DOOSAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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. ORGANIZATION AND DESCRIPTION OF THE BUSINESS:

(1) Parent company

Doosan Corporation (the "Parent") was incorporated on December 18, 1933, under the name of Sohwa-Kirin Beer, Ltd. to manufacture and sell beer. The Parent 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 Parent is a business-type holding company and operates in the Republic of Korea.

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

The Parent'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 shareholders and other and 48.3% of preferred shares are owned by others.

(2) Consolidated Subsidiaries

The details of consolidated subsidiaries as of December 31, 2011, are as follows:

Subsidiary	Type of business	Ownership (%)	Asset	Liability	Sales	Net income	Location	Financial closing date
Neoplux Co., Ltd.	Venture capital	66.71	₩58,389	6,227	36,164	10,313	Korea	December 31
Oricom Inc.	Advertising	71.71	96,631	51,076	98,286	6,126	Korea	December 31
Doosan Advertising (Beijing) Co., Ltd.	Advertising	100.00	2,455	1,485	5,987	374	Korea	December 31
SRS Korea Co., Ltd.	Manufacturing	50.91	117,016	65,288	276,557	17,385	Korea	December 31
Doosan SRS First Securitization Specialty Ltd.	Specialized in securitization	-	43	33	-	-	Korea	December 31
Doosan Bears, Inc.	Sports	100.00	8,414	8,001	32,587	2,259	Korea	December 31
Doosan Feed & Livestock Co., Ltd.	Manufacturing and sales	100.00	82,057	61,721	123,586	(276)	Korea	December 31
Doosan Tower Co., Ltd.	Real estate	100.00	544,107	381,843	64,664	10,630	Korea	December 31
Doosan Dong-A Co., Ltd.	Publishing	100.00	203,603	166,479	242,270	7,117	Korea	December 31
DIP Holdings Co., Ltd.	Holding company	100.00	433,996	142,171	33,723	40,464	Korea	December 31
Doosan DST Co., Ltd.	Manufacturing	50.91	755,509	401,182	911,001	64,292	Korea	December 31
N Shaper Corp.	Other	100.00	16,698	5,695	16,836	4,127	Korea	December 31
Doosan Electro-Materials Singapore Pte Ltd.	Wholesale and retail	100.00	6,222	11,328	28,957	482	Singapore	December 31
Doosan Hong Kong Ltd.	Wholesale and retail	100.00	16,570	32,076	50,544	328	China	December 31
Doosan Electro-Materials (Shen Zhen) Limited.	Wholesale and retail	100.00	1,209	1,209	6,388	96	China	December 31
Doosan Shanghai Chemical Limited.	Wholesale and retail	100.00	14,561	14,662	44,398	839	China	December 31
Doosan Electro-Materials (Changshu) Co., Ltd.	Manufacturing	100.00	67,727	34,816	1,758	(8,501)	China	December 31
Doosan Real Estate Securitization Specialty Ltd.	Specialized in securitization	-	8,007	2	-	(47)	Korea	December 31
Doosan Second Real Estate Securitization Specialty Ltd.	Specialized in securitization	-	14,231	6,603	359	866	Korea	December 31
Doosan Third Real Estate Securitization Specialty Ltd.	Specialized in securitization	-	751	3,678	18	85	Korea	December 31
Doosan Information and Communications America, LLC	IT service	100.00	5,812	1,370	10,853	(763)	USA	December 31
Doosan Information and Communications China, LLC	IT service	100.00	2,265	124	106	(58)	China	December 31
Doosan Hydraulic Machinary (Jiangyin) Co., Ltd.	Manufacturing	100.00	25,469	2,394	-	(291)	China	December 31
Doosan Industrial Vehicle Co., Ltd.	Manufacturing	51.00	392,570	257,371	293,761	3,031	Korea	December 31
Doosan Industrial Vehicle Europe N.A.	Wholesale and retail	100.00	46,309	29,778	31,192	174	Belgium	December 31
Doosan Industrial Vehicle U.K.	Wholesale and retail	100.00	21,009	18,643	14,925	387	UK	December 31
Doosan Logistics Europe	Manufacturing	100.00	4,687	1,037	3,340	(48)	Germany	December 31
Doosan Industrial Vehicle America Corp.	Wholesale and retail	100.00	62,975	33,186	46,549	1,131	USA	December 31
Doosan Industrial Vehicle Yantai Co., Ltd.	Manufacturing	100.00	25,272	17,053	3,489	(130)	China	December 31

(3) Changes in the scope of consolidation

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

Subsidiary	Change	Description
Doosan Industrial Vehicle Co., Ltd.	Newly included	Acquisition of operation after newly incorporated
Doosan Industrial Vehicle Europe N.A.	Newly included	Acquisition of operation after newly incorporated
Doosan Industrial Vehicle U.K.	Newly included	Acquisition of operation after newly incorporated
Doosan Industrial Vehicle America Corp.	Newly included	Acquisition of operation after newly incorporated
Doosan Industrial Vehicle Yantai Co., Ltd.	Newly included	Acquisition of operation after newly incorporated
Doosan Electro-Materials (Changshu) Co., Ltd	Newly included	Newly acquired
Doosan Logistics Europe	Newly included	Newly acquired
Doosan Information and Communications America, LLC	Newly included	Newly incorporated
Doosan Information and Communications China, LLC	Newly included	Newly incorporated
Doosan Hydraulic Machinery (Jiangyin) Co., Ltd.	Newly included	Newly incorporated

Changes in the scope of consolidation for the year ended December 31, 2010, are as follows:

Subsidiary	Change	Description
N Shaper Corp.	Newly included	Additionally acquired
Doosan Mottrol Holdings Co., Ltd.	Excluded	Merged
Doosan Mottrol Co., Ltd.	Excluded	Merged
Samhwa Crown & Closure Co., Ltd.	Excluded	Disposed

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Parent and its subsidiaries (the “Company”) maintain their official accounting records in Korean won and prepare consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards (“K-IFRS”), in the Korean language (Hangul).

(1) Basis of preparation

The Company has adopted 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 consolidated financial statements are summarized below, and these accounting policies have been applied consistently to the consolidated financial statements for the current period and the accompanying comparative period.

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

K-IFRSs require application of significant estimates in preparing consolidated 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 consolidated 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 consolidated 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 consolidated 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) Consolidation

1) Subsidiaries

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

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

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

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

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

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

2) Investments in joint ventures and associates

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

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

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

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

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

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

(3) Foreign currency translation

1) Functional currency and presentation currency

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

2) Foreign currency transaction and translation of balance

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

3) Translation of foreign operations

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

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

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits 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 consolidated statements of financial position.

(5) Financial assets

1) Classification of financial assets

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss (FVTPL)', 'loans and receivables', 'available-for-sale (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

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 consolidated 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 consolidated 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) Trade receivable

Trade receivable is the amount owed by customer for products and services provided in the ordinary course of business. Trade receivable expected to be collected within one year is classified as current assets; otherwise, it is classified as non-current assets. The Company recognizes Trade 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) Due from customers for contract work and due to customers for contract work

The gross amount due from customers for contract work is the net amount of:
(a) costs incurred plus recognized profit, less
(b) the sum of recognized losses and progress billings
for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. The costs incurred shall comprise costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract including fixed and variable overhead costs allocated based on the normal level.

If the costs incurred plus recognized profit (or losses) exceeds progress billings, a due from customer amount is recognized as an asset; and if the progress billing exceeds the cost incurred plus recognized profit (or losses), a due to customer amount is recognized as a liability.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs, which are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by 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.

(9) 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	4–50
Structures	2–40
Machinery	2–15
Tools, furniture, fixtures and other	2–20

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.

(10) Intangible assets

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

Intangible assets other than goodwill and intangibles with indefinite useful lives are amortized using the straight-line method with 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	4–20

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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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.*

(16) 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 consolidated 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.

(17) Provisions

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

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

(18) 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.

(19) 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.

(20) Dividend

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

(21) 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.

(22) 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

Other revenue is recognized when the earning process is complete, the amount of revenue can be measured reliably and is probable, and the economic benefits associated with the transaction will flow to the Company.

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.

(23) 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.

(24) 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

(25) 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.

(26) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments.

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	₩162,513	₩5,773	₩1,802	₩25,048	₩195,136	₩50,781	₩6,173	₩3,609	₩128	₩60,691
Liabilities	(118,905)	(2,284)	(3,668)	(18,736)	(143,593)	(77,106)	(4,699)	(4,627)	(2,252)	(88,684)
Net assets (liabilities)	₩43,608	₩3,489	(₩1,866)	₩6,312	₩51,543	(₩26,325)	₩1,474	(₩1,018)	(₩2,124)	(₩27,993)

(*) 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 (₩415) million and (₩1,278) 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):

	Year ended December 31, 2011		Year ended December 31, 2010	
	10% increase in KRW against foreign currency	10% decrease in KRW against foreign currency	10% increase in KRW against foreign currency	10% decrease in KRW against foreign currency
Income before tax impact	₩5,154	(₩5,154)	(₩2,799)	₩2,799

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	₩169,711	₩176,892
Financial liabilities	(265,697)	(319,018)
Net assets (liabilities)	(₩95,986)	(₩142,126)

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):

	Year ended December 31, 2011		Year ended December 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Income before tax impact	(₩960)	₩960	(₩1,421)	₩1,421

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)	₩358,764	₩339,455	₩365,124
	Current and non-current financial instruments	5,172	45,831	17,841
	Accounts and other receivable	802,608	699,372	633,921
Held-to-maturity investments		-	1	3
AFS financial assets (Note 2)		7	7	-
Derivative assets		796	3,418	1,738
Deposits		53,708	69,101	74,225
Total		₩1,221,055	₩1,157,185	₩1,092,852

(Note 1) Cash on hand is excluded.
(Note 2) They are the Company's debt securities.

