

DOOSAN HEAVY INDUSTRIES AND
CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

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Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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	<i>3,9,16</i>	₩ 2,479,857,567	1,885,365,764
Short-term investments	<i>3,5,9,19</i>	509,906,758	305,005,023
Accounts and notes receivable - trade	<i>2,16,17,19,29</i>	5,467,611,960	4,974,403,699
Accounts and notes receivable - other	<i>2</i>	390,563,871	275,468,714
Advance payments	<i>2</i>	519,789,376	581,290,347
Prepaid expenses	<i>2</i>	281,875,369	205,815,072
Current derivative instrument assets	<i>18</i>	159,474,253	424,226,309
Current firm commitment assets	<i>18</i>	345,667,142	983,737,843
Current deferred tax assets	<i>26</i>	195,120,904	105,077,153
Inventories	<i>4,9</i>	2,056,253,961	1,638,093,194
Other current assets		732,451,012	388,656,348
Total current assets		13,138,572,173	11,767,139,466
Long-term financial instruments	<i>3</i>	60,351,012	20,784,482
Non-current investments in securities	<i>6,9,17,19</i>	522,868,512	475,453,233
Equity method accounted investments	<i>7</i>	48,519,757	598,191,236
Long-term loans		80,042,935	75,430,240
Property, plant and equipment, net	<i>8,9,17,19</i>	5,959,406,666	5,764,780,000
Intangible assets, net	<i>10,11</i>	6,319,051,277	6,464,263,440
Non-current derivative instrument assets	<i>18</i>	156,363,427	93,993,997
Non-current firm commitment assets	<i>18</i>	211,039,357	446,637,188
Guarantee deposits		132,222,353	159,748,321
Non-current deferred tax assets	<i>26</i>	58,489,418	138,345,926
Other assets for financial business	<i>19</i>	2,349,494,722	1,823,742,954
Other non-current assets		84,706,875	212,123,551
Total non-current assets		15,982,556,311	16,273,494,568
Total assets		₩ 29,121,128,484	28,040,634,034

See accompanying notes to consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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	16,29	₩ 2,668,007,947	2,577,326,884
Short-term borrowings	17,19	2,823,303,980	3,341,933,215
Asset backed liabilities	13	224,437,532	-
Accounts and notes payable - other	16	664,101,576	687,204,769
Advances receipts		3,203,291,152	2,541,943,531
Withholdings		160,157,269	104,497,195
Accrued expenses	17	616,012,178	511,685,586
Income tax payable		153,609,216	96,367,169
Current portion of long-term debts, net	19	2,699,475,006	2,756,126,428
Current derivative instrument liabilities	18	202,540,958	791,761,098
Current firm commitment liabilities	18	62,888,451	21,106,291
Current deferred tax liabilities	26	3,004,855	34,980,571
Other current liabilities	15	502,353,630	178,075,342
Total current liabilities		<u>13,983,183,750</u>	<u>13,643,008,079</u>
Long-term debt, net	12,17,19	6,958,560,773	6,693,968,630
Long-term non-trade payables		94,140,374	87,616,291
Provision for retirement and severance benefits, net	14	798,477,849	780,612,256
Non-current provisions	15	344,127,045	157,320,585
Deposits received		132,592,009	321,618,692
Non-current derivative instrument liabilities	18	237,564,678	309,835,780
Non-current firm commitment liabilities	18	71,108,305	11,059,834
Non-current deferred tax liabilities	26	538,945,711	470,911,779
Other non-current liabilities		186,867,173	149,979,680
Total non-current liabilities		<u>9,362,383,917</u>	<u>8,982,923,527</u>
Total liabilities		<u>23,345,567,667</u>	<u>22,625,931,606</u>
Stockholders' equity			
Controlling equity		3,513,967,445	3,308,444,682
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	1,20	529,082,335	528,698,835
Capital surplus		1,123,341,299	929,437,906
Capital adjustments	20,21,22	(156,720,493)	(163,606,875)
Accumulated other comprehensive income	7,18	1,217,423,254	1,268,881,373
Retained earnings	23	800,841,050	745,033,443
Minority interest		<u>2,261,593,372</u>	<u>2,106,257,746</u>
Total stockholders' equity		<u>5,775,560,817</u>	<u>5,414,702,428</u>
Total liabilities and stockholders' equity		<u>₩ 29,121,128,484</u>	<u>28,040,634,034</u>

See accompanying notes to consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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	24,29	₩ 20,410,692,848	18,045,517,286
Cost of sales	29	16,453,162,768	15,443,923,577
Gross profit		<u>3,957,530,080</u>	<u>2,601,593,709</u>
Selling, general and administrative expenses	25	2,604,901,496	2,244,368,184
Operating income		<u>1,352,628,584</u>	<u>357,225,525</u>
Interest income		90,317,010	116,496,022
Interest expense		(646,675,564)	(729,734,425)
Foreign currency translation gain (loss), net	16	(27,789,842)	34,855,797
Foreign currency transaction gain (loss), net		1,159,551	(53,234,084)
Gain on sale of non-current investments, net		31,089,156	100,491,049
Equity in net income (loss) of equity method accounted investees, net	7	(1,869,068)	7,320,637
Gain on sale of property, plant and equipment, net		6,535,983	10,310,849
Impairment losses on intangible assets		(44,312,284)	(1,761,553)
Amortization on negative goodwill	11	495,065	1,031,632
Gain (loss) on transaction of derivatives, net		115,159,557	(266,254,388)
Gain on valuation of derivatives, net	18	137,003,936	448,445,136
Loss on valuation of firm commitment, net		(448,839,061)	(566,140,544)
Loss on disposal of accounts and notes receivable - trade		(15,881,525)	(19,416,071)
Reversal of allowance for doubtful accounts		274,456	22,304,161
Other bad debt expenses		(29,867,990)	(14,506,763)
Reversal of other provisions		12,536,493	17,668,893
Service fees		(78,659,875)	(35,563,470)
Donations		(35,230,136)	(25,869,823)
Others, net		6,067,129	(25,439,841)
Other expense		<u>(928,487,009)</u>	<u>(978,996,786)</u>
Income (loss) before income taxes		424,141,575	(621,771,261)
Income taxes expense	26	255,579,374	109,658,183
Income (loss) from continuing operations		<u>168,562,201</u>	<u>(731,429,444)</u>
Discontinued operations			
Income (loss) from discontinued operations, net of tax effect ₩(6,332) million in 2010 and ₩29,823 million in 2009	26,33	(19,911,236)	85,947,655
Net income (loss)		₩ <u>148,650,965</u>	<u>(645,481,789)</u>
Net income (loss) for controlling interest		118,062,596	(335,132,772)
Net income (loss) for minority interest		30,588,369	(310,349,017)
Earnings (loss) per share	28		
Basic earnings (loss) per share from continuing operations		₩ <u>1,877</u>	<u>(8,350)</u>
Basic earnings (loss) per share		₩ <u>1,315</u>	<u>(3,826)</u>
Diluted earnings per share from continuing operations		₩ <u>1,876</u>	<u>-</u>
Diluted earnings per share		₩ <u>1,314</u>	<u>-</u>

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2009	₩ 524,766,500	652,109,846	(241,457,712)	1,293,131,556	1,128,415,247	2,476,758,438	5,833,723,875
Dividends	-	-	-	-	(42,990,878)	-	(42,990,878)
Balance after appropriation	524,766,500	652,109,846	(241,457,712)	1,293,131,556	1,085,424,369	2,476,758,438	5,790,732,997
Net loss	-	-	-	-	(335,132,772)	(310,349,017)	(645,481,789)
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
Change in capital surplus	-	102,512,569	-	-	-	-	102,512,569
Change in capital adjustments	-	-	47,509,695	-	-	-	47,509,695
Change in accumulated other comprehensive income	-	-	-	(34,587,035)	-	-	(34,587,035)
Change in retained earnings	-	-	-	-	(5,258,154)	-	(5,258,154)
Change in minority interest	-	-	-	-	-	(60,151,675)	(60,151,675)
Small-scale merger	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>(163,606,875)</u>	<u>1,268,881,373</u>	<u>745,033,443</u>	<u>2,106,257,746</u>	<u>5,414,702,428</u>

See accompanying notes to consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2010 and 2009

(In thousands of won)

		<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2010	₩	528,698,835	929,437,906	(163,606,875)	1,268,881,373	745,033,443	2,106,257,746	5,414,702,428
Dividends		-	-	-	-	(44,878,894)	(8,253,659)	(53,132,553)
Balance after appropriation		528,698,835	929,437,906	(163,606,875)	1,268,881,373	700,154,549	2,098,004,087	5,361,569,875
Net income		-	-	-	-	118,062,596	30,588,369	148,650,965
Stock options		383,500	4,934,043	529,307	-	-	-	5,846,850
Change in equity method for subsidiaries		-	188,969,350	6,357,075	-	-	-	195,326,425
Change in unrealized gain (loss) on valuation of equity method accounted investments		-	-	-	136,101,191	-	-	136,101,191
Change in unrealized gain (loss) on valuation of available-for-sale securities		-	-	-	39,741,711	-	-	39,741,711
Change in unrealized gain on valuation of derivative instrument		-	-	-	(22,501,210)	-	-	(22,501,210)
Change in unrealized loss on valuation of derivative instrument		-	-	-	47,159,875	-	-	47,159,875
Gain on revaluation of land		-	-	-	(109,968,115)	-	-	(109,968,115)
Change in cumulative effect of foreign currency translation		-	-	-	(205,954,931)	-	-	(205,954,931)
Change in accumulated other comprehensive income		-	-	-	63,963,360	-	-	63,963,360
Change in retained earnings		-	-	-	-	5,111,274	-	5,111,274
Change in minority interest		-	-	-	-	-	135,562,064	135,562,064
Change in the scope of consolidation		-	-	-	-	(22,487,369)	(2,561,148)	(25,048,517)
Balance at December 31, 2010	₩	<u>529,082,335</u>	<u>1,123,341,299</u>	<u>(156,720,493)</u>	<u>1,217,423,254</u>	<u>800,841,050</u>	<u>2,261,593,372</u>	<u>5,775,560,817</u>

See accompanying notes to consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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)	₩ 148,650,965	(645,481,789)
Adjustments for:		
Depreciation	375,923,328	362,808,654
Amortization	445,569,138	457,279,300
Accrual for retirement and severance benefits	172,582,936	112,742,363
Foreign currency translation loss (gain), net	23,865,167	(41,453,856)
Gain on sale of non-current investments, net	(31,352,091)	(111,077,978)
Equity in net loss (income) of equity method accounted investees, net	1,869,068	(7,320,637)
Impairment losses on intangible assets	44,312,284	4,995,864
Gain on valuation of derivatives, net	(137,003,936)	(448,445,136)
Loss on valuation of firm commitment, net	448,839,061	566,140,544
Reversal of allowance for doubtful accounts	(274,456)	(22,304,161)
Bad debt expense	217,381,676	77,851,984
Service fees	37,200,000	-
Others, net	185,109,220	271,774,678
	<u>1,784,021,395</u>	<u>1,222,991,619</u>
Changes in assets and liabilities:		
Accounts and notes receivable - trade	(390,357,060)	(10,037,038)
Accounts and notes receivable - other	(125,603,863)	(118,039,799)
Advance payments	72,001,453	(58,593,223)
Inventories	(420,042,005)	653,190,068
Accounts and notes payable - trade	(45,927,576)	135,116,599
Accounts and notes payable - other	(66,902,892)	158,212,931
Advances receipts	458,585,213	101,119,768
Accrued expenses	88,415,313	18,987,229
Income tax payable	38,153,410	(168,730,376)
Payment of retirement and severance benefits	(120,083,704)	(157,248,386)
Severance benefit insurance deposits	(21,408,414)	11,735,312
Derivative instrument assets/liabilities	218,983,141	(1,362,736,103)
Deferred tax assets/liabilities	(44,185,347)	(443,573)
Others, net	(78,138,833)	(185,919,929)
	<u>(436,511,164)</u>	<u>(983,386,520)</u>
Net cash provided by (used in) operating activities	₩ <u>1,496,161,196</u>	<u>(405,876,690)</u>

