

DOOSAN HEAVY INDUSTRIES AND
CONSTRUCTION CO., LTD.

Non-Consolidated Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

Contents

	Page
Independent Auditors' Report	1
Non-Consolidated Statements of Financial Position	3
Non-Consolidated Statements of Operations	5
Non-Consolidated Statements of Appropriation of Retained Earnings	6
Non-Consolidated Statements of Changes in Equity	7
Non-Consolidated Statements of Cash Flows	8
Notes to Non-Consolidated Financial Statements	10
Independent Accountants' Review Report on Internal Accounting Control System	61

Doosan Heavy Industries and Construction Co., Ltd.
Non-Consolidated Statements of Financial Position

As of December 31, 2010 and 2009

(In thousands of won, except share data)

	<i>Note</i>	2010	2009
Assets			
Cash and cash equivalents	14	₩ 347,125,066	517,262,916
Short-term investments	3,5	55,835,145	55,502,165
Accounts and notes receivable - trade	2, 14, 15, 22, 28	1,869,145,038	2,000,824,639
Accounts and notes receivable - other	2	136,765,147	78,126,792
Advance payments	2	245,435,428	351,227,828
Prepaid expenses		31,557,411	22,995,084
Current derivative instrument assets	16	85,464,412	128,801,928
Current firm commitment assets	16	108,261,618	206,916,510
Current deferred tax assets	25	84,467,059	41,506,116
Inventories	4	252,102,228	266,801,558
Other current assets		33,509,514	19,591,709
Total current assets		3,249,668,066	3,689,557,245
Long-term financial instruments	3	40,940,735	20,532,060
Non-current investments in securities	6, 17	156,747,809	152,110,484
Equity method accounted investments	7	3,180,949,791	2,729,440,793
Long-term loans		8,809,360	7,355,592
Property, plant and equipment, net	8, 9, 17, 32	1,969,609,270	1,881,992,393
Intangible assets, net	10, 32	271,007,403	234,326,922
Non-current derivative instrument assets	16	138,349,138	93,244,625
Non-current firm commitment assets	16	66,696,244	182,284,459
Guarantee deposits		77,601,226	83,865,582
Other non-current assets		65,177,566	101,061,079
Total non-current assets		5,975,888,542	5,486,213,989
Total assets		₩ 9,225,556,608	9,175,771,234

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
Non-Consolidated Statements of Financial Position, Continued

As of December 31, 2010 and 2009

(In thousands of won, except share data)

	<i>Note</i>	2010	2009
Liabilities			
Accounts and notes payable - trade	14,28	₩ 535,805,411	623,640,986
Short-term borrowings	14,17	832,153,296	1,195,107,497
Accounts and notes payable - other	14	234,422,064	238,468,975
Advance receipts	22	1,455,042,687	869,650,012
Withholdings		16,387,526	25,087,279
Accrued expenses		126,347,374	87,305,377
Income tax payable	25	77,936,237	2,753,538
Current portion of long-term debts, net	11,14	509,980,104	517,770,920
Current derivative instrument liabilities	16	172,781,798	396,515,764
Current firm commitment liabilities	16	49,560,821	16,622,008
Provision for guarantees	13	37,200,000	-
Total current liabilities		<u>4,047,617,318</u>	<u>3,972,922,356</u>
Long-term debt, net	11,14	678,355,607	1,019,209,304
Long-term non-trade payables		39,726,538	39,453,989
Provision for retirement and severance benefits, net	12	156,192,640	136,751,133
Non-current provisions	13	96,594,766	81,238,192
Deposits received		132,592,009	112,157,730
Non-current derivative instrument liabilities	16	197,105,187	294,930,439
Non-current firm commitment liabilities	16	62,173,093	10,395,891
Non-current deferred tax liabilities	25	272,963,540	183,918,076
Other non-current liabilities		5,284,869	5,321,869
Total non-current liabilities		<u>1,640,988,249</u>	<u>1,883,376,623</u>
Total liabilities		<u>5,688,605,567</u>	<u>5,856,298,979</u>
Stockholders' equity			
Common stock of ₩5,000 par value			
Authorized - 400,000,000 shares			
Issued - 105,816,467 shares in 2010 and 105,739,767 shares in 2009	1,18	529,082,335	528,698,835
Capital surplus	7,25	1,123,341,299	929,437,906
Capital adjustments	7,18,19,20,25	(156,720,493)	(164,811,283)
Accumulated other comprehensive income	7,16,25,26	1,218,162,369	1,269,389,494
Retained earnings	21	823,085,531	756,757,303
Total stockholders' equity		<u>3,536,951,041</u>	<u>3,319,472,255</u>
Total liabilities and stockholders' equity		<u>₩ 9,225,556,608</u>	<u>9,175,771,234</u>

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
Non-Consolidated Statements of Operations

For the years ended December 31, 2010 and 2009

(In thousands of won, except earnings per share)

	<i>Note</i>	2010	2009
Revenue	<i>22,28,31,32</i>	₩ 6,178,334,597	6,279,480,705
Cost of sales	<i>22,28</i>	5,188,287,596	5,500,269,211
Gross profit		990,047,001	779,211,494
Selling, general and administrative expenses	<i>23</i>	543,204,999	375,395,034
Operating income	<i>31,32</i>	446,842,002	403,816,460
Interest income	<i>6</i>	15,230,610	20,566,492
Interest expense		(142,907,586)	(167,204,290)
Foreign currency translation gain, net	<i>14</i>	3,775,735	3,330,326
Foreign currency transaction gain (loss), net		2,282,445	(57,343,719)
Loss on sale of non-current investments, net		-	(7,904,822)
Equity in net income (loss) of equity method accounted investees, net	<i>7</i>	11,569,659	(350,252,407)
Impairment losses on intangible assets		(75,631)	(1,253,326)
Impairment losses on other non-current assets		(32,400,000)	-
Loss on transaction of derivatives, net		(17,939,462)	(28,177,547)
Gain on valuation of derivatives, net	<i>16</i>	82,754,410	129,397,066
Loss on valuation of firm commitment, net		(117,819,304)	(150,125,277)
Service fees		(75,438,849)	(30,441,030)
Donations		(18,323,377)	(13,144,196)
Others, net		519,383	19,047,409
Other expense		(288,771,967)	(633,505,321)
Income (loss) before income taxes		158,070,035	(229,688,861)
Income taxes expense	<i>25</i>	46,862,913	98,625,947
Net income (loss)	<i>31</i>	₩ 111,207,122	(328,314,808)
Earnings (loss) per share			
Basic earnings (loss) per share	<i>27,31</i>	₩ 1,238	(3,748)
Diluted earnings per share	<i>27</i>	₩ 1,238	-

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
 Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2010 and 2009

Date of Appropriation for 2010: March 25, 2011

Date of Appropriation for 2009: March 26, 2010

(In thousands of won)

	<i>Note</i>	2010	2009
Unappropriated retained earnings			
Balance at beginning of year	₩	438,047	60,374
Recognition of unrecorded loss of the equity-method investee		-	(24,927,958)
Net income (loss)		111,207,122	(328,314,808)
Balance at end of year before appropriation		<u>111,645,169</u>	<u>(353,182,392)</u>
Transfer from voluntary reserves			
Reserve for research and development		22,000,000	35,333,333
Reserve for sinking fund		-	367,666,000
Unappropriated retained earnings available for appropriation		<u>133,645,169</u>	<u>49,816,941</u>
Appropriation of retained earnings			
Legal reserve		6,800,000	4,500,000
Reserve for research and development		57,000,000	-
Dividends - 15% on par value at ₩750 per share in 2010			
10% on par value at ₩500 per share in 2009	<i>29</i>	<u>67,375,866</u>	<u>44,878,894</u>
Unappropriated retained earnings to be carried over to subsequent year	₩	<u>2,469,303</u>	<u>438,047</u>

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>Note</u>	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2009		₩ 524,766,500	652,109,846	(241,458,937)	1,293,131,557	1,152,990,948	3,381,539,914
Dividends		-	-	-	-	(42,990,879)	(42,990,879)
Balance for appropriation		524,766,500	652,109,846	(241,458,937)	1,293,131,557	1,110,000,069	3,338,549,035
Net loss		-	-	-	-	(328,314,808)	(328,314,808)
Acquisition of treasury stock		-	-	(589,850)	-	-	(589,850)
Disposal of treasury stock		-	126,624,501	29,563,657	-	-	156,188,158
Stock options		495,000	3,989,084	1,367,335	-	-	5,851,419
Changes in equity method accounted investments		-	102,512,569	46,306,512	33,925,911	(24,927,958)	157,817,034
Change in unrealized gain on valuation of derivative instrument		-	-	-	(150,981,894)	-	(150,981,894)
Change in unrealized loss on valuation of derivative instrument		-	-	-	84,873,279	-	84,873,279
Change in unrealized gain (loss) on valuation of available-for-sale securities		-	-	-	(1,896,211)	-	(1,896,211)
Small-scale merger	26	3,437,335	44,201,906	-	10,336,852	-	57,976,093
Balance at December 31, 2009		<u>₩ 528,698,835</u>	<u>929,437,906</u>	<u>(164,811,283)</u>	<u>1,269,389,494</u>	<u>756,757,303</u>	<u>3,319,472,255</u>
Balance at January 1, 2010		₩ 528,698,835	929,437,906	(164,811,283)	1,269,389,494	756,757,303	3,319,472,255
Dividends		-	-	-	-	(44,878,894)	(44,878,894)
Balance for appropriation		528,698,835	929,437,906	(164,811,283)	1,269,389,494	711,878,409	3,274,593,361
Net income		-	-	-	-	111,207,122	111,207,122
Stock options		383,500	4,934,043	529,307	-	-	5,846,850
Disposal of equity method accounted investments		-	82,031,370	-	-	-	82,031,370
Changes in equity method accounted investments		-	106,937,980	7,561,483	(43,634,306)	-	70,865,157
Change in unrealized gain on valuation of derivative instrument		-	-	-	(6,262,133)	-	(6,262,133)
Change in unrealized loss on valuation of derivative instrument		-	-	-	(765,219)	-	(765,219)
Change in unrealized gain (loss) on valuation of available-for-sale securities		-	-	-	(565,467)	-	(565,467)
Balance at December 31, 2010		<u>₩ 529,082,335</u>	<u>1,123,341,299</u>	<u>(156,720,493)</u>	<u>1,218,162,369</u>	<u>823,085,531</u>	<u>3,536,951,041</u>

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(In thousands of won)

