

DOOSAN INFRACORE CO., LTD.

Non-Consolidated Financial Statements

**December 31, 2009 and 2008**

(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 statements of financial position of Doosan Infracore Co., Ltd. (the "Company") as of December 31, 2009 and 2008 and the related non-consolidated statements of operations, disposition of accumulated deficit, 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, 2009 and 2008 and the results of its operations, the disposition of its accumulated deficit, 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 note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.



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 Samjory Accounting Corp.*

Seoul, Korea  
March 5, 2010

This report is effective as of March 5, 2010, 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 Statements of Financial Position

As of December 31, 2009 and 2008

<i>(In thousands of Won, except share data)</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Assets</b>			
Cash and cash equivalent	17	₩ 35,869,146	24,013,173
Short-term financial instruments	3	32,329,981	67,334
Short-term investments	6	-	522,435
Accounts and notes receivable - trade, less allowance for doubtful accounts of ₩ 15,417,390 in 2009 and ₩ 14,688,510 in 2008	4, 10, 17	596,116,881	490,327,755
Accounts and notes receivable - other, less allowance for doubtful accounts of ₩ 17,360,504 in 2009 and ₩ 17,765,147 in 2008	17	32,505,610	36,007,145
Advance payments		672,120	11,894,767
Inventories	5	357,466,732	529,078,582
Current deferred tax assets	25	31,223,105	20,433,436
Current derivative instrument assets	20	190,507,851	26,588,451
Current firm commitment assets	20	231,884,621	848,582,072
Other current assets	7	20,089,489	8,341,006
<b>Total current assets</b>		<u>1,528,665,536</u>	<u>1,995,856,156</u>
Equity method accounted investments	9, 10, 14	1,482,189,272	1,444,389,877
Non-current investments	3, 8, 17	67,735,070	14,274,244
Property, plant and equipment, net	11, 14, 32	1,243,665,937	1,246,851,678
Intangible assets, net	12, 32	156,415,765	70,401,896
Non-current derivative instrument assets	20	-	30,870
Non-current firm commitment assets	20	264,335,813	125,617,632
Other non-current assets	10, 13	35,597,773	28,206,361
<b>Total non-current assets</b>		<u>3,249,939,630</u>	<u>2,929,772,558</u>
<b>Total assets</b>		<u>₩ 4,778,605,166</u>	<u>4,925,628,714</u>

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.  
Non-Consolidated Statements of Financial Position, Continued

As of December 31, 2009 and 2008

<i>(In thousands of Won, except share data)</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Liabilities</b>			
Short-term borrowings	10, 14, 17	₩ 562,383,905	283,923,165
Accounts and notes payable - trade	10, 17	322,405,564	267,695,977
Accounts and notes payable - other	17	124,453,002	209,077,771
Current portion of long-term debt, net	14, 16, 17	638,861,627	233,671,195
Advance receipts		16,785,455	13,155,661
Accrued expenses	17	54,952,938	22,472,716
Income tax payable	25	39,184,119	85,584,737
Current derivative instrument liabilities	20	106,940,461	820,007,777
Current firm commitment liabilities	20	-	59,693,055
Accrued product warranties		10,084,493	14,893,611
Other current liabilities	15	21,714,935	35,820,245
<b>Total current liabilities</b>		<u>1,897,766,499</u>	<u>2,045,995,910</u>
Long-term debt, net	14, 16, 17, 19	1,367,951,340	1,012,927,982
Long-term accounts and notes payable - other	17	2,838,928	5,635,263
Provision for retirement and severance benefits, net	18	64,676,002	64,488,475
Non-current deferred tax liabilities	25	149,544,579	108,396,128
Non-current derivative instrument liabilities	20	14,905,341	142,480,849
<b>Total non-current liabilities</b>		<u>1,599,916,190</u>	<u>1,333,928,697</u>
<b>Total liabilities</b>		<u>3,497,682,689</u>	<u>3,379,924,607</u>
<b>Stockholders' equity</b>			
Common stock of ₩ 5,000 par value			
Authorized - 400,000,000 shares			
Issued - 168,308,684 shares in 2009			
and 168,207,384 shares in 2008	1, 21	841,543,420	841,036,920
Capital surplus		1,960,220	612,500
Capital adjustments	9, 22, 28	(34,642,008)	(195,409,358)
Accumulated other comprehensive income	8, 9, 11, 20, 29	485,544,570	571,153,189
Retained earnings (accumulated deficit)	23	(13,483,725)	328,310,856
<b>Total stockholders' equity</b>		<u>1,280,922,477</u>	<u>1,545,704,107</u>
<b>Total liabilities and stockholders' equity</b>		<u>₩ 4,778,605,166</u>	<u>4,925,628,714</u>

See accompanying notes to non-consolidated financial statements.

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

For the years ended December 31, 2009 and 2008

<i>(In thousands of Won, except loss per share)</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
Revenue	10,31,32	₩ 2,663,206,050	3,963,378,989
Cost of sales	10	1,972,196,306	3,010,992,681
<b>Gross profit</b>	32	691,009,744	952,386,308
Selling, general and administrative expenses	24	465,713,619	605,020,367
<b>Operating income</b>	31,32	225,296,125	347,365,941
Interest income	8	12,563,464	9,174,339
Interest expense		(146,473,085)	(73,313,268)
Foreign currency transaction gain (loss), net		(24,019,079)	71,012,896
Foreign currency translation loss, net	17	(6,624,341)	(57,118,943)
Reversal of allowance for doubtful accounts		590,810	-
Loss on sale of current investments, net		(72,776)	-
Gain (loss) on sale of non-current investments, net		(93,491)	1,889,002
Loss on sale of accounts and notes receivable - trade	4	(7,474,058)	(10,892,362)
Dividend income		-	7,200
Equity in net loss of equity method accounted investees	9	(436,024,329)	(440,476,281)
Gain on sale of equity method accounted investees		220,611,583	2,992,897
Loss on sale of inventories		(6,492,438)	(1,218,798)
Other bad debt expense		-	(4,585,482)
Gain on sale of property, plant and equipment, net		286,449	114,669,204
Reversal of impairment losses on property, plant and equipment		-	555,183
Impairment on property, plant and equipment		-	(114,424)
Impairment on intangible assets		(508,227)	(365,022)
Gain on sale of other non-current assets		-	131,876
Loss on transaction of derivatives, net		(86,243,669)	(22,034,042)
Gain (loss) on valuation of derivatives, net	20	206,045,584	(20,449,857)
Gain (loss) on valuation of firm commitment, net	20	(237,141,721)	23,015,706
Donations		(5,801,430)	(40,258,457)
Other, net		30,898,132	14,902,753
<b>Other expense</b>		(485,972,622)	(432,475,880)
<b>Loss before income taxes</b>		(260,676,497)	(85,109,939)
Income taxes	25	50,427,228	36,708,152
<b>Net Loss</b>	31	₩ (311,103,725)	(121,818,091)
<b>Loss per share</b>			
Basic loss per share	26,31	₩ (1,981)	(779)

See accompanying notes to non-consolidated financial statements.

DOOSAN INFRACORE CO., LTD.

Non-Consolidated Statements of Disposition of Accumulated Deficit

For the years ended December 31, 2009 and 2008

Date of Disposition for 2009: March 26, 2010

Date of Appropriation for 2008: March 27, 2009

(In thousands of Won)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Undisposed accumulated deficit</b>			
Balance at beginning of year	₩	4,799,437	2,294,470
Cumulative effect of accounting changes		-	5,784,166
Change in retained earnings of equity method accounted investments	9	(7,229,748)	-
Net loss		<u>(311,103,725)</u>	<u>(121,818,091)</u>
<b>Balance at end of year before disposition</b>		<b>313,534,036</b>	<b>113,739,455</b>
<b>Transfer from voluntary reserves</b>			
Reserve for research and development		-	90,000,000
Reserve for utilities		-	55,000,000
<b>Undisposed (unappropriated) accumulated deficit (retained earnings) available for disposition (appropriation)</b>		<b>313,534,036</b>	<b>(31,260,545)</b>
<b>Appropriation of retained earnings</b>			
Legal reserve		-	3,000,000
Dividends - 3% on par value at ₩ 150 per share in 2008	27	-	23,461,108
		<u>-</u>	<u>26,461,108</u>
<b>Disposition of accumulated deficit</b>			
Reserve for research and development		277,050,311	-
Legal reserve		23,000,000	-
		<u>300,050,311</u>	<u>-</u>
<b>Undisposed accumulated deficit (unappropriated retained earnings) to be carried over to subsequent year</b>	₩	<u><b>(13,483,725)</b></u>	<u><b>4,799,437</b></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, 2009 and 2008

(In thousands of Won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings (accumulat ed deficit)	Total stockholders' equity
<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)
Stock option	250,000	612,500	4,581,900	-	-	5,444,400
Changes in equity method for subsidiaries	-	(5,979,297)	(4,113,675)	-	-	(10,092,972)
Change in unrealized gain on valuation of available-for-sale securities	-	-	-	(338,831)	-	(338,831)
Change in unrealized loss on valuation of available-for-sale securities	-	-	-	(182,141)	-	(182,141)
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>	₩ 841,036,920	612,500	(195,409,358)	571,153,189	328,310,856	1,545,704,107

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, 2009 and 2008

(In thousands of Won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings (accumulat ed deficit)	Total stockholders' equity
<b>Balance at January 1, 2009</b>	₩ 841,036,920	612,500	(195,409,358)	571,153,189	328,310,856	1,545,704,107
Dividends	-	-	-	-	(23,461,108)	(23,461,108)
Change in retained earnings of equity method accounted investments	-	-	-	-	(7,229,748)	(7,229,748)
Net loss	-	-	-	-	(311,103,725)	(311,103,725)
Loss on reissuance of treasury stock	-	-	192,025,381	-	-	192,025,381
Stock option	506,500	1,347,720	2,861,721	-	-	4,715,941
Disposal of equity method accounted investments	-	105,074,835	-	-	-	105,074,835
Changes in equity method for subsidiaries	-	(105,074,835)	(34,119,752)	-	-	(139,194,587)
Change in unrealized gain on valuation of available-for-sale securities	-	-	-	365,186	-	365,186
Change in unrealized loss on valuation of available-for-sale securities	-	-	-	182,142	-	182,142
Change in unrealized gain on valuation of equity method accounted investments	-	-	-	(120,755,070)	-	(120,755,070)
Change in unrealized loss on valuation of equity method accounted investments	-	-	-	680,510	-	680,510
Change in loss on foreign currency translation	-	-	-	49,850,472	-	49,850,472
Change in unrealized gain on valuation of derivatives	-	-	-	(23,969,472)	-	(23,969,472)
Change in unrealized loss on valuation of derivatives	-	-	-	8,183,718	-	8,183,718
Gain on revaluation of land	-	-	-	(146,105)	-	(146,105)
<b>Balance at December 31, 2009</b>	₩ 841,543,420	1,960,220	(34,642,008)	485,544,570	(13,483,725)	1,280,922,477

See accompanying notes to non-consolidated financial statements.