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>2010</u>	<u>2009</u>
Cash flows from investing activities		
Decrease in short-term investments	₩ 3,976,484,260	3,076,784,559
Decrease in non-current investments	83,660,648	325,678,097
Proceeds from sale of property, plant and equipment	58,860,196	112,215,054
Proceeds from sale of intangible assets	4,027,006	182,683
Acquisition of short-term investments	(4,188,991,292)	(3,100,359,392)
Increase in non-current investments	(88,084,267)	(748,205,913)
Acquisition of property, plant and equipment	(559,967,845)	(683,964,907)
Acquisition of intangible assets	(164,960,716)	(167,137,600)
Others, net	(231,262,922)	(268,911,260)
Net cash used in investing activities	<u>(1,110,234,932)</u>	<u>(1,453,718,679)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	263,871,922	2,523,044,753
Proceeds from asset backed liabilities	360,000,000	-
Proceeds from long-term debt	5,075,105,656	3,859,020,867
Increase in deposits received	6,976,716	2,018,091
Issuance of common stock	3,682,040	131,868,092
Disposal of treasury stock	-	386,114,894
Proceeds from partial disposition of interest in subsidiaries	469,926,175	-
Repayment of asset backed liabilities	(135,562,468)	(13,755,721)
Repayment of current portion of long-term debt	(1,660,908,265)	(2,961,502,335)
Repayment of long-term debt	(4,135,223,343)	(1,864,300,199)
Repayment of capital lease liabilities	-	(304,732)
Acquisition of treasury stock	-	(15,433,028)
Dividends paid	(53,132,553)	(63,721,491)
Others, net	1,437,298	74,326,159
Net cash provided by financing activities	<u>196,173,178</u>	<u>2,057,375,350</u>
Net effect of changes in foreign exchange rate	(20,218,285)	36,030,275
Increase in cash and cash equivalents due to small-scale merger	-	15,777,629
Net increase in cash and cash equivalents due to changes in consolidated subsidiaries	<u>32,610,646</u>	<u>2,827,077</u>
Net increase in cash and cash equivalents	<u>594,491,803</u>	<u>252,414,962</u>
Cash and cash equivalents at beginning of year	<u>1,885,365,764</u>	<u>1,632,950,802</u>
Cash and cash equivalents at end of year	<u>₩ 2,479,857,567</u>	<u>1,885,365,764</u>

See accompanying notes to consolidated financial statements.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business

(a) Summary of Controlling Company

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

(b) Summary of Subsidiaries

(i) As of December 31, 2010 the consolidated subsidiaries consist of as follows:

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan Infracore Co., Ltd.	Korea	Manufacturing	KRW 842,242	44.83%	-
Doosan Construction & Engineering Co., Ltd.	Korea	Construction	KRW 577,229	72.75%	-
Doosan Cuvex Co., Ltd.	Korea	Golf resort	KRW 30,000	-	100%
Rexcon Co., Ltd.	Korea	Manufacturing	KRW 10,000	-	100%
Doosan Engine Co., Ltd.	Korea	Manufacturing	KRW 69,500	42.66%	-
Doosan Capital Co., Ltd.	Korea	Financial services	KRW 100,070	19.99%	19.99%
BNG Securities Co., Ltd.	Korea	Securities business	KRW 4,000	-	97.82%
Doosan Asset Management Company Co., Ltd.	Korea	Asset management	KRW 500	100%	-
Doosan Heavy Industries European Holdings S.a.r.l	Luxemburg	Holdings	EUR 170,343	100%	-
S.C. Doosan IMG B S.A.	Romania	Manufacturing	RON 248,427	-	99.76%
Doosan Heavy Industries Vietnam Haiphong Co., Ltd. (formerly, Han-Viet Heavy Industry & Construction Co., Ltd.)	Vietnam	Manufacturing	USD 10,160	90%	-
Hanjung Power Ltd.	Papua New Guinea	Electric power	PGK 16,791	51%	-
HF Controls Corp.	USA	Manufacturing	USD -	100%	-
Doosan Hydro Technology Inc.	USA	Manufacturing	USD -	100%	-
Doosan Heavy Industries America Corp.	USA	Sales	USD 300	100%	-
Doosan Heavy Industries Japan Corp.	Japan	Sales	JPY 50,000	100%	-
Doosan Heavy Industries Vietnam Co., Ltd.	Vietnam	Manufacturing	USD 187,239	74.49%	25.51%
Doosan Projects India Private Ltd.	India	Manufacturing	INR 11,700	99.99%	-
Pt. Doosan Heavy Industries Indonesia	Indonesia	Manufacturing	IDR 3,657,600	55%	-

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan Power Systems Holdings Ltd.	UK	Holdings	GBP 89,232	-	100%
Doosan Power Systems UK Investment Ltd.	UK	Holdings	GBP 257,527	-	100%
Doosan Power Systems Ltd.	UK	Engineering	GBP 261,957	-	100%
Doosan Babcock Energy Service (Overseas) Ltd.	UK	Holdings	GBP -	-	100%
Doosan Power Systems Europe Limited GmbH.	Germany	Engineering	GBP 17	-	100%
Doosan Babcock Energy Trading Shanghai	China	Engineering	GBP 122	-	100%
Doosan Babcock Energy Technologies (Shanghai) Ltd.	China	Engineering	GBP 540	-	100%
Doosan Babcock Energy Polska	Poland	Engineering	GBP 1,233	-	98.90%
Doosan Power Systems Overseas Investments Ltd.	UK	Holdings	GBP 1,000	-	100%
Doosan Babcock Energy Germany GmbH.	Germany	Engineering	GBP 440	-	100%
Doosan Power Systems Americas LLC	USA	Engineering	GBP -	-	100%
Clean Energy Solution	USA	Dormant	GBP 7,864	-	100%
Doosan Babcock Energy Scotland Ltd.	UK	Dormant	GBP -	-	100%
Babcock Welding Products Ltd.	UK	Dormant	GBP 50	-	100%
Babcock Energy Ltd.	UK	Dormant	GBP 7,662	-	100%
Doosan Babcock Energy Services Ltd.	UK	Dormant	GBP -	-	100%
Doosan Power Systems Czech Investment a.s.	Czech	Holdings	CZK 8,058,267	-	100%
Skoda Power s.r.o	Czech	Manufacturing	CZK 3,298	-	100%
Skoda Power Pvt Ltd.	India	Engineering	INR 5,425	-	100%
Doosan Infracore Europe S.A.	Belgium	Manufacturing	EUR 110,000	-	99.84%
Doosan Infracore U.K., Ltd.	UK	Sales	GBP 2,900	-	100%
Doosan Infracore Belgium S.A.	Belgium	Manufacturing	EUR 84,480	-	100%
Doosan Infracore Germany GmbH.	Germany	Purchases	EUR 4,257	-	100%
Doosan Infracore America Corp.	USA	Purchases	USD 31,000	-	100%
Doosan Infracore Japan Corp.	Japan	Purchases	JPY 10,000	-	100%
Doosan Infracore Xinjiang Machinery Co., Ltd.	China	Sales	CNY 41,361	-	60%
Doosan Infracore India Private Ltd.	India	Sales	INR 451,162	-	99.99%
Doosan Infracore (China) Investment Co., Ltd.	China	Holdings	CNY 328,165	-	100%
Doosan Infracore China Co., Ltd.	China	Manufacturing	CNY 212,789	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan Infracore Machine Tools Yantai Co., Ltd.	China	Manufacturing	CNY 82,247	-	100%
Doosan Infracore Suzhou Co., Ltd.	China	Sales	CNY 149,168	-	100%
Doosan Infracore (Shandong) Co., Ltd.	China	Sales	CNY 222,553	-	90%
Doosan Holdings Europe Ltd.	Ireland	Holdings	USD 388	-	72.31%
Doosan Holdings International Ltd.	Ireland	Holdings	EUR -	-	100%
Doosan Holdings Germany GmbH.	Germany	Holdings	EUR 25,053	-	100%
Doosan Holding France S.A.S.	France	Holdings	EUR 78,727	-	100%
Goldwave Ltd.	Ireland	-	EUR -	-	100%
Doosan Techno Holding Co. Ltd.	Ireland	Management	USD 72,229	-	100%
Doosan Benelux SA	Belgium	Sales	EUR 32,827	-	100%
Doosan International Portable Power of Netherlands BV	Netherlands	Sales	EUR 18	-	100%
Doosan International Italia S.r.L	Italy	Sales	EUR 84	-	100%
Doosan International Construction Equipment Espana, S.L.	Spain	Sales	EUR 175	-	100%
CJSC Doosan International Russia	Russia	Sales	RUB -	-	100%
Doosan International UK Ltd.	UK	Sales	GBP 55	-	100%
Doosan International Australia Pty Ltd.	Australia	Sales	AUD 112	-	100%
Doosan International Korea Ltd.	Korea	Sales	KRW 1,045	-	100%
Doosan International China Co., Ltd.	China	Sales	CNY 126,350	-	100%
Doosan International Manufacturing China Co., Ltd.	China	Manufacturing	CNY 676,242	-	100%
Doosan International South East Asia Pte. Ltd.	Singapore	Sales	SGD 17,672	-	100%
Doosan Construction Equipment Malaysia Co. Sdn. Bhd.	Malaysia	Sales	MYR 2,500	-	100%
Doosan International India Private Ltd.	India	Sales	INR 1,126,170	-	100%
Doosan International South Africa Ltd.	South Africa	Sales	ZAR 48,000	-	100%
Doosan International do Brasil Commercial and Market Related Consulting Ltda.	Brasil	Sales	BRL 100	-	100%
Doosan International Mexico S.A. de C.V.	Mexico	Sales	MXN -	-	100%
Doosan Bobcat Chile S.A.	Chile	Sales	CLP 1,157,325	-	99.99%
Doosan Bobcat Manufacturing s.r.o.	Czech	Manufacturing	CZK 845,000	-	100%
Doosan Bobcat Engineering s.r.o.	Czech	Manufacturing	CZK -	-	100%
Doosan Trading Ltd.	Ireland	Sales	EUR -	-	100%
Bobcat Parts Services GmbH.	Germany	Sales	EUR 26	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership		
				Parent company	Subsidiaries	
Doosan Beteiligungs GmbH.	Germany	Holdings	EUR	25	-	100%
Bobcat Bensheim GmbH & Co KG	Germany	Sales	EUR	18,000	-	100%
Bobcat Lyon SAS	France	Sales	EUR	37	-	100%
Bobcat France S.A.	France	Manufacturing	EUR	26,920	-	100%
Montabert	France	Manufacturing	EUR	3,966	-	100%
Geith International Ltd.	Ireland	Manufacturing	EUR	705	-	100%
Geith International UK Ltd.	UK	Manufacturing	GBP	-	-	100%
Goldwave Holdings Ltd.	Ireland	Services	EUR	-	-	100%
Geith Patents Ltd.	Ireland	Services	EUR	-	-	100%
Doosan Trading (Shanghai) Co., Ltd.	China	Sales	CNY	17,084	-	100%
Doosan International Luxemburg	Luxemburg	Sales	EUR	13	-	100%
Doosan Infracore International, Inc.	USA	Holdings	USD	-	-	73.06%
CDS Midwest Inc.	USA	Sales	USD	-	-	100%
Clark Distribution Services, Inc.	USA	Sales	USD	-	-	100%
Clark Equipment Co.	USA	Manufacturing	USD	208,688	-	100%
Bobcat Reno	USA	Sales	USD	-	-	100%
Clark Business Services Corporation	USA	Sales	USD	5	-	100%
Perimeter Bobcat, Inc.	USA	Sales	USD	-	-	100%
Bobcat Corp.	Japan	Sales	JPY	300,000	-	100%
Bobcat Equipment Ltd.	Canada	Sales	CAD	5	-	100%
Doosan Infracore Norway AS	Norway	Sales	EUR	1,233	-	100%
Doosan Moxy UK Ltd.	UK	Sales	GBP	-	-	100%
Doosan Moxy AS	Norway	Manufacturing	NOK	55,000	-	100%
Doosan Moxy America LLC	USA	Sales	USD	4,500	-	100%
Doosan Moxy US Holding Company, Inc.	USA	Holdings	USD	-	-	100%
Doosan Moxy IP Ltd.	UK	Sales	GBP	100	-	100%
Doosan Marine Industry (Dalian) Co., Ltd.	China	Manufacturing	CNY	82,547	-	100%
Doosan (China) Financial Leasing Corp.	China	Financial services	CNY	483,089	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(ii) As of December 31, 2009 the consolidated subsidiaries consist of as follows:

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan Infracore Co., Ltd.	Korea	Manufacturing	KRW 841,543	38.83%	12.06%
Doosan Construction & Engineering Co., Ltd.	Korea	Construction	KRW 366,431	52.18%	-
Doosan Cuvex Co., Ltd.	Korea	Golf resort	KRW 30,000	-	100%
Rexcon Co., Ltd.	Korea	Manufacturing	KRW 10,000	-	100%
Doosan Mecatec Co., Ltd.	Korea	Manufacturing	KRW 54,840	100%	-
Doosan Engine Co., Ltd.	Korea	Manufacturing	KRW 62,500	53.04%	-
Doosan Capital Co., Ltd.	Korea	Financial services	KRW 100,070	19.99%	19.99%
BNG Securities Co., Ltd.	Korea	Securities business	KRW 4,000	-	97.82%
N Shaper Corp.	Korea	Managing agent	KRW 6,088	80.52%	-
Doosan Heavy Industries European Holdings S.a.r.l	Luxemburg	Holdings	EUR 170,343	100%	-
S.C. Doosan IMGB S.A.	Romania	Manufacturing	RON 248,427	-	99.76%
Han-Viet Heavy Industry & Construction Co., Ltd.	Vietnam	Manufacturing	USD 10,160	60.00%	-
Hanjung Power Ltd.	Papua New Guinea	Electric power	PGK 16,791	51.00%	-
HF Controls Corp.	USA	Manufacturing	USD -	100%	-
Doosan Hydro Technology Inc.	USA	Manufacturing	USD -	100%	-
Doosan Heavy Industries America Corp.	USA	Sales	USD 300	100%	-
Doosan Heavy Industries Japan Corp.	Japan	Sales	JPY 50,000	100%	-
Doosan Heavy Industries Vietnam Co., Ltd.	Vietnam	Manufacturing	USD 187,239	74.49%	25.51%
Doosan Projects India Private Ltd.	India	Manufacturing	INR 11,700	99.99%	-
Pt. Doosan Heavy Industries Indonesia	Indonesia	Manufacturing	IDR 3,657,600	55.00%	-
Doosan Power Systems Holdings Ltd.	UK	Holdings	GBP 40,709	-	100%
Doosan Power Systems UK Investment Ltd.	UK	Holdings	GBP 60,570	-	100%
Doosan Power Systems Ltd.	UK	Engineering	GBP 65,000	-	100%
Doosan Babcock Energy Service (Overseas) Ltd.	UK	Holdings	GBP -	-	100%
Doosan Power Systems Europe Limited GmbH.	Germany	Engineering	GBP 17	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan Babcock Energy Trading Shanghai	China	Engineering	GBP 122	-	100%
Doosan Babcock Energy Technologies (Shanghai) Ltd.	China	Engineering	GBP 540	-	100%
Doosan Babcock Energy Polska	Poland	Engineering	GBP 1,233	-	98.90%
Doosan Power Systems Overseas Investments Ltd.	UK	Holdings	GBP 1,000	-	100%
Doosan Babcock Energy Germany GmbH.	Germany	Engineering	GBP 440	-	100%
Doosan Power Systems Americas LLC	USA	Engineering	GBP -	-	100%
Clean Energy Solution	USA	Dormant	GBP 7,864	-	100%
Doosan Babcock Energy Scotland Ltd.	UK	Dormant	GBP -	-	100%
Babcock Welding Products Ltd.	UK	Dormant	GBP 50	-	100%
Babcock Energy Ltd.	UK	Dormant	GBP 7,662	-	100%
Doosan Babcock Energy Services Ltd.	UK	Dormant	GBP -	-	100%
Doosan Infracore Europe S.A.	Belgium	Manufacturing	EUR 110,000	-	100%
Doosan Infracore U.K., Ltd.	UK	Sales	GBP 2,900	-	100%
Doosan Infracore Germany GmbH.	Germany	Purchases	EUR 4,257	-	100%
Doosan Infracore America Corp.	USA	Purchases	USD 31,000	-	100%
Doosan Infracore Japan Corp.	Japan	Purchases	JPY 10,000	-	100%
Doosan Infracore Xinjiang Machinery Co., Ltd.	China	Sales	CNY 41,361	-	60.00%
Doosan Infracore India Private Ltd.	India	Sales	INR 451,162	-	99.99%
Doosan Infracore (China) Investment Co., Ltd.	China	Holdings	CNY 328,165	-	100%
Doosan Infracore China Co., Ltd.	China	Manufacturing	CNY 212,789	-	100%
Doosan Infracore Machine Tools Yantai Co., Ltd.	China	Manufacturing	CNY 82,247	-	100%
Doosan Infracore Suzhou Co., Ltd.	China	Sales	CNY 149,168	-	100%
Doosan Infracore (Shandong) Co., Ltd.	China	Sales	CNY 222,553	-	90.00%
Doosan Holdings Europe Ltd.	Ireland	Holdings	USD 388	-	72.31%
Doosan Holdings International Ltd.	Ireland	Holdings	EUR -	-	100%
Doosan Holdings Germany GmbH.	Germany	Holdings	EUR 25,053	-	100%
Doosan Holding France S.A.S.	France	Holdings	EUR 78,727	-	100%
Goldwave Ltd.	Ireland	-	EUR -	-	100%
Doosan Techno Holding Co. Ltd.	Ireland	Management	USD 72,229	-	100%
Doosan Benelux SA	Belgium	Sales	EUR 32,827	-	100%
Doosan International Portable Power of Netherlands BV	Netherlands	Sales	EUR 18	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Doosan International Italia S.r.L	Italy	Sales	EUR 84	-	100%
Doosan International Construction Equipment Espana, S.L.	Spain	Sales	EUR 175	-	100%
CJSC Doosan International Russia	Russia	Sales	RUB -	-	100%
Doosan International UK Ltd.	UK	Sales	GBP 55	-	100%
Doosan International Australia Pty Ltd.	Australia	Sales	AUD 112	-	100%
Doosan International Korea Ltd.	Korea	Sales	KRW 1,045	-	100%
Doosan International China Co., Ltd.	China	Sales	CNY 126,350	-	100%
Doosan International Manufacturing China Co., Ltd.	China	Manufacturing	CNY 676,242	-	100%
Doosan International South East Asia Pte. Ltd.	Singapore	Sales	SGD 17,672	-	100%
Doosan Construction Equipment Malaysia Co. Sdn. Bhd.	Malaysia	Sales	MYR 2,500	-	100%
Doosan International India Private Ltd.	India	Sales	INR 1,126,170	-	100%
Doosan International South Africa Ltd.	South Africa	Sales	ZAR 48,000	-	100%
Doosan International do Brasil Commercial and Market Related Consulting Ltda.	Brasil	Sales	BRL 100	-	100%
Doosan International Mexico S.A. de C.V.	Mexico	Sales	MXN -	-	100%
Doosan Bobcat Chile S.A.	Chile	Sales	CLP 1,157,325	-	99.99%
Doosan Bobcat Manufacturing s.r.o.	Czech	Manufacturing	CZK 845,000	-	100%
Doosan Bobcat Engineering s.r.o.	Czech	Manufacturing	CZK -	-	100%
Doosan Trading Ltd.	Ireland	Sales	EUR -	-	100%
Bobcat Parts Services GmbH.	Germany	Sales	EUR 26	-	100%
Doosan Beteiligungs GmbH.	Germany	Holdings	EUR 25	-	100%
Bobcat Bensheim GmbH & Co KG	Germany	Sales	EUR 18,000	-	100%
Bobcat Lyon SAS	France	Sales	EUR 37	-	100%
Bobcat France S.A.	France	Manufacturing	EUR 26,920	-	100%
Montabert	France	Manufacturing	EUR 3,966	-	100%
Geith International Ltd.	Ireland	Manufacturing	EUR 705	-	100%
Geith International UK Ltd.	UK	Manufacturing	GBP -	-	100%
Goldwave Holdings Ltd.	Ireland	Services	EUR -	-	100%
Geith Patents Ltd.	Ireland	Services	EUR -	-	100%
Doosan Trading (Shanghai) Co., Ltd.	China	Sales	CNY 17,084	-	100%
Doosan International Luxemburg	Luxemburg	Sales	EUR 13	-	100%
Doosan Infracore International, Inc.	USA	Holdings	USD -	-	73.06%
CDS Midwest Inc.	USA	Sales	USD -	-	100%
Clark Distribution Services, Inc.	USA	Sales	USD -	-	100%

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

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(b) Summary of Subsidiaries, Continued

(In millions of won and in thousands of foreign currency, except percentage of ownership)

Company	Location	Type of business	Capital stock	Ownership	
				Parent company	Subsidiaries
Clark Equipment Co.	USA	Manufacturing	USD 208,688	-	100%
Bobcat Reno	USA	Sales	USD -	-	100%
Clark Business Services Corporation	USA	Sales	USD 5	-	100%
Perimeter Bobcat, Inc.	USA	Sales	USD -	-	100%
Bobcat Corp.	Japan	Sales	JPY 300,000	-	100%
Bobcat Equipment Ltd.	Canada	Sales	CAD 5	-	100%
Doosan Infracore Norway AS	Norway	Sales	EUR 1,233	-	100%
Doosan Moxy UK Ltd.	UK	Sales	GBP -	-	100%
Doosan Moxy AS	Norway	Manufacturing	NOK 55,000	-	100%
Doosan Moxy America LLC	USA	Sales	USD 4,500	-	100%
Doosan Moxy US Holding Company, Inc.	USA	Holdings	USD -	-	100%
Doosan Moxy IP Ltd.	UK	Sales	GBP 100	-	100%
Doosan Marine Industry (Dalian) Co., Ltd.	China	Manufacturing	CNY 82,547	-	100%
Doosan (China) Financial Leasing Corp.	China	Financial services	CNY 279,984	-	100%

(c) Change in the Scope of Consolidation

(i) Subsidiaries included in the scope of consolidation during 2010 are as follows:

Company	Description
Doosan Asset Management Company Co., Ltd.	The total assets of the prior year exceeded ₩10,000 million.
Doosan Power Systems Czech Investment a.s.	"
Skoda Power s.r.o	"
Skoda Power Pvt Ltd.	"
Doosan Infracore Belgium S.A.	Split from Doosan Infracore Europe S.A.

(ii) Subsidiaries excluded from the scope of consolidation during 2010 are as follows:

Company	Description
Doosan Mecatec Co., Ltd.	The Company merged into Doosan Construction & Engineering Co., Ltd.
N Shaper Corp.	Loss of controlling power from disposal of shares

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

December 31, 2010 and 2009

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 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 consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language consolidated financial statements.

Certain information attached to the Korean language 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 consolidated financial statements.

The Company prepares the 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 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.

(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:

<i>(In millions of won)</i>	<u>2010</u>	<u>2009</u>
Accounts and notes receivable - trade	₩ 465,209	251,486
Accounts and notes receivable - other	61,505	46,733
Accrued income	6,369	3,227
Advance payments	3,404	4,887
Prepaid expenses	13,585	10,208
Short-term loans	48,536	43,961
	<u>₩ 598,608</u>	<u>360,502</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to 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, Continued

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.

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

Classification

Upon acquisition, the Company classifies debt and equity securities (excluding investments in associates 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 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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to 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 and Joint Ventures), Continued

Fair value information

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

Presentation

Trading securities, available-for-sale securities which mature within one year from the end of the reporting period or where the likelihood of disposal within one year from the end of the reporting period is probable and 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 non-current assets.

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

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 are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates 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 over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to 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, Continued

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

The Company's share of its post-acquisition profits or losses in investments in associates 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 are recognized when the associate declares the dividend. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including preferred stock or other long term loans and receivables issued by the associate, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

If an associate 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.

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

(h) Interest in Joint Ventures

Joint ventures are those entities or assets over whose activities the Company has joint control.

With respect to jointly controlled operations, the Company includes, in its consolidated financial statements, the assets that it controls and the liabilities and expenses it has incurred, plus its share of the income from the joint operation. For its interest in jointly controlled assets, the Company recognizes, in the consolidated financial statements, its share of the assets it jointly controls, the liabilities jointly incurred and net income, plus the liabilities and expenses it has solely incurred, if any. The Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

(i) 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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(i) Property, Plant and Equipment, Continued

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	10 ~ 40 years
Structures	5 ~ 40 years
Machinery	2 ~ 10 years
Heavy equipment	10 years
Vehicles	3 ~ 15 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.

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.

(j) 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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(j) Leases, Continued

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.

(k) Goodwill and Negative Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired. Goodwill is amortized on a straight-line basis over its estimated useful life not to exceed 20 years. Where it is no longer probable that goodwill will be recovered from the expected future economic benefits generated by the acquisition, it is expensed immediately.

Negative goodwill is the excess of the fair value of identifiable net assets acquired in an acquisition over the acquisition cost. Negative goodwill is presented as a reduction in intangible assets. The amount of negative goodwill up to the fair value of identifiable non-monetary assets is recognized using the straight-line method as a gain over the weighted average period of useful lives of the depreciable and amortizable non-monetary assets. The remainder over the fair value of identifiable non-monetary assets is recognized as a gain in the period of acquisition. Negative goodwill related to future losses and expenses that have been specifically identified in the purchase agreement, is recognized as income as these are actually incurred.

(l) 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. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(I) 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 5~7 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 ~ 20 years
Usage rights	21 years
Others	5 ~ 50 years

(m) 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.

(n) 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. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(o) 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 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 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 benefits amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying 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.

(p) 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.

(q) 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 operations. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

(r) 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. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(r) 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. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(s) 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.

(t) 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.

(u) 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.

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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(u) Revenue Recognition, Continued

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

(v) 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.

(w) 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.

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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(x) Income from Discontinued Operations

Operating and non-operating income, net of income tax effect is reported as income from discontinued operations in the statement of operations for the period in which an initial disclosure event occurred. The prior period financial statements, presented comparatively, are reclassified to show the discontinued operations separately from continuing operations.

(y) Use of Estimates

The preparation of 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 consolidated financial statements and related notes to consolidated financial statements. Actual results could differ from those estimates.

(z) Reclassification

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

(aa) Purchase and Disposal of Additional Shares of Subsidiaries

When the Parent Company's ownership interest in a subsidiary is increased after control is obtained, the difference between the consideration for additional acquisition of interest and the portion of the net assets of the subsidiary shall be recognized in capital surplus. In the case of the difference being deducted from capital surplus, the amount which exceeds the balance of capital surplus is deducted from capital adjustments.

(ab) Offset of Investment Accounts of Controlling Company by Equity of Subsidiaries

Investment accounts of controlling company are offset by equity of subsidiaries at the date of control acquisition. Minority interests among the subsidiaries' equity are presented in the equity separately. In addition, if the date of acquisition is not the settling date, the nearest settling date is assumed to be the acquisition date. When offsetting, the Company divides these accounts into purchase method and pooling of interests method by nature of the transaction. In the purchased method, price differences compared to fair value of net assets purchased are recognized as goodwill or negative goodwill. In pooling of interests method, assets and liabilities of subsidiaries are recognized as book value, and the difference between total par value of the shares issued for pooling and equity of subsidiaries is adjusted from capital surplus and retained earnings.