	2010	2009
Cash flows from operating activities		
Net income (loss)	₩ 111,207,122	(328,314,808)
Adjustments for:		
Depreciation	88,896,095	77,127,329
Amortization	22,405,107	30,187,814
Accrual for retirement and severance benefits	56,659,546	34,617,689
Foreign currency translation gain, net	(7,430,068)	(12,016,122)
Loss on sale of non-current investments in securities, net	-	7,904,822
Equity in net loss (income) of equity method accounted investees, net	(11,569,659)	350,252,407
Impairment losses on intangible assets	75,631	1,253,326
Impairment losses on other non-current assets	32,400,000	-
Gain on valuation of derivatives, net	(82,754,410)	(129,397,066)
Loss on valuation of firm commitment, net	117,819,304	150,125,277
Bad debt expense	97,171,731	26,388,273
Other bad debt expense	13,708,822	-
Service fees	37,200,000	-
Others, net	58,808,266	42,355,626
	<u>423,390,365</u>	<u>578,799,375</u>
Changes in assets and liabilities:		
Accounts and notes receivable - trade	29,376,745	77,015,335
Accounts and notes receivable - other	(61,134,012)	(7,059,683)
Advance payments	104,043,618	(5,981,096)
Inventories	14,722,383	(27,824,916)
Accounts and notes payable - trade	(84,362,382)	18,208,034
Accounts and notes payable - other	(2,884,938)	25,477,803
Advance receipts	585,392,675	(123,517,045)
Income tax payable	75,182,699	(147,997,356)
Payment of retirement and severance benefits	(20,414,893)	(26,591,746)
Severance benefit insurance deposits	(17,221,411)	5,500,924
Derivative instrument assets/liabilities	(81,097,342)	(95,362,060)
Deferred tax assets/liabilities	(41,629,924)	71,976,384
Dividend received	9,446,632	18,469,090
Others, net	(8,399,433)	(46,066,782)
	<u>501,020,417</u>	<u>(263,753,114)</u>
Net cash provided by (used in) operating activities	₩ <u>1,035,617,904</u>	<u>(13,268,547)</u>

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.
 Non-Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2010 and 2009

(In thousands of won)

	2010	2009
Cash flows from investing activities		
Decrease in short-term investments	₩ 4,007,062	62,299,260
Decrease in non-current investments	99,807,982	20,150,002
Proceeds from sale of property, plant and equipment	1,106,937	190,660
Acquisition of short-term investments	-	(17,834,731)
Increase in non-current investments	(331,583,289)	(400,604,493)
Acquisition of property, plant and equipment	(160,437,531)	(132,421,650)
Acquisition of intangible assets	(76,913,719)	(63,369,372)
Others, net	(1,520,280)	(32,294,036)
Net cash used in investing activities	<u>(465,532,838)</u>	<u>(563,884,360)</u>
Cash flows from financing activities		
Proceeds from long-term debt	298,585,300	947,585,740
Disposal of treasury stock	-	196,614,450
Issuance of common stock	3,682,040	3,227,930
Repayment of short-term borrowings	(361,592,262)	(132,016,353)
Repayment of current portion of long-term debt	(636,019,100)	(401,854,022)
Acquisition of treasury stock	-	(589,850)
Dividends paid	(44,878,894)	(42,990,879)
Net cash provided by (used in) financing activities	<u>(740,222,916)</u>	<u>569,977,016</u>
Increase in cash and cash equivalents due to small-scale merger	-	15,777,629
Net increase (decrease) in cash and cash equivalents	<u>(170,137,850)</u>	<u>8,601,738</u>
Cash and cash equivalents at beginning of year	<u>517,262,916</u>	<u>508,661,178</u>
Cash and cash equivalents at end of year	<u>₩ 347,125,066</u>	<u>517,262,916</u>

See accompanying notes to non-consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business

Doosan Heavy Industries and Construction Co., Ltd. (the "Company") was incorporated on September 20, 1962, in order to engage in manufacturing and selling of power plant equipment, industrial equipment, forge and casting products, and construction. The Company's operations are headquartered in Changwon, Korea, as of December 31, 2010. The Company listed on the Korea Exchange on October 25, 2000 and the Company's major stockholder as of December 31, 2010 is Doosan Co., Ltd. (41.25%).

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

(a) Basis of Presenting Financial Statements

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

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

The Company prepares the non-consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea. The Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

(b) Cash Equivalents

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

(c) Deposits

Deposits are held for cash management purposes. Short-term deposits, (including MMDAs, time deposits, installment savings deposits and restricted bank deposits, etc.), are those maturing within one year and long-term deposits are those maturing after one year.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(d) Allowance for Doubtful Accounts

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

Allowance for doubtful accounts as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		2010	2009
Accounts and notes receivable - trade	₩	166,498	68,168
Accounts and notes receivable - other		29,969	16,258
Advance payments		2,822	3,980
	₩	199,289	88,406

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

(e) Inventories

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

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(f) Investments in Securities (Excluding Investments in Associates, Subsidiaries and Joint Ventures)

Classification

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

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

Initial recognition

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

Subsequent measurement and income recognition

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

Fair value information

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

Presentation

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(f) Investments in Securities (Excluding Investments in Associates, Subsidiaries and Joint Ventures), Continued

Impairment

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

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

(g) Investments in Associates and Subsidiaries

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

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

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

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

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(g) Investments in Associates and Subsidiaries, Continued

If an associate or a subsidiary uses accounting policies or estimates other than those of the Company for like transactions and events in similar circumstances, the Company makes appropriate adjustments to conform the associate's accounting policies to those of the Company when the associate's financial statements are used by the Company in applying the equity method.

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

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

(h) Property, Plant and Equipment

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

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

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

	<u>Useful lives</u>
Buildings	20 ~ 40 years
Structures	20 ~ 40 years
Machinery	5 ~ 10 years
Heavy equipment	10 years
Vehicles	5 years
Others	3 ~ 5 years

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

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(h) Property, Plant and Equipment, Continued

As of January 1, 2008, the Company adopted the revaluation model in accordance with the revised Statements of Korea Accounting Standards ("SKAS") No.5 *Property, Plant and Equipment*. The book value of land is accounted at fair value as of the date of the revaluation. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income.

(i) Leases

The Company classifies and accounts for leases as either operating or capital, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as capital leases. All other leases are classified as operating leases.

The assumption of substantially all of the risks and rewards of ownership is evidenced when one or more of the criteria listed below are met:

- Ownership of the leased property will be transferred to the lessee at the end of the lease term.
- The lessee has a bargain purchase option, and it is reasonably certain at inception of the lease that the option will be exercised.
- The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

In addition, if the leased property is specialized to the extent that only the lessee can use it without any major modification, it would be considered a capital lease.

Where the Company is a lessee under a capital lease, the present value of future minimum lease payments is capitalized and a corresponding liability is recognized. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

(j) Intangible Assets

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

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(j) Intangible Assets, Continued

(i) Research and Development Costs

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

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

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial property rights, usage rights and others, are amortized using the straight-line method over their respective estimated useful lives.

	<u>Useful lives</u>
Industrial property rights	5 ~ 10 years
Usage rights	21 years
Others	5 ~ 15 years

(k) Government Grant Received for Capital Expenditure

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

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

(l) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest rate method over the life of the debentures. The amount amortized is included in interest expense.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(m) Retirement and Severance Benefits

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

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

(n) Valuation of Receivables and Payables at Present Value

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

(o) Foreign Currency Translation

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

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period. Foreign currency amounts in the statement of operations are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

(p) Derivatives and Hedge Accounting

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(p) Derivatives and Hedge Accounting, Continued

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

Hedge accounting

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

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and translation gain or loss on non-derivative financial instruments are recorded in the statement of operations, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

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

Derivatives that do not qualify for hedge accounting

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

Separable embedded derivatives

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(q) Share-based Payments

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

(r) Provisions, Contingent Assets and Contingent Liabilities

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

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

(s) Revenue Recognition

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

Goods sold

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(s) Revenue Recognition, Continued

Construction contracts

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

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

(t) Income Taxes

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

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

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

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

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

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

(u) Earnings per Share

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

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

(u) Earnings per Share, Continued

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

(v) Use of Estimates

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

(w) Reclassification

Certain reclassifications have been made to the prior year non-consolidated financial statements to conform to the 2010 presentation.

3. Restricted Deposits

Deposits which are restricted in use as of December 31, 2010 and 2009 were as follows:

<i>(In millions of won)</i>	<u>2010</u>	<u>2009</u>
Short-term investments		
Deposits for R&D projects (*)	₩ 43,192	41,499
Advances from construction contracts	21	51
Long-term financial instruments		
Key money deposits	3	8
	<u>₩ 43,216</u>	<u>41,558</u>

(*) These deposits were connected to research and development projects partly funded by the government and their withdrawal was restricted.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

4. Inventories

Inventories as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Finished goods	₩	13,832	13,476
Work-in-progress		150,262	148,794
Raw materials		28,526	32,152
Supplies		14,803	12,976
Materials-in-transit		46,515	61,263
		<u>253,938</u>	<u>268,661</u>
Less allowance for valuation loss		(1,836)	(1,859)
	₩	<u>252,102</u>	<u>266,802</u>

5. Short-term Investments

Short-term investments as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Short-term financial instruments	₩	113,142	117,470
Government subsidy		(57,928)	(62,920)
Held-to-maturity securities (current)		621	952
	₩	<u>55,835</u>	<u>55,502</u>

6. Non-current Investments in Securities

(a) Available-for-sale securities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>		<u>2009</u>	
		<u>Acquisition cost</u>	<u>Fair value</u>	<u>Acquisition cost</u>	<u>Fair value</u>
Marketable securities	₩	6,665	2,700	6,665	3,457
Non-marketable securities (*)(**)(***))		130,412	130,412	124,581	124,581
	₩	<u>137,077</u>	<u>133,112</u>	<u>131,246</u>	<u>128,038</u>

(*) These securities were pledged as collateral to the Machinery Financial Cooperative and Construction Guarantee Cooperative for payment guarantees given by them (Note 17).

(**) These securities were pledged as collateral to The Third Kyungin Highway Corporation and Kyunggi Highway Co., Ltd. for project financing (Note 17).

