on valuation of derivatives, net	20	(20,449,857)	(3,648,142)
Gain on valuation of firm commitment, net	20	23,015,706	-
Donations		(40,258,457)	(7,377,791)
Other, net		<u>16,884,465</u>	<u>17,245,278</u>
<b>Other expense</b>		(432,475,880)	(35,530,661)
<b>Income (loss) before income taxes</b>		(85,109,939)	285,776,868
Income taxes	25	<u>36,708,152</u>	<u>105,515,260</u>
<b>Net income (loss)</b>	32	<u>₩ (121,818,091)</u>	<u>180,261,608</u>
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per share	26,32	<u>₩ (779)</u>	<u>1,153</u>
Diluted earnings per (loss) share	26,32	<u>₩ (779)</u>	<u>1,151</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.

Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2008 and 2007

Date of Appropriation for 2008: March 27, 2009

Date of Appropriation for 2007: March 21, 2008

(In thousands of Won)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Unappropriated retained earnings</b>			
Balance at beginning of year	₩	2,294,470	3,524,613
Cumulative effect of accounting changes	28	5,784,166	-
Net income (loss)		(121,818,091)	180,261,608
<b>Balance at end of year before appropriation</b>		<u>(113,739,455)</u>	<u>183,786,221</u>
<b>Transfer from voluntary reserves</b>			
Reserve for research and development		90,000,000	54,233,333
Reserve for utilities		55,000,000	-
<b>Unappropriated retained earnings available for appropriation</b>		<u>31,260,545</u>	<u>238,019,554</u>
<b>Appropriation of retained earnings</b>			
Legal reserve		3,000,000	6,000,000
Reserve for research and development		-	120,000,000
Reserve for utilities		-	55,000,000
Dividends -3% on par value at ₩ 150 per share in 2008 7% on par value at ₩ 350 per share in 2007	27	23,461,108	54,725,084
		<u>26,461,108</u>	<u>235,725,084</u>
<b>Unappropriated retained earnings to be carried over to subsequent year</b>	₩	<u>4,799,437</u>	<u>2,294,470</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
 Non-Consolidated Statements of Change in Equity

For the years ended December 31, 2008 and 2007

		Common	Capital	Capital	Accumulated	Retained	Total
		stock	surplus	adjustments	comprehensive	earnings	stockholders'
					other		equity
					income (loss)		
<i>(In thousands of Won)</i>							
<b>Balance at January 1, 2007</b>	₩	840,786,920	26,746,615	(202,243,592)	(17,023,879)	413,148,536	1,061,414,600
Dividends		-	-	-	-	(54,727,583)	(54,727,583)
Net income		-	-	-	-	180,261,608	180,261,608
Acquisition of business		-	(384,208)	-	-	(39,612,696)	(39,996,904)
Stock option		-	-	2,600,071	-	-	2,600,071
Other capital surplus		-	(20,383,110)	-	-	-	(20,383,110)
Acquisition of treasury stock		-	-	(145,451)	-	-	(145,451)
Other capital adjustments		-	-	3,911,389	-	-	3,911,389
Change in unrealized gain on valuation of available-for- sale securities		-	-	-	(15,824,337)	-	(15,824,337)
Change in unrealized gain on valuation of equity method accounted investments		-	-	-	11,796,103	-	11,796,103
Change in unrealized loss on valuation of equity method accounted investments		-	-	-	19,274,588	-	19,274,588
Change in unrealized gain on valuation of derivatives		-	-	-	(13,074,146)	-	(13,074,146)
Change in unrealized loss on valuation of derivatives		-	-	-	(25,788,825)	-	(25,788,825)
<b>Balance at December 31, 2007</b>	₩	<u>840,786,920</u>	<u>5,979,297</u>	<u>(195,877,583)</u>	<u>(40,640,496)</u>	<u>499,069,865</u>	<u>1,109,318,003</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
 Non-Consolidated Statements of Change in Equity, Continued

For the years ended December 31, 2008 and 2007

		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
<i>(In thousands of Won)</i>							
<b>Balance at January 1, 2008</b>	₩	840,786,920	5,979,297	(195,877,583)	(40,640,496)	499,069,865	1,109,318,003
Cumulative effect of change in accounting policy		-	-	-	-	5,784,166	5,784,166
<b>Balance at January 1, 2008, restated</b>		840,786,920	5,979,297	(195,877,583)	(40,640,496)	504,854,031	1,115,102,169
Dividends		-	-	-	-	(54,725,084)	(54,725,084)
Net loss		-	-	-	-	(121,818,091)	(121,818,091)
Other capital surplus		-	(5,979,297)	-	-	-	(5,979,297)
Stock option		250,000	612,500	4,581,900	-	-	5,444,400
Other capital adjustments		-	-	(4,113,675)	-	-	(4,113,675)
Change in unrealized gain on valuation of available-for- sale securities		-	-	-	(520,972)	-	(520,972)
Change in unrealized gain on valuation of equity method accounted investments		-	-	-	323,455,571	-	323,455,571
Change in unrealized loss on valuation of equity method accounted investments		-	-	-	14,736,440	-	14,736,440
Change in loss on foreign currency translation		-	-	-	(116,898,600)	-	(116,898,600)
Change in unrealized gain on valuation of derivatives		-	-	-	9,738,836	-	9,738,836
Change in unrealized loss on valuation of derivatives		-	-	-	22,854,052	-	22,854,052
Gain on revaluation of land		-	-	-	358,428,358	-	358,428,358
<b>Balance at December 31, 2008</b>	₩	<u>841,036,920</u>	<u>612,500</u>	<u>(195,409,358)</u>	<u>571,153,189</u>	<u>328,310,856</u>	<u>1,545,704,107</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(In thousands of Won)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>			
Net income (loss)	₩	(121,818,091)	180,261,608
Adjustments for:			
Depreciation		51,701,535	54,086,750
Amortization		18,959,685	16,223,745
Accrual for retirement and severance benefits		32,442,095	35,926,614
Stock option compensation		4,581,900	2,600,071
Bad debt expenses		2,936,775	-
Interest expense		613,902	481,661
Impairment losses on property, plant and equipment		114,424	-
Reversal of impairment losses on property, plant and equipment		(555,183)	(18,312,749)
Impairment on non-current investments securities		-	299,980
Other bad debt expenses		4,585,482	-
Impairment on intangible assets		365,022	155,005
Reversal of allowance for doubtful accounts		-	(3,923,589)
Gain on sale of non-current investments, net		(1,889,002)	(33,781,856)
Equity in net loss of equity method accounted investments		440,476,281	35,625,167
Gain on sale of equity method accounted investments		(2,992,897)	-
Gain on sale of property, plant and equipment, net		(114,669,204)	(1,434,071)
Foreign currency translation loss, net		57,118,943	7,324,452
Loss on valuation of derivatives, net		20,449,857	3,648,142
Gain on valuation of firm commitment, net		(23,015,706)	-
Gain on sale of other non-current assets		(131,876)	(1,090,909)
Miscellaneous income		-	(1,622,214)
		<u>491,092,033</u>	<u>96,206,199</u>
Changes in assets and liabilities:			
Inventories		(172,910,680)	752,070
Accounts and notes receivable - trade		64,106,048	(41,088,315)
Accounts and notes receivable - other		14,839,685	(15,685,216)
Accounts and notes payable - trade		(99,837,405)	(22,567,390)
Accounts and notes payable - other		1,951,453	33,688,663
Advance payment		5,685,208	53,633,431
Advance receipts		21,018,447	(83,240,710)
Payment of retirement and severance benefit		(14,775,329)	(41,939,408)
Accrued severance benefit transferred from related parties		444,623	1,698,807
Accrued expenses		2,926,045	9,685,333
Withholdings		4,832,736	(3,112,952)
Deferred tax assets		(6,160,871)	(20,269,908)
Deferred tax liabilities		(39,285,241)	25,093,032
Firm commitment assets, liabilities		23,015,706	-
Dividend received		52,449,293	1,000,000
Others, net		(23,216,490)	57,724,859
		<u>(164,916,772)</u>	<u>(44,627,704)</u>
<b>Net cash provided by operating activities</b>		<u>204,357,170</u>	<u>231,840,103</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
 Non-Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2008 and 2007

(In thousands of Won)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of short-term investments	W	788,460	690,015
Withdrawal of short-term financial instruments		2,327,102,212	17,282,909
Decrease in short-term loans		-	15,355
Proceeds from sale of non-current investments		506,000	40,903,527
Proceeds of equity method accounted investments		3,131,999	-
Proceeds from sale of property, plant and equipment		114,878,938	8,480,072
Contribution for capital expenditure		-	259,316
Decrease in intangible assets		-	1,468,449
Decrease in long-term loans		-	34,000
Proceeds from sale other non-current assets		16,671,385	3,898,675
Acquisition of short-term financial instruments		(2,377,103,367)	(17,009,132)
Acquisition of non-current investments		(11,687,520)	(1,375,674)
Acquisition of equity method accounted investments		(353,562,184)	(699,911,405)
Acquisition of property, plant and equipment		(176,311,050)	(60,332,101)
Acquisition of intangible assets		(18,309,205)	(22,227,947)
Acquisition of other non-current assets		(7,656,043)	(6,248,297)
Decrease of cash in physical division	34	(19,537,317)	-
Acquisition of Business from Doosan Mecatec Co., Ltd.		-	(70,546,000)
<b>Net cash used in investing activities</b>		<u>(501,087,692)</u>	<u>(804,618,236)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		1,068,217,028	2,806,208,199
Proceeds from long-term borrowings		149,737,385	668,866,934
Proceeds from issuance of bond		60,000,000	100,000,000
Exercise of stock option		250,000	-
Repayment of short-term borrowings		(842,955,898)	(2,871,620,915)
Repayment of current portion of long term borrowings		(70,331,605)	(108,349,832)
Repayment of long-term borrowings		-	(602,894)
Dividend paid		(54,725,084)	(54,727,583)
Acquisition of treasury stock		-	(145,451)
<b>Net cash provided by financing activities</b>		<u>310,191,826</u>	<u>539,628,458</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		13,461,304	(33,149,675)
Cash and cash equivalents at beginning of year		<u>10,551,869</u>	<u>43,701,544</u>
<b>Cash and cash equivalents at end of year</b>	W	<u><u>24,013,173</u></u>	<u><u>10,551,869</u></u>

See accompanying notes to non-consolidated financial statements.

# DOOSAN INFRACORE CO., LTD.

## Notes to Non-Consolidated Financial Statements

December 31, 2008 and 2007

### 1. Organization and Description of Business

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

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

The Company 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. The Company's common stock as of December 31, 2008 amounted to ₩ 841,037 million and major stockholders consist of Doosan Heavy Industries and Construction Co., Ltd. (38.86%), Doosan Mecatec Co., Ltd. (6.03%), and Doosan Engine Co., Ltd. (6.03%).

### 2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies

#### (a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

The Company prepares the non-consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea. Except for the items explained in note 28 related to accounting changes and the adoption of changes to Statements of Korean Accounting Standards ("SKAS") No.5 *Property, Plant and Equipment*, No.15 *Investments in Associates*, No.16 *Income Taxes*, SKAS Interpretation 53-70 *Accounting for Derivative Instruments*, Korea Accounting Institute Opinion 06-2 *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures* and Financial Supervisory Services Staff Opinions on Financial Reporting 2008-2 *Forecast Transactions Contracted in a Foreign Currency that meet the Definition of Firm Agreement*, the Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

#### (b) Cash Equivalents

The Company considers short-term deposits with maturities of three months or less on acquisition date to be cash equivalents.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued**

**(c) Allowance for Doubtful Accounts and Restructured Accounts Receivable**

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

When the terms of trade accounts and notes receivable (the principal, interest rate or term) are modified, either through a court order, such as a reorganization, or by mutual formal agreement, resulting in a reduction in the present value of the future cash flows due to the Company, the difference between the carrying value of the relevant accounts and notes receivable and the present value of the future cash flows is recognized as bad debt expense.

**(d) Inventories**

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is determined by the specific identification method for materials in transit and by the gross-average method (moving-average method for raw materials) for all other inventories. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of goods sold and are deducted as an allowance from the carrying value of inventories.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period for acquisition, construction or production as an expense in the period in which they are incurred.