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

December 31, 2010 and 2009

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>
Cash and cash equivalents	₩ 49,072	146,624
Short-term financial investments (*)	90,124	62,550
Long-term financial instruments	2,337	241
	<u>₩ 141,533</u>	<u>209,415</u>

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

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	₩ 654,999	291,217
Merchandise	57,906	191,683
Work-in-progress	358,809	422,685
Raw materials	661,559	592,856
Supplies	19,281	20,733
Materials-in-transit	240,638	189,527
Finished housing	16,642	29,908
Housing-in-process	13,906	4,141
Others	127,353	-
	<u>2,151,093</u>	<u>1,742,750</u>
Less allowance for valuation loss	(94,839)	(104,657)
	<u>₩ 2,056,254</u>	<u>1,638,093</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	₩ 408,420	263,871
Government subsidy	(58,099)	(63,133)
Trading securities	-	1,000
Available-for-sale securities (current)	133,810	100,832
Held-to-maturity securities (current)	25,776	2,435
	<u>₩ 509,907</u>	<u>305,005</u>

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

December 31, 2010 and 2009

6. Non-current Investments in Securities

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

(In millions of won)

	2010		2009	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Marketable securities	₩ 11,851	4,652	12,024	28,989
Non-marketable securities (*)(**)(***)(****)	429,304	463,397	377,789	383,029
Other debt securities	-	-	4,302	4,302
	₩ 441,155	468,049	394,115	416,320

(*) These securities were pledged as collateral to the Machinery Financial Cooperative and Construction Guarantee Cooperative for payment guarantees given by them (Note 19).

(**) These securities were pledged as collateral to The Shinbundang Railroad Co., Ltd., GK Fixed Link Corp., The Third Kyungin Highway Corporation and Kyunggi Highway Co., Ltd. for project financing (Note 19).

(***) Although the Company holds more than 20% of shares of The Shinbundang Railroad Co., Ltd. and 11 others, 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.

(****) As Doosan Infracore do Brasil Servicos de Suporte Comercial Ltda. is a small affiliate and the effect of applying the equity method accounted investments is not material, the Company does not apply the equity method accounted investments to investment.

(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	₩ 3,627	3,627	3,933	3,933
Other debt securities	51,193	51,193	55,200	55,200
	₩ 54,820	54,820	59,133	59,133

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Notes to 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
National Pension 05-5 Venture Association	23.33%	₩ 1,953	1,392	1,392
Doosan Babcock Engineering & Services India Private Ltd.	100.00%	4,803	7,227	7,227
Doosan Engineering & Services LLC	100.00%	6,918	4,934	4,934
Haman Industrial Complex Ltd.	80.00%	3,600	1,941	1,200
Doosan Infracore Logistics Europe GmbH.	100.00%	5,378	3,830	3,830
Casco Co., Ltd. (*)	16.21%	4,010	2,506	2,748
Dalian Samyoung Doosan Metal Product Co., Ltd. (*)	14.30%	2,675	3,583	3,583
Others		28,494	24,429	23,606
		₩ 57,831	49,842	48,520

(*) The Company accounted for its investment in Casco Co., Ltd. and Dalian Samyoung Doosan Metal Product 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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Notes to 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
National Pension 05-5 Venture Association	23.33%	₩ 3,864	3,446	3,446
Doosan Babcock Engineering & Services India Private Ltd.	100.00%	4,803	6,339	6,339
Doosan Engineering & Services LLC	100.00%	6,918	4,435	4,435
Haman Industrial Complex Ltd.	80.00%	3,600	2,952	2,493
Doosan Power Systems Czech Investment a.s. (*)	100.00%	560,108	560,108	560,108
Oricom Inc. (**)	11.41%	3,591	4,486	4,317
Doosan Infracore Logistics Europe GmbH.	100.00%	5,378	4,690	4,690
Casco Co., Ltd. (***)	16.21%	4,010	3,544	3,803
Dalian Samyoung Doosan Metal Product Co., Ltd.	20.66%	2,675	3,854	3,854
Others		10,946	10,189	4,706
		₩ 605,893	604,043	598,191

(*) 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 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.

(***) The Company accounted for its investment in Casco 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.

(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
Oricom Inc.	₩ (171)	157	14	-
Casco Co., Ltd.	258	-	(16)	242
	₩ 87	157	(2)	242

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

December 31, 2010 and 2009

7. Equity Method Accounted Investments, Continued

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 (decrease)	Amortized amount	Balance at December 31, 2009
Oricom Inc.	₩ -	(265)	94	(171)
Casco Co., Ltd.	273	-	(15)	258
₩	273	(265)	79	87

(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
Haman Industrial Complex Ltd.	₩ 5,187	-	-	5,187

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
Haman Industrial Complex Ltd.	₩ 460	-	-	460

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Notes to 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 (disposals)	Net income (loss)	Others	Balance at December 31, 2010
National Pension 05-5 Venture Association ₩	3,446	(1,911)	(79)	(64)	1,392
Doosan Babcock Engineering & Services India Private Ltd.	6,339	-	826	62	7,227
Doosan Engineering & Services LLC	4,435	-	617	(118)	4,934
Haman Industrial Complex Ltd.	2,493	-	(1,293)	-	1,200
Doosan Power Systems Czech Investment a.s.	560,108	12,113	-	(572,221)	-
Oricom Inc.	4,317	(4,629)	425	(113)	-
Doosan Infracore Logistics Europe GmbH.	4,690	-	(418)	(442)	3,830
Casco Co., Ltd.	3,803	-	(1,079)	24	2,748
Dalian Samyoung Doosan Metal Product Co., Ltd.	3,854	-	50	(321)	3,583
Others	4,706	7,397	(918)	12,421	23,606
₩	598,191	12,970	(1,869)	(560,772)	48,520

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Notes to 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 (disposals)	Net income (loss)	Others	Balance at December 31, 2009
National Pension 05-5 Venture Association	₩ 4,195	(616)	(107)	(26)	3,446
Doosan Babcock Engineering & Services India Private Ltd.	4,274	1,025	2,456	(1,416)	6,339
Doosan Engineering & Services LLC	3,278	3,640	(2,583)	100	4,435
Haman Industrial Complex Ltd.	3,379	-	(886)	-	2,493
Doosan Power Systems Czech Investment a.s.	-	560,108	-	-	560,108
Oricom Inc.	-	3,265	168	884	4,317
Doosan Infracore Logistics Europe GmbH.	5,378	-	(401)	(287)	4,690
Casco Co., Ltd.	5,086	-	(1,243)	(40)	3,803
Dalian Samyoung Doosan Metal Product Co., Ltd.	3,987	-	163	(296)	3,854
Korea Aerospace Industries, Ltd.	90,850	(101,717)	10,867	-	-
Dalian Hanjung-DMD Industry Co., Ltd.	2,023	(2,294)	-	271	-
Doosan Infracore (Shandong) Co., Ltd.	19,080	-	-	(19,080)	-
Doosan Infracore Norway AS	18,222	-	-	(18,222)	-
Others	1,930	9,375	(1,113)	(5,486)	4,706
	₩ 161,682	472,786	7,321	(43,598)	598,191

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
Notes to 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 and for the year ended December 31, 2010 was as follows:

(In millions of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Neoplux Co., Ltd. (*) ₩	5,981	18	2,861	(339)
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 Ltd. (*)	162,205	159,779	-	(859)
Doosan Infracore Logistics Europe GmbH. (*)	4,610	780	5,090	(418)
Casco Co., Ltd.	67,069	51,611	49,026	(6,566)
Dalian Samyoung Doosan Metal Product Co., Ltd. (*)	52,780	27,731	44,035	347
Doosan Power Systems (Scotland) Limited Partnership (*)	47,066	18,239	1,114	714

(*) 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.

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

(In millions of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Neoplux Co., Ltd. (*) ₩	14,839	71	1,082	(457)
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 Ltd. (*)	82,995	79,712	-	(803)
Doosan Power Systems Czech Investment a.s. (*)	766,889	206,781	-	-
Oricom Inc. (*)	99,240	59,909	76,275	2,418
Doosan Infracore Logistics Europe GmbH. (*)	5,261	571	4,479	(578)
Casco Co., Ltd.	58,918	37,048	54,949	(7,580)
Dalian Samyoung Doosan Metal Product Co., Ltd. (*)	44,211	25,558	26,279	787

(*) 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.

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7. Equity Method Accounted Investments, Continued

(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
Haman Industrial Complex Ltd.	₩ -	(4,446)	(4,446)

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
Doosan Infracore India Private Ltd.	₩ (7,406)	7,406	-
Doosan Moxy IP Ltd.	(1,731)	1,731	-
	₩ (9,137)	9,137	-

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	₩ 3,094,954	3,212	(5,783)	-	8,194	3,100,577
Buildings	1,276,525	63,709	(3,742)	(82,255)	101,542	1,355,779
Machinery	894,356	147,286	(38,195)	(182,055)	156,497	977,889
Others	334,690	73,631	(5,830)	(111,613)	47,399	338,277
Construction-in-progress (*)	164,255	272,130	(4,261)	-	(245,239)	186,885
	₩ 5,764,780	559,968	(57,811)	(375,923)	68,393	5,959,407

(*) The Company expensed ₩272,130 million to construction-in-progress during 2010.

(**) Changes in exchange rates and the scope of consolidation.

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8. Property, Plant and Equipment, Continued

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	₩	3,282,408	4,462	(5,455)	-	(186,461)	3,094,954
Buildings		1,060,150	18,700	(30,157)	(53,288)	281,120	1,276,525
Machinery		746,604	253,537	(64,688)	(231,647)	190,550	894,356
Others		405,926	81,767	(8,921)	(77,874)	(66,208)	334,690
Construction-in-progress (*)		481,106	325,499	(56,172)	-	(586,178)	164,255
	₩	<u>5,976,194</u>	<u>683,965</u>	<u>(165,393)</u>	<u>(362,809)</u>	<u>(367,177)</u>	<u>5,764,780</u>

(*) The Company expensed ₩325,499 million to construction-in-progress during 2009.

(**) Changes in exchange rates and the scope of consolidation

- (b) The officially declared value of land of the Parent Company and domestic subsidiaries 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	₩	3,049,161	1,687,898	3,049,886	1,649,845

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

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9. Insurance

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

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

Type of insurance	Assets	Amount insured		Insurance company
Contractor's comprehensive risks insurance	Heungin-dong construction, etc.	KRW	174,643	Samsung Fire & Marine Insurance Co., Ltd.
Burglary insurance	Cash and securities	KRW	152	Meritz Fire & Marine Insurance National Union Fire Insurance Co. of Pittsburgh, PA (AIG), etc.
		USD	10,250	
Comprehensive insurance	Construction equipment BG heavy machinery parts	KRW	456	Hyundai Fire & Marine Insurance Co., Ltd., etc.
Product liability	Excavator, forklift, etc.	KRW	4,828,400	Hyundai Fire & Marine Insurance Co., Ltd.
	Inventory	CNY	1,000,229	Samsung Fire & Marine Insurance Co., Ltd.
Property insurance	Property, plant, equipment	KRW	1,218,046	Korea Fire Protection Association
Transport insurance	Inventory	CNY	705,793	Samsung Fire & Marine Insurance Co., Ltd.
		USD	6,000	
Comprehensive insurance	Property, plant, equipment and inventory	KRW	1,695,018	RLI Korea Fire Protection Association, etc.
		CNY	183,352	Samsung Fire & Marine Insurance Co., Ltd.
		NOK	461,828	Gjensidige
		USD	760,059	Zurich American Insurance Co., etc.
Fire insurance	Property, plant, equipment and inventory	INR	2,455,383	Tata AIG General Insurance Co., etc.
		EUR	164,500	Allianz
		PGK	163,214	Meritz Fire & Marine Insurance
		KRW	585,463	Dongbu Fire & Marine Insurance
Industrial accident compensation insurance	Employees	USD	5,000	Chubb Group of Insurance Companies
Election all insurance	Changwon plant, etc.	KRW	2,889,226	Meritz Fire & Marine Insurance

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.