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	
Trade receivables	₩5,237	₩498,217	₩53,777	₩72,918	₩85,570	₩16,762	₩732,481
Other receivables	1,954	75,478	3,142	512	834	685	82,605
Accrued income	-	1,862	-	-	-	-	1,862
Loans	370	5,575	-	-	-	5	5,950
Total	₩7,561	₩581,132	₩56,919	₩73,430	₩86,404	₩17,452	₩822,898

	December 31, 2010						
	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	
Trade receivables	₩10,973	₩268,178	₩268,197	₩35,417	₩2,737	₩6,897	₩592,399
Other receivables	1,469	88,372	16,258	393	463	385	107,340
Accrued income	-	1,743	18	-	-	-	1,761
Loans	594	12,669	-	-	-	-	13,263
Total	₩13,036	₩370,962	₩284,473	₩35,810	₩3,200	₩7,282	₩714,763

	January 1, 2010						
	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	
Trade receivables	₩4,594	₩460,861	₩20,773	₩2,318	₩1,839	₩20,393	₩510,778
Other receivables	507	134,128	14	-	-	319	134,968
Accrued income	-	2,304	-	-	-	-	2,304
Loans	558	5,131	-	-	-	-	5,689
Total	₩5,659	₩602,424	₩20,787	₩2,318	₩1,839	₩20,712	₩653,739

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.

(1) 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, December 31, 2010 and January 1, 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	₩2,092,488	₩2,109,467	₩1,067,063	₩172,436	₩869,553	₩415
Interest on financial liabilities	-	112,701	37,374	28,182	46,991	154
Total	₩2,092,488	₩2,222,168	₩1,104,437	₩200,618	₩916,544	₩569

	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	₩1,783,738	₩1,802,574	₩1,316,160	₩205,525	₩279,116	₩1,773
Interest on financial liabilities	-	51,064	28,909	10,443	11,495	217
Total	₩1,783,738	₩1,853,638	₩1,345,069	₩215,968	₩290,611	₩1,990

	January 1, 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	₩1,771,901	₩1,797,061	₩1,001,710	₩368,499	₩424,502	₩2,350
Interest on financial liabilities	-	14,382	11,512	2,652	139	79
Total	₩1,771,901	₩1,811,443	₩1,013,222	₩371,151	₩424,641	₩2,429

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

(2) 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	₩2,807,172	₩2,499,318	₩2,490,745
Total equity	3,489,049	3,430,983	2,624,019
Debt-equity ratio	80.46%	72.85%	94.92%

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. <u>TRANSITION TO K-IFRS:</u>

The Company's consolidated financial statements for the year ended December 31, 2011, are prepared in accordance with K-IFRS. The consolidated 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.

d) Cumulative translation differences

All cumulative translation gains and losses arising from foreign subsidiaries and associates as of the date of transition to K-IFRS are reset to zero.

2) Special Purpose Entities

Special purpose entities were excluded from subsidiaries for consolidation under previous GAAP, while they were included in K-IFRS in consolidation scope if the Company has controlling influence over special purpose entities.

3) 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.

4) Goodwill or bargain purchase gain acquired by business combinations

Under previous GAAP, the Company amortized goodwill or bargain purchase gain (negative goodwill) acquired as a result of business combinations on a straight-line method over a certain period. Under K-IFRS, goodwill is not amortized but reviewed for impairment annually and bargain purchase gain is recognized immediately in the consolidated statements of income.

5) 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.

6) 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 consolidated statements of financial position.

Under previous GAAP, the differences between the carrying value and the tax base of the investments in subsidiaries, joints ventures and associates were reviewed as a whole for the recognition of the related deferred tax assets and liabilities. Under K-IFRS, the temporary differences associated with those investments are recognized as deferred tax assets and liabilities reflecting the manner in which they are extinguished.

(2) Changes in scope of consolidation

As of the date of transition to K-IFRS, the changes in scope of consolidation are as follows:

Changes	Description	Name of entity
Newly added	Under previous GAAP, companies whose total assets are less than 10 billion Korean won were not subject to consolidation, but they are subject to consolidation under K-IFRS.	Doosan Advertising(Beijing) Co., Ltd.
		Doosan Electro-Materials (Shen Zhen) Limited
	Special purpose entities were excluded from subsidiaries for consolidation under previous GAAP, while they are included in K-IFRS in consolidation scope if the Company has controlling influence over special purpose entities.	Doosan SRS First Securitization Specialty Ltd.
		Doosan Real Estate Securitization Specialty Ltd.
		Doosan Second Real Estate Securitization Specialty Ltd.
		Doosan Third Real Estate Securitization Specialty Ltd.
Excluded	Under previous GAAP, in case the Company owned more than 30% of an investee's stocks with voting rights, the investee is included in the scope of consolidation under K-IFRS.	Doosan Heavy Industries & Construction Co., Ltd. and 39 subsidiaries (exception of Doosan Infracore Co., Ltd. and subsidiaries)
		Doosan Infracore Co., Ltd. and 66 subsidiaries
	Under previous GAAP, Private Equity Fund, which the Company is managing partner of, was included in scope of consolidation. Under K-IFRS, such entities are not subject to consolidation unless the Company owns more than 50% of entities.	Neoplux No. 1 Private Equity Fund

(3) 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)	₩30,958,602	₩24,859,058	₩6,099,544
Adjustments:			
Change in scope of consolidation (Note 1)	(26,448,628)	(22,483,148)	(3,965,480)
The effect of transition of associates and joint ventures (Note 2)	238,183	-	238,183
Deferred tax in associates and subsidiaries (Note 3)	-	(185,552)	185,552
Reversal of negative goodwill (Note 4)	143,344	-	143,344
Change in revenue recognition (Note 5)	30,126	32,741	(2,615)
Gross presentation of receivables and advances from construction contracts	164,825	164,825	-
Others	37,850	101,576	(63,726)
Deferred tax and adjustments	(9,538)	1,245	(10,783)
Total adjustment	(25,843,838)	(22,368,313)	(3,475,525)
K-IFRS	₩5,114,764	₩2,490,745	₩2,624,019

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)	₩32,181,674	₩25,572,255	₩6,609,419	₩377,207
Adjustments:				
Change in scope of consolidation (Note 1)	(27,498,366)	(23,164,227)	(4,334,139)	(77,342)
The effect of transition of associates and joint ventures (Note 2)	887,075	-	887,075	686,523
Deferred tax in associates and subsidiaries (Note 3)	-	(155,689)	155,689	(15,792)
Reversal of negative goodwill (Note 4)	130,015	-	130,015	(13,002)
Change in revenue recognition (Note 5)	(19,626)	6,466	(26,092)	(22,651)
Gross presentation of receivables and advances from construction contracts	218,304	218,304	-	-
Others	12,698	36,772	(24,074)	(22,571)
Deferred tax adjustments	18,527	(14,563)	33,090	(13,643)
Total adjustment	(26,251,373)	(23,072,937)	(3,178,436)	521,522
K-IFRS	₩5,930,301	₩2,499,318	₩3,430,983	₩898,729

(Note 1) Under K-IFRS, such entities are not subject to consolidation unless the Company owns more than 50% of entities. Entities, excluded from scope of consolidation under Previous GAAP, are subject to consolidation if the Company has controlling influence over the entities.

(Note 2) Includes the effect of transition of associates and joint ventures.

(Note 3) Recalculated deferred tax in associates and subsidiaries due to change in recognition target.

(Note 4) Negative goodwill under Previous GAAP is referred to as bargain purchase gain under K-IFRS, and the bargain purchase is reversed all at once.

(Note 5) In accordance with K-IFRS, revenue recognition criteria are changed from the percentage-of-completion method to delivery basis.

3) Adjustments in consolidated 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
Short-term financial instruments	1,003	1,000	1,073	Establish the right of pledge
Long-term financial instruments	2,170	842	835	Bank transaction deposits and others
Deposits	15	15	15	Establish the right of pledge
Total	₩3,188	₩17,206	₩31,923	

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
Held-to-maturity investments	₩ -	₩ -	₩2

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									
Trade receivables	₩732,300	(₩17,110)	₩715,190	₩592,218	(₩12,808)	₩579,410	₩510,488	(₩17,033)	₩493,455
Other receivables	82,147	(2,137)	80,010	92,684	(1,773)	90,911	89,963	(1,867)	88,096
Accrued income	1,862	-	1,862	1,761	-	1,761	2,304	-	2,304
Loans	1,252	(5)	1,247	9,514	(5)	9,509	2,141	(4)	2,137
Total	₩817,561	(₩19,252)	₩798,309	₩696,177	(₩14,586)	₩681,591	₩604,896	(₩18,904)	₩585,992
Non-Current									
Trade receivables	₩181	(₩181)	₩ -	₩181	(₩181)	₩ -	₩290	(₩290)	₩ -
Other receivables	458	(458)	-	14,656	(35)	14,621	45,005	(35)	44,970
Loans	4,698	(399)	4,299	3,749	(589)	3,160	3,548	(589)	2,959
Total	₩5,337	(₩1,038)	₩4,299	₩18,586	(₩805)	₩17,781	₩48,843	(₩914)	₩47,929

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

	Year ended December 31, 2011					
	January 1, 2011	Increase	Written off	Reversal	Other	December 31, 2011
Trade receivables	(₩12,808)	(₩1,534)	₩830	₩721	(₩4,319)	(₩17,110)
Other receivables	(1,773)	(341)	350	-	(373)	(2,137)
Short-term loans	(5)	-	-	-	-	(5)
Long-term trade receivables	(181)	-	-	-	-	(181)
Long-term other receivables	(35)	(423)	-	-	-	(458)
Long-term loans	(589)	-	-	190	-	(399)
Total	(₩15,391)	(₩2,298)	₩1,180	₩911	(₩4,692)	(₩20,290)

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 consolidated 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	₩50,350	(₩5,720)	₩44,630	₩13,817	(₩678)	₩13,139	₩62,078	(₩11,551)	₩50,527
Finished goods	66,668	(16,134)	50,534	53,794	(10,473)	43,321	44,162	(11,985)	32,177
Work in progress	64,036	(153)	63,883	285,818	(97)	285,721	146,954	(26)	146,928
Raw materials	213,100	(5,700)	207,400	98,500	(1,792)	96,708	80,776	(697)	80,079
Materials in transit	52,479	-	52,479	31,593	-	31,593	28,288	-	28,288
Others	5,442	(2)	5,440	4,044	-	4,044	3,043	-	3,043
Total	₩452,075	(₩27,709)	₩424,366	₩487,566	(₩13,040)	₩474,526	₩365,301	(₩24,259)	₩341,042

Cost of inventory charged to cost of sales amounted to ₩2,628,688 million and ₩2,120,453 million for the years ended December 31, 2011 and 2010, respectively. Loss on inventory valuation charged to cost of sales amounted to ₩14,670 million for the year ended December 31, 2011. Reversal of loss on inventory valuation deducted from cost of sales amounted to ₩11,220 million for the year ended December 31, 2010.