(***) Although the Company holds more than 20% of shares of Kyunggi Highway Co., Ltd., it was not accounted for with the equity method because the Company is not able to exercise substantial significant influence on finance and operations if the investee company is founded in accordance with the Act on Private Participation in Infrastructure.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

6. Non-current Investments in Securities, Continued

(b) Held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

	2010		2009	
	Amortized cost	Book value	Amortized cost	Book value
Government and public bonds	₩ 1,386	1,386	1,822	1,822
Other debt securities	22,250	22,250	22,250	22,250
	₩ 23,636	23,636	24,072	24,072

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

(In millions of won)

	Amortized cost
Held-to-maturity:	
Due in one year	₩ 621
Due after one year through to five years	23,636
	₩ 24,257

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

(In millions of won)

	Amortized cost
Held-to-maturity:	
Due in one year	₩ 952
Due after one year through to five years	24,072
	₩ 25,024

During 2010 and 2009, the Company recorded interest income of ₩131 million and ₩187 million, respectively, in relation to the debt securities above.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments

(a) Investments in companies accounted for using the equity method as of December 31, 2010 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2010
Doosan Infracore Co., Ltd. (*)	44.83%	₩ 1,619,420	588,694	1,353,348
Doosan Construction & Engineering Co., Ltd. (*)	72.75%	319,518	913,875	973,341
Doosan Heavy Industries Vietnam Co., Ltd.	74.49%	139,019	115,867	97,063
Doosan Power Systems Holdings Ltd.	100.00%	279,102	493,592	530,383
Doosan Capital Co., Ltd. (**)	19.99%	20,000	34,578	34,578
S.C. Doosan IMGB S.A.	99.76%	17,354	4,684	861
Doosan Engine Co., Ltd.	42.66%	149,560	129,512	115,439
HF Controls Corp.	100.00%	32,545	6,851	6,851
Doosan Hydro Technology Inc. (***)	100.00%	35,243	(6,764)	-
Doosan Heavy Industries Vietnam Haiphong Co., Ltd. (****)	90.00%	10,529	22,288	21,696
National Pension Partnership	23.33%	1,953	1,392	1,392
Hanjung Power Ltd.	51.00%	4,364	9,520	8,964
Doosan Babcock Engineering & Services India Private Ltd.	80.79%	3,778	5,834	5,834
Doosan Engineering & Services LLC	100.00%	6,918	4,934	4,934
Haman Industrial Complex (***)	53.33%	2,400	1,294	-
Doosan Heavy Industries Japan Corp.	100.00%	1,168	2,145	2,145
Doosan Babcock Energy India Private Ltd.	100.00%	1,089	168	168
Doosan Asset Management Company Co., Ltd. (***)	100.00%	500	(9,874)	-
Others		12,391	17,001	23,953
		₩ <u>2,656,851</u>	<u>2,335,591</u>	<u>3,180,950</u>

(*) Doosan Infracore Co., Ltd. and Doosan Engineering & Construction Co., Ltd. are listed and their market values as of December 31, 2010 were ₩2,114,262 million and ₩544,735 million, respectively.

(**) The Company accounted for its investment in Doosan Capital Co., Ltd. using the equity method of accounting despite its ownership interest being lower than 20% as it has the ability to significantly influence financial and operating policy decisions.

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

(****) Formerly, Han-Viet Heavy Industry & Construction Co., Ltd.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

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

(In millions of won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2009
Doosan Infracore Co., Ltd. (*)	38.83%	₩ 1,346,141	497,429	1,210,193
Doosan Construction & Engineering Co., Ltd. (*)	52.18%	204,680	455,388	530,596
Doosan Heavy Industries Vietnam Co., Ltd.	74.49%	136,112	138,604	120,750
Doosan Mecatec Co., Ltd.	100.00%	117,051	354,503	349,866
Doosan Power Systems Holdings Ltd.	100.00%	109,799	211,896	215,914
Doosan Capital Co., Ltd. (***)	19.99%	20,000	41,092	41,092
S.C. Doosan IMGB S.A.	99.76%	17,354	23,005	18,909
Doosan Engine Co., Ltd.	53.04%	167,025	22,002	7,568
HF Controls Corp.	100.00%	32,545	5,642	5,642
Doosan Hydro Technology Inc. (***)	100.00%	35,243	4,979	4,979
N.shaper Co., Ltd.	80.52%	6,200	10,586	10,586
Han-Viet Heavy Industry & Construction Co., Ltd.	60.00%	5,470	14,521	13,905
National Pension Partnership	23.33%	3,864	3,446	3,446
Hanjung Power Ltd.	51.00%	4,364	9,745	9,004
Doosan Babcock Engineering & Services India Private Ltd.	80.79%	3,778	4,947	4,947
Doosan Engineering & Services LLC	100.00%	6,918	4,435	4,435
Haman Industrial Complex (***)	53.33%	2,400	1,752	1,292
Doosan Heavy Industries Japan Corp.	100.00%	1,168	1,993	1,993
Doosan Babcock Energy India Private Ltd.	100.00%	1,089	463	463
Doosan Power Systems Czech Investment a.s. (**)	100.00%	157,191	131,007	157,191
Oricom Inc. (*) (***)	9.72%	3,231	3,822	3,822
Doosan Asset Management Company Co., Ltd. (***)	100.00%	500	(22,487)	-
Others		2,135	6,212	12,848
	₩	<u>2,384,258</u>	<u>1,924,982</u>	<u>2,729,441</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

- (*) The Doosan Infracore Co., Ltd., Doosan Construction & Engineering Co., Ltd. and Oricom Inc. are listed and their market values as of December 31, 2009 were ₩1,068,644 million and ₩278,602 million, ₩1,462 million, respectively.
- (**) Doosan Power Systems Czech Investment a.s. was established in 2009 to take over Skoda Power s.r.o.
- (***) The Company accounted for its investment in Doosan Capital Co., Ltd. using the equity method of accounting despite its ownership being lower than 20% as it has the ability to significantly influence financial and operating policy decisions.
- (****) The Company accounted for its investment in Oricom Inc. using the equity method of accounting despite its ownership being lower than 20% as it has the ability to significantly influence financial and operating policy decisions with Doosan Co., Ltd., the ultimate parent company.
- (*****) As the carrying amount of equity method accounted investments reached zero, the Company ceased to use the equity method.

- (b) Changes in goodwill for equity method accounted investments for the year ended December 31, 2010 were as follows:

(In millions of won)

Company		Balance at January 1, 2010	Increase (decrease)	Amortized amount	Balance at December 31, 2010
Doosan Infracore Co., Ltd.	₩	714,037	98,233	(47,393)	764,877
Doosan Construction & Engineering Co., Ltd.		76,870	-	(5,492)	71,378
Doosan Power Systems Holdings Ltd.		10,604	34,164	(2,332)	42,436
S.C. Doosan IMGB S.A.		(4,096)	-	273	(3,823)
Doosan Power Systems Czech Investment a.s.		26,184	(26,184)	-	-
	₩	<u>823,599</u>	<u>106,213</u>	<u>(54,944)</u>	<u>874,868</u>

Changes in goodwill for equity method accounted investments for the year ended December 31, 2009 were as follows:

(In millions of won)

Company		Balance at January 1, 2009	Increase	Amortized amount	Balance at December 31, 2009
Doosan Infracore Co., Ltd.	₩	760,859	-	(46,822)	714,037
Doosan Construction & Engineering Co., Ltd.		82,360	-	(5,490)	76,870
Doosan Power Systems Holdings Ltd.		11,228	-	(624)	10,604
S.C. Doosan IMGB S.A.		(4,303)	-	207	(4,096)
Doosan Power Systems Czech Investment a.s.		-	26,184	-	26,184
	₩	<u>850,144</u>	<u>26,184</u>	<u>(52,729)</u>	<u>823,599</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

(c) Details of eliminated unrealized gains from inter-company transactions as of December 31, 2010 are summarized as follows:

(In millions of won)

Company	Current assets	Investments	Property & equipment	Total
Doosan Infracore Co., Ltd. ₩	-	-	81	81
Doosan Construction & Engineering Co., Ltd.	-	-	11,912	11,912
Doosan Heavy Industries Vietnam Co., Ltd.	-	-	18,804	18,804
Doosan Power Systems Holdings Ltd.	-	-	5,645	5,645
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	-	-	592	592
Doosan Engine Co., Ltd.	-	-	14,073	14,073
Hanjung Power Ltd.	-	-	556	556
Haman Industrial Complex	5,740	-	-	5,740
₩	5,740	-	51,663	57,403

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

(In millions of won)

Company	Current assets	Investments	Property & equipment	Total
Doosan Construction & Engineering Co., Ltd. ₩	-	-	1,662	1,662
Doosan Heavy Industries Vietnam Co., Ltd.	-	-	17,854	17,854
Doosan Mecatec Co., Ltd.	-	-	4,637	4,637
Doosan Power Systems Holdings Ltd.	-	-	6,586	6,586
Han-Viet Heavy Industry & Construction Co., Ltd.	-	-	616	616
Doosan Engine Co., Ltd.	-	-	14,434	14,434
Hanjung Power Ltd.	-	-	741	741
Haman Industrial Complex	460	-	-	460
Doosan Asset Management Company Co., Ltd.	-	-	1,799	1,799
₩	460	-	48,329	48,789

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

(d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2010 were as follows:

(In millions of won)

Company	Balance at January 1, 2010	Acquisition (disposal)	Net income (loss)	Others	Balance at December 31, 2010
Doosan Infracore Co., Ltd. (*) ₩	1,210,193	273,278	(32,324)	(97,799)	1,353,348
Doosan Construction & Engineering Co., Ltd.	530,596	-	(6,336)	449,081	973,341
Doosan Heavy Industries Vietnam Co., Ltd.	120,750	2,908	(20,575)	(6,020)	97,063
Doosan Mecatec Co., Ltd. (**)	349,866	-	(63,736)	(286,130)	-
Doosan Power Systems Holdings Ltd.	215,914	-	122,090	192,379	530,383
Doosan Capital Co., Ltd.	41,092	-	(8,556)	2,042	34,578
S.C. Doosan IMGB S.A.	18,909	-	(16,546)	(1,502)	861
Doosan Engine Co., Ltd.	7,568	(3,332)	34,167	77,036	115,439
HF Controls Corp.	5,642	-	1,369	(160)	6,851
Doosan Hydro Technology Inc.	4,979	-	(5,034)	55	-
N.shaper Corp.	10,586	(12,639)	2,053	-	-
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	13,905	5,059	636	2,096	21,696
National Pension Partnership	3,446	(1,911)	(79)	(64)	1,392
Hanjung Power Ltd.	9,004	-	3,474	(3,514)	8,964
Doosan Babcock Engineering & Services India Private Ltd.	4,947	-	806	81	5,834
Doosan Engineering & Services LLC	4,435	-	617	(118)	4,934
Haman Industrial Complex	1,292	-	(1,292)	-	-
Doosan Heavy Industries Japan Corp.	1,993	-	(56)	208	2,145
Doosan Babcock Energy India Private Ltd.	463	-	(362)	67	168
Doosan Power Systems Czech Investment a.s.	157,191	12,113	-	(169,304)	-
Oricom Inc.	3,822	(4,077)	350	(95)	-
Others	12,848	10,216	904	(15)	23,953
	₩ 2,729,441	281,615	11,570	158,324	3,180,950

(*) The Company recognized ₩142 million as loss on valuation of equity method investments in Doosan Infracore India Private Ltd., which was not recorded at Doosan Infracore Co., Ltd., the direct parent company of Doosan Infracore India Private Ltd.