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

For the years ended December 31, 2009 and 2008

(In thousands of Won)

	Note	2009	2008
<b>Cash flows from operating activities</b>			
Net income (loss)	₩	(311,103,725)	(121,818,091)
Adjustments for:			
Depreciation		48,419,592	51,701,535
Amortization		24,741,545	18,959,685
Accrual for retirement and severance benefits		17,936,262	32,442,095
Stock option compensation		3,650,271	4,581,900
Bad debt expenses		1,062,198	2,936,775
Interest expense		825,913	613,902
Impairment losses on property, plant and equipment		-	114,424
Reversal of impairment losses on property, plant and equipment		-	(555,183)
Gain on sale of current investments, net		72,776	-
Other bad debt expenses		-	4,585,482
Impairment on intangible assets		508,227	365,022
Reversal of allowance for doubtful accounts		(590,810)	-
Gain on sale of non-current investments, net		93,491	(1,889,002)
Equity in net loss of equity method accounted investments		436,024,329	440,476,281
Gain on sale of equity method accounted investments		(220,611,583)	(2,992,897)
Gain on sale of property, plant and equipment, net		(286,449)	(114,669,204)
Foreign currency translation loss, net		6,624,341	57,118,943
Loss on valuation of derivatives, net		(206,045,584)	20,449,857
Gain on valuation of firm commitment, net		237,141,721	(23,015,706)
Gain on sale of other non-current assets		-	(131,876)
Miscellaneous income		(13,995,572)	-
		<u>335,570,668</u>	<u>491,092,033</u>
Changes in assets and liabilities:			
Inventories		171,611,850	(172,910,680)
Accounts and notes receivable - trade		(122,690,152)	64,106,048
Accounts and notes receivable - other		2,649,508	14,839,685
Accounts and notes payable - trade		55,876,781	(99,837,405)
Accounts and notes payable - other		(83,693,971)	1,951,453
Advance payments		11,222,648	5,685,208
Advance receipts		3,629,794	21,018,447
Payment of retirement and severance benefit		(19,646,625)	(14,775,329)
Accrued severance benefit transferred from related parties		680,657	444,623
Accrued expenses		32,480,222	2,926,045
Withholdings		(5,742,919)	4,832,736
Current deferred tax assets		(3,249,320)	(6,160,871)
Non-current deferred tax liabilities		53,923,934	(39,285,241)
Firm commitment assets, liabilities		181,175,365	23,015,706
Dividend received		-	52,449,293
Others, net		(924,416,729)	(23,216,490)
		<u>(646,188,957)</u>	<u>(164,916,772)</u>
<b>Net cash provided by (used in) operating activities</b>		<u>(621,722,014)</u>	<u>204,357,170</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, 2009 and 2008

(In thousands of Won)

	Note	2009	2008
<b>Cash flows from investing activities</b>			
Proceeds from sale of short-term investments	W	1,241,134	788,460
Decrease in short-term financial instruments		2,789,189,933	2,327,102,212
Proceeds from sale of non-current investments		830,183	506,000
Proceeds from sale of equity method accounted investments		625,307,364	3,131,999
Proceeds from sale of property, plant and equipment		2,577,622	114,878,938
Proceeds from sale of other non-current assets		546,509	16,671,385
Increase in short-term financial instruments		(2,820,452,579)	(2,377,103,367)
Acquisition of non-current investments		(18,932,785)	(11,687,520)
Acquisition of equity method accounted investments		(1,034,989,382)	(353,562,184)
Increase in long-term loans		(39,330,900)	-
Acquisition of property, plant and equipment		(82,512,908)	(176,311,050)
Acquisition of intangible assets		(61,596,155)	(18,309,205)
Acquisition of other non-current assets		(7,937,921)	(7,656,043)
Decrease of cash in physical division	33	-	(19,537,317)
<b>Net cash used in investing activities</b>		<u>(646,059,885)</u>	<u>(501,087,692)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		1,531,615,108	1,068,217,028
Proceeds from long-term debt		46,392,936	149,737,385
Proceeds from issuance of bond		1,017,671,008	60,000,000
Exercise of stock option		1,065,670	250,000
Proceeds from sale of treasury stock		189,500,444	-
Repayment of short-term borrowings		(1,374,244,534)	(842,955,898)
Repayment of current portion of long term debt		(108,901,652)	(70,331,605)
Dividend paid		(23,461,108)	(54,725,084)
<b>Net cash provided by financing activities</b>		<u>1,279,637,872</u>	<u>310,191,826</u>
<b>Net increase in cash and cash equivalents</b>		11,855,973	13,461,304
Cash and cash equivalents at beginning of year		<u>24,013,173</u>	<u>10,551,869</u>
<b>Cash and cash equivalents at end of year</b>	W	<u>35,869,146</u>	<u>24,013,173</u>

See accompanying notes to non-consolidated financial statements.

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

December 31, 2009 and 2008

**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, 2009 amounted to ₩ 841,543 million and major stockholders consist of Doosan Heavy Industries and Construction Co., Ltd. (38.83%), 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 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 attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, cash flows or changes in equity 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. 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.

**(c) Deposits**

Deposits are held for cash management purposes. Short-term deposits are those maturing within one year and long-term deposits are those maturing after one year.

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

December 31, 2009 and 2008

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

**(d) Allowance for Doubtful Accounts**

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.

**(e) 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.

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

**Classification**

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries and associates) into the following categories: held-to-maturity, available-for-sale or trading securities.

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.

In accordance with revised SKAS No. 8 *Investments in Securities* which went into effect on July 1, 2008 and which permits the reclassification of assets held for sale to either the held-to-maturity or available-for-sales categories in rare circumstances, the Company reclassified trading securities as held-to-maturity (or available-for-sales 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 statements of operations 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 statements of operations using the effective interest method.

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

December 31, 2009 and 2008

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

**(f) 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, available-for-sale securities which mature within one year from the end of the reporting period or where the likelihood of disposal within one year from the end of the reporting period is probable, held-to-maturity securities which mature within one year from the end of the reporting period, short-term deposits and short-term loans are combined and presented as current assets. All other available-for-sale securities and held-to-maturity securities are combined and presented as long-term 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.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the asset in prior years. For financial assets measured at amortized cost and available-for-sale assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**(g) 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).

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

December 31, 2009 and 2008

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

**(g) Investments in Associates and Subsidiaries, Continued**

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 statements of operations.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the statements of operations, 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 an associate or a subsidiary uses accounting policies or estimates other than those of the Company for like transactions and events in similar circumstances, the Company makes appropriate adjustments to conform the associate's accounting policies to those of the Company when the associate's financial statements are used by the Company in applying the equity method. However, under the revised SKAS No. 15 *Equity Method of Accounting*, in the event that accounting policies and estimates differ due to the application of Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

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.

**(h) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Assets acquired through investment in kind or donations 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.



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

December 31, 2009 and 2008

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

**(h) Property, Plant and Equipment, Continued**

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.

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.

As of January 1, 2008, the Company adopted the revaluation model in accordance with the revised SKAS No.5 *Property, Plant and Equipment*. 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 other comprehensive income is deducted from other comprehensive income.

**(i) 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.

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

December 31, 2009 and 2008

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

**(i) Intangible Assets, Continued**

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.

**(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 5~10 years.

**(j) 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.

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

December 31, 2009 and 2008

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

**(k) 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 at the time they leave the Company. The Company's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying (non-consolidated) statements of financial position. 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 statements of financial position 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 reduced 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 regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

**(l) 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.

**(m) Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the statements of operations. 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.

**(n) 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.

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

December 31, 2009 and 2008

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

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

**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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and translation gain or loss on non-derivative financial instruments are recorded in the statements of operations, 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 effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges and 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 statements of operations. Amounts accumulated in equity are recycled to the statements of operations 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 statements of operations. 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 statements of operations.

**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 statements of operations.

**Separable embedded derivatives**

Changes in the fair value of separable embedded derivatives are recognized immediately in the statements of operations.

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

December 31, 2009 and 2008

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

**(o) 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.

**(p) 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.

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.

**(q) 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 statements of operations 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.

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

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

**(q) Revenue Recognition, Continued**

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 statements of operations.

**(r) 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 end of the reporting period.

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.

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.

**(s) Loss Per Share**

Loss per share is calculated by dividing net loss attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

Diluted loss per share are determined by adjusting net loss 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.

