



DOOSAN INFRACORE CO., LTD.

**NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
AND INDEPENDENT AUDITORS' REPORT**

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of
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, 2010, and the related non-consolidated statements of income, appropriations of retained earnings, changes in equity and cash flows for the year then ended (all expressed in Korean Won). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The non-consolidated statements of financial position of the Company as of December 31, 2009 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year ended December 31, 2009, were audited by KPMG Samjong Accounting Corp. whose report, dated March 5, 2010, expressed an unqualified opinion on those non-consolidated financial statements including separate explanatory paragraphs regarding related party transactions.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations, the changes in its retained earnings and its equity, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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 including retained earnings 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.

Deloitte Amjin LLC

March 4, 2011

Notice to Readers

This report is effective as of March 4, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modification to the auditors' report.

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009
(in Korean Won)

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS :		
Cash and cash equivalents (Notes 2, 13 and 26)	₩ 63,882,728,375	₩ 35,869,145,646
Short-term financial instruments	40,044,425,311	32,329,981,216
Accounts receivable – trade, less allowance for doubtful accounts of ₩12,931,227,339 in 2010 and ₩15,417,389,587 in 2009 (Notes 13, 14 and 25)	702,204,210,746	596,116,881,280
Accounts receivable – other, less allowance for doubtful accounts of ₩17,244,376,554 in 2010 and ₩17,360,504,125 in 2009 (Notes 13 and 25)	109,502,065,274	32,505,610,281
Accrued revenues	9,384,125,143	5,628,931,188
Advance payments	1,505,679,788	672,119,562
Prepaid expenses	5,064,140,921	14,342,162,652
Current derivative instruments assets (Notes 2 and 15)	27,005,401,925	190,507,850,999
Current firm commitment assets (Notes 2 and 15)	127,433,921,210	231,884,620,879
Current deferred income tax assets (Notes 2 and 22)	37,531,041,196	31,223,104,912
Inventories (Notes 2, 4, 8 and 16)	456,525,802,360	357,466,732,335
Other current assets	<u>146,674,555</u>	<u>118,394,696</u>
Total Current Assets	<u>1,123,704,414,444</u>	<u>1,171,198,803,311</u>
NON-CURRENT ASSETS :		
Long-term financial instruments (Note 3)	11,500,000	11,500,000
Long-term investment assets (Notes 2 and 5)	32,583,885,635	31,527,969,734
Equity method investment securities (Notes 2, 6 and 16)	1,267,391,025,035	1,482,189,272,303
Long-term loans (Note 13)	37,775,212,500	36,195,600,000
Property and equipment, net (Notes 2, 7, 8, 16 and 28)	1,300,570,148,548	1,243,665,937,354
Intangible assets, net (Notes 2, 9 and 28)	187,939,988,640	156,415,765,029
Leasehold rights and deposits, less allowance for doubtful accounts of ₩38,925,482 in 2010 and ₩99,127,557 in 2009	10,770,220,416	14,751,254,119
Exclusive memberships	25,948,212,954	20,846,518,773
Non-current firm commitment assets (Notes 2 and 15)	<u>-</u>	<u>264,335,813,074</u>
Total Non-current Assets	<u>2,862,990,193,728</u>	<u>3,249,939,630,386</u>
TOTAL ASSETS	<u><u>₩ 4,443,220,410,532</u></u>	<u><u>₩ 4,778,605,166,032</u></u>

(Continued)

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2010 AND 2009
(in Korean Won)

<u>LIABILITIES AND EQUITY</u>	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES :		
Accounts payable – trade (Notes 13 and 25)	₩ 545,305,474,373	₩ 322,405,564,133
Short-term borrowings (Notes 10, 13 and 16)	91,325,373,093	562,383,905,004
Accounts payable – other (Notes 13 and 25)	142,753,646,143	124,453,002,357
Advance receipts	17,188,522,892	16,785,455,141
Withholdings	5,258,097,627	3,776,854,062
Accrued expenses (Note 13)	109,930,984,839	54,952,937,970
Income taxes payable (Notes 2 and 22)	5,644,424,376	39,184,118,494
Key money deposits	5,648,243,099	5,543,360,237
Current derivative instruments liabilities (Notes 2 and 15)	15,138,264,342	106,940,461,060
Current portion of long-term borrowings (Notes 2, 7, 11 and 13)	165,275,547,841	177,146,333,479
Current portion of bonds (Note 11)	434,932,023,062	461,715,293,534
Accrued product warranties (Notes 2 and 12)	23,239,484,364	10,084,492,942
Provision for returned goods (Notes 2 and 12)	388,012,026	352,443,065
Other current liabilities	<u>13,816,908,855</u>	<u>12,042,277,503</u>
Total Current Liabilities	<u>1,575,845,006,932</u>	<u>1,897,766,498,981</u>
NON-CURRENT LIABILITIES :		
Long-term borrowings (Notes 7, 11, 13, 14, 15 and 16)	636,234,341,473	701,356,731,605
Bonds (Note 11)	700,732,217,048	666,594,608,077
Long-term accounts payable – other (Note 13)	-	2,838,928,030
Provisions for severance indemnities, net (Note 2)	81,194,366,113	64,676,001,959
Non-current derivative instruments liabilities (Notes 2 and 15)	3,787,257,389	14,905,341,311
Non-current deferred income tax liabilities (Notes 2 and 22)	<u>132,150,606,132</u>	<u>149,544,578,942</u>
Total Non-current Liabilities	<u>1,554,098,788,155</u>	<u>1,599,916,189,924</u>
Total Liabilities	<u>3,129,943,795,087</u>	<u>3,497,682,688,905</u>

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DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2010 AND 2009
(in Korean Won)

<u>LIABILITIES AND EQUITY</u>	<u>2010</u>	<u>2009</u>
EQUITY :		
Common Stock (Notes 1 and 18)	842,242,420,000	841,543,420,000
Capital Surplus		
Additional paid-in capital	4,552,370,555	1,652,819,955
Other capital surplus	<u>746,623,200</u>	<u>307,400,000</u>
Total Capital Surplus	<u>5,298,993,755</u>	<u>1,960,219,955</u>
Capital Adjustments		
Loss on disposal of treasury stock	(7,908,685,537)	(7,908,685,537)
Stock options (Notes 2 and 19)	13,506,003,795	11,500,104,824
Other capital adjustments (Notes 2 and 6)	<u>(34,419,219,043)</u>	<u>(38,233,427,558)</u>
Total Capital Adjustments	<u>(28,821,900,785)</u>	<u>(34,642,008,271)</u>
Accumulated Other Comprehensive Income :		
Unrealized gain on valuation of available-for-sale securities (Notes 2 and 5)	222,473,630	365,186,313
Increase in equity of associates (Notes 2 and 6)	170,402,909,660	214,680,031,125
Decrease in equity of associates (Notes 2 and 6)	(9,069,669,807)	(2,384,341,370)
Foreign currency translation loss for cash flow hedge (Notes 2 and 15)	(41,420,260,000)	(67,048,128,000)
Gain on valuation of derivatives for cash flow hedge (Notes 2 and 15)	3,124,450,533	2,114,020,866
Loss on valuation of derivatives for cash flow hedge (Notes 2 and 15)	(7,038,380,944)	(20,464,452,897)
Gain on revaluation of land (Note 2)	<u>355,917,582,525</u>	<u>358,282,253,967</u>
Total Accumulated Other Comprehensive Income (Notes 22 and 23)	<u>472,139,105,597</u>	<u>485,544,570,004</u>
Retained Earnings (Deficit) :		
Legal reserve	-	23,000,000,000
Reserve for research and development	-	277,050,310,754
Unappropriated retained earnings (Undisposed deficit)	<u>22,417,996,878</u>	<u>(313,534,035,315)</u>
Total Retained Earnings	<u>22,417,996,878</u>	<u>(13,483,724,561)</u>
Total Equity	<u>1,313,276,615,445</u>	<u>1,280,922,477,127</u>
TOTAL LIABILITIES AND EQUITY	<u>₩ 4,443,220,410,532</u>	<u>₩ 4,778,605,166,032</u>

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

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
REVENUES (Notes 2, 20, 21, 25, 27 and 28)	₩ 4,317,640,153,501	₩ 2,663,206,050,082
COST OF SALES (Notes 2, 20, 21, 25 and 28)	3,117,707,081,547	1,972,196,306,408
GROSS PROFIT	1,199,933,071,954	691,009,743,674
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 20 and 21)	657,203,625,644	465,713,618,523
OPERATING INCOME (Notes 27 and 28)	542,729,446,310	225,296,125,151
NON-OPERATING INCOME :		
Interest income (Note 2)	16,584,166,507	12,563,464,174
Foreign currency transaction gain	86,677,559,379	70,474,936,551
Foreign currency translation gain (Note 2)	7,414,290,733	16,606,577,487
Reversal of allowance for doubtful accounts (Note 2)	1,802,309,687	590,809,773
Gain on disposal of long-term investment assets	186,176,533	-
Equity in income of associates (Notes 2 and 6)	184,082,413,801	105,071,685,797
Gain on disposal of equity method investment securities	-	220,611,583,377
Gain on disposal of property and equipment	5,025,993,776	1,449,947,371
Gain on settlement of derivatives	171,374,298,605	281,024,759,814
Gain on valuation of derivatives (Notes 2 and 15)	26,216,222,994	213,251,156,907
Gain on valuation of firm commitments (Notes 2 and 15)	42,687,093,981	402,436,148,075
Other non-operating revenues	81,907,337,531	47,350,200,422
Total Non-operating Income	623,957,863,527	1,371,431,269,748
NON-OPERATING EXPENSES :		
Interest expense (Note 2)	143,882,099,641	146,473,085,180
Foreign currency transaction loss	99,798,957,067	94,494,015,211
Foreign currency translation loss (Note 2)	7,112,633,993	23,230,918,846
Loss on disposal of accounts receivable – trade (Note 14)	6,170,127,311	7,474,057,952
Loss on inventory obsolescence	1,018,697,106	6,492,437,797
Loss on disposal of short-term investment assets	-	72,775,699
Loss on disposal of long-term investment assets	-	93,491,191
Equity in loss of associates (Notes 2 and 6)	401,638,115,720	541,096,014,917
Loss on disposal of property and equipment	1,098,133,198	1,163,498,083
Loss on impairment of intangible assets (Note 9)	8,602,758,834	508,226,755
Loss on settlement of derivatives	35,509,243,039	367,268,429,241
Loss on valuation of derivatives (Notes 2 and 15)	10,418,862,772	7,205,572,534
Loss on valuation of firm commitments (Notes 2 and 15)	319,238,972,982	639,577,869,078
Donations	10,596,651,110	5,801,430,000
Other non-operating expenses	35,771,783,411	16,452,068,902
Total Non-operating Expenses	1,080,857,036,184	1,857,403,891,386

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DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	<u>2010</u>	<u>2009</u>
INCOME(LOSS) BEFORE INCOME TAX EXPENSE	85,830,273,653	(260,676,496,487)
INCOME TAX EXPENSE (Notes 2 and 22)	<u>47,578,402,189</u>	<u>50,427,228,457</u>
NET INCOME(LOSS)	<u>₩ 38,251,871,464</u>	<u>(₩311,103,724,944)</u>
NET INCOME PER SHARE (Note 24)		
Basic net income(loss) per share	₩227	(₩1,981)
Diluted net income(loss) per share	<u>₩227</u>	<u>(₩1,981)</u>

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

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
UNAPPROPRIATED RETAINED EARNINGS (UNDISPOSED DEFICIT)		
Beginning of the year	(₩13,483,724,561)	₩ 4,799,437,251
Change in retained earnings of equity method investment securities (Notes 2 and 6)	(2,350,150,025)	(7,229,747,622)
Net income(loss) for the year	38,251,871,464	(311,103,724,944)
End of the year	22,417,996,878	(313,534,035,315)
APPROPRIATIONS (DISPOSITION)		
Reserve for research and development	22,417,996,878	-
Discretionary appropriated retained earnings	-	(277,050,310,754)
Legal reserve	-	(23,000,000,000)
UNAPPROPRIATED RETAINED EARNINGS (UNDISPOSED DEFICIT) TO BE CARRIED FORWARD TO NEXT YEAR	₩ -	(₩13,483,724,561)

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

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	Common stock	Capital surplus	Capital adjustments	Other comprehensive income (loss)	Retained Earnings (undisposed deficit)	Total
Balance as of January 1, 2009 (as reported)	₩841,036,920,000	₩612,500,000	(₩195,409,358,196)	₩571,153,189,390	₩328,310,855,605	₩1,545,704,106,799
Dividends	-	-	-	-	(23,461,107,600)	(23,461,107,600)
Retained earnings after appropriations	-	-	-	-	304,849,748,005	1,522,242,999,199
Net loss for the year	-	-	-	-	(311,103,724,944)	(311,103,724,944)
Change in retained earnings of equity						
method investment securities	-	-	-	-	(7,229,747,622)	(7,229,747,622)
Disposal of treasury stock	-	-	192,025,381,003	-	-	192,025,381,003
Stock options	506,500,000	1,347,719,955	2,861,721,468	-	-	4,715,941,423
Disposal of equity method investment securities	-	105,074,834,576	-	-	-	105,074,834,576
Changes in equity method subsidiaries	-	(105,074,834,576)	(34,119,752,546)	-	-	(139,194,587,122)
Unrealized gain on valuation of available-for-sale securities	-	-	-	547,327,869	-	547,327,869
Increase in equity of associates	-	-	-	(120,755,070,036)	-	(120,755,070,036)
Decrease in equity of associates	-	-	-	680,510,491	-	680,510,491
Gain on valuation of derivatives for cash flow hedge	-	-	-	(23,969,472,632)	-	(23,969,472,632)
Loss on valuation of derivatives for cash flow hedge	-	-	-	8,183,717,567	-	8,183,717,567
Foreign currency translation loss for cash flow hedge	-	-	-	49,850,472,000	-	49,850,472,000
Gain on revaluation of land	-	-	-	(146,104,645)	-	(146,104,645)
Balance as of December 31, 2009	₩841,543,420,000	₩1,960,219,955	(₩34,642,008,271)	₩485,544,570,004	(₩13,483,724,561)	₩1,280,922,477,127