(**) During 2010, Doosan Mecatec was merged by Doosan Construction & Engineering Co., Ltd.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2009 were as follows:

(In millions of won)

Company	Balance at January 1, 2009	Acquisition (disposal)	Net income (loss)	Others	Balance at December 31, 2009
Doosan Infracore Co., Ltd. (*) ₩	1,361,474	-	(168,254)	16,973	1,210,193
Doosan Construction & Engineering Co., Ltd.	419,666	26,746	16,702	67,482	530,596
Doosan Heavy Industries Vietnam Co., Ltd.	154,107	-	(22,922)	(10,435)	120,750
Doosan Mecatec Co., Ltd.	401,075	-	(68,087)	16,878	349,866
Doosan Power Systems Holdings Ltd.	128,156	-	94,880	(7,122)	215,914
Doosan Capital Co., Ltd.	40,173	-	252	667	41,092
S.C. Doosan IMGB S.A.	30,153	-	(7,459)	(3,785)	18,909
Doosan Engine Co., Ltd.	9,756	151,725	(195,648)	41,735	7,568
HF Controls Corp.	-	17,889	1,816	(14,063)	5,642
Doosan Hydro Technology Inc.	-	27,555	(6,423)	(16,153)	4,979
N.shaper Corp.	8,374	-	2,212	-	10,586
Han-Viet Heavy Industry & Construction Co., Ltd.	10,581	-	4,892	(1,568)	13,905
National Pension Partnership	4,195	(616)	(107)	(26)	3,446
Hanjung Power Ltd.	10,703	-	3,221	(4,920)	9,004
Doosan Babcock Engineering & Services India Private Ltd.	4,274	-	2,089	(1,416)	4,947
Doosan Engineering & Services LLC	3,278	3,640	(2,583)	100	4,435
Haman Industrial Complex	2,179	-	(888)	1	1,292
Doosan Heavy Industries Japan Corp.	2,024	-	172	(203)	1,993
Doosan Babcock Energy India Private Ltd.	323	766	(583)	(43)	463
Doosan Power Systems Czech Investment a.s.	-	157,191	-	-	157,191
Oricom Inc.	-	3,265	29	528	3,822
Doosan Asset Management Company Co., Ltd.	-	500	(500)	-	-
Others	48,037	(39,422)	(3,063)	7,296	12,848
	₩ 2,638,528	349,239	(350,252)	91,926	2,729,441

(*) The Company recognized ₩1,273 million as loss on valuation of equity method investments in Doosan Infracore India Private Ltd., which was not recorded at Doosan Infracore Co., Ltd., the direct parent company of Doosan Infracore India Private Ltd.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

(e) Summarized financial information of the equity method accounted investments as of December 31, 2010 and for the year ended was as follows:

(In millions of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Doosan Infracore Co., Ltd. ₩	4,443,220	3,129,944	4,317,640	38,252
Doosan Construction & Engineering Co., Ltd.	4,947,659	3,691,531	2,317,514	5,946
Doosan Heavy Industries Vietnam Co., Ltd. (*)	297,162	141,622	37,237	(23,818)
Doosan Power Systems Holdings Ltd. (**)	1,599,068	1,127,372	1,521,500	147,514
Doosan Capital Co., Ltd.	2,185,268	2,012,258	230,669	(42,810)
S.C. Doosan IMGB S.A. (**)	198,722	194,026	120,658	(16,859)
Doosan Engine Co., Ltd. (**)	1,897,693	1,594,114	1,730,068	63,737
HF Controls Corp. (*)	12,658	5,807	9,030	1,368
Doosan Hydro Technology Inc. (*)	24,636	31,399	20,278	(10,686)
Doosan Heavy Industries Vietnam Haiphong Co., Ltd. (*)	34,213	9,449	42,039	1,175
National Pension Partnership (*)	5,981	18	2,861	(339)
Hanjung Power Ltd. (*) (**)	25,845	7,179	40,880	6,424
Doosan Babcock Engineering & Services India Private Ltd. (*)	10,820	2,701	12,259	970
Doosan Engineering & Services LLC (*)	7,041	2,107	14,911	617
Haman Industrial Complex (*)	162,205	159,779	-	(859)
Doosan Heavy Industries Japan Corp. (*)	48,452	46,306	162,081	(56)
Doosan Babcock Energy India Private Ltd. (*)	1,394	1,225	1,891	(331)
Doosan Asset Management Company Co., Ltd. (*)	247,960	254,174	242,898	16,274
Others	247,289	235,936	129,871	4,330

(*) The Company accounted for its investment by using the equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements and performed procedures to verify the unaudited financial statements.

(**) Adjustments had been made to the non-consolidated financial statements prior to applying the equity method as follows:

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

(In millions of won)

Company	Adjustment	Net assets before adjustment	Adjustment amount	Net assets after adjustment
Doosan Power Systems Holdings Ltd.	Valuations of derivatives and amortization of goodwill	₩ 480,890	(9,194)	471,696
S.C. Doosan IMGB S.A.	Revaluation of buildings and revenue recognition	48,984	(44,288)	4,696
Doosan Engine Co., Ltd.	Revaluation of buildings and others	339,316	(35,738)	303,578
Hanjung Power Ltd.	Revaluation of buildings	21,524	(2,858)	18,666

Summarized financial information of the equity method accounted investments as of December 31, 2009 and for the year ended was as follows:

(In millions of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Doosan Infracore Co., Ltd.	₩ 4,778,605	3,497,683	2,663,206	(311,104)
Doosan Construction & Engineering Co., Ltd.	2,986,223	2,113,481	2,310,258	50,884
Doosan Heavy Industries Vietnam Co., Ltd. (*)	329,813	143,752	37,751	(21,450)
Doosan Mecatec Co., Ltd.	1,024,000	669,497	590,199	(66,475)
Doosan Power Systems Holdings Ltd. (**)	858,227	646,330	1,285,670	94,567
Doosan Capital Co., Ltd.	2,074,426	1,868,823	256,767	1,263
S.C. Doosan IMGB S.A. (**)	223,534	200,474	148,100	(7,684)
Doosan Engine Co., Ltd. (**)	2,417,777	2,376,296	1,772,597	(385,436)
HF Controls Corp. (*)	11,425	5,783	24,287	1,816
Doosan Hydro Technology Inc. (*)	23,395	18,416	15,700	(6,344)
N.shaper Corp.	16,916	3,769	12,596	2,747
Han-Viet Heavy Industry & Construction Co., Ltd. (*)	32,561	8,359	56,421	8,113
National Pension Partnership (*)	14,839	71	1,082	(457)
Hanjung Power Ltd. (*)(**)	32,537	13,427	36,121	5,953
Doosan Babcock Engineering & Services India Private Ltd. (*)	9,890	2,868	14,527	1,772
Doosan Engineering & Services LLC (*)	5,706	1,271	5,877	(1,969)
Haman Industrial Complex (*)	82,995	79,712	-	(803)
Doosan Heavy Industries Japan Corp. (*)	50,431	48,438	156,916	172
Doosan Power Systems Czech Investment a.s. (*)	766,889	635,882	-	-
Oricom Inc. (*)	99,240	59,909	76,275	2,418
Doosan Asset Management Company Co., Ltd. (*)	325,441	347,928	-	(22,987)
Others	95,374	94,091	135,856	(4,994)

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

- (*) The Company accounted for its investment by using the equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements and performed procedures to verify the unaudited financial statements.
- (**) Adjustments had been made to the non-consolidated financial statements prior to applying the equity method as follows:

(In millions of won)

Company	Adjustment	Net assets before adjustment	Adjustment amount	Net assets after adjustment
Doosan Power Systems Holdings Ltd.	Valuations of derivatives and amortization of goodwill	₩ 229,154	(17,257)	211,897
S.C. Doosan IMGB S.A.	Revaluation of buildings and revenue recognition	68,199	(45,138)	23,061
Doosan Engine Co., Ltd.	Revaluation of buildings and others	78,237	(36,756)	41,481
Hanjung Power Ltd.	Revaluation of buildings	22,415	(3,305)	19,110

- (f) As the carrying amount of the equity method accounted investments reached zero, the Company ceased to use the equity method. The amount of unrecognized equity method losses for the year ended December 31, 2010 were as follows:

(In millions of won)

Company	Accumulated up to 2009	2010	Total
Doosan Hydro Technology Inc.	₩ -	(6,764)	(6,764)
Haman Industrial Complex	-	(4,446)	(4,446)
Doosan Asset Management Company Co., Ltd.	(24,286)	14,412	(9,874)
Others	(6,636)	(316)	(6,952)
	₩ (30,922)	2,886	(28,036)

As the carrying amount of the equity method accounted investments reached zero, the Company ceased to use the equity method. The amount of unrecognized equity method losses for the year ended December 31, 2009 were as follows:

(In millions of won)

Company	Accumulated up to 2008	2009	Total
HF Controls Corp.	₩ (12,285)	12,285	-
Doosan Hydro Technology Inc.	(15,974)	15,974	-
Doosan Asset Management Company Co., Ltd.	-	(24,286)	(24,286)
Others	-	(6,636)	(6,636)
	₩ (28,259)	(2,663)	(30,922)

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

8. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the year ended December 31, 2010 were as follows:

(In millions of won)

		Book value as of January 1	Acquisitions	Disposals	Depreciation	Other	Book value as of December 31
Land	₩	1,216,635	-	-	-	-	1,216,635
Buildings		277,957	11	(60)	(20,113)	47,795	305,590
Machinery		214,057	3,635	(19)	(41,826)	84,005	259,852
Others		94,962	3,076	(71)	(26,957)	19,006	90,016
Construction -in- progress		78,382	153,716	-	-	(134,582)	97,516
	₩	<u>1,881,993</u>	<u>160,438</u>	<u>(150)</u>	<u>(88,896)</u>	<u>16,224</u>	<u>1,969,609</u>

(*) The Company expensed ₩153,716 million to construction-in-progress during 2010.

Changes in property, plant and equipment for the year ended December 31, 2009 were as follows:

(In millions of won)

		Book value as of January 1	Acquisitions	Disposals	Depreciation	Other	Book value as of December 31
Land	₩	1,209,242	-	-	-	7,393	1,216,635
Buildings		273,610	46	(8)	(19,008)	23,317	277,957
Machinery		151,227	83	(32)	(35,558)	98,337	214,057
Others		85,707	1,712	(143)	(22,561)	30,247	94,962
Construction -in- progress		86,711	130,581	-	-	(138,910)	78,382
	₩	<u>1,806,497</u>	<u>132,422</u>	<u>(183)</u>	<u>(77,127)</u>	<u>20,384</u>	<u>1,881,993</u>

(*) The Company expensed ₩130,581 million to construction-in-progress during 2009.

(b) The officially declared value of land as of December 31, 2010 and 2009, as announced by the Ministry of Land, Transport and Maritime Affairs, was as follows:

(In millions of won)

		2010		2009	
		Book value	Declared value	Book value	Declared value
Land	₩	1,216,635	683,129	1,216,635	675,253

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

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

9. Insurance

Details of insured assets as of December 31, 2010 were as follows:

(In millions of won)

Type of insurance	Asset	Book value	Amount insured	Insurance company
Contractor's comprehensive risks insurance	Heungin-dong construction and others	₩ -	174,643	Samsung Fire & Marine Insurance Co., Ltd.
Comprehensive erection risk insurance	Changwon factory blanket insurance	-	2,889,226	Meritz Fire & Marine Insurance Co., Ltd.
Insurance against loss	Buildings, structures & equipment	608,015	1,218,046	Korean Fire Protection Association
		₩ <u>608,015</u>	<u>4,281,915</u>	

In addition, as of December 31, 2010, the Company maintained insurance policies covering loss and liability arising from automobile accidents, medical care of executives and staff members and industrial accidents.

10. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2010 were as follows:

(In millions of won)

		Industrial property rights	Development costs	Usage rights	Others
Net balance at beginning of year	₩	244	179,287	4,920	49,876
Additions		57	76,857	-	-
Amortization		(46)	(12,331)	(273)	(9,755)
Other changes		-	(17,829)	-	-
Net balance at end of year	₩	<u>255</u>	<u>225,984</u>	<u>4,647</u>	<u>40,121</u>

Changes in intangible assets for the year ended December 31, 2009 were as follows:

(In millions of won)

		Industrial property rights	Development costs	Usage rights	Others
Net balance at beginning of year	₩	252	143,424	5,193	63,344
Additions		39	63,330	-	-
Amortization		(47)	(16,400)	(273)	(13,468)
Other changes		-	(11,067)	-	-
Net balance at end of year	₩	<u>244</u>	<u>179,287</u>	<u>4,920</u>	<u>49,876</u>

(b) Research and development costs incurred for the years ended December 31, 2010 and 2009 were ₩47,313 million and ₩37,014 million, respectively.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

11. Long-term Debt

(a) Long-term debt as of December 31, 2010 and 2009 is summarized as follows:

(In millions of won)

	Annual interest rate		2010	2009
Private subscription bonds	5.52~7.00%	₩	400,000	600,000
Public subscription bonds	5.10~8.80%		740,000	757,009
Long-term borrowings in local currency	6.96%		50,000	120,666
Long-term borrowings in foreign currency	-		-	60,615
Capital lease	-		-	395
			1,190,000	1,538,685
(-) Discount on debentures			(1,664)	(1,705)
(-) Less current portion of long-term debt			(510,000)	(518,070)
(+) Discount on debentures (current portion)			20	299
		₩	678,356	1,019,209

Property, plant and equipment are pledged as collateral for the above debt (Note 17).

(b) Aggregate maturities of the Company's long-term debt as of December 31, 2010 are summarized as follows:

(In millions of won)

Maturity		Private subscription bonds	Public subscription bonds	Long-term borrowings	Total
2011	₩	300,000	160,000	50,000	510,000
2012		100,000	280,000	-	380,000
2013		-	300,000	-	300,000
	₩	400,000	740,000	50,000	1,190,000

12. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won)

		2010	2009
Estimated retirement and severance benefits at beginning of year	₩	214,832	206,621
Accrual for retirement and severance benefits		56,660	34,618
Payments		(20,415)	(26,592)
Transferred from associated companies, net		295	185
Estimated retirement and severance benefits at end of year		251,372	214,832
Transfer to National Pension Fund		(1,714)	(1,837)
Severance benefit insurance deposit		(93,465)	(76,244)
Net balance at end of year	₩	156,193	136,751

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

12. Retirement and Severance Benefits, Continued

The Company maintains an employees' severance benefit trust arrangement with the Korea Development Bank and other financial institutions. Under this arrangement, the Company has made a deposit in the amount equal to 37% and 35% of the reserve balances of retirement and severance benefits as of December 31, 2010 and 2009, respectively. This deposit is to be used to guarantee the required payments to the retirees and is accounted for as a reduction in the reserve balance.

13. Provisions

Changes in provisions for the year ended December 31, 2010 were as follows:

(In millions of won)

		Balance at January 1, 2010	Increase	Decrease	Balance at December 31, 2010
Provision for guarantees	₩	-	37,200	-	37,200
Provision for construction warranties		36,721	31,334	(38,771)	29,284
Provision for construction losses		44,517	37,952	(15,158)	67,311
	₩	<u>81,238</u>	<u>106,486</u>	<u>(53,929)</u>	<u>133,795</u>

Changes in provisions for the year ended December 31, 2009 were as follows:

(In millions of won)

		Balance at January 1, 2009	Increase	Decrease	Balance at December 31, 2009
Provision for construction warranties	₩	42,928	17,554	(23,761)	36,721
Provision for construction losses		23,069	27,471	(6,023)	44,517
	₩	<u>65,997</u>	<u>45,025</u>	<u>(29,784)</u>	<u>81,238</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

14. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2010 are summarized as follows:

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

	Foreign currency				₩	Won equivalents
	USD	EUR	JPY	Other foreign currencies (*)		
Cash and cash equivalents	69,874	51	43,138	35,144	₩	115,403
Accounts and notes receivable - trade (*)	222,356	13,912	34,447	9,618		284,399
Other foreign currency assets	53,735	2,210	14,677	61,758		126,507
Total foreign currency denominated assets	345,965	16,173	92,262	106,520	₩	526,309
Accounts and notes payable - trade (*)	39,215	27,480	917,302	1,628	₩	100,699
Short-term borrowings	222,871	83,504	7,195,295	11,470		492,214
Accounts and notes payable - other	53,884	57,569	4,667,096	14,656		228,364
Other foreign currency liabilities	63,651	8,341	1,153,320	5,490		106,720
Total foreign currency denominated liabilities	379,621	176,894	13,933,013	33,244	₩	927,997

(*) Assets and liabilities in other foreign currencies are translated to Korean won using the exchange rate at the end of the reporting period.

(**) Monetary assets and liabilities amount above do not include unbilled accounts receivable, firm commitments and derivative financial instruments.

(***) The Company recognized gain on foreign currency translation amounting to ₩3,776 million as non-operating income in relation to the above foreign currency translations.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

14. Assets and Liabilities Denominated in Foreign Currency, Continued

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

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

	Foreign currency				₩	Won equivalents
	USD	EUR	JPY	Other foreign currencies (*)		
Cash and cash equivalents	105,211	2,927	924,613	41,589	₩	181,010
Accounts and notes receivable - trade (*)	394,438	30,441	259,095	43,391		558,175
Other foreign currency assets	48,038	689	9,690	31,350		88,715
Total foreign currency denominated assets	547,687	34,057	1,193,398	116,330	₩	827,900
Accounts and notes payable - trade (*)	26,236	22,373	2,184,504	1,320	₩	96,998
Short-term borrowings	95,805	63,404	2,143,452	12,210		257,296
Accounts and notes payable - other (*)	66,451	38,296	1,400,291	7,113		166,503
Bonds	30,000	-	5,700,000	-		107,009
Long-term debt	-	-	4,800,000	-		60,615
Other foreign currency liabilities	49,114	7,819	1,276,009	3,872		90,423
Total foreign currency denominated liabilities	267,606	131,892	17,504,256	24,515	₩	778,844

(*) Assets and liabilities in other foreign currencies are translated to Korean won using the exchange rate at the end of the reporting period.

(**) Monetary assets and liabilities amount above do not include unbilled accounts receivable, firm commitments and derivative financial instruments.

(***) The Company recognized gain on foreign currency translation amounting to ₩3,330 million as non-operating income in relation to the above foreign currency translations.

15. Commitments and Contingencies

(a) As of December 31, 2010, 10 notes and checks, including three blank notes and four blank checks, had been provided to banks as collateral for the borrowings and guarantees.

(b) As of December 31, 2010, the Company had a bank overdraft facility agreement with a maximum limit of ₩10,000 million. The Company also had agreements with several banks in relation to the opening of letters of credit amounting to USD1,152,955 thousand for imports.

(c) The Company had discounted trade accounts receivable under the conditions of the letters of credit during the year, and ₩955 million was outstanding as of December 31, 2010.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

15. Commitments and Contingencies, Continued

- (d) The Company was involved in various lawsuits and claims for alleged damages aggregating to ₩92,120 million as of December 31, 2010 which arose in the ordinary course of business. As of December 31, 2010, the final outcome of the claim could not be reasonably determined.
- (e) As of December 31, 2010, the Company had entered into 19 technical assistance agreements with General Electric Company and other companies, whose terms range from March 28, 1977 to September 2, 2033, and for which royalties in 2010 amounted to ₩15,721 million.
- (f) As of December 31, 2010, payment guarantees by commercial banks amounting to ₩7,457,800 million were provided for the Company with regard to construction projects. The Company had provided guarantees amounting to ₩128,700 million for performance of construction and the Company was provided with guarantees by a construction company amounting to ₩233,200 million relating to performance of construction.
- (g) The Company provided guarantees for the operation of a domestic construction project as follows:

(In millions of won)

Types of project financing		2010	2009
Asset backed commercial paper (ABCP)	₩	2,017,500	1,783,800
Loan		123,918	343,500
Other project financing (PF) guarantees		-	35,000
	₩	2,141,418	2,162,300

- (h) As of December 31, 2010, details of the top ten PF were as follows:

(In millions of won)

Business area	Bonds agencies	Loan amount	Loan balance	Warranty plan	Loan period	Type
Seoul forest	Kyobo Securities	₩ 410,000	₩ 410,000	Debt acceptance	2010.06~2011.05	ABCP
Eulji-ro	Shinhan Capital	370,000	370,000	Debt acceptance	2010.12~2011.06	ABCP
Yong-in	KB Securities	245,000	245,000	Debt acceptance	2010.02~2013.06	ABCP
Supyo-dong	Kookmin Bank	240,000	240,000	Debt acceptance	2010.04~2011.04	ABCP
Sangdo-dong	Mirae Asset Securities	180,000	180,000	Debt acceptance	2010.06~2011.06	ABCP
Hanam	Kookmin Bank	160,000	160,000	Debt acceptance	2010.11~2011.11	ABCP
Seocho-dong	Korea Exchange Bank	130,000	130,000	Debt acceptance	2010.07~2110.05	ABCP
Si-hwa	Mirae Asset Securities	86,500	86,500	Debt acceptance	2010.03~2011.03	ABCP
Hongcheon	Mirae Asset Securities	75,000	75,000	Debt acceptance	2009.10~2011.10	ABCP
Namwonju	LIG Insurance	63,000	49,300	Debt acceptance	2009.10~2012.09	Loan

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

16. Derivative Instruments and Hedge Accounting

(a) Details of derivative instruments outstanding as of December 31, 2010 were as follows:

Purpose	Derivative instruments	Contract description
Fair value hedge	Foreign currency forwards Foreign exchange risk insurance	Contract to avoid exchange risk arising from firm commitment sales
Cash flow hedge	Foreign currency forwards Foreign exchange risk insurance	Contract to avoid cash flow risk arising from estimated foreign currency collection or expenditures on long-term project.

(b) Details of the changes in valuation gain or loss on derivatives for the year ended December 31, 2010 were as follows:

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

		Buy		Sell		Derivative instrument assets (liabilities)	Gain (loss) on valuation of derivative instrument	Accumulated other comprehensive income (*)	Firm commitment asset (liabilities) (**)
Foreign currency forward	KRW	6,236,571	USD	5,452,804	₩	(67,755)	100,449	(53,133)	(337)
	KRW	129,950	EUR	82,235		3,969	4,743	21	(3,977)
	KRW	226,198	JPY	19,033,090		(60,537)	(10,433)	(48,937)	1,574
	KRW	73,161	Other currencies			(3,848)	(3,764)	(86)	3,774
	USD	1,347,732	KR W	1,568,543		(14,244)	(8,722)	(5,522)	7,490
	EUR	321,331	KR W	519,896		(25,147)	(8,281)	(16,865)	13
	JPY	39,535,442	KR W	502,063		81,094	(14,667)	95,761	(34)
	Other currencies	W	56,405		(783)	(743)	(39)	-	
Foreign exchange risk insurance	KRW	296,362	USD	310,437		(57,582)	9,057	(3,639)	53,481
	KRW	2,861	JPY	294,325		(1,240)	(231)	-	1,240
Maturity amount						-	15,346	-	-
						(146,073)	82,754	(32,439)	63,224
Tax effect						-	-	7,268	-
						₩ (146,073)	82,754	(25,171)	63,224

(*) Net unrealized amount of ₩25,171 million after tax from cash flow hedges was charged to other comprehensive income and expense.