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

December 31, 2009 and 2008

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

**(t) 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, 2009 and 2008 are as follows:

*(In millions of Won)*

		2009	2008
Short-term financial instruments	₩	-	66
Long-term financial instruments		12	12
	₩	12	78

**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 statements of financial position, as of December 31, 2009 and 2008 are summarized as follows:

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

		2009	2008
Trade accounts and notes receivable	KRW	200,502	231,759
	USD	265,128	615,864
	EUR	32,099	158,807
	JPY	627,995	191,689
	AED	11,131	27,674
	AUD	3,684	4,734
	GBP	15,337	19,854

As of December 31, 2009, notes discounted with banks for which the Company remained contingently liable amounted to ₩ 46,980 million.

DOOSAN INFRACORE CO., LTD.  
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**5. Inventories**

Inventories as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>		2009	2008
Merchandise	₩	52,285	48,892
Finished goods		55,481	108,726
Work-in-progress		51,362	86,180
Raw materials		188,276	234,069
Supplies		934	251
Materials-in-transit		31,254	64,441
		379,592	542,559
Less allowance for valuation loss		(22,125)	(13,480)
	₩	357,467	529,079

**6. Short-term Investments**

Short-term investments as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>		2009	2008
Held-to-maturity securities (*)	₩	-	522

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

**7. Other Current Assets**

Other current assets as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>		2009	2008
Accrued income	₩	5,629	2,781
Prepaid expenses		14,342	5,130
Other		118	430
	₩	20,089	8,341

**8. Non-current Investments**

Non-current investments as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>		2009	2008
Available-for-sale securities	₩	2,667	2,543
Held-to-maturity securities		28,860	11,719
Long-term financial instruments		12	12
Long-term loans		36,196	-
	₩	67,735	14,274



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

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**8. Non-current Investments, Continued**

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

As of December 31, 2009 and 2008, 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, 2009 and 2008 are summarized as follows:

(In millions of Won)	2009		2008
	Acquisition cost	Fair value	Fair value
Marketable securities	₩ 455	923	1,130
Non-marketable securities (*)(**)(***)	2,044	1,744	1,413
	₩ 2,499	2,667	2,543

(\*) 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.

(ii) Changes in unrealized gains (losses) for the years ended December 31, 2009 and 2008 are summarized as follows:

(In millions of Won)	2009	2008
Net balance at beginning of year	₩ (233)	468
Realized gains on disposition of securities	123	-
Unrealized gains (losses) on valuation of securities	578	(701)
Net balance at end of year	₩ 468	(233)

**(b) Held-to-maturity Securities**

(i) Held-to-maturity securities as of December 31, 2009 and 2008 are summarized as follows:

(In millions of Won)	Face value		Book value	
	2009	2008	2009	2008
Government bonds and public bonds	₩ 10	769	10	769
Corporate debt securities	28,850	10,950	28,850	10,950
	₩ 28,860	11,719	28,860	11,719

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

December 31, 2009 and 2008

**8. Non-current Investments, Continued**

- (ii) Maturities of debt securities classified as held-to-maturity securities as of December 31, 2009 are summarized as follows:

<i>(In millions of Won)</i>		<u>Amortized cost</u>	<u>Fair value</u>
Due after one year through to five years	₩	28,860	28,860

During 2009 and 2008 the Company recorded interest income of ₩ 2,756 million and ₩ 160 million in relation to the debt securities, above.

**9. Equity Method Accounted Investments**

- (a) Investments in companies accounted for using the equity method as of December 31, 2009 are summarized as follows:

*(In millions of Won, except percentage of ownership)*

<u>Company</u>	<u>Percentage of ownership</u>	<u>Cost</u>	<u>Net assets</u>	<u>Balance at Dec. 31, 2009</u>
Doosan Infracore (China) Investment Co., Ltd.	100.00%	₩ 44,418	68,505	68,505
Doosan Infracore China Co., Ltd.	90.00%	26,723	368,203	279,198
Doosan Infracore Machine Tools Yantai Co., Ltd.	90.00%	10,555	19,978	18,962
Doosan Infracore Xinjiang Machinery Co., Ltd.	60.00%	4,055	2,817	1,676
Doosan Infracore Europe S.A.	99.84%	181,384	135,767	108,543
Doosan Infracore America Corp.	100.00%	28,969	50,843	34,560
Doosan Infracore Germany GmbH.	100.00%	6,434	20,136	14,127
Doosan Infracore Japan Corp.	100.00%	100	960	960
Daewoo Machinery Co., Ltd.(*)(**)	100.00%	1,308	-	-
Daewoo Maquinas E Equipamentos Ltda.(*)(**)	70.00%	1,181	-	-
Doosan Infracore International, Inc.(“DII”) (***)(****)	73.06%	869,218	381,785	389,202
Doosan Holdings Europe Ltd.(“DHEL”) (***)(****)	72.31%	924,535	512,038	512,038
Doosan Infracore India Private Ltd.(*)	99.99%	11,580	168	-
Doosan Capital Co., Ltd.(*****)	19.99%	76,000	41,092	54,418
		₩ <u>2,186,460</u>	<u>1,602,292</u>	<u>1,482,189</u>

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

December 31, 2009 and 2008

**9. Equity Method Accounted Investments, Continued**

- (\*) 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, 2009.
- (\*\*\*) 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).
- (\*\*\*\*\*) 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, 2008 are summarized as follows:

(In millions of Won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at Dec. 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

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

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**9. Equity Method Accounted Investments, Continued**

- (\*) 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.
- (\*\*\*) 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.
- (\*\*\*\*\*) 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 33).
- (\*\*\*\*\*) 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, 2009 are as follows:

(In millions of Won)

Company		Balance at Jan. 1, 2009	Increase	Amortized amount	Balance at Dec. 31, 2009
Doosan Infracore International, Inc.	₩	7,830	-	(413)	7,417
Doosan Capital Co., Ltd.		20,941	-	(7,615)	13,326
	₩	<u>28,771</u>	<u>-</u>	<u>(8,028)</u>	<u>20,743</u>

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.		28,555	-	(7,614)	-	20,941
	₩	<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.

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

**9. Equity Method Accounted Investments, Continued**

(c) Details of eliminated unrealized gains from inter-company transactions as of December 31, 2009 are summarized as follows:

(In millions of Won)

Company		Current assets	Investments	Property & equipment	Total
Doosan Infracore China Co., Ltd.	₩	89,005	-	-	89,005
Doosan Infracore Machine Tools Yantai Co., Ltd.		1,016	-	-	1,016
Doosan Infracore Xinjiang Machinery Co., Ltd.		1,141	-	-	1,141
Doosan Infracore Europe S.A.		27,224	-	-	27,224
Doosan Infracore America Corp.		16,283	-	-	16,283
Doosan Infracore Germany GmbH.		6,009	-	-	6,009
Doosan Infracore India Private Ltd.		2,518	-	-	2,518
	₩	<u>143,196</u>	<u>-</u>	<u>-</u>	<u>143,196</u>

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
	₩	<u>197,408</u>	<u>1,487</u>	<u>5,911</u>	<u>204,806</u>

(\*) 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 33).

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

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, 2009 are as follows:

(In millions of Won)

Company		Balance at Jan. 1, 2009	Acquisition	Net income (loss)	Accumulated other comprehensive income	Other	Balance at Dec. 31, 2009
Doosan Infracore (China) Investment Co., Ltd.	₩	53,625	11,205	8,991	(5,316)	-	68,505
Doosan Infracore China Co., Ltd.		220,146	-	68,560	(9,508)	-	279,198
Doosan Infracore Machine Tools Yantai Co., Ltd.		16,995	-	2,784	(817)	-	18,962
Doosan Infracore Xinjiang Machinery Co., Ltd.		1,078	-	535	63	-	1,676
Doosan Infracore Europe S.A.		59,276	79,076	(26,464)	(3,345)	-	108,543
Doosan Infracore America Corp.		34,928	-	(2,817)	2,449	-	34,560
Doosan Infracore Germany GmbH.		13,502	-	(200)	825	-	14,127
Doosan Infracore Japan Corp.		916	-	141	(97)	-	960
Doosan Infracore International, Inc.		387,515	362,315	(296,628)	(4,246)	(59,754)	389,202
Doosan Holdings Europe Ltd.		244,804	573,424	(205,710)	(21,583)	(78,897)	512,038
Doosan Infracore India Private Ltd.(*)		-	8,969	(1,915)	176	(7,230)	-
Doosan DST Co., Ltd. (**)		259,641	-	13,194	(108,496)	(164,339)	-
Korea Aerospace Industries, Ltd.(**)		90,850	-	10,867	18	(101,735)	-
Doosan Capital Co., Ltd.		61,114	-	(7,362)	666	-	54,418
	₩	<u>1,444,390</u>	<u>1,034,989</u>	<u>(436,024)</u>	<u>(149,211)</u>	<u>(411,955)</u>	<u>1,482,189</u>

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

**9. Equity Method Accounted Investments, Continued**

(\*) The balance of investments in Doosan Infracore India Private Ltd. ("DIID") reduced to zero due to the accumulated loss of DIID. Therefore, the Company ceased to apply the equity method accounting on the investment in DIID at January 1, 2009. In 2009, however, an additional investment in DIID was made and thus, the Company recognized a portion of the accumulated unrecorgnized equity method loss through an adjustment to retained earnings in accordance with paragraph 29 of SKAS 15 (Note 9(f)).

(\*\*) The shares of Doosan DST Co., Ltd. and Korea Aerospace Industries were sold to DIP Holdings, a related party, and Ordin Holdings, a third party (Note 10).