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DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	Common stock	Capital surplus	Capital adjustments	Other comprehensive income (loss)	Retained earnings (undisposed deficit)	Total
Balance as of January 1, 2010						
(as reported)	₩841,543,420,000	₩1,960,219,955	(₩34,642,008,271)	₩485,544,570,004	(₩13,483,724,561)	₩1,280,922,477,127
Net income for the year	-	-	-	-	38,251,871,464	38,251,871,464
Change in retained earnings of equity						
method investment securities	-	-	-	-	(2,350,150,025)	(2,350,150,025)
Stock options	699,000,000	3,338,773,800	2,005,898,971	-	-	6,043,672,771
Other capital adjustments	-	-	3,814,208,515	-	-	3,814,208,515
Unrealized gain on valuation of						
available-for-sale securities	-	-	-	(142,712,683)	-	(142,712,683)
Increase in equity of associates	-	-	-	(44,277,121,465)	-	(44,277,121,465)
Decrease in equity of associates	-	-	-	(6,685,328,437)	-	(6,685,328,437)
Foreign currency translation loss for						
cash flow hedge	-	-	-	25,627,868,000	-	25,627,868,000
Gain on valuation of derivatives for						
cash flow hedge	-	-	-	1,010,429,667	-	1,010,429,667
Loss on valuation of derivatives for						
cash flow hedge	-	-	-	13,426,071,953	-	13,426,071,953
Gain on revaluation of land	-	-	-	(2,364,671,442)	-	(2,364,671,442)
Balance as of December 31, 2010	<u>₩842,242,420,000</u>	<u>₩5,298,993,755</u>	<u>(₩28,821,900,785)</u>	<u>₩472,139,105,597</u>	<u>₩22,417,996,878</u>	<u>₩1,313,276,615,445</u>

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

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income(loss)	₩38,251,871,464	(₩311,103,724,944)
Expenses not involving cash payments:		
Share-based payment	3,562,972,771	3,650,271,423
Provision for severance indemnities	34,638,839,446	17,936,261,888
Depreciation	58,235,492,982	48,419,591,881
Amortization	26,311,157,133	24,741,544,529
Provision for doubtful accounts	-	1,062,197,615
Interest expense	1,480,938,838	825,912,927
Foreign currency translation loss	7,112,633,993	23,230,918,846
Loss on disposal of short-term investment assets	-	72,775,699
Loss on disposal of long-term investment assets	-	93,491,191
Equity in loss of associates	401,638,115,720	541,096,014,917
Loss on disposal of property and equipment	1,098,133,198	1,163,498,083
Loss on impairment of intangible assets	8,602,758,834	508,226,755
Loss on valuation of derivatives	10,418,862,772	7,205,572,534
Loss on valuation of firm commitments	319,238,972,982	639,577,869,078
	872,338,878,669	1,309,584,147,366
Sub-total		
Income not involving cash receipts:		
Foreign currency translation gain	7,414,290,733	16,606,577,487
Reversal of allowance for doubtful accounts	1,802,309,687	590,809,773
Gain on disposal of long-term investment assets	186,176,533	-
Equity in income of associates	184,082,413,801	105,071,685,797
Gain on disposal of equity method investment securities	-	220,611,583,377
Gain on disposal of property and equipment	5,025,993,776	1,449,947,371
Gain on valuation of derivatives	26,216,222,994	213,251,156,907
Gain on valuation of firm commitments	42,687,093,981	402,436,148,075
Other non-operating revenues	-	13,995,570,369
	(267,414,501,505)	(974,013,479,156)
Sub-total		

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DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
Changes in assets and liabilities related to operating activities:		
Accounts receivable – trade	(87,536,929,986)	(122,690,151,617)
Accounts receivable – other	(77,602,812,038)	2,649,507,587
Accrued revenues	(3,755,193,955)	(2,848,238,910)
Advance payments	(833,560,226)	11,222,647,764
Prepaid expenses	9,278,021,731	(9,211,920,193)
Derivative instruments assets	153,083,586,302	(7,710,317,073)
Firm commitment assets	92,234,633,742	240,868,419,221
Current deferred income tax assets	(6,307,936,284)	(3,249,319,994)
Other current assets	(28,279,859)	311,676,516
Inventories	(99,059,070,025)	171,611,849,669
Guarantee deposits	4,041,235,778	(7,391,411,889)
Accounts payable – trade	222,819,862,546	55,876,780,827
Accounts payable – other	17,809,681,264	(83,693,970,910)
Advance receipts	403,067,751	3,629,793,764
Withholdings	1,481,243,565	(820,880,619)
Accrued expenses	54,978,046,869	32,480,222,168
Income taxes payable	(33,539,694,118)	(77,422,000,815)
Key money deposits	104,882,862	(4,922,038,867)
Derivative instruments liabilities	(57,686,082,729)	(811,508,466,279)
Firm commitment liabilities	-	(59,693,054,505)
Accrued product warranties	13,154,991,422	(4,979,572,171)
Provision for returned goods	35,568,961	-
Other current liabilities	1,774,631,352	(8,191,936,778)
Long-term accounts payable – other	(2,906,181,007)	(2,855,952,286)
Payment of severance indemnities	(16,821,928,563)	(27,263,053,744)
Accrued severance benefit transferred from related parties	723,517,159	680,657,077
Deposits for severance benefits	(1,659,299,496)	7,287,140,058
Contribution to the National Pension Fund	124,273,300	329,288,900
Non-current deferred income tax liabilities	(23,221,113,019)	53,923,933,633
Sub-total	<u>161,089,163,299</u>	<u>(653,580,369,466)</u>
Net Cash Provided by (Used in) Operating Activities	<u>804,265,411,927</u>	<u>(629,113,426,200)</u>

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DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities:		
Decrease in short-term financial instruments	3,772,876,544,689	2,789,189,932,758
Disposal of short-term investment assets	-	1,241,134,301
Collection of long-term loans	1,015,700,000	-
Disposal of long-term investment assets	359,802,883	830,182,521
Disposal of equity method investment securities	46,881,483,156	625,307,364,056
Decrease in equity method investment securities	62,842,040,299	-
Disposal of property and equipment	7,285,403,999	2,577,622,237
Disposal of intangible assets	21,608,200	-
	<u>3,891,282,583,226</u>	<u>3,419,146,235,873</u>
Sub-total		
Cash outflows for investing activities:		
Increase in short-term financial instruments	3,780,590,988,784	2,820,452,579,609
Increase in long-term financial instruments	-	1,000,000,000
Acquisition of long-term investment assets	1,412,607,230	17,932,785,000
Acquisition of equity method investment securities	167,858,523,698	1,034,989,382,327
Increase in long-term loans	3,459,900,000	39,330,900,000
Acquisition of property and equipment	127,298,552,651	82,512,907,948
Acquisition of intangible assets	60,690,072,778	61,596,154,526
Acquisition of exclusive memberships	5,101,694,181	-
	<u>(4,146,412,339,322)</u>	<u>(4,057,814,709,410)</u>
Sub-total		
Net Cash Used in Investing Activities	<u>(255,129,756,096)</u>	<u>(638,668,473,537)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash inflows from financing activities:		
Increase in short-term borrowings	1,585,088,403,906	1,531,615,107,634
Increase in long-term borrowings	118,935,000,000	46,392,935,998
Issuance of bonds	468,056,800,000	1,017,671,008,077
Exercise of stock option	2,480,700,000	1,065,670,000
Disposal of treasury stock	-	189,500,444,460
	<u>2,174,560,903,906</u>	<u>2,786,245,166,169</u>
Sub-total		

(Continued)

DOOSAN INFRACORE CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(in Korean Won)

	2010	2009
Cash outflows from financing activities:		
Repayment of short-term borrowings	2,056,534,937,213	1,374,244,534,183
Repayment of long-term borrowings	177,148,039,795	28,901,652,121
Repayment of bonds	462,000,000,000	80,000,000,000
Payment of dividends	-	23,461,107,600
Sub-total	(2,695,682,977,008)	(1,506,607,293,904)
Net Cash Provided by (Used in) Financing Activities	(521,122,073,102)	1,279,637,872,265
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,013,582,729	11,855,972,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	35,869,145,646	24,013,173,118
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₩63,882,728,375	₩35,869,145,646

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

DOOSAN INFRACORE CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. ORGANIZATION AND DESCRIPTION OF THE 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, 2010 amounts to ₩842,242 million and the majority stockholder is Doosan Heavy Industries and Construction Co., Ltd. who owns 44.83%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the 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 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 with certain expanded descriptions from the Korean language financial statements.

The accompanying non-consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the Republic of Korea. The significant accounting policies for the accompanying non-consolidated financial statements are the same as those for the 2009 annual financial statements. Balance sheet presented for comparative purpose as of December 31, 2009 changed its name into statement of financial position in accordance with the Article 1-2 of the Act on External Audit of Stock Companies, as amended.

b. Adoption of Statements of Korea Accounting Standards (“SKAS”)

In 2010, Korea Accounting Institute and Financial Supervisory Service issued and revised various Korea accounting standards, none of which were newly adopted by the Company for the year ended December 31, 2010.

c. Cash and Cash Equivalents

Cash and cash equivalents includes cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less upon acquisition.

d. Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables (account receivable – trade, account receivable – other and other), based on collection experience and analysis of the collectability of individual outstanding receivables.

e. Inventories

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. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year. When the market value of inventories (net realizable value for merchandise, finished goods and work-in-progress, and current replacement cost for supplies) is less than the carrying value, carrying value is stated at the lower of cost or market. The Company applies the lower of cost or market method by each group of inventories and loss on inventory valuation is presented as a deductive item from inventories and charged to cost of sales. The Company recorded loss on inventory valuation totaling ₩8,645 million for the year ended December 31, 2009. However, when the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales. The Company recorded reversal of loss on inventory valuation totaling ₩258 million for the year ended December 31, 2010.

f. Securities (excluding the equity method investment securities)

Debt and equity securities are initially stated at the market value of consideration given for acquisition (market value of securities acquired if market value of consideration given is not available) plus incidental costs attributable to the acquisition of the securities and are classified into trading, or available-for-sale securities, and in the case of debt securities, held-to-maturity, depending on the purpose and nature of acquisition. The Company presents trading securities as short-term investments, and available-for-sale securities and held-to-maturity securities as short-term investments or long-term investment securities depending on their nature in the statement of financial position. The moving average method for equity securities and the specific identification method for debt securities are used to determine the cost of securities for the calculation of gain (loss) on disposal of those securities.

- Trading securities

Securities that are bought and held principally for the purpose of selling them in the near term with active and frequent buying and selling, including securities which consist of a portfolio of securities with the clear objective of generating profits on short-term differences in price, are classified as trading securities. Trading securities are recorded at their fair value and unrealized gains or losses from trading securities are recorded as gain (loss) on valuation of trading securities included in non-operating income (expense).

- Held-to-maturity securities

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Company has both the positive intent and ability to hold those securities to maturity. However, debt securities, whose maturity dates are due within one year from the end of the reporting date, are classified as current assets.

After initial recognition, held-to-maturity securities are stated at amortized cost in the statement of financial position. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When the possibility of not being able to collect the principal and interest of held-to-maturity securities according to the terms of the contracts is highly likely, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and book value are recorded as loss on impairment of long-term investment assets included in non-operating expense and the held-to-maturity securities are stated at the recoverable amount after impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss are recorded as reversal of impairment loss on long-term investment assets included in non-operating income. However, the resulting carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured, at the date of the reversal, if no impairment loss were recognized.

- Available-for-sale securities

Debt and equity securities that do not fall under the classifications of trading or held-to-maturity securities are categorized and presented as available-for-sale securities included in investment assets. However, if an available-for-sale debt security matures or it is certain that such security will be disposed of within one year from the end of the reporting date, it is classified as a current asset.

Available-for-sale securities are recorded at fair value. Unrealized gain or loss from available-for-sale securities are presented as gain or loss on valuation of available-for-sale securities included in accumulated other comprehensive income of stockholders' equity. In addition, accumulated gain or loss on valuation of available-for-sale securities are reflected in either gain or loss on disposal of available-for-sale securities or loss on impairment of available-for-sale securities upon disposal or recognition of impairment of the securities. However, available-for-sale equity securities that are not marketable and whose fair value cannot be reliably measured are recorded at acquisition cost.