**(e) Investments in Securities (Excluding Investments in Associates and Subsidiaries)**

**Classification**

Upon acquisition, the Company classifies debt and equity securities (excluding investments in associates and subsidiaries) into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at each balance sheet date.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

**Initial recognition**

Investments in securities (excluding investments in subsidiaries and associates) are initially recognized at cost.

**Subsequent measurement and income recognition**

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(e) Investments in Securities (Excluding in Investments Associates and Subsidiaries), Continued

**Fair value information**

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the Company's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

**Presentation**

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the balance sheet date or where the likelihood of disposal within one year from the balance sheet date is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the balance sheet date, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as non-current investments.

**Impairment**

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

(f) Investments in Associates and Subsidiaries

Associates are entities of the Company and its subsidiaries that have the ability to significantly influence the financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(f) Investments in Associates and Subsidiaries, Continued

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Assets acquired through investment in kind or donation are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed by using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful lives</u>
Buildings (half timbered and brick)	40 (20) years
Structures	20 years
Machinery	10 years
Vehicles	5 years
Tools	5 years
Furniture and fixtures	3~5 years

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition or construction of property, plant and equipment as an expense in the period in which they are incurred.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(g) Property, Plant and Equipment, Continued

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

The Company elected to early adopt the revaluation model in accordance with the revised SKAS No.5 *Property, Plant and Equipment*, which is effective from the fiscal year beginning on or after December 31, 2008. The book value of land is accounted at fair value as of the date of the revaluation less accumulated impairment loss. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in comprehensive income is deducted from other comprehensive income. According to the transitional provision to this Standard, the accounting change will be applied prospectively and the prior period non-consolidated financial statements presented for comparative purposes have not been restated.

(h) Intangible Assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Impairment losses are determined as the amount required to reduce the carrying amount of an intangible asset to its recoverable amount.

The criteria for determining whether an incurred cost qualifies as an intangible asset and the periods of amortization for each classification of intangible asset are described below.

(i) Research and Development Costs

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the expense generation process into a research phase and a development phase. All costs incurred during the research phase are expensed as incurred. Costs incurred during the development phase are recognized as assets only if the following criteria are met for recognition in SKAS No.3, *Intangible Assets*: (1) completion of the intangible asset is technically feasible so that it will be available for use or sale; (2) the Company has the intention and ability to complete the intangible asset and use or sell it; (3) there is evidence that the intangible asset will generate probable future economic benefit; (4) the Company has adequate technical, financial and other resources to complete the development of the intangible asset and the intangible asset will be available; and (5) the expenditures attributable to the intangible asset during its development can be reliably determined.

If the costs incurred fail to satisfy these criteria, they are recorded as expenses as incurred. Where development costs satisfy the criteria, they are capitalized and amortized on a straight-line basis over 5 years. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued**

**(h) Intangible Assets, Continued**

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial property rights, franchise rights and software, are amortized using the straight-line method over 5~15 years.

**(i) Government Grant Received for Capital Expenditure**

Government grant received from third parties for capital expenditure are presented as a reduction of the acquisition cost of the acquired assets and, accordingly, reduce depreciation expense related to the acquired assets over their useful lives.

Income from grants that do not require the Company to fulfill any subsequent obligations and is directly related to the Company's operating activities is recognized as operating income, net of related costs. Other income from grants is recognized as other income.

**(j) Retirement and Severance Benefits**

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company (or the bank) in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated balance sheets as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability. However, due to a new regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

**(k) Valuation of Receivables and Payables at Present Value**

Receivables and payables arising from long-term cash loans/borrowings and other similar transactions are stated at present value. The difference between the nominal value and present value of these receivables or payables is amortized using the effective interest method. The amount amortized is included in interest expense or interest income.

**(l) Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate on the balance sheet date, with the resulting gains or losses recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies,  
Continued

(m) Derivatives and Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

**Hedge accounting**

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

**Fair value hedge**

Pursuant to the revised SKAS Interpretation 53-70 *Accounting for Derivative Instruments*, the Company designated non-derivative financial instruments as fair value hedging instruments for the year ended December 31, 2008. The Company has opted for early adoption of this standard, which will be effective from fiscal year beginning on or after December 31, 2008.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges (if a non-derivative financial instrument was designated as fair value hedging instrument, the translation gain or loss) are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**Cash flow hedge**

Pursuant to the revised SKAS Interpretation 53-70 *Accounting for Derivative Instruments*, the Company designated non-derivative financial instrument as cash flow hedging instruments for the year ended December 31, 2008. The Company has opted for early adoption of this standard, which will be effective from the fiscal year beginning on or after December 31, 2008.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued**

**(m) Derivatives and Hedge Accounting, Continued**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges (if non-derivative financial instrument was designated as cash flow hedging instrument, the effective portion of changes resulting from the changes in currency exchange rate) are recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income or expense. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

**Derivatives that do not qualify for hedge accounting**

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in the statement of income.

**Separable embedded derivatives**

Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income.

**(n) Share-based Payments**

The Company has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Company measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

**(o) Provisions, Contingent Assets and Contingent Liabilities**

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued**

**(o) Provisions, Contingent Assets and Contingent Liabilities, Continued**

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

**(p) Revenue Recognition**

The Company's revenue categories principally consist of goods sold and construction contracts.

**Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

**Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the statement of income in proportion to the percentage of completion. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The percentage of completion is assessed by reference to costs incurred for work performed to date to the estimated total contract costs or surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the statement of income.

**(q) Income Taxes**

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(q) Income Taxes, Continued

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

Changes in deferred taxes due to a change in the tax rate except for those related to items initially recognized outside profit or loss (either in other comprehensive income or directly in equity) are recognized as income in the current year.

(r) Earnings Per Share

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares, which comprise callable preferred stock and stock options granted to employees.

(s) Use of Estimates

The preparation of non-consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

3. Restricted Deposits

Deposits which are restricted in use as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

	2008	2007
Short-term financial instruments	₩ 66	66
Long-term financial instruments	12	18
	₩ 78	84

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

4. Transfers of Trade Accounts Receivable

Outstanding trade accounts and notes receivable transferred to and discounted with third parties, and excluded from the accompanying non-consolidated balance sheets, as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won and in thousands of foreign currency)

	2008		2007	
Trade accounts receivable	KRW	231,759	KRW	199,901
	USD	615,864	USD	297,316
	EUR	158,807	EUR	119,452
	JPY	191,689	JPY	677,280
	AED	27,674	AED	-
	AUD	4,734	AUD	4,134
	GBP	19,854	GBP	18,124

As of December 31, 2008, notes discounted with banks for which the Company remained contingently liable amounted to ₩ 275,962 million.

5. Inventories

Inventories as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

		2008	2007
Merchandise	₩	48,892	45,296
Finished goods		108,726	104,145
Work-in-progress		86,180	62,904
Raw materials		234,069	155,487
Supplies		251	-
Materials-in-transit		64,441	49,220
		542,559	417,052
Less allowance for valuation loss		(13,480)	(9,200)
	₩	529,079	407,852

6. Short-term Investment Securities

Short-term investments securities as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

		2008	2007
Held-to-maturity-securities (*)	₩	522	788

(\*) Held to maturity securities are composed of government bonds and municipal bonds.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**7. Other Current Assets**

Other current assets as of December 31, 2008 and 2007 are summarized as follows:

*(In millions of Won)*

		<u>2008</u>	<u>2007</u>
Accrued income	₩	2,781	1,125
Prepaid expenses		5,130	4,603
Other		430	474
	₩	<u>8,341</u>	<u>6,202</u>

**8. Non-current Investments**

Non-current investments as of December 31, 2008 and 2007 are summarized as follows:

*(In millions of Won)*

		<u>2008</u>	<u>2007</u>
Available-for-sale securities	₩	2,543	7,714
Held-to-maturity-securities		11,719	1,092
Long-term financial instruments		12	18
	₩	<u>14,274</u>	<u>8,824</u>

**(a) Available-for-sale securities**

As of December 31, 2008 and 2007, available-for-sale securities consist of marketable securities recorded at fair value and non-marketable securities recorded at cost.

(i) Available-for-sale securities as of December 31, 2008 and 2007 are summarized as follows:

*(In millions of Won)*

		<u>2008</u>		<u>2007</u>
		<u>Acquisition cost</u>	<u>Fair value</u>	<u>Fair value</u>
Marketable securities	₩	1,363	1,130	1,831
Non-marketable securities <sup>(*)</sup> <sup>(**)</sup> <sup>(***)</sup>		1,713	1,413	5,883
	₩	<u>3,076</u>	<u>2,543</u>	<u>7,714</u>

(\*) Due to the bankruptcy of K2 Power Co., Ltd. in 2007 the Company recorded impairment loss of ₩ 300 million, which is the total acquisition cost of the securities.

(\*\*) As Doosan Infracore do Brasil Servicos de Suporte Comercial Ltda. with acquisition cost of ₩ 185 million is small affiliates and the effect of applying the equity method of accounting is not material, the Company does not apply the equity method to investments.

(\*\*\*) These non-marketable securities are recorded at cost since their fair value is not readily determinable.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

8. Non-current Investments, Continued

(ii) Changes in unrealized gains (losses) for the years ended December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

		<u>2008</u>	<u>2007</u>
<b>Net balance at beginning of year</b>	₩	468	22,294
Realized gains on disposition of securities		-	(21,554)
Unrealized losses on valuation of securities		(701)	(272)
<b>Net balance at end of year</b>	₩	<u>(233)</u>	<u>468</u>

(b) Held-to-maturity securities

(i) Held-to-maturity securities as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

		<u>Face value</u>		<u>Book value</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Government bonds and public bonds	₩	769	592	769	592
Corporate debt securities		10,950	500	10,950	500
	₩	<u>11,719</u>	<u>1,092</u>	<u>11,719</u>	<u>1,092</u>

(ii) Maturities of debt securities classified as held-to-maturity securities as of December 31, 2008 are summarized as follows:

(In millions of Won)

		<u>Amortized cost</u>	<u>Fair value</u>
Due within one year	₩	522	522
Due after one year through to five years		11,719	11,719
	₩	<u>12,241</u>	<u>12,241</u>

During 2008 and 2007 the Company recorded interest income of ₩ 160 million and ₩ 109 million in relation to the debt securities, above.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments

- (a) Investments in companies accounted for using the equity method as of December 31, 2008 are summarized as follows:

(In millions of Won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2008
Doosan Infracore (China) Investment Co., Ltd.	100.00%	₩ 33,213	53,625	53,625
Doosan Infracore China Co., Ltd.	90.00%	26,723	307,462	220,146
Doosan Infracore Machine Tools Yantai Co., Ltd.	90.00%	10,555	21,488	16,995
Doosan Infracore Xinjiang Machinery Co., Ltd.(*)	60.00%	4,055	2,416	1,078
Doosan Infracore Europe S.A.	99.72%	102,308	104,715	59,276
Doosan Infracore America Corp.	100.00%	28,969	72,152	34,928
Doosan Infracore Germany GmbH.	100.00%	6,434	31,354	13,502
Doosan Infracore Japan Corp.	100.00%	100	916	916
Daewoo Machinery Co., Ltd.(**)(***)	100.00%	1,308	-	-
Daewoo Maquinas E Equipamentos Ltda.(**)(***)	70.00%	1,181	-	-
Doosan Infracore International, Inc.(****)(*****)	56.48%	506,903	379,685	387,515
Doosan Holdings Europe Ltd.(****)(*****)	51.85%	351,111	244,804	244,804
Doosan Infracore India Private Ltd.(**)(*****)	99.99%	2,611	(3,660)	-
Doosan DST Co., Ltd.(*****)	100.00%	266,961	267,039	259,641
Korea Aerospace Industries, Ltd. (****)	22.23%	159,800	90,850	90,850
Doosan Capital Co., Ltd.(*****)	19.99%	76,000	40,173	61,114
		₩ 1,578,232	1,613,019	1,444,390

(\*) As the current equity method income exceeded the accumulated equity loss unrecognized, the Company resumed the equity method in 2008.

(\*\*) As the carrying amount of equity method accounted investments reaches zero, the Company ceased to use equity method.

