DOOSAN CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010,
AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. GENERAL:

Doosan Corporation (the "Company") was incorporated on December 18, 1933, under the name of Sohwa-Kirin Beer, Ltd. to manufacture and sell beer. The Company has changed its name to Dongyang Beer, Ltd. in February 1948, to OB Beer, Ltd. in February 1996 and to Doosan Corporation on September 1, 1998. The Company is a business-type holding company and operates in the Republic of Korea.

Since June 1973, the Company's shares have been listed in the Korea Exchange (formerly Korea Stock Exchange). After several capital issues, the Company's share capital as of December 31, 2011 is ₩154,295 million, including ₩28,849 million of preferred share.

The Company's shares as of December 31, 2011, are owned as follows:

	Number of shares owned	Ownership percentage (%)
Related parties	9,168,029	36.54%
Treasury stock	8,406,208	33.50%
Others	7,514,974	29.96%
Total	25,089,211	100.00%

Meanwhile, 51.7% of preferred shares are owned by the largest shareholder and other and 48.3% of preferred shares are owned by others.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean won and prepares separate financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying separate financial statements.

(1) Basis of preparation

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

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

The accompanying separate financial statements have been prepared on the historical cost basis except the case explained in Note 4.

K-IFRSs require application of significant estimates in preparing separate financial statements and management's judgments in application of accounting policies. Items requiring critical judgments, significant assumptions and estimates are explained in Note 4 and significant accounting policies are explained in Note 2. Unless stated otherwise, these accounting policies have been applied consistently to the separate financial statements for the current period and the accompanying comparative period.

Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the financial statements may change accordingly in the future. The Company has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

K- IFRS 1107, *Financial Instruments: Disclosures – Transfers of Financial Assets*

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. K-IFRS 1107 is effective for annual periods beginning on or after July 1, 2011.

Amendments to K-IFRS 1012, *Deferred Tax – Recovery of Underlying Assets*

The amendments to K-IFRS 1012 provide an exception to the general principles in K-IFRS 1012 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Investment property or a non-depreciable asset measured using the revaluation model in K-IFRS 1016, *Property, Plant and Equipment*, is presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to K-IFRS 1012 are effective for annual periods beginning on or after January 1, 2012.

K-IFRS 1019 (as revised in 2011), *Employee Benefits*

The amendments to K-IFRS 1019 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the separate statements of financial position to reflect the full value of the plan deficit or surplus. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013, and require retrospective application with certain exceptions.

K-IFRS 1113, *Fair Value Measurements*

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company does not anticipate that these amendments referred above will have a significant effect on the Company's separate financial statements and disclosures.

The transition adjustments of the shareholders' equity as of December 31, 2010 and January 1, 2010, and total comprehensive income for the year ended December 31, 2010, from generally accepted accounting principles in the Republic of Korea ("previous GAAP" or "K-GAAP") to K-IFRSs are described in Note 5.

(2) Investments in subsidiaries, joint venture and associates

The Company's financial statements are separate financial statements according to K-IFRS 1027, *Consolidated and Separate Financial Statements*.

The deemed costs of investments in subsidiaries, joint venture and associates were recognized as carrying amounts in conformity with previous GAAP (K-GAAP) at the transition date to K-IFRSs. Meanwhile, the investments in subsidiaries, joint venture and associates have been measured by cost method after the transition date to K-IFRSs. Also, dividends from the investments in subsidiaries, joint venture and associates are recognized when the right to receive payment has been established.

The Company recognized the fair value of the part of investments in subsidiary as the deemed cost according to K-IFRS 1034, *Interim Financial Reporting*, since the transition date to K-IFRSs. However, the Company changed the deemed cost of the part of investments in subsidiary from the fair value to the carrying amounts in conformity with previous GAAP (K-GAAP). The financial effects according to the change above are as follows (in millions of Korean won) :

	Assets	Liabilities	Shareholders' equity
January 1, 2010 (transition date)			
Before	₩5,195,187	₩844,738	₩4,350,449
After	2,875,683	864,711	2,010,972
Change	(₩2,319,504)	₩19,973	(₩2,339,477)
December 31, 2010			
Before	₩ 5,415,316	₩967,154	₩4,448,162
After	3,095,812	987,127	2,108,685
Change	(₩2,319,504)	₩19,973	(₩2,339,477)

Meanwhile, there is no effect on the total comprehensive income for the year ended December 31, 2010, according to the change above. Transition details to K-IFRSs in Note 5 were reflected with the above change.

(3) Foreign currency translation

1) Functional currency and presentation currency

The individual financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the separate financial statements of the Company, the presentation currency is the functional currency of the Company.

2) Foreign currency transactions and translation of balance

In preparing the separate financial statements of the Company, transactions in foreign currencies are translated by using the functional currency when transactions occur or are revaluated if transactions need revaluation. Settlement of transactions in foreign currencies and gain (loss) on translation of monetary items are recognized in profit or loss. Risk-hedged amounts of cash flow hedges that satisfy requirements and net investments to foreign business are postponed in shareholders' equity.

(4) Cash and cash equivalents

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

(5) Financial assets

1) Classification of financial assets

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

a) Financial assets at FVTPL
FVTPL includes financial assets classified as held for trading and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling in near term. All derivative assets except for derivatives that are designated and effective hedging instruments are classified as held-for-trading financial assets. Assets in this category are classified as current assets or non-current assets according to their settlement date.

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

c) AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are classified as non-current assets unless management has intention to sell them within 12 months as of the end of the reporting period.

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

2) Recognition and measurement of financial assets

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All financial assets are recognized on trade date when the purchase or sale of a financial asset is under contracts whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL, which are initially measured at fair value and related transaction costs are recognized in profit or loss. Financial assets at FVTPL and AFS financial assets are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in fair value of financial assets at FVTPL are recognized in the other gains and losses line item in the separate statements of income. Dividends on financial assets at FVTPL are recognized in the financial gains line item when the Company's right to receive the dividends is established.

The changes in fair value of monetary or non-monetary securities, which were classified as AFS financial assets, are recognized as other comprehensive income. When AFS financial assets are disposed of or are determined to be impaired, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

Interest calculated using the effective interest method is recognized in the financial gains line item. Dividends on AFS financial assets are recognized in the financial gains line item when the Company's right to receive the dividends is established.

3) Impairment of financial assets

- Financial assets measured at amortized cost
  The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

  Impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate at initial recognition. The carrying amount of the financial asset is reduced by the impairment loss, and the amount of the loss is recognized in profit or loss. The Company measures impairment loss based on fair value of financial assets from observable market data.

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

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

  Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4) Derecognition of financial assets

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

5) Offsetting financial assets and financial liabilities

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

(6) Accounts receivable

Accounts receivable is the amount owed by customer for products and services provided in the ordinary course of business. Accounts receivable expected to be collected within one year is classified as current assets; otherwise, it is classified as non-current assets. The Company recognizes accounts receivable as fair value when it occurs and presents net value offsetting the allowance for bad debts calculated by using the bad debt experienced and analysis about each receivable.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs, which are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by using the averaging method except for materials in transit (the specific identification method) and the merchandise of Glonet business unit (the moving average method).

The Company periodically reviews changes in net realizable value of inventories due to damage, obsolescence, decline in selling prices and others and recognizes loss on inventory valuation. Net realizable value for merchandise, finished goods and work in progress represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale and current replacement cost for raw materials.

Loss on inventory valuation is charged to cost of sales when it is ordinary and to other expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

(8) Property, plant and equipment

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

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

Depreciation expense for property, plant and equipment is computed using the straight-line method with the acquiring costs except residual value of assets based on the estimated useful lives of the assets. For the lease assets, the Company depreciates during the minimum of lease contract period and useful lives of the lease assets if it is not certain to acquire the ownership of the lease assets till the end of the lease contract.

	Estimated useful lives (years)
Buildings	5–50
Structures	2–30
Machinery	2–15
Tools, furniture, fixtures and other	2–10

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

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

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation. The gain or loss on derecognition of an item of property, plant and equipment is determined as the difference between the net disposal amounts and the carrying amount of the item and is recognized in other income line item.

(9) Intangible assets

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

Intangible assets other than goodwill and intangibles with indefinite useful lives are amortized using the straight-line method with acquiring cost except residual value, with the amortization beginning when the asset is available for use. The estimated useful lives of the assets are as follows:

	Estimated useful lives (years)
Development costs	5–10
Industrial rights	5
Other intangible assets	4–10

However, useful lives of membership and other intangible assets are determined to be indefinite since there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company and they are not amortized and tested for impairment once a year.

The expenditure on development is capitalized if, and only if, all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development costs include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead costs, which are systematically allocated. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured or amortization in selling, general and administrative expenses. The expenditure on research and development that does not meet the conditions noted above is recognized as an expense when it is incurred.

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

(10) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment.

While land is not depreciated, all other investment property is depreciated using the straight-line method from 10 to 60 years.

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

(11) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(12) Impairment of non-financial assets

Assets with indefinite useful lives such as goodwill are not amortized but are tested for impairment annually. Assets that are amortized or depreciated are tested for impairment to determine whether events and circumstances indicating those assets have suffered impairment exist. Impairment loss is the excess of the carrying amount over recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. For the purpose of measuring impairment, assets are categorized into cash-generating unit, which is the smallest group generating identifiable cash flow, separately. Except for goodwill, all non-financial assets those have incurred impairment are tested for reversal of impairment at the end of each reporting period.

(13) Borrowings

Borrowings are measured at fair value, net of transaction costs and subsequently measured at amortized cost. The difference between the net carrying amount on initial recognition and estimated future cash payments is depreciated during the borrowing period and is appreciated to profit and loss. Borrowings are classified as non-current liabilities when the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period; otherwise, borrowings are classified as current liabilities.

(14) Financial guarantee contract liabilities

The Company has financial guarantee contract liabilities, which are obligations to pay specific amounts for indemnity about creditors' loss on insolvency of specific debtors according to initial and revised contract condition of liabilities on the payment date. Financial guarantee contract liabilities are initially measured at their fair value except direct cost relating the issuance. Subsequently, financial guarantee contract liabilities are measured at the higher of the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognized is less cumulative amortization recognized in accordance with the K-IFRS 1018, *Revenue.*

(15) Retirement benefit obligation

The Company operates a defined benefit pension plan, which is funded by the Company, through and managed by insurance companies and trustees based on actuarial calculations performed periodically.

Defined benefit plans are postemployment benefit plans other than defined contribution plans. Generally, under defined benefit plan, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service and age. The retirement benefit obligation recognized in the separate statements of financial position represents the present value of the defined benefit obligation, less fair value of plan assets and adjustment for unrecognized past service cost. Defined benefit obligations are calculated by an actuary using the projected unit credit method. The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid and calculated at the discount rate, which is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligation.

Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income. Past service cost is postponed and is recognized to profit and loss over the period until the benefit becomes vested.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation when the effect of the time value of money is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably; in the separate statements of income, a net amount is presented, being the anticipated cost of the obligation less the reimbursement.