When there is objective evidence that the available-for-sale securities are impaired and the recoverable amount is lower than the cost (amortized cost for debt securities) of the available-for-sale securities, an impairment loss is recognized as loss on impairment of long-term investment assets within non-operating expense and the related unrealized gain or loss remaining in stockholders' equity is adjusted to the impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss can be recognized up to the previously recorded impairment loss as a reversal of loss on impairment of long-term investment assets within non-operating income. However, if the fair value increases after the impairment loss is recognized but does not relate to the recovery of impairment loss as described above, the increase in fair value is recorded in stockholders' equity.

g. Equity Method Investment Securities

Investments in equity securities of companies, over which the Company exercises significant influence, are reported using the equity method of accounting.

- Accounting for changes in the equity of the investee

Under the equity method of accounting, the Company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows; (i) “equity in income (loss) of associates” in the non-operating income (expense) for net income (loss) of the investee; (ii) “increase (decrease) in retained earnings of associates” in the retained earnings for changes in beginning retained earnings of the investee; (iii) “increase (decrease) in equity of associates” in the accumulated other comprehensive income (loss) for other changes in stockholders’ equity of the investee.

When the equity method investee’s unappropriated retained earnings carried over from prior period changes due to significant error corrections, the Company records the changes in equity as “equity in income (loss) of associates” included in the non-operating income (expense) if the impact of the changes on the Company’s non-consolidated financial statements is not significant. If the changes results from the changes in accounting policies of the equity method investee, they are reflected in the unappropriated retained earnings carried over from prior period in accordance with SKAS on changes in accounting policy and errors corrections. When the investee declares cash dividends, the dividends to be received are deducted directly from equity method investment securities.

- Treatment of investment difference

Difference between the acquisition cost and the Company’s proportionate equity in the fair value of net assets of the investee upon acquisition (“Investment difference”) are considered (negative) goodwill and accounted for in accordance with the accounting standards for business combination. The goodwill portion which is amortized over useful lives of 20 years on a straight-line method and the negative goodwill portion which is amortized over the weighted average useful lives of depreciable non-monetary assets of the investee are included in “equity in income (loss) of associates”.

When the Company’s equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company’s proportionate equity in the investee is accounted for as investment difference. If the Company’s equity interest decreases, the changes are accounted for as “gain (loss) on disposal of the equity method investment securities”. However, if the investee is the Company’s subsidiary, those changes are accounted for as capital surplus (capital adjustments).

- Difference between the fair value and book value of net assets of the investee

Upon acquisition of the equity method investment securities, the Company's proportionate shares in the differences between the fair values and book values of the identifiable assets and liabilities of the investee are amortized/reversed and included in "equity in income (loss) of associates" in accordance with the investee's methods of accounting for the assets and liabilities.

- Elimination of unrealized gain or loss from intercompany transactions

The Company's proportionate share in the gain (loss) arising from transactions between the Company and the investee, which remains in the book value of assets held as of the end of the reporting date is considered unrealized gain (loss) and adjusted to equity method investment securities. If the investee is a subsidiary of the Company, unrealized gain (loss) from sale of an asset by the Company to the investee (downstream transaction) is fully eliminated and adjusted to equity method investment securities.

- Impairment loss on equity method investment securities

When there is objective evidence that the equity method investment securities is impaired and the recoverable amount is lower than the carrying amount of the equity method investment securities, an impairment loss is recognized as "loss on impairment of equity method investment securities" included in non-operating expense and the unamortized investment difference shall be first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss can be recognized as income up to the previously recorded impairment loss. The book value of the equity method investment securities after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not been originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

- Translation of financial statements of overseas investees

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

h. Property and Equipment

Property and equipment are stated at cost (acquisition cost or manufacturing cost plus expenditures directly related to preparing the asset ready for use) and assets acquired from investment in kind, by donation or free of charge in other ways are stated at fair value as an acquisition cost. Expenditures after acquisition or completion that increase future economic benefit in excess of the most recently assessed capability level of the asset are capitalized; other expenditures are charged to expense as incurred.

Borrowing costs in relation to the manufacture, purchase, construction or development of assets are charged to current operations.

When the expected future cash flow from use or disposal of the property and equipment is lower than the carrying amount due to obsolescence, physical damage and other, the carrying amount is adjusted to the recoverable amount (the higher of net sales price or value in use) and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation.

Depreciation is computed by the straight-line method based on the following useful lives.

	<u>Useful lives (years)</u>
Buildings	20, 40
Structures	20
Machinery	10
Vehicles	5
Tools	5
Furniture and fixtures	3 - 5

The Company adopted the revaluation model. The book value of land is accounted for at the fair value as of the date of the revaluation less accumulated impairment loss. If an asset's book value increases as a result of a revaluation, the amount of the increase is recognized in other comprehensive income, of which the amount of the increase that offsets 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 a revaluation, that decrease is recognized as a loss for the current period, and the portion of the decrease that equals to credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income.

i. Intangible Assets

Intangible assets are initially recognized at acquisition cost (purchase cost plus expenditures directly related to preparing the asset ready for use) and subsequently presented at amortized cost. Where development costs satisfy certain criteria, they are capitalized and amortized over 5 years on a straight-line basis. The amortized costs are generally expensed as cost of finished goods or selling and administrative expenses.

Other intangible assets are initially recognized at manufacturing cost (purchase cost plus incidental costs attributable to the acquisition) using the straight-line method, with amortization beginning when the asset is available for use.

Intangible assets are amortized based on the following useful lives:

	<u>Useful lives (years)</u>
Industrial rights	5 - 10
Other intangible assets	5 - 10

When the recoverable amount (the higher of net sales price or value in use) of intangible assets is significantly lower than the carrying amount due to obsolescence and other, the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by amortization. The Company recorded loss on impairment of intangible assets totaling ₩8,603 million and ₩508 million for the years ended December 31, 2010 and 2009, respectively.

j. Government Subsidy and Others

Government subsidy and contribution for construction granted for the purpose of acquisition of certain assets are recorded as a deduction from the assets granted or other assets acquired for the temporary use of the assets granted. When the related assets are acquired, they are recorded as a deduction from the acquired assets and are offsetting against the depreciation of the acquired assets over their useful lives. In addition, the government subsidy and contribution for construction without any repayment obligation is offset against the related expenses which they are intended to compensate, however, if there is no matching expense, they are recorded as operating income or non-operating income depending on whether they are directly related to the Company's principal operating activities. The government subsidy and contribution for construction with a repayment obligation is recorded as a liability.

k. Present Value Discount for Assets and Liabilities

Receivables or payables from long-term installment transactions, long-term loans/borrowings or the other similar transactions are stated at present value which is determined by discounting total amounts of receivables or payables in the future using the effective interest rate, if the nominal value is significantly different from the present value. The discount or premium resulting from the determination of present value should be reported in the statements of financial position as a direct deduction from or addition to the nominal value of the related receivables or payables and the amortization by the effective interest rate method is included in the period income (loss).

l. Accrued Severance Indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive lump-sum severance payments upon termination of their employment, based on their current rates of salary and length of service. The accrual for severance indemnities is computed as if all employees were to terminate at the end of the reporting date and amounted to ₩163,638 million and ₩145,585 million as of December 31, 2010 and 2009, respectively.

Through March 1999, under the National Pension Law of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred to the Fund 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 deduction from the provision for severance indemnities.

m. Provisions

The Company recognizes a provision for a liability with uncertain timing or amount when (i) there is a present obligation of the Company arising from past events, (ii) it is highly likely that an outflow of resources will be required to settle the obligation, (iii) the amount for the settlement of the obligation can be reliably measured. If there is a material difference between the nominal value and present value of such provision, the provision is stated 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.

n. Translation of Assets and Liabilities Denominated in Foreign Currency

Transactions denominated in foreign currencies are recorded in Korean Won translated at the exchange rate prevailing on the transaction date and the resulting gain (loss) from foreign currency transactions is included in non-operating income (expense). Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. at the end of the reporting dates, which were, for US dollars, ₩1,138.9: USD 1 and ₩1,167.6: USD 1 at December 31, 2010 and 2009, respectively, and the resulting gain (loss) from foreign currency translation is included in non-operating income (expense).

o. Derivative Instruments and Hedge Accounting

The Company records rights and obligations arising from derivative instruments in assets and liabilities, which are stated at fair value. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. An embedded derivative is separated from its host contract and accounted for separately as a stand-alone derivative when the economic characteristics and risks of the embedded derivative are not closely related to the economic risks and characteristics of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

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.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges and valuation gain or loss on the hedged items attributable to particular risk are accounted for in the statement of income as gain (loss) on valuation of derivatives (or accounted for as foreign currency translation gain or loss if the hedging instrument is a non-derivative financial instrument).

The effective portion of changes in the fair value of derivatives that are designated and qualified 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 statement of income. Amounts accumulated in equity are recycled to the statement of income 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 that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

p. 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 Company 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 referring 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.

q. Revenue Recognition

Revenue generated from sale of goods is recognized upon delivery; however, revenue is recognized when the terms of the sales have been fully met if there are sales terms related with post-delivery.

r. Income Taxes

The Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability for the financial reporting purposes and the amounts used for income tax purposes. A deferred tax liability is generally recognized for all taxable temporary differences with some exceptions and a deferred tax asset is recognized to the extent when it is probable that taxable income will be available against which the deductible temporary difference can be utilized in the future. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the statement of financial position. Deferred income tax asset (liability) which does not relate to specific asset (liability) account in the statement of financial position such as deferred income tax asset recognized for tax loss carryforwards is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statement of income and additional income taxes or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income taxes resulting from transactions or events, which were directly recognized in stockholders' equity in current or prior periods, or business combinations are directly adjusted to equity account or goodwill (or negative goodwill).

3. RESTRICTED DEPOSITS

Details of restricted deposits as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>Financial institution</u>	<u>2010</u>	<u>2009</u>	<u>Description</u>
Long-term financial instruments	Korea Development Bank and others	₩12	₩12	Checking account deposit

4. INVENTORIES

Inventory valuations as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

	Acquisition cost		Lower of cost or market value		Valuation allowance	
	2010	2009	2010	2009	2010	2009
Merchandise	₩62,597	₩52,285	₩52,193	₩45,082	(₩10,404)	(₩7,203)
Finished goods	109,516	55,481	105,899	51,643	(3,617)	(3,838)
Work-in-progress	37,669	51,362	37,656	51,336	(13)	(26)
Raw materials	216,621	188,275	208,788	177,217	(7,833)	(11,058)
Supplies	1,419	934	1,419	934	-	-
Materials in transit	50,571	31,254	50,571	31,254	-	-
Total	₩478,393	₩379,591	₩456,526	₩357,466	(₩21,867)	(₩22,125)

5. LONG-TERM INVESTMENT ASSETS

Long-term investment assets as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

	2010	2009
Available-for-sale securities	₩3,669	₩2,667
Held-to-maturity securities	28,914	28,860
Balance at end of the year	₩32,583	₩31,527

Available-for-sale securities as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

	2010					Fair value
	Acquisition cost	Unrealized gain(loss) on valuation of available-for-sale securities			December 31, 2010	
		January 1, 2010	Valuation	Realized		
Marketable securities	₩282	₩468	(₩211)	₩28	₩285	₩567
Non-marketable securities (Notes 1, 2 and 3)	3,402	-	-	-	-	3,102
Total	₩3,684	₩468	(₩211)	₩28	₩285	₩3,669
Deferred tax effect		(103)	46	(6)	(63)	
	2009					Fair value
	Acquisition cost	Unrealized gain(loss) on valuation of available-for-sale securities			December 31, 2010	
		January 1, 2010	Valuation	Realized		
Marketable securities	₩455	(₩233)	₩578	₩123	₩468	₩923
Non-marketable securities (Notes 1, 2 and 3)	2,044	-	-	-	-	1,744
Total	₩2,499	(₩233)	₩578	₩123	₩468	₩2,667
Deferred tax effect		51	(127)	(27)	(103)	

(Note 1) 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.

(Note 2) Although the Company's ownership in Doosan Infracore do Brasil Servicos de Suporte Comercial Ltda. is more than 20%, the Company's ownership interest in the investee is considerably small and changes in this investment would not be significant to the Company. Accordingly, the Company classifies this investment as an available-for-sale security.

(Note 3) These non-marketable securities do not have readily determinable fair value and therefore are stated at cost.

