DOOSAN CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

1. GENERAL:

Doosan Corporation (the “Company”) was incorporated on December 18, 1933, under the name of Sohwa-Kirin Beer, Ltd., to manufacture and sell beer. The Company has changed its name to Dongyang Beer, Ltd., in February 1948, to OB Beer, Ltd., in February 1996 and to Doosan Corporation on September 1, 1998.

Since June 1973, the Company’s shares have been listed in the Korea. After several capital issues, the Company’s share capital as of December 31, 2014, is ₩134,838 million, including ₩26,984 million of preferred shares.

The Company’s common shares as of December 31, 2014, are owned as follows:

	Number of common shares owned	Ownership percentage (%)
Related parties	9,369,395	44.05
Treasury stock	5,401,098	25.39
Others	6,500,395	30.56
Total	21,270,888	100.00

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean won and prepares separate financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul).

(1) Basis of preparation

The Company has prepared the separate financial statements in accordance with the K-IFRS. The Company's financial statements are separate financial statements prepared in accordance with K-IFRS 1027, *Consolidated and Separated Financial Statements*, in which the controlling company, investors of associates or participants of joint control company have stated as cost method.

The significant accounting principles as applied in the separate financial statements correspond to those pertaining to the annual separate financial statements for the year ended December 31, 2013.

The accompanying separate financial statements have been prepared on the historical cost basis, except for certain properties/non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies are set out below.

1) Amendments to K-IFRS and new interpretations that are mandatorily effective for the current year

Amendments to K-IFRS 1032 – *Financial Instruments: Presentation*

The amendments to K-IFRS 1032 clarify the requirement for the offset presentation of financial assets and financial liabilities: the right to offset must not be conditional upon the occurrence of future events and can be exercised anytime during the contract periods. The right to offset is executable even in the case of default or insolvency. As the Company does not have any financial assets and financial liabilities that qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has no significant impact on the Company's separate financial statements.

Amendments to K-IFRS 1036 – *Impairment of Asset*

The amendments introduced disclosure requirements of recoverable amount when the recoverable amount of an asset or cash-generating unit (CGU) is measured at fair value less costs of disposal. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Enactment of K-IFRS 2121 – *Levies*

The enactment defines that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation. The enactment has no significant impact on the Company's separate financial statements.

2) New and revised K-IFRS in issue but not yet effective

Amendments to K-IFRS 1019 – *Employee Benefits*

The amendments permit the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Amendments to K-IFRS 1016 – *Property, Plant and Equipment*

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1038 – *Intangible Assets*

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of an intangible assets, for which the presumption can only be limited when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to K-IFRS 1111 –*Accounting for Acquisitions of Interests in Joint Operations*

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103, *Business Combinations.* A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1102, *Share-Based Payment,* (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definition for 'performance condition' and 'service condition' that were previously included within the definition of 'vesting condition.' The amendments to K-IFRS 1103 clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108, *Operating Segments,* clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify that it excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of K-IFRS 1103. The amendments to K-IFRS 1113, *Fair values Measurements,* and K-IFRS 1040, *Investment Properties,* exist and these amendments are effective for the annual periods beginning on or after July 1, 2014.

Amendments to K-IFRS 1027 – *Separate Financial Statements*

The following amendments discuss accounting for investment in subsidiaries, related parties and joint ventures at cost basis and allow the selection of the application of K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or the application of equity method accounting under K-IFRS 1028, *Investment in Associates and Joint Ventures*. The amendments are effective for the annual periods beginning on or after January 1, 2016.

The Company does not anticipate that the application of these new and revised K-IFRS that have been issued, but not effective will have any material impact on the Company' separate financial statements

(2) Restatement

For improving comparability, the Company corrects the errors in account classification in prior year appropriately. The reclassifications in details are as follows:

Description	Before	After
Reclassification from treasury stock trust (MMT) to investments in subsidiaries	Short-term financial instruments, Treasury stock	Investments in subsidiaries
Reclassification from long-term investment securities to investments in associates	Long-term investment securities	Investments in associates

The correction has been applied retrospectively; the presentation of items of separate statements of financial position has been modified as follows (in millions of Korean won):

	January 1, 2013			December 31, 2013		
	As previously reported	As restated	Changes	As previously reported	As restated	Changes
ASSETS	₩3,149,139	₩3,190,375	₩41,236	₩3,291,631	₩3,319,134	₩27,503
Current assets:						
Short-term financial instruments	9,201	-	(9,201)	2,497	-	(2,497)
Non-Current assets:						
Long-term investment securities	10,608	10,608	-	8,918	8,450	(468)
Investments in subsidiaries and associates	1,792,006	1,842,443	50,437	1,850,975	1,881,443	30,468
SHAREHOLDERS' EQUITY	1,983,608	2,024,844	41,236	1,967,887	1,995,390	27,503
Other equity items:						
Treasury stock	(202,676)	(161,440)	41,236	(238,810)	(211,307)	27,503

The restatement does not result in any impact on comprehensive income and earnings per shares of owners of the Company in 2013.

(3) Investments in subsidiaries, joint ventures and associates

The Company has elected to use book value under previous generally accepted accounting principles as deemed cost for subsidiaries, joint ventures and associates at the date of transition to K-IFRS. After the date of transition, subsidiaries, joint ventures and associates are measured at cost.

The requirements of K-IFRS 1036 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a subsidiary or an associate. When necessary, the entire carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

(4) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(5) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(6) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

1) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. Depending on the nature of the transaction, the Company determines the stage of completion by reference to surveys of work performed, services performed to date as a percentage of total services to be performed or the proportion that costs incurred to date bear to the estimated total costs of the transaction, as applicable.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective-interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1) Rental income

The Company's policy for recognition of revenue from operating leases is described in Note 2-(7).

(7) Lease

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

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see Note 2-(9)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

(8) Foreign currencies

The separate financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the separate financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the separate financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2-(22) below for hedging accounting policies)
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(9) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(10) Retirement benefit costs and termination benefits

The Company operates a defined benefit pension plan. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(11) Share-based payment transactions of the Company

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in other component of equity.

(12) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(13) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future-related costs are recognized in profit or loss in the period in which they become receivable.

(14) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, other than land, for which revaluation model is applied after initial recognition. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line based on the estimated useful lives of the assets as follows:

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(15) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, with any gains or losses arising on fair value fluctuation recognized in profit or loss.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(16) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Company can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

5) Amortization of intangible assets

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

	Estimated useful lives (in years)
Development costs	5–10
Industrial rights	5
Other intangible assets	4–15

(17) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Memberships with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(18) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in transit, are measured under the weighted-average method [on a first-in, first-out basis] and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(19) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(20) Financial instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) are recognized immediately in profit or loss.

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

1) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial assets at FVTPL

FVTPL includes financial assets classified as held for trading and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling or repurchasing it in the near term. All derivative assets, except for derivatives that are designated and effective hedging instruments, are classified as held-for-trading financial assets. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective-yield basis.

4) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at FVTPL.

They are subsequently measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognized in other comprehensive income (as [investments revaluation reserve]). When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables.' Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that more events occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial assets other than in its entirety (e.g., when the Company retains an option to repurchase part of a transferred asset, or it retains a residual interest and such an retained interest indicates that the transferor has neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer.

(21) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

4) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

5) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income and expenses' line item in the statement of comprehensive income.

6) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized, less cumulative amortization recognized in accordance with the K-IFRS 1018, *Revenue*

8) Derecognition of financial liabilities

The Company derecognize financial liabilities when the Company's obligation are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(22) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are closely related to those of the host contracts and the contracts are not measured at FVTPL.

2) Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the separate statements of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'Finance income and expenses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the separate statements of comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(23) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, leasing transactions that are within the scope of K-IFRS 1017, *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002, *Inventories*, or value in use in K-IFRS 1036.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entireties, which are described in Note 10.

(24) Approval of financial statements

The separate financial statements as of and for the year ended December 31, 2014, were approved by the Board of Directors on February 27, 2015.

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

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Revenue recognition

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

(2) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(3) Defined benefit obligation

The Company's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Company's best estimates of the variables, such as discount rates, rates of expected future salary increases and mortality rates.

(4) Warranty provision

Provisions for the expected cost of warranty obligations are recognized at the best estimate of the expenditure required to settle the Company's current and future obligations. Provisions are determined by the estimate based on past experience.

(5) Revaluation model on land and fair value model on investment in real properties

As stated in Note 12 and Note 14, the Company uses evaluation technique, including inputs that are not based on observable market data to approximate revalued amount of land classified as property, plant and equipment and fair value of investment property. The Company's management believes that the evaluation technique and assumptions that are used for valuation on land and investment in real properties are fair.

(6) Deferred tax

Recognition and measurement of deferred tax assets and liabilities require the management's judgment, in particular, whether to recognize if the scope of deferred tax assets is affected by management's judgment and assumption in the future.