(\*\*\*) The subsidiaries are under liquidation as of December 31, 2008.

(\*\*\*\*) Percentage of ownership is calculated by number of common shares.

(\*\*\*\*\*) In relation to Doosan Holdings Europe Ltd.'s long-term borrowings, the Company has provided as collateral, all shares of Doosan Holdings Europe Ltd. and Doosan Infracore International, Inc. owned by the Company (Note 14).

(\*\*\*\*\*\*) As the effect of applying the equity method became material, the Company reclassified its investment from available-for-sale securities to equity method accounted investments in 2008.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

(\*\*\*\*\*) The Company acquired all shares of Doosan DST Co., Ltd. due to the spin-off of the defense manufacturing business unit from the Company in 2008 (Note 34).

(\*\*\*\*\*) The Company accounts for its investment in Doosan Capital Co., Ltd. using the equity method of accounting despite its 19.99% ownership interest as it has ability to significantly influence and operating policy design.

Investments in companies accounted for using the equity method as of December 31, 2007 are summarized as follows:

(In millions of Won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2007
Doosan Infracore (China) Investment Co., Ltd.	100.00%	₩ 27,703	27,697	27,697
Doosan Infracore China Co., Ltd.	90.00%	26,723	194,172	157,640
Doosan Infracore Machine Tools Yantai Co., Ltd.	90.00%	10,555	11,943	10,771
Doosan Infracore Xinjiang Machinery Co., Ltd. (*)	60.00%	4,055	1,362	-
Dajian (Tianjin) Mechanical Construction Co., Ltd. (*)	60.00%	1,782	(462)	-
Doosan Infracore Europe S.A.	99.49%	52,982	59,512	18,032
Doosan Infracore America Corp.	100.00%	23,389	46,915	26,421
Doosan Infracore Germany GmbH.	100.00%	6,433	23,358	12,544
Doosan Infracore South Africa Pty. Ltd. (*)	100.00%	57	3,494	-
Doosan Infracore Japan Corp.	100.00%	100	472	472
Daewoo Machinery Co., Ltd. (*)	100.00%	1,308	-	-
Daewoo Maquinas E Equipamentos Ltda. (*)	70.00%	1,181	-	-
Doosan Infracore International, Inc. (**)(***)	51.85%	326,227	303,593	317,427
Doosan Holdings Europe Ltd. (**)(***)	51.85%	349,190	302,786	317,594
Korea Aerospace Industries, Ltd. (**)	22.23%	159,800	88,584	88,584
Doosan Capital Co., Ltd. (***)	19.99%	76,000	39,928	68,483
		₩ 1,067,485	1,103,354	1,045,665

(\*) As the carrying amount of equity method accounted investments reaches zero, the Company ceased to use equity method.

(\*\*) Percentage of ownership is calculated by number of common shares.

(\*\*\*) In relation to Doosan Holdings Europe Ltd.'s long-term borrowings, the Company has provided as collateral, all shares of Doosan Holdings Europe Ltd. and Doosan Infracore International, Inc. owned by the Company.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

(\*\*\*\*) The Company accounts for its investment in Doosan Capital Co., Ltd. using the equity method of accounting despite its 19.99% ownership interest as it has ability to significantly influence and operating policy design.

(b) Changes in goodwill for equity method accounted investments for the year ended December 31, 2008 are as follows:

(In millions of Won)

Company		Balance at Jan. 1, 2008	Increase	Amortized amount	Others (*)	Balance at Dec. 31, 2008
Doosan Infracore International, Inc.	₩	13,834	1,797	(749)	(7,052)	7,830
Doosan Holdings Europe Ltd.		14,808	1,921	(800)	(15,929)	-
Doosan Capital Co., Ltd.		<u>28,555</u>	<u>-</u>	<u>(7,614)</u>	<u>-</u>	<u>20,941</u>
	₩	<u>57,197</u>	<u>3,718</u>	<u>(9,163)</u>	<u>(22,981)</u>	<u>28,771</u>

(\*) The Company decreased the estimated amount that exceeds the recoverable value of equity method accounted investments.

Changes in goodwill for equity method accounted investments for the year ended December 31, 2007 are as follows:

(In millions of Won)

Company		Balance at Jan. 1, 2007	Increase	Amortized amount	Balance at Dec. 31, 2007
Doosan Infracore International, Inc.	₩	-	13,892	(58)	13,834
Doosan Holdings Europe Ltd.		-	14,870	(62)	14,808
Doosan Capital Co., Ltd.		<u>36,170</u>	<u>-</u>	<u>(7,615)</u>	<u>28,555</u>
	₩	<u>36,170</u>	<u>28,762</u>	<u>(7,735)</u>	<u>57,197</u>

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

(c) Details of eliminated unrealized gains from inter-company transactions as of December 31, 2008 are summarized as follows:

(In millions of Won)

Company	Current assets	Investments	Property & equipment	Total
Doosan Infracore China Co., Ltd.	₩ 87,316	-	-	87,316
Doosan Infracore Machine Tools Yantai Co., Ltd.	4,493	-	-	4,493
Doosan Infracore Xinjiang Machinery Co., Ltd.	1,338	-	-	1,338
Doosan Infracore Europe S.A.	45,439	-	-	45,439
Doosan Infracore America Corp.	37,224	-	-	37,224
Doosan Infracore Germany GmbH.	17,852	-	-	17,852
Doosan Infracore India Private Ltd.	3,746	-	-	3,746
Doosan DST Co., Ltd. (*)	-	1,487	5,911	7,398
	₩ 197,408	1,487	5,911	204,806

(\*) Property & equipment consists of the difference between fair value and carrying amount at the point of spin-off except for gain on revaluation of land (Note 34).

Details of eliminated unrealized gains from inter-company transactions as of December 31, 2007 are summarized as follows:

(In millions of Won)

Company	Current assets	Investments	Property & equipment	Total
Doosan Infracore China Co., Ltd.	₩ 36,532	-	-	36,532
Doosan Infracore Machine Tools Yantai Co., Ltd.	1,172	-	-	1,172
Doosan Infracore Xinjiang Machinery Co., Ltd.	1,705	-	-	1,705
Doosan Infracore Europe S.A.	41,480	-	-	41,480
Doosan Infracore America Corp.	20,494	-	-	20,494
Doosan Infracore Germany GmbH.	10,814	-	-	10,814
Doosan Infracore South Africa Pty. Ltd.	4,226	-	-	4,226
	₩ 116,423	-	-	116,423

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

(d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2008 are as follows:

(In millions of Won)

Company	Balance at Jan. 1, 2008	Acquisition	Net income (loss)	Accumulated other comprehensive income	Other	Balance at Dec. 31, 2008
Doosan Infracore (China) Investment Co., Ltd.	₩ 27,697	5,510	6,221	14,197	-	53,625
Doosan Infracore China Co., Ltd.	157,640	-	27,436	86,519	(51,449)	220,146
Doosan Infracore Machine Tools Yantai Co., Ltd.	10,771	-	1,005	5,219	-	16,995
Doosan Infracore Xinjiang Machinery Co., Ltd.	-	-	283	795	-	1,078
Doosan Infracore Europe S.A.	18,032	49,325	(29,620)	21,539	-	59,276
Doosan Infracore America Corp.	26,421	5,580	(9,097)	12,024	-	34,928
Doosan Infracore Germany GmbH.	12,544	-	(4,994)	5,952	-	13,502
Doosan Infracore Japan Corp.	472	-	98	346	-	916
Doosan Infracore International, Inc.	317,427	180,675	(162,934)	52,347	-	387,515
Doosan Holdings Europe Ltd.	317,594	1,921	(147,089)	72,378	-	244,804
Doosan Infracore India Private Ltd.	-	2,054	(2,611)	-	557	-
Doosan DST Co., Ltd. (*)	-	266,961	(115,816)	108,496	-	259,641
Korea Aerospace Industries, Ltd.	88,584	-	2,266	-	-	90,850
Doosan Capital Co., Ltd.	68,483	-	(5,624)	(745)	(1,000)	61,114
	₩ 1,045,665	512,026	(440,476)	379,067	(51,892)	1,444,390

(\*) Net loss of Doosan DST Co., Ltd. includes net loss of ₩ 115,894 million arised from spin-off of defense manufacturing business unit (Note 34).

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2007 are as follows:

(In millions of Won)

Company	Balance at Jan. 1, 2007	Acquisi- tion	Net income (loss)	Accumulated other comprehensive income	Dividend received	Balance at Dec. 31, 2007
Doosan Infracore (China) Investment Co., Ltd.	₩ 2,482	24,493	4,890	(4,168)	-	27,697
Doosan Infracore China Co., Ltd.	114,613	-	28,062	14,965	-	157,640
Doosan Infracore Machine Tools Yantai Co., Ltd.	6,412	-	3,585	774	-	10,771
Doosan Infracore Europe S.A.	46,029	-	(31,246)	3,249	-	18,032
Doosan Infracore America Corp.	21,322	-	7,148	(2,049)	-	26,421
Doosan Infracore Germany GmbH.	10,628	-	532	1,384	-	12,544
Doosan Infracore Japan Corp.	470	-	(31)	33	-	472
Doosan Infracore International, Inc.	-	326,228	(13,578)	4,777	-	317,427
Doosan Holdings Europe Ltd.	-	349,190	(36,014)	4,418	-	317,594
Korea Aerospace Industries, Ltd.	84,163	-	4,439	(18)	-	88,584
Doosan Capital Co., Ltd.	75,229	-	(3,412)	(2,334)	(1,000)	68,483
₩	<u>361,348</u>	<u>699,911</u>	<u>(35,625)</u>	<u>21,031</u>	<u>(1,000)</u>	<u>1,045,665</u>

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

(e) Financial information of equity-accounted investments, which represents 100% of the entities' balances, as of December 31, 2008 is summarized as follows:

*(In millions of Won)*

Company	Total assets	Total liabilities	Sales	Net income (loss)
Doosan Infracore (China) Investment Co., Ltd. (*)	₩ 79,629	26,004	6,627	6,221
Doosan Infracore China Co., Ltd.	851,653	510,029	1,206,687	75,713
Doosan Infracore Machine Tools Yantai Co., Ltd.	63,534	39,658	85,292	4,192
Doosan Infracore Xinjiang Machinery Co., Ltd. (*)	18,874	14,847	26,992	669
Doosan Infracore Europe S.A. (*)	318,202	214,642	456,208	(25,678)
Doosan Infracore America Corp.	280,697	208,545	491,018	3,244
Doosan Infracore Germany GmbH.	113,543	82,189	189,184	1,190
Doosan Infracore Japan Corp. (*)	13,355	12,439	1,618	98
Doosan Infracore International, Inc.("DII") (**)(**)	4,047,538	2,889,901	2,019,773	(296,946)
Doosan Holdings Europe Ltd.("DHEL") (**)(**)	5,300,003	4,255,211	1,309,748	(251,410)
Doosan Infracore India Private Ltd. (*)	15,998	19,659	8,190	(6,232)
Doosan DST Co., Ltd. Korea Aerospace Industries, Ltd. (*)	504,257	237,218	135	79
Doosan Capital Co., Ltd.	1,054,964	600,354	910,126	19,059
	2,044,762	1,843,755	369,722	8,966

(\*) The Company used the unaudited financial statements of these companies when applying the equity method of accounting. The Company performed a reliability test in order to verify the reliability of unaudited financial statements.