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	₩209,173	₩16,972	₩22,441
Held-to-maturity investments	-	1	1
Total	₩209,173	₩16,973	₩22,442

(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 companies	₩194,243	₩1,261	₩2,755
Investments in non-listed companies	14,923	15,704	19,686
Subtotal	209,166	16,965	22,441
Debt securities	7	7	-
Total	₩209,173	₩16,972	₩22,441

As the fair value cannot be determined reliably, some of the investments are stated at acquisition cost.

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 companies	₩662	₩140,314	(₩65)	₩140,911
Investments in non-listed companies	3,714	(1,725)	(576)	1,413
Tax effect	(801)	(33,613)	132	(34,282)
Consolidation adjustment	101	(17,585)	-	(17,484)
Total	₩3,676	₩87,391	(₩509)	₩90,558

	Year ended December 31, 2010				
	January 1, 2010	Valuation	Reclassification from equity to profit or loss	Others	December 31, 2010
Investments in listed companies	₩314	(₩207)	₩491	₩64	₩662
Investments in non-listed companies	2,763	2,425	(1,474)	-	3,714
Tax effect	(612)	(466)	288	(11)	(801)
Consolidation adjustment	154	-	-	(53)	101
Total	₩2,619	₩1,752	(₩695)	₩ -	₩3,676

(3) Held-to-maturity investments

Held-to-maturity investments 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
Government and public bonds	₩ -	₩1	₩1

11. DERIVATIVES:

(1) Details of these derivative 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 receivables
	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 thousands of foreign currency, 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	282,027	USD	246,838	(₩4,777)	(₩144)	(₩5,454)
	KRW	10,298	GBP	5,700	99	-	99
Interest rate swap	KRW	3,761	KRW	3,808	(47)	(47)	-
					(₩4,725)	(₩191)	(₩5,355)

	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				Other
					Assets	Gains	comprehensive
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	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	₩ -	₩358,854	₩ -	₩ -	₩ -	₩358,854	₩358,854
Financial instruments	-	5,172	-	-	-	5,172	5,172
Investment securities	-	-	209,173	-	-	209,173	209,173
Trade and other receivables	-	802,608	-	-	-	802,608	802,608
Derivative assets	697	-	-	-	99	796	796
Deposits	-	53,708	-	-	-	53,708	53,708
Total	₩697	₩1,220,342	₩209,173	₩ -	₩99	₩1,430,311	₩1,430,311

	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	₩ -	₩805,102	₩ -	₩805,102	₩805,102
Borrowings and bonds	-	1,287,386	-	1,287,386	1,287,386
Derivative liabilities	67	-	5,453	5,520	5,520
Total	₩67	₩2,092,488	₩5,453	₩2,098,009	₩2,098,009

	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	₩ -	₩339,488	₩ -	₩ -	₩ -	₩339,488	₩339,488
Financial instruments	-	45,831	-	-	-	45,831	45,831
Investment securities	-	-	16,972	1	-	16,973	16,973
Trade and other receivables	-	699,372	-	-	-	699,372	699,372
Derivative assets	2,604	-	-	-	814	3,418	3,418
Deposits	-	69,101	-	-	-	69,101	69,101
Total	₩2,604	₩1,153,792	₩16,972	₩1	₩814	₩1,174,183	₩1,174,183

	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	₩ -	₩831,557	₩ -	₩831,557	₩831,557
Borrowings and bonds	-	952,181	-	952,181	952,181
Total	₩ -	₩1,783,738	₩ -	₩1,783,738	₩1,783,738

	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	₩ -	₩365,173	₩ -	₩ -	₩ -	₩365,173	₩365,173
Financial instruments	-	17,841	-	-	-	17,841	17,841
Investment securities	-	-	22,441	3	-	22,444	22,444
Trade and other receivables	-	633,921	-	-	-	633,921	633,921
Derivative assets	1,738	-	-	-	-	1,738	1,738
Deposits	-	74,225	-	-	-	74,225	74,225
Total	₩1,738	₩1,091,160	₩22,441	₩3	₩ -	₩1,115,342	₩1,115,342

	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	₩ -	₩665,289	₩ -	₩665,289	₩665,289
Borrowings and bonds	-	1,106,612	-	1,106,612	1,106,612
Total	₩ -	₩1,771,901	₩ -	₩1,771,901	₩1,771,901

(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	194,243	-	1,634	195,877
Derivatives designated as hedging instruments	-	99	-	99
Total	₩194,243	₩796	₩1,634	₩196,673
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	(₩67)	₩ -	(₩67)
Derivatives designated as hedging instruments	-	(5,453)	-	(5,453)
Total	₩ -	(₩5,520)	₩ -	(₩5,520)

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩2,604	₩ -	₩2,604
AFS financial assets	1,261	-	5,929	7,190
Derivatives designated as hedging instruments	-	814	-	814
Total	₩1,261	₩3,418	₩5,929	₩10,608

	January 1, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩1,738	₩ -	₩1,738
AFS financial assets	2,755	-	7,513	10,268
Total	₩2,755	₩1,738	₩7,513	₩12,006

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 consolidated 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 consolidated 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. INVESTMENT IN JOINT VENTURES AND ASSOCIATES:

(1) Investment in joint ventures and associates as of December 31, 2011, December 31, 2010 and January 1, 2010, consists of the following (in millions of Korean won):

Company name	Percentage of ownership (%)	Acquisition cost			Book value			Proportionate share of net assets		
		December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31, 2010	January 1, 2010
Doosan Heavy Industries & Construction Co., Ltd. ("DHC") (Note 1)	48.58	₩407,252	₩407,252	₩407,252	₩2,291,185	₩2,316,702	₩1,601,321	₩2,317,051	₩2,330,163	₩1,606,173
Guang Dong Xingpu Steel Center	21.05	1,853	1,853	1,853	4,527	4,456	4,109	4,527	4,456	4,109
Doosan Eco Biznet	29.79	53	53	53	185	170	145	185	170	145
MVP Capital Co.	29.13	3,000	3,000	3,000	387	611	499	387	611	499
Korea Aerospace Industries Co., Ltd. (Note 2)	-	-	98,716	98,716	-	107,146	99,316	-	65,210	57,380
Dong-A E&C Contents	20.00	10	10	10	11	11	26	11	11	26
Edupie	-	-	-	350	-	-	675	-	-	-
Wilus Inc.	40.00	374	374	-	-	245	-	-	245	-
National Pension 05-5 Neoplux Venture Capital Fund (Note 3)	-	-	837	1,656	-	1,347	1,291	-	1,347	1,291
National Pension 07-4 Neoplux Venture Capital Fund (Note 3)	17.86	625	2,389	3,324	1,914	2,982	4,196	1,914	2,982	4,196
New Wave 3 venture capital fund	25.00	775	1,835	3,280	-	1,912	4,239	-	1,912	4,239
New Wave 4 venture capital fund	25.00	6,752	6,752	2,380	6,276	6,360	2,320	6,276	6,360	2,320
New Wave 5 venture capital fund for infant industries	30.00	3,153	3,303	3,600	3,519	3,626	3,604	3,519	3,626	3,604
KoFC-Neoplux Pioneer Champ2010-7 (Note 3)	19.68	4,960	2,480	-	4,462	2,382	-	4,462	2,382	-
2010 KIF-Neoplux IT venture capital fund	21.67	1,287	975	-	1,002	936	-	1,002	936	-
Neoplux 03-2 CRF (Note 3)	-	-	1,846	2,311	-	675	1,133	-	675	1,133
National Pension 04-2 Neoplux CRF (Note 3)	10.24	623	623	951	-	1,247	1,657	-	1,247	1,657
National Pension 06-2 Neoplux CRF (Note 3)	10.00	12,430	12,430	12,430	4,335	7,630	6,834	4,335	7,630	6,834
Neoplux No. 1 Private Equity Fund (Note 3)	15.00	28,105	20,905	11,905	18,639	10,205	3,431	18,639	10,205	3,431
Sichuan Kelun-Doosan Biotechnology Company	50.00	1,634	-	-	1,770	-	-	1,770	-	-
Total		₩472,886	₩565,633	₩553,071	₩2,338,212	₩2,468,643	₩1,734,796	₩2,364,078	₩2,440,168	₩1,697,037

(Note 1) As of December 31, 2011, the difference between the book value of investment and the proportionate share of net assets is the remaining balance of unrealized income.

(Note 2) In 2011, the Company disposed some equity, and the remaining equity is reclassified as AFS equity investments.

(Note 3) A subsidiary, Neoplux Co., Ltd., is a managing partner of the Venture Capital Funds, Corporate Restructuring Funds (CRF) and Private Equity Funds (PEF); therefore, it is included in consolidation.