(7) Estimated useful lives of property, plant, equipment and intangible assets

Useful lives for depreciation are determined by the management's judgment.

4. FINANCIAL RISK MANAGEMENT:

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

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

(1) Market risk

1) Foreign currency risk

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

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies, which represents the maximum exposure to foreign currency risk as of December 31, 2014 and 2013, is as follows (in millions of Korean won):

	December 31, 2014					
	USD	EUR	JPY	GBP	Others (*)	Total
Assets	₩139,005	₩18,850	₩1,453	₩18,735	₩3,163	₩181,206
Liabilities	(137,796)	(2,338)	(2,003)	(802)	(660)	(143,599)
Net assets (liabilities)	₩1,209	₩16,512	₩(550)	₩17,933	₩2,503	₩37,607

	December 31, 2013					
	USD	EUR	JPY	GBP	Others (*)	Total
Assets	₩108,302	₩20,158	₩536	₩17,906	₩13,349	₩160,251
Liabilities	(30,188)	(2,917)	(3,753)	(148)	(2,237)	(39,243)
Net assets (liabilities)	₩78,114	₩17,241	₩(3,217)	₩17,758	₩11,112	₩121,008

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

Net foreign currency translation gain/loss for the years ended December 31, 2014 and 2013, is ₩(869) million and ₩(632) million, respectively.

A sensitivity analysis on the Company's income before tax for the period, assuming a 10% increase and decrease in currency exchange rates, for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014		2013	
	10% decrease in KRW against foreign currency	10% increase in KRW against foreign currency	10% decrease in KRW against foreign currency	10% increase in KRW against foreign currency
Income before tax impact	₩3,761	₩(3,761)	₩12,101	₩(12,101)

The above-mentioned sensitivity analysis is based on monetary assets and liabilities denominated in foreign currencies other than the Company's functional currency as of December 31, 2014 and 2013.

2) Interest rate risk

The Company's interest rate risk is related to borrowings and bank deposits with floating interest rates, and related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing with floating interest rates. The purpose of interest rate risk management is to minimize uncertainty and financial expense arising from interest rate fluctuation.

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

The book value of the Company's financial assets and liabilities with floating interest rates exposed to interest rate risk as of December 31, 2014 and 2013, is as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Financial assets	₩72,065	₩89,523
Financial liabilities	(305,043)	(215,000)
Net assets (liabilities)	₩(232,978)	₩(125,477)

A sensitivity analysis on the Company's income before tax assuming a 1% increase and decrease in interest rates for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014		2013	
	1% increase	1% decrease	1% Increase	1% decrease
Income before tax impact	₩(2,330)	₩2,330	₩(1,255)	₩1,255

3) Price risk

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

(2) Credit risk

The credit risk refers to risk of financial losses to the Company when the counterparty defaults on the obligations of the contract. The credit risk arises from AFS financial assets, which are not equity securities, deposits in financial institution, financial derivatives and guarantee limit as well as from the Company's normal transaction and investing activity. To manage credit risk, the Company evaluates the creditworthiness of each customer or counterparty considering the financial status, past experience and other factors. The Company establishes credit limit for each customer and counterparty.

The Company evaluates the creditworthiness using open financial information and information provided by credit-rating institution when the Company contracts with new customers. The Company decides credit transaction limit and is provided with collateral and guarantee based on evaluation.

Also, the Company revaluates customers' creditworthiness periodically, reassesses credit transaction limit and readjusts level of collateral. The Company reports the present condition of delayed collection and collection measures periodically to financial assets, which has delayed collection and takes measures by causes of delay.

A. The maximum credit risk exposure

The maximum credit risk exposure for financial assets maintained by the Company and the book value for the financial assets as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Loans and receivables:		
Cash and cash equivalents (*)	₩102,278	₩100,704
Financial instruments	2,092	17
Accounts and other receivables	312,848	286,898
Deposits	19,009	18,695
AFS financial assets:		
Asset-backed securities ("ABS")	1,497	1,497
Debt securities	7,000	7,000
Derivative assets	393	1,448
Total	₩445,117	₩416,259

(*) Cash on hand is excluded.

Apart from the above-mentioned financial assets, financial guarantee liabilities of the Company are explained in Note 30.

B. The Company's receivables' aging analysis as of December 31, 2014 and 2013, is as follows (in millions of Korean won):

	December 31, 2014						
	Individually assessed receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	
Trade receivables	₩60,188	₩248,803	₩1,973	₩165	₩995	₩596	₩312,720
Other receivables	8,729	4,464	5,002	1	7	94	18,297
Accrued income	-	108	-	-	-	-	108
Loans	6	4,746	-	-	-	-	4,752
Total	₩68,923	₩258,121	₩6,975	₩166	₩1,002	₩690	₩335,877

	December 31, 2013						
	Individually assessed receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	
Trade receivables	₩81,125	₩188,619	₩17,396	₩2,068	₩667	₩1,313	₩291,188
Other receivables	6,751	2,778	3,892	128	-	172	13,721
Accrued income	-	93	-	-	-	-	93
Loans	5	4,331	-	-	-	-	4,336
Total	₩87,881	₩195,821	₩21,288	₩2,196	₩667	₩1,485	₩309,338

An allowance for the above-mentioned individually impaired receivables for the years ended December 31, 2014 and 2013, is ₩21,747 million and ₩21,573 million, respectively.

Among individually assessed receivables, receivables not impaired are as follows (in millions of Korean won):

	December 31, 2014				
	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Trade receivables	₩18,810	₩6,052	₩2,427	₩4,601	₩31,890
Other receivables	4,376	1,550	1,193	591	7,710
Total	₩23,186	₩7,602	₩3,620	₩5,192	₩39,600

	December 31, 2013				
	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Trade receivables	₩37,040	₩14,755	₩2,929	₩340	₩55,064
Other receivables	3,832	673	1,080	182	5,767
Total	₩40,872	₩15,428	₩4,009	₩522	₩60,831

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

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

(3) Liquidity risk

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

A summary of the Company's non-derivative liabilities' maturity as of December 31, 2014 and 2013, is as follows (in millions of Korean won):

	December 31, 2014					
		Nominal cash flows according to contract				
	Book value	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
Financial liabilities	₩1,182,139	₩1,184,748	₩613,512	₩285,882	₩258,378	₩26,976
Interest on financial liabilities	-	75,543	32,258	19,090	21,829	2,366
Total	₩1,182,139	₩1,260,291	₩645,770	₩304,972	₩280,207	₩29,342

	December 31, 2013					
		Nominal cash flows according to contract				
	Book value	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
Financial liabilities	₩1,086,366	₩1,089,539	₩367,524	₩233,676	₩406,645	₩81,694
Interest on financial liabilities	-	100,477	36,877	28,186	32,423	2,991
Total	₩1,086,366	₩1,190,016	₩404,401	₩261,862	₩439,068	₩84,685

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

Apart from the above-mentioned non-derivative liabilities, as of December 31, 2014, financial guarantee contract liabilities of the Company are explained in Note 30.

(4) Capital risk

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

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

Debt-to-equity ratios as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Total liabilities	₩1,399,060	₩1,323,744
Total equity	2,110,538	1,995,390
Debt-to-equity ratio	66.29%	66.34%

5. RESTRICTED FINANCIAL ASSETS:

Details of restricted financial assets as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013	Description
Long-term financial instruments	₩92	₩17	Bank transaction deposits, establish the right of pledge and others
Deposits	-	15	Establish the right of pledge
Total	₩92	₩32	

6. INVESTMENT SECURITIES:

(1) Investment securities as of December 31, 2014 and 2013, are summarized as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Current:		
AFS financial assets:		
ABS	₩1,497	₩1,497
Monetary Bond Trust Subordinated beneficiary certificate	7,000	-
Total	₩8,497	₩1,497
Non-Current:		
AFS financial assets:		
Equity securities in non-listed company		
The Korea Economic Daily	₩56	₩56
Parnas Hotel	50	50
Korea Housing Guarantee Co., Ltd.	464	464
Kang Won Ilbo	57	57
KMA Consultants Inc.	20	20
Subtotal	647	647
Beneficiary certificate		
Korea Development Bank (“KDB”)	4	4
Monetary Bond Trust Subordinated beneficiary certificate	-	7,000
Subtotal	4	7,004
Investments in funds		
Software Mutual Benefit Association	50	50
Engineering Mutual Benefit Association	14	14
Korea Defense Industry Association	324	324
Korea Marine Equipment Association	1	1
Construction Guarantee	139	139
Machinery Financial Cooperative	371	271
Electric Contractor’s Financial Cooperative	50	-
Subtotal	949	799
Total	₩1,600	₩8,450

Beneficiary certificate, equity securities in non-listed company and investments in funds are carried at cost, because there is no quoted market price and their fair value cannot be measured.