(\*\*) The Company applied equity method for DII and DHEL using the financial statements which are reflected the goodwill impairment test based on the valuation results of external expert in Korea according to generally accepted accounting principle in Korea. As a result of the goodwill impairment test, the amount of goodwill of DII and DHEL recorded on the above financial statements is USD 1,676,271 thousand and USD 1,462,034, respectively. The Company's management believes that these amounts are the best estimates of the recoverable amount of goodwill as of the audit report date. In addition, the goodwill valuation of external expert in USA in accordance with generally accepted accounting principle in the United States of America is in process at the audit report date. If the difference between each other's evaluation results is deemed material and is based on the unidentified facts as of the audit report date, these best estimates could be changed.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

9. Equity Method Accounted Investments, Continued

- (f) As the carrying amount of the equity method accounted investments reaches zero, the Company ceased to use equity method. The amount of unrecognized equity method losses for the year ended December 31, 2008 and the accumulated amount of losses up to 2007 are as follows:

(In millions of Won)

Company	2008	Accumulated up to 2007	Total
Doosan Infracore India Private Ltd.	₩ (7,406)	-	(7,406)

10. Transactions and Balances with Related Companies

- (a) Details of parent and subsidiary relationships as of December 31, 2008 are as follows:

Parent	Control relationship	
Doosan Corp.	Ultimate controlling party	
Doosan Heavy Industries and Construction Co., Ltd.	Immediate parent	
	Ownership	
Controlled subsidiary	The Company	Subsidiary
Doosan DST Co., Ltd.	100.00%	-
Doosan Infracore China Co., Ltd.	90.00%	10.00%
Doosan Infracore Machine Tools Yantai Co., Ltd.	90.00%	10.00%
Doosan Infracore Xinjiang Machinery Co., Ltd.	60.00%	-
Doosan Infracore (China) Investment Co., Ltd.	100.00%	-
Doosan Infracore Liaoning Machinery Co., Ltd.	-	70.00%
Doosan Infracore Suzhou Co., Ltd.	-	100.00%
Doosan Infracore Europe S.A.	99.72%	0.28%
Doosan Infracore U.K. Ltd.	-	100.00%
Doosan Infracore Germany GmbH.	100.00%	-
Doosan Infracore America Corp.	100.00%	-
Doosan Infracore Japan Corp.	100.00%	-
Doosan Holdings Europe Ltd.	32.56%	-
Doosan Infracore International, Inc.	38.57%	-
Doosan Holdings International Ltd.	-	100.00%
Doosan Holdings Germany GmbH.	-	100.00%
Doosan Holding France S.A.S	-	100.00%
Goldwave Ltd.	-	100.00%
Doosan Techno Holding Co. Ltd.	-	50.05%
Doosan Benelux SA	-	100.00%
Doosan Infracore Portable Power of Netherlands BV	-	100.00%
Doosan International Italia S.r.L.	-	100.00%
Doosan International Construction Equipment Espana, S.L.	-	100.00%

10. Transactions and Balances with Related Companies, Continued

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

Controlled subsidiary	Ownership	
	The Company	Subsidiary
CJSC Doosan International Russia	-	100.00%
Doosan International USA, Inc.	-	100.00%
Doosan International Australia Pty Ltd.	-	100.00%
Doosan International Korea Ltd.	-	100.00%
Doosan International China Co. Ltd.	-	100.00%
Doosan International Manufacturing China Co. Ltd.	-	100.00%
Doosan International South East Asia Pte. Ltd.	-	100.00%
Doosan Construction Equipment Malaysia Co. Soln. Bhd.	-	100.00%
Doosan International India Private Ltd.	-	100.00%
Doosan International South Africa Ltd.	-	100.00%
Doosan International do Brasil Commercial and Market Related Consulting Ltda.	-	100.00%
Doosan International Mexico S.A. de C.V.	-	100.00%
Doosan Bobcat Chile	-	99.99%
Doosan Bobcat Manufacturing s.r.o.	-	100.00%
Bobcat Equipment CR s.r.o.	-	100.00%
Doosan Trading Ltd.	-	100.00%
Bobcat Parts Services GmbH.	-	100.00%
Doosan Beteiligungs GmbH.	-	100.00%
Bobcat Bensheim GmbH & Co KG	-	100.00%
Doosan E.C.	-	100.00%
Bobcat of Lyon SAS	-	100.00%
Bobcat France S.A.	-	100.00%
Montabert	-	100.00%
Inet Holdings US Inc.	-	100.00%
Geith International Ltd.	-	100.00%
Sallyditch Holdings Ltd.	-	100.00%
Attachments Express.com, Inc.	-	100.00%
Geith Inc.	-	100.00%
Geith International UK Ltd.	-	100.00%
Goldwave Holdings Ltd.	-	100.00%
Geith Patents Ltd.	-	100.00%
Wraithmaiden, Inc.	-	100.00%
Clark Equipment Co.	-	100.00%
Bobcat Reno	-	100.00%
Clark Business Services Corporation	-	100.00%
Perimeter Bobcat, Inc.	-	100.00%
Bobcat Corp.	-	100.00%
Bobcat Equipment Ltd.	-	100.00%

(\*) The ultimate controlling party is Doosan Corp. and immediate parent which prepares and presents of consolidated financial statements is Doosan Heavy Industries and Construction Co., Ltd.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

10. Transactions and Balances with Related Companies, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

Relationship	Company	Transaction	2008	2007
Parent	Doosan Corp.	Sales	₩ 1,666	1,627
		Purchases	56,538	35,053
	Doosan Heavy Industries and Construction Co., Ltd.	Sales	-	271
		Purchases	1,120	126
Exercising significant Influence over an investee	Doosan Mecatec Co., Ltd. (*)	Sales	50	18
		Purchase	20,266	77,307
	Doosan Engine Co., Ltd	Sales	3,520	-
		Purchase	2,944	-
Subsidiary	Doosan Infracore America Corp.	Sales	325,456	336,237
		Purchase	795	3,526
	Doosan Infracore China Co., Ltd.	Sales	566,719	401,178
		Purchases	52,688	38,263
	Doosan Infracore Europe S.A.	Sales	288,789	400,542
		Purchases	5,763	6,874
	Doosan Infracore Germany GmbH.	Sales	163,620	136,277
		Purchases	2,314	1,604
	Doosan Infracore Japan Corp.	Purchases	1,505	1,925
		Doosan Infracore U.K., Ltd.	Sales	63,631
	Doosan Infracore Machine Tools Yantai Co., Ltd.		Purchases	1,439
		Doosan Infracore Machine Tools Yantai Co., Ltd.	Sales	36,565
	Doosan Infracore Machine Tools Yantai Co., Ltd.		Purchases	8,853
		Doosan Machinery America Inc. (**)	Sales	-
Doosan Machinery Europe GmbH. (**)	Sales		-	2,658
	Equity method investee	Korea Aerospace Industries, Ltd.	Purchases	-
Sales			14	-
Doosan Capital Co., Ltd.		Purchases	4,361	-
		Sales	9,915	27,395
Doosan Infracore South Africa Pty. Ltd. (***)	Purchases	127	439	
Other related party	Doosan Construction & Engineering Co., Ltd.	Purchases	45,009	4,311
	Doosan Tower	Purchases	5,329	87
		Purchases	12,883	10,447
	Doosan Bears Inc.	Purchases	4,221	4,017
		Sales	-	34
	Doosan Cuvex Co., Ltd.	Purchases	553	135
		Sales	2,599	-
	Doosan Mottrol Co., Ltd.	Purchases	46,386	-
		Purchase	619	-
	Doosan Dong-A Neoplux Co., Ltd.	Purchases	992	6,448
Purchases		306	329	

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

10. Transactions and Balances with Related Companies, Continued

*(In millions of Won)*

Relationship	Company	Transaction	2008	2007
Other related party	Donghyun Engineering Co., Ltd.	Purchases	₩ 1,874	1,447
	Doosan Credit Union	Purchases	363	334
	N shaper Corp.	Sales	8	4
		Purchases	1,269	994
	Samhwa Crown & Closure Co., Ltd.	Sales	-	27
	Doosan Ecobiznet Co., Ltd.	Purchases	-	4

(\*) The Company took over the business segment of the machine tools and factory automation system of the Doosan Mecatec Co., Ltd. on January 1, 2007.

(\*\*) The company was merged with Doosan Infracore America Corp. and Doosan Infracore Germany GmbH. in 2007.

(\*\*\*) The company is no longer related company, the amounts came from transactions for maintaining related company.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

10. Transactions and Balances with Related Companies, Continued

(c) Account balances with related companies as of December 31, 2008 are as follows:

*(In millions of Won)*

Relationship	Company	Receivables	Payables
Parent	Doosan Corp.	₩ 29	20,252
	Doosan Heavy Industries and Construction Co., Ltd.	-	1,071
Exercising significant influence over an investee	Doosan Mecatec Co., Ltd.	-	1,602
	Doosan Engine Co., Ltd.	2,827	-
Subsidiary	Doosan DST Co., Ltd.	124	5,180
	Doosan Infracore China Co., Ltd.	25,541	1,884
	Doosan Infracore America Corp.	39,093	6,864
	Doosan Infracore Europe S.A.	69,277	6,109
	Doosan Infracore Germany GmbH.	5,657	12,100
	Doosan Infracore Japan Corp.	40	9,864
	Doosan Infracore U.K., Ltd.	31,924	1,170
	Doosan Infracore Machine Tools Yantai Co., Ltd.	4,782	2,130
Equity method investee	Doosan Capital Co., Ltd.	-	1,096
Other related party	Doosan Construction & Engineering Co., Ltd.	-	5,559
	Doosan Tower	3,442	61
	Oricom	-	5,754
	Doosan Bears Inc.	1,117	-
	Doosan Cuvex Co., Ltd.	3,892	2
	Doosan Dong-a	-	271
	Doosan Mottrol Co., Ltd.	151	20,695
	Donghyun Engineering Co., Ltd.	-	73
	N Shaper corp	-	3
		₩ 187,896	101,740

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

10. Transactions and Balances with Related Companies, Continued

Account balances with related companies as of December 31, 2007 are as follows:

*(In millions of Won)*

Relationship	Company	Receivables	Payables
Parent	Doosan Corp.	₩ 856	14,936
	Doosan Heavy Industries and Construction Co., Ltd.	97	108
Exercising significant influence over an investee	Doosan Mecatec Co., Ltd.	540	2,401
	Doosan Engine Co., Ltd.	29,527	-
Subsidiary	Doosan Infracore China Co., Ltd.	118,984	9,749
	Doosan Infracore America Corp. (*)	99,462	6,754
	Doosan Infracore Europe S.A.	80,387	6,893
	Doosan Infracore Germany GmbH. (*)	19,359	24,432
	Doosan Infracore Japan Corp.	-	9,733
	Doosan Infracore U.K., Ltd.	35,734	1,544
	Doosan Infracore Machine Tools Yantai Co., Ltd.	271	157
Equity method investee	Doosan Capital Co., Ltd.	15	171
	Doosan Infracore (China) Investment Co., Ltd.	42	-
	Doosan Infracore South Africa Pty. Ltd.	10,067	441
Other related party	Doosan Construction & Engineering Co., Ltd.	-	4,659
	Doosan Tower	16,131	132
	Oricom	-	8,692
	Doosan Bears Inc.	680	-
	Doosan Cuvex Co., Ltd.	3,324	8
	Neoplux Co., Ltd.	-	1,274
	SRS Korea	-	113
	Donghyun Engineering Co., Ltd.	112	23
	Doosan Credit union	-	54
	N Shaper Corp.	-	1
	Samhwa Crown & Closure Co., Ltd.	30	-
	Doosan Ecobiznet Co., Ltd.	-	5
		₩ 415,618	92,280

(\*) Receivables and payables of Doosan Machinery America Inc. and Doosan Machinery Europe GmbH. are included.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

10. Transactions and Balances with Related Companies, Continued

- (d) Key management personnel compensations in total and for each of the following categories for the years ended December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

Compensation details		2008	2007
Short-term employee benefits, etc	₩	35,536	38,609
Share-based payment		4,582	2,600
	₩	40,118	41,209

Key management includes registered directors including outside directors, non-registered directors, and Business Group Heads.