(2) Changes in investment in joint ventures and associates for the years ended December 31, 2011 and 2010, consist of the following (in millions of Korean won):

	Year ended December 31, 2011						
Company name	January 1, 2011	Acquisition (disposal)	Dividends	Share of profit (loss)	Increase (decrease) in equity of associates	Other (Note 1)	December 31, 2011
Doosan Heavy Industries & Construction Co., Ltd. ("DHC")	₩2,316,702	₩ -	(₩32,734)	₩121,071	₩14,252	(₩128,106)	₩2,291,185
Guang Dong Xingpu Steel Center	4,456	-	-	(176)	247	-	4,527
Doosan Eco Biznet	170	-	-	15	-	-	185
MVP Capital Co.	611	-	(130)	-	-	(94)	387
Korea Aerospace Industries Co., Ltd.	107,146	(107,053)	(938)	845	-	-	-
Dong-A E&C Contents	11	-	(2)	2	-	-	11
Wilus Inc.	245	-	-	(245)	-	-	-
National Pension 05-5 Neoplux Venture Capital Fund	1,238	(728)	(229)	467	(748)	-	-
National Pension 07-4 Neoplux Venture Capital Fund	3,106	(1,888)	(422)	1,713	(595)	-	1,914
New Wave 3 venture capital fund	1,897	(1,820)	(345)	573	(305)	-	-
New Wave 4 venture capital fund	6,361	-	-	(111)	26	-	6,276
New Wave 5 venture capital fund for infant industries	3,626	(150)	(150)	101	92	-	3,519
KoFC-Neoplux Pioneer Champ2010-7	2,382	2,480	-	(344)	(56)	-	4,462
2010 KIF-Neoplux IT venture capital fund	936	312	-	(246)	-	-	1,002
Neoplux 03-2 CRF	675	(717)	-	42	-	-	-
National Pension 04-2 Neoplux CRF	1,246	(806)	-	(440)	-	-	-
National Pension 06-2 Neoplux CRF	7,630	(4,440)	-	1,227	(82)	-	4,335
Neoplux No. 1 Private Equity Fund	10,205	7,200	-	(827)	2,061	-	18,639
Sichuan Kelun-Doosan Biotechnology Company	-	1,634	-	(52)	188	-	1,770
Total	₩2,468,643	(₩105,976)	(₩34,950)	₩123,615	₩15,080	(₩128,200)	₩2,338,212

Company name	Year ended December 31, 2010 January 1, 2010	Acquisition (disposal)	Dividends	Share of profit (loss)	Increase (decrease) in equity of associates	Other (Note 1)	December 31, 2010
Doosan Heavy Industries & Construction Co., Ltd. ("DHC")	₩1,601,321	₩ -	(₩21,823)	₩599,745	₩107,754	₩29,705	₩2,316,702
Guang Dong Xingpu Steel Center	4,109	-	-	309	38	-	4,456
Doosan Eco Biznet	145	-	-	25	-	-	170
MVP Capital Co.	499	-	-	112	-	-	611
Korea Aerospace Industries Co., Ltd.	99,316	-	(352)	8,132	50	-	107,146
Dong-A E&C Contents	26	-	-	(15)	-	-	11
Edupie	675	-	(675)	-	-	-	-
Wilus Inc.	-	245	-	-	-	-	245
National Pension 05-5 Neoplux Venture Capital Fund	1,291	(819)	-	146	620	-	1,238
National Pension 07-4 Neoplux Venture Capital Fund	4,141	(935)	(488)	660	(272)	-	3,106
New Wave 3 venture capital fund	4,294	(1,445)	(700)	478	(730)	-	1,897
New Wave 4 venture capital fund	2,320	4,372	-	(357)	26	-	6,361
New Wave 5 venture capital fund for infant industries	3,604	(297)	(3)	22	300	-	3,626
KoFC-Neoplux Pioneer Champ2010-7	-	2,480	-	(98)	-	-	2,382
2010 KIF-Neoplux IT venture capital fund	-	975	-	(39)	-	-	936
Neoplux 03-2 CRF	1,133	(466)	-	8	-	-	675
National Pension 04-2 Neoplux CRF	1,656	(328)	-	(82)	-	-	1,246
National Pension 06-2 Neoplux CRF	6,835	-	-	777	18	-	7,630
Neoplux No. 1 Private Equity Fund	3,431	9,000	-	(416)	(1,810)	-	10,205
Total	₩1,734,796	₩12,782	(₩24,041)	₩609,407	₩105,994	₩29,705	₩2,468,643

(Note 1) Other is changes in capital surplus, other capital item and retained earnings of joint ventures and associates.

(3) The condensed financial information of the investees as of December 31, 2011, December 31, 2010 and January 1, 2010, and for the years ended December 31, 2011 and 2010, is as follows (in millions of Korean won):

	As of and for the year ended December 31, 2011				As of and for the year ended December 31, 2010				January 1, 2010	
Companies	Total assets	Total liabilities	Sales	Net income (loss)	Total assets	Total liabilities	Sales	Net income (loss)	Total assets	Total liabilities
Doosan Heavy Industries & Construction Co., Ltd. ("DHC")	₩13,589,169	₩8,792,241	₩8,495,506	₩274,781	₩16,923,223	₩11,747,019	₩7,928,868	₩1,251,584	₩27,703,049	₩23,285,548
Guang Dong Xingpu Steel Center	35,723	14,215	77,457	(837)	44,137	22,966	81,085	1,469	44,137	22,966
Doosan Eco Biznet	960	338	1,005	(70)	948	378	1,450	83	948	378
MVP Capital Co.	1,841	4	60	(10)	2,081	-	1	(109)	2,081	-
Korea Aerospace Industries Co., Ltd.	-	-	-	-	1,502,677	888,374	1,263,368	78,987	1,502,677	888,374
Dong-A E&C Contents	67,586	12,612	292,406	8,055	167	110	1,441	(64)	167	110
Wilus Inc.	1,630	978	2,955	32	1,525	904	2,973	184	1,525	904
National Pension 05-5 Neoplux Venture Capital Fund	-	-	-	-	5,981	18	2,861	(339)	5,981	18
National Pension 07-4 Neoplux Venture Capital Fund	10,740	24	-	9,592	13,477	213	4,807	3,082	13,477	213
New Wave 3 venture capital fund	-	-	-	-	5,863	237	3,891	1,659	5,863	237
New Wave 4 venture capital fund	25,254	149	-	(443)	25,343	5	349	(1,430)	25,343	5
New Wave 5 venture capital fund for infant industries	11,808	77	-	338	11,089	3	385	74	11,089	3
KoFC-Neoplux Pioneer Champ2010-7	22,988	318	-	(1,748)	12,102	-	109	(498)	12,102	-
2010 KIF-Neoplux IT venture capital fund	4,777	154	-	(1,137)	4,470	150	34	(180)	4,470	150
Neoplux 03-2 CRF	-	-	-	-	13,945	7,283	2	76	13,945	7,283
National Pension 04-2 Neoplux CRF	-	-	-	-	12,224	48	200	(824)	12,224	48
National Pension 06-2 Neoplux CRF	43,965	615	14,433	12,274	78,802	2,504	534	(1,593)	78,802	2,504
Neoplux No. 1 Private Equity Fund	127,968	3,708	(4,329)	(5,514)	68,233	196	328	(2,772)	68,233	196
Sichuan Kelun-Doosan Biotechnology Company	3,556	17	-	(105)	-	-	-	-	-	-

(4) Fair values of marketable investment in joint ventures and associates 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	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Doosan Heavy Industries & Construction Co., Ltd.	₩2,291,185	₩2,841,303	₩2,316,702	₩3,744,759	₩1,601,321	₩3,539,626

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	₩730,136	₩333,036	₩111,156	₩61,940	₩12,887	₩1,249,155
Acquisition	673	4,465	27,307	90,123	67,607	190,175
Government subsidy	-	-	(361)	(22)	-	(383)
Reclassifications (Note 1)	-	8,197	60,068	(36,616)	(38,658)	(7,009)
Disposal	(257)	(933)	(585)	(2,989)	(1,066)	(5,830)
Depreciation	(43)	(15,149)	(26,958)	(26,037)	-	(68,187)
Impairment	-	-	(540)	-	-	(540)
Others (Note 2)	48,916	20,364	11,930	7,295	3,969	92,474
Balance at December 31, 2011	₩779,425	₩349,980	₩182,017	₩93,694	₩44,739	₩1,449,855
Acquisition cost	779,425	427,362	410,194	192,881	44,739	1,854,601
Accumulated depreciation and impairment	-	(77,382)	(226,334)	(99,076)	-	(402,792)
Government subsidy	-	-	(1,843)	(111)	-	(1,954)

(Note 1) Reclassification of construction in progress to intangible asset.

(Note 2) In 2011, Doosan Industrial Vehicle Co., Ltd. and Doosan Electro-Materials Changshu Co., Ltd. are newly included in the consolidation.

	Year ended December 31, 2010					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2010	₩660,209	₩336,086	₩90,824	₩72,995	₩1,743	₩1,161,857
Acquisition	5	823	17,949	31,217	45,158	95,152
Government subsidy	-	-	(705)	(33)	-	(738)
Reclassifications (Note 1)	68,925	9,628	27,255	(4,113)	(35,521)	66,174
Disposals	-	(36)	(1,819)	(1,659)	-	(3,514)
Depreciation	-	(12,801)	(22,516)	(24,450)	-	(59,767)
Impairment	-	-	(20)	41	-	21
Others (Note 2)	997	(664)	188	(12,058)	1,507	(10,030)
Balance at December 31, 2010	₩730,136	₩333,036	₩111,156	₩61,940	₩12,887	₩1,249,155
Acquisition cost	730,136	394,350	313,018	138,945	12,887	1,589,336
Accumulated depreciation and impairment	-	(61,314)	(200,276)	(76,860)	-	(338,450)
Government subsidy	-	-	(1,586)	(145)	-	(1,731)

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

(Note 2) N Shaper Corp. is newly included and Samhwa Crown & Closure Co., Ltd. was excluded in the consolidation.

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 such assets as collateral or to sell (see Note 35).

(2) Property plant 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	₩22,519	₩4,097	₩4,714
Accumulated depreciation	(5,067)	(821)	(118)
Book value	₩17,452	₩3,276	₩4,596

Total minimum lease payments of finance lease 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	₩6,146	₩5,629	₩990	₩951	₩947	₩857
1–5 years	8,536	8,072	409	397	1,568	1,516
Total	14,682	₩13,701	1,399	₩1,348	2,515	₩2,373
Present value adjustment	(981)		(51)		(142)	
Finance lease payables	₩13,701		₩1,348		₩2,373	

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 ₩13,701 million (see Note 35).

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	₩87,950	₩678	₩22,945	₩44,408	₩155,981
Acquisition	-	533	9,885	14,673	25,091
Government subsidy	-	-	(103)	(5,855)	(5,958)
Reclassifications	-	-	-	7,009	7,009
Disposal	-	-	-	(867)	(867)
Amortization	-	(236)	(7,455)	(10,727)	(18,418)
Impairment	-	-	(107)	(1,976)	(2,083)
Others (Note 1)	55,784	292	1,548	69,810	127,434
December 31, 2011	₩143,734	₩1,267	₩26,713	₩116,475	₩288,189
Acquisition cost	143,734	2,645	49,238	144,839	340,456
Accumulated depreciation and impairment	-	(1,378)	(22,016)	(22,509)	(45,903)
Government subsidy	-	-	(509)	(5,855)	(6,364)

(Note 1) In 2011, Doosan Industrial Vehicle Co., Ltd. and Doosan Electro-Materials Changshu Co., Ltd. are newly included in the consolidation.