(2) Changes in unrealized gain on AFS financial assets for the year ended December 31, 2013, are as follows (in millions of Korean won):

	Year ended December 31, 2013			
	January 1, 2013	Valuation	Reclassification from equity to profit or loss	December 31, 2013
Investments in listed company	₩1,113	₩1,067	₩(2,180)	₩ -
Investments in non-listed company	437	-	(437)	-
Tax effect	(375)	(258)	633	-
Total	₩1,175	₩809	₩(1,984)	₩ -

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of December 31, 2014 and 2013, consist of the following (in millions of Korean won):

	December 31, 2014			December 31, 2013		
	Gross	Allowance for doubtful accounts	Book value	Gross	Allowance for doubtful accounts	Book value
Current:						
Trade receivables	₩312,539	₩(21,726)	₩290,813	₩291,007	₩(21,147)	₩269,860
Other receivables	18,262	(1,081)	17,181	13,686	(1,072)	12,614
Accrued income	108	-	108	93	-	93
Loans	1,025	(5)	1,020	755	(5)	750
Total	₩331,934	₩(22,812)	₩309,122	₩305,541	₩(22,224)	₩283,317
Non-Current:						
Trade receivables	₩181	₩ (181)	₩ -	₩181	₩(181)	₩ -
Other receivables	35	(35)	-	35	(35)	-
Loans	3,727	-	3,727	3,581	-	3,581
Total	₩3,943	₩(216)	₩3,727	₩3,797	₩(216)	₩3,581

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

	Year ended December 31, 2014				
	January 1, 2014	Increase	Written off	Merger	December 31, 2014
Trade receivables	₩(21,147)	₩(552)	₩284	₩(311)	₩(21,726)
Other receivables	(1,072)	(9)	98	(98)	(1,081)
Short-term loans	(5)	-	-	-	(5)
Long-term trade receivables	(181)	-	-	-	(181)
Long-term other receivables	(35)	-	-	-	(35)
Total	₩(22,440)	₩(561)	₩382	₩(409)	₩(23,028)

Bad debt expense to impaired trade receivables is included in selling, general and administrative expenses and bad debt expense to impaired other receivables is included in other non-operating expenses in the separate statements of income.

8. INVENTORIES:

Inventories as of December 31, 2014 and 2013, are summarized as follows (in millions of Korean won):

	December 31, 2014			December 31, 2013		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩18,859	₩(2,129)	₩16,730	₩16,876	₩(2,969)	₩13,907
Finished goods	39,149	(2,129)	37,020	33,658	(3,158)	30,500
Work in progress	29,905	(119)	29,786	25,589	(186)	25,403
Raw materials	83,704	(2,546)	81,158	72,307	(2,612)	69,695
Materials in transit	20,024	-	20,024	16,104	-	16,104
Others	2,911	-	2,911	2,511	-	2,511
Total	₩194,552	₩(6,923)	₩187,629	₩167,045	₩(8,925)	₩158,120

Losses on inventory valuation (charged to reversals of loss on inventory valuation deducted from the cost of sales) amounted to ₩2,076 million and ₩1,359 million for the years ended December 31, 2014 and 2013, respectively. Valuation allowance carried from business combination is ₩74 million as of December 31, 2014.

9. DERIVATIVES:

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

Derivative contracts	Purpose	Description
Foreign currency forwards	Cash flow hedge	Adjustment from foreign currency sales to Korean won to avoid cash flow risk arising from foreign currency forecast sales

(2) Details of gain and loss on valuation of derivatives as of December 31, 2014 and 2013, are as follows (in millions of Korean won, in thousands of foreign currency):

December 31, 2014						
Buy		Sell				
Currency	Amount	Currency	Amount	Assets (liabilities)	Gains (losses)	Other comprehensive income (loss) (*)
KRW	162,089	USD	150,000	₩(3,779)	₩ -	₩(3,779)
KRW	15,716	CNY	89,700	(67)	-	(67)
KRW	6,792	EUR	5,020	19	-	19
KRW	11,263	GBP	6,560	(10)	-	(10)
Total				₩(3,837)	₩ -	₩(3,837)

December 31, 2013						
Buy		Sell				
Currency	Amount	Currency	Amount	Assets (liabilities)	Gains (losses)	Other comprehensive income (loss) (*)
KRW	158,428	USD	147,600	₩1,311	₩ -	₩1,311
KRW	5,797	EUR	4,000	(84)	-	(84)
KRW	10,419	GBP	6,000	(108)	-	(108)
Total				₩1,119	₩ -	₩1,119

(*) Other comprehensive income does not reflect corporate tax effect.

10. FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014					
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩102,278	₩ -	₩ -	₩102,278	₩102,278
Financial instruments	-	2,092	-	-	2,092	2,092
Investment securities	-	-	10,097	-	10,097	10,097
Trade and other receivables	-	312,848	-	-	312,848	312,848
Derivative assets	-	-	-	393	393	393
Deposits	-	19,009	-	-	19,009	19,009
Total	₩ -	₩436,227	₩10,097	₩393	₩446,717	₩446,717

	December 31, 2014					
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Financial guarantee contract	Book value	Fair value
Trade and other payables	₩ -	₩302,311	₩ -	₩1,687	₩303,998	₩303,998
Borrowings and bonds	-	879,828	-	-	879,828	879,828
Derivative liabilities	-	-	4,230	-	4,230	4,230
Total	₩ -	₩1,182,139	₩4,230	₩1,687	₩1,188,056	₩1,188,056

	December 31, 2013					
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩100,704	₩ -	₩ -	₩100,704	₩100,704
Financial instruments	-	17	-	-	17	17
Investment securities	-	-	9,947	-	9,947	9,947
Trade and other receivables	-	286,898	-	-	286,898	286,898
Derivative assets	-	-	-	1,448	1,448	1,448
Deposits	-	18,695	-	-	18,695	18,695
Total	₩ -	₩406,314	₩9,947	₩1,448	₩417,709	₩417,709

	December 31, 2013					
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Financial guarantee contract	Book value	Fair value
Trade and other payables	₩ -	₩242,008	₩ -	₩581	₩242,589	₩242,589
Borrowings and bonds	-	844,358	-	-	844,358	844,358
Derivative liabilities	-	-	329	-	329	329
Total	₩ -	₩1,086,366	₩329	₩581	₩1,087,276	₩1,087,276

(2) Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives designated as hedging instruments	₩ -	₩393	₩ -	₩393
Financial liabilities:				
Derivatives designated as hedging instruments	-	(4,230)	-	(4,230)
Total	₩ -	₩(3,837)	₩ -	₩(3,837)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives designated as hedging instruments	₩ -	₩1,448	₩ -	₩1,448
Financial liabilities:				
Derivatives designated as hedging instruments	-	(329)	-	(329)
Total	₩ -	₩1,119	₩ -	₩1,119

The above table does not include information for those financial instruments, which are not measured at fair value because the book value approximates fair value.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique. The level of hierarchy of fair value is as follows:

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the dates of the separate statements of financial position. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or AFS.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(3) Valuation techniques and inputs used for derivatives designated as hedging instruments (Level 2) are as follows:

Valuation technique	Observable inputs	Explanation of input parameters
Discounted cash flow method	a. Forward exchange rate	It is based on forward exchange rate, disclosed on the market that remaining period is the same till maturity of forward contracts. If the forward exchange rate is not disclosed on the market, it is calculated by using interpolation method.
	b. Discount rate	It is determined by using yield curve that is disclosed at the end of the reporting period.

(4) Comprehensive income (loss) by categories of financial instruments for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014						
	Profit or loss						
	Interest	Dividend	Income on financial guarantee	Impairment	Disposal	Exchange rate fluctuations	Other comprehensive income (*)
Financial assets:							
Loans and receivables	₩3,088	₩ -	₩ -	₩(561)	₩(1,714)	₩2,571	₩ -
AFS financial assets	588	16	-	-	-	-	-
Total	₩3,676	₩16	₩ -	₩(561)	₩(1,714)	₩2,571	₩ -
Financial liabilities:							
Financial liabilities at amortized cost	₩(41,432)	₩ -	₩730	₩ -	₩ -	₩(3,954)	₩ -

	2013						
	Profit or loss						
	Interest	Dividend	Income on financial guarantee	Impairment	Disposal	Exchange rate fluctuations	Other comprehensive income (*)
Financial assets:							
Loans and receivables	₩2,826	₩ -	₩ -	₩813	₩(737)	₩(3,689)	₩ -
AFS financial assets	582	36	-	-	2,082	-	(1,550)
Total	₩3,408	₩36	₩ -	₩813	₩1,345	₩(3,689)	₩(1,550)
Financial liabilities:							
Financial liabilities at amortized cost	₩(37,451)	₩ -	₩408	₩ -	₩ -	₩1,002	₩ -

Apart from the above financial instruments, comprehensive income (loss) by derivatives for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014			2013		
	Profit or loss		Other comprehensive income (*)	Profit or loss		Other comprehensive income (*)
	Valuation	Disposal		Valuation	Disposal	
Derivative instrument not designated as a hedge	₩ -	₩ -	₩ -	₩ -	₩(19)	₩ -
Derivatives designated as hedging instruments	-	(15)	(4,957)	-	(331)	272
Total	₩ -	₩(15)	₩(4,957)	₩ -	₩(350)	₩272

(*) Other comprehensive income does not reflect corporate tax effect.