- (e) Details of guarantees which the Company had provided for related companies as of December 31, 2008 are as follows:

Guarantee recipient	Type of borrowings	Guaranteed amount (thousands)
Doosan Infracore Germany GmbH.	Borrowings	EUR 14,400
Doosan Infracore U.K. Ltd.	Borrowings	GBP 5,000
Doosan Infracore International, Inc.	Borrowings	USD 17,000
Clark Equipment Co.	Rental expenses	USD 96

- (f) Disposal of shares of Doosan Corp. to related parties for the year ended December 31, 2007 is as follows:

*(In millions of Won)*

	Description
Disposal date	May 3, 2007
Approval date of B.O.D	May 3, 2007
Description of transaction	Sold 500,000 shares of Doosan Corp. to related parties including Park Jung Won and 9 persons.
Selling price	₩ 40,786 (excluding disposal fee)
Cost	₩ 7,000
Gain on disposal	₩ 33,786

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

11. Property, Plant and Equipment

(a) Property, plant and equipment at December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

		<u>2008</u>	<u>2007</u>
Property, plant and equipment at cost	₩	1,684,487	1,224,123
Accumulated depreciation		(433,146)	(465,524)
Accumulated impairment		(4,489)	(4,929)
<b>Property, plant and equipment, net</b>	<b>₩</b>	<b><u>1,246,852</u></b>	<b><u>753,670</u></b>

(b) Changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

(In millions of Won)

		<u>2008</u>							
		<u>Book value as of Jan. 1</u>	<u>Acquisi- tion</u>	<u>Disposals</u>	<u>Revalua- tion(*)</u>	<u>Transfer</u>	<u>Deprecia- tion</u>	<u>Other (**)</u>	<u>Book value as of Dec. 31</u>
Land	₩	344,823	26,721	(244)	459,965	-	-	(43,517)	787,748
Buildings		194,005	12,442	(752)	-	15,685	(7,455)	(22,448)	191,477
Structures		30,861	952	(754)	-	9,728	(2,938)	(4,870)	32,979
Machinery		115,421	8,466	(3,992)	-	8,659	(19,473)	(6,426)	102,655
Vehicles		2,436	839	-	-	299	(1,146)	(91)	2,337
Tools		27,453	5,643	(153)	-	545	(10,708)	(2,585)	20,195
Furniture and fixtures		21,702	9,379	(227)	-	3,052	(9,982)	(752)	23,172
Construction -in- progress (***)		<u>16,969</u>	<u>112,568</u>	<u>-</u>	<u>-</u>	<u>(39,760)</u>	<u>-</u>	<u>(3,488)</u>	<u>86,289</u>
	<b>₩</b>	<b><u>753,670</u></b>	<b><u>177,010</u></b>	<b><u>(6,122)</u></b>	<b><u>459,965</u></b>	<b><u>(1,792)</u></b>	<b><u>(51,702)</u></b>	<b><u>(84,177)</u></b>	<b><u>1,246,852</u></b>

(\*) The Company elected to early adopt the revaluation model in accordance with the revised SKAS No.5 *Property, Plant and Equipment*, which is effective from the fiscal year beginning on or after December 31, 2008. Revaluated land would have been recognized under the cost model at ₩ 327,783 million. As the Company adopted the revaluation model in current year for the first time, land of ₩ 459,965 million, other comprehensive income of ₩ 358,428 million (net of tax ₩ 101,096 million) was increased and reversal of impairment losses of property, plant and equipment of ₩ 555 million, impairment losses of property, plant and equipment of ₩ 114 million and income tax of ₩ 97 million (non-current deferred income tax) was recognized.

(\*\*) The Property, plant and equipment of defense manufacturing business unit transferred to Doosan DST Co. Ltd. (Note 34).

(\*\*\*) The Company expensed ₩ 111,870 million except accrual for retirement and severance benefits ₩ 698 million in relation to construction in progress during 2008.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

11. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the year ended December 31, 2007 are as follows:

		2007					Book value as of Dec. 31
		Book value as of Jan. 1	Acquisition	Disposals	Depreciation	Other	
Land (*)	₩	328,963	-	(2,453)	-	18,313	344,823
Buildings		203,111	183	(3,258)	(7,341)	1,310	194,005
Structures		29,794	1,321	(92)	(2,748)	2,586	30,861
Machinery		97,912	9,970	(1,067)	(22,126)	30,732	115,421
Vehicles		2,582	1,025	(3)	(1,252)	84	2,436
Tools		29,210	7,699	(123)	(10,935)	1,602	27,453
Furniture and fixtures		18,499	11,813	(50)	(9,685)	1,125	21,702
Construction- in-progress		19,721	28,321	-	-	(31,073)	16,969
	₩	<u>729,792</u>	<u>60,332</u>	<u>(7,046)</u>	<u>(54,087)</u>	<u>24,679</u>	<u>753,670</u>

(\*) The Company reactivated the Gunsan factory in 2007 and reversed the amount of impairment loss previously recognized as the estimated recovery amount, which is the larger amount of value of use or net sales amount, exceeds the book value of the Gunsan factory land.

(c) Insurance

As of December 31, 2008, inventories, cash, investment securities, and property, plant and equipment are insured against fire and other types of damage up to ₩ 4,762,139 million, and the Company's rights for property insurance benefits are pledged as collateral to Korea Development Bank to guarantee its debt payment (Note 14).

(d) The officially declared value of land at December 31, 2008, as announced by the Minister of Construction and Transportation, was as follows:

		Book value	Declared value
Land	₩	787,748	439,182

The officially declared value, which is used for government purposes, is not intended to represent fair value.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

12. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2008 are as follows:

(In millions of Won)

	2008			
	Development costs	Government subsidy	Industrial property rights	Other
Net balance at beginning of year	₩ 57,729	(395)	2,131	12,541
Increases	11,870	-	439	6,000
Amortization	(14,602)	132	(404)	(4,086)
Other (*)	(1,065)	-	(480)	592
Net balance at end of year	₩ 53,932	(263)	1,686	15,047

(\*) Other changes include transferred amounts of defense manufacturing business unit (Note 34) and other intangible assets transferred from construction-in-progress.

(b) Changes in intangible assets for the year ended December 31, 2007 are as follows:

(In millions of Won)

	2007			
	Development costs	Government subsidy	Industrial property rights	Other
Net balance at beginning of year	₩ 53,138	(1,816)	2,085	8,435
Increases	15,658	(259)	475	6,094
Amortization	(13,286)	172	(429)	(2,682)
Other (*)	2,219	1,508	-	694
Net balance at end of year	₩ 57,729	(395)	2,131	12,541

(\*) Other changes include transferred development cost from Doosan Mecatec Co., Ltd. and other intangible assets transferred from construction-in-progress.

(c) Research and development costs incurred for the years ended December 31, 2008 and 2007 are ₩ 85,151 million and ₩ 78,157 million, respectively.

13. Other Non-current Assets

Other non-current assets as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

	2008	2007
Guarantee deposits	₩ 7,645	21,520
Allowances for doubtful accounts	(285)	(236)
Membership	20,846	17,450
	₩ 28,206	38,734

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

14. Pledged Assets and Guarantees

- (a) The following assets are pledged as collateral for the Company's short-term borrowings and long-term debt as of December 31, 2008:

*(In millions of Won and in thousands of foreign currency)*

Asset	Lender	Collateralized amount	Type of borrowings	Borrowing amount
Land, buildings structures, machinery (*)	Korea Development Bank	KRW 184,413	Construction	KRW 158,000
		USD 95,026		USD 14,582
		DM 84,000		
Land, buildings	Doosan 2nd Real Estate Co., Ltd. Doosan 3rd Real Estate Co., Ltd.	KRW 55,939	Purchase real estate	KRW 18,933

(\*) The Company's rights for property insurance benefits are pledged as collateral to Korea Development Bank.

- (b) Guarantees provided and assets pledged as collateral on behalf of related companies as of December 31, 2008 are as follows:

Asset	Related company	Guaranteed amount (thousands)	Lender
Equity method accounted investments (All shares of DII and DHEL owned by the Company)	Doosan Holdings Europe Ltd.	USD 2,900,000	Korea Development Bank and others

- (c) The following assets are pledged by related companies as collateral for the Company's foreign currency borrowings as of December 31, 2008:

Pledged asset	Lender	Pledged amount (thousands)	Type of borrowings	Borrowing amount	Borrowing amount (thousands)
Cash & cash equivalent	Babcock	GBP 13,300	Foreign currency borrowings	Korea Exchange Bank	GBP 13,300
		USD 30,000		USD 30,000	
		USD 50,000		SC Korea First Bank	USD 50,000

- (d) The Company entered into agreements with various banks for the guarantees of letters of credit and usance bills related to the Company's exports and imports, totaling USD 3,952 thousand and EUR 240 thousand. In addition the Company entered into contracts with Seoul Guarantee Insurance Company and Machinery Financial Cooperative for the guarantees related to contracts and warranties totaling ₩ 79,975 million as of December 31, 2008.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

15. Other Current Liabilities

Other current liabilities as of December 31, 2008 and 2007 are as follows:

<i>(In millions of Won)</i>	2008	2007
Withholdings	₩ 4,598	4,107
Deposits received	10,465	6,124
Provision for returned goods	523	-
Other	20,234	12,202
	₩ 35,820	22,433

16. Long-term Debt

(a) Long-term foreign currency borrowings as of December 31, 2008 and 2007 are summarized as follows:

Lender	Annual interest rate		2008		2007		
			Foreign currency (thousands)	Won equivalents (millions)	Foreign currency (thousands)	Won equivalents (millions)	
Kookmin Bank	3M Libor+0.48%	USD	897 ₩	1,128	USD	1,346 ₩	1,263
Korea Asset Management Corporation	0~3M Libor+0~0.58%	USD	7,112	8,944	USD	10,668	10,009
The Korea Development Bank	3M Libor+0.74%	USD	14,582	18,337	USD	35,126	32,955
The Export-Import Bank of Korea	3M Libor+0.65%	USD	10,663	13,408	USD	17,753	16,655
AKA Bank	6M Eulibor+0.45%	EUR	5,497	9,764	EUR	5,966	8,241
Korea Exchange Bank	3M Libor+4.50%	USD	30,000	37,725	-	-	-
Korea Exchange Bank	Standard rate+4.60%	GBP	13,300	24,175	-	-	-
SC Korea First Bank	3M Libor+4.50%	USD	50,000	62,875	-	-	-
Kookmin Bank(*)	6M Libor+1.60%	USD	18,000	22,635	USD	18,000	16,888
The Korea Development Bank(*)	"	USD	248,000	311,860	USD	248,000	232,674
Woori Bank(*)	"	USD	90,000	113,175	USD	90,000	84,438
The Export-Import Bank of Korea(*)	"	USD	130,000	163,475	USD	130,000	121,966
Industrial Bank of Korea(*)	"	USD	50,000	62,875	USD	50,000	46,910
Shinhan Bank(*)	"	USD	90,000	113,175	USD	90,000	84,438

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

16. Long-term Debt, Continued

Lender	Annual interest rate	2008		2007	
		Foreign currency (thousands)	Won equivalents (millions)	Foreign currency (thousands)	Won equivalents (millions)
Hana Bank(*)	6M Libor+1.60%	USD 35,000	₩ 44,013	USD 35,000	₩ 32,837
Korea Exchange Bank(*)	"	USD 21,000	26,408	USD 21,000	19,702
HSBC(*)	"	USD 9,000	11,317	USD 9,000	8,444
First Gulf Bank(*)	"	USD 9,000	11,317	USD 9,000	8,444
			1,056,606		725,864
Less current portion of long-term debt			(153,675)		(30,332)
Difference between the nominal value and present value			(3)		(5)
			₩ 902,928		₩ 695,527

(\*) Long-term borrowings are to finance the acquisition of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd.