	Year ended December 31, 2010				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
January 1, 2010	₩87,950	₩7,360	₩23,632	₩26,017	₩144,959
Acquisition	-	330	3,776	3,372	7,478
Government subsidy	-	-	(83)	-	(83)
Reclassifications	-	-	(48)	8,399	8,351
Disposal	-	-	-	(511)	(511)
Amortization	-	(7,015)	(4,727)	(3,671)	(15,413)
Impairment	-	-	(2,038)	20	(2,018)
Others (Note 1)	-	3	2,433	10,782	13,218
December 31, 2010	₩87,950	₩678	₩22,945	₩44,408	₩155,981
Acquisition cost	87,950	1,294	37,866	54,544	181,654
Accumulated depreciation and impairment	-	(616)	(14,406)	(10,136)	(25,158)
Government subsidy	-	-	(515)	-	(515)

(Note 1) N Shaper Corp. is newly included and Samhwa Crown & Closure Co., Ltd. was excluded in the consolidation.

As of December 31, 2011 and 2010, other intangible assets include the carrying amount of membership amounting to ₩23,468 million and ₩17,502 million, respectively, and expenditure on research and development, which was recognized as expenses, amounted to ₩33,527 million and ₩21,008 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
Doosan Industrial Vehicle	Manufacturing and sale of industrial vehicle
Oricom	Advertising

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	₩84,562
Information and communications	2,015	2,015	2,015
Doosan Industrial Vehicle	55,784	-	-
Oricom	1,373	1,373	1,373
Total	₩143,734	₩87,950	₩87,950

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	₩151,140	₩18,072	₩169,212
Acquisition	13	1,506	1,519
Disposal	(5,487)	(637)	(6,124)
Depreciation	-	(858)	(858)
December 31, 2011	₩145,666	₩18,083	₩163,749
Acquisition cost	145,666	24,545	170,211
Accumulated depreciation and impairment	-	(6,462)	(6,462)

	Year ended December 31, 2010		
	Land	Buildings	Total
January 1, 2010	₩219,093	₩24,578	₩243,671
Acquisition	647	570	1,217
Reclassifications (Note 1)	(68,456)	(6,069)	(74,525)
Disposal	(144)	(196)	(340)
Depreciation	-	(811)	(811)
December 31, 2010	₩151,140	₩18,072	₩169,212
Acquisition cost	151,140	23,873	175,013
Accumulated depreciation and impairment	-	(5,801)	(5,801)

(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.

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	₩152,991	₩158,451
Buildings	16,221	23,164
Total	₩169,212	₩181,615

The recognized amount of rental income from investment property for the years ended December 31, 2011 and 2010, is ₩3,521 million and ₩3,425 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	3M CD+3.5%	-	-	43,500
Subtotal		487,000	347,000	343,500
Doosan Dong-A Co., Ltd.		30,000	60,000	50,000
Doosan Tower Co., Ltd.		110,000	55,000	75,000
Doosan DST Co., Ltd.		-	-	50,000
Subtotal		140,000	115,000	175,000
Total		₩627,000	₩462,000	₩518,500
Less: Current portion of long-term bonds		(117,000)	(205,000)	(193,500)
Discount on current portion of long-term bonds		81	149	51
Discount on non-current portion of long-term bonds		(2,296)	(1,159)	(758)
Long-term bonds		₩507,704	₩255,841	₩324,242

(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	Hana Bank and others	4.93–6.90	₩203,303	₩220,900	₩135,400
Overdraft	Woori Bank and others	6.76–8.00	-	2	7
Usance (document against acceptance and payment)	Woori Bank and others	0.93–3.43	79,905	84,934	112,660
Total			₩283,208	₩305,836	₩248,067

2) Long-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Borrowings in Korean won	Korea Development Bank	1.00–7.46	₩85,962	₩100,354	₩116,320
	Hana Bank	5.26–6.20	50,000	50,000	98,145
	Kwangju Bank	6.96–7.49	10,000	10,000	5,092
	Korea Housing Guarantee	1.00	2,904	2,904	2,904
	Kookmin Bank	1.00–3.00	226	1,207	283
	Woori Bank	4.00–6.20	2,513	2,513	-
	Korea EximBank	5.18	20,000	-	-
	Shinhan Bank	4.93	40,000	-	-
	Korea Development Bank and others	5.98–6.20	140,000	-	-
	National Agricultural Cooperative Federation	1.00	29	53	15,345
	Kyongnam Bank	7.20	-	10,000	11,820
	SC First Bank	5.35	-	8,700	17,000
	National Federation of Fisheries Cooperatives	7.85	-	-	5,095
	Dongbu Insurance	7.85	-	-	7,638
	Shinhan Capital	8.00	-	-	2,546
	KDB Capital Corporation	8.00	-	-	20,367
	National Pension Service	7.85	-	-	20,367
	The KOREA Securities Finance Corporation	8.00	-	-	20,337
	Subtotal		351,634	185,731	343,259
Borrowings in foreign currency	Korea EximBank	Libor(3M)+2.35	28,749	-	-
	Doosan Infracore Germany GmbH.	5.00	676	-	-
	Subtotal		29,425	-	-
	Total		₩381,059	₩185,731	₩343,259
Less: Current portion of long-term borrowings			(38,446)	(134,667)	(53,104)
Discount on current portion of long-term borrowings			29	-	-
Discount on non-current portion of long-term borrowings			(1,475)	(79)	(2,405)
	Net		₩341,138	₩50,985	₩287,750

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 funded defined benefit obligation	₩184,888	₩138,178	₩115,183
Present value of unfunded defined benefit obligation	1,398	1,568	1,200
Fair value of plan assets	(59,038)	(58,125)	(51,371)
Total	₩127,248	₩81,621	₩65,012

(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	₩23,752	₩17,578
Interest cost	6,861	6,402
Expected return on plan assets	(2,566)	(1,921)
Total	₩28,047	₩22,059

(3) Details of the total expense recognized in the consolidated 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	₩13,804	₩9,842
Selling and administrative expenses	13,574	11,509
Research and development cost	669	-
Profit from discontinued operations	-	708
Total	₩28,047	₩22,059

(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	₩139,746	₩116,383
Current service cost	23,752	17,578
Transfer in	1,306	801
Transfer out	(1,307)	(773)
Interest cost	6,861	6,402
Benefit paid	(24,108)	(22,171)
Actuarial gain or loss	28,891	19,027
Business combination (division)	11,208	2,499
Ending balance	₩186,349	₩139,746

(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	₩58,125	₩51,371
Expected return on plan assets	2,566	1,921
Contributions by employer directly to plan assets	-	9,695
Transfer in	(386)	46
Actuarial gain or loss	(946)	(99)
Benefit paid	(5,322)	(5,224)
Others	5,001	415
Ending balance	₩59,038	₩58,125

(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%	4.50%
Expected rate of salary increase (Note 1)	Employee 5.00–8.00% Director 8.00%	Employee 5.40% Director 8.00%

(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	₩727	₩724	₩464
Debt instruments	18,596	20,012	18,663
Others	39,715	37,389	32,244
Total	₩59,038	₩58,125	₩51,371

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 (Note 1)	December 31, 2011	Current	Non-current
Provision for product warranties	₩2,680	₩654	(₩2,009)	₩7,045	₩8,370	₩8,370	₩ -
Provision for product returned goods	5,931	9,248	(10,040)	554	5,693	5,693	-
Asset retirement obligations	3,444	1,202	(201)	(142)	4,303	-	4,303
Total	₩12,055	₩11,104	(₩12,250)	₩7,457	₩18,366	₩14,063	₩4,303

(Note 1) Others include amounts from changes in scope of consolidation and foreign currency exchange rates.

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 recognized 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 shares	Preferred shares	Common shares	Preferred shares	Total	Share premium
Balance at January 1, 2010	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
Asset revaluation reserve	277,542	277,542	277,542
Other capital surplus	397,663	433,810	422,561
Total	₩676,595	₩712,742	₩701,493

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	-
Other capital items	(104,557)	(74,952)	(105,184)
Total	(₩448,261)	(₩190,258)	(₩215,349)

(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. The Company includes ₩336,536 million as 9,152,317 shares of treasury stock in other capital items as of December 31, 2011.

(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
6th	2006.2.27	4.87%	3.00	48.21%	0%
8th	2007.3.16	4.79%	3.00	46.73%	0%
9th	2008.3.21	5.18%	3.00	58.89%	0%
10th	2009.3.27	3.71%	3.53	69.82%	22%
11th	2009.7.28	4.17%	3.27	70.11%	21%
12th	2010.3.26	3.82%	3.27	71.67%	35%
13th	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.

Oricom Inc., consolidated subsidiary, granted share options to its executives. The compensation costs of share options amounted to ₩159 million and ₩45 million for the years ended December 31, 2011 and 2010, respectively. Meanwhile expense to be recognized in the future periods amounted to ₩137 million.