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	Acquisi- tion	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
	₩	<u>1,045,665</u>	<u>512,026</u>	<u>(440,476)</u>	<u>379,067</u>	<u>(51,892)</u>	<u>1,444,390</u>

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

**9. Equity Method Accounted Investments, Continued**

(\*) Net loss of Doosan DST Co., Ltd. includes net loss of ₩ 115,894 million arised from spin-off of defense manufacturing business unit (Note 33).

(e) Financial information of equity-accounted investments, which represents 100% of the entities' balances, as of December 31, 2009 is summarized as follows:

(In millions of Won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Doosan Infracore (China) Investment Co., Ltd.	₩ 69,793	1,288	6,679	8,991
Doosan Infracore China Co., Ltd.	1,070,824	661,709	1,650,574	100,380
Doosan Infracore Machine Tools Yantai Co., Ltd.	62,151	39,954	92,460	12
Doosan Infracore Xinjiang Machinery Co., Ltd. (*)	25,317	20,622	48,999	1,041
Doosan Infracore Europe S.A. (*)	329,461	193,694	239,169	(38,717)
Doosan Infracore America Corp.	180,403	129,560	251,609	(17,656)
Doosan Infracore Germany GmbH.	80,459	60,323	80,727	(9,980)
Doosan Infracore Japan Corp. (*)	15,565	14,605	2,466	141
Doosan Infracore International, Inc. (*)	3,329,347	2,356,372	1,135,832	(456,174)
Doosan Holdings Europe Ltd. (*)	4,325,081	3,145,050	775,346	(343,780)
Doosan Infracore India Private Ltd. (*)	28,802	28,634	21,862	(5,224)
Doosan Capital Co., Ltd.	2,074,426	1,868,823	256,767	1,263

(\*) 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.

(f) As the carrying amount of the equity method accounted investments reduced to zero, the Company ceased to apply the equity method accounting. The amount of unrecognized equity method losses for the year ended December 31, 2009 and the accumulated amount of losses up to 2008 are as follows:

(In millions of Won)

Company	2009	Accumulated up to 2008	Total
Doosan Infracore India Private Ltd.	₩ 5,056	(7,406)	(2,350)



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December 31, 2009 and 2008

**10. Transactions and Balances with Related Companies**

(a) Details of parent and subsidiary relationships as of December 31, 2009 are as follows:

Parent	Control relationship	
Doosan Corp.	Ultimate controlling party	
Doosan Heavy Industries and Construction Co., Ltd.	Immediate parent	
Controlled subsidiary	Ownership	
	The Company	Subsidiary
Doosan Infracore (China) Investment 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 Suzhou Co., Ltd.	-	100.00%
Doosan Infracore (Shandong) Co., Ltd.	-	90.00%
Doosan Infracore Xinjiang Machinery Co., Ltd.	60.00%	-
Doosan Infracore Europe S.A.	99.84%	0.16%
Doosan Infracore U.K., Ltd.	-	100.00%
Doosan Infracore Norway AS	-	100.00%
Doosan Moxy IP Ltd.	-	100.00%
Doosan Moxy UK Ltd.	-	100.00%
Doosan Moxy AS	-	100.00%
Doosan Moxy America LLC	-	100.00%
Doosan Moxy US Holding Company, Inc.	-	100.00%
Doosan Infracore Germany GmbH.	100.00%	-
Doosan Infracore America Corp.	100.00%	-
Doosan Infracore Japan Corp.	100.00%	-
Doosan Infracore India Private Ltd.	99.99%	-
Doosan Holdings Europe Ltd. (**)	72.31%	-
Doosan Infracore International, Inc. (**)	73.06%	-
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 International UK Limited	-	100.00%
Doosan Trading (Shanghai) Co., Ltd.	-	100.00%
CDS Midwest Inc.	-	100.00%
Clark Distribution Services, Inc.	-	100.00%
Clark Business Services Corporation	-	100.00%
Bobcat Lyon SAS	-	100.00%
CJSC Doosan International Russia	-	100.00%
Bobcat Bensheim GmbH & Co KG	-	100.00%
Doosan Techno Holding Co. Ltd. (Ireland)	-	100.00%
Doosan Trading Ltd.	-	100.00%
Montabert	-	100.00%
Bobcat France S.A.	-	100.00%
Doosan International Italia S.r.L.	-	100.00%
Doosan Bobcat Manufacturing s.r.o.	-	100.00%
Doosan Bobcat Engineering s.r.o.	-	100.00%
Geith International Ltd.	-	100.00%
Geith International UK Ltd.	-	100.00%

DOOSAN INFRACORE CO., LTD.  
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December 31, 2009 and 2008

**10. Transactions and Balances with Related Companies, Continued**

Controlled subsidiary	Ownership	
	The Company	Subsidiary
Goldwave Holdings Ltd.	-	100.00%
Geith Patents Ltd.	-	100.00%
Doosan International Construction Equipment Espana, S.L.	-	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 S.A.	-	100.00%
Doosan International China Co. Ltd.	-	100.00%
Doosan International Australia Pty Ltd.	-	100.00%
Doosan International India Private Ltd.	-	100.00%
Doosan Construction Equipment Malaysia Co. Soln. Bhd.	-	100.00%
Doosan International South East Asia Pte. Ltd.	-	100.00%
Clark Equipment Co.	-	100.00%
Bobcat Reno	-	100.00%
Perimeter Bobcat, Inc.	-	100.00%
Doosan Benelux SA	-	100.00%
Bobcat Parts Services GmbH.	-	100.00%
Bobcat Equipment Ltd.	-	100.00%
Bobcat Corp.	-	100.00%
Doosan Beteiligungs GmbH.	-	100.00%
Doosan Infracore Portable Power of Netherlands BV	-	100.00%
Doosan International Korea Ltd.	-	100.00%
Doosan International South Africa Ltd.	-	100.00%
Doosan International Manufacturing China Co. Ltd.	-	100.00%
Doosan International Luxemburg	-	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.

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

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

December 31, 2009 and 2008

**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, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>					
<b>Relationship</b>	<b>Company</b>	<b>Transaction</b>	<b>2009</b>	<b>2008</b>	
Parent	Doosan Corp.	Sales	₩ 789	1,666	
		Purchases	54,832	56,538	
	Doosan Heavy Industries and Construction Co., Ltd.	Sales	1,082	-	
		Purchases	28	1,120	
Exercising significant influence over an investee	Doosan Mecatec Co., Ltd.	Sales	-	50	
		Purchase	25,849	20,266	
	Doosan Engine Co., Ltd.	Sales	279	3,520	
		Purchase	-	2,944	
Subsidiary	Doosan Infracore America Corp.	Sales	147,292	325,456	
		Purchase	263	795	
	Doosan Infracore China Co., Ltd.	Sales	723,012	566,719	
		Purchases	28,685	52,688	
	Doosan Infracore Europe S.A.	Sales	97,181	288,789	
		Purchases	4,862	5,763	
	Doosan Infracore Germany GmbH.	Sales	56,951	163,620	
		Purchases	1,534	2,314	
	Doosan Infracore Japan Corp.	Purchases	1,897	1,505	
	Doosan Infracore U.K., Ltd.	Sales	43,215	63,631	
		Purchases	1,296	1,439	
	Doosan Infracore Machine Tools Yantai Co., Ltd.	Sales	52,588	36,565	
		Purchases	8,809	8,853	
	Doosan Infracore Suzhou Co., Ltd.	Purchases	207	244	
	Doosan Infracore (Shandong) Co., Ltd.	Sales	21	-	
		Sales	1,622	-	
	Doosan Moxy AS	Purchases	13,079	-	
	Doosan Infracore India Private Ltd.	Sales	9,577	9,016	
		Purchases	1,424	518	
	Doosan Infracore International, Inc.	Sales	14,187	-	
		Purchases	178	-	
	Doosan Trading Ltd.	Sales	5,546	-	
		Purchases	1,460	-	
	Doosan Bobcat Chile S.A.	Sales	10	-	
		Sales	22	-	
Equity method investee	Doosan Capital Co., Ltd.	Sales	19	14	
		Purchases	-	4,361	
	Doosan Infracore South Africa Pty. Ltd. (*)	Sales	-	9,915	
		Purchases	-	127	

## DOOSAN INFRACORE CO., LTD.

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December 31, 2009 and 2008

**10. Transactions and Balances with Related Companies, Continued**

*(In millions of Won)*

<b>Relationship</b>	<b>Company</b>	<b>Transaction</b>	<b>2009</b>	<b>2008</b>
Other related party	Doosan DST Co., Ltd.	Sales ₩	4,612	-
		Purchases	20	-
	Doosan Construction & Engineering Co., Ltd.	Purchases	15,333	45,009
	Doosan Tower	Purchases	5,751	5,329
	Oricom	Purchases	4,263	12,883
	Doosan Bears Inc.	Purchases	2,814	4,221
	Doosan Cuvex Co., Ltd.	Purchases	545	553
	Doosan Mottrol Co., Ltd.	Sales	2,064	2,599
		Purchases	64,671	46,386
	Doosan Dong-A	Purchase	881	619
	Neoplux Co., Ltd.	Purchases	3,460	992
	SRS Korea	Purchases	4	306
	Donghyun Engineering Co., Ltd.	Purchases	6,733	1,874
	Doosan Credit Union	Purchases	159	363
	N shaper Corp.	Sales	8	8
		Purchases	1,658	1,269
	Samhwa Crown & Closure Co., Ltd.	Sales	47	-
	Doosan Ecobiznet Co., Ltd.	Purchases	47	-
	B&G Securities	Purchases	134	-

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

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December 31, 2009 and 2008

**10. Transactions and Balances with Related Companies, Continued**

(c) Account balances with related companies as of December 31, 2009 are as follows:

(In millions of Won)				
Relationship	Company		Receivables	Payables
Parent	Doosan Corp.	₩	754	20,057
	Doosan Heavy Industries and Construction Co., Ltd.		1,102	2
Exercising significant influence over an investee	Doosan Mecatec Co., Ltd.		-	17,243
Subsidiary	Doosan Infracore China Co., Ltd.		129,708	2,418
	Doosan Infracore America Corp.		43,807	1,782
	Doosan Infracore Europe S.A.		82,126	1,739
	Doosan Infracore Germany GmbH.		7,703	13,786
	Doosan Infracore Japan Corp.		-	13,234
	Doosan Infracore U.K., Ltd.		38,283	543
	Doosan Infracore Machine Tools Yantai Co., Ltd.		11,131	1,807
	Doosan Infracore Suzhou Co., Ltd.		-	355
	Doosan Moxxy AS (*)		37,841	430
	Doosan Infracore India Private Ltd.		18,841	204
	Doosan Holdings Europe Ltd.		8,512	-
	Doosan Infracore International, Inc.		5,750	-
	Doosan Trading Ltd.		875	-
	Montabert		-	237
	Doosan Bobcat Chile S.A.		9	-
	Clark Equipment Co.		45	-
Equity method investee	Doosan Capital Co., Ltd.		-	74
Other related party	Doosan DST Co., Ltd.		2,436	-
	Doosan Construction & Engineering Co., Ltd.		-	6,271
	Doosan Tower		3,922	84
	Oricom		-	3,580
	Doosan Cuvex Co., Ltd.		3,699	9
	Doosan Mottrol Co., Ltd.		11	39,275
	Doosan Dong-A		-	495
	Neoplux Co., Ltd.		-	1,826
	SRS Korea		-	5
	Donghyun Engineering Co., Ltd.		112	462
	Doosan Credit Union		-	32
	N Shaper Corp.		-	3
	Samhwa Crown & Closure Co., Ltd.		52	-
	Doosan Ecobiznet Co., Ltd.		-	51
		₩	<u>396,719</u>	<u>126,004</u>

# DOOSAN INFRACORE CO., LTD.

## Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

### 10. Transactions and Balances with Related Companies, Continued

(\*) Includes loan receivables as follows :

(In millions of Won)				
Company	Balance at Jan. 1, 2009	Increase	Decrease	Balance at Dec. 31, 2009
Doosan Moxy AS ₩	-	36,196	-	36,196

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 Mottrol Co., Ltd.	151	20,695	
	Doosan Dong-A	-	271	
	Donghyun Engineering Co., Ltd.	-	73	
	N Shaper Corp.	-	3	
		₩ 187,896	101,740	

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**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, 2009 and 2008 are as follows:

*(In millions of Won)*

<b>Compensation details</b>		<b>2009</b>	<b>2008</b>
Short-term employee benefits, etc	₩	20,164	35,536
Share-based payment		3,650	4,582
	₩	<u>23,814</u>	<u>40,118</u>

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, 2009 are as follows:

*(In thousands of foreign currency)*

<b>Guarantee recipient</b>	<b>Type of borrowings</b>	<b>Guaranteed amount</b>	
Doosan Infracore Germany GmbH.	Borrowings	EUR	14,400
Doosan Infracore U.K., Ltd.	Borrowings	GBP	7,400
	Lease	GBP	1,000
Doosan Infracore Europe S.A.	Borrowings	EUR	15,000
Doosan Infracore International, Inc.	Borrowings	USD	18,000
Doosan Infracore India Private Ltd.	Borrowings	INR	96,000
Clark Equipment Co.	Rental expenses	USD	96
	Financing	USD	15,000

- (f) The following assets are pledged by related companies as collateral for the Company's foreign currency borrowings as of December 31, 2009:

*(In thousands of foreign currency)*

<b>Pledged asset</b>	<b>Lender</b>	<b>Pledged amount</b>	<b>Type of borrowings</b>	<b>Borrowing amount</b>	<b>Borrowing amount</b>
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

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**10. Transactions and Balances with Related Companies, Continued**

- (g) Disposal of equity method accounted investments

	Description
Disposal date	June 3, 2009
Approval date of B.O.D	June 3, 2009
Description of transaction	20,000 thousand common shares of Doosan DST Co., Ltd. and 17,656 thousand common shares of Korea Aerospace Industries, Ltd. were sold to DIP Holdings (established by Doosan Corp.), a related party, and Ordin Holdings (established by Mirae Asset PEF and IMM Private Equity), a third party, for 50.9% and 49.1% respectively.
Selling price	Doosan DST Co., Ltd. : ₩ 436,257 million Korea Aerospace Industries, Ltd. : ₩ 189,050 million

**11. Property, Plant and Equipment**

- (a) Property, plant and equipment at December 31, 2009 and 2008 are summarized as follows:

(In millions of Won)		2009	2008
Property, plant and equipment at cost	₩	1,729,627	1,684,487
Accumulated depreciation		(473,516)	(433,146)
Accumulated impairment		(4,488)	(4,489)
Government grant		(7,957)	-
Property, plant and equipment, net	₩	1,243,666	1,246,852

- (b) Changes in property, plant and equipment for the year ended December 31, 2009 are as follows:

(In millions of Won)		2009				
		Book value as of Jan. 1	Acquisition	Disposals	Transfer	Book value as of Dec. 31
Land	₩	787,748	2,624	(600)	-	789,772
Buildings		191,477	620	(610)	26,513	210,897
Structures		32,979	516	(781)	6,711	36,665
Machinery		102,655	19,751	(466)	21,120	125,253
Vehicles		2,337	504	-	-	2,014
Tools		20,195	10,468	(18)	13,650	34,854
Furniture and fixtures		23,172	3,632	(2)	5,687	22,007
Construction-in-progress (*)		86,289	44,396	-	(108,481)	22,204
	₩	1,246,852	82,511	(2,477)	(34,800)	1,243,666

(\*) The Company expensed ₩ 44,396 million in relation to construction in progress during 2009.



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**11. Property, Plant and Equipment, Continued**

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

(In millions of Won)		2008						
	Book value as of Jan. 1	Acquisi- tion	Disposals	Revalua- tion(*)	Transfer	Deprecia- tion	Other (**)	Book value as of Dec. 31
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 (***)	16,969	112,568	-	-	(39,760)	-	(3,488)	86,289
	<u>₩ 753,670</u>	<u>177,010</u>	<u>(6,122)</u>	<u>459,965</u>	<u>(1,792)</u>	<u>(51,702)</u>	<u>(84,177)</u>	<u>1,246,852</u>

(\*) 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 33).

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

(c) Insurance

As of December 31, 2009, inventories, cash, investment securities, and property, plant and equipment are insured against fire and other types of damage up to ₩ 4,696,549 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).

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**11. Property, Plant and Equipment, Continued**

- (d) The officially declared value of land at December 31, 2009, as announced by the Minister of Construction and Transportation, was as follows:

<i>(In millions of Won)</i>		<u>Book value</u>	<u>Declared value</u>
Land	₩	789,772	436,280

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

**12. Intangible Assets**

- (a) Changes in intangible assets for the year ended December 31, 2009 are as follows:

<i>(In millions of Won)</i>		<u>2009</u>			
		<u>Development costs</u>	<u>Government subsidy</u>	<u>Industrial property rights</u>	<u>Other</u>
Net balance at beginning of year	₩	53,932	(263)	1,686	15,047
Increases		56,137	-	507	4,952
Amortization		(12,183)	131	(363)	(12,326)
Impairment		(508)	-	-	-
Other		1,217 (*)	-	-	48,450 (**)
Net balance at the end of year	₩	<u>98,595</u>	<u>(132)</u>	<u>1,830</u>	<u>56,123</u>

(\*) Accrual for retirement and severance benefits recorded as development costs

(\*\*) Transfer from construction-in-progress

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

<i>(In millions of Won)</i>		<u>2008</u>			
		<u>Development costs</u>	<u>Government subsidy</u>	<u>Industrial property rights</u>	<u>Other</u>
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)
Impairment		-	-	(365)	-
Other (*)		(1,065)	-	(115)	592
Net balance at end of year	₩	<u>53,932</u>	<u>(263)</u>	<u>1,686</u>	<u>15,047</u>

(\*) Other changes include transferred amounts of defense manufacturing business unit (Note 33) and other intangible assets transferred from construction-in-progress.

- (c) Research and development costs incurred for the years ended December 31, 2009 and 2008 are ₩ 66,309 million and ₩ 85,151 million, respectively.

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**13. Other Non-current Assets**

Other non-current assets as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>	2009	2008
Guarantee deposits, less allowance for doubtful accounts of ₩	14,752	7,360
₩ 99 in 2009 and ₩ 285 in 2008		
Membership	20,846	20,846
	<u>₩ 35,598</u>	<u>28,206</u>

**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, 2009:

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

Asset	Lender	Type of borrowings	Borrowing amount	Book value	Collateralized amount
Land, buildings	Korea	Construction	KRW 110,000	KRW 753,751	KRW 184,413
structures,	Development		USD 7,184		USD 95,026
machinery (*)	Bank		EUR 1,584		DEM 84,000
			GBP 18		
			JPY 227,214		

(\*) 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, 2009 are as follows:

*(In thousands of foreign currency)*

Asset	Related company	Guaranteed amount	Lender
Equity method accounted investments (All shares of DII and DHEL owned by the Company)	Doosan Holdings Europe Ltd.	USD 2,300,000	Korea Development Bank and others

- (c) 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 20,165 thousand and EUR 161 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 ₩ 76,675 million as of December 31, 2009.