(**) Net unrealized amount from fair value hedges of ₩174,958 million and ₩111,734 million were charged to firm commitment assets and liabilities, respectively.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

16. Derivative Instruments and Hedge Accounting, Continued

Details of the changes in valuation gain or loss on derivatives for the year ended December 31, 2009 were as follows:

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

	Buy		Sell		Derivative instrument assets (liabilities)	Gain (loss) on valuation of derivative instrument	Accumulated other comprehensive income (*)	Firm commitment asset (liabilities) (**)
Foreign currency forward	KRW	3,588,169	USD	3,364,336	₩ (367,535)	126,120	(68,535)	221,512
	KRW	202,701	EUR	125,783	(9,054)	2,975	(778)	4,724
	KRW	175,495	JPY	16,142,892	(45,155)	(3,602)	(40,232)	1,132
	KRW	103,331	Other currencies		(563)	1,741	(156)	1,338
	USD	891,720	KRW	1,012,852	38,237	12,029	26,208	-
	EUR	234,254	KRW	402,755	(2,934)	(1,090)	(1,844)	-
	JPY	33,863,572	KRW	380,217	69,051	(6,602)	75,652	-
			Other currencies	KRW	(541)	127	(667)	-
Foreign exchange risk insurance	KRW	864,835	USD	902,359	(189,456)	(17,622)	(14,950)	132,944
Interest rate swap	KRW	2,861	JPY	294,325	(1,009)	302	-	542
Currency swap	KRW	300,000	KRW	300,000	(4,123)	-	(4,123)	-
	JPY	10,500,000	KRW	95,300	36,760	-	(1,342)	-
	USD	30,000	KRW	27,750	6,922	-	85	-
Maturity amount					-	15,019	-	-
					(469,400)	129,397	(30,682)	362,192
Tax effect					-	-	12,539	-
					₩ (469,400)	129,397	(18,143)	362,192

(*) Net unrealized amount of ₩18,143 million after tax from cash flow hedges was charged to other comprehensive income and expense.

(**) Net unrealized amount from fair value hedges of ₩389,210 million and ₩27,018 million were charged to firm commitment assets and liabilities, respectively.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

17. Pledged Assets

- (a) The following assets were pledged as collateral for the Company's short-term borrowings and long-term debt as of December 31, 2010:

(In millions of won)

Pledged asset	Lender	Borrowing amount	Collateralized amount
Land, buildings, machinery and others	The Korea Development Bank	₩ 243,415	596,683
Non-current investments in securities	Machinery Financial Cooperative	-	581,925
	Construction Guarantee Cooperative	-	425,759

- (b) Assets pledged as collateral on behalf of third parties as of December 31, 2010 are summarized as follows:

(In millions of won)

Asset	Third party	Guaranteed amount	Lender
Non-current investments in securities	Kyunggi Highway Co., Ltd.	₩ 60,412	Shinhan Bank
Non-current investments in securities	The Third Kyungin Highway Corp.	24,727	Woori Bank, Korea Life Insurance Co., Ltd.
		₩ <u>85,139</u>	

18. Stockholders' Equity

- (a) The Company was authorized to issue 400,000,000 shares of capital stock with a par value of ₩5,000 per share and had 105,816,467 shares issued and outstanding as of December 31, 2010.

- (b) Transactions in stockholders' equity for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won, except number of shares)

	2010		2009	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	105,739,767	₩ 528,699	104,953,300	₩ 524,767
Exercise of stock option	76,700	383	99,000	495
Stocks issued by small-scale merger	-	-	687,467	3,437
Balance at end of year	<u>105,816,467</u>	<u>₩ 529,082</u>	<u>105,739,767</u>	<u>₩ 528,699</u>

- (c) As of December 31, 2010, no voting rights are granted, on treasury stock of 15,981,979 shares, under the Korean Commercial Code.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

19. Treasury Stock

As of December 31, 2010, the Company holds 15,981,979 of treasury stocks for the stability of the stock price and recorded this as a capital adjustment. A disposal plan for these treasury stocks was not determined as of December 31, 2010.

20. Share-based Payments

(a) The terms and conditions of grants as of December 31, 2010 were as follows:

Type of arrangement	Alternative-settlement issue of new stock or cash-settled				
	Directors	Directors	Directors	Directors	Directors
Grantee	Directors	Directors	Directors	Directors	Directors
Date of grant	2006.02.27	2007.03.16	2008.03.21	2009.03.27	2010.3.26
Number granted	16,600	56,300	65,100	44,650	93,000
Contractual life	10 years	10 years	10 years	10 years	10 years
Vesting conditions	2 years' service	2 years' service	2 years' service	2 years' service	2 years' service

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

Description	2006.02.27	2007.03.16	2008.03.21	2009.03.27	2010.03.26
Risk free rate; treasury bond rate	5.01%	4.79%	5.25%	3.71%	3.82%
Expected exercisable period	3 years	3 years	3 years	3 years	3 years
Expected standard deviation of stock price	53.87%	49.33%	56.02%	65.15%	66.45%
Expected dividend yield ratio	1.69%	5.67%	7.33%	9.00%	10.00%
Expected right termination period	0.00%	0.00%	0.00%	0.00%	0.00%

(c) The number and weighted average exercise prices of stock options for the year ended December 31, 2010 were as follows:

(In millions of won, except number of stock options)

	Alternative-settlement	
	Number of stock options	Weighted average exercise price
Outstanding at January 1, 2010	268,650 ₩	71,814
Granted	93,000	90,100
Exercised	(76,700)	48,006
Forfeited or settlement	(9,300)	116,535
Outstanding at December 31, 2010	275,650 ₩	83,099
Exercisable at December 31, 2010	72,900 ₩	46,329

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

20. Share-based Payments, Continued

(d) Details of total expense recognized as employee costs for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won)

		<u>2010</u>	<u>2009</u>
Total expense recognized for the year arising from share-based payment transactions	₩	2,165	2,623
- Cost of goods manufactured		-	-
- Selling and administrative expense		2,165	2,623
Remaining expense to be recognized in future years	₩	2,519	1,309

21. Retained Earnings

Retained earnings as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		<u>2010</u>	<u>2009</u>
Legal reserve	₩	81,469	76,967
Reserve for business rationalization		42,807	42,807
Reserve for research and development		34,678	70,012
Reserve for business expansion		288,420	288,420
Reserve for sinking funds		264,067	631,733
Unappropriated retained earnings		111,645	(353,182)
	₩	<u>823,086</u>	<u>756,757</u>

(a) Legal reserve

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

(b) Reserve for business rationalization

Until December 10, 2002 under the Special Tax Treatment Control Law, investment tax credits were allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization.

Effective December 11, 2002, the Company was no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a voluntary reserve.

(c) Other reserves under the tax laws

Under the tax laws, the Company appropriates retained earnings as a reserve for the amount the Company records as deductible allowance for tax purposes. These reserves may be distributed as dividends when the Company meets the requirement of the related tax law.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

22. Construction Contracts

- (a) Changes in contract balances related to construction and finished goods sales for the year ended December 31, 2010 were as follows:

(In millions of won)

		2010			
		Beginning of the year	Increase	Construction revenue	End of the year
Power plants	₩	8,417,658	9,427,559	3,991,699	13,853,518
Water plants		832,564	1,665,218	417,936	2,079,846
Industrial plants		402,573	193,412	206,996	388,989
Castings & forgings		506,633	643,943	611,070	539,506
Plant construction		393,338	426,367	229,032	590,673
General construction		2,073,383	439,784	721,602	1,791,565
	₩	<u>12,626,149</u>	<u>12,796,283</u>	<u>6,178,335</u>	<u>19,244,097</u>

Changes in contract balances related to construction and finished goods sales for the year ended December 31, 2009 were as follows:

(In millions of won)

		2009			
		Beginning of the year	Increase (decrease)	Construction revenue	End of the year
Power plants	₩	8,708,645	3,712,327	4,003,314	8,417,658
Water plants		1,556,019	(92,907)	630,548	832,564
Industrial plants		430,151	253,665	281,243	402,573
Castings & forgings		288,540	846,616	628,523	506,633
Plant construction		515,002	66,614	188,278	393,338
General construction		1,895,591	725,367	547,575	2,073,383
	₩	<u>13,393,948</u>	<u>5,511,682</u>	<u>6,279,481</u>	<u>12,626,149</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

22. Construction Contracts, Continued

(b) Details of the Company's contracts on the ongoing projects for the year ended December 31, 2010 were as follows:

(In millions of won)

		Cumulative construction cost	Cumulative construction income	Cumulative construction gain (loss)	Advances received	Trade accounts and notes - receivable		
						Billed amount	Unbilled amount	Total
Power plants	₩	13,390,416	16,614,536	3,224,120	957,848	112,918	788,098	901,016
Water plants		2,973,336	3,164,974	191,638	376,635	14,927	201,490	216,417
Industrial plants		834,626	953,864	119,238	13,337	23,969	190,764	214,733
Castings & forgings		431,660	606,778	175,118	4,292	112,749	-	112,749
Plant construction		642,363	639,189	(3,174)	19,058	6,079	54,266	60,345
General construction		1,949,989	2,296,885	346,896	74,811	458,934	71,449	530,383
	₩	<u>20,222,390</u>	<u>24,276,226</u>	<u>4,053,836</u>	<u>1,445,981</u>	<u>729,576</u>	<u>1,306,067</u>	<u>2,035,643</u>

Details of the Company's contracts on the ongoing projects for the year ended December 31, 2009 were as follows:

(In millions of won)

		Cumulative construction cost	Cumulative construction income	Cumulative construction gain	Advances received	Trade accounts and notes - receivable		
						Billed amount	Unbilled amount	Total
Power plants	₩	10,986,651	13,424,450	2,437,799	675,654	415,927	776,709	1,192,636
Water plants		2,646,366	2,788,713	142,347	62,689	66,567	268,971	335,538
Industrial plants		679,245	806,768	127,523	16,159	14,867	219,827	234,694
Castings & forgings		424,065	611,934	187,869	16,590	93,404	-	93,404
Plant construction		589,073	611,898	22,825	8,672	42	43,271	43,313
General construction		1,501,303	1,725,468	224,165	79,937	141,436	27,971	169,407
	₩	<u>16,826,703</u>	<u>19,969,231</u>	<u>3,142,528</u>	<u>859,701</u>	<u>732,243</u>	<u>1,336,749</u>	<u>2,068,992</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