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	₩90,480	₩2,997	₩2,641
Increase (decrease) in equity of associates	(64,559)	(78,623)	(182,479)
Gain (loss) on translation of foreign operations	4,618	91	-
Unrealized gain (loss) on valuation of derivatives	(3,367)	597	-
Total	₩27,172	(₩74,938)	(₩179,838)

(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	₩124,761	(₩34,281)	₩90,480	₩3,798	(₩801)	₩2,997	₩3,253	(₩612)	₩2,641
Increase (decrease) in equity of associates	(66,518)	1,959	(64,559)	(81,177)	2,554	(78,623)	(187,786)	5,307	(182,479)
Gain (loss) on translation of foreign operations	6,092	(1,474)	4,618	120	(29)	91	-	-	-
Unrealized gain (loss) on valuation of derivatives	(4,442)	1,075	(3,367)	788	(191)	597	-	-	-
Total	₩59,893	(₩32,721)	₩27,172	(₩76,471)	₩1,533	(₩74,938)	(₩184,533)	₩4,695	(₩179,838)

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	₩20,184	₩9,738	₩2,829
Voluntary reserve	73,585	33,191	3,759
Unappropriated retained earnings	2,372,853	2,254,374	1,600,829
Total	₩2,466,622	₩2,297,303	₩1,607,417

(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	₩2,297,303	₩1,607,417
Profit for the year	305,191	768,020
Actuarial gains and losses directly recognized in retained earnings	(18,391)	(11,262)
Retained earnings of investments in associates	(59,321)	(8,536)
Payment of dividends	(57,927)	(58,336)
Others	(233)	-
Ending balance	₩2,466,622	₩2,297,303

(3) 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		
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 number of 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	4.09%	0.92%	16.45%	1.36%	0.30%	5.97%
Dividend yield ratio	8.73%	8.33%	2.10%	5.12%	4.90%	1.62%

25. SEGMENT INFORMATION:

The Company’s operating segments are as follows:

Business segment	Main products
Defense	Military hardware
Service	Leasing, food and groceries, advertisements, maintenance, repair and operation
Financial	Venture capital
Manufacturing	Industrial vehicles, oil hydraulic equipment, copper clad laminates, books, foraging and other

(1) Information for each business segment as of and for the years ended December 31, 2011 and 2010, is as follows (in millions of Korean won) :

	Year ended December 31, 2011				
	Sales	Intercompany	Net sales	Operating income	Net income
Defense	₩911,001	(₩1)	₩911,000	₩81,293	₩64,292
Service	1,224,106	(42,080)	1,182,026	194,897	138,671
Financial	34,264	(1,195)	33,069	12,105	10,313
Manufacturing	2,061,510	(154,292)	1,907,218	133,132	101,566
Subtotal	4,230,881	(197,568)	4,033,313	421,427	314,842
Elimination	(197,568)	-	-	31,815	37,569
Total	₩4,033,313	₩ -	₩ -	₩453,242	₩352,411

	Year ended December 31, 2010				
	Sales	Intercompany	Net sales	Operating income	Net income
Defense	₩814,938	(₩ -)	₩814,938	₩88,370	₩71,067
Service	901,341	710,458	1,611,799	63,195	57,335
Financial	27,584	(2,305)	25,279	7,726	6,252
Manufacturing	1,647,373	(346,794)	1,300,579	141,683	114,261
Subtotal	3,391,236	361,359	3,752,595	300,974	248,915
Elimination	361,359	-	-	598,934	567,130
Total	₩3,752,595	₩ -	₩ -	₩899,908	₩816,045

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

(2) Total assets and liabilities of each business segment 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	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Defense	₩755,509	₩401,182	₩986,884	₩634,037	₩861,668	₩557,993
Service	3,860,702	1,644,008	3,686,709	1,382,139	3,953,704	1,539,028
Financial	58,389	6,227	65,410	22,073	52,727	13,205
Manufacturing	1,414,892	850,760	825,105	556,164	948,575	595,000
Subtotal	6,089,492	2,902,177	5,564,108	2,594,413	5,816,674	2,705,226
Elimination	206,729	(95,005)	366,193	(95,095)	(701,910)	(214,481)
Total	₩6,296,221	₩2,807,172	₩5,930,301	₩2,499,318	₩5,114,764	₩2,490,745

(3) Sales information by geographical segment for the years ended December 31, 2011 and 2010, is as follows (in millions of Korean won) :

	Year ended December 31, 2011			Year ended December 31, 2010		
	Sales	Intercompany	Net sales	Sales	Intercompany	Net sales
Domestic	₩3,882,899	(₩181,404)	₩3,701,495	₩3,231,449	₩367,377	₩3,598,826
Asia	145,117	(10,684)	134,433	159,787	(6,018)	153,769
Other	202,865	(5,480)	197,385	-	-	-
Subtotal	4,230,881	(₩197,568)	₩4,033,313	3,391,236	₩361,359	₩3,752,595
Elimination	(197,568)			361,359		
Total	₩4,033,313			₩3,752,595		

26. REVENUES:

Details of revenues 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
1. Sales of goods		
-Manufactured products	₩2,668,771	₩2,305,546
-Merchandise	493,819	304,528
2. Share of profit (loss) of associates	123,615	609,407
3. Others (Note 1)	747,108	533,114
Total	₩4,033,313	₩3,752,595

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

27. CONSTRUCTION CONTRACT:

(1) Details of the Company's accumulated construction income and assets and liabilities related to construction contracts as of and for the years ended December 31, 2011 and 2010, are as follows (in millions of Korea won) :

	Year ended December 31, 2011					
				Receivable from construction contract		
	Accumulated construction cost	Accumulated construction revenue	Advances from construction contract	Claimed	Unclaimed	Due to customers for contract work
Research and Development of trial manufactured goods and other	₩221,933	₩238,893	₩66,209	₩3,350	₩44,867	₩3,502

	Year ended December 31, 2010					
				Receivable from construction contract		
	Accumulated construction cost	Accumulated construction revenue	Advances from construction contract	Claimed	Unclaimed	Due to customers for contract work
Research and Development of trial manufactured goods and other	₩150,230	₩164,153	₩69,949	₩7,884	₩46,258	₩10,441

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

Ordering organization	Project	Period	January 1, 2011	Increase (decrease)	Revenue recognized	December 31, 2011
	Year ended December 31, 2011					
Defense acquisition program administration and other	Research and development of trial manufactured goods and other	2006.12.26 –2015.5.31	₩214,324	₩45,299	(₩74,741)	₩184,882

Ordering organization	Project	Period	January 1, 2010	Increase (decrease)	Revenue recognized	December 31, 2010
	Year ended December 31, 2010					
Defense acquisition program administration and other	Research and development of trial manufactured goods and other	2006.12.26 –2015.5.31	₩176,608	₩126,949	(₩89,233)	₩214,324

28. EXPENSES CLASSIFIED BY NATURE:

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

	Year ended December 31, 2011	Year ended December 31, 2010
Employee benefits	₩467,855	₩370,063
Depreciation and amortization	87,464	75,991
Total	₩555,319	₩446,054

29. 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):

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries	₩224,572	₩174,364
Provision for retirement and severance benefits	13,574	11,509
Share-based payment	4,654	2,495
Employee welfare	33,061	27,631
Travel	13,610	10,245
Communications	3,213	2,515
Utilities	10,270	9,789
Sales commission	14,186	3,445
Printing	940	524
Office expense	2,486	2,057
Miscellaneous administrative	4,180	4,018
Taxes and dues	7,649	5,700
Rent	64,709	54,780
Leases	212	146
Depreciation	18,465	15,257
Repairs and maintenance	3,693	3,585
Insurance	2,348	2,073
Entertainment	7,520	5,884
Advertising	26,188	23,489
Automobile maintenance	1,998	1,560
Packaging	4,543	2,773
Research and development	31,379	19,897
Education and training	13,385	9,847
Freight and custody	25,506	18,769
Sales promotion	765	335
Royalty	13,893	13,393
Service fees	65,607	52,577
Maintenance on office	8,145	6,528
Outsourcing fee	15,909	11,292
Sample	5,056	4,636
Bad debt expense	1,534	674
Amortization	16,789	9,439
Overseas marketing	16	420
Maintenance of overseas branch	990	566
Warranty	44	-
Others	207	309
Total	₩661,296	₩512,521

30. OTHER OPERATING INCOME AND EXPENSES:

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

	Year ended December 31, 2011	Year ended December 31, 2010
Other operating income:		
Gain on sale of investments in associates	₩34,864	₩ -
Gain on disposal of property, plant and equipment	359	969
Gain on disposal of intangible assets	450	302
Gain on disposal of investment property	891	-
Recovery of loss on impairment of property, plant and equipment	-	41
Recovery of loss on impairment of intangible assets	22	20
Gain on disposal of other investment assets	46	5,842
Rental income	147	192
Reversal of allowance for doubtful accounts	911	1,124
Gain on disposal of non-current assets held for sale	-	2,146
Gain from bargain purchase	1,956	-
Gain on litigation	6,387	-
Others	15,158	10,023
Subtotal	61,191	20,659
Other operating expenses:		
Loss on sale of trade receivables	586	-
Loss on disposal of investments in associates	-	513
Impairment loss of investments in associates	94	127
Loss on disposal of property, plant and equipment	2,588	1,699
Impairment loss of property, plant and equipment	540	21
Loss on disposal of intangible assets	79	48
Impairment loss of intangible assets	2,105	2,038
Loss on disposal of investment property	6	102
Loss on disposal of other investment assets	2	82
Impairment loss of other non-current assets	28	429
Depreciation expenses on assets not in use	32	32
Other bad debt expense	957	431
Donation	6,616	7,014
Others	3,169	12,967
Subtotal	16,802	25,503
Total	₩44,389	(₩4,844)

(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 them 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).

31. 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):

	Year ended December 31, 2011	Year ended December 31, 2010
Finance income:		
Interest income		
-Cash and cash equivalents	₩8,560	₩9,473
-Long-term and short-term financial instruments	536	781
-Trade and other receivable	3,621	5,757
-Held-to-maturity investments	73	60
-Others	97	27
Subtotal	12,887	16,098
Dividend income		
- AFS securities	223	218
Gain on foreign currency transaction	28,295	19,438
Gain on foreign currency translation	5,428	3,195
Gain on derivative transactions	3,558	730
Gain on valuation of derivatives	-	1,435
Income on financial guarantee	110	34
Total	50,501	41,148
Finance expenses:		
Interest expenses		
-Long-term and short-term borrowings	30,395	32,609
-Bonds	29,018	24,240
-ABS liabilities	292	4,209
-Financial lease debt	431	90
-Others	5,122	4,642
Subtotal	65,258	65,790
Loss on foreign currency transaction	27,388	19,054
Loss on foreign currency translation	5,843	4,473
Loss on derivative transactions	1,754	916
Loss on valuation of derivatives	191	-
Loss on retirement of bonds	71	1,710
Guarantee expense	72	-
Total	100,577	91,943
Net financial expense	(₩50,076)	(₩50,795)

32. 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	₩48,374	₩53,887
Deferred income tax	20,078	39,807
Total income tax expense	68,452	93,694
Deferred income tax directly charged to equity	(17,698)	8,934
Income tax expense recognized in discontinued operations	-	(16,656)
Income tax expense	₩50,754	₩85,972

(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	-	15,419
Income tax expense recognized in discontinued operations	₩ -	₩16,656