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**15. Other Current Liabilities**

Other current liabilities as of December 31, 2009 and 2008 are as follows:

(In millions of Won)

		2009	2008
Withholdings	₩	3,777	4,598
Deposits received		5,543	10,465
Provision for returned goods		352	523
Other		12,043	20,234
	₩	21,715	35,820

**16. Long-term Debt**

(a) Long-term borrowings as of December 31, 2009 and 2008 are summarized as follows:

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

Lender	Annual Interest rate	2009		2008	
		Foreign currency	Won equivalents	Foreign currency	Won equivalents
Kookmin Bank	3M Libor+0.48%	USD 449	₩ 524	USD 897	₩ 1,128
Korea Asset Management Corporation	0~3M Libor+0.58%	USD 3,556	4,152	USD 7,112	8,944
The Korea Development Bank	3M Libor+0.74%	USD 3,395	3,964	USD 14,582	18,337
The Export-Import Bank of Korea	3M Libor+0.65%	USD 3,573	4,171	USD 10,663	13,408
AKA Bank	6M Eulibor+ 0.45%	EUR 5,001	8,374	EUR 5,497	9,764
Korea Exchange Bank	3M Libor+4.50%	USD -	-	USD 30,000	37,725
Korea Exchange Bank	3M Libor+4.60%	GBP -	-	GBP 13,300	24,175
SC Korea First Bank	3M Libor+4.50%	USD -	-	USD 50,000	62,875
Kookmin Bank(*)	6M Libor+1.60%	USD 18,000	21,017	USD 18,000	22,635
The Korea Development Bank(*)	"	USD 248,000	289,565	USD 248,000	311,860
Woori Bank(*)	"	USD 90,000	105,084	USD 90,000	113,175
The Export-Import Bank of Korea(*)	"	USD 130,000	151,788	USD 130,000	163,475
Industrial Bank of Korea(*)	"	USD 50,000	58,380	USD 50,000	62,875
Shinhan Bank(*)	"	USD 90,000	105,084	USD 90,000	113,175

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16. Long-term Debt, Continued

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

Lender	Annual interest rate	2009		2008	
		Foreign currency	Won equivalents	Foreign currency	Won equivalents
Hana Bank(*)	6M Libor+1.60%	USD 35,000	₩ 40,866	USD 35,000	₩ 44,013
Korea Exchange Bank(*)	"	USD 21,000	24,520	USD 21,000	26,408
HSBC(*)	"	USD 9,000	10,508	USD 9,000	11,317
First Gulf Bank(*)	"	USD 9,000	10,508	USD 9,000	11,317
The Korea Development Bank(*)	6.37~6.55%	KRW	40,000	KRW	-
			878,505		1,056,606
Less current portion of long-term debt			(177,148)		(153,675)
			₩ 701,357		₩ 902,931

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

(b) Bonds as of December 31, 2009 and 2008 are summarized as follows:

(In millions of Won)

	Maturity	Annual interest rate		2009	2008
Bonds	2009.04.28	CD91 rate+0.33%	₩	-	20,000
	2009.04.28	5.08%		-	20,000
	2009.10.28	CD91 rate+0.43%		-	20,000
	2009.10.28	5.22%		-	20,000
	2010.02.02	8.20%		140,000	-
	2010.04.05	5.65%		50,000	50,000
	2010.07.27	5.70%		30,000	-
	2010.09.02	7.40%		182,000	-
	2010.12.30	9.18%		60,000	60,000
	2011.02.02	8.30%		10,000	-
	2011.03.02	7.50%		35,000	-
	2011.04.28	7.30%		150,000	-
	2011.05.13	7.20%		200,000	-
	2011.07.27	6.50%		40,000	-
	2012.01.28	7.67%		40,000	-
	2012.03.02	7.70%		13,000	-
	2012.04.28	7.50%		10,000	-
	2012.07.27	7.00%		130,000	-
	2012.10.01	6.80%		40,000	-
				1,130,000	190,000
Less current portion of long-term debt & bonds				(462,000)	(80,000)
			₩	668,000	110,000

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**16. Long-term Debt, Continued**

(c) Aggregate maturities of the Company's long-term debts as of December 31, 2009 are summarized as follows:

(In millions of Won)

Maturity		Currency bonds	Bonds	Local currency debt	Foreign currency debt	Total
2010	₩	170,000	292,000	-	177,148	639,148
2011		-	435,000	5,000	164,382	604,382
2012		-	233,000	25,000	164,430	422,430
2013		-	-	5,000	164,477	169,477
2014 and thereafter		-	-	5,000	168,068	173,068
	₩	<u>170,000</u>	<u>960,000</u>	<u>40,000</u>	<u>838,505</u>	<u>2,008,505</u>

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

Assets and liabilities denominated in foreign currency as of December 31, 2009 and 2008 are summarized as follows:

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

	2009		2008	
	Foreign currency	Won equivalent	Foreign currency	Won equivalent
Assets:				
Cash and cash equivalents	USD 2,849	₩ 3,326	USD 12,792	₩ 16,087
	EUR 1,734	2,903	EUR 6,153	10,929
	GBP 814	1,528	GBP 553	1,004
	JPY -	-	JPY 9,288	129
	AUD 59	62	AUD -	-
Accounts and notes receivable - trade	USD 295,147	344,613	USD 192,450	242,006
	GBP 20,960	39,358	GBP 17,443	31,705
	JPY -	-	JPY 139,557	1,945
	CNY -	-	CNY 6,830	1,257
	AED 3,752	1,193	AED 387	132
	EUR 48,254	80,792	EUR 47,959	85,186
	AUD -	-	AUD 681	592
Accounts and notes receivable - other	USD 19,515	22,786	USD 12,354	15,535
	GBP 517	971	GBP 646	1,174
	EUR 1,239	2,074	EUR 4,259	7,564
	JPY 2,823	36	JPY -	-
Long-term loans	USD 31,000	36,196	EUR -	-
Total assets		₩ <u>535,838</u>		₩ <u>415,245</u>

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

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

	2009		2008	
	Foreign currency	Won equivalent	Foreign currency	Won equivalent
Liabilities:				
Accounts and notes payable - trade	USD 6,515	₩ 7,606	USD 8,635	₩ 10,859
	EUR 9,626	16,116	EUR 9,774	17,361
	GBP 330	620	GBP 138	251
	JPY 1,240,439	15,665	JPY 508,377	7,086
	CHF -	-	CHF 167	199
Accounts and notes payable - other	USD 9,780	11,419	USD 18,288	22,997
(including current portion of long-	JPY 81,336	1,027	JPY 239,539	3,339
term accounts and notes payable -	EUR 5,782	9,680	EUR 5,054	8,978
other)	GBP 578	1,085	GBP 870	1,581
	AED 41	13	AED 364	125
	AUD 123	128	AUD 119	103
	CNY 901	154	CNY 1,679	309
	SGD -	-	SGD 1	1
	BRL -	-	BRL 23	12
	NOK -	-	NOK 348	63
Short-term borrowings	USD 139,461	162,836	USD 4,122	5,183
	EUR 26,133	43,753	EUR 3,185	5,657
	GBP 14,074	26,426	GBP -	-
	JPY 2,550,424	32,207	JPY 5,555	77
Long-term debt (including	USD 710,973	830,131	USD 813,254	1,022,667
current portion of long-term debt)	GBP -	-	GBP 13,300	24,175
	EUR 5,001	8,374	EUR 5,497	9,764
Accrued expenses	USD 3,423	3,996	USD 4,373	5,499
	GBP 16	30	GBP 118	215
	JPY 22,556	285	JPY 9	1
	EUR 280	468	EUR 11	20
Total liabilities		₩ <u>1,172,019</u>		₩ <u>1,146,522</u>

The Company recognized loss on foreign currency translation amounting to ₩ 6,624 million as non-operating expense in relation to the above foreign currency translation.

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**18. Retirement and Severance Benefits**

Changes in retirement and severance benefits for the years ended December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Estimated retirement and severance benefits at beginning of year	₩ 153,014	164,276
Accrual for retirement and severance benefits	17,936	32,442
Payments	(27,263)	(21,436)
Transferred from related parties	681	445
Other	1,217 (*)	(22,713) (**)
Estimated retirement and severance benefits at end of year	145,585	153,014
Transfer to National Pension Fund	(1,079)	(1,408)
Deposit for severance benefit insurance	(79,830)	(87,118)
Net balance at end of year	₩ <u>64,676</u>	<u>64,488</u>

(\*) Accrual for retirement and severance benefits recorded as development costs

(\*\*) The transferred amount of defense manufacturing business units (Note 33) 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 55% and 57% of the reserve balances of retirement and severance benefits as of December 31, 2009 and 2008, 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, 2009, two blank notes had been provided to Korea Asset Management Co., Ltd. as collateral for borrowings and transaction agreement.

(b) The Company is involved in 6 lawsuits aggregating to ₩ 2,401 million and USD 49,912 thousand as a defendant and 3 lawsuits aggregating to ₩ 417 million as a plaintiff as of December 31, 2009. The ultimate outcome of the lawsuit cannot presently be determined.

(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.



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**19. Commitments and Contingencies, Continued**

(ii) Financial covenant

The Company entered into a loan agreement with lenders consists of Korea Development Bank and nine 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.

As of May 25, 2009, the agreement was amended that the financial covenants tests would be calculated annually, not semi-annually, and exempted in 2009.