23. Selling, General and Administrative Expenses

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

(In millions of won)

	2010	2009
Salaries	₩ 134,567	100,421
Accrual for retirement and severance benefits	16,454	6,830
Other employee benefits	24,025	19,476
Travel	11,576	9,656
Advertising	28,907	24,758
Training	13,892	11,063
Professional service fees	68,728	45,418
Insurance	5,122	2,853
Depreciation	7,632	6,834
Amortization	8,485	12,607
Taxes and dues	3,486	2,186
Bad debts expenses	97,172	26,388
Rent	7,804	8,395
Overseas marketing	22,322	22,749
Research	47,216	36,897
Others	45,817	38,864
	<u>₩ 543,205</u>	<u>375,395</u>

24. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won)

	2010	2009
Salaries	₩ 578,813	483,026
Accrual for retirement and severance benefits	56,660	34,618
Other employee benefits	68,226	76,998
Rent	50,160	33,857
Depreciation	88,896	77,127
Taxes and dues	22,337	16,050

25. Income Taxes

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

Taxable income	Tax rate			
	2009	2010	2011	Thereafter
Up to ₩200 million	12.1%	11.0%	11.0%	11.0%
Over ₩200 million	24.2%	24.2%	24.2%	22.0%

In December 2009, the Korean government postponed the reduction of the corporate income tax rate (including resident tax) from 24.2% to 22.0%, until 2012.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

25. Income Taxes, Continued

- (b) The components of income tax expense for the years ended December 31, 2010 and 2009 were as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Current	₩	88,443	8,748
Deferred		46,084	39,218
Income tax expense directly recognized to equity		(87,664)	50,660
Income tax expense	₩	<u>46,863</u>	<u>98,626</u>

- (c) The income tax expense calculated by applying statutory tax rates to the Company's income (loss) before income taxes for the year differed from the actual tax expense in the non-consolidated statements of operations for the years ended December 31, 2010 and 2009 for the following reasons:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Income (loss) before income taxes	₩	158,070	(229,689)
Expense (benefit) for income taxes at normal tax rates		38,253	(55,585)
Non-tax revenue/cost		458	106
Temporary differences not recognized in deferred tax asset (liabilities)		24,706	176,768
Income tax refunds		(15,883)	(18,065)
Additional payment of income taxes		2,618	(4,242)
Other		(3,289)	(356)
Income tax expense	₩	<u>46,863</u>	<u>98,626</u>
Effective tax rate		<u>29.65%</u>	<u>(*)</u>

(*) The effective tax rate in 2009 was not available due to loss before income taxes.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

25. Income Taxes, Continued

- (d) In accordance with SKAS No. 16 *Income Taxes*, deferred tax amounts should be presented as a net current asset or liability and a net non-current asset or liability. In addition, the Company is required to disclose gross deferred tax assets (liabilities).

As of December 31, 2010, details of gross deferred tax assets (liabilities) were as follows:

(In millions of won)

		Temporary differences at December 31, 2010	Deferred tax assets (liabilities)	
			Current	Non-current
Provision for retirement and severance benefits	₩	83,083	-	18,278
Allowance for doubtful accounts		173,111	41,893	-
Property, plant and equipment		15,275	-	3,361
Reserve for research and development		(12,000)	-	(2,640)
Investments (*)		(540,282)	-	(108,738)
Development costs		128,080	-	28,178
Derivative financial instruments		(34,845)	(16,242)	7,099
Foreign currency assets (liabilities)		9,402	2,275	-
Firm commitment assets (liabilities)		102,582	24,825	-
Land revaluation gain		(752,293)	-	(165,505)
Others		250,257	31,716	27,043
		<u>(577,630)</u>	<u>84,467</u>	<u>(192,924)</u>
(-) Deferred tax assets with low probability of realization			-	(214,116)
(+) Deferred tax liabilities with low probability of realization			-	134,076
Deferred tax assets (liabilities)	₩		<u>84,467</u>	<u>(272,964)</u>

- (*) The deferred tax assets (liabilities) related to the unrealized profit or loss occurred by transactions with subsidiaries were calculated using the tax rates applied to each subsidiary.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

25. Income Taxes, Continued

As of December 31, 2009, details of gross deferred tax assets (liabilities) were as follows:

(In millions of won)

		Temporary differences at December 31, 2009	Deferred tax assets (liabilities)	
			Current	Non-current
Provision for retirement and severance benefits	₩	72,302	-	15,906
Allowance for doubtful accounts		62,551	15,137	-
Property, plant and equipment		10,041	-	2,209
Reserve for research and development		(34,000)	-	(7,480)
Investments (*)		(300,273)	-	(70,347)
Development costs		95,086	-	20,919
Derivative financial instruments		(36,370)	(14,430)	5,117
Foreign currency assets (liabilities)		25,621	6,200	-
Firm commitment assets (liabilities)		77,732	18,811	-
Land revaluation gain		(752,293)	-	(165,505)
Others		181,745	15,788	29,920
		<u>(597,858)</u>	<u>41,506</u>	<u>(169,261)</u>
(-) Deferred tax assets with low probability of realization			-	(175,757)
(+) Deferred tax liabilities with low probability of realization			-	161,100
Deferred tax assets (liabilities)	₩		<u>41,506</u>	<u>(183,918)</u>

(*) The deferred tax assets (liabilities) related to the unrealized profit or loss occurred by transactions with subsidiaries were calculated using the tax rates applied to each subsidiary.

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

(f) Temporary differences had not been recognized as deferred tax assets as of December 31, 2010 and 2009 were as follows:

(In millions of won)

		2010	2009
Subsidiary company investments	₩	968,317	793,223
Equity method accounted investments		4,933	5,673
	₩	<u>973,250</u>	<u>798,896</u>

(g) Temporary differences had not been recognized as deferred tax liabilities as of December 31, 2010 and 2009 were as follows:

(In millions of won)

		2010	2009
Advanced depreciation provision	₩	484	484
Long-term investment securities		23,716	23,716
Subsidiary company investments		580,914	705,647
Equity method accounted investments		4,322	2,425
	₩	<u>609,436</u>	<u>732,272</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

25. Income Taxes, Continued

- (h) Deferred income tax charged directly to the shareholders' equity for the year ended December 31, 2010 was as follows:

(In millions of won)

	Amounts	Income tax payable	Deferred tax assets (liabilities)
Disposal of equity method accounted investments	₩ 103,404	(21,373)	-
Change in equity method for subsidiaries	150,705	-	(43,767)
Other capital adjustments	9,057	-	(1,496)
Unrealized gain on valuation of available-for-sale securities	1,615	-	(355)
Unrealized loss on valuation of available-for-sale securities	(2,372)	-	546
Gain on valuation of equity-method investments	(50,206)	-	(16,444)
Loss on valuation of equity-method investments	29,773	-	(6,757)
Gain on valuation of derivative instruments	(8,028)	-	1,766
Loss on valuation of derivative instruments	(981)	-	216
	₩ 232,967	(21,373)	(66,291)

- Deferred income tax charged directly to the shareholders' equity for the year ended December 31, 2009 was as follows:

(In millions of won)

	Amounts	Income tax payable	Deferred tax assets (liabilities)
Gains on sale of treasury stock	₩ 167,051	(40,426)	-
Change in equity method for subsidiaries	119,274	-	(16,762)
Other capital adjustments	63,265	-	(16,958)
Unrealized gain on valuation of available-for-sale securities	900	-	(198)
Unrealized loss on valuation of available-for-sale securities	(3,627)	-	798
Gain on valuation of equity-method investments	(54,134)	-	105,710
Loss on valuation of equity-method investments	(17,500)	-	(150)
Gain on valuation of derivative instruments	(193,567)	-	42,585
Loss on valuation of derivative instruments	108,812	-	(23,939)
	₩ 190,474	(40,426)	91,086

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

25. Income Taxes, Continued

- (i) As of December 31, 2010 and 2009, aggregate deferred tax assets, liabilities and related accounts were as follows:

(In millions of won)

	2010			2009		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets	₩ 256,940	140,727	397,667	182,194	177,668	359,862
Deferred tax liabilities	(172,473)	(413,690)	(586,163)	(140,688)	(361,586)	(502,274)
Income tax payable			85,824			12,990
Prepaid income tax			(163,760)			(15,744)

26. Comprehensive Income

Comprehensive income (loss) for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won)

	2010	2009
Net income (loss)	₩ 111,207	(328,315)
Unrealized gain on valuation of available-for-sale securities, net of tax effect ₩(355) in 2010 and ₩(198) in 2009	1,260	702
Unrealized loss on valuation of available-for-sale securities, net of tax effect ₩546 in 2010 and ₩798 in 2009	(1,826)	(2,598)
Unrealized gain on valuation of equity-method investments, net of tax effect ₩(16,444) in 2010 and ₩105,710 in 2009	(66,650)	51,576
Unrealized loss on valuation of equity-method investments, net of tax effect ₩(6,757) in 2010 and ₩(150) in 2009	23,016	(17,650)
Unrealized gain on valuation of derivative instruments, net of tax effect ₩1,766 in 2010 and ₩42,585 in 2009	(6,262)	(150,982)
Unrealized loss on valuation of derivative instruments, net of tax effect ₩216 in 2010 and ₩(23,939) in 2009	(765)	84,873
Comprehensive income (loss)	₩ 59,980	(362,394)

In 2009, the accumulated other comprehensive income of ₩10,337 million, assumed from Samhwa Asset Co., Ltd. through the small-scale merger, was not included above.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

27. Earnings (Loss) per Share

(a) Basic earnings (loss) per share for the years ended December 31, 2010 and 2009 were as follows:

<i>(In won, except share information)</i>		<u>2010</u>	<u>2009</u>
Net income (loss)	₩	111,207,121,708	(328,314,807,906)
Weighted-average number of common shares outstanding (*)		89,802,923	87,601,574
Basic earnings (loss) per share	₩	<u>1,238</u>	<u>(3,748)</u>

(*) Weighted average number of common shares outstanding:

<i>(In number of shares)</i>		<u>2010</u>	<u>2009</u>
Issued common shares at January 1		89,757,788	85,981,757
Effect of treasury stocks acquisition and disposal		-	1,512,438
Effect of stock options exercised		45,135	54,669
Effect of shares issued by small-scale merger		-	52,710
Weighted average number of common shares outstanding at December 31		<u>89,802,923</u>	<u>87,601,574</u>

(b) Diluted earnings (loss) per share for the years ended December 31, 2010 and 2009 were as follows:

<i>(In won, except share information)</i>		<u>2010</u>	<u>2009</u>
Net income (loss)	₩	111,207,121,708	(328,314,807,906)
Weighted-average number of common shares outstanding and common equivalent shares		89,851,415	87,601,574
Diluted earnings per share	₩	<u>1,238</u>	<u>No dilution effect</u>

(c) As of December 31, 2010, the following instruments were outstanding and could potentially become dilutive in the future.