Held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Government bonds and public bonds	₩64	₩10
Corporate debt securities	<u>28,850</u>	<u>28,850</u>
Total	<u><u>₩28,914</u></u>	<u><u>₩28,860</u></u>

Maturities of debt securities classified as held-to-maturity securities as of December 31, 2010 are summarized as follows (in millions of Korean Won):

	<u>Held-to-maturity securities</u>	
	<u>Amortized cost</u>	<u>Fair value</u>
Due after one year through five years	₩28,914	₩28,914

During 2010 and 2009, the Company recorded interest income of ₩3,448 million and ₩2,756 million in relation to the debt securities above, respectively

6. EQUITY METHOD INVESTMENT SECURITIES

Investments in securities accounted for using the equity method as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

Company	2010			Book Value
	Percentage of ownership (%)	Acquisition cost	Proportionate equity in net assets	
Doosan Infracore (China) Investment Co., Ltd. (Note 1)	100.00	₩71,111	₩121,865	₩121,865
Doosan Infracore China Co., Ltd.	90.00	26,723	457,765	335,650
Doosan Infracore Machine Tools Yantai Co., Ltd.	90.00	10,555	29,906	27,517
Doosan Infracore Xinjiang Machinery Co., Ltd.	60.00	4,055	3,343	731
Doosan Infracore America Corp.	100.00	28,969	60,441	54,198
Doosan Infracore Germany GmbH.	100.00	6,434	18,337	15,743
Doosan Infracore Japan Corp.	100.00	100	1,261	1,261
Daewoo Machinery Co., Ltd. (Notes 2 and 3)	100.00	1,308	-	-
Daewoo Maquinas E Equipamentos Ltda. (Notes 2 and 3)	70.00	1,181	-	-
Doosan Infracore International, Inc. (“DII”) (Note 4)	73.06	869,218	227,748	234,752
Doosan Holdings Europe Ltd. (“DHEL”) (Note 4)	72.31	924,535	301,777	288,033
Doosan Infracore India Private Ltd. (Note 1)	99.99	16,098	1,407	590
Doosan Infracore Belgium S.A. (Note 5)	99.77	87,701	55,248	53,349
Bobcat Corp. (Note 6)	100.00	4,532	6,749	14,586
Doosan International India Private Ltd. (Note 7)	100.00	11,599	16,085	29,795
Doosan International Korea Ltd. (Note 7)	100.00	8,498	6,979	17,022
Doosan Bobcat Chile (Note 7)	100.00	3,369	8,237	12,219
Doosan International Mexico S.A. de C.V. (Notes 2 and 7)	100.00	-	(573)	-
Doosan International do Brasil Commercial (Note 7)	100.00	132	363	520
Doosan Infracore U.K., Ltd. (Note 8)	74.34	14,316	19,693	19,271
Doosan Capital Co., Ltd. (Note 9)	19.99	76,000	34,578	40,289
Total		₩2,166,434	₩1,371,209	₩1,267,391

During 2010, as part of its overall business reorganization to better align geographic objectives and products, the Company purchased Bacat Corp. and other five entities from Doosan Infracore International, Inc. and Doosan Holdings International Limited, which is a subsidiary of Doosan Holdings Europe Ltd, through stock purchase agreements and transferred the Company's ownership in Doosan Infracore Europe S.A. In addition, the Company sold the business segment of heavy construction equipment of Doosan Infracore America Corp. and Doosan Infracore U.K., Ltd to Clark Equipment Co. (a subsidiary of Doosan Infracore International, Inc.) and Doosan International UK Ltd. (a subsidiary of Doosan Holdings Europe Limited), respectively. However, these equity transfers are transactions between entities under common control, each transaction was recorded at carrying amounts within the Company's financial statements and proceeds received from the entities sold and payables to the entities purchased are reflected as capital adjustments.

Company	2010			
	Percentage of ownership (%)	Acquisition cost	Proportionate equity in net assets	Book Value
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. (Notes 2 and 3)	100.00	1,308	-	-
Daewoo Maquinas E Equipamentos Ltda. (Notes 2 and 3)	70.00	1,181	-	-
Doosan Infracore International, Inc. ("DII") (Note 4)	73.06	869,218	381,785	389,202
Doosan Holdings Europe Ltd. ("DHEL") (Note 4)	72.31	924,535	512,038	512,038
Doosan Infracore India Private Ltd. (Note 2)	99.99	11,580	168	-
Doosan Capital Co., Ltd. (Note 9)	19.99	76,000	41,092	54,418
Total		₩2,186,460	₩1,602,292	₩1,482,189

- (Note 1) During the year ended December 31, 2010, through a capital increase, the Company acquired new shares of Doosan Infracore (China) Investment Co., Ltd. and Doosan Infracore India Private Ltd. for ₩26,693 million and ₩4,518 million, respectively.
- (Note 2) The Company discontinued the equity method of accounting since the book value of the investment in these companies is below zero due to accumulated deficit.
- (Note 3) These companies were in the process of liquidation as of December 31, 2010 and 2009, respectively.
- (Note 4) All shares were pledged as collateral relating to borrowings of Doosan Holdings Europe Ltd. (see Note 16)
- (Note 5) During the year ended December 31, 2010, as a result of spin-off of Doosan Infracore Europe S.A, the Company acquired 99.8% of ownership interest in Doosan Infracore Belgium S.A Europe S.A. for ₩28,189 million.
- (Note 6) The Company acquired 100% of ownership interest in Bobcat Corp from Clark Equipment Co. for ₩4,532 million.
- (Note 7) During the year ended December 31, 2010, the Company acquired from Doosan Holdings International Ltd 100% of the shares of subsidiaries in India for ₩11,599 million, Korea for ₩8,498 million, Chile for ₩3,369 million, Mexico for ₩- million and Brazil for ₩132 million, respectively.
- (Note 8) During the year ended December 31, 2010, the Company acquired 74.34% of ownership interest in Doosan Infracore U.K., Ltd. which was owned by Doosan Infracore Europe S.A. for ₩14,316 million by participating in a capital increase.
- (Note 9) Although the Company's ownership in each of these companies is less than 20%, the ownership percentage obtained directly or indirectly through subsidiaries is over 20%. As a result, the Company accounts for these investments using the equity method.

Changes in carrying amount resulting from the equity method of accounting for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

Company	2010					December 31, 2010
	January 1, 2010	Equity in income (loss)	Increase (decrease) in equity of associates	Other capital adjustment	Other	
Doosan Infracore (China) Investment Co., Ltd. (Note 1)	₩68,505	₩14,841	₩10,316	₩1,510	₩26,693	₩121,865
Doosan Infracore China Co., Ltd. (Note 1)	279,198	107,245	(1,545)	13,594	(62,842)	335,650
Doosan Infracore Machine Tools Yantai Co., Ltd. (Note 1)	18,962	8,472	83	-	-	27,517
Doosan Infracore Xinjiang Machinery Co., Ltd. (Note 1)	1,676	(843)	(102)	-	-	731
Doosan Infracore Europe S.A. (Notes 1 and 2)	108,543	20,836	(15,860)	5,075	(118,594)	-
Doosan Infracore America Corp. (Notes 1 and 3)	34,560	19,161	(2,833)	3,310	-	54,198
Doosan Infracore Germany GmbH. (Note 1)	14,127	3,873	(2,257)	-	-	15,743
Doosan Infracore Japan Corp. (Note 1)	960	188	113	-	-	1,261
Doosan Infracore International, Inc. (Note 1)	389,202	(134,077)	(6,007)	(14,366)	-	234,752
Doosan Holdings Europe Ltd. (Note 1)	512,038	(211,824)	(30,093)	17,912	-	288,033
Doosan Infracore India Private Ltd. (Notes 1 and 4)	-	(1,532)	(46)	-	2,168	590
Doosan Infracore Belgium S.A. (Note 1)	-	(37,026)	(2,642)	5,316	87,701	53,349
Bobcat Corp. (Note 1)	-	(165)	(2,556)	12,775	4,532	14,586
Doosan International India Private Ltd. (Note 1)	-	5,048	(2,155)	15,303	11,599	29,795
Doosan International Korea Ltd. (Note 1)	-	2,713	(344)	6,155	8,498	17,022
Doosan Bobcat Chile (Note 1)	-	1,394	173	7,283	3,369	12,219
Doosan International do Brasil Commercial (Note 1)	-	201	26	161	132	520
Doosan Infracore U.K., Ltd. (Notes 1 and 3)	-	110	645	4,200	14,316	19,271
Doosan Capital Co., Ltd.	54,418	(16,171)	2,042	-	-	40,289
	<u>₩1,482,189</u>	<u>(₩217,556)</u>	<u>(₩53,042)</u>	<u>₩78,228</u>	<u>(₩22,428)</u>	<u>₩1,267,391</u>

Company	2009					December 31, 2009
	January 1, 2009	Equity in income (loss)	Increase (decrease) in equity of associates	Other capital adjustment	Other	
Doosan Infracore (China) Investment Co., Ltd.	₩53,625	₩8,991	(₩5,316)	₩-	₩11,205	₩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	(26,464)	(3,345)	-	79,076	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	(296,628)	(4,246)	(59,754)	362,315	389,202
Doosan Holdings Europe Ltd.	244,804	(205,710)	(21,583)	(78,897)	573,424	512,038
Doosan Infracore India Private Ltd. (Note 4)	-	(1,915)	176	-	1,739	-
Doosan DST Co., Ltd.	259,641	13,194	(108,496)	138,621	(302,960)	-
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>(₩436,024)</u>	<u>(₩149,211)</u>	<u>(₩30)</u>	<u>₩623,064</u>	<u>₩1,482,189</u>

(Note 1) These securities were accounted for using the equity method of accounting based on unreviewed financial statements as of and for the year ended December 31, 2010 as the reviewed financial statements on these companies could not be obtained. In order to verify the reliability of such unreviewed financial statements, the Company has performed the following procedures and found no significant exceptions:

- i) Obtain the unreviewed financial statements signed by the investee's chief executive officer and statutory auditor.
- ii) Identified whether the major transactions or accounting events, including those disclosed to public by the investee, which were acknowledged by the Company are properly reflected in the unreviewed financial statements.
- iii) Identify the major accounting issues under discussion between the investee and its external auditors and the investee's plan to resolve such issues.
- iv) Analyze the effect of potential difference between the unreviewed and audited financial statements.

(Note 2) During the year ended December 31, 2010, the Company sold equity shares to Doosan Holdings International Ltd. and net loss from the transaction is recorded as a capital adjustment.

(Note 3) During the year ended December 31, 2010, the Company sold the business segment of heavy construction equipment of Doosan Infracore America Corp. and Doosan Infracore U.K., Ltd to Clark Equipment Co. (a subsidiary of Doosan Infracore International, Inc.) and Doosan International UK Ltd. (a subsidiary of Doosan Holdings Europe Limited), respectively. The proceeds received from the entities sold and payables to the entities purchased are reflected as capital adjustments.

(Note 4) During the year ended December 31, 2010, through a capital increase, the Company acquired new shares of Doosan Infracore India Private Ltd. and the accumulated losses not reflected in previous years are recorded as a reduction of beginning retained earnings.

Changes in investment differences from the equity method investment securities for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

Company	2010			December 31, 2010
	January 1, 2010	Increase	Amortization	
Doosan Infracore International, Inc.	₩7,417	₩-	(₩413)	₩7,004
Bobcat Corp.	-	8,223	(386)	7,837
Doosan International India Private Ltd.	-	14,386	(676)	13,710
Doosan International Korea Ltd.	-	10,538	(495)	10,043
Doosan Bobcat Chile	-	4,178	(196)	3,982
Doosan International do Brasil Commercial	-	165	(8)	157
Doosan Capital Co., Ltd.	13,326	-	(7,615)	5,711
	<u>₩20,743</u>	<u>₩37,490</u>	<u>(₩9,789)</u>	<u>₩48,444</u>
Company	2009			December 31, 2009
	January 1, 2009	Increase	Amortization	
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>

Details of unrealized gains (losses) arising from intercompany transactions, which are eliminated, as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

Company	2010 Inventories	2009 Inventories
Doosan Infracore China Co., Ltd.	₩122,115	₩89,005
Doosan Infracore Machine Tools Yantai Co., Ltd.	2,389	1,016
Doosan Infracore Xinjiang Machinery Co., Ltd.	2,612	1,141
Doosan Infracore Europe S.A.	-	27,224
Doosan Infracore America Corp.	6,243	16,283
Doosan Infracore Germany GmbH.	2,594	6,009
Doosan Holdings Europe Ltd.	13,744	-
Doosan Infracore India Private Ltd.	817	2,518
Doosan Infracore Belgium S.A.	1,899	-
Doosan Infracore U.K., Ltd.	422	-
Total	₩152,835	₩143,196

Cumulative changes in the Company's proportionate share in net assets of the investee not recognized due to the discontinuance of the equity method of accounting as the book value of the investment is below zero are as follows (in millions of Korean Won):

Company	Changes in 2010	Accumulated up to 2009	Total
Doosan Infracore India Private Ltd.	₩2,350	(₩2,350)	₩-
Doosan International Mexico S.A. de C.V.	(573)	-	(573)
Total	₩1,777	(₩2,350)	(₩573)

The condensed financial information of the investees as of and for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

Company	2010			
	Total assets	Total liabilities	Sales	Net income (loss)
Doosan Infracore (China) Investment Co., Ltd.	₩122,739	₩874	₩6,506	₩14,841
Doosan Infracore China Co., Ltd.	1,521,400	1,012,772	2,444,793	145,506
Doosan Infracore Machine Tools Yantai Co., Ltd.	94,107	60,879	161,600	10,809
Doosan Infracore Xinjiang Machinery Co., Ltd.	31,638	26,067	54,396	828
Doosan Infracore America Corp.	142,601	82,160	254,789	7,700
Doosan Infracore Germany GmbH.	81,356	63,019	76,836	132
Doosan Infracore Japan Corp.	24,958	23,697	3,476	188
Doosan Infracore International, Inc.	3,161,213	2,409,711	1,602,819	(182,959)
Doosan Holdings Europe Ltd.	4,166,060	3,296,846	1,068,406	(273,917)
Doosan Infracore India Private Ltd.	37,500	36,093	44,183	(3,368)
Doosan Infracore Belgium S.A.	83,582	28,334	46,714	(37,717)
Bobcat Corp.	7,299	550	5,800	221
Doosan International India Private Ltd.	34,263	18,178	53,912	5,724
Doosan International Korea Ltd.	14,569	7,590	25,409	3,208
Doosan Bobcat Chile	12,813	4,576	16,575	1,591
Doosan International Mexico S.A. de C.V.	282	855	-	(224)
Doosan International do Brasil Commercial	592	229	-	208
Doosan Infracore U.K., Ltd.	49,178	22,687	38,843	947
Doosan Capital Co., Ltd.	2,185,268	2,012,258	230,669	(42,810)