(b) Bonds as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

Bonds & Debentures	Maturity	Annual interest rate	2008	2007
Bonds	2008.10.28	-	₩ -	20,000
	2008.10.28	-	-	20,000
	2009.4.28	CD91 rate+0.33%	20,000	20,000
	2009.4.28	5.08%	20,000	20,000
	2009.10.28	CD91 rate+0.43%	20,000	20,000
	2009.10.28	5.22%	20,000	20,000
	2010.4.5	5.65%	50,000	100,000
	2010.12.30	9.18%	60,000	-
			190,000	220,000
Less current portion of long-term debt			(80,000)	(40,000)
			₩ 110,000	180,000

(c) Aggregate maturities of the Company's long-term debts as of December 31, 2008 are summarized as follows:

(In millions of Won)

Maturity	Foreign currency debt	Bonds	Total
2009	₩ 153,675	80,000	233,675
2010	190,774	110,000	300,774
2011	177,023	-	177,023
2012	177,074	-	177,074
2013 and thereafter	358,060	-	358,060
	₩ 1,056,606	190,000	1,246,606

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

17. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2008 and 2007 are summarized as follows:

	2008		2007		
	Foreign currency (thousands)	Won equivalent (millions)	Foreign currency (thousands)	Won equivalent (millions)	
<b>Assets</b>					
Cash and cash equivalents	USD	12,792	₩	16,087	
	EUR	6,153		10,929	
	GBP	553		1,004	
	JPY	9,288		129	
Accounts and notes receivable - trade	USD	192,450	USD	322,666	
	GBP	17,443	GBP	19,363	
	JPY	139,557	JPY	-	
	ITL	-	ITL	2,147	
	CNY	6,830	CNY	6,674	
	AED	387	AED	-	
	EUR	47,959	EUR	69,606	
Accounts and notes receivable - other	AUD	681	AUD	-	
	USD	12,354	USD	10,723	
	GBP	646	GBP	13	
	JPY	-	JPY	3,997	
	EUR	4,259	EUR	1,774	
	USD	217,596	USD	333,898	
	GBP	18,642	GBP	19,392	
<b>Total assets</b>	JPY	148,845	JPY	3,997	
	ITL	-	ITL	2,147	
	CNY	6,830	CNY	6,674	
	EUR	58,371	EUR	74,083	
	AED	387	AED	-	
	AUD	681	AUD	-	
		₩	415,245	₩	452,825

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

17. Assets and Liabilities Denominated in Foreign Currency, Continued

	2008		2007	
	Foreign currency (thousands)	Won equivalent (millions)	Foreign currency (thousands)	Won equivalent (millions)
<b>Liabilities</b>				
Accounts and notes payable - trade	USD 8,635	₩ 10,859	USD 15,241	₩ 14,299
	EUR 9,774	17,361	EUR 19,070	26,341
	GBP 138	251	GBP 526	986
	JPY 508,377	7,086	JPY 1,313,490	10,941
	CHF 167	199	CHF -	-
Accounts and notes payable - other	USD 18,288	22,997	USD 44,507	41,756
	JPY 239,539	3,339	JPY 111,880	932
	EUR 5,054	8,978	EUR 8,105	11,195
	GBP 870	1,581	GBP 1,198	2,245
	BEF -	-	BEF 72	2
	CHF -	-	CHF 57	47
	AED 364	125	AED -	-
	AUD 119	103	AUD 282	232
	CNY 1,679	309	CNY 1,349	173
	HKD -	-	HKD 19	2
	MYR -	-	MYR 60	17
	SGD 1	1	SGD 218	141
	BRL 23	12	BRL -	-
	NOK 348	63	NOK -	-
Short-term borrowings	USD 4,122	5,183	USD 25,142	23,588
	EUR 3,185	5,657	EUR 57	79
	GBP -	-	GBP 3	6
	JPY 5,555	77	JPY -	-
Long-term debt (including current portion of long-term debt)	USD 813,254	1,022,667	USD 764,893	717,623
	GBP 13,300	24,175	GBP -	-
	EUR 5,497	9,764	EUR 5,966	8,241
Accrued expenses	USD 4,373	5,499	USD 5,935	5,568
	GBP 118	215	GBP 4	7
	JPY 9	1	JPY -	-
	EUR 11	20	EUR -	-
	USD 848,672		USD 855,718	
	JPY 753,480		JPY 1,425,370	
	EUR 23,521		EUR 33,198	
	GBP 14,426		GBP 1,731	
	BEF -		BEF 72	
	SGD 1		SGD 218	
	CHF 167		CHF 57	
	AUD 119		AUD 282	
	CNY 1,679		CNY 1,349	
	HKD -		HKD 19	
	MYR -		MYR 60	
	AED 364		AED -	
	BRL 23		BRL -	
	NOK 348	₩ 1,146,522	NOK -	₩ 864,421

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

**17. Assets and Liabilities Denominated in Foreign Currency, Continued**

The Company recognized loss on foreign currency translation amounting to ₩ 57,119 million as non-operating loss in relation to the above foreign currency translation.

**18. Retirement and Severance Benefits**

Changes in retirement and severance benefits for the years ended December 31, 2008 and 2007 are summarized as follows:

*(In millions of Won)*

	2008	2007
<b>Estimated retirement and severance benefits at beginning of year</b>	₩ 164,276	138,789
Accrual for retirement and severance benefits	32,442	35,927
Payments	(21,436)	(19,873)
Transferred from related parties	445	1,699
Other increment (*)	(22,713)	7,734
<b>Estimated retirement and severance benefits at end of year</b>	153,014	164,276
Transfer to National Pension Fund	(1,408)	(1,910)
Deposit for severance benefit insurance	(87,117)	(106,658)
<b>Net balance at end of year</b>	₩ 64,489	55,708

(\*) Other increment in 2008 includes the transferred amount of defense manufacturing business unit (Note 34) and the amount recognized as construction-in-progress and other increment in 2007 includes the transferred amount from Factory Automation segment of Doosan Mecatec Co., Ltd. and the amount recognized as construction-in-progress.

The Company maintains an employees' severance benefit insurance arrangement with Korea Development Bank. Under this arrangement, the Company has made a deposit in the amount equal to 57 % and 65% of the reserve balances of retirement and severance benefits as of December 31, 2008 and 2007, respectively. This deposit is to be used to guarantee the required payments to the retirees and is accounted for as a reduction in the reserve balance.

**19. Commitments and Contingencies**

- (a) As of December 31, 2008, three blank notes had been provided to Korea Asset Management Co., Ltd. and Korea Defense Industry Association as collateral for borrowings and transaction agreement.
- (b) The Company is involved in 7 lawsuits aggregating to ₩ 9,412 million and USD 49,000 thousand as a defendant and 4 lawsuits aggregating to ₩ 17,973 million as a plaintiff as of December 31, 2008. The ultimate outcome of the lawsuit cannot presently be determined.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

19. Commitments and Contingencies, Continued

(c) The Company formed a consortium including the Company, Doosan Engine Co., Ltd., and unrelated financial investors to acquire shares of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd. Regarding this transaction, significant provisions are as follows:

(i) Put option

In relation to above transactions the financial investors have put options to sell their convertible preferred shares, not converted within 5 years from the date of the remittance at their original investment cost plus interest at 9%, compounded annually. The financial investors shall not sell their shares to third parties without consent of the Company.

(ii) Financial covenant

The Company entered into a loan agreement with lenders, including Korea Development Bank and 9 other financial institutions, for long-term borrowings of USD 700 million in connection with the Company's capital contributions to Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd. This agreement requires the Company 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.

20. Derivative Instruments and Hedge Accounting

(a) Details of derivative instruments outstanding as of December 31, 2008 are as follows:

Purpose	Hedging item	Contract description
Fair value hedge	Foreign currency forwards	A contract to avoid exchange risk arising from firm commitment sales
Cash flow hedge	Foreign currency forwards	A contract to avoid cash flow risk arising from forecasted export and import transactions
	Interest 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 increasing Libor rate
	Long-term foreign currency borrowings	Long-term foreign currency borrowings were designated as means to avoid the risk to avoid cash flow risk arising from forecasted export transaction

(b) Details of fair value hedge as of December 31, 2008 are as follows:

Hedged item	Hedging item	Contract date	Expiration date(*)
Firm commitment sales	Foreign currency forwards	2006.05.12~2008.09.18	2009.01.23~2010.12.27

(\*) The company applies for fair value hedge through expiration extension or replacement for derivative instruments that is not consistent to expiration of confirmed contracts.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

20. Derivative Instruments and Hedge Accounting, Continued

(c) Details of cash flow hedge as of December 31, 2008 are as follows:

Hedged item	Hedging item	Contract date	Expiration date
Forecasted sales and purchase	Foreign currency forwards	2006.05.12~2008.12.29	2009.01.23~2010.12.27
Interest expense of libor rate	Interest swap	2006.04.28~2008.04.25	2009.01.28~2012.05.21
Forecasted sales	Long-term foreign currency borrowings	2008.07.01	2010.05.21~2014.11.21

- (d) Pursuant to the revised SKAS Interpretation 53-70 *Accounting for Derivative Instruments*, the Company designated non-derivative financial instrument as cash flow hedging instruments for the year ended December 31, 2008. The Company has opted for early adoption of this standard, which will be effective from the fiscal year beginning on or after December 31, 2008. The Company designated long-term borrowings of USD 700,000 thousand retroactively to July 1, 2008 in order to hedge the cash flow risk associated with a highly probable forecast export transaction. As a result, there were a decrease of accumulated other comprehensive income (foreign currency translation loss) amounting to ₩ 116,899 million, a decrease of other expenses (foreign currency translation loss) amounting to ₩ 149,870 million and an increase of tax expensed amounting to ₩ 32,971 million. The Company applied cash flow hedges designating non-derivative financial instrument to transactions expected to occur in the period ending November 21, 2014.
- (e) The Company changed its accounting policy on derivatives as the Financial Supervisory Services Staff Opinions Financial Reporting 2008-2 *Forecast Transactions Contracted in a Foreign Currency that meet the Definition of Firm Agreement* has been revised. The Company's sales contracts are meet condition of the firm commitment which are practically non-cancellable. The Company has changed its accounting policy for such contracts from cash flow hedge to fair value hedge. As a result, the amounts of firm commitment assets and firm commitment liabilities that were initially recognized in accumulated other comprehensive income were ₩ 974,200 million and ₩ 59,693 million, respectively, and equity's increase was ₩ 914,507 million, and have no effect on current year's net income.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

20. Derivative Instruments and Hedge Accounting, Continued

(f) Details of gain and loss on valuation of derivatives instruments as of December 31, 2008 are as follows:

(In millions of Won)

Purpose	Hedging item		Accumulated other comprehensive income			Other income (expense)	
			Gain on valuation of derivatives	Loss on valuation of derivatives	Foreign currency translation loss	Gain on valuation of derivatives	Loss on valuation of derivatives
Cash flow hedge	Foreign currency forwards	₩	34,268	(20,808)	-	24,397	(21,832)
	Interest swap		30	(16,863)	-	-	-
	Foreign currency borrowings		-	-	(149,870)	-	-
Fair value hedge	Foreign currency forwards		-	-	-	15,655	(38,670)
			34,298	(37,671)	(149,870)	40,052	(60,502)
			(8,215)	9,023	32,971	-	-
		₩	<u>26,083</u>	<u>(28,648)</u>	<u>(116,899)</u>	<u>40,052</u>	<u>(60,502)</u>

Details of gain and loss on valuation of derivatives instruments as of December 31, 2007 are as follows:

(In millions of Won)

Purpose	Hedging item		Accumulated other comprehensive income		Other income (expense)	
			Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives
Cash flow hedge	Foreign currency forwards	₩	21,665	(71,038)	10,884	(14,532)
	Interest swap		879	-	-	-
			22,544	(71,038)	10,884	(14,532)
			(6,200)	19,536	-	-
		₩	<u>16,344</u>	<u>(51,502)</u>	<u>10,884</u>	<u>(14,532)</u>

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

21. Stockholders' Equity

Transactions in stockholders' equity for the years ended December 31, 2008 and 2007 are as follows:

(In millions of Won, except number of shares)

	2008		2007	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	168,157,384	₩ 840,787	168,157,384	₩ 840,787
Exercising stock options	50,000	250	-	-
Balance at end of year	168,207,384	₩ 841,037	168,157,384	₩ 840,787

22. Capital Adjustments

Details of capital adjustments as of December 31, 2008 and 2007 are as follows:

(In millions of Won)

	2008	2007
Treasury stock (*)	₩ (199,934)	(199,934)
Stock options	8,638	4,056
Other	(4,113)	-
	₩ (195,409)	(195,878)

(\*) There were 11,800,000 shares of the treasury stock without voting rights at December 31, 2008.

23. Retained Earnings

Retained earnings as of December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

	2008	2007
Legal reserve	₩ 20,000	14,000
Reserve for research and development	367,050	301,284
Reserve for utilities	55,000	-
Unappropriated retained earnings	(113,739)	183,786
	₩ 328,311	499,070

(a) Legal reserve

The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

23. Retained Earnings, Continued

(b) Reserve for research and development

Pursuant to the Korea Tax Law, the Company is allowed to claim the amount of retained earnings appropriated for research and development as deduction from taxable income. This amount is not available for dividends until used for the specified purposes or reappropriated into a discretionary reserve.