<i>(In won, except share information)</i>		<u>Par value</u>	<u>Exercise period</u>	<u>Number of common shares to be issued</u>
Stock option (2008.03.21)	₩	5,000	2011.03.21~2018.03.20	65,100
Stock option (2010.03.26)		5,000	2013.03.26~2020.03.25	93,000
				<u>158,100</u>

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

28. Transactions and Balances with Related Companies

(a) Details of parent and subsidiary relationships as of December 31, 2010 were as follows:

Parent	Control relationship
Doosan Co., Ltd.	Ultimate controlling party
Subsidiaries	Location
Doosan Infracore Co., Ltd. and subsidiaries	Korea
Doosan Engine Co., Ltd. and subsidiaries	Korea
Doosan Construction & Engineering Co., Ltd. and subsidiaries	Korea
Doosan Capital Co., Ltd. and its subsidiaries	Korea
Doosan Heavy Industries European Holdings S.a.r.l and subsidiaries	Luxemburg
Hanjung Power Ltd.	Papua New Guinea
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	Vietnam
Doosan Heavy Industries Vietnam Co., Ltd.	Vietnam
Doosan Heavy Industries America Corp.	America
Doosan Heavy Industries Japan Corp.	Japan
HF Controls Corp.	America
Doosan Hydro Technology Inc.	America
Doosan Projects India Private Ltd.	India
Pt. Doosan Heavy Industries Indonesia	Indonesia
Doosan Asset Management Company Co., Ltd.	Korea

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2010 and 2009 were as follows:

(In millions of won)

Relationship	2010		2009	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Parent	₩ 911	76,967	520	54,605
Subsidiary	422,320	476,006	293,329	429,657
Equity method investee	28,603	25,387	15,350	22,096
Other	6,566	25,008	1,648	6,668
	₩ 458,400	603,368	310,847	513,026

(c) Account balances with related companies as of December 31, 2010 and 2009 were as follows:

(In millions of won)

Relationship	2010		2009	
	Receivables	Payables	Receivables	Payables
Parent	₩ 1,014	19,271	215	13,678
Subsidiary	77,005	70,230	85,873	98,207
Equity method investee	3,292	174	-	22,859
Other	1,464	9,434	614	871
	₩ 82,775	99,109	86,702	135,615

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

28. Transactions and Balances with Related Companies, Continued

- (d) Key management personnel compensation, in total and for each of the following categories for the years ended December 31, 2010 and 2009, were as follows:

(In millions of won)

Compensation details		2010	2009
Short-term employee benefits	₩	41,450	38,106
Share-based payment		2,165	2,623
	₩	<u>43,615</u>	<u>40,729</u>

- (e) At December 31, 2010 the Company was guaranteeing ₩652,600 million for the performance of several projects of the related companies, and guaranteeing ₩627,300 million for the borrowings of the related companies.

29. Dividends

- (a) Details of dividends for the years ended December 31, 2010 and 2009 were as follows:

(In won, except number of shares)

		2010	2009
Total dividends	₩	67,375,866,000	44,878,894,000
- Cash dividends		67,375,866,000	44,878,894,000
Number of shares		89,834,488	89,757,788
Dividend per share	₩	750	500

- (b) Dividends as a percentage of net income and par value for the years ended December 31, 2010 and 2009 were as follows:

(In won, except par value)

		2010	2009
Dividend amount	₩	67,375,866,000	44,878,894,000
Net income (loss)	₩	111,207,121,708	(328,314,807,906)
Dividends as a percentage of net income		60.59%	(*)

(*) Dividend as a percentage of net income was not calculated due to net loss.

- (c) Dividend yield ratio for the years ended December 31, 2010 and 2009 were as follows:

(In won)

		2010	2009
Dividend per share	₩	750	500
Market price as of year end	₩	85,800	81,100
Dividend yield ratio		0.87%	0.62%

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

30. Statements of Cash Flows

There were no significant transactions of non-cash investing and financing activities for the years ended December 31, 2010 and 2009.

31. Results of Operations for the Last Interim Period

(In millions of won, except earnings per share)

		2010	2009
		4th quarter	4th quarter
Revenue	₩	1,926,924	1,759,450
Operating income		171,889	143,570
Net income for the period		2,392	43,267
Earnings per share		27	485

32. Segment Information

(a) General information regarding business groups

Business segment	Main products	Major customers
Power plants	Hydro/Thermal power, Nuclear power, Main plants including turbine/generator	Korea Electric Power Corp., GE and others
Water plants	Desalination plants	ME and others
Industrial plants	Conveying plants, Environmental plants	SWCC and others
Construction	Road construction, Apartment building, Various construction ordered by government	Public Procurement Service and others
Castings & forgings	Casting and forging, Crank shafts, Molds and tool steel, Work rolls	Daewoo Shipbuilding & Marine Engineering Co., Ltd., Hanjin Heavy Industries & Construction Co., Ltd. and others

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

32. Segment Information, Continued

(b) The following table provides information for each operating segment as of and for the year ended December 31, 2010:

(In millions of won)

	2010					
	Power plants	Water plants	Industrial plants	Construction	Castings & forging	Total
Total segment sales	₩ 3,999,553	431,787	246,095	1,171,197	773,738	6,622,370
Inter-segment sales	(7,854)	(13,851)	(39,099)	(220,563)	(162,668)	(444,035)
Revenue	3,991,699	417,936	206,996	950,634	611,070	6,178,335
- Sales - finished goods	1,435,208	-	106,758	-	611,070	2,153,036
- Sales - construction	2,556,491	417,936	100,238	950,634	-	4,025,299
Operating income (loss)	361,053	(38,279)	(27,777)	18,270	133,575	446,842
Fixed assets	1,514,458	81,408	28,742	1,070	614,939	2,240,617
Depreciation and amortization	70,715	3,865	2,043	257	34,421	111,301

The following table provides information for each operating segment as of and for the year ended December 31, 2009:

(In millions of won)

	2009					
	Power plants	Water plants	Industrial plants	Construction	Castings & forging	Total
Total segment sales	₩ 4,012,966	630,622	304,734	945,738	734,726	6,628,786
Inter-segment sales	(9,653)	(74)	(23,490)	(209,886)	(106,202)	(349,305)
Revenue	4,003,313	630,548	281,244	735,852	628,524	6,279,481
- Sales - finished goods	1,468,335	-	149,865	-	628,524	2,246,724
- Sales - construction	2,534,978	630,548	131,379	735,852	-	4,032,757
Operating income (loss)	228,830	(27,433)	20,726	14,544	167,149	403,816
Fixed assets	1,426,017	74,351	28,555	1,051	586,345	2,116,319
Depreciation and amortization	68,027	3,335	1,876	254	33,823	107,315

(c) The Company conducts business globally and is managed geographically. The following table provides information for each geographical segment as of and for the years ended December 31, 2010 and 2009.

(In millions of won)

	2010				
	Domestic	Asia	Middle East	Other	Total
Sales	₩ 2,649,225	1,464,760	1,642,027	422,323	6,178,335
Operating income (loss)	355,350	135,198	(113,339)	69,633	446,842

(In millions of won)

	2009				
	Domestic	Asia	Middle East	Other	Total
Sales	₩ 2,479,778	1,554,240	1,627,970	617,493	6,279,481
Operating income (loss)	300,713	188,679	(219,840)	134,264	403,816

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

33. Planning and Adoption of Korean International Financial Reporting Standards (K-IFRS)

The preparation of financial statements under K-IFRS is mandatory for all listed companies from 2011. The Company has elected to adopt K-IFRS from the year ended December 31, 2011. Information related to this election is as follows:

(a) K-IFRS Adoption Plan and current status of progress

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

(b) Differences between accounting under K-IFRS and under generally accepted accounting principles in Korea (K-GAAP) expected to have a material effect on the Company

Area		K-IFRS	Current K-GAAP
First-time adoption of K-IFRS	Business combinations	K-IFRS 1103 (Business Combinations) will not be applied retroactively to business combinations occurring prior to January 1, 2010 (the date of transition to K-IFRS).	-
	Cumulative translation differences	The cumulative translation difference of foreign operations as of January 1, 2009 (the date of transition to K-IFRS) will be regarded as nil.	-
	Subsidiaries	The Company will discontinue application of the equity method to subsidiaries in the non-consolidated financial statements. The Company will account for subsidiaries using the cost method after January 1, 2009 (the date of transition to K-IFRS).	-
	Borrowing costs	Interest expenses are capitalized after January 1, 2009 (the date of transition to K-IFRS).	-
Subsidiaries	The Company accounts for subsidiaries using the cost method.	The Company accounts for subsidiaries using the equity method.	
Borrowing costs	Interest expenses that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized after January 1, 2009 (the date of transition to K-IFRS).	All interest is presented as expense	

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

33. Planning and Adoption of Korean International Financial Reporting Standards (K-IFRS), Continued

(b) Differences between accounting under K-IFRS and under generally accepted accounting principles in Korea (K-GAAP) expected to have a material effect on the Company, Continued

Area	K-IFRS	Current K-GAAP
Financial asset	The Company records the discount of account receivables when substantially all risks and rewards are transferred.	The Company records the discount of account receivables when control is transferred.
Employee benefits	Under the Projected Unit Credit Method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.
Investment property	Property held to earn rentals or for capital appreciation or both is presented as Investment Property	Property held to earn rentals is presented as Property, plant and equipment.
Intangible assets with indefinite useful lives	Intangible assets with indefinite useful lives should not be amortized, but should be subject to regular impairment testing.	Intangible assets should be amortized not exceed 20 years from the date when the asset is available for use, unless specified otherwise in the pertinent law or contract that grants the entity exclusive rights to control the intangible asset.
Membership	The Company accounts for Membership as intangible assets with indefinite useful lives or Financial Assets.	The Company accounts for Membership as Deposits in Other non-current assets.
Deferred income tax	The Company estimates deferred income tax based on temporary differences resulting from asset revaluation regardless of whether the Company intends to dispose of the asset.	Unlike other asset revaluation, the Company may not recognize deferred income tax resulting from excess of fair value over book value from land revaluation when it is not probable that land will be disposed of in the foreseeable future.

Doosan Heavy Industries and Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

33. Planning and Adoption of Korean International Financial Reporting Standards (K-IFRS), Continued

(c) Changes in scope of consolidation

The Company is required under K-IFRS to present consolidated financial statements. Changes in the scope of consolidation from K-GAAP to K-IFRS as of December 31, 2010 are as follows:

	Difference	Companies
Addition	As the percentage of ownership is less than 50%, the Company is determined to lack control under K-IFRS	Doosan Babcock Engineering & Services India Private Ltd. Doosan Engineering & Services LLC Doosan Babcock Energy India Private Ltd.
Subtraction	Under Art. 1-3 par. 2 of the Presidential Decree enacting the Act on External Audit of Stock Companies, CDE was excluded from consolidation, however under K-IFRS it is a consolidated subsidiary	Doosan Infracore Co., Ltd. and subsidiaries Doosan Engine Co., Ltd. and subsidiaries Doosan Capital Co., Ltd. and subsidiaries Hanjung Power Ltd.

34. Date of Authorization for Issue

The 2010 financial statements were authorized for issue on January 28, 2011, at the Board of Directors meeting.