Company	2009			
	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

7. PROPERTY AND EQUIPMENT

The standard value of land declared by the government as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	Book value		Standard value	
	2010	2009	2010	2009
Land for plant	₩785,110	₩789,772	₩442,524	₩436,280

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010					
	January 1,					December
	2010	Acquisition	Disposals	Depreciation	Transfer	31, 2010
Land	₩789,772	₩444	(₩5,106)	₩-	₩-	₩785,110
Buildings	210,897	1,109	(251)	(7,638)	11,115	215,232
Structures	36,665	1,050	(435)	(3,201)	11,041	45,120
Machinery	125,253	28,239	(305)	(20,918)	15,416	147,685
Vehicles	2,014	2,673	(9)	(1,002)	-	3,676
Tools	34,854	21,555	(204)	(14,573)	150	41,782
Furniture and fixtures	22,007	9,805	(79)	(10,903)	1,553	22,383
Construction-in-progress	22,204	62,423	-	-	(45,045)	39,582
Total	₩1,243,666	₩127,298	(₩6,389)	(₩58,235)	(₩5,770)	₩1,300,570
	2009					
	January 1,					December 31,
	2010	Acquisition	Disposals	Depreciation	Transfer	2010
Land	₩787,748	₩2,624	(₩600)	₩-	₩-	₩789,772
Buildings	191,477	620	(610)	(7,103)	26,513	210,897
Structures	32,979	516	(781)	(2,760)	6,711	36,665
Machinery	102,655	19,751	(466)	(17,807)	21,120	125,253
Vehicles	2,337	504	-	(827)	-	2,014
Tools	20,195	10,468	(18)	(9,441)	13,650	34,854
Furniture and fixtures	23,172	3,632	(2)	(10,482)	5,687	22,007
Construction-in-progress	86,289	44,396	-	-	(108,481)	22,204
Total	₩1,246,852	₩82,511	(₩2,477)	(₩48,420)	(₩34,800)	₩1,243,666

The Company's land, buildings and machinery of the above totaling ₩741,423 million are pledged as collateral for borrowings to the Korea Development Bank as of December 31, 2010 (See Note 16).

Changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows
(in millions of Korean Won):

	2010					December 31, 2010
	January 1, 2010	Increase	Amortization	Impairment	Others	
Industrial rights	₩1,830	₩481	(₩377)	₩-	(₩22)	₩1,912
Development costs	98,595	55,461	(10,178)	(8,603)	-	135,275
Government subsidy	(132)	-	132	-	-	-
Others	56,123	4,748	(15,888)	-	5,770	50,753
Total	₩156,416	₩60,690	(₩26,311)	(₩8,603)	₩5,748	₩187,940

	2009					December 31, 2009
	January 1, 2009	Increase	Amortization	Impairment	Others	
Industrial rights	₩1,686	₩507	(₩363)	₩-	₩-	₩1,830
Development costs	53,932	56,137	(12,183)	(508)	1,217	98,595
Government subsidy	(263)	-	131	-	-	(132)
Others	15,047	4,952	(12,326)	-	48,450	56,123
Total	₩70,402	₩61,596	(₩24,741)	(₩508)	₩49,667	₩156,416

The Company's research and ordinary development expenses amounted to ₩84,903 million and ₩66,309 million for the years ended December 31, 2010 and 2009, respectively.

10. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2010 and 2009 are summarized as follows (in thousands of foreign currencies and millions of Korean Won):

a. Short-term borrowings in local currency

Type	Lender	Interest rate per annum	2010	2009	Repayment method
General purpose loans	The Export-Import Bank of Korea	3M Koribor (2.47%) +1.6%	₩-	₩15,000	Payable in full at maturity
Accommodation bill discounting	Samsung Securities	4.8%	-	5,000	
	SK Securities	6.6%	-	10,000	
	Meritz Securities	5.8%	-	63,300	
	Golden-Bridge Securities	5.8%	-	3,162	
	Woori Bank	6.6%	-	20,400	
	Shinhan Bank	5.5%	-	67,000	
	Kiwoom Securities	5.8%	-	113,300	
Total			₩-	₩297,162	

b. Short-term borrowings in foreign currencies

Type	Lender	Interest rate per annum	2010	2009	Repayment method
General purpose loans	SC Korea First Bank	3.63%	-	USD 50,000	Payable in full at maturity
	Hana Bank	5.67%	-	USD 20,000	
	Hana Bank	3.99%	USD 30,000	USD 30,000	
	Korea Exchange Bank	3.63%	-	USD 30,000	
	Korea Exchange Bank	4.06%	-	GBP 13,300	
USANCE	Woori Bank and others	0.94~4.61%	USD 4,601 EUR 14,324 GBP 320 JPY 2,124,062	USD 9,461 EUR 26,133 GBP 774 JPY 2,550,424	
Total (Korean Won equivalent)			₩91,325	₩265,222	

11. BONDS AND LONG-TERM BORROWINGS

Bonds and long-term borrowings as of December 31, 2010 and 2009 are summarized as follows (in thousands of foreign currencies and millions of Korean Won):

a. Bonds

Type	Issue date	Maturity	Interest rate per annum	2010	2009	Interest repayment method
The 3rd Private bond	2007.04.05	2010.03.31	5.65%	₩-	₩50,000	Three months in arrears
The 4th Private bond	2008.12.30	2010.12.30	9.18%	-	60,000	One month in arrears
The 5-1st Public bond	2009.02.02	2010.02.02	8.20%	-	140,000	Three months in arrears
The 5-2nd Public bond	2009.02.02	2011.02.02	8.30%	10,000	10,000	
The 6th Private bond	2009.01.28	2012.01.28	7.67%	40,000	40,000	
The 7-1st Public bond	2009.03.02	2010.09.02	7.40%	-	182,000	
The 7-2nd Public bond	2009.03.02	2011.03.02	7.50%	35,000	35,000	
The 7-3rd Public bond	2009.03.02	2012.03.02	7.70%	13,000	13,000	
The 8-1st Public bond	2009.04.28	2011.04.28	7.30%	150,000	150,000	
The 8-2nd Public bond	2009.04.28	2012.04.28	7.50%	10,000	10,000	
The 9th Private bond	2009.05.13	2011.05.13	7.20%	200,000	200,000	
The 10-1st Public bond	2009.07.27	2010.07.27	5.70%	-	30,000	
The 10-2nd Public bond	2009.07.27	2011.07.27	6.50%	40,000	40,000	
The 10-3rd Public bond	2009.07.27	2012.07.27	7.00%	130,000	130,000	
The 11th Public bond	2009.10.01	2012.10.01	6.80%	40,000	40,000	
The 12th Public bond	2010.01.06	2013.01.06	6.70%	150,000	-	
The 13th Public bond	2010.08.12	2013.08.12	5.70%	100,000	-	
The 14th Public bond	2010.11.08	2013.11.08	4.70%	220,000	-	
Total				1,138,000	1,130,000	
Less current portion				(435,000)	(462,000)	
Total				<u>₩703,000</u>	<u>₩668,000</u>	

b. Long-term borrowings in local currency

Type	Lender	Interest rate per annum	2010	2009	Repayment method
Facilities loans	Korea Development Bank	5.51%	₩20,000	₩20,000	Paid quarterly
		6.33%	20,000	20,000	Paid in full at maturity
		6.67%	30,000	-	
		5.48%	30,000	-	
Total			100,000	40,000	
Less current portion			(5,000)	-	
Total			<u>₩95,000</u>	<u>₩40,000</u>	

c. Long-term borrowings in foreign currencies

Type	Lender	Interest rate per annum	2010	2009	Repayment method
Foreign currency loans	Kookmin Bank	3M Libor(0.57%)			Paid quarterly
		+0.48%	-	USD 449	
	Korea Asset Management Corporation	0~3M Libor+0.58%	-	USD 3,556	
	Korea Development Bank	3M Libor+0.74%	-	USD 3,395	
Syndicate loans (Note)	The Export-Import Bank of Korea	3M Libor+0.65%	-	USD 3,573	
		6M Eulibor(0.99%)			Paid semiannually
	AKA Bank	+0.45%	EUR 4,480	EUR 5,001	
	Korea Development Bank	3M Libor+3.50%	USD 50,000	-	Paid in full at maturity
	Kookmin Bank	6M Libor+1.60%	USD 14,400	USD 18,000	Paid semiannually
	Korea Development Bank		USD 198,400	USD 248,000	
	Woori Bank		USD 72,000	USD 90,000	
	The Export-Import Bank of Korea		USD 104,000	USD 130,000	
	Industrial Bank of Korea		USD 40,000	USD 50,000	
	Shinhan Bank		USD 72,000	USD 90,000	
	Hana Bank		USD 28,000	USD 35,000	
	Korea Exchange Bank		USD 16,800	USD 21,000	
	HSBC		USD 7,200	USD 9,000	
First Gulf Bank		USD 7,200	USD 9,000		
Total			₩701,510	₩838,505	
Less current portion			(160,276)	(177,148)	
Total			<u>₩541,234</u>	<u>₩661,357</u>	

(Note) Above long-term borrowings from Korean Development Bank (“KDB”) along with other nine banks were originally incurred to purchase the shares of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd.

d. Repayment schedule

Repayment schedule of the Company's bonds and long-term borrowings as of December 31, 2010 is as follows (in millions of Korean Won):

Year ending December 31	Borrowings in local currency	Borrowings in foreign currency	Bonds	Total
2011	₩5,000	₩160,276	₩435,000	₩600,276
2012	55,000	160,319	233,000	448,319
2013	35,000	217,307	470,000	722,307
2014	5,000	160,410	-	165,410
2015	-	1,013	-	1,013
Thereafter	-	2,185	-	2,185
	₩100,000	₩701,510	₩1,138,000	₩1,939,510

12. PROVISIONS

Changes in provisions, except for the provision for severance indemnities, for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010			
	January 1, 2010	Increase	Decrease	December 31, 2010
Accrued product warranties	₩10,084	₩46,333	(₩33,178)	₩23,239
Provision for returned goods	352	388	(352)	388
	₩10,436	₩46,721	(₩33,530)	₩23,627
	2009			
	January 1, 2009	Increase	Decrease	December 31, 2009
Accrued product warranties	₩14,894	₩1,695	(₩6,505)	₩10,084
Provision for returned goods	523	352	(523)	352
	₩15,417	₩2,047	(₩7,028)	₩10,436

13. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Major assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are summarized as follows (in thousands of foreign currencies and millions of Korean Won):

	2010		2009	
	Foreign currencies	Korean Won equivalent	Foreign currencies	Korean Won equivalent
Cash and cash equivalents	USD 4,305	₩4,903	USD 2,849	₩3,326
	EUR 486	736	EUR 1,734	2,903
	GBP -	-	GBP 814	1,528
	AUD 86	100	AUD 59	62
Accounts receivable – trade	USD 355,991	405,439	USD 295,147	344,613
	GBP 21,575	37,922	GBP 20,960	39,358
	AED -	-	AED 3,752	1,193
	EUR 75,217	113,848	EUR 48,254	80,792
Accounts receivable – other	AUD 106	123	AUD -	-
	USD 64,732	73,723	USD 19,515	22,786
	GBP 275	484	GBP 517	971
	EUR 286	434	EUR 1,239	2,074
Long-term loans	JPY -	-	JPY 2,823	36
	USD 33,125	37,775	USD 31,000	36,196
	USD 458,153		USD 348,511	
	EUR 75,989		EUR 51,227	
	GBP 21,850		GBP 22,291	
	JPY -		JPY 2,823	
	CNY -		CNY -	
	AED -		AED 3,752	
Total assets	AUD 192	₩675,487	AUD 59	₩535,838

	2010		2009	
	Foreign currencies	Korean Won equivalent	Foreign currencies	Korean Won equivalent
Accounts payable – trade	USD 10,350	₩11,788	USD 6,515	₩7,606
	EUR 17,616	26,663	EUR 9,626	16,116
	GBP 327	576	GBP 330	620
	JPY 1,373,536	19,189	JPY 1,240,439	15,665
Short-term borrowings	USD 34,601	39,407	USD 139,461	162,836
	EUR 14,324	21,681	EUR 26,133	43,753
	GBP 320	563	GBP 14,074	26,426
	JPY 2,124,062	29,675	JPY 2,550,424	32,207
Accounts payable – other	USD 15,082	17,177	USD 9,780	11,419
	JPY 53,293	745	JPY 81,336	1,027
	EUR 7,932	12,006	EUR 5,782	9,680
	GBP 895	1,573	GBP 578	1,085
	AED 41	13	AED 41	13
	AUD -	-	AUD 123	128
	CNY 762	131	CNY 901	154
Accrued expenses	USD 1,658	1,888	USD 3,423	3,996
	GBP 25	38	GBP 16	30
	JPY 1	1	JPY 22,556	285
	EUR 26	39	EUR 280	468
Long-term borrowings	USD 610,000	694,729	USD 710,973	830,131
(including current portion)	EUR 4,480	6,781	EUR 5,001	8,374
	USD 671,691		USD 870,152	
	JPY 3,550,892		JPY 3,894,755	
	EUR 44,378		EUR 46,822	
	GBP 1,567		GBP 14,998	
	AUD -		AUD 123	
	CNY 762		CNY 901	
Total liabilities	AED 41	₩884,663	AED 41	₩1,172,019

14. COMMITMENTS AND CONTINGENCIES

- a. Trade receivables sold to and discounted with third parties as of December 31, 2010 and 2009, respectively, are as follows (in millions of Korean Won):

	2010		2009		Institution
Accounts receivable – trade	KRW	260,893	KRW	200,502	HSBC, Shinhan
transferred to and discounted	USD	310,365	USD	265,128	Bank and other
	EUR	45,007	EUR	32,099	
	JPY	-	JPY	627,995	
	AED	49,162	AED	11,131	
	AUD	2,525	AUD	3,684	
	GBP	12,995	GBP	15,337	

Outstanding trade receivables sold with recourse by the Company are in the amount of ₩83,694 million as of December 31, 2010.