(5) Financial assets and liabilities subject to an enforceable master-netting arrangement or similar agreement as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014		
	Before enforceable master netting	Enforceable master netting	After enforceable master netting
Financial assets:			
Trade receivables	₩17,358	₩ (4,661)	₩12,697
Other receivables	28	(15)	13
Total	₩17,386	₩(4,676)	₩12,710
Financial liabilities:			
Trade payables	₩43,650	₩(4,676)	₩38,974

	December 31, 2013		
	Before enforceable master netting	Enforceable master netting	After enforceable master netting
Financial assets:			
Trade receivables	₩19,633	₩(6,089)	₩13,544
Other receivables	75	(56)	19
Total	₩19,708	₩(6,145)	₩13,563
Financial liabilities:			
Trade payables	₩27,730	₩(6,145)	₩21,585

11. SUBSIDIARIES AND ASSOCIATES:

(1) Subsidiaries and associates as of December 31, 2014 and 2013, consist of the following (in millions of Korean won):

	Location of incorporation	Percentage of ownership (%)	December 31, 2014	December 31, 2013
Subsidiaries:				
Doosan Heavy Industries & Construction Co., Ltd. (“DHC”)	Korea	40.31	₩1,232,946	₩1,232,946
Oricom Inc. (“Oricom”)	Korea	69.74	23,168	23,168
Doosan Tower Co., Ltd. (“Doosan tower”)	Korea	100	231,550	231,550
Doosan Feed & Livestock Co., Ltd.	Korea	100	15,757	15,757
Doosan Hongkong Ltd.	China	100	-	-
Doosan Electro-Materials Singapore Pte Ltd.	Singapore	100	-	-
Doosan (Shanghai) Chemical Materials Co., Ltd.	China	100	-	-
Doosan Bears Inc. (*1)	Korea	100	11,138	1,138
Doosan Dong-A Co., Ltd. (*2)	Korea	100	-	29,477
DIP Holdings Co., Ltd. (“DIP”)	Korea	100	164,169	164,169
Doosan Information and Communications America LLC	USA	100	4,889	4,889
Doosan Information and Communications China LLC	China	100	3,230	3,230
Doosan Information and Communications Europe Ltd. (*3)	UK	100	4,870	-
Doosan Mottrol (Jiangyin) Co., Ltd.	China	100	33,587	33,587
Doosan Electro-Materials (Changshu) Co., Ltd.	China	100	45,964	45,964
Doosan Electro-Materials America, LLC	USA	100	282	282
Doosan Electro-Materials Luxembourg Sarl (*3)	Luxembourg	100	28,111	-
Doosan Industrial Vehicle Europe N.A.	Belgium	100	16,934	16,934
Doosan Industrial Vehicle U.K. Ltd.	UK	100	1,909	1,909
Doosan Logistics Europe GmbH	Germany	100	1,909	1,909
Doosan Industrial Vehicle America Corp.	USA	100	27,016	27,016
Doosan Industrial Vehicle Yantai Co., Ltd.	China	100	10,617	10,617
Doosan Fuel Cell America, Inc. (*3)	USA	100	61,402	-
Treasury stock trust (*4)	Korea	100	60,000	30,000
Subtotal			1,979,448	1,874,542
Associates:				
Doosan Eco Biznet	Korea	29.79	53	53
Guang Dong Xingpu Steel Center	China	21.05	3,854	3,854
MVP Capital Co., Ltd.	Korea	29.13	-	-
Prestoliteasia	Korea	28.36	468	468
Subtotal			4,375	4,375
Joint venture:				
Sichuan Kelun-Doosan Biotechnology Company Limited	China	50.00	2,526	2,526
Total			₩1,986,349	₩1,881,443

(*1) Increased due to the paid-in capital increase in 2014 (see Note 32-(4))

(*2) Investment in the investee was disposed during 2014 (see Note 32-(4))

(*3) Newly established in 2014 (see Note 32-(4))

(*4) Investments in treasury stock trust for the years ended December 31, 2014 and 2013 (see Note 32-(4))

(2) Announced market prices of investments in subsidiaries and associates as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Subsidiaries:				
DHC	₩1,232,946	₩1,039,320	₩1,232,946	₩1,555,685
Oricom	23,168	26,248	23,168	19,322

12. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, consist of the following (in millions of Korean won):

	Year ended December 31, 2014					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2014	₩181,914	₩71,419	₩121,267	₩45,617	₩4,144	₩424,361
Acquisition	1,722	479	5,675	15,459	15,013	38,348
Business combinations (*1)	-	-	350	66	-	416
Government subsidy	-	-	-	(16)	-	(16)
Reclassifications	-	1,797	4,783	2,732	(13,022)	(3,710)
Disposal	(47)	(139)	(217)	(43)	(1,514)	(1,960)
Depreciation	(43)	(4,730)	(22,033)	(19,792)	-	(46,598)
Balance at December 31, 2014	₩183,546	₩68,826	₩109,825	₩44,023	₩4,621	₩410,841
- Acquisition cost	₩152,015	₩113,192	₩357,277	₩133,401	₩4,621	₩760,506
- Accumulated depreciation and impairment	-	(44,366)	(246,022)	(89,310)	-	(379,698)
- Government subsidy	-	-	(1,430)	(68)	-	(1,498)
- Revaluation surplus	31,531	-	-	-	-	31,531

	Year ended December 31, 2013					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2013	₩102,652	₩64,786	₩156,756	₩42,713	₩13,510	₩380,417
Acquisition	-	260	7,556	19,060	22,008	48,884
Business combinations (*2)	49,205	7,644	4,190	6,805	52	67,896
Contribution in kind (*3)	-	(758)	(40,177)	(4,055)	-	(44,990)
Government subsidy	-	-	-	(52)	-	(52)
Reclassifications	(1,738)	4,039	19,232	(2,517)	(28,878)	(9,862)
Disposal	-	(14)	(1,853)	(119)	-	(1,986)
Depreciation	(43)	(4,538)	(24,042)	(16,206)	-	(44,829)
Increase in revaluation	31,838	-	-	-	-	31,838
Impairments	-	-	(395)	(12)	(2,548)	(2,955)
Balance at December 31, 2013	₩181,914	₩71,419	₩121,267	₩45,617	₩4,144	₩424,361
- Acquisition cost	₩150,362	₩111,217	₩347,527	₩116,957	₩4,144	₩730,207
- Accumulated depreciation and impairment	-	(39,798)	(224,916)	(71,259)	-	(335,973)
- Government subsidy	-	-	(1,344)	(81)	-	(1,425)
- Revaluation surplus	31,552	-	-	-	-	31,552

(*1) The Company is merged with Fuelcellpower Co., Ltd. in 2014 (see Note 35).
(*2) The Company is merged with Doosan Industrial Vehicle Co., Ltd., and N Shaper Corp. in 2013 (see Note 35).
(*3) In 2013, the rental business part was invested in kind to DHC (see Note 34).

The Company recognized the land subsequently measured at revaluation amount; if the land were stated at cost, the land would amount to ₩152,015 million and ₩150,362 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, the Company's land and buildings are partially pledged as collateral for loans from KDB and others (see Note 31).

(2) The details of revaluation model, which the Company applies to measurement of the land, are as follows:

For the year ended December 31, 2013, the Company initially measured all land assets using fair value at the date of the revaluation. As of December 31, 2013, the fair value of land assets was determined from the appraisal that was undertaken by independently qualified valuators, the First Appraisal & Consulting Co., Ltd ("FACC") and Mirae & Saehan Appraisal Co., Ltd., on October 31, 2013. Fair value of land assets is not remeasured because the change of its value from December 31, 2013, to December 31, 2014, is not significant.

FACC and Mirae & Saehan Appraisal Co., Ltd. are members of Korea Association of Property Appraisers and comprise of certified professionals that have a significant amount of industry experience.

(3) Fair value measurements of land assets by fair value hierarchy level as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014			December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Property:						
Land	₩ -	₩ -	₩183,546	₩ -	₩ -	₩181,914

(4) Valuation techniques and inputs used for fair value measurement of land assets (Level 3) are as follows:

Valuation technique	Significant inputs that are not based on observable market data (unobservable inputs)	Correlation between unobservable inputs and fair value arguments
Official Assessed Reference Land Price ("OARLP"): OARLP of similar parcels nearby the subject land and reflating corrections necessary for differences between the subject and the comparable	a. Fluctuation rate of land price and others	Fair value increases (decreases) if rate of land price increases (decreases).
	b. Parcel conditions and others	Fair value increases (decreases) if correction of parcel conditions and others increases (decreases).
	c. Land conditions affecting the sales price and others	Fair value increases (decreases) if correction of land conditions affecting the sales price increases (decreases).