**20. Derivative Instruments and Hedge Accounting**

(a) Details of derivative instruments outstanding as of December 31, 2009 are as follows:

Purpose	Derivative instruments	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
Other	Foreign currency forwards	Foreign currency forwards to hedge future cash flow

(b) Details of fair value hedge as of December 31, 2009 are as follows:

Hedged item	Hedging item	Contract date	Expiration date (*)
Firm commitment sales	Foreign currency forwards	2008.01.14~2009.12.23	2010.01.14~2010.12.28

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

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**20. Derivative Instruments and Hedge Accounting, Continued**

(c) Details of cash flow hedge as of December 31, 2009 are as follows:

Hedged item	Hedging item	Contract date	Expiration date
Forecasted sales and purchase	Foreign currency forwards	2009.03.17~2009.12.22	2010.03.25~2010.12.15
Interest expense of labor rate	Interest swap	2006.04.28~2008.04.25	2010.05.24~2012.05.21
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 designates long-term borrowings of USD 700,000 thousand as cash flow hedging instruments. As a result, there is a other comprehensive loss (foreign currency translation loss) amounting to ₩ 67,048 million, net of tax, as of December 31, 2009. The expected period to be exposed to changes in future cash flow is until Nov 21, 2011 as the Company designated non-derivative financial instrument as hedging means.

(e) The Company applies fair value hedge to sales contracts which meet conditions of the firm commitment and practically irreversible under the Financial Supervision Services Staff Opinions Financial Reporting 2008-2 *Forecast Transactions Contracted in a Foreign Currency that meet the Definition of Firm Agreement*. Such firm commitment amounted to ₩ 496,220 million as of December 31, 2009.

(f) Details of gain and loss on valuation of derivatives instruments as of December 31, 2009 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	₩ 2,789	(12,308)	-	-	(1,242)
	Interest swap	-	(14,555)	-	-	-
	Foreign currency borrowings	-	-	(86,940)	-	-
	Foreign currency forwards	-	-	-	207,178	(5,964)
Fair value hedge	Foreign currency forwards	-	-	-	6,073	-
Objective of disposal		2,789	(26,863)	(86,940)	213,251	(7,206)
	Tax effect	(675)	6,399	19,892	-	-
		₩ 2,114	(20,464)	(67,048)	213,251	(7,206)

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**20. Derivative Instruments and Hedge Accounting, Continued**

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)
	Tax effect		(8,215)	9,023	32,971	-	-
		₩	26,083	(28,648)	(116,899)	40,052	(60,502)

**21. Stockholders' Equity**

Transactions in stockholders' equity for the years ended December 31, 2009 and 2008 are as follows:

(In millions of Won, except number of shares)

	2009		2008	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	168,207,384 ₩	841,037	168,157,384 ₩	840,787
Exercising stock options	101,300	506	50,000	250
Balance at end of year	168,308,684 ₩	841,543	168,207,384 ₩	841,037

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**22. Capital Adjustments**

Details of capital adjustments as of December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Treasury stock	₩ -	(199,934)
Loss on reissuance of treasury stock	(7,909)	-
Stock options	11,500	8,638
Other	(38,233)	(4,113)
	<u>₩ (34,642)</u>	<u>(195,409)</u>

**23. Retained Earnings (Accumulated Deficit)**

Retained earnings (accumulated deficit) as of December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Legal reserve	₩ 23,000	20,000
Reserve for research and development	277,050	367,050
Reserve for utilities	-	55,000
Undisposed deficit	(313,534)	(113,739)
	<u>₩ (13,484)</u>	<u>328,311</u>

**(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.

**(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.

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**24. Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>		2009	2008
Salaries	₩	96,721	125,595
Provision for retirement and severance benefits		6,755	12,434
Other employee benefits		27,156	24,711
Supplies		982	1,011
Publications and printing		1,051	986
Freight and custody		50,387	117,645
Communications		1,583	1,579
Utilities		1,964	2,147
Rent		11,831	9,658
Maintenance		5,805	3,935
Insurance		2,291	3,041
Car allowance		1,997	2,324
Depreciation		9,300	7,837
Amortization		12,689	4,491
Research and development		66,309	85,151
Advertising		15,109	31,818
Sales commission		61,955	61,750
Sales promotion		405	729
Taxes and dues		3,388	2,760
Travel		10,196	13,027
Sundry		41,813	41,936
Entertainment		2,755	4,641
Training		3,895	6,861
Administrative service		1,123	1,055
After-sales service		23,556	31,697
Bad debt expenses		1,062	2,937
Packing		3,636	3,264
	₩	<u>465,714</u>	<u>605,020</u>

**25. Income Taxes**

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

Taxable income		Tax rate			
Prior to 2008	Thereafter	Prior to 2009	2009	2010 and 2011	Thereafter
Up to ₩ 100 million	Up to ₩ 200 million	12.1%	12.1%	11%	11%
Over ₩ 100 million	Over ₩ 200 million	27.5%	24.2%	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 %.

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**25. Income Taxes, Continued**

- (b) The components of income tax expense for the years ended December 31, 2009 and 2008 are summarized as follows:

<i>(In millions of Won)</i>		<b>2009</b>	<b>2008</b>
Current	₩	30,774	82,154
Deferred		30,359	90,642
Other (*)		-	(1,627)
Direct charge to accumulated other comprehensive income		(10,706)	(134,461)
Income tax expense	₩	<u>50,427</u>	<u>36,708</u>

(\*) Other is amount that arised from spin-off of defense manufacturing business unit (Note 33).

- (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 ₩ 2,576 million of which ₩ 1,193 million was recognized directly to equity and ₩ 1,383 million was recognized in current income tax expense.
- (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, 2009 and 2008 for the following reasons:

<i>(In millions of Won)</i>		<b>2009</b>	<b>2008</b>
Loss before income taxes	₩	(260,676)	(85,110)
Benefit for income taxes at normal tax rates		(63,084)	(23,436)
Income tax refunds		(10,600)	(5,026)
Additional payment of income taxes		-	459
Tax effect of permanent differences		517	4,440
Temporary differences not recognized in deferred tax asset, net		135,946	91,786
Investment tax credit		(12,048)	(25,043)
Tax rate change effect		1,383	186
Other		(1,687)	(6,658)
Income tax expense	₩	<u>50,427</u>	<u>36,708</u>
Effective tax rate		<u>(*)</u>	<u>(*)</u>

(\*) The Company does not calculate effective tax rate in 2009 and in 2008 since the Company recognized loss before income taxes.

- (e) Deferred tax assets have been recognized as the Company has determined it is probable that future profits will be available against which the Company can utilize the related benefit.

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**25. Income Taxes, Continued**

- (f) The tax effects of temporary differences that resulted in significant portions of deferred tax assets and liabilities at December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Advances from government	₩ 4,564	2,670
Allowance for doubtful accounts in excess of tax limit	6,231	5,986
Provision for construction losses	2,526	3,392
Present value discount	342	407
Accrual for retirement and severance benefits	22,183	20,718
Investment securities	121,957	-
Investment securities (unrealized income) (*)	35,761	56,718
Goodwill from acquisition of Doosan Mecatec Co., Ltd.	5,340	7,525
Foreign currency translation, net	1,707	13,126
Other	42,270	44,442
Total deferred tax assets	<u>242,881</u>	<u>154,984</u>
Deferred tax liabilities:		
Investment securities	-	(17,247)
Individual severance insurance	(17,563)	(19,133)
Provision for temporary depreciation	(6,340)	(31,859)
Reserve for research and development	(32,307)	(30,070)
Gain of revaluation of land	(101,029)	(101,070)
Total deferred tax liabilities	<u>(157,239)</u>	<u>(199,379)</u>
Carried forwarded tax credit	1,943	4,529
(-) Deferred tax assets with low probability of realization	(242,100)	(86,630)
(+) Deferred tax liabilities with low probability of realization	36,193	38,533
Net deferred tax liabilities	₩ <u>(118,322)</u>	<u>(87,963)</u>

- (\*) Deferred income tax is the temporary difference for unrecognized gain or loss from internal transaction with related parties, computed with applied tax income tax rate to subsidiaries.

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**25. Income Taxes, Continued**

(g) Temporary differences have not been recognized as deferred tax assets as of December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Doosan Infracore Europe S.A.		
- Equity in net loss of equity method accounted investments ₩	50,769	-
- Other capital adjustments	2,471	-
Doosan Infracore Xinjiang Machinery Co., Ltd.		
- Equity in net loss of equity method accounted investments	2,410	3,035
Doosan Infracore India Private Ltd.		
- Equity in net loss of equity method accounted investments	11,756	2,611
Doosan Infracore International, Inc.		
- Equity in net loss of equity method accounted investments	473,141	176,512
- Other capital adjustments	73,267	13,513
Doosan Holdings Europe Ltd.		
- Equity in net loss of equity method accounted investments	388,813	183,103
- Other capital adjustments	78,897	-
Doosan Capital Co., Ltd.		
- Equity in net loss of equity method accounted investments	19,198	11,835
- Unrealized loss on valuation of equity method accounted investments	2,385	3,051
₩	<u>1,103,107</u>	<u>393,660</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.