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10. Intangible Assets

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

(In millions of won)

		Development costs	Industrial property rights	Others	Total
Net balance at beginning of year	₩	292,276	1,269,233	198,993	1,760,502
Additions		134,768	562	29,631	164,961
Amortization		(22,821)	(82,207)	(39,392)	(144,420)
Other (*)		(39,858)	(66,979)	(6,800)	(113,637)
Net balance at end of year	₩	<u>364,365</u>	<u>1,120,609</u>	<u>182,432</u>	<u>1,667,406</u>

(*) Changes in exchange rates and the scope of consolidation

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

(In millions of won)

		Development costs	Industrial property rights	Others	Total
Net balance at beginning of year	₩	201,528	1,472,916	177,150	1,851,594
Additions		123,051	1,615	42,472	167,138
Amortization		(29,282)	(91,567)	(37,411)	(158,260)
Other (*)		(3,021)	(113,731)	16,782	(99,970)
Net balance at end of year	₩	<u>292,276</u>	<u>1,269,233</u>	<u>198,993</u>	<u>1,760,502</u>

(*) Changes in exchange rates and the scope of consolidation

11. Goodwill and Negative Goodwill

(a) Changes in goodwill for the years ended December 31, 2010 and 2009 were summarized as follows:

(In millions of won)

		2010	2009
Balance at beginning of year	₩	4,710,454	5,202,950
Amortization		(301,149)	(299,019)
Impairment		(23,724)	(980)
Other (*)		272,262	(192,497)
Balance at end of year	₩	<u>4,657,843</u>	<u>4,710,454</u>

(*) Changes in exchange rates and the scope of consolidation

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11. Goodwill and Negative Goodwill, Continued

(b) Changes in negative goodwill for the years ended December 31, 2010 and 2009 were summarized as follows:

<i>(In millions of won)</i>		2010	2009
Balance at beginning of year	₩	6,693	7,725
Reversal of negative goodwill		(495)	(1,032)
Balance at end of year	₩	6,198	6,693

12. Long-term Debt

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

<i>(In millions of won)</i>	Annual interest rate		2010	2009
Private subscription bonds	5.34~9.18%	₩	1,048,340	1,068,500
Public subscription bonds	4.40~8.80%		3,766,527	4,017,117
Long-term borrowings in local currency	1.00~11.00%		630,448	230,212
Long-term borrowings in foreign currency (*)	2.17~10.80%		4,222,665	4,140,604
	3M/6M			
	Libor+0~3.50%			
			9,667,980	9,456,433
(-) Discount on debentures			(9,944)	(6,338)
(-) Less current portion of long-term debt			(2,699,979)	(2,757,117)
(+) Discount on debentures (current portion)			504	991
		₩	6,958,561	6,693,969

(*) Borrowings of Doosan Holdings Europe Ltd., to acquire the compact equipment business of Ingersoll-Rand Ltd. from the Korea Development Bank and nine other financial institutions, in addition to borrowings of Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd., to acquire the shares of Doosan Infracore International Inc. and Doosan Holdings Europe Ltd. from the Korea Development Bank and nine other financial institutions are included (Note 17).

Property, plant and equipment are pledged as collateral for the debt above (Note 19).

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12. Long-term Debt, Continued

(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 in local currency	Long-term borrowings in foreign currency	Total
2011	₩	793,500	894,167	467,999	544,313	2,699,979
2012		250,000	1,288,000	92,174	1,306,676	2,936,850
2013		-	1,504,360	45,567	1,277,042	2,826,969
2014		-	25,000	7,950	1,091,438	1,124,388
2015 and thereafter		4,840	55,000	16,758	3,196	79,794
	₩	<u>1,048,340</u>	<u>3,766,527</u>	<u>630,448</u>	<u>4,222,665</u>	<u>9,667,980</u>

13. Asset Backed Liabilities

(a) The Company sold its future receivables from several ongoing construction projects to special purpose companies (SPC), established by the Company under the SPC law. The transactions constituted an absolute sale with no obligation on the part of the Company to buy back the receivables sold. Changes in asset backed liabilities for the years ended December 31, 2010 and 2009 were summarized as follows:

(In millions of won)

		2010	2009
Net balance at beginning of year	₩	-	61,263
Increase		389,859	-
Decrease		(165,421)	(61,263)
Net balance at end of year	₩	<u>224,438</u>	<u>-</u>

(b) The contract of asset backed liabilities as of December 31, 2010 is summarized as follows:

(In millions of won)

		Total nominal value	Term	Discount rate
14 th	₩	100,000	2010.07.22~2012.04.22	10.03%
15 th (*)		200,000	2010.09.10~2011.06.01	17.47%
16 th		60,000	2010.09.27~2011.03.25	12.79%

(*) The Company has the obligation to fund money on any shortages within DS Marine the 1st Co., Ltd. regarding asset backed liabilities of ₩200,000 million and interest. The Company also provides surety on its short-term financial investments (book value: ₩28,000 million) and land (book value: ₩74,572 million) for DS Marine the 1st Co., Ltd. (Note 19).

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14. Retirement and Severance Benefits

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

<i>(In millions of won)</i>	<u>2010</u>	<u>2009</u>
Estimated retirement and severance benefits at beginning of year	₩ 984,022	1,113,478
Accrual for retirement and severance benefits	172,583	112,742
Payments	(120,084)	(157,248)
Other (*)	(13,922)	(84,950)
Estimated retirement and severance benefits at end of year	<u>1,022,599</u>	<u>984,022</u>
Transfer to National Pension Fund	(3,377)	(3,119)
Severance benefit insurance deposit (**)	(220,744)	(200,291)
Net balance at end of year	<u>₩ 798,478</u>	<u>780,612</u>

(*) Changes in exchange rates and the scope of consolidation and the amount recognized as construction-in-progress and development costs.

(**) 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 21% and 20% 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.

15. Provisions

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

<i>(In millions of won)</i>	<u>Changes</u>				<u>Current/Non-current</u>		
	<u>Balance at January 1</u>	<u>Increase</u>	<u>Decrease</u>	<u>Other (*)</u>	<u>Balance at December 31</u>	<u>Current portion</u>	<u>Non- current portion</u>
Provision for returned goods	₩ 352	388	(352)	-	388	388	-
Provision for product warranties	148,953	153,155	(131,610)	1,546	172,044	172,044	-
Provision for guarantee	-	37,200	-	-	37,200	37,200	-
Provision for construction losses	60,671	87,613	(24,561)	-	123,723	24,997	98,726
Provision for construction warranties	96,649	161,819	(13,067)	-	245,401	-	245,401
	<u>₩ 306,625</u>	<u>440,175</u>	<u>(169,590)</u>	<u>1,546</u>	<u>578,756</u>	<u>234,629</u>	<u>344,127</u>

(*) Changes in exchange rates

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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16. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2010 and 2009 are summarized as follows:

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

	2010		2009	
	USD (*)	Won equivalents	USD (*)	Won equivalents
Cash and cash equivalents	180,696	₩ 205,795	173,267	₩ 202,307
Accounts and notes receivable - trade	973,943	1,109,224	1,118,853	1,306,373
Other foreign currency assets	918,498	1,046,078	397,327	463,919
	<u>2,073,137</u>	<u>₩ 2,361,097</u>	<u>1,689,447</u>	<u>₩ 1,972,599</u>
Accounts and notes payable - trade	179,577	₩ 204,521	200,223	₩ 233,780
Accounts and notes payable - other	234,162	266,687	165,776	193,560
Other foreign currency liabilities	2,066,206	2,353,202	1,981,290	2,313,354
	<u>2,479,945</u>	<u>₩ 2,824,410</u>	<u>2,347,289</u>	<u>₩ 2,740,694</u>

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

17. Commitments and Contingencies

- As of December 31, 2010, 240 notes and checks, including 53 blank notes and five blank checks, had been provided to banks as collateral for the borrowings and guarantees.
- As of December 31, 2010, the Company had a bank overdraft facility agreement with a maximum limit of ₩1,627,818 million. The Company also had agreements with several banks in relation to the opening of letters of credit amounting to USD1,358,955 thousand for imports.
- The Company had discounted accounts receivable - trade under the conditions of the letters of credit during the year, and ₩137,965 million was outstanding as of December 31, 2010.
- The Company was involved in various lawsuits and claims for alleged damages, aggregating to ₩271,495 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.
- 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.

As of December 31, 2010, Doosan Engine Co., Ltd., had entered into seven technical assistance agreements for manufacturing engines and had to pay the related royalty expense in proportion to the cumulative horse power for all engines manufactured for a year. The related royalty expense for these agreements was ₩138,513 million in 2010.

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17. Commitments and Contingencies, Continued

(f) As of December 31, 2010 and 2009, 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 securities (ABS)	₩ -	140,000
Asset backed commercial paper (ABCP)	2,572,000	2,471,000
Loan	1,024,283	1,478,352
Other project financing (PF) guarantees	-	35,000
	₩ 3,596,283	4,124,352

(g) As of December 31, 2010, details of the top ten project financing of the Parent Company were as follows:

(In millions of won)

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

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17. Commitments and Contingencies, Continued

(h) As of December 31, 2010, details of the top ten project financing of Doosan Construction & Engineering Co. Ltd., the subsidiary, are as follows:

(In millions of won)

Business area	Bonds agencies	Loan amount	Loan balance	Warranty plan	Loan period	Type
Ilsan	Bank	₩ 666,265	₩ 576,265	Joint guarantee	2006.06~2011.06	Loan
Cheonan	Securities company	175,000	175,000	Joint guarantee	2010.11~2011.05	ABCP
Cheonan Cheongdang-dong	Securities company	150,000	150,000	Joint guarantee	2010.04~2011.04	ABCP
Hwaseong Banwol	Bank	130,000	130,000	Joint guarantee	2008.03~2012.03	Loan
Yongin	Securities company	110,000	110,000	Joint guarantee	2010.12~2011.06	ABCP
Ulsan Daehyun-dong	Securities company	178,100	108,100	Debt acceptance	2006.11~2011.03	ABCP /Loan
Haewundae	Bank	245,000	65,000	Joint guarantee/ debt acceptance	2006.12~2011.12	Loan
Incheon Hakik-dong	Bank	65,000	39,000	Joint guarantee	2008.06~2011.11	Loan
Gongju Shinkwan-dong	Securities company	34,500	34,500	Joint guarantee	2010.10~2011.04	ABCP
Daegu	Bank	28,000	28,000	Responsibility parcel out	2010.04~2011.04	Loan

Doosan Construction & Engineering Co. Ltd., had invested in the shares of Kangnam Beltway Co., Ltd. and other companies in order to run the business of social overhead capital (SOC) and had entered into the additional investment agreements to finance the projects of these investees. According to the agreements, additional investment to be made in the future amounts to ₩65,930 million as of December 31, 2010.

(i) Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd., formed a consortium, which includes certain financial investors, to acquire the shares of Doosan Infracore International Inc., a special purpose holding company established in the United States, and Doosan Holdings Europe Ltd., a special purpose holding company established in Ireland on December 1, 2007. Regarding this transaction, significant provisions are as follows:

i) Put option

In relation to the above transaction, the financial investors have put options to sell their unconverted portion of convertible preferred shares during five years, at the price based on their invested amount, compounded at 9% annually. The financial investors shall not sell their shares to third parties without consent of the Company.

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17. Commitments and Contingencies, Continued

ii) Financial covenant

Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd. made loan agreements with lenders, including Korea Development Bank and nine other financial institutions, to finance a principal amount of USD560,000 thousand and USD240,000 thousand, respectively, for the acquisition of Doosan Infracore International Inc. and Doosan Holdings Europe Ltd. This agreement requires Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd. to maintain their EBITDA at more than 1.5 times their net interest expense and their financial debt at less than 6 times their EBITDA, respectively.

Doosan Holdings Europe Ltd., entered into a loan agreement with the Korea Development Bank and nine other financial institutions for the acquisition of DHEL's compact equipment business. This agreement requires Doosan Infracore International Inc. and Doosan Holdings Europe Ltd. to ensure that the ratio of EBITDA to net interest expense will not be less than 1.5 times and the ratio of financial debt to EBITDA will not exceed from 5.0 times to 7.0 times on the combined financial statements, in conformity with accounting principles generally accepted in the United States. In the event these conditions are not met, Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd. will undertake responsibilities to inject additional capital to Doosan Infracore International Inc. and Doosan Holdings Europe Ltd. or secure other borrowings.

(j) Doosan Construction & Engineering Co., Ltd., as a member within construction investors affiliated with Cheongna International Business Town, Kwangkyo Power Center, and Sangam DMC, entered into the following option contracts with respect to shares acquired by financial investors in order to attract more investors. Since the underlying assets were shares without any marketability and the strike price was not set at fair value but an amount agreed upon beforehand, it was decided that risk was involved for sellers of shares. Hence, the corresponding option contract was processed through a collateralized borrowing transaction. The total investment amount from financial investors with respect to their corresponding stakes in Doosan Construction & Engineering Co., Ltd. (Cheongna International Business Town: ₩21,969 million, Kwangkyo Power Center: ₩2,452 million and Sangam DMC: ₩7,223 million) were appropriated through short- and long-term borrowings and long-term investments in securities. Hereafter, unrealized guaranteed profits (Cheongna International Business Town: ₩2,463 million, Kwangkyo Power Center: ₩245 million and Sangam DMC: ₩830 million) were accounted for through interest expenses and accrued expenses.

(k) On December 8, 2010, Doosan Construction & Engineering Co., Ltd., was notified by Seocho District Office for expropriation of land and buildings of Gwanak plant. As of December 31, 2010, Doosan Construction & Engineering Co., Ltd. was in the process of adjudication for expropriation area and compensation amount.