Change in land whose degree of fair value is classified as Level 3 for the year ended December 31, 2013, is as follows (in millions of Korean won):

			Revaluation increase			
January 1, 2013	Merger	Investment properties	Revaluation surplus	Deferred income tax liabilities	Revaluation decrease	December 31, 2013
₩102,652	₩49,205	₩(1,781)	₩24,354	₩7,775	₩(291)	₩181,914

(5) Property and equipment acquired through capital lease agreements as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Acquisition cost	₩51,490	₩43,720
Accumulated depreciation	(33,655)	(22,366)
Balance, net	₩17,835	₩21,354

Total minimum lease payments of finance leases liabilities and present value as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014		December 31, 2013	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Less than 1 year	₩10,838	₩10,043	₩9,833	₩8,955
1–5 years	12,102	11,567	14,194	13,676
Total	22,940	₩21,610	24,027	₩22,631
Present value adjustment	(1,330)		(1,396)	
Finance lease payables	₩21,610		₩22,631	

As of December 31, 2014, the Company's leased assets under finance lease are pledged as collateral for obligations under finance leases (see Note 31).

(6) Classification of depreciation expenses for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Cost of sales	₩38,906	₩39,293
Selling, general and administrative expenses	6,131	5,314
Research and development cost	1,561	151
Income from discontinued operations	-	71
Total	₩46,598	₩44,829

13. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	Year ended December 31, 2014				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
Balance at January 1, 2014	₩108,073	₩1,153	₩880	₩40,512	₩150,618
Acquisition	-	294	936	1,404	2,634
Business combinations (*1)	30,288	226	2,186	3,264	35,964
Government subsidy	-	-	(201)	-	(201)
Reclassifications	-	(13)	-	3,723	3,710
Disposal	-	-	-	(724)	(724)
Amortization	-	(403)	(399)	(8,543)	(9,345)
Impairment	-	-	-	217	217
Balance at December 31, 2014	₩138,361	₩1,257	₩3,402	₩39,853	₩182,873
- Acquisition cost	₩138,361	₩2,879	₩30,996	₩67,541	₩239,777
- Accumulated amortization and impairment	-	(1,622)	(22,989)	(27,688)	(52,299)
- Government subsidy	-	-	(4,605)	-	(4,605)

	Year ended December 31, 2013				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
Balance at January 1, 2013	₩92,997	₩1,009	₩3,664	₩27,710	₩125,380
Acquisition	-	213	154	3,587	3,954
Business combinations (*2)	15,076	256	582	10,249	26,163
Contribution in kind (*3)	-	-	-	(117)	(117)
Government subsidy	-	-	(17)	-	(17)
Reclassifications	-	-	-	7,584	7,584
Disposal	-	-	-	(1,187)	(1,187)
Amortization	-	(325)	(246)	(6,593)	(7,164)
Impairment	-	-	(3,257)	(721)	(3,978)
Balance at December 31, 2013	₩108,073	₩1,153	₩880	₩40,512	₩150,618
- Acquisition cost	₩108,073	₩2,357	₩11,398	₩59,874	₩181,702
- Accumulated amortization and impairment	-	(1,204)	(10,518)	(19,362)	(31,084)

(*1) The Company is merged with Fuelcellpower Co., Ltd. in 2014 (see Note 35).
(*2) The Company is merged with Doosan Industrial Vehicle Co., Ltd. and N Shaper Corp. in 2013 (see Note 35).
(*3) In 2013, the rental business part was invested in kind to DHC (see Note 34).

The carrying amount of membership with indefinite useful lives in other intangible assets item is ₩14,465 million and ₩14,294 million as of December 31, 2014 and 2013, respectively. Meanwhile, expenditure on research and development, which was recognized as expenses, amounted to ₩33,337 million and ₩27,745 million for the years ended December 31, 2014 and 2013, respectively.

(2) Impairment test of goodwill

1) Before recognition of impairment losses, the carrying amount of goodwill was allocated to CGUs as follows (in millions of Korean won):

CGUs	December 31, 2014	December 31, 2013	Description
Mottrol BG	₩84,562	₩84,562	Manufacturing and sale of hydraulic components
Information and communications BU	2,015	2,015	Operation and development of software
FM BU	6,420	6,420	Building maintenance service
Industrial vehicles BG	15,076	15,076	Manufacturing and sale of forklifts
Fuel Cell BU	30,288	-	Manufacturing and sale of fuel cell
Total	₩138,361	₩108,073	

2) The recoverable amount of CGU is determined based on a value-in-use calculation, and discount rate used is as follows:

	Mottrol BG	Information and communications BU	FM BU	Industrial vehicles BG	Fuel Cell BU
Discount rate	9.01%	9.80%	9.21%	9.80%	13.80%

The Company uses cash flow projections based on financial budgets approved by the directors covering five-year periods for a value-in-use calculation. The financial budgets are determined based on historical result and expectation of market growth. Cash flows beyond that five-year periods have been extrapolated using a ‘1–3%’ growth rate, continuing the fifth year cash flow. The growth rate does not exceed long-term average growth rate of market, and the discount rates used reflect relevant risks specific to the CGUs.

The result of recoverable amount of the Company calculated based on value-in-use calculation was not to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. Therefore, no impairment loss is recognized based on the impairment test for the year ended December 31, 2014.

A reasonably possible change in a key assumption would cause the change of recoverable amount. So, management has observed related sales and industrial trend subsequently. Meanwhile, if discount rate changes by 50bp, no additional impairment losses will be incurred.

(3) Classification of amortization expense for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Cost of sales	₩1,967	₩1,396
Selling, general and administrative expenses	7,267	5,765
Research and development cost	111	3
Total	₩9,345	₩7,164

14. INVESTMENT PROPERTIES:

(1) Changes in investment properties for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	Year ended December 31, 2014		
	Land	Buildings	Total
Balance at January 1, 2014	₩257,770	₩4,673	₩262,443
Disposal	(44)	(66)	(110)
Revaluation	3,586	(421)	3,165
Balance at December 31, 2014	₩261,312	₩4,186	₩265,498

	Year ended December 31, 2013		
	Land	Buildings	Total
Balance at January 1, 2013	₩246,476	₩4,693	₩251,169
Disposal	(4,326)	(174)	(4,500)
Revaluation	14,044	(548)	13,496
Reclassifications	1,576	702	2,278
Balance at December 31, 2013	₩257,770	₩4,673	₩262,443

The Company's land and buildings included in the above investment property are pledged as collateral for loans from Hana Bank and others (see Note 31).

(2) Details of fair value model that the Company applies for measurement of investment properties, are as follows:

For the year ended December 31, 2013, the Company initially measured investment properties using fair value at the date of the revaluation. As of December 31, 2014 and 2013, the fair value of investment properties is determined from appraisal that is undertaken by independently qualified valuators, FACC and Mirae & Saehan Appraisal Co., Ltd., on December 31, 2014 and 2013.

FACC and Mirae & Saehan Appraisal Co., Ltd. are members of Korea Association of Property Appraisers and comprise of certified professionals who have a significant amount of industry experience.

(3) Fair value measurements of land assets by fair value hierarchy level as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014			December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Property:						
Land	₩ -	₩ -	₩261,312	₩ -	₩ -	₩257,770
Buildings	-	-	4,186	-	-	4,673

(4) Valuation techniques and inputs used for fair value measurement of land assets (Level 3) are as follows:

Valuation technique	Significant inputs that are not based on observable market data (unobservable inputs)	Correlation between unobservable inputs and fair value arguments
A. OARLP: OARLP of similar parcels nearby the subject land and reflating corrections are necessary for differences between the subject and the comparable.	a. Fluctuation rate of land price and others	Fair value increases (decreases) if rate of land price increases (decreases).
	b. Parcel conditions and others	Fair value increases (decreases) if correction of parcel conditions and others increase (decrease).
	c. Land conditions affecting the sales price and others	Fair value increases (decreases) if correction of land conditions affecting the sales price increases (decreases).
B. Sales comparison approach: Fair value is based on sales comparison of a similar object based on marketability with target object while measuring fair value as compared with circumstance correction, time correction and individual factors	a. Circumstance correction	Fair value increases (decreases) if circumstance correction increases (decreases).
	b. Regional factors	Fair value increases (decreases) if regional factors increases (decreases).
	c. Comparative value of individual factors	The comparative value of individual factors increases (decreases) if the fair value increases (decreases).
C. Estimated cost price approach: Fair value is based on depreciation and replacement costs considered with structure, building materials, construction condition, building equipment, end use, present condition and management condition	a. Replacement cost	Fair value decreases (increases) if replacement cost increases (decreases).