24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2008 and 2007 are as follows:

(In millions of Won)

	2008	2007
Salaries	₩ 125,595	123,113
Provision for retirement and severance benefits	12,434	13,996
Other employee benefits	24,711	24,703
Supplies	1,011	933
Publications and printing	986	1,042
Freight and custody	117,645	97,717
Communications	1,579	1,608
Utilities	2,147	2,168
Rent	9,658	6,730
Maintenance	3,935	1,456
Insurance	3,041	2,532
Car allowance	2,324	1,928
Depreciation	7,837	7,163
Amortization	4,491	3,111
Research and development	85,151	78,157
Advertising	31,818	28,187
Sales commission	61,750	53,809
Sales promotion	729	2,141
Taxes and dues	2,760	2,812
Travel	13,027	11,439
Sundry	41,936	40,357
Entertainment	4,641	4,059
Training	6,861	3,432
Administrative service	1,055	1,100
After-sales service	31,697	38,318
Bad debt expenses	2,937	-
Packing	3,264	3,113
	₩ 605,020	555,124

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

25. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

Taxable income		Tax rate			
Prior to 2008	Thereafter	Prior to 2008	2008	2009	Thereafter
Up to ₩ 100 million	Up to ₩ 200 million	14.3%	12.1%	12.1%	11%
Over ₩ 100 million	Over ₩ 200 million	27.5%	27.5%	24.2%	22%

In December 2008, the Korean government reduced the corporate income tax rate (including resident tax) and increased the tax base from ₩ 100 million to ₩ 200 million beginning in 2008. Effective January 1, 2008, the income tax rate for those having their taxable income less than ₩ 200 million was reduced from 14.3 % to 12.1%.

(b) The components of income tax expense for the years ended December 31, 2008 and 2007 are summarized as follows:

(In millions of Won)

	2008	2007
Current	₩ 82,154	100,692
Deferred	90,642	(24,659)
Other (*)	(1,627)	-
Direct charge to accumulated other comprehensive income	(134,461)	29,482
<b>Income tax expense</b>	<b>₩ 36,708</b>	<b>105,515</b>

(\*) Other is amount that arised from spin-off of defense manufacturing business unit (Note 34).

(c) Deferred tax assets and liabilities are measured using the tax rate to be applied for the year in which temporary differences are expected to be realized, and the change in deferred tax liabilities due to the change in the income tax rate amounting to ₩ 31,014 million of which ₩ 31,200 million was recognized directly to equity and ₩ 186 million was recognized in current income tax expense.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

25. Income Taxes, Continued

(d) The income tax expense calculated by applying statutory tax rates to the Company's income before income taxes for the year differs from the actual tax expense in the non-consolidated statement of income for the years ended December 31, 2008 and 2007 for the following reasons:

<i>(In millions of Won)</i>		<u>2008</u>	<u>2007</u>
<b>Income (loss) before income taxes</b>	₩	(85,110)	285,777
<b>Expense (benefit) for income taxes at normal tax rates</b>		(23,436)	78,576
Income tax refunds		(5,026)	(1,107)
Additional payment of Income taxes		459	10,967
Non-tax revenue		(522)	2,367
Non-exempt cost		4,962	(3)
Temporary differences not recognized in deferred tax asset (liability)		91,786	(7,560)
Investment tax credit		(25,043)	(3,618)
Tax rate change effect		186	-
Other		<u>(6,658)</u>	<u>25,893</u>
<b>Income tax expense</b>	₩	<u>36,708</u>	<u>105,515</u>
<b>Effective tax rate</b>		<u>(*)</u>	<u>36.92%</u>

(\*) The Company does not calculate effective tax rate in 2008 since the Company recognized loss before income taxes.

(e) The tax effects of temporary differences that resulted in significant portions of deferred tax assets and liabilities at December 31, 2008 and 2007 are as follows:

<i>(In millions of Won)</i>		<u>2008</u>	<u>2007</u>
<b>Deferred tax assets</b>			
Advances from government	₩	2,670	3,006
Allowance for doubtful accounts in excess of tax limit		5,986	5,043
Provision for construction losses		3,392	4,066
Impairment loss on property		-	153
Present value discount		407	587
Accrual for retirement and severance benefits		20,718	29,174
Investment securities (unrealized income)		56,718	31,203
Goodwill from acquisition of Doosan Mecatec Co., Ltd.		7,525	12,137
Foreign currency translation, net		13,126	-
Other		<u>44,442</u>	<u>31,335</u>
<b>Total deferred tax assets</b>		<u>154,984</u>	<u>116,704</u>

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

25. Income Taxes, Continued

(In millions of Won)

	<u>2008</u>	<u>2007</u>
<b>Deferred tax liabilities</b>		
Investment securities	₩ (17,247)	(25,943)
Individual severance insurance	(19,133)	(29,174)
Provision for temporary depreciation	(31,859)	(9,931)
Reserve for research and development	(30,070)	(45,220)
Gain of revaluation of land	(101,070)	-
<b>Total deferred tax liabilities</b>	<u>(199,379)</u>	<u>(110,268)</u>
Carried forwarded tax credit	4,529	-
(-) Deferred tax assets with low probability of realization	(86,630)	(16,851)
(+) Deferred tax liabilities with low probability of realization	38,533	13,094
<b>Net deferred tax assets (liabilities)</b>	<u>₩ (87,963)</u>	<u>2,679</u>

(f) Temporary differences have not been recognized as deferred tax assets as of December 31, 2008 and 2007 are as follows:

(In millions of Won)

	<u>2008</u>	<u>2007 (*)</u>
Doosan Infracore Xinjiang Machinery Co., Ltd.		
Equity in net loss of equity method accounted investments	₩ 3,035	-
Doosan Infracore India Private Ltd.		
Equity in net loss of equity method accounted investments	2,611	-
Doosan Infracore (China) Investment Co. Ltd.		
Unrealized loss on valuation of equity method accounted investments	-	4,169
Doosan Infracore International, Inc.		
Equity in net loss of equity method accounted investments	176,512	13,578
Other capital adjustments	13,513	-
Doosan Holdings Europe Ltd.		
Equity in net loss of equity method accounted investments	183,103	36,014
Doosan Capital Co., Ltd.		
Equity in net loss of equity method accounted investments	11,835	5,212
Unrealized loss on valuation of equity method accounted investments	3,051	2,305
	<u>₩ 393,660</u>	<u>61,278</u>

In relation to above equity method accounted investments, deferred tax assets have not been recognized because it is not probable that future profits will be available against which the Company can utilize the related benefit.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

25. Income Taxes, Continued

(\*) In accordance with the revised Korea Accounting Institute Opinion 06-2, the Company recognized deferred income taxes as of January 1, 2008, temporary differences amounting to ₩ 39,254 million (tax effect ₩ 10,795 million) equity loss of Doosan Infracore Europe S.A. and unrealized loss on valuation of equity method accounted investments of Doosan Infracore America Corp. which were not recognized as deferred assets.

(g) Temporary differences have not been recognized as deferred tax liabilities as of December 31, 2008 and 2007 are as follows:

(In millions of Won)

	<u>2008</u>	<u>2007(*)</u>
Doosan Infracore (China) Investment Co., Ltd.		
Equity in income of equity method accounted investments	₩ -	4,162
Doosan Infracore Xinjiang Machinery Co., Ltd.		
Unrealized gain on valuation of equity method accounted investments	653	-
Doosan Infracore International, Inc.		
Unrealized gain on valuation of equity method accounted investments	70,637	4,777
Doosan Holdings Europe Ltd.		
Unrealized gain on valuation of equity method accounted investments	76,796	4,418
Provision for temporary depreciation	<u>27,062</u>	<u>34,259</u>
	₩ <u>175,148</u>	<u>47,616</u>

(\*) In accordance with the revised Korea Accounting Institute Opinion 06-2, the Company recognized deferred income taxes as of January 1, 2008, temporary differences amounting to ₩ 10,709 million (tax effect ₩ 2,945 million) unrealized gain on valuation of equity method accounted investments of Doosan Infracore Europe S.A. and equity gain of Doosan Infracore America Corp. which were not recognized as deferred liabilities.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

25. Income Taxes, Continued

(h) Deferred tax assets and liabilities that are directly charged or credited to accumulated other comprehensive income as of December 31, 2008 are as follows:

<i>(In millions of Won)</i>	Temporary differences	Deferred tax assets (liabilities)
Other capital surplus	₩ (12,063)	6,084
Other capital adjustments	(1,463)	(2,651)
Unrealized gain on valuation of available-for-sale securities	(467)	128
Unrealized loss on valuation of available-for-sale securities	(233)	51
Unrealized gain on valuation of equity method accounted investments	374,349	(50,894)
Unrealized loss on valuation of equity method accounted investments	18,381	(3,645)
Loss on foreign currency translation	(149,870)	32,971
Unrealized gain on valuation of derivatives	11,754	(2,015)
Unrealized loss on valuation of derivatives	33,366	(10,512)
Gain on revaluation of land	459,524	(101,095)
	<u>₩ 733,278</u>	<u>(131,578)</u>

(\*) In accordance with the revised Korea Accounting Institute Opinion 06-2, deferred tax liability that are directly credited to unrealized loss on valuation of equity method accounted investment is decreased ₩ 2,884 million.

(i) In accordance with SKAS No.16, *Income Taxes*, deferred tax amounts should be presented as a net current asset or liability and a net non-current asset or liability. As of December 31, 2008 and 2007, aggregate deferred tax assets, liabilities and related accounts are as follows:

	2008			2007		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets	₩ 33,941	22,489	56,430	43,220	30,996	74,216
Deferred tax liabilities	(13,085)	(130,860)	(143,945)	(9,238)	(70,967)	(80,205)
Income tax payable			(80,722)			(90,831)
Prepaid income tax			1,137			685

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

26. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
<b>Net income (loss)</b>	₩ (121,818,090,867)	180,261,608,250
Weighted-average number of common shares outstanding (*)	<u>156,381,701</u>	<u>156,357,853</u>
<b>Earnings (loss) per share</b>	<u>₩ (779)</u>	<u>1,153</u>

(\*) Weighted average number of common shares outstanding:

	<u>2008</u>	<u>2007</u>
<b>Issued common shares at January 1</b>	156,357,384	156,364,524
Effect of treasury stocks held	-	(6,671)
Effect of stock option	<u>24,317</u>	<u>-</u>
<b>Weighted average number of common shares outstanding at December 31</b>	<u>156,381,701</u>	<u>156,357,853</u>

(b) Diluted earnings (loss) per share for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
<b>Net income (loss)</b>	₩ (121,818,090,867)	180,261,608,250
Weighted-average number of common shares outstanding (*)	<u>156,381,701</u>	<u>156,566,218</u>
<b>Diluted earnings (loss) per share</b>	<u>₩ (779)</u>	<u>1,151</u>

(\*) Diluted earnings per share are calculated on the assumption that stock options were exercised at the beginning of the fiscal year.

(c) As of December 31, 2008, the following instruments are outstanding and could potentially become dilutive in the future. These instruments are not included in the calculation of diluted earnings per share, because to do so would have been anti-dilutive.

	<u>Par value</u>	<u>Exercise period</u>	<u>Number of common shares to be issued</u>
Stock option 1 <sup>st</sup> grant	₩ 5,000	2005.07.16~2009.07.15	250,000
Stock option 2 <sup>nd</sup> grant	5,000	2009.03.17~2016.03.16	279,700
Stock option 3 <sup>rd</sup> grant	5,000	2010.03.16~2017.03.15	457,500
Stock option 4 <sup>th</sup> grant	5,000	2011.03.21~2018.03.20	<u>439,300</u>
			<u>1,426,500</u>

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

27. Dividends

(a) Details of dividends for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Total dividends		
Cash dividends   ₩	23,461,107,600	54,725,084,400
Number of shares	156,407,384	156,357,384
Dividend per share   ₩	150	350

(b) Dividends as a percentage of net income and par value for the years ended December 31, 2008 and 2007 are as follows:

		<u>2008</u>	<u>2007</u>
Dividend amount	₩	23,461,107,600	54,725,084,400
Net income (loss)	₩	(121,818,090,867)	180,261,608,250
Dividends as a percentage of net income		(*)	30.36%
Par value	₩	5,000	5,000
Dividends as a percentage of par value		3%	7%

(\*) Dividends as a percentage of net income were not calculated due to net loss.