- b. The Company pledged two blank notes to Korea Asset Management Co., Ltd. as collateral for long-term borrowings and transaction agreement.
- c. The Company is involved in 9 lawsuits as a plaintiff with claims exposure of ₩364 million and USD 81,581 thousand as of December 31, 2010. The ultimate outcome of the lawsuit cannot presently be determined.
- d. The Company formed a consortium with 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 the put option to require the Company to purchase their convertible preferred shares which have not converted to common shares within 5 years from the date of the remittance of original investment cost. For those which have not converted, the financial investors would be repaid the original investment amount plus interest at 9%, compounded annually. The financial investors shall not sell their shares to third parties without consent of the Company.

(ii) Financial covenant

The Company entered into a loan agreement with lenders consisting of the Korea Development Bank and nine other financial institutions for the long-term borrowing of USD 560 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.

15. DERIVATIVES

- a. The Company entered into various derivatives contracts with financial institutions. Details of these derivatives contracts 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 rate swap	A contract to receive floating rate indexed to Libor in foreign currency and pay fixed interest in foreign currency at the date of payment to avoid risk of increasing Libor rate
	Long-term foreign currency borrowings	Designated long-term foreign currency borrowings as hedging instruments to avoid cash flow risk arising from forecasted export transactions
Other	Foreign currency forwards	Foreign currency forwards to hedge future cash flows

- b. Details of fair value hedge as of December 31, 2010 are as follows:

Hedged item	Hedging instruments	Contract date	Expiration date
Firm commitment sales	Foreign currency forwards	2010.05.13~2010.12.28	2011.01.13~2011.12.27

- c. Details of cash flow hedge as of December 31, 2010 are as follows:

Hedged item	Hedging instruments	Contract date	Expiration date
Forecasted sales and purchase	Foreign currency forwards	2010.05.13~2010.12.15	2011.01.13~2011.12.15
Interest expense of Libor rate	Interest rate swaps	2008.04.23~2010.08.18	2011.05.23~2013.08.29
Forecasted sales	Long-term foreign currency borrowings	2008.07.01	2011.05.21~2014.11.21

- d. To hedge the risk of variability of future cash flows from forecasted sales, the Company designates long-term borrowings of USD 560,000 thousand as cash flow hedging instruments. As a result, the Company recorded ₩41,420 million, net of tax of ₩12,060 million, in other comprehensive loss as foreign currency translation loss for cash flow hedge as of December 31, 2010. The expected period to be exposed to changes in future cash flow is until Nov 21, 2014 as the Company designated a non-derivative financial instrument as a hedging instrument.

e. The Company applies fair value hedge to sales contracts which meet the conditions of firm commitments pursuant to the Financial Supervision Services Staff Opinions on Financial Reporting 2008-2, *Forecast transactions contracted in a foreign currency that meet the definition of firm agreements*. Such firm commitments amounted to ₩127,434 million as of December 31, 2010. On the other hand, the Company discontinues the hedge accounting for sales contracts which did not meet the conditions of firm commitments and accordingly, the related assets amounting to ₩141,340 million as of December 31, 2010 is reclassified in current operations.

f. Details of gain and loss on valuation of derivatives as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

		2010				
		Statement of income		Statement of financial position		
Purpose	Hedging instruments	Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives	Foreign currency translation loss
Cash flow hedge	Foreign currency forwards	₩107	(₩328)	₩4,122	(₩1,811)	₩-
	Interest rate swap	-	-	-	(7,367)	-
	Borrowings in foreign currency	-	-	-	-	(53,480)
Fair value hedge	Foreign currency forwards	20,422	(3,297)	-	-	-
For trading	Foreign currency forwards	5,687	(6,794)	-	-	-
Total		<u>₩26,216</u>	<u>(₩10,419)</u>	<u>₩4,122</u>	<u>(₩9,178)</u>	<u>(₩53,480)</u>
Tax effect		-	-	(998)	2,140	12,060
Book value		<u>₩26,216</u>	<u>(₩10,419)</u>	<u>₩3,124</u>	<u>(₩7,038)</u>	<u>(₩41,420)</u>
		2009				
		Statement of income		Statement of financial position		
Purpose	Hedging instruments	Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives	Foreign currency translation loss
Cash flow hedge	Foreign currency forwards	₩-	(₩1,242)	₩2,789	(₩12,308)	₩-
	Interest rate swap	-	-	-	(14,555)	-
	Borrowings in foreign currency	-	-	-	-	(86,940)
Fair value hedge	Foreign currency forwards	207,178	(5,964)	-	-	-
For trading	Foreign currency forwards	6,073	-	-	-	-
Total		<u>₩213,251</u>	<u>(₩7,206)</u>	<u>₩2,789</u>	<u>(₩26,863)</u>	<u>(₩86,940)</u>
Tax effect		-	-	(675)	6,399	19,892
Book value		<u>₩213,251</u>	<u>(₩7,206)</u>	<u>₩2,114</u>	<u>(₩20,464)</u>	<u>(₩67,048)</u>

16. PLEDGED ASSETS

The Company pledged certain assets as collateral for its short-term borrowings and long-term debt as of December 31, 2010 as follows (in thousands of foreign currency and millions of Korean Won):

Asset	Book value	Collateralized value	Type	Borrowings	Institution
Lands, buildings and machinery (Note)	₩741,423	₩184,413	Construction	₩100,000	Korea Development Bank
		USD 95,025		USD 248,403	
		DM 84,000		EUR 21	
				JPY 33,423	

(Note) The Company's rights to property insurance benefits are pledged as collateral to the Korea Development Bank.

As of December 31, 2010, the Company pledged all of its shares in DII and DHEL to lenders consisting of KDB and other financial institutions as collateral for long-term borrowings amounting to USD 2,291,327 thousand in connection with DHEL's acquisition of Ingersoll-Rand's Compact Equipment business. The loan agreement related to the DHEL's borrowing above requires the Company to maintain its EBITDA more than 1.5 times of its net interest expense and its financial debt less than 6.0 to 5.0 times of its EBITDA based on the combined financial statements of DII and DHEL under the accounting principles generally accepted in the United States of America. If it is not in compliance with the debt covenants, the Company along with Doosan Engine should make capital injections for those entities.

17. GUARANTEES

As of December 31, 2010, guarantees provided by the Company for third parties are as follows (in thousands of foreign currency and millions of Korean Won):

Relation	Company	Guarantee	Won equivalents	Type	Institution	
Subsidiary	Doosan Infracore Germany GmbH.	EUR 14,400	₩21,796	Borrowings	The Export-Import Bank of Korea	
	Doosan Infracore International, Inc.	USD 24,000	27,334	Borrowings	JP Morgan	
	Doosan Trading Ltd.	USD 1,500	1,708	Borrowings	JP Morgan	
	Doosan Benelux S.A.	USD 500	569	Borrowings	JP Morgan	
	Clark Equipment Co.		USD 20,000	22,778	Financing	De Lage Landen Financial Service, INC
			USD 15,000	17,084	Financing	General Electric Capital Corporation
			USD 9,000	10,250	Rental service	CoActive Partners INC Corporate Investors Partnership III.LLC
	USD 97	110	Rent			
Third party	Daewoo International / Construction	EUR 7,150	<u>10,822</u>	Borrowings	AKA Bank	
Total			<u>₩112,451</u>			

As of December 31, 2010, 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 23,107 thousand and EUR 79 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 ₩59,935 million.

18. COMMON STOCK

As of December 31, 2010, the Company's number of shares authorized are 400,000,000 shares with par value of ₩5,000 per share and the number of shares issued by the Company are 168,448,484 shares.

Changes in common stock for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won except for share data):

	2010		2009	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	168,308,684	₩ 841,543	168,207,384	₩ 841,037
Exercising stock options	<u>139,800</u>	<u>699</u>	<u>101,300</u>	<u>506</u>
Balance at end of year	<u><u>168,448,484</u></u>	<u><u>₩ 842,242</u></u>	<u><u>168,308,684</u></u>	<u><u>₩ 841,543</u></u>

19. SHARE-BASED PAYMENTS

The terms and conditions of grants as of December 31, 2010 are as follows:

Type of arrangement	Selective settlement option- issuance of new stock or cash settlement					
Grantee	Directors	Directors	Directors	Directors	Directors	Directors
Date of grant	2006.3.17	2007.3.16	2008.3.21	2009.3.27	2010.3.26	2010.4.1
Number of granted options	110,800	345,000	388,900	227,000	482,570	49,600
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years
Vesting conditions	2 years' service	2 years' service	2 years' service	2 years' service	2 years' service	2 years' service

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

Description	2nd grant	3rd grant	4th grant	5th grant	6th grant	6-1st grant
Risk free rate- Treasury bond rate	5.13%	4.81%	5.19%	4.74%	4.53%	4.65%
Expected exercisable period	5 years	5 years	6.5 years	6.5 years	6.5 years	6.5 years
Expected volatility	55.97%	47.08%	47.94%	59.76%	58.82%	58.76%
Expected dividend yield ratio	0.90%	1.23%	1.47%	1.67%	1.34%	1.34%
Expected termination period of right	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The number of options and weighted average exercise prices as of December 31, 2010 is as follows (in Korean Won):

	Selective settlement option	
	Number of options	Weighted average exercise price
Outstanding at January 1, 2010	1,282,600	₩21,198
Granted	532,170	19,503
Exercised	139,800	17,745
Forfeited or settled	71,100	18,418
Outstanding at December 31, 2010	<u>1,603,870</u>	<u>21,060</u>
Exercisable at December 31, 2010	<u>455,800</u>	<u>₩19,079</u>

Details of total expenses recognized as employee costs for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010	2009
Total expenses recognized for the year arising from share-based payment transactions	₩3,563	₩3,650
- Cost of goods manufactured	492	497
- Selling and administrative expense	<u>3,071</u>	<u>3,153</u>
Remaining expenses to be recognized in the future years	<u>₩3,673</u>	<u>₩1,783</u>

20. REVENUE, COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of revenue, cost of sales and selling, general and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

a. Details of revenue for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Revenue of finished goods	₩3,906,483	₩2,349,262
Revenue of merchandise	<u>411,157</u>	<u>313,944</u>
Total	<u>₩4,317,640</u>	<u>₩2,663,206</u>

b. Details of cost of sales for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cost of sales of finished goods	₩2,807,878	₩1,759,640
Cost of sales of merchandise	<u>309,829</u>	<u>212,556</u>
Total	<u>₩3,117,707</u>	<u>₩1,972,196</u>

c. Details of selling, general and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Salaries	₩118,433	₩96,721
Provision for retirement and severance benefits	10,378	6,755
Other employee benefits	24,191	27,156
Travel	12,102	10,196
Freight and custody	94,716	50,387
Rent	13,426	11,831
Research and development	84,930	66,309
Sales commission	101,278	61,955
Sundry	60,681	41,813
After-sales service	52,386	23,556
Depreciation	10,073	9,300
Amortization	16,264	12,689
Maintenance	9,708	5,805
Advertising	20,309	15,109
Packing	5,425	3,636
Others	<u>22,904</u>	<u>22,496</u>
Total	<u>₩657,204</u>	<u>₩465,714</u>

21. VALUE ADDED INFORMATION

Value added information included in cost of manufactured and selling, general and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Salaries	₩310,613	₩265,697
Provision for retirement and severance benefits	34,639	19,153
Other employee benefits	70,533	77,070
Rent	23,165	20,373
Depreciation	58,235	48,420
Taxes and dues	5,056	4,404

22. INCOME TAX EXPENSE

a. Components of income tax expense for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Current income tax expense (including additional income taxes and tax refunds)	₩22,665	₩30,774
Changes in deferred income tax assets and liabilities related to temporary differences	(48,775)	50,674
Income tax expense directly reflected in stockholders' equity	19,245	(31,021)
Others	54,443	-
Income tax expense	<u>₩47,578</u>	<u>₩50,427</u>

Changes in deferred income tax assets and liabilities related to temporary differences for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Ending deferred income tax assets	₩94,619	₩118,322
Beginning deferred income tax assets	(118,322)	(87,963)
Changes in deferred income tax assets and liabilities directly added to (deducted from) stockholders' equity	<u>(25,072)</u>	<u>20,315</u>
Changes in deferred income tax assets	<u>(₩48,775)</u>	<u>₩50,674</u>

b. A reconciliation of income tax expense and accounting income before income tax expense for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Income before income tax expense	₩85,830	(₩260,676)
Income tax expense at statutory income tax rate (For 2010: Less than ₩200 million: 11.0% Over ₩200 million: 24.2% For 2009: Less than ₩200 million: 12.1% Over ₩200 million: 24.2%)	20,744	(63,084)
Differences (Note 2)	<u>26,834</u>	<u>113,511</u>
Income tax expense	<u>₩47,578</u>	<u>₩50,427</u>
Effective tax rates	<u>55.43%</u>	<u>(Note 1)</u>

(Note 1) The Company does not calculate an effective tax rate in 2009 since the Company recognized loss before income taxes.