(17) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Interest income is recognized using the effective interest method on the part of the Company's net investment in the leases, which is not collected yet.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Adjusted lease payments are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Adjusted lease payments arising under operating leases are recognized as an expense in the period in which they are incurred.

(18) Derivative financial instruments

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

1) Hedge accounting

The Company operates fair value hedges to avoid the risk of fair value change, which is incurred from specific risk on assets, liabilities and firm contracts, and cash flow hedges to avoid the risk of future cash flow change, which is incurred from specific risk on expecting contracts. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the Company designated financial instruments other than derivative financial instruments as a hedging instrument, gain or loss on translation is recognized in profit or loss.

b) Cash flow hedges

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges for decreasing risk incurred from change of future cash flow on forecast transaction is recognized in other comprehensive income. If the Company designated financial instruments other than derivative financial instruments as a hedging instrument, changes on foreign currency incurred by foreign currency risk is recognized in other comprehensive income. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Company revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2) Other derivative financial instruments

Derivative financial instruments other than the effective portion of derivative financial instruments that are designated as the hedging instruments are measured at fair value. Gain or loss on valuation incurred from change of fair value is recognized in profit or loss.

(19) Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved in the shareholders' meeting.

(20) Share-based payment arrangement

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

(21) Revenue recognition

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

1) Sales of goods

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

2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The completion progress is determined by using a method that can measure services provided reliably according to the attributes of contracts. When there is higher possibility of total cost of a contract exceeding the revenue from the contract, the Company recognizes expected loss immediately.

3) Other revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividend income from investments is recognized when the right to receive payment has been established. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized using the effective interest method as time passes. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

(22) Government grants

Government grants whose primary condition is that the Company should acquire non-current assets are recognized as deduction of received assets or temporary assets for investing received assets before the related assets are acquired. When the related assets are acquired, they are recorded as a deduction from the acquired assets.

Meanwhile, government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss, and are included in the 'other gains and losses' line item in the period in which they become receivable.

(23) Income tax and deferred tax

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

Income tax (current tax) expense is the sum of corporate tax for each fiscal year and tax added to corporate tax under corporate income tax law and other laws. Additional income taxes or tax refunds for the prior periods are included in income tax expense for the current period when recognized. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(24) Non-current assets held for sale

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

3. FINANCIAL RISK MANAGEMENT:

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

Financial risk management activities are performed by treasury and international finance department, in accordance with the aforementioned documented risk management policies. In addition, the Company enters into derivative contracts to hedge against certain risks.

(1) Market risk

1) Foreign currency risk

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

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies, which represents the maximum exposure to foreign currency risk, as of December 31, 2011 and 2010, is as follows (in millions of Korean won):

	December 31, 2011					December 31, 2010				
	USD	EUR	JPY	Others (*)	Total	USD	EUR	JPY	Others (*)	Total
Assets	₩145,801	₩5,656	₩1,670	₩9,213	₩162,340	₩50,770	₩6,173	₩3,609	₩128	₩60,680
Liabilities	(90,760)	(2,072)	(3,818)	(4,617)	(101,267)	(74,068)	(2,464)	(4,626)	(2,252)	(83,410)
Net assets (liabilities)	₩55,041	₩3,584	(₩2,148)	₩4,596	₩61,073	(₩23,298)	₩3,709	(₩1,017)	(₩2,124)	(₩22,730)

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

Net foreign currency translation gain/loss for the years ended December 31, 2011 and 2010, is ₩1,625 million and (₩115) million, respectively.

A sensitivity analysis on the Company's income before tax for the period, assuming a 10% increase and decrease in currency exchange rates, for the years ended December 31, 2011 and 2010, is as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010	
	10% decrease in KRW against foreign currency	10% increase in KRW against foreign currency	10% decrease in KRW against foreign currency	10% increase in KRW against foreign currency
Income before tax impact	₩6,107	(₩6,170)	(₩2,273)	₩2,273

The above sensitivity analysis is based on monetary assets and liabilities denominated in foreign currencies other than the Company's functional currency as of December 31, 2011 and 2010.

2) Interest rate risk

The Company's interest rate risk is related to borrowings and bank deposits with floating interest rates, and related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing with floating interest rates.

To manage its interest rate risk, the Company minimizes external borrowings using internal funds and reduces borrowings with high interest rates and maintains an appropriate balance between borrowings with floating interest rate and fixed interest rate and short-term and long-term borrowings. The Company manages its interest rate risk through regular monitoring and adjustments to the changing domestic and overseas markets conditions and nature of its interest rates.

The book value of the Company's financial assets and liabilities with floating interest rates exposed to interest rate risk as of December 31, 2011 and 2010, is as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010
Financial assets	₩80,726	₩86,182
Financial liabilities	(89,966)	(105,740)
Net assets (liabilities)	(₩9,240)	(₩19,558)

A sensitivity analysis on the Company's income before tax assuming a 1% increase and decrease in interest rates as of December 31, 2011 and 2010, is as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Income before tax impact	(₩92)	₩92	(₩195)	₩195

3) Price risk

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

(2) Credit risk

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

The purpose of credit risk management is to maintain an efficient management of credit risk, provide prompt support for decision making and minimize loss through safety measures for receivables.

1) The maximum credit risk exposure

The maximum credit risk exposure for financial assets maintained by the Company and the book value for the financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

		December 31, 2011	December 31, 2010	January 1, 2010
Loans and receivables	Cash and cash equivalents (Note 1)	₩155,802	₩214,956	₩188,860
	Current and non-current financial instruments	588	43,924	11,577
	Accounts and other receivable	386,970	377,058	263,557
Asset-backed securities (ABS) (short/long-term investment)		6,597	10,299	29,299
AFS financial assets (long-term investment) (Note 2)		7	7	-
Derivative assets		697	3,418	1,738
Deposits		16,892	13,461	22,600
Total		₩567,553	₩663,123	₩517,631

(Note 1) Cash on hand is excluded.

(Note 2) They are the Company's debt securities.

Apart from the above financial assets, financial guarantee liabilities of the Company are explained in Note 32.

2) The Company's receivables aging analysis as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows (in millions of Korean won):

	December 31, 2011						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	
Accounts receivable	₩3,152	₩360,888	₩7,655	₩6,624	₩1,523	₩45	₩379,887
Other receivables	1,683	19,726	5,357	452	503	16	27,737
Accrued income	-	1,101	-	-	-	-	1,101
Loans	5	3,173	-	-	-	-	3,178
Total	₩4,840	₩384,888	₩13,012	₩7,076	₩2,026	₩61	₩411,903

	December 31, 2010						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Accounts receivable	₩2,456	₩214,734	₩120,449	₩2,171	₩1,392	₩891	₩342,093
Other receivables	980	45,104	6,852	366	144	44	53,490
Accrued income	-	1,577	-	-	-	-	1,577
Loans	5	3,126	-	-	-	-	3,131
Total	₩3,441	₩264,541	₩127,301	₩2,537	₩1,536	₩935	₩400,291

	January 1, 2010						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Accounts receivable	₩2,218	₩204,411	₩1,344	₩413	₩229	₩21	₩208,636
Other receivables	947	69,083	3,946	193	634	89	74,892
Accrued income	-	1,839	-	-	-	-	1,839
Loans	5	3,027	-	-	-	-	3,032
Total	₩3,170	₩278,360	₩5,290	₩606	₩863	₩110	₩288,399

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

AFS financial assets, held-to-maturity financial assets, deposits in financial institutions and derivative instruments are individually assessed to be impaired.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities obligations related to its financing for its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget.

A summary of the Company's non-derivative liabilities maturity as of December 31, 2011 and 2010, is as follows (in millions of Korean won):

		December 31, 2011				
		Nominal cash flows according to contract				
	Book value	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
Financial liabilities	₩1,026,445	₩1,029,359	₩476,153	₩104,739	₩446,738	₩1,729
Interest on financial liabilities	-	92,353	28,024	23,170	40,979	180
Total	₩1,026,445	₩1,121,712	₩504,177	₩127,909	₩487,717	₩1,909

		December 31, 2010				
		Nominal cash flows according to contract				
	Book value	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
Financial liabilities	₩876,986	₩877,800	₩654,693	₩118,605	₩102,729	₩1,773
Interest on financial liabilities	-	41,025	22,190	8,098	10,520	217
Total	₩876,986	₩918,825	₩676,883	₩126,703	₩113,249	₩1,990

The above maturity analysis is based on undiscounted cash flow according to contract, which is different from non-derivative liabilities in the separate statements of financial position.

Apart from the above non-derivative liabilities, as of December 31, 2011, financial guarantee contract liabilities of the Company are explained in Note 32.

(4) Capital risk

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

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

Debt to equity ratios as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Total liabilities	₩1,209,518	₩987,127	₩864,711
Total equity	1,968,126	2,108,685	2,010,972
Debt-equity ratio	61.46%	46.81%	43.00%

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES:

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

(1) Revenue

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as reasonable estimation and is subject to change as related factors change.

(2) Warranty provision

The Company provides warranty for product at the time of related revenue recognition (at the time of sale). Provisions for the expected cost of warranty obligations are recognized at the best estimate of the expenditure required to settle the Company's current and future obligations. These estimates may change in the future period due to additional provision under local legislation and practice.

(3) Impairment of goodwill

The Company performs test for goodwill impairment annually. Recoverable amount of cash-generating units are based on calculation of value in use. The value-in-use calculation requires accounting estimates, requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(4) Property, plant and equipment and investment property

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

(5) Intangible assets

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

(6) Realizability of deferred tax assets

The Company performs test for the realizability of deferred tax assets annually. Unless taxable income of the Company in future years will exceed the deductible temporary differences, deferred tax assets are reduced.

(7) Actuarial gain or loss

Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income.

5. TRANSITION TO K-IFRS:

The Company's separate financial statements for the year ended December 31, 2011, are prepared in accordance with K-IFRS. The separate financial statements for the year ended December 31, 2010, comparatively presented herein, which were originally prepared in accordance with previous GAAP (K-GAAP) have been restated in accordance with K-IFRS 1101, *First-time Adoption of International Financial Reporting Standards*, with a transition date of January 1, 2010, and adoption date of January 1, 2011.

(1) Significant differences in accounting policies

Transition adjustments from previous GAAP (K-GAAP) to K-IFRS that affected the Company's financial position, financial performance and cash flows are as follows.

1) K-IFRS 1101, *First-time of adoption of IFRS* – Optional exemptions

K-IFRS 1101 provides for a number of optional exemptions from the general principle of full retrospective applications. The optional exemptions for first-time adoption of IFRSs of the Company are as follows.

a) Business combinations

Business combinations that occurred before the date of transition to K-IFRS are not to be retrospectively restated.

b) Deemed cost

The Company has elected to use a revaluation in accordance with previous GAAP as deemed cost for land at the date of transition to K-IFRS. Investments in subsidiaries and associates are reset to the book value under the previous GAAP as of the date of transition to K-IFRS.

c) Borrowing costs

The Company capitalizes borrowing costs relating to qualifying assets for which the commencement date for capitalization occurred after January 1, 2010.