15. BONDS AND BORROWINGS:

(1) Bonds as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	Annual interest rate (%)	December 31, 2014	December 31, 2013
The 280-2nd	5.64	₩50,000	₩50,000
The 281-1st	4.95	70,000	70,000
The 281-2nd	5.21	80,000	80,000
The 282-1st	4.40	-	50,000
The 282-2nd	4.99	80,000	80,000
The 283-1st	3.84	20,000	20,000
The 283-2nd	4.27	80,000	80,000
The 284	4.33	100,000	100,000
Total		480,000	530,000
Less: Current portion of long-term bonds		(119,890)	(49,934)
Discount on current portion of long-term bonds		(110)	(66)
Discount on non-current portion of long-term bonds		(1,058)	(1,684)
Long-term bonds		₩358,942	₩478,316

(2) Long-term and short-term borrowings as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

1) Short-term borrowings

	Lender	Annual interest rate (%)	December 31, 2014	December 31, 2013
Usance (document against acceptance and payment)	Woori Bank and others	1.05–2.29	₩3,000	₩7,894
Short-term borrowings in Korean won	Shinhan Bank and others	3.34–3.87	95,000	40,000
Total			₩98,000	₩47,894

Financial liabilities related to transferred trade receivables, which did not meet the derecognition criteria, amounted to ₩3,000 million and ₩3,747 million as of December 31, 2014 and 2013, respectively. The trade receivables were pledged as collateral for these liabilities (see Note 30-(3)).

2) Long-term borrowings

	Annual interest rate (%)	December 31, 2014	December 31, 2013
Borrowings in Korean won:			
KDB	3.71	₩40,000	₩60,152
Shinhan Bank	4.34	40,000	40,000
Korea Exim Bank	-	-	20,000
Kookmin Bank	2.70	160	185
Nonghyup Bank	3.61	30,000	30,000
Korea Housing Guarantee	1.00	2,904	2,904
La-union	4.80	50,000	50,000
Hana Bank	3.43	50,000	50,000
Korea Exchange Bank ("KEB")	-	-	15,000
Jeonbuk Bank	4.10	12,000	-
Borrowings in foreign currency:			
KDB	2.33	27,480	-
Korea Exim Bank	2.43	50,563	-
Total		303,107	268,241
Less: Current portion of long-term borrowings		(105,285)	(40,415)
Discount on current portion of long-term borrowings		-	(4)
Discount on non-current portion of long-term borrowings		(111)	(23)
Long-term borrowings		₩197,711	₩227,799

16. RETIREMENT BENEFIT OBLIGATION:

The Company operates a defined benefit plan for employees, and the actuarial valuation of plan assets and the defined benefit liability is performed by a reputable actuary using the projected unit credit method.

(1) Details of retirement benefit obligation as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	₩126,146	₩118,824
Fair value of plan assets	(81,793)	(51,769)
Total	₩44,353	₩67,055

(2) Expenses recognized in profit and loss for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Current service cost	₩21,744	₩20,322
Net interest cost	2,953	2,673
Total	₩24,697	₩22,995

(3) Classification of the expenses related to the retirement benefit obligation recognized in the separate statements of income for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Cost of sales	₩14,832	₩13,328
Selling, general and administrative expenses	9,067	8,627
Research and development cost	798	527
Income from discontinued operations	-	513
Total	₩24,697	₩22,995

(4) Changes in defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Beginning balance	₩118,824	₩93,793
Current service cost	21,744	20,322
Interest cost	4,979	3,515
Transfer in	3,152	3,682
Transfer out	(2,848)	(4,182)
Payment	(14,678)	(6,563)
Business combinations	-	22,192
Remeasurements of defined benefit liabilities:		
- Changes in demographic assumptions	(121)	390
- Changes in financial assumptions	(2,899)	(12,887)
- Others	(2,007)	(1,438)
Subtotal	(5,027)	(13,935)
Ending balance	₩126,146	₩118,824

Changes in plan assets for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Beginning balance	₩51,769	₩22,898
Expected return on plan assets	2,026	842
Transfer in	676	1,905
Transfer out	(694)	(1,866)
Contributions by employer directly to plan assets	35,162	22,261
Payment	(6,377)	(1,288)
Business combinations	-	6,983
Remeasurements of plan assets	(769)	34
Ending balance	₩81,793	₩51,769

(5) Assumptions used for actuarial valuation as of December 31, 2014 and 2013, are as follows:

	2014	2013
Discount rate	3.4%	4.4%
Expected rate of salary increase	Employee 3.0%–5.0% Director 3.4%	Employee 5.0%–7.0% Director 5.3%

(6) Details of plan assets as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Equity instruments	₩376	₩319
Debt instruments	2,603	2,439
Others	78,814	49,011
Total	₩81,793	₩51,769

Plan assets are mostly invested in assets that have a quoted market price in an active market.

(7) The sensitivity analysis for the significant actuarial assumptions as of December 31, 2014 and 2013, is as follows (in millions of Korean won):

	December 31, 2014		December 31, 2013	
	Amount	Rate	Amount	Rate
Discount rate:				
1% increase	₩(6,337)	(-)5.02%	₩(7,116)	(-)5.99%
1% decrease	5,934	4.70%	9,789	8.24%
Salary increase rate:				
1% increase	3,630	2.88%	9,620	8.10%
1% decrease	(6,394)	(-)5.07%	(7,127)	(-)6.00%

(8) Information about the maturity profile of the defined benefit obligation as of December 31, 2014, is as follows (in millions of Korean won):

	0–1 year	1–2 years	2–5 years	5–10 years	Total
Expected payment	₩11,096	₩25,160	₩41,489	₩81,962	₩159,707

The Company expects to contribute ₩43,669 million for the defined benefit plans in 2015.

17. PROVISIONS:

Changes in provisions for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	Year ended December 31, 2014						
	January 1, 2014	Accrual	Use	Merger	December 31, 2014	Current	Non-Current
Provision for product warranties	₩5,355	₩9,666	₩(8,939)	₩348	₩6,430	₩6,430	₩ -
Asset retirement obligations	961	50	(268)	-	743	-	743
Other provisions	2,270	-	(2,273)	122	119	119	-
Total	₩8,586	₩9,716	₩(11,480)	₩470	₩7,292	₩6,549	₩743

	Year ended December 31, 2013						
	January 1, 2013	Accrual	Use	Merger	December 31, 2013	Current	Non-Current
Provision for product warranties	₩2,345	₩3,152	₩(3,361)	₩3,219	₩5,355	₩5,355	₩ -
Asset retirement obligations	1,014	47	(100)	-	961	-	961
Other provisions	-	2,270	-	-	2,270	2,270	-
Total	₩3,359	₩5,469	₩(3,461)	₩3,219	₩8,586	₩7,625	₩961

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

18. SHARE CAPITAL AND SHARE PREMIUM:

Changes in share capital and share premium for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won and number of shares):

	Number of shares		Share capital			
	Common shares	Preferred shares	Common shares	Preferred shares	Total	Share premium
Balance at January 1, 2013	20,858,821	5,396,759	₩105,794	₩26,984	₩132,778	₩333,636
Exercising share options	23,250	-	116	-	116	3,638
Balance at December 31, 2013	20,882,071	5,396,759	₩105,910	₩26,984	₩132,894	₩337,274
Balance at January 1, 2014	20,882,071	5,396,759	₩105,910	₩26,984	₩132,894	₩337,274
Issuance of new shares for merger	384,867	-	1,924	-	1,924	18,046
Exercising share options	3,950	-	20	-	20	416
Balance at December 31, 2014	21,270,888	5,396,759	₩107,854	₩26,984	₩134,838	₩355,736

The Company's number of shares authorized amounted to 400,000,000 shares with a par value of ₩5,000 per share. There is a difference arising from retirement of shares through retained earnings, and capital stock is not the same as total par value of shares issued.

The number of shares that are having limitation on voting right under commercial law amounted to 5,401,098 and 4,670,211 as of December 31, 2014 and 2013, respectively.

19. OTHER CAPITAL SURPLUS:

Other capital surplus as of December 31, 2014 and 2013, is summarized as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Share premium	₩355,736	₩337,274
Gain from merger	1,390	1,390
Other capital surplus	32,417	22,476
Asset revaluation reserve	277,542	277,542
Total	₩667,085	₩638,682

20. OTHER CAPITAL ITEMS:

(1) Other capital items as of December 31, 2014 and 2013, are summarized as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Treasury stock	₩(240,960)	₩(211,307)
Loss on disposal of treasury stock	(16,738)	(16,738)
Share options	16,874	14,834
Loss on capital reduction	(127,319)	(127,319)
Total	₩(368,143)	₩(340,530)

(2) Treasury stock

The Company acquired registered common stock and non-voting preferred stock and recognized them as other capital item for the stabilization of stock price. Changes in treasury stock for the year ended December 31, 2014, are as follows (in millions of Korean won, except for share data):

	Number of treasury stock			Carrying amount		
	Common stock	Preferred stock	Total	Common stock	Preferred stock	Total
January 1, 2014	4,472,721	673,054	5,145,775	₩196,254	₩15,053	₩211,307
Acquisition	421,894	-	421,894	29,654	-	29,654
December 31, 2014	4,894,615	673,054	5,567,669	₩225,908	₩15,053	₩240,961