(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 against deferred tax liabilities relating 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	Change	December 31, 2011
Accrued income	(₩208)	(₩25)	(₩233)
Allowance for inventories	2,188	3,296	5,484
AFS securities	5,617	(32,225)	(26,608)
Investment in associates	(19,973)	56	(19,917)
Property, plant and equipment	(53,887)	(1,812)	(55,699)
Accrued expenses	15,409	3,831	19,240
Retirement benefit obligation	11,378	11,267	22,645
Reserve for research and human resource	(21,527)	(9,244)	(30,771)
Revenue recognition	6,282	(5,428)	854
Others	16,132	(2,102)	14,030
Consolidation adjustment	(35,434)	12,308	(23,126)
Total	(₩74,023)	(₩20,078)	(₩94,101)

	January 1, 2010	Change	December 31, 2010
Accrued income	(₩148)	(₩60)	(₩208)
Allowance for inventories	5,098	(2,910)	2,188
AFS securities	6,409	(792)	5,617
Investment in associates	(19,973)	-	(19,973)
Property, plant and equipment	(60,340)	6,453	(53,887)
Accrued expenses	12,512	2,897	15,409
Retirement benefit obligation	9,901	1,477	11,378
Reserve for research and human resource	(10,087)	(11,440)	(21,527)
Revenue recognition	826	5,456	6,282
Others	29,381	(13,249)	16,132
Consolidation adjustment	(7,795)	(27,639)	(35,434)
Total	(₩34,216)	(₩39,807)	(₩74,023)

(4) Temporary differences, net loss and tax credit carryforwards, which have not been recognized as deferred income tax assets and expired and unused 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
Deductible temporary differences	₩22,095	₩26,448	₩36,901

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	(₩74,352)	₩109,692	₩178,464
Associated company	(1,668,060)	(1,758,812)	(1,139,320)
Total	(₩1,742,412)	(₩1,649,120)	(₩960,856)

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

	2011	2010
Profit before income tax	₩403,166	₩849,113
Income tax expense at statutory income tax rate	96,746	202,739
Adjustment:		
Non-temporary difference	(3,667)	(3,315)
Temporary difference not recognized as deferred income tax	(27,673)	(105,403)
Tax credits	(7,420)	(4,136)
Effect of tax rate change	4,680	(2)
Additional income tax and tax refund for prior periods	(10,871)	-
Others	(1,041)	(3,911)
Income tax expense	₩50,754	₩85,972
Effective tax rate	12.59%	10.12%

33. EARNINGS (LOSS) PER SHARE:

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

(1) Basic earnings per share

Basic earnings 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	₩305,191,267,488	₩720,467,824,361	₩47,552,093,548	₩768,109,917,909
Dividends for preferred share	(34,937,249,904)	(20,440,065,286)	(8,659,072,149)	(29,099,137,435)
Net income available to common share	270,254,017,584	700,027,759,075	38,893,021,399	738,920,780,474
Weighted-average number of common shares outstanding	17,412,511	18,308,008	18,308,008	18,308,008
Basic net income per share	₩15,521	₩38,236	₩2,214	₩40,361

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

	2011	2010
Beginning outstanding shares	18,340,721	18,219,134
Effect of share options 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	₩270,254,017,584	₩700,027,759,075	₩38,893,021,399	₩738,920,780,474
Share-based compensation cost	-	-	-	-
Adjusted net income available to common shares	270,254,017,584	700,027,759,075	38,893,021,399	738,920,780,474
Adjusted weighted-average number of common shares outstanding	17,445,110	18,359,331	18,359,331	18,359,331
Diluted net income per share	₩15,492	₩38,129	₩2,118	₩40,248

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

	2011	2010
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:

	2011	2010
Share options	206,210	159,210

34. COMMITMENTS AND CONTINGENCIES:

(1) Company pledged several notes and checks to financial institutions as collateral for long-term borrowings and performance guarantee agreements.

(2) As of December 31, 2011, the Company has entered into bank overdraft agreements amounting ₩52,400 million with various financial institutions including Hana Bank.

(3) Doosan Industrial Vehicle (DIV), the Company’s subsidiary, entered into a loan agreement with lenders including Korea Development Bank, Hana Bank and Woori Bank for long-term borrowing in connection with the acquisition of industrial vehicle business segment of Doosan Infracore Co. Ltd. and subsidiaries. This agreement requires DIV to maintain a ratio based on net interest expense divided by EBITDA, to be less than one, at each reporting period. In case of a breach of this debt covenant, DIV’s shareholders may be required to make additional funding.

On the other hand, in this case, completion date of supplemental funding letter is within 30 days after the reporting date of audit report or semiannual review report; absence of supplemental funding until completion date, DIV can lose its benefit of time.

(4) The Company is involved in lawsuits as a defendant with claims exposure of ₩4,075 million as of December 31, 2011. The ultimate outcome of the lawsuit cannot presently be determined.

(5) Doosan DST, the Company’s subsidiary, has terminated delivery of ‘K-21 infantry fighting vehicles First production contract’ on September 2, 2011, but liquidated damages due to delivery delays (75,900 million) have occurred. Accordingly, on September 30, 2011, DST submitted the application to exempt it from liquidated damages, and as of the audit report date, DAPA(Defense Acquisition Program Administration) is preparing for the deliberations of application for exemption. The Company did not set provision because a reliable estimate cannot be made of the amount of the obligation.

(6) 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 ₩15,296 million as license fee.

(7) The Company entered into operating lease agreements of bus for baseball players and other. Lease payment schedule as of December 31, 2011 and 2010, is as follows (in millions of Korean won):

Description	December 31, 2011	December 31, 2010
Under 1 year	334	110
1–5 years	192	27
Total	526	137

(8) As of December 31, 2011, guarantees indemnifying for affiliated companies are as follows (in thousands of foreign currency, in millions of Korean won):

Provider	Provided to	Amount
The Parent 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
Total		₩1,202 USD 31,000

(9) 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	Amount
Guarantees received from financial institutions	Seoul Guarantee Insurance	The Parent Company	₩9,376
	Korea Defense Industry Association and others		55,033
	Woori Bank		USD 9,102
	Woori Bank and others		USD 21,160
	Seoul Guarantee Insurance	Oricom	884
	Seoul Guarantee Insurance	Doosan Feed & Livestock Co., Ltd	1,638
	Seoul Guarantee Insurance	SRS Korea	694
	Seoul Guarantee Insurance	Doosan DST	167,996
	Korea Defense Industry Association		423,342
	Seoul Guarantee Insurance	Doosan Industrial Vehicle	294
	Machinery Financial Cooperative		553
Total			₩659,810 USD 30,262

35. 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
Hana Bank and others	Property, plant and equipment, securities and financial instruments	₩135,726	₩191,455
		USD 5,097	USD 9,436
		EUR 33	
Korea Development Bank	Property, plant and equipment and deposit	345,633	842,324
		USD 11,568	USD 132,461
			DM 84,000
Doosan Infracore Germany	Property, plant and equipment	EUR 200	EUR 215
Korea Housing Guarantee Co., Ltd.	Securities	2,904	464
HP Financial Service	Financial lease assets	13,701	17,452

36. RELATED-PARTY TRANSACTIONS:

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

(1) Nature of relationship

Relationship with the Company	Company name
Associates	Doosan Heavy Industries & Construction Co., Ltd., Guang Dong Xingpu Steel Center, Doosan Eco Biznet, MVP Capital Co. Dong-A E&C Contents, Wilus Inc., National Pension 07-4 Neoplux Venture Capital Fund, New Wave 4 venture capital fund, New Wave 5 venture capital fund for infant industries, KoFC-Neoplux Pioneer Champ 2010-7, 2010 KIF-Neoplux IT venture capital fund, National Pension 06-2 Neoplux CRF, Neoplux No. 1 Private Equity Fund and Sichuan Kelun-Doosan Biotechnology Company Limited
Other related parties (Note 1)	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, , Doosan Credit Union, Yeongang Foundation, Trance Route Doosan Co., Ltd., Neo Trans, DFMS, HANJUNG POWER Limited, Doosan Infracore Xinjiang Machinery Co., Ltd..

(Note 1) Other related parties include associates and subsidiaries of associates.

(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):

Description	Year ended December 31, 2011 Sales and others	Year ended December 31, 2011 Purchases and others	Year ended December 31, 2010 Sales and others	Year ended December 31, 2010 Purchases and others
Associates	₩148,002	₩8,638	₩106,988	₩9,308
Other related parties	519,464	120,288	337,661	67,991
Total	₩667,466	₩128,926	₩444,649	₩77,299

(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
Associates	₩48,472	₩2,015	₩28,595	₩1,761	₩30,024	₩294
Other related parties	164,154	15,968	123,371	14,239	112,074	15,680
Total	₩212,626	₩17,983	₩151,966	₩16,000	₩142,098	₩15,974

(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	Year ended December 31, 2011	Year ended December 31, 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

37. CONSOLIDATED STATEMENTS OF CASH FLOWS:

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

	2011	2010
Adjustments:		
Expenses not involving cash payments and others:		
Interest expense	₩65,258	₩65,933
Foreign currency translation loss	5,843	4,473
Loss on valuation of derivatives	191	-
Loss on retirement of bonds	71	1,710
Depreciation	69,045	60,578
Amortization	18,418	15,413
Loss on disposal of property, plant and equipment	2,588	1,824
Loss on impairment of property, plant and equipment	540	21
Loss on disposal of intangible assets	79	48
Impairment of intangible assets	2,105	2,038
Loss on disposal of investment property	6	102
Severance indemnities	28,047	22,059
Income tax expense	50,754	102,628
Bad debt expense	1,534	674
Other bad debt expense	957	431
Loss on disposal of accounts receivable	586	-
Loss on valuation of inventories	14,670	-
Loss on disposal of inventories	2,272	1,981
Contribution to provision	9,902	15,647
Share of loss of equity-accounted investees	2,266	1,007
Loss on disposal of investment in associate	-	513
Loss on impairment of investment in associate	94	127
Share-based payment	4,754	2,792
Others	1,979	1,365
Subtotal	281,959	301,364

Income not involving cash receipts and others:		
Interest income	12,887	16,111
Dividend income	223	218
Foreign currency translation gain	5,428	3,290
Gain on valuation of derivatives	-	1,435
Gain on disposal of investment in associate	34,864	-
Gain on disposal of investment in subsidiary	-	9,638
Gain on disposal of property, plant and equipment	359	1,043
Recovery of loss on impairment of property, plant and equipment	-	41
Gain on disposal of intangible asset	450	302
Recovery of loss on impairment of intangible asset	22	20
Gain on disposal of investment property	891	-
Gain on disposal of asset held for sale	-	2,146
Gain on disposal of other investment asset	46	5,842
Gain on bargain purchase	1,956	-
Reversal of allowance for doubtful accounts	911	1,124
Recovery of impairment of inventory	-	11,220
Share of profit of equity-accounted investees	125,881	610,415
Gains on disposal of business segment	-	30,204
Others	2,454	3,989
Subtotal	(186,372)	(697,038)
Total	₩95,587	(₩395,674)