2) Employee benefits

Under previous GAAP, the Company accrued 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 Company recognizes the retirement benefit obligation by using actuarial assessment.

3) Transfer of financial assets

Under previous GAAP, when the Company transferred a financial asset to financial institutions and it was determined that the control over the asset has been transferred, the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

4) Deferred tax

Under previous GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under K-IFRS, deferred tax assets and liabilities are all classified as non-current on the separate statements of financial position.

(1) Explanation of the transition effects to K-IFRS

1) Adjustments in financial position as of the date of transition, January 1, 2010, are as follows (in millions of Korean won):

	Assets	Liabilities	Equity
Previous GAAP (K-GAAP)	₩2,748,424	₩932,802	₩1,815,622
Adjustments:			
Deferred tax in associates and subsidiaries (Note 1)	-	(183,632)	183,632
Recognized as financial liabilities of ABS (Note 2)	93,342	72,876	20,466
Transfer of financial assets (Note 2)	75,075	73,160	1,915
Others	(32,865)	(27,020)	(5,846)
Deferred tax and tax effect of adjustments	(8,293)	(3,475)	(4,817)
Total adjustment	127,259	(68,091)	195,350
K-IFRS	₩2,875,683	₩864,711	₩2,010,972

2) Adjustments in financial position as of December 31, 2010, and financial performance for the year ended December 31, 2010, are as follows (in millions of Korean won):

	Assets	Liabilities	Equity	Comprehensive income
Previous GAAP (K-GAAP)	₩3,187,594	₩1,142,708	₩2,044,886	₩227,216
Adjustments:				
Deferred tax in associates and subsidiaries (Note 1)	-	(183,632)	183,632	-
Recognized as financial liabilities of ABS (Note 2)	24,753	10,301	14,452	(6,014)
Cancellation equity method (Note 3)	(149,211)	-	(149,211)	(99,144)
Transfer of financial assets	57,208	56,746	462	(1,453)
Others	(22,396)	(25,907)	3,511	2,786
Deferred tax and tax effect of adjustments	(2,136)	(13,089)	10,953	3,859
Total adjustment	(91,782)	(155,581)	63,799	(99,966)
K-IFRS	₩3,095,812	₩987,127	₩2,108,685	₩127,250

(Note 1) Recalculation deferred tax in associates and subsidiaries due to change in recognition target.

(Note 2) Under previous GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred, the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

(Note 3) The separate financial statements do not apply equity method Under K-IFRS, so it is canceled.

3) Adjustments in separate statements of cash flows due to the transition to K-IFRS

Under K-IFRS, interest received, interest paid, dividends received and income tax paid which were not presented separately under previous GAAP, are now separately presented and the cash flows from the related income (expense) and assets (liabilities) have been adjusted for accordingly. No other significant differences between the statements of cash flows prepared under previous GAAP compared to K-IFRS have been noted.

6. RESTRICTED FINANCIAL ASSETS:

Details of restricted financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010	Description
Cash and cash equivalents	₩ -	₩15,349	₩30,000	Establish the right of pledge
Long-term financial instruments	17	17	17	Bank transaction deposits
Deposits	15	15	15	Establish the right of pledge
Total	₩32	₩15,381	₩30,032	

7. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
ABS	₩6,597	₩10,299	₩ -

8. ACCOUNTS AND OTHER RECEIVABLES:

(1) Accounts and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010, consist of the following (in millions of Korean won):

	December 31, 2011			December 31, 2010			January 1, 2010		
	Gross	Allowance for doubtful accounts	Carrying value	Gross	Allowance for doubtful accounts	Carrying value	Gross	Allowance for doubtful accounts	Carrying value
Current									
Accounts receivable	₩379,706	(₩23,055)	₩356,651	₩341,912	(₩22,029)	₩319,883	₩208,636	(₩23,850)	₩184,786
Other receivables	27,279	(1,235)	26,044	38,833	(983)	37,850	29,923	(987)	28,936
Accrued income	1,101	-	1,101	1,577	-	1,577	1,839	-	1,839
Loans	894	(5)	889	936	(5)	931	1,125	(5)	1,120
Total	₩408,980	(₩24,295)	₩384,685	₩383,258	(₩23,017)	₩360,241	₩241,523	(₩24,842)	₩216,681
Non-Current									
Accounts receivable	₩181	(₩181)	₩ -	₩181	(₩181)	₩ -	₩ -	₩ -	₩ -
Other receivables	458	(458)	-	14,656	(35)	14,621	44,969	-	44,969
Loans	2,284	-	2,284	2,195	-	2,195	1,907	-	1,907
Total	₩2,923	(₩639)	₩2,284	₩17,032	(₩216)	₩16,816	₩46,876	₩ -	₩46,876

(2) The changes in allowance for doubtful accounts are as follows (in millions of Korean won):

	December 31, 2011				
	January 1, 2011	Increase	Reversal	Other	December 31, 2011
Accounts receivable	(₩22,029)	(₩750)	₩3	(₩279)	(₩23,055)
Other receivables	(983)	(252)	-	-	(1,235)
Short-term loans	(5)	-	-	-	(5)
Long-term accounts receivable	(181)	-	-	-	(181)
Long-term other receivables	(35)	(423)	-	-	(458)
Total	(₩23,233)	(₩1,425)	₩3	(₩279)	(₩24,934)

Receivables past due are assessed as impaired. An allowance account is individually recognized for receivables that can be assessed individually for impairment. An allowance account is recognized based on aging analysis and the Company’s past experience of receivables collection for the group of financial assets that are not individually significant and have similar credit risk characteristics. Bad debt expense is included in selling, general and administrative expenses and other operating expenses item in the separate statements of income.

9. INVENTORIES:

Inventories as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows (in millions of Korean won):

	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩10,326	(₩414)	₩9,912	₩11,569	(₩519)	₩11,050	₩56,247	(₩10,416)	₩45,831
Finished goods	30,890	(4,261)	26,629	31,810	(2,197)	29,613	19,000	(2,113)	16,887
Work in progress	17,125	(331)	16,794	16,726	(59)	16,667	6,614	(13)	6,601
Raw materials	57,243	(3,428)	53,815	42,434	(1,245)	41,189	21,109	(112)	20,997
Materials in transit	17,684	-	17,684	17,167	-	17,167	8,818	-	8,818
Others	1,133	-	1,133	3,075	-	3,075	1,480	-	1,480
Total	₩134,401	(₩8,434)	₩125,967	₩122,781	(₩4,020)	₩118,761	₩113,268	(₩12,654)	₩100,614

The Company recorded reversal of loss on inventory valuation totaling ₩4,414 million for the year ended December 31, 2011.

10. LONG-TERM INVESTMENT SECURITIES:

(1) Long-term investment securities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
AFS financial assets	₩3,690	₩3,351	₩33,804

(2) AFS financial assets

1) AFS securities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Equity securities			
Investments in listed company			
Pharma Foods International	₩1,056	₩717	₩902
Investments in non-listed company(Note 1)			
Doosan Capital Co., Ltd.	1,037	1,037	-
N Shaper Corp.	-	-	2,561
The Korea Economic Daily	56	56	56
Parnas Hotel	50	50	50
Korea Housing Guarantee Co., Ltd.	464	464	464
Potato	300	300	300
Kang Won Ilbo	57	57	57
KMA Consultants Inc.	20	20	20
Dna Link, Inc.	-	-	31
Subtotal	₩1,984	₩1,984	₩3,539
Beneficiary certificate (Note 1)			
Korea Development Bank	4	4	-
Investments in funds (Note 1)			
Software Mutual Benefit Association	50	50	50
Engineering Mutual Benefit Association	14	14	14
Korea Defense Industry Association	324	324	-
Korea Marine Equipment Association	1	1	-
Machinery Financial Cooperative	250	250	-
Subtotal	₩639	₩639	₩64
Debt securities (Note 1)			
Seoul city train bond	5	5	-
Kyung-nam region development bond	2	2	-
Subtotal	₩7	₩7	₩ -
ABS securities (Note 1)			
Doosan 2nd real estate ABS	-	-	29,299
Total	₩3,690	₩3,351	₩33,804

(Note 1) As the fair value cannot be determined reliably, the security is stated at acquisition cost except for Doosan Capital Co., Ltd. and N Shaper Corp.

2) Changes in unrealized gain on AFS financial assets for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011			
	January 1, 2011	Valuation	Reclassification from equity to profit or loss	December 31, 2011
Investments in listed company	₩688	₩339	₩ -	₩1,027
Investments in non-listed company	437	-	-	437
Tax effect	(247)	(107)	-	(354)
Total	₩878	₩232	₩ -	₩1,110

	Year ended December 31, 2010				
	January 1, 2010	Valuation	Reclassification from equity to profit or loss	Others (Note 1)	December 31, 2010
Investments in listed company	₩873	(₩185)	₩ -	₩ -	₩688
Investments in non-listed company	1,597	-	(1,597)	437	437
Tax effect	(543)	41	351	(96)	(247)
Total	₩1,927	(₩144)	(₩1,246)	₩341	₩878

(Note 1) The others changes are due to merger of Mottrol Business group.

11. DERIVATIVES:

(1) Details of these derivatives contracts are as follows:

Derivatives contracts	Purpose	Description
Foreign currency forwards	Cash flow hedge	To avoid cash flow risk arising from currency-rate fall in receiving foreign currency receivable
	Derivative instrument not designated as a hedge	Recognized in profit or loss of fair value changes in foreign currency forward
Interest rate swap	Derivative instrument not designated as a hedge	Recognized in profit or loss of gap between floating interest rate and fixed interest rate

(2) Details of gain and loss on valuation of derivatives as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011						
	Buy		Sell				
	Currency	Amount	Currency	Amount	Assets (liabilities)	Gains (losses)	Other comprehensive income
Foreign currency forwards	KRW	182,916	USD	159,838	(₩2,757)	(₩144)	(₩3,434)
Interest rate swap	KRW	3,761	KRW	3,808	(47)	(47)	-
					(₩2,804)	(₩191)	(₩3,434)

	December 31, 2010						
	Buy		Sell				
	Currency	Amount	Currency	Amount	Assets (liabilities)	Gains (losses)	Other comprehensive income
Foreign currency forwards	KRW	187,358	USD	160,514	₩3,418	₩1,435	₩788

	January 1, 2010						
	Buy		Sell				
	Currency	Amount	Currency	Amount	Assets (liabilities)	Gains (losses)	Other comprehensive income
Foreign currency forwards	KRW	62,371	USD	51,352	₩1,738	₩1,738	₩ -

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

There is no gain or loss relating to the ineffective portion, which is recognized in profit or loss.

12. FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011						
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩155,843	₩ -	₩ -	₩ -	₩155,843	₩155,843
Financial instruments	-	588	-	-	-	588	588
Investment securities	-	-	10,287	-	-	10,287	10,287
Trade and other receivables	-	386,969	-	-	-	386,969	386,969
Derivative assets	697	-	-	-	-	697	697
Deposits	-	16,892	-	-	-	16,892	16,892
Total	₩697	₩560,292	₩10,287	₩ -	₩ -	₩571,276	₩571,276

	December 31, 2011				
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩ -	₩302,766	₩ -	₩302,766	₩302,766
Borrowings and bonds	-	723,679	-	723,679	723,679
Derivative liabilities	67	-	3,434	3,501	3,501
Total	₩67	₩1,026,445	₩3,434	₩1,029,946	₩1,029,946

	December 31, 2010						
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩214,973	₩ -	₩ -	₩ -	₩214,973	₩214,973
Financial instruments	-	43,924	-	-	-	43,924	43,924
Investment securities	-	-	13,650	-	-	13,650	13,650
Trade and other receivables	-	377,057	-	-	-	377,057	377,057
Derivative assets	2,604	-	-	-	814	3,418	3,418
Deposits	-	13,461	-	-	-	13,461	13,461
Total	₩2,604	₩649,415	₩13,650	₩ -	₩814	₩666,483	₩666,483

	December 31, 2010				
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩ -	₩340,064	₩ -	₩340,064	₩340,064
Borrowings and bonds	-	536,922	-	536,922	536,922
Total	₩ -	₩876,986	₩ -	₩876,986	₩876,986

	January 1, 2010						
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩188,892	₩ -	₩ -	₩ -	₩188,892	₩188,892
Financial instruments	-	11,577	-	-	-	11,577	11,577
Investment securities	-	-	33,804	-	-	33,804	33,804
Trade and other receivables	-	263,557	-	-	-	263,557	263,557
Derivative assets	1,738	-	-	-	-	1,738	1,738
Deposits	-	22,600	-	-	-	22,600	22,600
Total	₩1,738	₩486,626	₩33,804	₩ -	₩ -	₩522,168	₩522,168

	January 1, 2010				
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩ -	₩190,843	₩ -	₩190,843	₩190,843
Borrowings and bonds	-	504,591	-	504,591	504,591
Total	₩ -	₩695,434	₩ -	₩695,434	₩695,434

(2) Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩697	₩ -	₩697
AFS financial assets	1,056	-	1,037	2,093
Total	₩1,056	₩697	₩1,037	₩2,790
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	(₩67)	₩ -	(₩67)
Derivatives designated as hedging instruments	-	(3,434)	-	(3,434)
Total	₩ -	(₩3,501)	₩ -	(₩3,501)

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩2,604	₩ -	₩2,604
AFS financial assets	717	-	1,037	1,754
Derivatives designated as hedging instruments	-	814	-	814
Total	₩717	₩3,418	₩1,037	₩5,172

	January 1, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩1,738	₩ -	₩1,738
AFS financial assets	902	-	2,561	3,463
Total	₩902	₩1,738	₩2,561	₩5,201

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
Level 3: Inputs that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the dates of the separate statements of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or AFS.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the dates of the separate statements of financial position, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

13. SUBSIDIARIES AND ASSOCIATES:

Subsidiaries and associates as of December 31, 2011, December 31, 2010 and January 1, 2010, consist of the following (in millions of Korean won):

Companies	Location of incorporation	Percentage of ownership (%)	December 31, 2011	December 31, 2010	January 1, 2010
Subsidiaries:					
Oricom Inc. ("Oricom")	South Korea	71.71	₩23,168	₩23,168	₩20,740
Neoplux Co., Ltd. ("Neoplux")	South Korea	66.71	27,816	27,816	27,816
Doosan Tower Co., Ltd. ("Doosan tower")	South Korea	100.00	197,170	197,170	197,170
Doosan Feed & Livestock Co., Ltd. ("DFL")	South Korea	100.00	15,757	15,757	15,757
Doosan Electro-Materials Hong Kong Ltd. ("DSEH") (Note 1)	Hong Kong	100.00	-	-	-
Doosan Hong Kong Ltd. ("DSH") (Note 1)	Hong Kong	100.00	-	-	-
Doosan Electro-Materials Singapore Pte Ltd. ("DSES") (Note 1)	Singapore	100.00	-	-	-
Doosan (Shanghai) Chemical Materials Co., Ltd. (Note 1)	China	100.00	-	-	-
Doosan Bears Inc.	South Korea	100.00	1,138	1,138	-
Doosan Mottrol Holdings. Co. (Note 3)	South Korea	100.00	-	-	140,740
N Shaper Corp. (Note 4)	South Korea	100.00	34,660	33,940	-
Doosan Donga Co.	South Korea	100.00	29,477	29,477	29,477
DIP Holdings Company	South Korea	100.00	164,169	164,169	164,169
Doosan Information and Communications America LLC (Note 2)	USA	100.00	4,889	-	-
Doosan Information and Communications China LLC (Note 2)	China	100.00	2,156	-	-
Doosan Hydraulic Machinery Jiangyin (Note 2)	China	100.00	22,175	-	-
Doosan Electro-Materials Changshu (Note 2)	China	100.00	45,964	-	-
Subtotal			568,539	492,635	595,869
Associates:					
Doosan Heavy Industries & Construction Co., Ltd. ("DHC")	South Korea	48.58	1,220,122	1,220,122	1,220,122
Doosan Eco Biznet	South Korea	29.79	53	53	53
Guang Dong Xingpu Steel Center (formerly, Sunduk Steel Inc.)	South Korea	21.05	3,854	3,854	3,854
MVP Capital Co. (Note 5)	South Korea	29.13	387	611	-
Subtotal			1,224,416	1,224,640	1,224,029
Joint venture:					
Sichuan Kelun-Doosan Biotechnology Company Limited (Note 2)	China	50.00	1,634	-	-
Total			₩1,794,589	₩1,717,275	₩1,819,898

(Note 1) When the recoverable amount is lower than the carrying amount of capital encroachment subsidiaries, the Company recognized total amount for the prior periods.

(Note 2) In 2011, the Company newly invested in equity.

(Note 3) Merged with the Company during the year ended December 31, 2010.

(Note 4) In 2011, the Company acquired additional amount.

(Note 5) In 2011, the Company disposed some equity.

(3) Fair values of marketable investments in subsidiaries and associates as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Subsidiary :						
Oricom	₩23,168	₩21,509	₩23,168	₩14,189	₩20,740	₩10,412
Associates :						
Doosan Heavy Industries Construction Co., Ltd.	1,220,122	2,841,303	1,220,122	3,744,759	1,220,122	3,539,610

14. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2011 and 2010, consist of the following (in millions of Korean won):

	Year ended December 31, 2011					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2011	₩169,708	₩61,789	₩76,316	₩20,717	₩8,493	₩337,023
Acquisition	-	769	20,057	66,481	40,624	127,931
Government subsidy	-	-	(361)	(22)	-	(383)
Reclassifications	-	8,093	59,390	(32,123)	(36,273)	(913)
Disposal	-	(49)	(322)	(199)	-	(570)
Depreciation	(43)	(3,791)	(20,055)	(10,169)	-	(34,058)
Others	(141)	-	-	-	-	(141)
Balance at December 31, 2011	₩169,524	₩66,811	₩135,025	₩44,685	₩12,844	₩428,889
Acquisition cost	169,567	98,026	337,565	95,553	12,844	713,555
Accumulated depreciation and impairment	(43)	(31,215)	(200,697)	(50,757)	-	(282,712)
Government subsidy	-	-	(1,843)	(111)	-	(1,954)

	Year ended December 31, 2010					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2010	₩54,248	₩49,972	₩40,091	₩31,500	₩1,112	₩176,923
Acquisition	5	361	7,701	15,848	38,795	62,710
Government subsidy	-	-	(705)	(33)	-	(738)
Reclassifications (Note 1)	68,926	8,983	27,270	(4,299)	(34,289)	66,591
Disposals	-	(36)	(162)	(104)	-	(302)
Depreciation	-	(2,654)	(16,785)	(11,340)	-	(30,779)
Impairment	-	-	(20)	41	-	21
Others (Note 2)	46,529	5,163	18,926	(10,896)	2,875	62,597
Balance at December 31, 2010	₩169,708	₩61,789	₩76,316	₩20,717	₩8,493	₩337,023
Acquisition cost	169,708	89,264	262,608	63,087	8,493	593,160
Accumulated depreciation and impairment	-	(27,475)	(184,706)	(42,227)	-	(254,408)
Government subsidy	-	-	(1,586)	(143)	-	(1,729)

(Note 1) In 2010, the Company reacquired land and property and transferred it to Doosan Real Estate ABS; for the prior periods, investment property is reclassified as property, plant and equipment.

(Note 2) The change is due to the merger with Mottrol segment and the sale of the apparel business segment in 2010.

As of December 31, 2011, the Company’s land and buildings are pledged as collateral for loans from Korea Development Bank and others. The Company has no right to pledge that asset as collateral or to sell (see Note 33).

(2) Property and equipment acquired through capital lease agreements as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

Details	December 31, 2011	December 31, 2010	January 1, 2010
Acquisition cost	₩18,422	₩ -	₩ -
Accumulated depreciation	(3,746)	-	-
Balance, net	₩14,676	₩ -	₩ -

Total minimum lease payments of finance leases liabilities and present value as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value
Less than 1 year	₩5,818	₩5,303	₩ -	₩ -	₩ -	₩ -
1–5 years	8,416	7,962	-	-	-	-
Total	14,234	₩13,265	-	₩ -	-	₩ -
Present value adjustment	(969)		-		-	
Finance lease payables	₩13,265		₩ -		₩ -	

As of December 31, 2011, the Company's leased assets under finance lease are pledged as collateral for obligations under finance leases, which have a carrying amount of ₩13,265 million (see Note 33).

15. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
January 1, 2011	₩86,577	₩523	₩3,180	₩16,498	₩106,778
Acquisition	-	467	1,419	2,719	4,605
Government subsidy	-	-	(103)	-	(103)
Reclassifications	-	-	-	913	913
Disposal	-	-	-	(43)	(43)
Amortization	-	(182)	(1,166)	(1,941)	(3,289)
Impairment	-	-	-	(213)	(213)
December 31, 2011	₩86,577	₩808	₩3,330	₩17,933	₩108,648
Acquisition cost	86,577	1,420	10,503	24,695	123,195
Accumulated depreciation and impairment	-	(612)	(6,664)	(6,762)	(14,038)
Government subsidy	-	-	(509)	-	(509)

	Year ended December 31, 2010				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
January 1, 2010	₩2,015	₩6,986	₩2,368	₩14,057	₩25,426
Acquisition	-	306	452	18	776
Government subsidy	-	-	(83)	-	(83)
Reclassifications	-	-	34	2,943	2,977
Disposal	-	-	-	(286)	(286)
Amortization	-	(6,799)	(1,337)	(1,477)	(9,613)
Others (Note 1)	84,562	30	1,746	1,243	87,581
December 31, 2010	₩86,577	₩523	₩3,180	₩16,498	₩106,778
Acquisition cost	86,577	953	9,123	21,187	117,840
Accumulated depreciation and impairment	-	(430)	(5,428)	(4,689)	(10,547)
Government subsidy	-	-	(515)	-	(515)

(Note 1) The increase is due to the merger with Mottrol segment.