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18. 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 Interest swap Currency swap	Contract to avoid cash flow risk arising from estimated foreign currency collection or expenditures on long-term projects Contract to receive floating rate indexed to Libor in foreign currency and pay fixed interest in foreign currency at the date of payment to avoid risk of increasing Libor rate
	Long-term borrowings in foreign currency	Long-term foreign currency borrowings were designated as means to avoid the risk to avoid cash flow risk arising from forecasted export transaction
Other	Foreign currency forwards	Foreign currency forwards to hedge future cash flow

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

(In millions of won)

	Derivative instrument assets (liabilities)	Gain (loss) on valuation of derivative instrument	Accumulated other comprehensive income	Firm commitment asset (liabilities)
Foreign currency forwards	₩ (28,329)	112,732	18,491	368,089
Foreign exchange risk insurance	(58,722)	8,926	(3,639)	54,621
Interest swap	(10,105)	-	(10,143)	-
Currency swap	(27,112)	-	5,309	-
Long-term borrowings in foreign currency	-	-	(53,480)	-
Maturity amount	-	15,346	-	-
	<u>(124,268)</u>	<u>137,004</u>	<u>(43,462)</u>	<u>422,710</u>
Tax effect	-	-	20,229	-
	<u>₩ (124,268)</u>	<u>137,004</u>	<u>(23,233)</u>	<u>422,710</u>

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18. Derivative Instruments and Hedge Accounting, Continued

(c) Pursuant to the revised SKAS Interpretation 53-70 *Accounting for Derivative Instruments*, Doosan Infracore Co., Ltd. designates long-term debt of USD560,000 thousand as cash flow hedging instruments. As a result, there is other comprehensive loss (foreign currency translation loss) amounting to ₩41,420 million, net of tax, as of December 31, 2010. The expected period to be exposed to changes in future cash flow is until November 21, 2014 as Doosan Infracore Co., Ltd. designated non-derivative financial instrument as hedging as a means of hedging.

19. Pledged Assets and Guarantees

(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 and in thousands of foreign currency)

Pledged asset	Lender	Borrowing amount		Collateralized amount	
Property, plant and equipment (*)	Korea Development Bank	KRW	100,000	KRW	184,413
		USD	248,403	USD	95,025
		EUR	21	DEM	84,000
		JPY	33,423		
Short-term financial instruments	Korea Exim Bank		-	KRW	550
Short-term financial instruments	DS Marine the 1st Co., Ltd.	KRW	200,000	KRW	28,000
Land				KRW	74,527
Accounts and notes receivable - trade and inventories	Bank of America	USD	22,487	USD	97,886
Inventories	Doojoong Soopyodong the 1st Co., Ltd.	KRW	240,000	KRW	312,000
	Doojoong Soopyodong the 2nd Co., Ltd.				
	Doojoong Soopyodong the 3rd Co., Ltd.				
Non-current investments in securities and property, plant and equipment	Woori Bank	KRW	266,053	KRW	121,708
Short-term investments	U-Best 1st Securitization Specialty Co., Ltd.	KRW	50,000	KRW	4,200
Non-current investments in securities	Machinery Financial Cooperative		-	KRW	581,925
		KRW	2,000	KRW	427,936
			-	KRW	92,630
		KRW	15,000	KRW	750
	Tong Yang Securities Inc.				
	New challenge 2010 construction the 1st Securitization Specialty Co., Ltd.				

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19. Pledged Assets and Guarantees, Continued

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

Pledged asset	Lender	Borrowing amount		Collateralized amount	
Property, plant and equipment	Korea Exim Bank	USD	56,500	USD	32,500
	Shinhan Bank	USD	4,000	USD	3,576
	Korea Development Bank and others	EUR	74,000	EUR	391,943
	Innovasjon Norge	NOK	3,210	NOK	17,929
	Korea Development Bank	KRW	297,241	KRW	803,730
	Korea Exchange Bank	KRW	53,040	KRW	72,700
	Kookmin Bank	KRW	716	KRW	2,772
	Shinhan Bank and others	KRW	6,180	KRW	28,600
	iCRAFT Co., Ltd.	KRW	900	KRW	900
	Other assets for financial business	Shinbo Chae-An Fund First Securitization Specialty Co., Ltd.	KRW	60,000	KRW
Shinbo Chae-An Fund Second Securitization Specialty Co., Ltd.		KRW	50,000	KRW	2,250
U-Best 1st Securitization Specialty Co., Ltd.		KRW	100,000	KRW	8,300

(*) As of December 31, 2010, Doosan Infracore Co., Ltd.'s rights for insurance benefits were pledged as collateral to Korea Development Bank to guarantee its debt payment.

As of December 31, 2010, Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd., had provided all the shares of Doosan Infracore International Inc. and Doosan Holdings Europe Ltd. as collateral for Doosan Holdings Europe Ltd.'s long-term debt amounting to USD2,291,327 thousand from the Korea Development Bank and other financial institutions for the acquisition of the compact equipment business from Ingersoll-Rand Ltd.

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19. Pledged Assets and Guarantees, Continued

(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
Short-term financial instruments	Daewon Plus Construction Co., Ltd. Contractor	₩ 10,613	Lotte Capital Co., Ltd.
Short-term investments	Seoul Beltway Corp.	2,015	Shinhan Capital Co., Ltd.
Non-current investments in securities	Shinbundang Railroad Co., Ltd. GK Fixed Link Corp.	106,212	Korea Development Bank and others
	Kuynggi Highway Co., Ltd.	83,981	Korea Development Bank and others
	The Third Kyungin Highway Corp.	94,024	Korea Development Bank and others
	Other	60,412	Shinhan Bank
		24,727	Woori Bank and others
		25,046	Korea Development Bank and others
		₩ <u>407,030</u>	

(c) Guarantees provided on behalf of third parties as of December 31, 2010 are as follows:

(In millions of won)

Guarantee provider	Guarantee recipient	Guaranteed amount	Lender
Doosan Heavy Industries and Construction Co., Ltd.	GS Engineering & Construction Corp.	₩ 128,667	SH Corp. and others
Doosan Infracore Co., Ltd.	Daewoo International and Daewoo Engineering & Construction	11,458	AKA Bank
Doosan Construction & Engineering Co., Ltd.	Construction company, etc. Contractor	240,275	Kookmin Bank and others
	Redevelopment Cooperatives	1,737,764	
	Dongbu Corp., etc.	626,144	
	Wintech	1,847,064	
Doosan Engine Co., Ltd.	The Korea Securities Finance Corp.	6,000	Korea Exim Bank
		72,812	Korea Exchange Bank and others
Doosan Infracore China Co., Ltd.	AnhuiTaiyuan and others	484	Hebei Technology Rural Commercial Bank and others
		₩ <u>4,670,668</u>	

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19. Pledged Assets and Guarantees, Continued

(d) As of December 31, 2010, payment guarantees by commercial banks amounting to ₩7,460,900 million, USD517,350 thousand, EUR37,918 thousand and JPY180,614 thousand were provided for the Company with regard to construction projects. The Company was provided with guarantees by Seoul Guarantee Insurance Company and others amounting to ₩4,282,700 million and USD38,780 thousand related to construction performance.

20. Stockholders' Equity

(a) The Parent 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.

21. Treasury Stock

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

22. 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

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22. Share-based Payments, Continued

(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

(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)

	2010	2009
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

Doosan Infracore Co., Ltd. and Doosan Construction & Engineering Co., Ltd., had granted stock options several times. These subsidiaries recognized the compensation costs for stock option amounting to ₩3,982 million and ₩4,229 million for the years ended December 31, 2010 and 2009, respectively. In addition, the remaining compensation costs to be recognized in the future amounted to ₩4,183 million as of December 31, 2010.

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23. Retained Earnings

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

<i>(In millions of won)</i>	<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	89,400	(364,906)
	<u>₩ 800,841</u>	<u>745,033</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.

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24. 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)

	Beginning of the year	Increase	2010		End of the year
			Construction revenue	Other (*)	
Parent Company					
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
Subsidiaries					
Doosan Mecatec Co., Ltd.	544,493	403,311	369,207	(578,597)	-
Doosan Engine Co., Ltd.	5,251,905	1,100,003	1,687,263	-	4,664,645
Doosan Construction & Engineering Co., Ltd.	11,115,928	758,785	2,294,550	578,597	10,158,760
	₩ <u>29,538,475</u>	<u>15,058,382</u>	<u>10,529,355</u>	<u>-</u>	<u>34,067,502</u>

(*) Changes in merger between subsidiaries.

- (b) 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)

	Beginning of the year	Increase (decrease)	2009		End of the year
			Construction revenue		
Parent Company					
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
Subsidiaries					
Doosan Mecatec Co., Ltd.	636,382	470,608	562,497		544,493
Doosan Engine Co., Ltd.	7,216,063	(220,940)	1,743,218		5,251,905
Doosan Construction & Engineering Co., Ltd.	11,573,665	1,795,743	2,253,480		11,115,928
	₩ <u>32,820,058</u>	<u>7,557,093</u>	<u>10,838,676</u>		<u>29,538,475</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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25. 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	₩ 571,478	504,796
Accrual for retirement and severance benefits	35,239	21,701
Other employee benefits	131,057	105,867
Travel	64,877	63,549
Training	26,781	20,848
Freight expenses	114,164	72,606
Taxes and dues	22,547	21,447
Professional service fees	145,653	215,751
Sales commissions	97,975	59,399
Rental expenses	46,587	53,681
Bad debt expenses	217,382	76,694
Depreciation	33,654	40,351
Amortization	401,188	405,797
Insurance	16,618	16,500
Research	73,583	36,897
Development	126,780	114,795
Advertising	100,008	86,951
Warranty	169,469	143,400
Overseas marketing	22,341	23,303
Others	187,520	160,035
	₩ 2,604,901	2,244,368

26. 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.

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26. 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	₩ 261,515	114,440
Deferred	56,206	(56,056)
(+) Income tax expense directly recognized to equity	(68,474)	81,097
(-) Income tax expense directly recognized in discontinued operations	(6,332)	29,823
Income tax expense	<u>₩ 255,579</u>	<u>109,658</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 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	₩ 424,142	(621,771)
Expense (benefit) for income taxes at normal tax rates	102,642	(151,641)
Non-tax revenue/cost	7,957	1,974
Temporary differences not recognized in deferred tax asset (liabilities)	249,189	396,421
Income tax refunds	(46,362)	(25,844)
Additional payment of income taxes	7,853	(9,116)
Others	(65,700)	(102,136)
Income tax expense	<u>₩ 255,579</u>	<u>109,658</u>
Effective tax rate	<u>60.26%</u>	<u>(*)</u>

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

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26. Income Taxes, Continued

- (d) Changes in temporary differences and deferred tax assets (liabilities) for the year ended December 31 2010 were as follow:

(In millions of won)

	Balance at January 1	Increase (decrease)	Balance at December 31
Provision for retirement and severance benefits	₩ 133,391	142,010	275,401
Allowance for doubtful accounts	233,507	232,249	465,756
Property, plant and equipment	23,904	30,149	54,053
Reserve for research and development	(175,957)	8,066	(167,891)
Investments	783,871	(79,957)	703,914
Development costs	95,086	32,994	128,080
Derivative financial instruments	(378,989)	94,138	(284,851)
Foreign currency assets (liabilities)	60,813	(55,414)	5,399
Firm commitment assets (liabilities)	77,732	27,702	105,434
Land revaluation gain	(1,721,348)	337,019	(1,384,329)
Accumulated deficit	2,093,885	1,052,914	3,146,799
Others	455,629	23,214	478,843
Total temporary differences	1,681,524	1,845,084	3,526,608
(-) Temporary differences with low probability of realization	(2,596,351)	(2,018,564)	(4,614,915)
Total	(914,827)	(173,480)	(1,088,307)
Tax effect	(248,624)	(47,147)	(295,771)
Carried forwarded tax credit	7,557	(126)	7,431
Deferred tax assets (liabilities)	₩ (241,067)	(47,273)	(288,340)

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26. Income Taxes, Continued

Changes in temporary differences and deferred tax assets (liabilities) for the year ended December 31 2009 were as follow:

(In millions of won)

	Balance at January 1	Increase (decrease)	Balance at December 31
Provision for retirement and severance benefits	₩ 109,371	24,020	133,391
Allowance for doubtful accounts	193,622	39,885	233,507
Property, plant and equipment	(139,501)	163,405	23,904
Reserve for research and development	(213,768)	37,811	(175,957)
Investments	(39,880)	823,751	783,871
Development costs	108,777	(13,691)	95,086
Derivative financial instruments	(17,045)	(361,944)	(378,989)
Foreign currency assets (liabilities)	193,841	(133,028)	60,813
Firm commitment assets (liabilities)	190,568	(112,836)	77,732
Land revaluation gain	(1,538,026)	(183,322)	(1,721,348)
Accumulated deficit	744,642	1,349,243	2,093,885
Other	(947,305)	1,402,934	455,629
Total temporary differences	<u>(1,354,704)</u>	<u>3,036,228</u>	<u>1,681,524</u>
(-) Temporary differences with low probability of realization	(95,561)	(2,500,790)	(2,596,351)
Total	(1,450,265)	535,438	(914,827)
Tax effect	(384,601)	135,977	(248,624)
Carried forwarded tax credit	103,105	(95,548)	7,557
Deferred tax assets (liabilities)	<u>₩ (281,496)</u>	<u>40,429</u>	<u>(241,067)</u>

(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.