(3) Share-based payment

The Company granted share options to its directors several times. Share options are settled based on the Board of Directors' decision by issuance of new stock, treasury stock or cash settlement. Vesting condition offers two-year service after the resolution at the shareholders' meeting. The number of granted options as of December 31, 2014, is as follows (in Korean won, except for share data):

	Date of grant	Number of granted options	Exercisable period	Exercisable price	Expected fair value at the date of grant
8th	2007.3.16	800	2010.3.16–2017.3.15	₩59,600	₩28,930
9th	2008.3.21	23,100	2011.3.21–2018.3.20	165,100	68,846
10th	2009.3.27	2,900	2012.3.27–2019.3.26	106,500	53,382
12th	2010.3.26	69,360	2013.3.26–2020.3.26	116,500	56,460
13th	2011.3.25	34,000	2014.3.25–2021.3.25	137,500	68,045
14th	2012.3.30	56,000	2015.3.30–2022.3.30	156,200	63,647
15th	2013.3.29	94,600	2016.3.29–2023.3.28	128,100	43,353
16th	2014.3.28	112,500	2017.3.28–2024.3.27	134,300	39,558
	Total	393,260			

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

	Risk-free interest rate	Expected exercisable period	Expected volatility	Expected dividend yield ratio
8th	4.79%	3.00	46.73%	0%
9th	5.18%	3.00	58.89%	0%
10th	3.71%	3.53	69.82%	22%
12th	3.82%	3.27	71.67%	35%
13th	3.66%	3.29	73.42%	40%
14th	3.57%	3.41	62.76%	43%
15th	2.45%	3.42	49.22%	46%
16th	2.88%	3.60	40.90%	48%

Risk-free interest rate is based on a three-year treasury bond yield rate.

Changes in share options for the year ended December 31, 2014, are as follows:

1) Number of common shares to be issued:

	January 1, 2014	Granted	Exercised	Forfeited	December 31, 2014
8th	3,500	-	(2,700)	-	800
9th	24,300	-	-	(1,200)	23,100
10th	4,300	-	(1,250)	(150)	2,900
12th	71,860	-	-	(2,500)	69,360
13th	55,100	-	-	(21,100)	34,000
14th	60,200	-	-	(4,200)	56,000
15th	100,100	-	-	(5,500)	94,600
16th	-	114,000	-	(1,500)	112,500
Total	319,360	114,000	(3,950)	(36,150)	393,260

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

	January 1, 2014	Granted	Exercised	Forfeited	December 31, 2014
8th	₩101	₩ -	₩(78)	₩ -	₩23
9th	1,674	-	-	(83)	1,591
10th	230	-	(67)	(8)	155
12th	4,062	-	-	(141)	3,921
13th	3,744	-	-	(1,436)	2,308
14th	3,370	451	-	(257)	3,564
15th	1,653	2,078	-	(118)	3,613
16th	-	1,704	-	(5)	1,699
Total	₩14,834	₩4,233	₩(145)	₩(2,048)	₩16,874

The weighted-average price of shares on their respective exercise dates for the year ended December 31, 2014, amounted to ₩124,544. The weighted-average remaining contractual period of share options is 7.35 years. Expense to be recognized in the future period amounted to ₩3,241 million.

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of December 31, 2014 and 2013, is summarized as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Gain (loss) on valuation of derivatives	₩ (2,908)	₩849
Revaluation surplus	38,569	38,585
Total	₩35,661	₩39,434

22. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014	December 31, 2013
Legal reserve	₩35,464	₩28,108
Voluntary reserve	97,666	79,716
Unappropriated retained earnings	1,507,967	1,417,085
Total	₩1,641,097	₩1,524,909

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

(2) Changes in retained earnings for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Beginning balance	₩1,524,909	₩1,438,932
Profit for the year	186,399	149,688
Actuarial profit (loss) recognized in retained earnings	3,228	10,589
Payment of dividends	(73,455)	(74,300)
Revaluation surplus	16	-
Ending balance	₩1,641,097	₩1,524,909

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2014 and 2013, are as follows (in Korean won):

	2014	2013
UNAPPROPRIATED RETAINED EARNINGS:		
Unappropriated retained earnings carried over from the prior year	₩1,328,783,124,793	₩1,267,372,949,177
Interim dividend	(10,459,154,000)	(10,564,472,500)
Net income	186,399,329,671	149,688,055,705
Actuarial loss on defined benefit obligations	3,228,122,650	10,588,868,571
Revaluation surplus	15,614,800	-
Subtotal	1,507,967,037,914	1,417,085,400,953
TRANSFER FROM VOLUNTARY RESERVES:		
Reserve for research and human resource	22,667,000,000	12,050,000,000
APPROPRIATIONS:		
Legal reserve	8,272,589,960	7,356,068,060
Cash dividends	72,266,745,600	62,996,208,100
Reserve for research and human resource	-	30,000,000,000
Subtotal	80,539,335,560	100,352,276,160
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩1,450,094,702,354	₩1,328,783,124,793

(4) Details of dividends for the years ended December 31, 2014 and 2013, are as follows (in Korean won, except for share data and dividend amount):

	2014			2013		
	Preferred shares (old)	Preferred shares (new)	Common shares	Preferred shares (old)	Preferred shares (new)	Common shares
Face value per share	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000
Interim dividends:						
Number of shares issued	4,411,074	985,685	20,885,121	4,411,074	985,685	20,880,321
Number of treasury stocks	(620,812)	(52,242)	(4,690,518)	(620,812)	(52,242)	(4,475,081)
Share eligible for dividends	3,790,262	933,443	16,194,603	3,790,262	933,443	16,405,240
Dividend rate	10%	10%	10%	10%	10%	10%
Dividend per share	500	500	500	500	500	500
Dividend amount (in millions of Korean won)	1,895	467	8,097	1,895	467	8,203
Closing price on dividend date	69,100	64,900	125,000	53,700	52,000	128,500
Dividend yield ratio	0.72%	0.77%	0.40%	0.93%	0.96%	0.39%
Year-end dividends:						
Number of shares issued	4,411,074	985,685	21,270,888	4,411,074	985,685	20,882,071
Number of treasury stocks	(620,812)	(52,242)	(5,401,098)	(620,812)	(52,242)	(4,670,211)
Share eligible for dividends	3,790,262	933,443	15,869,790	3,790,262	933,443	16,211,860
Dividend rate	71%	70%	70%	61%	60%	60%
Dividend per share	3,550	3,500	3,500	3,050	3,000	3,000
Dividend amount (in millions of Korean won)	13,456	3,267	55,544	11,560	2,800	48,636
Closing price on dividend date	59,500	58,600	103,500	55,900	56,100	139,500
Dividend yield ratio	5.97%	5.97%	3.38%	5.46%	5.35%	2.15%

23. REVENUES:

Details of revenues for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Sales of goods	₩1,554,228	₩1,269,705
- Manufactured products	1,405,139	1,187,214
- Merchandise	149,089	82,491
Others	441,145	382,319
- Dividend	170,247	102,196
- Others	270,898	280,123
Total	₩1,995,373	₩1,652,024

24. EXPENSES CLASSIFIED BY NATURE:

Expenses classified by nature for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Changes in inventories	₩(23,483)	₩(43,859)
Purchases of raw materials and goods	866,709	710,450
Employee benefits	354,660	319,602
Depreciation and amortization	55,943	51,993
Total	₩1,253,829	₩1,038,186

25. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Salaries	₩95,615	₩78,860
Bonuses	13,846	22,299
Provision for retirement and severance benefits	9,067	8,627
Share-based payment	3,714	3,690
Employee welfare	18,002	18,372
Travel	8,035	6,714
Communications	822	873
Utilities	1,510	1,539
Sales commission	17,372	7,622
Office expense	536	696
Taxes and dues	4,826	3,266
Rent	14,673	13,339
Depreciation	6,131	5,314
Repairs and maintenance	1,224	858
Entertainment	3,089	3,436
Advertising	5,058	3,136
Automobile maintenance	1,199	1,213
Packaging	2,832	2,225
Research and development	31,621	25,380
Education and training	9,616	11,791
Freight and custody	6,754	7,189
Service fees	28,988	23,981
Maintenance of office	3,051	3,699
Outsourcing fee	6,163	7,465
Sample	1,286	1,137
Bad debt expenses	552	(646)
Amortization	7,267	5,765
Others	1,189	1,490
Total	₩304,038	₩269,330

26. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the years ended December 31, 2014 and 2013, are summarized as follows (in millions of Korean won):

	2014	2013
Finance income:		
Interest income	₩3,676	₩3,283
Dividend income	16	36
Gain on foreign currency transaction	14,158	11,153
Gain on foreign currency translation	3,219	1,020
Gain on derivative transaction	-	14
Income on financial guarantee	730	408
Total	21,799	15,914
Finance expenses:		
Interest expenses	41,432	37,451
Loss on foreign currency transaction	14,672	12,930
Loss on foreign currency translation	4,088	1,777
Loss on derivative transactions	15	325
Total	60,207	52,483
Net finance expenses	₩(38,408)	₩(36,569)