As of December 31, 2011 and 2010, other intangible assets include the carrying amount of membership amounting to ₩12,927 million and ₩10,766 million, respectively, and expenditure on research and development, which was recognized as expenses, amounted to ₩20,954 million and ₩12,095 million for the years ended December 31, 2011 and 2010, respectively.

(2) Impairment test of goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

Cash-generating units	Description
Mottrol	Manufacturing and sale of hydraulic components
Information and communications	Operating and development of software

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows (in millions of Korean won):

Cash-generating units	December 31, 2011	December 31, 2010	January 1, 2010
Mottrol	₩84,562	₩84,562	₩ -
Information and communications	2,015	2,015	2,015
Total	₩86,577	₩86,577	₩2,015

The recoverable amount of cash-generating unit is determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 8.51% per annum. Cash flow projections during the budget period are based on the average growth rate per annum in the past five years. Cash flows beyond that five-year period have been extrapolated using an expected growth rate. This growth rate does not exceed the long-term average growth rate for business segment that operated cash-generating unit. The values assigned to the key assumption are consistent with external sources of information. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit; therefore, no impairment loss is recognized based on the impairment test for the years ended December 31, 2011 and 2010.

16. INVESTMENT PROPERTIES:

Changes in investment properties for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011		
	Land	Buildings	Total
January 1, 2011	₩121,646	₩9,318	₩130,964
Disposal	(2,620)	(458)	(3,078)
Depreciation	-	(311)	(311)
Impairment	-	(4,448)	(4,448)
Others	467	(467)	-
December 31, 2011	₩119,493	₩3,634	₩123,127
Acquisition cost	119,493	11,768	131,261
Accumulated depreciation and impairment	-	(8,134)	(8,134)

	Year ended December 31, 2010		
	Land	Buildings	Total
January 1, 2010	₩190,179	₩10,692	₩200,871
Reclassifications (Note 1)	(68,456)	(1,112)	(69,568)
Disposal	(144)	-	(144)
Depreciation	-	(448)	(448)
Others (Note 2)	67	186	253
December 31, 2010	₩121,646	₩9,318	₩130,964
Acquisition cost	121,646	14,838	136,484
Accumulated depreciation and impairment	-	(5,520)	(5,520)

(Note 1) In 2010, the Company reacquired land and property and transferred it to Doosan Real Estate ABS; for the prior periods, investment property is reclassified as property, plant and equipment.

(Note 2) The increase is due to the merger with Mottrol segment.

The book value of investment property is presented at the cost, and the fair values of the Company's investment property at December 31, 2011 and 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010
Land	₩123,946	₩129,394
Buildings	3,358	9,318
Total	127,304	138,712

The recognized amount of rental income from investment property for the years ended December 31, 2011 and 2010, is ₩432 million and ₩436 million, respectively.

17. BORROWINGS AND BONDS:

(1) Bonds as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

Type	Annual interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
The 273rd	5.92	₩ -	₩ -	₩50,000
The 277th	7.25	-	50,000	50,000
The 279-1st	6.05	-	50,000	50,000
The 279-2nd	6.30	-	50,000	50,000
The 279-3rd	6.55	97,000	97,000	100,000
The 280-1st	4.44	40,000	50,000	-
The 280-2nd	5.64	50,000	50,000	-
The 281-1st	4.95	70,000	-	-
The 281-2nd	5.21	80,000	-	-
The 282-1st	4.40	50,000	-	-
The 282-2nd	4.99	100,000	-	-
Doosan Real Estate ABS		-	-	43,500
Subtotal		487,000	347,000	343,500
Less: Current portion of long-term bonds		(97,000)	(150,000)	(93,500)
Discount on current portion of long-term bonds		56	139	8
Discount on non-current portion of long-term bonds		(1,867)	(676)	(666)
Long-term bonds		₩388,133	₩196,324	₩249,334

(2) Long-term and short-term borrowings as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

1) Short-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Short-term borrowings in Korean won	Korea EximBank	4.93–4.96	₩25,000	₩ -	₩ -
Short-term borrowings in foreign currency	Korea EximBank	LIBOR 3M+2.7%	9,803	-	-
Usance(Document against Acceptance and payment)	Woori Bank and others	1.19–3.12	29,030	61,170	80,461
Total			₩63,833	₩61,170	₩80,461

2) Long-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Borrowings in	Hana Bank	5.55	₩50,000	₩40,000	₩ -
Korean won	Korea Development Bank	1.00–5.80	61,633	86,354	78,400
	Shinhan Bank	4.93	40,000	-	-
	Korea EximBank	5.13	20,000	-	-
	Kookmin Bank	3.00	226	256	-
	National Agricultural Cooperative Federation	1.00	29	53	-
	Korea Housing Guarantee	1.00	2,904	2,904	2,904
	Total		174,792	129,567	81,304
Less: Current portion			(21,605)	(105,017)	(14,042)
Discount on borrowings			(24)	-	-
	Net		₩153,163	₩24,550	₩67,262

18. RETIREMENT BENEFIT OBLIGATION:

(1) Details of retirement benefit obligation as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit obligation	₩83,271	₩64,844	₩42,282
Fair value of plan assets	(25,002)	(26,451)	(11,926)
Total	₩58,269	₩38,393	₩30,356

(2) Expenses recognized in profit and loss for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011	Year ended December 31, 2010
Current service cost	₩10,786	₩8,161
Interest cost	3,167	2,783
Expected return on plan assets	(1,120)	(718)
Total	₩12,833	₩10,226

(3) Details of the total expense recognized in the separate statements of income for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011	Year ended December 31, 2010
Cost of sales	₩8,173	₩5,564
Selling and administrative expenses	4,505	3,954
Research and development cost	155	-
Profit from discontinued operations	-	708
Total	₩12,833	₩10,226

(4) Changes in defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011	Year ended December 31, 2010
Beginning balance	₩64,844	₩42,282
Current service cost	10,786	8,161
Transfer in	1,122	628
Transfer out	(977)	(680)
Interest cost	3,167	2,783
Benefit paid	(10,742)	(9,349)
Actuarial gain or loss	15,071	10,122
Business combination (merger)	-	10,897
Ending balance	₩83,271	₩64,844

(5) Changes in plan assets for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011	Year ended December 31, 2010
Beginning balance	₩26,451	₩11,926
Expected return on plan assets	1,120	718
Transfer out	(389)	-
Contributions by employer directly to plan assets	-	6,000
Benefit payment	(1,781)	(2,254)
Actuarial gain or loss	(399)	(215)
Business combination (merger)	-	10,230
Others	-	46
Ending balance	₩25,002	₩26,451

(6) Assumptions used on actuarial valuation as of December 31, 2011 and 2010, are as follows:

	December 31, 2011	December 31, 2010
Discount rate for defined benefit obligations	5.00%	5.30%
Expected rate of return on plan assets	3.70%	4.50%
Expected rate of salary increase (Note 1)	Employee 5.5–7.5% Director 8.0%	Employee 5.4% Director 8.0%

(Note 1) Assumptions of expected rate of salary increase differ by business segment.

The actuarial evaluation of plan assets and the defined benefit liability is performed by a reputable actuary using the projected unit credit method.

(7) Details of plan assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Equity instruments	₩206	₩650	₩54
Debt instruments	12,845	14,258	7,749
Others (Note 1)	11,951	11,543	4,123
Total	₩25,002	₩26,451	₩11,926

(Note 1) Other plan assets include demand deposits, loans receivable, commercial paper and note.

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

19. PROVISIONS:

Changes in provisions for the year ended December 31, 2011, are as follows (in millions of Korean won):

	Year ended December 31, 2011						
	January 1, 2011	Accrual	Use	Others	December 31, 2011	Current	Non-current
Provision for product warranties	₩2,559	₩2,589	(₩2,007)	₩ -	₩3,141	₩3,141	₩ -
Asset retirement obligations	997	43	-	(142)	898	-	898
Total	₩3,556	₩2,632	(₩2,007)	(₩142)	₩4,039	₩3,141	₩898

The Company estimates expenditure required to settle the Company's obligations from product warranty, refund, related after service and others based on warranty period, historical claim rate and recognize provision.

20. SHARE CAPITAL AND SHARE PREMIUM:

Changes in share capital and share premium for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won and number of shares):

	Number of shares		Share capital			
	Common share	Preferred share	Common share	Preferred share	Total	Share premium
Beginning balance	24,875,992	5,769,814	₩124,380	₩28,849	₩153,229	₩301,235
Exercising share options	49,700	-	248	-	248	4,148
Increase arising from merger	116,919	-	585	-	585	7,389
Balance at December 31, 2010	25,042,611	5,769,814	₩125,213	₩28,849	₩154,062	₩312,772
Balance at January 1, 2011	25,042,611	5,769,814	₩125,213	₩28,849	₩154,062	₩312,772
Exercising share options	46,600	-	233	-	233	3,859
Balance at December 31, 2011	25,089,211	5,769,814	₩125,446	₩28,849	₩154,295	₩316,631

The Company's number of shares authorized is 400,000,000 shares with a par value of ₩5,000 per share. The number of shares issued by the Company is 25,089,211 and 25,042,611 as of December 31, 2011 and 2010, respectively. The number of shares that are having limitation on voting right under commercial law is 9,152,317 and 7,447,999 as of December 31, 2011 and 2010, respectively.

21. OTHER CAPITAL SURPLUS:

Other capital surplus as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Gain from merger	₩1,390	₩1,390	₩1,390
Other capital surplus	116,706	115,838	94,609
Asset revaluation reserve	277,542	277,542	277,542
Total	₩395,638	₩394,770	₩373,541

22. OTHER CAPITAL ITEMS:

(1) Other capital items as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Treasury stock	(₩336,536)	(₩105,929)	(₩99,297)
Loss on disposal of treasury stock	(16,738)	(16,738)	(16,738)
Share option	9,570	7,180	5,870
Share capital subscribed	-	181	-
Total	(₩343,704)	(₩115,306)	(₩110,165)

(2) The Company acquired 1,704,318 shares of treasury stock in the Korea Stock Exchange for ₩230,606 million for the stabilization of stock price.

(3) Share-based payment

The Company has granted share options to its directors several times. Share options are settled based on the board of directors' decision by issuance of new stock, treasury stock or cash settlement.

Vesting condition offers two-year service after the resolution at the shareholders' meeting. Number of granted options as of December 31, 2011, is as follows (in millions of Korean won, except for share data).