	2011	2010
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	₩30,530	(₩85,623)
Decrease (increase) in due from customers for contract work	387	(4,194)
Decrease in other receivables	31,371	26,506
Decrease (increase) in inventories	134,265	(132,132)
Decrease in other current assets	49,680	12,466
Decrease in other non-current assets	11,219	126
Increase (decrease) in trade payable	(164,698)	194,912
Increase (decrease) in due to customers for contract work	(6,939)	5,259
Decrease in other payables	(10,514)	(34,885)
Decrease in provisions	(8,136)	(13,523)
Increase (decrease) in other current liabilities	(150,156)	50,132
Increase (decrease) in other non-current liabilities	315	(5,216)
Payment of severance benefits	(24,108)	(22,171)
Accrued severance benefits transferred from (in) affiliated companies	(64)	28
Decrease (increase) in plan assets	5,708	(4,517)
Total	(₩101,140)	(₩12,832)

(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	₩38,658	₩35,521
Reclassification of bonds	117,000	205,000
Reclassification of long-term debts	37,417	134,667
Assets acquired through capital lease	18,422	-

(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.

38. ASSETS (DEBTS) HELD FOR SALE:

Assets (debts) 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
Asset held for sale (Note 1)	₩ -	₩ -	₩16,481
Subsidiary held for sale (Note 2)	-	-	85,658
Total	₩ -	₩ -	₩102,139

(Note 1) The Company reclassified property to asset held for sale due to deciding to close An-san plant of Electro-Material BG in 2009, and the plant was sold in 2010.

(Note 2) The Company reclassified the book value of Samhwa Crown & Closure Co., Ltd.'s asset and debt to asset (debt) held for sale due to deciding to sell Samhwa Crown & Closure Co., Ltd., and it was sold in 2010.

39. DISCONTINUED OPERATIONS:

The Company discontinued its bottle-cap manufacturing business and apparel business, and details of such discontinued operations are as follows:

(1) Details of discontinued operations

Details	Bottle-cap manufacturing business	Apparel business
Main products and services	Bottle-cap manufacturing business	Clothing imported from the Polo Ralph Lauren
Public announcement date	September 30, 2010	July 23, 2010
Business disposal date	September 30, 2010	December 31, 2010
Method	Sold off shares	Partial business transfer
Acquiring company	Keum Be Co., Ltd.	Polo Ralph Lauren Korea
Transfer price (in millions of Korean won)	₩30,536	₩52,137

(2) Initial public announcement

According to a plan for the purpose of business discontinuance, the Company disposed of its business segments through sold off shares and a partial business transfer.

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

Details	Samhwa Crown & Closure	Apparel
Assets:		
Current assets	₩35,404	₩7,831
Non-current asset	73,358	15,429
Total	₩108,762	₩23,260
Liabilities:		
Current liabilities	14,817	922
Non-current liabilities	8,738	405
Total	₩23,555	₩1,327

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

Details	Samhwa Crown & Closure	Apparel
Operating income from discontinued operations	₩16,590	₩51,198
Financial income from discontinued operations	91	1,681
Income tax expenses from discontinued operations	(3,771)	(12,885)
Total	₩12,910	₩39,994

Operating income from discontinued operation include ₩9,638 million and ₩30,204 million, which is gain on disposal of Samhwa Crown & Closure and apparel business segment, respectively.

(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	Samhwa Crown & Closure	Apparel
Cash flows from operating activities	(₩37,435)	(₩40,375)
Cash flows from investing activities	(2,044)	(17,962)
Cash flows from financing activities	37,122	58,337
Total	(₩2,357)	₩ -

40. ACQUISITIONS OF BUSINESS SEGMENT

Details of acquisition of vehicle business segment for Doosan Infracore Co., Ltd. and its subsidiaries in 2011 are as follows:

(1) General information

Transfer company	Doosan Infracore Co., Ltd.	Doosan Infracore Europe S.A	Doosan Infracore U.K., Ltd.	Doosan Infracore America Corp.	Doosan Infracore Yantai Co., Ltd.
Business segment	Industrial vehicle	Industrial vehicle	Industrial vehicle	Industrial vehicle	Industrial vehicle
Acquisition company	Doosan Industrial Vehicle Co., Ltd.("DIV")	DIV Europe N.A.	DIV U.K.	DIV America Corp.	DIV Yantai Co., Ltd.
Location	Korea	Belgium	England	USA	China
Type of business	Manufacturing and sales	Sales	Sales	Sales	Sales
Relationship with acquisition company	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Date of transfer	June 30, 2011	June 30, 2011	June 30, 2011	July 31, 2011	November 30, 2011
Date of approval	April 28, 2011	April 28, 2011	April 28, 2011	April 28, 2011	April 28, 2011

(2) Condensed financial information of acquired business segment is as follows (in millions of Korean won):

	DIV	DIV Europe N.A.	DIV U.K.	DIV America Corp.	DIV Yantai Co., Ltd.
Assets:					
Current assets	₩123,836	₩11,744	₩5,207	₩23,330	₩6,984
Inventories	61,104	9,435	4,890	17,033	6,053
Long-term investment securities	468	-	2,729	-	-
Property, plant and equipment, net	63,439	123	148	157	1,025
Intangible assets	11,086	-	-	789	208
Other non-current assets	62	135	-	3	1,314
Subtotal	259,995	21,437	12,974	41,312	15,584
Liabilities:					
Current liabilities	104,084	27,543	17,035	22,528	10,456
Non-current liabilities	6,277	-	-	1,325	623
Subtotal	110,361	27,543	17,035	23,853	11,079
Fair value of net assets acquired	₩149,634	(₩6,106)	(₩4,061)	₩17,459	₩4,505
Consideration given	₩215,377	₩15,957	(₩227)	₩32,233	₩5,275

(3) Differences between consideration given and fair value of net assets acquired are as follows (in millions of Korean won):

	DIV	DIV Europe N.A.	DIV U.K.	DIV America Corp.	DIV Yantai Co., Ltd.
Consideration given	₩215,377	₩15,957	(₩227)	₩32,233	₩5,275
Fair value of net assets acquired	149,634	(6,105)	(4,061)	17,459	4,504
Customer relationship	26,958	-	-	808	-
Technology	22,898	-	-	-	-
Gain (loss) on translation of foreign operations	-	737	(1,170)	1,703	(226)
Goodwill	₩15,887	₩21,325	₩5,004	₩12,263	₩997

Excluding payable in total amount of consideration given ₩268,615 million, payment in acquisition is ₩258,775 million, and excluding ₩66,149 million that paid from non-controlling interests, net cash outflow is ₩192,625 million (cash outflows in acquisition of operations refer to cash flow statement).

41. ACQUISITION OF SHARE:

Business combinations due to equity investment in subsidiary are as follows (in millions of Korean won):

(1) Details of equity investment

Description	Type of business	Acquisition date	Business group	Ownership (%)	Transfer price
Doosan Electro-Materials (Changshu) Co., Ltd.	Manufacturing and sale of copper clad laminates	2011.5.31	Electromaterial	100	₩24,854
Doosan Logistics Europe	Sales of industrial vehicle and related parts	2011.6.30	Industrial vehicles	100	2,230
	Total				₩27,084

Payments due to equity investment in subsidiaries are fully in cash and cash equivalent.

(2) Condensed statement of financial position of subsidiaries on acquisition date (in millions of Korean won):

	Doosan Electro-Materials (Changshu) Co., Ltd.	Doosan Logistics Europe
Current assets		
Cash and cash equivalents	₩2,208	₩546
Trade and other receivables	1,019	370
Inventory	-	1,479
Other current assets	47	-
Subtotal	3,274	2,395
Non-current assets		
Property, plant and equipment	17,348	2,033
Intangible assets	7,163	321
Other non-current assets	1,313	-
Subtotal	25,824	2,354
Fair value of assets acquired	₩29,098	₩4,749
Fair value of liabilities acquired	₩4,244	₩884
Current liabilities		
Trade and other payables	1,281	392
Borrowings	1,167	312
Other current liabilities	67	180
Subtotal	2,515	884
Non-current liabilities		
Provision	1,729	-
Fair value of liabilities acquired	₩4,244	₩884
Fair value of net assets acquired	₩24,854	₩3,865

(3) Differences between consideration given and fair value of net assets acquired are as follows (in millions of Korean won):

	Doosan Electro-Materials (Changshu) Co., Ltd.	Doosan Logistics Europe
Consideration given	₩24,854	₩2,230
Fair value of net assets acquired	(24,854)	(3,865)
Goodwill (gain on bargain purchase) (Note 1)	₩ -	(₩1,635)

Consideration given of Doosan Electro-Materials (Changshu) Co., Ltd. includes cash that Doosan Electro-Materials (Changshu) Co., Ltd. held on its own amounting to ₩2,208 million.

(Note 1) Gain on bargain purchase is recognized in profit or loss immediately after recognition.

(4) Details of cash outflow occurred upon acquisition are as follows (in millions of Korean won):

	Doosan Electro-Materials (Changshu) Co., Ltd.	Doosan Logistics Europe
Consideration given in cash	₩24,854	₩2,230
Acquired cash and cash equivalents	(2,208)	(546)
Net	₩22,646	₩1,684

Difference between cash outflow occurred upon acquisition (₩24,330 million) and purchase of investments in subsidiaries on consolidated statements of cash flows (₩25,609 million) is payment to Doosan Heavy Industries & Construction Co., Ltd. due to acquisition of N Shaper Corp.

42. SUBSEQUENT EVENTS:

A. Early repayment of bonds

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

B. Retirement of treasury stock

The Company is planning to capital reduction through retirement of treasury stock, and the details are as follows (in millions of Korean won, except for share data).

Type of share in capital reduction	Common share	4,072,978
	Preferred share	373,055

Reduction date	May 2, 2012
Amount of capital reduction	₩22,230