27. 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)	₩ 148,651	(645,482)
Unrealized gain/loss on valuation of available-for-sale securities	39,742	(8,380)
Unrealized gain on valuation of equity-method investments	133,087	34,840
Unrealized loss on valuation of equity-method investments	3,014	349
Unrealized gain on valuation of derivative instruments	(22,501)	(157,863)
Unrealized loss on valuation of derivative instruments	47,160	117,619
Gain on revaluation of land	(109,968)	32,350
Cumulative effect of foreign currency translation	(205,955)	17,576
Others	63,963	(60,741)
Comprehensive income (loss)	<u>₩ 97,193</u>	<u>(669,732)</u>

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28. Earnings (Loss) per Share

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

(In won, except share information)

	2010		2009	
	Income from continuing operations	Net income for controlling interest	Loss from continuing operations	Net loss for controlling interest
Net income (loss)	₩ 168,562,201,451	118,062,596,418	(731,429,444,129)	(335,132,771,902)
Weighted-average number of common shares outstanding (*)	89,802,923	89,802,923	87,601,574	87,601,574
Basic earnings (loss) per share	₩ 1,877	1,315	(8,350)	(3,826)

(*) Weighted average number of common shares outstanding:

(In number of shares)

	2010	2009
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	89,802,923	87,601,574

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

(In won, except share information)

	2010		2009	
	Income from continuing operations	Net income for controlling interest	Loss from continuing operations	Net loss for controlling interest
Net income (loss)	₩ 168,562,201,451	118,062,596,418	(731,429,444,129)	(335,132,771,902)
Weighted-average number of common shares outstanding and common equivalent shares	89,851,415	89,851,415	87,601,574	87,601,574
Diluted earnings per share	₩ 1,876	1,314	No dilution effect	No dilution effect

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28. Earnings (Loss) Per Share, Continued

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

(In won, except share information)

		Par value	Exercise period	Number of common shares to be issued
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>

29. Transactions and Balances with Related Companies

- (a) As of December 31, 2010, the ultimate controlling parent which prepares and presents of consolidated financial statements is Doosan Corp.
- (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	₩	9,418	128,632	11,306	150,460
Equity method investee		29,003	56,293	15,558	60,650
Other		54,997	139,941	105,334	113,308
	₩	<u>93,418</u>	<u>324,866</u>	<u>132,198</u>	<u>324,418</u>

- (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	₩	3,636	127,427	1,251	48,417
Subsidiary		3,335	10,288	16	42,414
Other		12,977	19,215	14,258	72,087
	₩	<u>19,948</u>	<u>156,930</u>	<u>15,525</u>	<u>162,918</u>

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29. 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	₩	85,172	79,200
Post-employment benefits		358	528
Long-term employee benefits		1	2
Share-based payment		6,147	6,852
	₩	91,678	86,582

- (e) Guarantees provided on behalf of related companies as of December 31, 2010 are as follows:

(In millions of won)

Guarantee provider	Guarantee recipient		Guaranteed amount	Lender
Doosan Heavy Industries and Construction Co., Ltd.	Doosan Babcock Energy India Private Ltd.	₩	1,130	Shinhan Bank New Delhi Eraring
	Doosan Power Projects Australia		143,711	
		₩	144,841	

30. Transactions and Balances between Consolidated Companies

- (a) Account balances and significant transactions between consolidated companies as of and for the year ended December 31, 2010 were as follows:

(In millions of won)

Selling company	Purchasing company	2010	
		Accounts receivable and others	Sales and others
Doosan Heavy Industries and Construction Co., Ltd.	Doosan Engine Co., Ltd.	₩ 27,859	234,591
	Doosan Power Systems Holdings Ltd.	681	81,463
	Doosan Heavy Industries Vietnam Co., Ltd.	-	16,484
	Doosan Asset Management Company Co., Ltd.	-	49,682
	Others	48,465	40,100
Doosan Mecatec Co., Ltd.	Doosan Heavy Industries and Construction Co., Ltd.	-	6,312
	Doosan Infracore Co., Ltd.	-	8,064
Doosan Infracore Co., Ltd.	Doosan Infracore America Corp.	44,939	162,438
	Doosan Infracore China Co., Ltd.	137,225	1,244,643

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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30. Transactions and Balances between Consolidated Companies, Continued

(In millions of won)

Selling company	Purchasing company	2010	
		Accounts receivable and others	Sales and others
Doosan Infracore Co., Ltd.	Doosan Infracore Europe S.A.	₩ 81,054	101,819
	Doosan Infracore Germany GmbH.	8,626	57,379
	Doosan Infracore Norway AS	39,718	406
	Doosan Infracore U.K., Ltd.	15,095	22,879
	Doosan Infracore Machine Tools Yantai Co., Ltd.	10,353	69,953
	Doosan Infracore India Private Ltd.	32,980	30,080
	Others	155,666	178,540
	Doosan Heavy Industries America Corp.	Doosan Heavy Industries and Construction Co., Ltd.	9,472
Doosan Heavy Industries Japan Corp.		32,711	159,435
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.		10,573	30,943
Doosan Power Systems Holdings Ltd.		7,673	84,364
S.C. Doosan IMGB S.A.		395	103,747
Doosan Heavy Industries Vietnam Co., Ltd.		-	35,032
Doosan Infracore China Co.,Ltd.	Doosan Infracore Co., Ltd.	6,642	53,062
Doosan Infracore Norway AS		1,436	15,497
Others		57,169	47,089
Doosan Capital Co., Ltd.	Doosan Holdings Europe Ltd.	173,635	9,920
		₩ <u>902,367</u>	<u>2,848,233</u>

Account balances and significant transactions between consolidated companies as of and for the year ended December 31, 2009 were as follows:

(In millions of won)

Selling company	Purchasing company	2009	
		Accounts receivable and others	Sales and others
Doosan Heavy Industries and Construction Co., Ltd.	Doosan Engine Co., Ltd.	₩ 37,904	252,201
	Doosan Power Systems Holdings Ltd.	21,807	15,135
	Doosan Heavy Industries Vietnam Co., Ltd.	-	13,257
	Others	22,192	12,736
Doosan Mecatec Co., Ltd.	Doosan Heavy Industries and Construction Co., Ltd.	851	12,108
	Doosan Infracore Co., Ltd.	3,298	25,849

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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December 31, 2010 and 2009

30. Transactions and Balances between Consolidated Companies, Continued

(In millions of won)

Selling company	Purchasing company	2009	
		Accounts receivable and others	Sales and others
Doosan Infracore Co., Ltd.	Doosan Infracore America Corp.	₩ 43,807	147,292
	Doosan Infracore China Co., Ltd.	129,708	723,012
	Doosan Infracore Europe S.A.	82,126	97,181
	Doosan Infracore Germany GmbH.	7,703	56,951
	Doosan Infracore Norway AS	37,841	1,622
	Doosan Infracore U.K., Ltd.	38,283	43,215
	Doosan Infracore Machine Tools Yantai Co., Ltd.	11,131	52,588
	Doosan Infracore India Private Ltd.	18,841	9,577
	Others	22,428	25,786
	Doosan Heavy Industries America Corp.	Doosan Heavy Industries and Construction Co., Ltd.	18,524
Doosan Heavy Industries Japan Corp.		23,272	158,039
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.		4,988	43,961
Doosan Power Systems Holdings Ltd.		35,192	8,857
S.C. Doosan IMGB S.A.		1,397	121,913
Doosan Heavy Industries Vietnam Co., Ltd.		5,490	14,052
Doosan Infracore China Co., Ltd.	Doosan Infracore Co., Ltd.	2,418	28,685
Doosan Infracore Norway AS		430	13,079
Others		40,046	39,648
Doosan Capital Co., Ltd.	Doosan Holdings Europe Ltd.	175,140	9,188
		₩ <u>784,817</u>	<u>1,978,890</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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30. Transactions and Balances between Consolidated Companies, Continued

(b) Provided guarantees between consolidated companies as of December 31, 2010 were as follows:

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

Guarantee provider	Guarantee recipient	Type of borrowings	Guaranteed amount		Won equivalents
Doosan Heavy Industries and Construction Co., Ltd.	Doosan Heavy Industries Japan Corp.	Borrowings	JPY	450,000 ₩	6,287
	Doosan Hydro Technology Inc.	Borrowings	USD	23,000	26,195
		Performance of projects	USD	8,048	9,166
	Doosan Heavy Industries Vietnam Co., Ltd.	Borrowings	USD	116,500	132,682
	HF Controls Corp.	Performance of projects	USD	3,467	3,949
	Pt. Doosan Heavy Industries Indonesia	Borrowings	USD	10,000	11,389
	Doosan Projects India Private Ltd.	Performance of projects	INR	3,399,185	85,320
		Performance of projects	USD	188,718	214,931
	S.C. Doosan IMGB S.A.	Borrowings	EUR	97,000	146,819
		Performance of projects	EUR	1,593	2,410
	Doosan Heavy Industries European Holdings S.a.r.l	Borrowings	EUR	110,000	166,496
	Doosan Power Systems Holdings Ltd.	Borrowings	EUR	90,000	136,224
	Doosan Power Systems Ltd.	Performance of projects	GBP	20,000	35,154
		Performance of projects	USD	138,369	157,589
Doosan Infracore Co., Ltd.	Doosan Infracore Germany GmbH.	Borrowings	EUR	14,400	21,796
	Doosan Infracore International, Inc.	Borrowings	USD	24,000	27,334
	Doosan Trading Ltd.	Borrowings	USD	1,500	1,708
	Doosan Benelux SA	Borrowings	USD	500	569
	Clark Equipment Co.	Financing	USD	20,000	22,778
		Financing	USD	15,000	17,084
	Rental service	USD	9,000	10,250	
Doosan Infracore International, Inc.	Rental service	USD	97	110	
Doosan Infracore International, Inc.	Doosan International Mexico S.A. de C.V.	Car lease	USD	3,000	3,417
Doosan Holdings Europe Ltd.	Doosan International UK Ltd.	UK pension plan	GBP	675	1,186
					₩ <u>1,240,843</u>

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

December 31, 2010 and 2009

31. Dividends

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

<i>(In won, except number of shares)</i>		<u>2010</u>	<u>2009</u>
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:

<i>(In won, except par value)</i>		<u>2010</u>	<u>2009</u>
Dividend amount	₩	67,375,866,000	44,878,894,000
Net income (loss) for controlling interest	₩	118,062,596,418	(335,132,771,902)
Dividends as a percentage of net income		57.07%	(*)

(*) 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:

<i>(In won)</i>		<u>2010</u>	<u>2009</u>
Dividend per share	₩	750	500
Market price as of year end	₩	85,800	81,100
Dividend yield ratio		0.87%	0.62%

32. 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.

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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33. Discontinued Operations

(a) Discontinued operation of Factory Automation (FA)

In 2010, the Board of Directors of the Doosan Mecatec Co., Ltd., the subsidiary, approved a plan to dispose of the FA business. Operating and non-operating income, net of income tax is reported as income or loss from discontinued operation in the consolidated statements of operations the years ended December 31, 2010 and 2009. The comparative consolidated statement of operations for the previous period was restated, separately disclosing income or loss from the FA business.

i) Details related to the above discontinued operation are as follows:

	<u>Description</u>
Discontinued operation	FA business
Business	Manufacturing and installation of industrial robot
Date of discontinued operation	May 10, 2010
Description of discontinued operation	For a single plan in order to dispose FA business, it was discontinued.

ii) The results of the discontinued operation for the years ended December 31, 2010 and 2009 were calculated as follows:

(In millions of won)

	<u>2010</u>	<u>2009</u>
Loss from discontinued operation		
Operating loss	₩ (469)	(1,458)
Other income (expense)	52	(2,168)
Income tax benefits (expense)	101	(295)
	<u>₩ (316)</u>	<u>(3,921)</u>
Cash flows from discontinued operation		
Cash flows from operating activities	₩ 2,565	1,118
Cash flows from investing activities	107	(45)
Cash flows from financing activities	(99)	(1,254)
	<u>₩ 2,573</u>	<u>(181)</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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33. Discontinued Operations, Continued

(b) Discontinued operation of Information Technology System (ITS)

In 2009, the Board of Directors of the Doosan Mecatec Co., Ltd., the subsidiary, approved a plan to dispose of the ITS business. Operating and non-operating income, net of income tax is reported as income or loss from discontinued operations in the consolidated statements of operations for the years ended December 31, 2010 and 2009.

i) Details related to above discontinued operation are as follows:

	Description	
	ITS (CMP) business	ITS (other) business
Discontinued operation Business	Manufacturing semiconductor facilities	Manufacturing display facilities
Date of discontinued operation	May 6, 2009	December 29, 2009
Date of disposal	June 16, 2009	-
Method of disposal	Disposal of assets	-
Buyer	K.C. Tech	-
Description of discontinued operation	For a single plan in order to dispose ITS (CMP) business, domestic production and operation were disposed by selling the assets.	As of December 31, 2010, it is in the process of disposal of asset in ITS business.

ii) The results of the discontinued operation for the years ended December 31, 2010 and 2009 were calculated as follows:

<i>(In millions of won)</i>	2010	2009
Loss from discontinued operation		
Operating loss	₩ (25,983)	(23,422)
Other income (expense)	157	(3,101)
Income tax benefits	6,231	5,920
	₩ (19,595)	(20,603)
Cash flows from discontinued operation		
Cash flows from operating activities	₩ (1,087)	299
Cash flows from investing activities	(1,762)	(194)
Cash flows from financing activities	-	(105)
	₩ (2,849)	-

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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December 31, 2010 and 2009

33. Discontinued Operations, Continued

(c) Disposal of common stock of Ceylon Heavy Industries Co., Ltd., a subsidiary

In 2009, the Board of Directors of Doosan Heavy Industries and Construction Co., Ltd., the Parent Company, approved a plan to dispose of all the common stock of Ceylon Heavy Industries Co., Ltd. Operating and non-operating income, net of income tax is reported as income or loss from discontinued operations in the consolidated statement of operations for the year ended December 31, 2009.