Details	Date of grant	Number of granted options	Exercisable period	Exercisable price	Expected fair value at the date of grant
6th	2006.2.27	1,400	2009.2.27–2016.2.26	₩32,700	₩13,925
8th	2007.3.16	5,300	2010.3.16–2017.3.15	59,600	28,930
9th	2008.3.21	28,400	2011.3.21–2018.3.20	165,100	68,846
10th	2009.3.27	9,450	2012.3.27–2019.3.26	165,500	53,382
11th	2009.7.28	5,400	2012.7.28–2019.7.27	89,500	42,401
12th	2010.3.26	103,360	2013.3.26–2020.3.26	116,500	56,460
13th	2011.3.25	59,600	2014.3.25–2021.3.25	137,500	68,045
	Total	212,910			

Changes in share option for the year ended December 31, 2011, are as follows:

1) Number of common shares to be issued:

Details	Date of grant	January 1, 2011	Granted	Exercised	Forfeited	December 31, 2011
6th	2006.2.27	2,100	-	(700)	-	1,400
8th	2007.3.16	51,200	-	(45,900)	-	5,300
9th	2008.3.21	41,000	-	-	(12,600)	28,400
10th	2009.3.27	9,450	-	-	-	9,450
11th	2009.7.28	5,400	-	-	-	5,400
12th	2010.3.26	103,360	-	-	-	103,360
13th	2011.3.25	-	59,600	-	-	59,600
	Total	212,510	59,600	(46,600)	(12,600)	212,910

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

Details	Date of grant	January 1, 2011	Granted	Exercised	Forfeited	December 31, 2011
6th	2006.2.27	₩29	₩ -	(₩10)	₩ -	₩19
8th	2007.3.16	1,481	-	(1,328)	-	153
9th	2008.3.21	2,823	-	-	(867)	1,956
10th	2009.3.27	448	62	-	(5)	505
11th	2009.7.28	164	65	-	-	229
12th	2010.3.26	2,235	2,914	-	-	5,149
13th	2011.3.25	-	1,559	-	-	1,559
	Total	₩7,180	₩4,600	(₩1,338)	(₩872)	₩9,570

The weighted-average price of shares on their respective exercise dates for the year ended December 31, 2011, is ₩132,553. The weighted-average remaining contractual period of share options is 8.24 years. Expense recognized related to the share option grant amounted to ₩4,594 million and ₩2,747 million for the years ended December 31, 2011 and 2010, respectively. Expense to be recognized in the future period amounted to ₩3,183 million.

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

Details	Date of grant	Risk-free interest rate (Note 1)	Expected exercisable period	Expected volatility	Expected dividend yield ratio
6^{th}	2006.2.27	4.87%	3.00	48.21%	0%
8^{th}	2007.3.16	4.79%	3.00	46.73%	0%
9^{th}	2008.3.21	5.18%	3.00	58.89%	0%
10^{th}	2009.3.27	3.71%	3.53	69.82%	22%
11^{th}	2009.7.28	4.17%	3.27	70.11%	21%
12^{th}	2010.3.26	3.82%	3.27	71.67%	35%
13^{th}	2011.3.25	3.66%	3.29	73.42%	40%

(Note 1) Risk-free interest rate is based on a three-year treasury bond yield rate.

23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Accumulated other comprehensive income as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Unrealized gain on AFS securities	₩1,110	₩878	₩1,927
Unrealized gain (loss) on valuation of derivatives	(2,603)	597	-
Total	(₩1,493)	₩1,475	₩1,927

(2) Tax effects directly recognized in accumulated other comprehensive income as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011			December 31, 2010			January 1, 2010		
Description	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Unrealized gain on AFS securities	₩1,464	(₩354)	₩1,110	₩1,125	(₩247)	₩878	₩2,470	(₩543)	₩1,927
Unrealized gain (loss) on valuation of derivatives	(3,434)	831	(2,603)	788	(191)	597	-	-	-
Total	(₩1,970)	₩477	(₩1,493)	₩1,913	(₩438)	₩1,475	₩2,470	(₩543)	₩1,927

24. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Legal reserve (Note 1)	₩14,105	₩8,247	₩2,418
Voluntary reserve	43,000	18,000	-
Unappropriated retained earnings	1,389,654	1,334,663	1,288,787
Total	₩1,446,759	₩1,360,910	₩1,291,205

(Note 1) The Commercial Code of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of annual cash dividends declared as a legal reserve, until the reserve equals 50% of its issued share capital.

(2) Changes in retained earnings for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	Year ended December 31, 2011	Year ended December 31, 2010
Beginning balance	₩1,360,910	₩1,291,205
Profit for the year	155,323	134,400
Actuarial gains and losses recognized in retained earnings	(11,547)	(6,359)
Payment of dividends	(57,927)	(58,336)
Ending balance	₩1,446,759	₩1,360,910

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	2011		2010	
UNAPPROPRIATED RETAINED EARNINGS		₩1,389,653,959,899		₩1,334,663,145,798
Unappropriated retained earnings carried over from the prior year	1,256,871,817,238		1,218,267,400,122	
Interim dividend	(10,994,036,500)		(11,646,269,500)	
Net income	155,323,331,822		134,400,506,348	
Actuarial gains and losses	(11,547,152,661)		(6,358,491,172)	
APPROPRIATIONS:		86,017,815,060		77,791,328,560
Legal reserve	6,546,531,960		5,857,963,460	
Cash dividends	54,471,283,100		46,933,365,100	
Reserve for research and human resource	25,000,000,000		25,000,000,000	
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR		₩1,303,636,144,839		₩1,256,871,817,238

The above separate statement of appropriation of retained earnings for the year ended December 31, 2010, adopted the K-IFRS adjustments; therefore, there are differences between the above separate statement of appropriation of retained earnings for the year ended December 31, 2010, and the separate statement of appropriation of retained earnings for the year ended December 31, 2010, appropriated as of March 25, 2011.

(4) The amount of dividends and dividends per share for the years ended December 31, 2011 and 2010, are as follows:

1) Interim dividends (in Korean won and number of shares)

Description	2011			2010		
Number of shares eligible for dividends	Preferred share (old)	Preferred share (new)	Common share	Preferred share (old)	Preferred share (new)	Common share
Face value per share	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000
Dividend rate	10%	10%	10%	10%	10%	10%
Dividend amount (in millions of Korean won)	₩2,045	₩467	₩8,482	₩2,045	₩467	₩9,134

2) Year-end dividends (in Korean won and shares)

Description	2011			2010		
Shares eligible for dividends	Preferred share (old)	Preferred share (new)	Common share	Preferred share (old)	Preferred share (new)	Common share
Face value per share	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000
Dividend rate	51%	50%	50%	41%	40%	40%
Dividend amount (in millions of Korean won)	₩10,430	₩2,334	₩41,708	₩8,385	₩1,867	₩36,681

Dividend for the year 2011 will be paid in April 2012 and the dividend for the year 2010 was paid in April 2011.

3) Dividend payout ratio and dividend yield ratio

Description	2011			2010		
Shares eligible for dividends	Preferred shares (old)	Preferred shares (new)	Common share	Preferred shares (old)	Preferred shares (new)	Common share
Dividend payout ratio	8.03%	1.80%	32.31%	7.76%	1.74%	34.09%
Dividend yield ratio	8.73%	8.33%	2.10%	5.12%	4.90%	1.62%

25. REVENUES:

Details of revenues for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	2011	2010
1. Sales of goods		
-Manufactured products	₩1,240,468	₩955,382
-Merchandise	174,786	140,710
2. Others		
-Dividend	69,840	24,509
-Others (Note 1)	445,002	285,248
Total	₩1,930,096	₩1,405,849

(Note 1) Service revenues generated in system maintenance services, transport forwarding services and real estate rental services

26. EXPENSES CLASSIFIED BY NATURE:

Expenses classified by nature for 2011 and 2010 are as follows (in millions of Korean won):

	2011	2010
Employee benefits	₩219,223	₩168,481
Depreciation and amortization	37,658	40,840
Total	₩256,881	₩209,321

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	2011	2010
Salaries	₩70,904	₩47,660
Bonuses	22,623	20,166
Provision for retirement and severance benefits	4,505	3,954
Share-based payment	4,495	2,422
Employee welfare	13,750	10,662
Travel	6,541	4,255
Communications	1,561	1,057
Utilities	607	665
Sales commission	1,380	777
Printing	693	361
Office expense	1,088	885
Miscellaneous administrative	309	304
Taxes and dues	2,139	1,616
Rent	11,999	9,225
Leases	146	146
Depreciation	4,735	3,814
Repairs and maintenance	1,295	1,217
Insurance	631	488
Entertainment	4,200	2,831
Advertising	2,377	1,952
Automobile maintenance	1,133	900
Packaging	2,597	1,234
Research and development	19,009	10,281
Education and training	11,921	9,552
Freight and custody	11,025	8,987
Service fees	33,107	23,366
Maintenance on office	4,471	3,085
Outsourcing fee	10,236	7,186
Sample	1,004	813
Bad debt expense	750	-
Amortization	2,603	2,470
Overseas marketing	-	93
Maintenance of overseas branch	935	500
Others	-	32
Total	₩254,769	₩182,956

28. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income and expenses for the years ended December 31, 2011 and December 31, 2010 consist of the following (in millions of Korean won):

	2011	2010
Other operating income:		
Rental income	₩13	₩5
Gain on disposal of investments	46	5,842
Gain on disposal of property, plant and equipment	97	57
Gain on disposal of intangible assets	356	605
Gain on disposal of investment property	824	-
Gain on disposal of non-current assets held for sale	-	2,146
Reversal of allowance for doubtful accounts	-	219
Recovery of loss on impairment of property, plant and Equipment	-	41
Gain on litigation	6,387	-
Others	6,689	4,494
Subtotal	14,412	13,409
Other operating expenses:		
Other bad debt expense	₩675	₩1
Loss on disposal of investments in associates	94	-
Loss on disposal of property, plant and equipment	548	143
Impairment loss of property, plant and equipment	-	21
Loss on disposal of intangible assets	4	48
Impairment loss of intangible assets	213	-
Loss on disposal of investment property	-	102
Impairment loss of investment property	4,448	-
Impairment loss of investments	28	-
Donations	6,167	6,185
Depreciation expenses on assets not in use	31	32
Others	1,060	800
Subtotal	13,268	7,332
Total	₩1,144	₩6,077

(2) Difference of operating profit between K-IFRS and previous GAAP

Other operating income and other operating expenses were classified as non-operating income (expense) under the previous GAAP, whereas K-IFRS classifies as operating income (expense). Interest income, interest expense and net profit arising from AFS financial assets and income or expenses due to exchange rate fluctuations (foreign currency transaction gain (loss) and foreign currency translation gain (loss)) are still classified as non-operating income (expenses).

On the other hand, equity method gains and losses are classified as operating income (expense) under previous GAAP, but under IFRS, equity method gains and losses are not included in operating profit because separate financial statements do not perform equity method valuation.

29. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the years ended December 31, 2011 and 2010, are summarized as follows (in millions of Korean won):

	2011	2010
Finance income:		
Interest income		
-Cash and cash equivalents	₩4,752	₩5,224
-Long-term and short-term financial instruments	282	15
-Accounts receivable and other	1,481	3,501
-Held-to-maturity investments	20	60
Subtotal	6,535	8,800
Dividend income		
- AFS securities	5	5
Gain on foreign currency transaction	16,918	13,441
Gain on foreign currency translation	6,673	3,495
Gain on derivative transaction	3,558	731
Gain on valuation of derivatives	-	1,435
Income on financial guarantee	110	34
Total	33,799	27,941
Finance expenses:		
Interest expenses		
-Long-term and short-term borrowings	10,960	8,365
-Bonds	21,676	16,778
-Financial lease debt	392	-
-Others	43	-
Subtotal	33,071	25,143
Loss on foreign currency transaction	18,681	15,170
Loss on foreign currency translation	5,048	3,380
Loss on derivative transactions	1,294	916
Loss on valuation of derivatives	191	-
Loss on retirement of bonds	71	6,054
Total	58,356	50,663
Net financial expense	₩24,557	₩22,722

30. INCOME TAX EXPENSE:

(1) Components of income tax expense for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	2011	2010
Current income tax expense	₩7,881	₩20,931
Deferred income tax	2,637	15,390
Transferred deferred income tax due to merger	-	(5,371)
Total income tax expense	10,518	30,950
Deferred income tax directly charged to equity	4,837	4,432
Income tax expense recognized in discontinued operations	-	(12,885)
Income tax expense	₩15,355	₩22,497

(2) Details of income tax expense recognized in discontinued operations are as follows (in millions of Korean won):

	2011	2010
Current income tax	₩ -	₩1,237
Changes in temporary differences	-	11,648
Income tax expense recognized in discontinued operations	₩ -	₩12,885

(3) The Company offsets deferred tax assets and deferred tax liabilities, if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	January 1, 2011	Changes	December 31, 2011
Accrued revenues	(₩171)	(₩6)	(₩177)
Allowance for inventories	1,469	1,174	2,643
AFS securities	5,124	430	5,554
Investment in associates	(19,974)	57	(19,917)
Property, plant and equipment	(36,695)	(1,875)	(38,570)
Accrued expenses	11,343	794	12,137
Retirement benefit obligation	7,119	4,944	12,063
Reserve for research and human resource	(10,967)	(7,147)	(18,114)
Others	9,650	(1,008)	8,642
Total	(₩33,102)	(₩2,637)	(₩35,739)

	January 1, 2010	Changes	December 31, 2010
Accrued revenues	(₩134)	(₩37)	(₩171)
Allowance for inventories	3,616	(2,147)	1,469
AFS securities	6,029	(905)	5,124
Investment in associates	(19,974)	-	(19,974)
Property, plant and equipment	(45,134)	8,439	(36,695)
Accrued expenses	6,987	4,356	11,343
Retirement benefit obligation	5,731	1,388	7,119
Reserve for research and human resource	(3,960)	(7,007)	(10,967)
Others	29,127	(19,477)	9,650
Total	(₩17,712)	(₩15,390)	(₩33,102)

(4) Temporary differences, net loss and tax credit carryforwards, which have not been recognized as deferred income tax assets and expired, unused as of December 31, 2011 and 2010, are nil.

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

(5) Temporary differences from associated investments in subsidiaries, which are not recognized as deferred tax assets, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Subsidiaries	₩68,156	₩68,156	₩68,156
Associated company	(2,001)	(2,001)	(2,001)
Total	₩66,155	₩66,155	₩66,155

(6) Tax effects directly recognized in equity as of December 31, 2011 and 2010, are as follows (in millions of Korean won):

	December 31, 2011			December 31, 2010		
Description	Before tax	Deferred income tax assets (liabilities)	After tax	Before tax	Deferred income tax assets(liabilities)	After tax
Unrealized gain on AFS securities	₩1,464	(₩354)	₩1,110	₩1,125	(₩247)	₩878
Unrealized gain (loss) on valuation of derivatives	(3,434)	831	(2,603)	788	(191)	597
Revaluation reserve	22,139	(4,870)	17,269	22,139	(4,870)	17,269
Actuarial gain or loss	(23,622)	5,716	(17,906)	(8,152)	1,794	(6,358)
Total	(₩3,453)	₩1,323	(₩2,130)	₩15,900	(₩3,514)	₩12,386

(7) A reconciliation of income tax expense and accounting income before income tax expense for December 31, 2011 and 2010, is as follows (in millions of Korean won):

	2011	2010
Profit before income tax	₩170,678	₩116,903
Income tax expense at statutory income tax rate	41,274	28,264
Adjustment:		
Non-temporary difference	(17,635)	(3,028)
Temporary difference not recognized as deferred income tax	2	(2,210)
Tax credits	(5,155)	(2,699)
Effect of tax rate change	2,890	-
Additional income tax and tax refund for prior periods	(10,871)	-
Others	4,850	2,169
Income tax expense	₩15,355	₩22,496
Effective tax rate	9.00%	19.24%

31. EARNINGS (LOSS) PER SHARE:

Earnings per share for the years ended December 31, 2011 and 2010, are computed as follows (in millions of Korean won, except for share data).

(1) Basic earnings (loss) per share

Basic earnings (loss) per share are computed by dividing profit dividing net income attributable to owners of the parent company by the weighted-average number of common shares outstanding during the period excluding treasury shares.

		2010		
	2011	Continuing operations	Discontinued operations	Total
Net income (loss)	₩155,323,331,822	₩94,406,754,506	₩39,993,751,842	₩134,400,506,348
(-) Dividends for preferred share	34,937,249,904	20,440,065,286	8,659,072,149	29,099,137,435
Net income (loss) available to common share	120,386,081,918	73,966,689,220	31,334,679,693	105,301,368,913
Weighted-average number of common shares outstanding	17,412,511	18,308,008	18,308,008	18,308,008
Basic net income (loss) per share	₩6,914	₩4,040	₩1,712	₩5,752

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

	2011	2010
Beginning outstanding shares	18,340,721	18,219,134
Effect of share option exercised	36,225	31,402
Issuance of share capital	-	58,940
Acquired treasury stock	(964,435)	(1,468)
Weighted-average number of common shares outstanding	17,412,511	18,308,008

(2) Diluted earnings per share

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

		2010		
	2011	Diluted continuing operations	Diluted discontinued operations	Diluted total
Controlling interest in net income (loss)	₩120,386,081,918	₩73,966,689,220	₩31,334,679,693	₩105,301,368,913
Share-based compensation cost	-	-	-	-
Adjusted net income (loss) available to common shares	120,386,081,918	73,966,689,220	31,334,679,693	105,301,368,913
Adjusted weighted-average number of common shares outstanding	17,445,110	18,359,331	18,359,331	18,359,331
Diluted net income (loss) per share	₩6,901	₩4,029	₩1,707	₩5,736

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

	2011	2011
Weighted-average number of common shares outstanding	17,412,511	18,308,008
Effect of share option exercise	32,599	51,323
Adjusted weighted-average number of common shares outstanding	17,445,110	18,359,331

For the year ended December 31, 2011, share option grants 6th and 8th were included from the diluted earnings per share as they have dilutive effect during the period, and share option grants 9th to 13th were excluded from the diluted earnings per share calculation as they have an antidilutive effect during the period.

Share options that excluded from the diluted earnings per share calculation as they have an antidilutive effect during 2011 and 2010 are as follows (in millions of Korean won):

	2011	2011
Share options	₩206,210	₩159,210

32. COMMITMENTS AND CONTINGENCIES:

(1) Company pledged two blank notes to Korea Housing Guarantee Co., Ltd. and Korea Defense Industry Association as collateral for long-term borrowings and performance guarantee agreements.

(2) As of December 31, 2010, the Company has entered into bank overdraft agreements amounting ₩24,600 million with various financial institutions including SC First Bank.

(3) The Company is involved in lawsuits as a defendant with claims exposure of ₩1,000 million as of December 31, 2011. The ultimate outcome of the lawsuit cannot presently be determined.

(4) The Company has technical license agreements for the purpose of manufacturing specific products with Nabtesco, Rotzler, Horstman and Eaton Co., Ltd.; and for the year ended December 31, 2011, the Company paid ₩1,296 million as license fee.

(5) As of December 31, 2011, guarantees provided by the Company for third parties or received from third parties are as follows (in thousands of foreign currency and millions of Korean won):

Description	Provider	Provided to	Guarantee
Guarantees provided by the Company	The Company	Doosan Shanghai Chemical Limited	USD 1,000
		Doosan Hong Kong Limited.	USD 5,000
		Doosan Electro-Materials (Changshu) Co., Ltd.	USD 25,000
		SRS Korea	1,202
		Subtotal	1,202
			USD 31,000
Guarantees received from financial institutions	Seoul Guarantee Insurance	The Company	9,376
	Korea Defense Industry Association and others		55,033
	Woori Bank		USD 9,102
	Woori Bank and others		USD 21,160
		Subtotal	64,409
			USD 30,262

In connection with liabilities accrued for by the entities/business segments prior to spin-off, the Company is jointly and severally responsible with such spin-off companies as Doosan Tower.

33. PLEDGED ASSETS:

The Company pledged certain assets as collateral for its long-term and short-term borrowings as of December 31, 2011, as follows (in thousands of foreign currency and millions of Korean won):

Institution	Asset	Borrowings	Collateralized value
Kookmin Bank	Chang-won employee apartment	₩226	₩432
Korea Development Bank	Jeung-pyeong, Ik-san plant and Chang-won plant	61,633 USD 5,888	217,490 USD 33,530
Woori Bank	Shin-gal plant	USD 5,097 EUR 33	5,000
Hana Bank	Gun-po plant	50,000 USD 1,359	26,000
Korea Housing Guarantee Co., Ltd.	Securities of Korea Housing Guarantee Co., Ltd.	2,904	464
HP Financial Service	Financial lease asset	13,265	14,676

34. RELATED-PARTY TRANSACTIONS:

Related-party disclosures for the 2011 and 2010 are as follows.

(1) Nature of relationship

Relationship with the Company	Company name
Subsidiaries	Neoplux Co., Ltd., Oricom Inc., Doosan Advertisement (China) Co., Ltd., SRS Korea Co., Ltd., Doosan SRS SPC, Doosan Bears Inc., Doosan Feed & Livestock Co., Ltd., Doosan Tower Co., Ltd., Doosan Dong-A Co., Ltd., DIP Holdings Co., Ltd., Doosan DST Co., Ltd., N Shaper Corp., Doosan Electro-Materials Singapore Pte Ltd., Doosan Hongkong Ltd., Doosan Electro-Materials(SHEN ZHEN) Limited, Doosan Shanghai Chemical Limited, Doosan Real Estate ABS (1st), Doosan Real Estate ABS (2nd), Doosan Real Estate ABS (3rd), Doosan Information and Communications America, LLC, Doosan Information and Communications China, LLC, Doosan Hydraulic Machinery (Jiangyin) Co., Ltd., Doosan Industrial Vehicle Co., Ltd., Doosan Industrial Vehicle Europe N.A., Doosan Industrial Vehicle U.K., Doosan Logistics Europe, Doosan Industrial Vehicle America Corp., Doosan Industrial Vehicle Yantai Co., Ltd.
Associates	Doosan Heavy Industries Construction Co., Ltd., Guang Dong Xingpu Steel Center (formerly Sunduk Steel Inc.), Doosan Eco Biznet, MVP Capital Co.
Other related parties	Doosan Heavy Industries Construction Co., Ltd.'s subsidiaries, Doosan Infracore Co., Ltd. and subsidiaries, Doosan Capital Co., Ltd. and subsidiaries, Doosan Engine Co., Ltd. and subsidiaries, Neoplux No. 1 Private Equity Fund, Doosan Credit Union, Yeongang Foundation, Trance Route Doosan Co., Ltd., Neo Trans, DFMS, HANJUNG POWER Limited, Doosan Infracore Xinjiang Machinery Co., Ltd., Sichuan Kelun-Doosan Biotechnology Company Limited.