(Note 2) Differences for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Additional income tax and tax refund for prior periods	₩1,728	(₩10,600)
Non-temporary difference	(10,456)	517
Temporary difference not recognized as deferred income tax	24,234	135,946
Income tax expense directly reflected in stockholders' equity	(5,827)	(10,706)
Tax credits	(30,204)	(12,084)
Tax rate changes and other	<u>47,359</u>	<u>10,438</u>
Total	<u>₩26,834</u>	<u>₩113,511</u>

c. Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010					
	Deductible (taxable) temporary differences				Deferred income tax assets (liabilities) (Note 2)	
	January 1, 2010 (Note 1)	Increase (Note 1)	Decrease (Note 1)	December 31, 2010	January 1, 2010	December 31, 2010
Advances from government	₩20,745	₩-	₩5,685	₩15,060	₩4,564	₩3,313
Allowance for doubtful accounts	25,749	22,041	25,749	22,041	6,231	5,334
Provision for construction losses	10,437	23,627	10,437	23,627	2,526	5,718
Present value discount	1,559	2	1,561	-	342	-
Accrual for retirement and severance benefits	100,829	20,060	6,227	114,662	22,183	25,226
Goodwill from acquisition of Doosan Mecatec Co., Ltd.	22,067	-	11,033	11,034	5,340	2,427
Investment securities	554,353	212,323	(183)	766,859	121,957	168,709
Investment securities (unrealized income)	143,195	152,835	143,195	152,835	35,761	39,003
Individual severance insurance	(79,830)	6,228	7,887	(81,489)	(17,563)	(17,928)
Provision for temporary depreciation	(28,819)	-	-	(28,819)	(6,340)	(6,340)
Reserve for research and development	(138,957)	12,891	28,825	(154,891)	(32,307)	(34,076)
Foreign currency translation, net	6,624	23,719	30,645	(302)	1,707	(32)
Gain on revaluation of land	(459,223)	3,032	-	(456,191)	(101,029)	(100,362)
Other	187,521	176,506	175,149	188,878	42,270	44,530
Sub-total	₩366,250	₩653,264	₩446,210	₩573,304	85,642	135,522
Tax credit carryforwards and other					1,943	-
Sub-total					87,585	135,522
Not recognized as deferred income tax assets					(242,100)	(305,547)
Not recognized as deferred income tax liabilities					36,193	75,406
Total					(₩118,322)	(₩94,619)

2009

	Deductible (taxable) temporary differences				Deferred income tax assets (liabilities) (Note 2)	
	January 1, 2009	Increase	Decrease	December	January 1,	December 31,
	(Note 1)	(Note 1)	(Note 1)	31, 2009	2009	2009
Advances from government	₩11,951	₩8,794	₩-	₩20,745	₩2,670	₩4,564
Allowance for doubtful accounts	27,211	25,787	27,249	25,749	5,986	6,231
Provision for construction losses	15,417	10,437	15,417	10,437	3,392	2,526
Present value discount	1,848	5	294	1,559	407	342
Accrual for retirement and severance benefits	94,173	20,506	13,850	100,829	20,718	22,183
Goodwill from acquisition of Doosan Mecatec Co., Ltd.	33,101	-	11,034	22,067	7,525	5,340
Investment securities	(64,458)	427,234	(191,577)	554,353	(17,247)	121,957
Investment securities (unrealized income)	192,324	143,195	192,324	143,195	56,718	35,761
Individual severance insurance	(86,966)	(6,563)	(13,699)	(79,830)	(19,133)	(17,563)
Provision for temporary depreciation	(144,812)	(115)	(116,108)	(28,819)	(31,859)	(6,340)
Reserve for research and development	(131,435)	(60,000)	(52,478)	(138,957)	(30,070)	(32,307)
Foreign currency translation, net	57,119	77,995	128,490	6,624	13,126	1,707
Gain on revaluation of land	(459,409)	(1)	(187)	(459,223)	(101,070)	(101,029)
Other	197,709	52,279	62,467	187,521	44,442	42,270
Sub-total	<u>(₩256,227)</u>	<u>₩699,553</u>	<u>₩77,076</u>	<u>₩366,250</u>	<u>(44,395)</u>	<u>85,642</u>
Tax credit carryforwards and other					<u>4,529</u>	<u>1,943</u>
Sub-total					<u>(39,866)</u>	<u>87,585</u>
Not recognized as deferred income tax assets					(86,630)	(242,100)
Not recognized as deferred income tax liabilities					<u>38,533</u>	<u>36,193</u>
Total					<u>(₩87,963)</u>	<u>(₩118,322)</u>

(Note 1) True ups for temporary differences recorded in deferred income tax assets (liabilities) at December 31, 2009 have been adjusted through the current deductible (taxable) temporary differences.

(Note 2) Tax rate is the enacted marginal tax rate which is expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.

- d. Temporary differences have not been recognized as deferred income tax assets as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Equity in loss of associates	₩1,305,752	₩1,083,557
Other capital adjustments	55,270	19,550
Other	<u>25,299</u>	<u>-</u>
Total	<u>₩1,386,321</u>	<u>₩1,103,107</u>

The Company did not recognize deferred income tax assets related to equity method investment securities since it is not almost certain that the Company would be able to realize tax benefits in the foreseeable future.

- e. Temporary differences have not been recognized as deferred income tax liabilities as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Equity in income of associates	(₩315,577)	(₩137,470)
Provision for temporary depreciation	<u>(27,177)</u>	<u>(27,177)</u>
Total	<u>(₩342,754)</u>	<u>(₩164,647)</u>

The Company did not recognize deferred income tax liabilities related to provision for temporary depreciation since it is almost certain that the differences will not reverse in the foreseeable future given that the Company is able to control the timing of reversal of the temporary difference.

f. Deferred income tax assets (liabilities) and income tax benefit (expense) added to (deducted from) stockholders' equity as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010			2009		
	Amount	Deferred income		Amount	Deferred income	
		Income tax expense	tax assets (liabilities)		Income tax expense	tax assets (liabilities)
Other capital adjustments	(₩1,287)	₩19,245	(₩14,144)	(₩10,464)	(₩31,021)	(₩544)
Unrealized gain on valuation of available-for-sale securities	(183)	-	40	701	-	(154)
Increase in equity of associates	(43,943)	-	(333)	(149,895)	-	29,140
Decrease in equity of associates	(7,797)	-	1,112	684	-	(4)
Foreign currency translation loss for cash flow hedge	33,460	-	(7,832)	62,930	-	(13,080)
Gain on valuation of derivatives for cash flow hedge	1,333	-	(323)	(31,510)	-	7,540
Loss on valuation of derivatives for cash flow hedge	17,685	-	(4,259)	10,808	-	(2,624)
Others	(3,032)	-	667	(187)	-	41
Total	(₩3,764)	₩19,245	(₩25,072)	(₩116,933)	(₩31,021)	₩20,315

g. Deferred income tax assets and liabilities as well as Income taxes payable and prepaid income taxes as of December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	2010			2009		
	Current	Non-current	Total	Current	Non-current	Total
Deferred income tax assets	₩39,168	₩83,262	₩122,430	₩41,515	₩66,713	₩108,228
Deferred income tax liabilities	(1,637)	(215,413)	(217,050)	(10,292)	(216,258)	(226,550)
Income taxes payable			20,937			41,374
Prepaid income taxes			(₩15,293)			(₩2,190)

23. COMPREHENSIVE INCOME

Comprehensive income for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

Description	2010	2009
Net income (loss)	₩ 38,252	(₩ 311,104)
Other comprehensive income:		
Unrealized gain on available-for-sale securities		
(Tax effect: ₩ 40 million for 2010 and (₩ 154) million for 2009)	(143)	547
Increase in equity of associates		
(Tax effect: (₩ 333) million for 2010 and ₩ 29,140 million for 2009)	(44,277)	(120,755)
Decrease in equity of associates		
(Tax effect: ₩ 1,112 million for 2010 and (₩ 4) million for 2009)	(6,685)	680
Loss on foreign currency translation		
(Tax effect: (₩ 7,832) million for 2010 and (₩ 13,080) million for 2009)	25,628	49,850
Unrealized gain on valuation of derivatives		
(Tax effect: (₩ 323) million for 2010 and ₩ 7,540 million for 2009)	1,010	(23,970)
Unrealized loss on valuation of derivatives		
(Tax effect: (₩ 4,259) million for 2010 and (₩ 2,624) million for 2009)	13,426	8,184
Gain on revaluation of land		
(Tax effect: ₩ 667 million for 2010 and ₩ 41 million for 2009)	<u>(2,365)</u>	<u>(146)</u>
Comprehensive income (loss)	<u>₩ 24,846</u>	<u>(₩ 396,714)</u>

24. NET INCOME (LOSS) PER SHARE

The Company's net income per share for the years ended December 31, 2010 and 2009 are computed as follows (in Korean Won, except for per share data):

a. Basic Net Income (Loss) Per Share

	2010	2009
Net income (loss)	₩ 38,251,871,464	(₩ 311,103,724,944)
Weighted average number of common shares outstanding	<u>168,381,785</u>	<u>157,044,229</u>
Basic net income (loss) per share	<u>₩ 227</u>	<u>(₩ 1,981)</u>

The weighted average number of common shares outstanding used in calculating basic net income (loss) per share is derived considering the followings:

	<u>2010</u>	<u>2009</u>
Beginning outstanding shares at January 1	168,308,684	156,407,384
Effect of treasury stock held	-	581,918
Effect of stock option exercised	73,101	54,927

b. Diluted Net Income (Loss) Per Share

	<u>2010</u>	<u>2009</u>
Net income (loss)	<u>₩38,251,871,464</u>	<u>(₩ 311,103,724,944)</u>
Adjustment for a dilutive effect	-	-
Dilutive potential common shares (Note)	<u>59,416</u>	<u>-</u>
Adjusted weighted average number of common shares outstanding	<u>168,441,201</u>	<u>157,044,229</u>
Diluted net income (loss) per share (in Korean Won)	<u>₩ 227</u>	<u>(₩ 1,981)</u>

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

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 as they would have an anti-dilutive effect on the calculation.

	<u>Par value</u>	<u>Exercise period</u>	<u>Number of common shares to be issued</u>
Stock option 2 nd grant	₩ 5,000	2009.03.17~2016.03.16	81,613
Stock option 3 rd grant	5,000	2010.03.16~2017.03.15	321,246
Stock option 4 th grant	5,000	2011.03.21~2018.03.20	388,900
Stock option 5 th grant	5,000	2012.03.27~2019.03.26	227,000
Stock option 6 th grant	5,000	2013.03.26~2020.03.25	482,570
Stock option 6-1 th grant	5,000	2013.04.01~2020.03.31	<u>49,600</u>
			<u><u>1,550,929</u></u>

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The list of subsidiaries of the Company as of December 31, 2010 is as follows:

Type of control	Subsidiaries
Ultimate controlling party	Doosan Corp.
Immediate parent	Doosan Heavy Industries and Construction Co., Ltd.
Direct controlling subsidiary	Doosan Infracore America Corp., Doosan Infracore China Co., Ltd., Doosan Infracore (China) Investment Co.,Ltd., Doosan Infracore Germany GmbH, Doosan Infracore Japan Corp., Doosan Infracore Machine Tools Yantai Co., Ltd., Doosan Infracore India Private Ltd., Doosan Infracore International, Inc., Doosan Infracore U.K., Ltd., Doosan Bobcat Chile S.A., Doosan Holdings Europe Ltd. and others
Indirect controlling subsidiary through Doosan Infracore International, Inc	Clark Equipment Co., Bobcat Reno, Perimeter Bobcat, Inc., Clark Business Services Corporation and others
Indirect controlling subsidiary through Doosan Holdings Europe Ltd.	Doosan Holdings International Limited, Doosan Holdings Germany GmbH, Doosan Holdings France S.A.S., Goldwave Limited, Doosan Trading Ltd., Montabert and others
Others subsidiary	Doosan Infracore Suzhou Co., Ltd., Doosan Infracore (Shandong) Co., Ltd., Doosan Moxy AS, Doosan Infracore Norway AS and others
Equity method investee	Doosan Capital Co., Ltd.