(c) Dividend yield ratio for the years ended December 31, 2008 and 2007 is as follows:

		<u>2008</u>	<u>2007</u>
Dividend per share	₩	150	350
Market price as of year end	₩	14,550	29,900
Dividend yield ratio		1.03%	1.17%

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

28. Cumulative Effect of Accounting Changes

- (a) In accordance with the revisions to SKAS No.15 *Investments in Associates*, items such as changes in investment which had been classified as accumulated other comprehensive income have been reclassified as capital surplus and capital adjustment. As a result, prior year capital surplus has increased by ₩ 5,979 million and change in unrealized gain on valuation of equity method accounted investments has decreased by ₩ 5,765 million, Change in unrealized loss on valuation of equity method accounted investments has increased by ₩ 214 million and have no effect on current year's net income.
- (b) In accordance with the revised Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates, and Interests in Joint Ventures*, the Company recognized deferred income taxes as it does on the consolidated financial statements and therefore deferred tax liabilities have decreased in the amount of ₩ 8,668 million and Change in unrealized loss on valuation of equity method accounted investments have increase in the amount of ₩ 2,884 million. The Company applied this change retroactively and the effects were recognized in the prior year's unappropriated retained earnings in the amount of ₩ 5,784 million. The Company did not restate the prior period financial statements (Note 25).
- (c) The Company has changed its accounting policy for such contracts from cash flow hedge to fair value hedge as the Financial Supervisory Service Staff Opinion 2008-2 *Accounting for Forecast Transactions Contracted in a Foreign Currency that meet the Definition of a Firm Agreement* has been revised. As a result, the amounts of firm commitment assets and firm commitment liabilities that were initially recognized in accumulated other comprehensive income were ₩ 974,200 million and ₩ 59,693 million, respectively, and equity's increase was ₩ 914,507 million, and have no effect on current year's net income (Note 20(e)).
- (d) The Company elected to early adopt the revaluation model in accordance with the revised SKAS No.5 *Property, Plant and Equipment*, which is effective from the fiscal year beginning on or after December 31, 2008. As a result, assets and liabilities have increase in ₩ 459,965 million and ₩ 101,193 million, respectively and capital have decrease in ₩ 358,428 million, and have increase in ₩ 344 million on current year's net income (Note 11(b)).
- (e) The Company elected to early adopt the designation of non-derivative instrument for hedge accounting in accordance with the SKAS Interpretation. No.53-70 *Accounting for Derivative Instruments* effective from the fiscal year beginning on or after December 31, 2008. As a result, capital has decrease in ₩ 116,899 million and net income has increase ₩ 116,899 million (Note 20(d)).

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

29. Share-based Payments

(a) The terms and conditions of grants as of December 31, 2008 are as follows:

Type of arrangement	Equity-settlement	Alternative-settlement		
	Issue of new stock	Issue of new stock or cash-settled		
Grantee	Directors	Directors	Directors	Directors
Date of grant	2002.7.16	2006.3.17	2007.3.16	2008.3.21
Number granted	250,000	279,700	457,500	439,300
Contractual life	7 years	10 years	10 years	10 years
Vesting conditions	2 years' service and achievement of a target share price and target ratio of net income to total asset	2 years' service	2 years' service	2 years' service

(b) Assumptions used in determining fair value of stock options are as follows:

Description	1st grant	2nd grant	3rd grant	4th grant
Risk free rate;				
Treasury bond rate	6.30%	5.13%	4.81%	5.19%
Expected exercisable period	5 years	5 years	5 years	6.5 years
Expected standard deviation of stock price	60.58%	55.97%	47.08%	47.94%
Expected dividend yield ratio	0.00%	0.90%	1.23%	1.47%
Expected right termination period	0.00%	0.00%	0.00%	0.00%

(c) The number and weighted average exercise prices of stock options as of December 31, 2008 are follows:

	Equity-settlement		Alternative-settlement	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1, 2008	250,000 ₩	5,000	776,400 ₩	18,456
Granted	-	-	439,300	28,700
Forfeited or exercised	-	-	(39,200)	17,507
Outstanding at December 31, 2008	250,000 ₩	5,000	1,176,500 ₩	22,313
Exercisable at December 31, 2008	250,000 ₩	5,000	- ₩	-

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

29. Share-based Payments, Continued

(d) Details of total expense recognized as employee costs for the years ended December 31, 2008 and 2007 are as follows:

<i>(In millions of Won)</i>	<u>2008</u>	<u>2007</u>
Total expense recognized for the year arising from share-based payment transactions	₩ 4,582	2,600
Cost of goods manufactured	613	453
Selling and administrative expense	<u>3,969</u>	<u>2,147</u>
Remaining expense to be recognized in the future years	<u>₩ 4,579</u>	<u>2,570</u>

30. Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007 are as follows:

<i>(In millions of Won)</i>	<u>2008</u>	<u>2007</u>
<b>Net income (loss)</b>	₩ (121,818)	180,262
Unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩ 129 in 2008 and ₩ 6,002 in 2007	(339)	(15,824)
Unrealized loss on valuation of available-for-sale securities, net of tax effect of ₩ 51 in 2008	(182)	-
Unrealized gain on valuation of equity method accounted investments, net of tax effect of ₩ (50,894) in 2008 and ₩ (381) in 2007	323,456	11,796
Unrealized loss on valuation of equity method accounted investments, net of tax effect of ₩ (3,645) in 2008 and ₩ (11,472) in 2007	14,737	19,275
Loss on foreign currency translation, net of tax effect of ₩ 32,971 in 2008	(116,899)	-
Unrealized gain on valuation of derivatives, net of tax effect of ₩ (2,016) in 2008 and ₩ 4,959 in 2007	9,739	(13,074)
Unrealized loss on valuation of derivatives, net of tax effect of ₩ (10,512) in 2008 and ₩ 9,782 in 2007	22,854	(25,789)
Gain on revaluation of land, net of tax effect of ₩ (101,096) in 2008	<u>358,428</u>	-
<b>Comprehensive income</b>	<u>₩ 489,976</u>	<u>156,646</u>

31. Date of Authorization for Issue

The 2008 financial statements were authorized for issue on March 10, 2009, at the Board of Directors Meeting.

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

32. Results of Operations for the Last Interim Period

<i>(In millions of Won, except loss per share)</i>		<u>2008</u> <u>4th quarter</u>	<u>2007</u> <u>4th quarter</u>
Revenue	₩	725,335	936,509
Operating income (expenses)		(34,274)	88,914
Net loss for the period		(206,034)	(13,379)
Loss per share		(1,317)	(86)

33. Segment Information

(a) General information regarding business groups

<u>Business segment</u>	<u>Main products</u>
Engines	Engine of the commercial car and bus, others
Construction Equipment ("CE")	Crawler excavator
Industrial Vehicle ("IV")	Lift truck
Machine Tools ("MT")	Machining tools and factory automation system
Component and others ("Other")	Infantry defense vehicles, components of excavator and forklift

The following table provides information for each business segment as of and for the year ended December 31, 2008:

<i>(In millions of Won)</i>		<u>Engines</u>	<u>CE</u>	<u>IV</u>	<u>MT</u>	<u>Other</u>	<u>Total</u>
Revenue	₩	456,158	1,418,875	460,980	920,745	706,621	3,963,379
Gross profit		113,096	371,527	78,080	276,558	113,125	952,386
Operating income		48,072	134,710	1,421	113,820	49,343	347,366
Depreciation/Amortization		24,539	12,993	6,209	9,717	17,204	70,662
Fixed assets		295,690	286,055	143,967	190,004	401,537	1,317,253

The following table provides information for each business segment as of and for the year ended December 31, 2007:

<i>(In millions of Won)</i>		<u>Engines</u>	<u>CE</u>	<u>IV</u>	<u>MT</u>	<u>Other</u>	<u>Total</u>
Revenue	₩	380,336	1,372,295	500,795	920,197	546,258	3,719,881
Gross profit		84,432	338,405	83,250	261,350	108,995	876,432
Operating income		23,759	129,075	2,998	122,311	43,165	321,308
Depreciation/Amortization		25,757	14,566	6,962	9,543	13,482	70,310
Fixed assets		215,687	145,998	85,016	105,454	273,521	825,676

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Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

33. Segment Information, Continued

(b) Geographic information

The following table provides revenue information for each geographical segment as of and for the year ended December 31, 2008:

*(In millions of Won)*

		2008				
		Domestic	America	Europe	Asia	Other
Engines	₩	167,651	17,463	39,251	94,848	136,945
CE		263,772	188,220	354,375	723,158	(110,650)
IV		189,818	81,382	131,832	51,361	6,587
MT		271,791	188,107	367,701	182,328	(89,182)
Other		608,716	13,445	26,123	43,072	15,265
	₩	<u>1,501,748</u>	<u>488,617</u>	<u>919,282</u>	<u>1,094,767</u>	<u>(41,035)</u>

The following table provides revenue information for each geographical segment as of and for the year ended December 31, 2007:

*(In millions of Won)*

		2007				
		Domestic	America	Europe	Asia	Other
Engines	₩	164,494	10,114	29,922	55,821	119,985
CE		252,530	128,169	481,251	433,843	76,502
IV		185,874	97,610	142,426	38,634	36,251
MT		251,048	187,675	326,943	146,766	7,765
Other		461,618	15,354	22,131	29,902	17,253
	₩	<u>1,315,564</u>	<u>438,922</u>	<u>1,002,673</u>	<u>704,966</u>	<u>257,756</u>

34. The Spin-off

- (a) In order to enhance business specialty and improve management efficiency, the Company spun off the defense manufacturing business unit through the decision of the Board of Directors Meeting in November 12, 2008 and of General Meeting of Shareholders in December 24, 2008. The time of spin-off was 0 A.M. December 31, 2008. Doosan DST Co., Ltd., split from the Company is manufacturing and selling the military equipments.
- (b) The spin-off was in a way that the Company would hold all shares of the new company. The shares of Doosan DST Co., Ltd. were accounted at fair value of its net asset and the differences between fair value and carrying amount of the transferred assets and liabilities were charged to disposal gain and loss. The transferred assets and liabilities to the new company are as follows:

DOOSAN INFRACORE CO., LTD.  
Notes to Non-Consolidated Financial Statements, Continued

December 31, 2008 and 2007

34. The Spin-off, Continued

<i>(In millions of Won)</i>		<u>Book value</u>	<u>Fair value</u>	<u>Disposal gain (loss)</u>
Quick asset	₩	245,449	245,449	-
Inventories		51,684	51,684	-
Investment asset		3,951	5,840	1,889
Tangible asset		84,177	198,584	114,407
Intangible asset		2,381	2,381	-
Non-current assets		<u>2,338</u>	<u>1,936</u>	<u>(402)</u>
Transferred assets total	₩	<u>389,980</u>	<u>505,874</u>	<u>115,894</u>
Current liabilities	₩	178,885	178,885	-
Non-current liabilities		<u>60,029</u>	<u>60,029</u>	<u>-</u>
Transferred liabilities total	₩	<u>238,914</u>	<u>238,914</u>	<u>-</u>

(c) The financial information of the business unit split from the Company is as follows:

<i>(In millions of Won)</i>		<u>2008 (until spin-off date)</u>	<u>2007</u>
Total assets	₩	500,426	290,367
Total liabilities		233,465	277,455
Revenue		532,070	383,645
Operating income		15,258	7,963

35. Added Value

Details of accounts included in the computation of value added for the years ended December 31, 2008 and 2007 are as follows:

<i>(In millions of Won)</i>		<u>2008</u>	<u>2007</u>
Salaries	₩	337,115	327,964
Provision for retirement and severance benefits		32,442	35,927
Other employee benefits		77,662	78,212
Rent		18,931	12,882
Depreciation		51,702	54,087
Taxes and dues		5,191	5,189

Independent Accountants' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of  
Doosan Infracore Co., Ltd.:

We have reviewed the Report on the Operations of Internal Accounting Control System ("IACS") of Doosan Infracore Co., Ltd. (the "Company") as of December 31, 2008. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2008, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2008 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2008. We did not review the Company's IACS subsequent to December 31, 2008. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

KPMG Samjong Accounting Corp.

Seoul, Korea  
March 16, 2009

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2008 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.