(2) Significant transactions for the years ended December 31, 2011 and 2010, between the Company and related parties are as follows (in millions of Korean won):

	2011		2010	
Description	Sales and others	Purchases and others	Sales and others	Purchases and others
Subsidiaries	₩213,425	₩14,647	₩180,835	₩15,441
Associates	157,354	5,112	98,793	996
Other related parties	442,011	29,514	227,510	15,378
Total	₩812,790	₩49,273	₩507,138	₩31,815

(3) As of December 31, 2011, December 31, 2010 and January 1, 2010, significant balances related to the transactions between the Company and related parties are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
Description	Receivables	Payables	Receivables	Payables	Receivables	Payables
Subsidiaries	₩77,323	₩11,527	₩96,182	₩15,639	₩87,876	₩7,529
Associates	38,179	1,518	19,271	1,021	13,678	215
Other related parties	136,052	1,877	114,106	2,967	38,940	1,186
Total	₩251,554	₩14,922	₩229,559	₩19,627	₩140,494	₩8,930

(4) The Company defines key management personnel as registered officer and non-registered officer (including outside director) who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the years ended December 31, 2011 and 2010, is as follows (in millions of Korean won):

Description	2011	2010
Short-term employee benefits	₩45,539	₩19,104
Severance benefits	1,199	3,660
Share-based payments	4,595	2,747
Total	₩51,333	₩25,511

35. SEPARATE STATEMENTS OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the separate statements of cash flows for the years ended December 31, 2011 and 2010, are as follows (in millions of Korean won):

	2011	2010
Adjustments:		
Expenses not involving cash payments and others:	₩124,856	₩127,899
Interest expense	33,071	25,284
Income tax expense	15,355	35,382
Foreign currency translation loss	5,048	3,380
Loss on valuation of derivatives	191	-
Loss on impairment of investment in associate	94	-
Depreciation	34,369	31,227
Amortization	3,289	9,613
Loss on disposal of property, plant and equipment	548	268
Loss on impairment of property, plant and equipment	-	21
Loss on disposal of intangible assets	4	48
Impairment of intangible assets	213	-
Loss on disposal of investment property	-	102
Loss on impairment of investment property	4,448	-
Loss on impairment of investment assets	28	-
Severance indemnities	12,833	10,226
Bad debt expense	750	-
Other bad debt expense	675	1
Loss on valuation of inventories	4,414	-
Loss on disposal of inventories	2,272	1,981
Contribution to provision for product warranties	2,589	1,565
Share-based payment	4,594	2,747
Loss on retirement of bonds	71	6,054
Income not involving cash receipts and others:	(₩84,376)	(₩86,174)
Interest income	6,535	8,814
Dividend income	69,845	24,514
Foreign currency translation gain	6,673	3,590
Gain on valuation of derivatives	-	1,435
Gain on disposal of non-current assets held for sale	-	2,146
Gain on disposal of property, plant and equipment	97	131
Recovery of loss on impairment of property, plant and equipment	-	41
Gain on disposal of intangible asset	356	605
Gain on disposal of investment property	824	-
Gain on disposal of investment asset	46	5,842
Reversal of allowance for doubtful accounts	-	219
Recovery of impairment of inventory	-	8,634
Gains on disposal of business segment	-	30,203

Total	₩40,480	₩41,725

	2011	2010
Changes in operating assets and liabilities:		
Increase in trade notes and accounts receivable	(₩35,524)	(₩49,607)
Decrease in other receivables	25,969	24,479
Decrease (increase) in inventories	(13,891)	3,256
Increase in other assets	(8,595)	(106)
Increase (decrease) in trade notes and accounts payable	(3,310)	93,494
Decrease in other payables	(3,597)	(27,477)
Decrease in provisions	(2,007)	(1,200)
Increase in other liabilities	2,688	8,243
Payment of severance benefits	(10,742)	(9,349)
Accrued severance benefits transferred from affiliated companies	145	(52)
Decrease (increase) in plan assets	2,170	(3,792)
Total	(₩46,694)	₩37,889

(2) Significant non-cash transactions for the years ended December 31, 2011 and 2010, are as follows :

	2011	2010
Reclassification of construction in progress to buildings, machinery and others	₩36,273	₩34,289
Reclassification of bonds	97,000	150,000
Reclassification of long-term debts	21,605	105,017
Assets acquired through capital lease	18,422	-
Total	₩173,300	₩289,306

(3) The Company reported on a net basis cash receipts and payments arising from transactions occurring frequently and short-term financial instruments, loans and borrowings.

36. ASSETS HELD FOR SALE:

Assets held for sale as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Land	₩ -	₩ -	₩16,297
Buildings	-	-	184
Total	₩ -	₩ -	₩16,481

37. DISCONTINUED OPERATIONS:

The Company discontinued its apparel business through transfer of business, and details of such discontinued operations are as follows:

(1) Details of discontinued operations

Details	Apparel business
Main products and services	Clothing imported from the Polo Ralph Lauren
Public announcement date	July 23, 2010
Business disposal date	December 31, 2010
Method	Partial business transfer
Acquiring company	Polo Ralph Lauren Korea
Transfer price (in millions of Korean won)	₩52,137

(2) Initial public announcement

According to a plan for the purpose of business discontinuance, the Company disposed of its business segments through a partial or comprehensive business transfer.

(3) Details of book value of disposed net assets as of disposal date (December 31, 2010) are as follows (in millions of Korean won):

Details	Amount
Current assets	₩7,831
Non-current asset	15,429
Current liabilities	922
Non-current liabilities	405
Net assets	₩21,933

(4) Details of income from discontinued operations for the disposal year ended December 31, 2010, are as follows (in millions of Korean won):

Details	Amount
Operating income from discontinued operations	₩51,198
Financial income from discontinued operations	1,682
Income tax expenses from discontinued operations	(12,886)
Total	₩39,994

Operating income from discontinued operation include ₩30,204 million, which is gain on disposal of apparel business segment.

(5) Details of net cash flows from operating activities, investing activities and financing activities attributable to discontinued operations for the disposal year ended December 31, 2010, are as follows (in millions of Korean won):

Details	Amount
Cash flows from operating activities	(₩40,375)
Cash flows from investing activities	(17,962)
Cash flows from financing activities	58,337
Total	₩ -

38. SMALL-SCALE MERGER:

On March 30, 2010, the Company entered into a merger agreement with Doosan Mottrol Holdings Co., Ltd. (DMHC) and Doosan Mottrol Co., Ltd. (DMC) to enhance management efficiency and expand the lines of businesses for the strategic growth. The merger was approved by its board of directors on May 27, 2010, which can override the approval of the shareholders in accordance with the Korean Commercial Code. On July 1, 2010, the Company merged with DMHC and DMC. The summary of such merger transactions is as follows:

(1) Details of merged companies.

Description	Doosan Mottrol Holdings Co., Ltd.	Doosan Mottrol Co., Ltd.
Business	Non-financial holding company	Hydraulic equipment and defense system manufacturer
CEO	Lee, Sangha	Yun, Taesung
Relationship with the Company	Subsidiary	Subsidiary

(2) Exchange ratio and shares issued upon the merger

The stock price per share for the Company, DMHC and DMC was estimated at ₩115,254 (face value: ₩5,000), ₩1,737,501 (face value: ₩10,000) and ₩12,944 (face value: ₩500), respectively; based upon which, the Company issued 15.075407 shares of its common shares for each share of DMHC and 0.112308 shares of its common shares for each share of DMC.

However, there was no economic effect from the issuance of new common shares as the Company held 100% shares of DMHC.

(3) Condensed financial statements of merged companies

The condensed statements of financial position of DMHC at July 1, 2010, and DMC at December 31, 2009, and the condensed statements of income for the six months ended July 1, 2010, and for the year ended December 31, 2009, respectively, are as follows (in millions of Korean won):

a. Condensed statement of financial position

	Doosan Mottrol Holdings Co., Ltd.	Doosan Mottrol Co., Ltd.
	July 1, 2010	July 1, 2010
Current assets	₩4,738	₩170,168
Cash and cash equivalents	4,204	55,517
Accounts receivable and other	534	86,264
Inventory	-	25,576
Other current asset	-	2,811
Non-current assets (Note 1)	₩192,720	₩78,784
Investment in subsidiary	192,720	611
AFS securities	-	1,186
Property, plant and equipment	-	73,715
Investment property	-	253
Intangible assets	-	3,019
Other non-current assets	-	1,614
TOTAL ASSETS	₩197,458	₩248,952
Current liabilities	₩55,615	₩100,275
Accounts payable	-	55,780
Other payables	615	12,626
Borrowings	55,000	1,212
Income tax payable	-	7,028
Provisions	-	1,614
Other current liabilities	-	22,015
Non-current liabilities	₩ -	₩12,646
Non-current accounts and other payables	-	1,874
Borrowings	-	3,397
Retirement benefit obligation	-	2,646
Deferred tax liabilities	-	4,729
Total liabilities	₩55,615	₩112,921
Total equity	₩141,843	₩136,031

(Note 1) Due to the merger, unamortized goodwill related to DMC amounted to ₩84,562 million that was held by DMHC, which was carried to the Company.

39. SUBSEQUENT EVENTS:

A. Early repayment of bonds

The Company repaid Doosan 282-2nd bond of ₩20,000 million earlier than original repayment schedule.

B. Transfer of business segment

The Company transferred the food ingredient business segment to SRS Korea, the Company's subsidiary. The transfer contract includes ₩6,300 million but the price can also change due to physical inspection.

40. APPROVAL DATE OF SEPARATE FINANCIAL STATEMENTS:

The accompanying separate financial statements were approved by the board of directors on February 16, 2011.

Internal Accounting Control System ("IACS") Review Report

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Doosan Corporation

We have reviewed the accompanying Report on the Assessment of IACS (the "Management's Report") of Doosan Corporation (the "Company") as of December 31, 2011. 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, 2011, 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 K-IFRS, 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, 2011, and we did not review its IACS subsequent to December 31, 2011. 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.

March 22, 2012