Significant transactions with related parties for the years ended December 31, 2010 and 2009 are summarized as follows (in millions of Korean Won):

Related party	Sales		Purchase	
	2010	2009	2010	2009
Parent:				
Doosan Corp.	₩3,378	₩789	₩161,271	₩54,832
Doosan Heavy Industries and Construction Co., Ltd.	848	1,082	-	28
Sub-total	4,226	1,871	161,271	54,860
Subsidiary:				
Doosan Infracore America Corp.	162,438	147,292	1,260	263
Doosan Infracore China Co., Ltd.	1,244,643	723,012	53,062	28,685
Doosan Infracore Europe S.A.	101,819	97,181	3,433	4,862
Doosan Infracore Belgium S.A.	61,148	-	2,308	-
Doosan Infracore Germany GmbH.	57,379	56,951	1,574	1,534
Doosan Infracore Japan Corp.	-	-	3,463	1,897
Doosan Infracore U.K., Ltd.	22,879	43,215	576	1,296
Doosan International U.K., Ltd.	41,278	-	632	-
Doosan Infracore Machine Tools Yantai Co., Ltd.	69,953	52,588	9,045	8,809
Doosan Infracore Suzhou Co., Ltd.	-	-	175	207
Doosan Infracore (Shandong) Co., Ltd.	1,034	21	-	-
Doosan Infracore India Private Ltd.	30,080	9,577	930	1,424
Doosan Moxy AS	406	1,622	15,497	13,079
Doosan Infracore International, Inc.	20,168	14,187	7,848	178
Doosan Benelux SA	-	-	25	-
Doosan International India Private Ltd.	2	-	-	-
Doosan Trading Shanghai Ltd.	4	-	-	-
Doosan Trading Ltd.	18,255	5,546	-	-
Montabert	-	-	15,092	1,460
Doosan Bobcat Chile S.A.	-	10	-	-
Clark Equipment Co.	36,651	22	728	-
Sub-total	1,868,137	1,151,224	115,648	63,694
Equity method investee:				
Doosan Capital Co., Ltd.	20	19	-	-
Other related party:				
	8,636	7,010	145,227	132,322
Grand-total	₩1,881,019	₩1,160,124	₩422,146	₩250,876

Significant account balances with related parties as of December 31, 2010 and 2009 are summarized as follows (in millions of Korean won):

Related party	Receivables		Payables	
	2010	2009	2010	2009
Parent:				
Doosan Corp.	₩1,541	₩754	₩84,070	₩20,057
Doosan Heavy Industries and Construction Co., Ltd.	4	1,102	25	2
Sub-total	1,545	1,856	84,095	20,059
Subsidiary:				
Doosan Infracore America Corp.	44,939	43,807	1,101	1,782
Doosan Infracore China Co., Ltd.	137,225	129,708	6,642	2,418
Doosan Infracore Europe S.A.	81,054	82,126	6,923	1,739
Doosan Infracore Belgium S.A.	22,584	-	284	-
Doosan Infracore Germany GmbH.	8,626	7,703	22,333	13,786
Doosan Infracore Japan Corp.	2	-	19,049	13,234
Doosan Infracore U.K., Ltd.	15,095	38,283	68	543
Doosan International U.K., Ltd.	19,925	-	1,397	-
Doosan Infracore Machine Tools Yantai Co., Ltd.	10,353	11,131	2,725	1,807
Doosan Infracore Suzhou Co., Ltd.	72	-	127	355
Doosan Infracore (Shandong) Co., Ltd.	237	-	-	-
Doosan Infracore India Private Ltd.	32,980	18,841	182	204
Doosan Moxy AS	39,718	37,841	1,436	430
Doosan Infracore International, Inc.	10,297	5,750	2	-
Doosan Benelux SA	3	-	1,188	-
Doosan Trading Ltd.	8,977	875	-	-
Montabert	-	-	384	237
Doosan Bobcat Chile S.A.	-	9	-	-
Clark Equipment Co.	28,960	45	1,406	-
Doosan Holdings Europe Ltd.	17,425	8,512	-	-
Doosan Holdings International Limited	47,178	-	-	-
Doosan Infracore China Investment Co., Ltd.	6	-	-	-
Sub-total	525,656	384,631	65,247	36,535
Equity method investee:				
Doosan Capital Co., Ltd.	-	-	74	74
Other related party:				
	12,540	10,232	8,841	69,336
Grand-total	₩539,741	₩396,719	₩158,257	₩126,004

The Company defines key management personnel as registered officer (including outside director) and non-registered officer who have the authority and responsibility for planning, operation and control and are in charge of business or division unit.

Compensation to key management personnel of the Company for the years ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>2010</u>	<u>2009</u>
Short-term employee benefits and other	₩22,409	₩20,164
Severance benefits	454	851
Share-based payment	<u>3,563</u>	<u>3,650</u>
Total	<u>₩26,426</u>	<u>₩24,665</u>

26. STATEMENTS OF CASH FLOWS

Significant non-cash transactions for the years ended December 31, 2010 and 2009 are nil. The cash and cash equivalents in the statements of cash flows are the same as those in the statements of financial position, ₩63,883 million for 2010 and ₩35,869 million for 2009, respectively.

27. FOURTH QUARTER INFORMATION (UNAUDITED)

The Company prepares its quarterly non-consolidated financial statements but does not prepare those for the final period, which is the three months ended December 31 of each year. Summary of results of operation for the three months ended December 31, 2010 and 2009 are as follows (in millions of Korean Won):

	<u>Three months ended December 31, 2010</u>	<u>Three months ended December 31, 2009</u>
Revenues	₩1,168,531	₩731,909
Operating income	132,224	80,410
Net income (loss)	13,312	(88,263)
Basic net income(loss) per share (in Korean Won)	79	(556)

28. SEGMENT INFORMATION

The Company's operating segments are as follows:

Business segment	Main products
Engines	Engine of the commercial cars and buses, others
Construction Equipment ("CE")	Crawler excavator
Industrial Vehicle ("IV")	Lift truck
Machine Tools ("MT")	Machine tools and factory automation system
Component and others ("Other")	Components of excavator, forklift and engine

The following table provides information for each business segment for the years ended December 31, 2010 and 2009 (in millions of Korean Won):

	2010					
	Engines	CE	IV	MT	Other	Total
Revenue	₩655,056	₩2,332,067	₩383,120	₩877,271	₩70,126	₩4,317,640
Gross profit	117,805	761,139	63,284	185,649	72,056	1,199,933
Operating income (loss)	42,438	441,665	(2,011)	35,592	25,045	542,729
Depreciation/Amortization	22,493	27,200	7,209	11,645	16,000	84,547
Fixed assets	379,238	365,836	122,806	195,811	424,819	1,488,510
	2009					
	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 revenue information for each geographical segment for the years ended December 31, 2010 and 2009 (In millions of Won):

	2010					
	Domestic	America	Europe	Asia	Other	Total
Engines	₩311,309	₩11,234	₩57,087	₩57,539	₩217,887	₩655,056
CE	542,606	182,138	242,223	1,414,584	(49,484)	2,332,067
IV	212,417	58,505	52,608	36,362	23,228	383,120
MT	462,479	97,147	120,531	189,522	7,592	877,271
Other	139,714	25,998	28,338	96,878	(220,802)	70,126
Total	₩1,668,525	₩375,022	₩500,787	₩1,794,885	(₩21,579)	₩4,317,640

	2009					
	Domestic	America	Europe	Asia	Other	Total
Engines	₩147,153	₩18,219	₩45,558	₩44,391	₩277,215	₩532,536
CE	351,435	111,558	103,366	807,766	(48,929)	1,325,196
IV	160,575	39,846	49,928	26,436	37,220	314,005
MT	167,117	60,057	92,409	104,412	(8,646)	415,349
Other	112,479	39,753	49,148	84,203	(209,463)	76,120
Total	₩938,759	₩269,433	₩340,409	₩1,067,208	₩47,397	₩2,663,206

29. ADOPTION OF KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“K-IFRS”)

a. K-IFRS adoption plan and the status of progress of the plan

The Company plans to prepare its financial statements using K-IFRS starting from the year ending December 31, 2011. To achieve this, the Company organized a task force team to prepare and analyze the transition to K-IFRS and periodically reports the results of its analysis to its management.

b. Significant differences between Korean GAAP and K-IFRS applicable to the Company

(1) Application of optional exemptions of first-time adoption of K-IFRS

Issue	K-IFRS
Business Combinations	The Company has elected not to apply K-IFRS 1103, <i>Business combinations</i> , retrospectively to past business combinations which have occurred prior to January 1, 2010, the date of transition.
Use of fair value as deemed cost	The Company has elected to use deemed cost for selected tangible assets by measuring fair value of individual assets at January 1, 2010. Also, the Company has selected to use a revaluation in accordance with K-GAAP as deemed cost for certain assets and presented the cumulative revaluation surplus as retained earnings under K-IFRS, which has been presented as capital surplus under Korean GAAP.
Cumulative translation differences	The Company has elected to reset its cumulative foreign currency translation adjustments from translation of foreign operations to zero at January 1, 2010.
Deemed cost of subsidiaries	The Company has elected to use deemed cost for selected investment assets by measuring book value of individual assets under Korean GAAP at January 1, 2010.

(2) Investments in subsidiaries and affiliates

Under Korean GAAP, investments in subsidiaries and affiliates are accounted for by the equity method in preparing the Company's non-consolidated financial statements. Under K-IFRS, investments in subsidiaries and affiliates are accounted for by the cost method at January 1, 2010 on a prospective basis in preparing the Company's separate financial statements.

(3) Employee benefits

Under Korean GAAP, the Company accrues for estimated severance indemnities calculated as if all employees with more than one year of service were to terminate as of the period end date, in accordance with the Company's severance policy. Under K-IFRS, the present value of the estimated retirement benefits calculated using actuarial assumptions and discount rates is accrued for as defined benefit obligation in accordance with the Company's severance policy.

(4) Put option of subsidiaries

Under Korean GAAP, the Company does not record any obligation arising from the put option on convertible preferred shares issued by its subsidiaries. Under K-IFRS, the put option is recognized as a derivative and the Company accounts for it as a financial liability at fair value.

(5) Goodwill or negative goodwill

Under Korean GAAP, goodwill or negative goodwill is amortized or reversed over 5 years on a straight-line method. Under K-IFRS, goodwill is not amortized but tested for impairment on an annually basis and negative goodwill is recognized directly in retained earnings.

(6) Derecognition of financial assets

Under Korean GAAP, a financial asset is derecognized when the Company transferred it to a financial institution as it is deemed to be a transfer of its right to receive cash flows from the financial asset. Under K-IFRS, when the Company transfers a financial asset but retains substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognize the asset and recognizes separately a liability.

(7) Deferred income tax

Under Korean GAAP, Deferred income tax asset (liability) is classified as a current or non-current asset (liability) depending on the classification of related asset (liability) in the statement of financial position. If deferred income tax asset (liability) does not relate to a specific asset (liability), its current or non-current classification depends on the expected reversal period. Under K-IFRS, deferred income tax asset (liability) is

classified as non-current.

c. Changes in scope of consolidation are as follows

Consolidated subsidiary under Korean GAAP	Consolidated subsidiary under K-IFRS	Scope differences
-	Doosan Infracore Logistics Europe GmbH. Doosan Infracore do Brasiln Servicos de Suporte Comercial Ltda.	Under Korean GAAP, the subsidiary's asset at prior year which is less than ₩10 billion is excluded from scope of consolidation. However, this exception is not allowed under K-IFRS.
Doosan Infracore Xinjiang Machinery Co., Ltd. ("DIX")	-	Under Korean GAAP, DIX is a consolidated subsidiary given the Company's ownership of more than 50% in its voting shares pursuant to the Act on External Audit of Stock Companies. However, under K-IFRS, DIX is excluded from scope of consolidation as the Company's interest shall be accounted for as an investment in a jointly controlled entity.

30. SUBMIT OF FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements to be submitted to the Company's general stockholders' meeting were authorized by the Company's board of directors on March 2, 2011.

Internal Accounting Control System (“IACS”) Review Report

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Doosan Infracore Co., Ltd.

We have reviewed the accompanying Report on the Assessment of IACS (the “Management’s Report”) of Doosan Infracore Co., Ltd. (the “Company”) as of December 31, 2010. The Management’s Report, and the design and operation of IACS are the responsibility of the Company’s management. Our responsibility is to review the Management’s Report and issue a review report based on our procedures. The Company’s management stated in the accompanying Management’s Report that “based on the assessment of the IACS, the Company’s IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Framework.”

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management’s Report in all material respects. A review includes obtaining an understanding of a company’s IACS and making inquiries regarding the Management’s Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company’s IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS 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 causes us to believe that the Management’s Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2010, and we did not review its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Amjin LLC

March 4, 2011

Report on the Assessment of Internal Accounting Control System (“IACS”)

**To the Board of Directors and Auditor (Audit Committee) of
Doosan Infracore Co., Ltd.**

I, as the Internal Accounting Control Officer (“IACO”) of Doosan Infracore Co., Ltd. (the “Company”), assessed the status of the design and operation of the Company’s IACS for the year ended December 31, 2010.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company’s IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Frame work.

January 28, 2011

Internal Accounting Control Officer : O Gyoo Lee

Chief Executive Officer or President : Yongjung Kim