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**25. Income Taxes, Continued**

- (h) Temporary differences have not been recognized as deferred tax liabilities as of December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>		<u>2009</u>	<u>2008</u>
Doosan Infracore Europe S.A.			
- Unrealized gain on valuation of equity method accounted investments	₩	15,261	-
Doosan Infracore Xinjiang Machinery Co., Ltd.			
- Unrealized gain on valuation of equity method accounted investments		429	653
Doosan Infracore India Private Ltd.			
- Unrealized gain on valuation of equity method accounted investments		176	-
Doosan Infracore International, Inc.			
- Unrealized gain on valuation of equity method accounted investments		66,391	70,637
Doosan Holdings Europe Ltd.			
- Unrealized gain on valuation of equity method accounted investments		55,213	76,796
Provision for temporary depreciation		27,177	27,062
	₩	<u>164,647</u>	<u>175,148</u>

- (i) Deferred tax assets and liabilities that are directly charged or credited to accumulated other comprehensive income as of December 31, 2009 are as follows:

<i>(In millions of Won)</i>		<u>Temporary differences</u>	<u>Income tax payable</u>	<u>Deferred tax assets (liabilities)</u>
Loss on reissuance of treasury stock	₩	(10,434)	2,525	-
Disposal of equity method accounted investments		138,621	(33,546)	-
Changes in equity method for subsidiaries		(138,651)	-	(544)
Unrealized gain on valuation of available-for-sale securities		468	-	(103)
Unrealized loss on valuation of available-for-sale securities		233	-	(51)
Unrealized gain on valuation of equity method accounted investments		(149,895)	-	29,140
Unrealized loss on valuation of equity method accounted investments		684	-	(4)
Loss on foreign currency translation		62,930	-	(13,080)
Unrealized gain on valuation of derivatives		(31,510)	-	7,540
Unrealized loss on valuation of derivatives		10,808	-	(2,624)
Gain on revaluation of land		(187)	-	41
	₩	<u>(116,933)</u>	<u>(31,021)</u>	<u>20,315</u>

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**25. Income Taxes, Continued**

(j) 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, 2009 and 2008, aggregate deferred tax assets, liabilities and related accounts are as follows:

(In millions of Won)

		2009			2008		
		Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets	₩	41,515	66,713	108,228	33,518	169,940	203,458
Deferred tax liabilities		(10,292)	(216,258)	(226,550)	(13,085)	(278,336)	(291,421)
Income tax payable				41,374			86,722
Prepaid income tax				2,190			1,137

**26. Loss Per Share**

(a) Basic loss per share for the years ended December 31, 2009 and 2008 are as follows:

		2009	2008
Net loss	₩	(311,103,724,944)	(121,818,090,867)
Weighted-average number of common shares outstanding (*)		157,044,229	156,381,701
Loss per share	₩	(1,981)	(779)

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

	2009	2008
Issued common shares at January 1	156,407,384	156,357,384
Effect of treasury stocks held	581,918	-
Effect of stock option exercised	54,927	24,317
Weighted average number of common shares outstanding at December 31	157,044,229	156,381,701

(b) Diluted loss per shares for 2009 and 2008 has not been computed since no diluted effect is shown.

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**26. Loss Per Share, Continued**

- (c) As of December 31, 2009, 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.

	Par value	Exercise period	Number of common shares to be issued
Stock option 2 <sup>nd</sup> grant	₩ 5,000	2009.03.17~2016.03.16	228,400
Stock option 3 <sup>rd</sup> grant	5,000	2010.03.16~2017.03.15	422,400
Stock option 4 <sup>th</sup> grant	5,000	2011.03.21~2018.03.20	397,800
Stock option 5 <sup>th</sup> grant	5,000	2012.03.27~2019.03.26	234,000
			<u>1,282,600</u>

**27. Dividends**

- (a) No dividends have been made for 2009 and details of dividends for the years ended December 31, 2008 are as follows:

	2008
Total dividends	
- Cash dividends	₩ 23,461,107,600
Number of shares	156,407,384
Dividend per share	₩ 150

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

	2008
Dividend amount	₩ 23,461,107,600
Net loss	₩ (121,818,090,867)
Dividends as a percentage of net income	(*)
Par value	₩ 5,000
Dividends as a percentage of par value	3%

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

- (c) Dividend yield ratio for the year ended December 31, 2008 is as follows:

	2008
Dividend per share	₩ 150
Market price as of year end	₩ 14,550
Dividend yield ratio	1.03%

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**28. Share-based Payments**

(a) The terms and conditions of grants as of December 31, 2009 are as follows:

Type of arrangement	Alternative-settlement			
	Issue of new stock or cash-settled			
Grantee	Directors	Directors	Directors	Directors
Date of grant	2006.3.17	2007.3.16	2008.3.21	2009.3.27
Number granted	228,400	422,400	397,800	234,000
Contractual life	10 years	10 years	10 years	10 years
Vesting conditions	2 years' service	2 years' service	2 years' service	2 years' service

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

Description	2nd grant	3rd grant	4th grant	5th grant
Risk free rate;				
Treasury bond rate	5.13%	4.81%	5.19%	4.74%
Expected exercisable period	5 years	5 years	6.5 years	6.5 years
Expected standard deviation of stock price	55.97%	47.08%	47.94%	59.76%
Expected dividend yield ratio	0.90%	1.23%	1.47%	1.67%
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, 2009 are follows:

	Equity-settlement		Alternative-settlement	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1, 2009	250,000 ₩	5,000	1,176,500 ₩	22,313
Granted	-	-	234,000	15,600
Exercised	(50,000)	5,000	(51,300)	15,900
Forfeited or settlement	(200,000)	5,000	(76,600)	24,759
Outstanding at December 31, 2009	- ₩	-	1,282,600 ₩	21,198
Exercisable at December 31, 2009	- ₩	-	228,400 ₩	15,900

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**28. Share-based Payments, Continued**

(d) Details of total expense recognized as employee costs for the years ended December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Total expense recognized for the year arising from share-based payment transactions	₩ 3,650	4,582
- Cost of goods manufactured	497	613
- Selling and administrative expense	<u>3,153</u>	<u>3,969</u>
Remaining expense to be recognized in the future years	<u>₩ 1,783</u>	<u>4,579</u>

**29. Comprehensive Income**

Comprehensive income for the years ended December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Net loss	₩ (311,104)	(121,818)
Unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩ (103) in 2009 and ₩ 128 in 2008	365	(339)
Unrealized loss on valuation of available-for-sale securities, net of tax effect of ₩ (51) in 2009 and ₩ 51 in 2008	182	(182)
Unrealized gain on valuation of equity method accounted investments, net of tax effect of ₩ 29,140 in 2009 and ₩ (50,894) in 2008	(120,755)	323,456
Unrealized loss on valuation of equity method accounted investments, net of tax effect of ₩ (4) in 2009 and ₩ (3,645) in 2008	680	14,737
Loss on foreign currency translation, net of tax effect of ₩ (13,080) in 2009 and ₩ 32,971 in 2008	49,850	(116,899)
Unrealized gain on valuation of derivatives, net of tax effect of ₩ 7,540 in 2009 and ₩ (2,015) in 2008	(23,970)	9,739
Unrealized loss on valuation of derivatives, net of tax effect of ₩ (2,624) in 2009 and ₩ (10,512) in 2008	8,184	22,854
Gain on revaluation of land, net of tax effect of ₩ 41 in 2009 and ₩ (101,095) in 2008	(146)	358,428
Comprehensive income (loss)	<u>₩ (396,714)</u>	<u>489,976</u>

**30. Date of Authorization for Issue**

The 2009 financial statements were authorized for issue on March 5, 2010, at the Board of Directors Meeting.

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**31. Results of Operations for the Last Interim Period**

(In millions of Won, except loss per share)

		2009 4th quarter	2008 4th quarter
Revenue	₩	731,909	725,335
Operating income (loss)		80,410	(34,274)
Net loss for the period		(88,263)	(206,034)
Loss per share		(556)	(1,317)

**32. Segment Information**

(a) General information regarding business groups

Business segment	Main products
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, 2009:

(In millions of Won)		Engines	CE	IV	MT	Other	Total
Revenue	₩	532,536	1,325,196	314,005	415,349	76,120	2,663,206
Gross profit		101,955	425,027	45,014	46,145	72,869	691,010
Operating income (loss)		46,128	219,457	(12,458)	(66,681)	38,850	225,296
Depreciation/Amortization		22,801	19,743	7,029	10,396	13,192	73,161
Fixed assets		331,571	353,757	127,723	205,909	381,122	1,400,082

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

(In millions of Won)		Engines	CE	IV	MT	Other	Total
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

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**32. 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, 2009:

(In millions of Won)

		2009				
		Domestic	America	Europe	Asia	Other
Engines	₩	147,153	18,219	45,558	44,391	277,215
CE		351,435	111,558	103,366	807,766	(48,929)
IV		160,575	39,846	49,928	26,436	37,220
MT		167,117	60,057	92,409	104,412	(8,646)
Other		112,479	39,753	49,148	84,203	(209,463)
	₩	<u>938,759</u>	<u>269,433</u>	<u>340,409</u>	<u>1,067,208</u>	<u>47,397</u>

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>

**33. 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:

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**33. 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		2,338	1,936	(402)
Transferred assets total	₩	<u>389,980</u>	<u>505,874</u>	<u>115,894</u>
Current liabilities	₩	178,885	178,885	-
Non-current liabilities		60,029	60,029	-
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

**34. Value Added Information**

Details of accounts included in the computation of value added for the years ended December 31, 2009 and 2008 are as follows:

<i>(In millions of Won)</i>	<u>2009</u>	<u>2008</u>
Salaries	₩ 265,697	338,842
Provision for retirement and severance benefits	19,153	33,140
Other employee benefits	77,070	77,923
Rent	20,373	19,033
Depreciation	48,420	51,702
Taxes and dues	4,404	5,197



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

December 31, 2009 and 2008

**35. Planning and Adoption of K-IFRS (International Financial Reporting Standards)**

The Financial Supervisory Commission announced a roadmap for the adoption of K-IFRS in March 2007. In accordance with such regulatory requirement, the Company is planning to issue financial statements prepared in accordance with K-IFRS from the fiscal year beginning January 1, 2011. In March 2008, the Company organized an internal project management office to analyze potential impacts of K-IFRS adoption and review accounting treatments alternatives and has conducted K-IFRS training and implemented K-IFRS reporting infrastructure.

The main areas of differences between the financial statements under K-GAAP and K-IFRS as of and for the year ended December 31, 2009 are changes in useful lives of property, plants and equipment and employee benefits. There would be additional differences as the Company is in the process of performing a detailed analysis in this matter.

**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, 2009. 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, 2009, 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, 2009 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, 2009. We did not review the Company's IACS subsequent to December 31, 2009. 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 5, 2010

**Notice to Readers**

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2009 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.