i) Details related to above discontinued operation are as follows:

	<u>Description</u>
Discontinued operation	Ceylon Heavy Industries Co., Ltd.
Business	Manufacturing iron
Date of discontinued operation	May 22, 2009
Date of disposal	October 12, 2009
Method of disposal	Disposal of common stocks
Buyer	ONYX Heavy Industry & Construction
Description of discontinued operation	For a single plan in order to dispose Ceylon Heavy Industries Co., Ltd., its common stock disposed.

ii) The results of the discontinued operations for the years ended December 31, 2010 and 2009 were calculated as follows:

(In millions of won)

	<u>2010</u>	<u>2009</u>
Loss from discontinued operations		
Operating loss	₩ -	(4,171)
Other expense	-	(454)
Income tax benefits	-	544
	<u>₩ -</u>	<u>(4,081)</u>
Cash flows from discontinued operation		
Cash flows from operating activities	₩ -	2,085
Cash flows from investing activities	-	1,155
Cash flows from financing activities	-	(1,055)
	<u>₩ -</u>	<u>2,185</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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33. Discontinued Operations, Continued

(d) Disposal of common stock of Doosan DST Co., Ltd., a subsidiary

In 2009, the Board of Directors of Doosan Infracore Co., Ltd., a subsidiary, approved a plan to dispose of all of the common stock of Doosan DST Co., Ltd. Operating and non-operating income, net of income tax is reported as income or loss from discontinued operations in the consolidated statement of operations for the year ended December 31, 2009.

i) Details related to above discontinued operations are as follows:

	Description
Discontinued operation	Doosan DST Co., Ltd.
Business	Defense manufacturing business
Date of discontinued operation	June 3, 2009
Date of disposal	June 3, 2009
Method of disposal	Disposal of common stocks
Buyer	20,000 thousand common stock of Doosan DST Co., Ltd. and 17,656 thousand common stock of Korea Aerospace Industries, Ltd. were sold to DIP Holdings (established by Doosan Corp.), a related party, and Ordin Holdings (established by Mirae Asset PEF and IMM Private Equity), a third party, for 50.9% and 49.1%, respectively.
Description of discontinued operation	For a single plan in order to dispose Doosan DST Co., Ltd., its common stock disposed.

ii) The results of the discontinued operation for the years ended December 31, 2010 and 2009 were calculated as follows:

(In millions of won)

	2010	2009
Income from discontinued operation		
Operating income	₩ -	16,894
Other income	-	133,651
Income tax expense	-	(35,992)
	₩ -	114,553
Cash flows from discontinued operation		
Cash flows from operating activities	₩ -	(3,212)
Cash flows from investing activities	-	39,590
Cash flows from financing activities	-	-
	₩ -	36,378

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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34. Segment Information

(a) The following table provides information for assets and liabilities by business segment as of December 31, 2010 and 2009:

(In millions of won)

	Non-financial business/insurance		Financial business/insurance	
	2010	2009	2010	2009
Assets				
Current assets	₩ 12,854,742	11,338,347	283,857	223,447
Non-current assets	13,632,810	14,687,362	73,583	91,955
Investments	798,052	1,265,913	21,762	42,997
Property, plant and equipment, net	5,982,313	5,760,335	3,614	4,445
Intangible assets, net	6,267,853	6,426,384	24,648	28,228
Other non-current assets	584,592	1,234,730	23,559	16,285
Other financial business assets	-	-	2,345,292	1,991,098
	₩ <u>26,487,552</u>	<u>26,025,709</u>	<u>2,702,732</u>	<u>2,306,500</u>
Liabilities				
Current liabilities	₩ 12,693,479	12,271,153	1,283,800	1,298,032
Non-current liabilities	8,139,603	8,085,957	1,228,686	794,271
	₩ <u>20,833,082</u>	<u>20,357,110</u>	<u>2,512,486</u>	<u>2,092,303</u>

(b) The following table provides information for consolidated statements of operations by business segment for the years ended December 31, 2010 and 2009:

(In millions of won)

	Non-financial business/insurance		Financial business/insurance	
	2010	2009	2010	2009
Revenue	₩ 20,133,504	17,658,597	278,911	280,147
Cost of sales	16,187,372	15,117,731	275,570	238,445
Selling, general and administrative expenses	2,545,013	2,228,041	52,612	40,120
Operating income (loss)	1,401,119	312,825	(49,271)	1,582
Other income	1,197,311	2,263,850	81	104
Other expense	2,133,230	3,211,755	38	244
Income (loss) before income taxes	465,200	(635,080)	(49,228)	1,442
Income taxes (benefits)	263,547	109,499	(7,965)	159
Income (loss) of discontinued operation	(19,911)	85,947	-	-
Net income (loss)	₩ <u>181,742</u>	<u>(658,632)</u>	<u>(41,263)</u>	<u>1,283</u>

Doosan Heavy Industries and Construction Co., Ltd. and Subsidiaries
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34. Segment Information, Continued

(c) Condensed financial information of the Company, classified by industry as of and for the year ended December 31, 2010 was as follows:

(In millions of won)

	Machinery & maintenance business	Wholesale & retail business	Construction business	Other manufacturing business	Financial & insurance business	Consolidation adjustment	Total
Gross sales	₩ 19,772,694	165,708	2,467,348	876,250	278,925	(3,150,232)	20,410,693
Inter-segment sales	(2,996,896)	44,357	(87,885)	(109,235)	(573)	3,150,232	-
Net sales	₩ <u>16,775,798</u>	<u>210,065</u>	<u>2,379,463</u>	<u>767,015</u>	<u>278,352</u>	<u>-</u>	<u>20,410,693</u>
Operating income (loss)	₩ <u>1,340,351</u>	<u>764</u>	<u>88,760</u>	<u>21,231</u>	<u>(49,271)</u>	<u>(49,206)</u>	<u>1,352,629</u>
Total assets	₩ <u>23,649,889</u>	<u>58,321</u>	<u>5,117,569</u>	<u>522,241</u>	<u>2,702,732</u>	<u>(2,929,624)</u>	<u>29,121,128</u>

Condensed financial information of the Company, classified by industry as of and for the year ended December 31, 2009 was as follows:

(In millions of won)

	Machinery & maintenance business	Wholesale & retail business	Construction business	Other manufacturing business	Financial & insurance business	Consolidation adjustment	Total
Gross sales	₩ 16,341,474	160,703	2,310,258	1,211,960	281,375	(2,260,253)	18,045,517
Inter-segment sales	(1,797,413)	(159,386)	(17,165)	(276,657)	(9,632)	2,260,253	-
Net sales	₩ <u>14,544,061</u>	<u>1,317</u>	<u>2,293,093</u>	<u>935,303</u>	<u>271,743</u>	<u>-</u>	<u>18,045,517</u>
Operating income	₩ <u>238,337</u>	<u>686</u>	<u>115,437</u>	<u>76,266</u>	<u>2,088</u>	<u>(75,588)</u>	<u>357,226</u>
Total assets	₩ <u>23,595,316</u>	<u>70,149</u>	<u>2,986,223</u>	<u>1,896,999</u>	<u>2,344,419</u>	<u>(2,852,472)</u>	<u>28,040,634</u>

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34. Segment Information, Continued

(d) Condensed financial information of the Company, classified by geographical segment as of and for the year ended December 31, 2010 was as follows:

		The Parent Company and domestic subsidiaries		Overseas subsidiaries	Consolidation adjustment	Total
		Local sales	Export sales			
<i>(In millions of won)</i>						
Gross sales	₩	9,435,961	12,037,352	2,087,612	(3,150,232)	20,410,693
Inter-segment sales		(637,679)	(2,109,958)	(402,595)	3,150,232	-
Net sales	₩	<u>8,798,282</u>	<u>9,927,394</u>	<u>1,685,017</u>	<u>-</u>	<u>20,410,693</u>
Operating income	₩		<u>1,206,530</u>	<u>195,305</u>	<u>(49,206)</u>	<u>1,352,629</u>
Total assets	₩		<u>29,577,427</u>	<u>2,473,325</u>	<u>(2,929,624)</u>	<u>29,121,128</u>

Condensed financial information of the Company, classified by geographical segment as of and for the year ended December 31, 2009 was as follows:

		The Parent Company and domestic subsidiaries		Overseas subsidiaries	Consolidation adjustment	Total
		Local sales	Export sales			
<i>(In millions of won)</i>						
Gross sales	₩	6,922,611	9,736,066	3,647,093	(2,260,253)	18,045,517
Inter-segment sales		(1,828,999)	(33,375)	(397,879)	2,260,253	-
Net sales	₩	<u>5,093,612</u>	<u>9,702,691</u>	<u>3,249,214</u>	<u>-</u>	<u>18,045,517</u>
Operating income	₩		<u>297,112</u>	<u>135,702</u>	<u>(75,588)</u>	<u>357,226</u>
Total assets	₩		<u>28,984,809</u>	<u>1,908,297</u>	<u>(2,852,472)</u>	<u>28,040,634</u>

35. Merger

According to decisions voted by the Board of Directors and the Shareholder's Special Meeting of Doosan Construction & Engineering Co., Ltd., on August 17, 2010 and September 28, 2010, respectively, Doosan Construction & Engineering Co., Ltd. acquired Doosan Mecatec Co., Ltd., which was controlled by Doosan Heavy Industries and Construction Co., Ltd., the Parent Company, by a 100% ownership on November 1, 2010.

The merger ratio between Doosan Construction & Engineering Co., Ltd. and Doosan Mecatec Co., Ltd. was 1:4.1337662, and their stock valuations were ₩4,620 (₩5,000 par value) and ₩19,098 (₩5,000 par value), respectively. Through this merger, Doosan Construction & Engineering Co., Ltd.'s common stocks totaling 45,339,147 shares were issued to Doosan Heavy Industries and Construction Co., Ltd.

Because both Doosan Construction & Engineering Co., Ltd. and Doosan Mecatec Co., Ltd. were subsidiaries of Doosan Heavy Industries and Construction Co., Ltd., all assets and liabilities transferred to Doosan Construction & Engineering Co., Ltd. accounted to book values within consolidated financial statements as of the acquisition date. The book values of transferred assets and liabilities were ₩1,103,652 million and ₩752,004 million, respectively.

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36. 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	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).	-
Business combinations		
Employee benefits	All cumulative actuarial gains on defined benefit plans as of January 1, 2010 (the date of transition to K-IFRS) will be recognized as equity.	-
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).	-
Subsidiaries	The Company accounts for subsidiaries using the cost method.	The Company accounts for subsidiaries using the equity method.
Special purpose company	In substance, if special purpose company is governed by the Company, it is included in the consolidation.	Special purpose company is excluded from consolidation.

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36. 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
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.
Goodwill and negative goodwill resulting from business combination	Goodwill or negative goodwill is not amortized or reversed. In addition, impairment test is performed for goodwill every year and negative goodwill is recognized as net income.	During the period within 20 years from the year of recognition, it is amortized or reversed by using the straight-line method.
Financial asset	The Company records the discount of accounts receivable when substantially all risks and rewards are transferred.	The Company records the discount of accounts receivable when control is transferred.
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.

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Notes to Consolidated Financial Statements

December 31, 2010 and 2009

36. 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:

Consolidated subsidiaries under K-IFRS	Consolidated subsidiaries under K-GAAP
Doosan Construction & Engineering Co., Ltd.	Doosan Infracore Co., Ltd. and 66 subsidiaries
Doosan Cuvex Co., Ltd.	Doosan Construction & Engineering Co., Ltd.
Rexcon Co., Ltd.	Doosan Cuvex Co., Ltd.
Doosan Asset Management Company Co., Ltd.	Rexcon Co., Ltd.
Doosan Heavy Industries European Holdings S.a.r.l	Doosan Engine Co., Ltd.
S.C. Doosan IMGB S.A.	Doosan Capital Co., Ltd.
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	BNG Securities Co., Ltd.
HF Controls Corp.	Doosan Asset Management Company Co., Ltd.
Doosan Hydro Technology Inc.	Doosan Heavy Industries European Holdings S.a.r.l
Doosan Heavy Industries America Corp.	S.C. Doosan IMGB S.A.
Doosan Heavy Industries Japan Corp.	Doosan Heavy Industries Vietnam Haiphong Co., Ltd.
Doosan Heavy Industries Vietnam Co., Ltd.	Hanjung Power Ltd.
Doosan Projects India Private Ltd.	HF Controls Corp.
Pt. Doosan Heavy Industries Indonesia	Doosan Hydro Technology Inc.
Doosan Power Systems Holdings Ltd. and 18 subsidiaries	Doosan Heavy Industries America Corp.
Doosan Babcock Engineering & Services India Private Ltd.	Doosan Heavy Industries Japan Corp.
Doosan Engineering & Service LLC	Doosan Heavy Industries Vietnam Co., Ltd.
Doosan Babcock Energy India Private Ltd.	Doosan Projects India Private Ltd.
	Pt. Doosan Heavy Industries Indonesia
	Doosan Power Systems Holdings Ltd. and 18 subsidiaries
	Doosan Marine Industry (Dalian) Co., Ltd.
	Doosan (China) Financial Leasing Corp.