27. OTHER NON-OPERATING INCOME AND EXPENSES:

(1) Other non-operating income and expenses for the years ended December 31, 2014 and 2013, consist of the following (in millions of Korean won):

	2014	2013
Other non-operating income:		
Gain on disposal of long-term investment securities	₩ -	₩2,195
Gain on disposal of property, plant and equipment	292	285
Gain on disposal of intangible assets	119	161
Reversal of impairment losses on intangible assets	217	-
Gain on disposal of investment properties	-	600
Gain on valuation of investment properties	5,573	14,044
Others	4,647	4,432
Total	10,848	21,717
Other non-operating expenses:		
Loss on disposal of trade receivables	1,714	737
Loss on disposal of long-term investment securities	-	113
Impairment loss of investments in subsidiaries	4,477	897
Loss on disposal of property, plant and equipment	350	324
Impairment loss of property, plant and equipment	-	407
Loss on revaluation of property, plant and equipment	-	291
Loss on disposal of intangible assets	161	92
Impairment loss of intangible assets	-	3,978
Loss on disposal of investment properties	8	-
Loss on valuation of investment properties	2,408	548
Donations	7,735	7,640
Others	5,955	7,146
Total	22,808	22,173
Net other non-operating expenses	₩(11,960)	₩(456)

28. INCOME TAX EXPENSE:

(1) Components of income tax expense for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Current income tax expense	₩15,651	₩19,518
Deferred income tax	(5,310)	11,754
Transferred deferred income tax due to merger	9,170	2,083
Deferred income tax directly charged to equity	169	(10,846)
Income tax expense directly charged to loss of discontinued operations	-	(3,336)
Income tax expense	₩19,680	₩19,173

(2) Changes in deferred tax assets and liabilities for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	January 1, 2014	Changes		Merger	December 31, 2014
		Income	Equity		
Accrued revenues	₩(22)	₩1	₩ -	₩(5)	₩(26)
Allowance for inventories	2,160	(502)	-	18	1,676
Investment securities	6,678	-	-	-	6,678
Property, plant and equipment	(44,637)	(827)	-	(39)	(45,503)
Investment properties	(17,558)	(836)	-	-	(18,394)
Accrued expenses	13,539	(2,383)	-	15	11,171
Retirement benefit obligation	13,021	(4,194)	(1,031)	-	7,796
Reserve for research and human resource	(25,180)	6,369	-	-	(18,811)
Others	6,349	(1,657)	1,200	9,181	15,073
Total	₩(45,650)	₩(4,029)	₩169	₩9,170	₩(40,340)

	January 1, 2013	Changes: Income	Changes: Equity	Merger	December 31, 2013
Accrued revenues	₩(60)	₩38	₩ -	₩ -	₩(22)
Allowance for inventories	1,428	(233)	-	965	2,160
Investment securities	6,303	-	375	-	6,678
Property, plant and equipment	(39,097)	2,175	(7,775)	60	(44,637)
Investment properties	(14,291)	(3,267)	-	-	(17,558)
Accrued expenses	10,384	2,385	-	770	13,539
Retirement benefit obligation	15,105	62	(3,380)	1,234	13,021
Reserve for research and human resource	(20,949)	(3,329)	-	(902)	(25,180)
Others	7,282	(823)	(66)	(44)	6,349
Total	₩(33,895)	₩(2,992)	₩(10,846)	₩2,083	₩(45,650)

(3) Temporary differences, net loss and tax credit carryforwards, which have not been recognized as deferred income tax assets and expired, unused as of December 31, 2014 and 2013, are nil.

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

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

	December 31, 2014	December 31, 2013
Investments in subsidiaries	₩(768,883)	₩(760,842)

Deferred income tax liabilities are not recognized because the Company is able to control the timing of the reversal of taxable temporary differences relating to subsidiaries.

(5) Tax effects directly recognized in equity as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014			December 31, 2013		
	Before tax	Deferred income tax assets (liabilities)	After tax	Before tax	Deferred income tax assets (liabilities)	After tax
Gain (loss) on valuation of derivatives	₩(3,838)	₩930	₩(2,908)	₩1,120	₩(271)	₩849
Revaluation surplus	50,904	(12,319)	38,585	50,904	(12,319)	38,585
Land revaluation reserve	22,137	(4,870)	17,267	22,137	(4,870)	17,267
Actuarial gain or loss	(14,898)	3,605	(11,293)	(19,157)	4,636	(14,521)
Total	₩54,305	₩(12,654)	₩41,651	₩55,004	₩(12,824)	₩42,180

(6) A reconciliation of income tax expense and accounting income before income tax expense for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Profit before income tax	₩206,080	₩158,415
Income tax expense at statutory income tax rate	49,409	37,874
Adjustments:		
Non-temporary difference	(31,649)	(18,672)
Temporary difference not recognized as deferred income tax	3,760	112
Tax credits	(2,401)	(4,988)
Effect of tax rate change	-	(208)
Additional income tax and tax refund for prior periods	(438)	4,936
Others	999	119
Income tax expense	₩19,680	₩19,173
Effective tax rate	9.55%	12.10%

29. EARNINGS PER SHARE:

Earnings per share for the years ended December 31, 2014 and 2013, are computed as follows (in Korean won, except for share data).

(1) Basic earnings per share

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

	Year ended December 31, 2014		
	Continuing	Discontinued	Total
Net income	₩186,399,329,671	₩ -	₩186,399,329,671
(-) Dividends for preferred share	42,430,495,611	-	42,430,495,611
Net income available to common share	143,968,834,060	-	143,968,834,060
Weighted-average number of common shares outstanding (*1)	16,099,680	-	16,099,680
Basic earnings per share	₩8,942	₩ -	₩8,942

	Year ended December 31, 2013		
	Continuing	Discontinued	Total
Net income	₩139,241,599,371	₩10,446,456,334	₩149,688,055,705
(-) Dividends for preferred share	31,322,852,202	2,349,964,445	33,672,816,647
Net income available to common share	107,918,747,169	8,096,491,889	116,015,239,058
Weighted-average number of common shares outstanding (*1)	16,367,016	16,367,016	16,367,016
Basic earnings per share	₩6,594	₩495	₩7,088

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

	2014	2013
Beginning outstanding shares	16,211,860	16,455,207
Effect of share option exercised	1,835	14,437
Issuance of share capital	98,062	-
Acquisition of treasury stock	(212,077)	(102,628)
Weighted-average number of common shares outstanding	16,099,680	16,367,016

(2) Diluted earnings per share

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

	Year ended December 31, 2014		
	Continuing	Discontinued	Total
Controlling interest in net income	₩143,968,834,060	₩ -	₩143,968,834,060
Share-based compensation cost	-	-	-
Adjusted net income available to common shares	143,968,834,060	-	143,968,834,060
Adjusted weighted-average number of common shares outstanding (*2)	16,105,459	-	16,105,459
Diluted earnings per share	₩8,939	₩ -	₩8,939

	Year ended December 31, 2013		
	Continuing	Discontinued	Total
Controlling interest in net income	₩107,918,747,169	₩8,096,491,889	₩116,015,239,058
Share-based compensation cost	-	-	-
Adjusted net income available to common shares	107,918,747,169	8,096,491,889	116,015,239,058
Adjusted weighted-average number of common shares outstanding (*2)	16,380,712	16,380,712	16,380,712
Diluted earnings per share	₩6,588	₩494	₩7,082

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

	2014	2013
Weighted-average number of common shares outstanding	16,099,680	16,367,016
Effect of share option exercise	5,779	13,696
Adjusted weighted-average number of common shares outstanding	16,105,459	16,380,712

Share options that are excluded from the diluted earnings per share calculation as they have an antidilutive effect during 2014 and 2013 are as follows:

	2014	2013
Share options	320,200	239,700

30. COMMITMENTS AND CONTINGENCIES:

(1) Notes, bills and checks offered in security

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

(2) Loan ceiling

As of December 31, 2014, loan ceilings of the Company are as follows (in thousands of foreign currency and in millions of Korean won):

Description	Financial institution	Limitation
Overdraft	Woori Bank and others	₩25,000
General loans	Hana Bank and others	425,000
Other loans	KEB and others	482,252
L/C payment guarantee	KDB and others	USD 85,180
		₩932,252
Total		USD 85,180

(3) Transferred trade receivables

Outstanding trade receivables sold with recourse by the Company are in the amount of ₩3,000 million and ₩3,747 million as of December 31, 2014 and 2013, respectively. Because the Company retains some level of risks and rewards relating to trade receivables, the Company has recognized its carrying amount of it and cash receipt from transfer as short-term borrowings in separate statements of financial position (see Note 15-(2)).

(4) Litigation in progress

The Company is involved in lawsuits as a defendant with claims exposure of ₩2,816 million as of December 31, 2014. The ultimate outcome of the lawsuit cannot presently be determined.

(5) Technical contract

The Company has technical license agreements for the purpose of manufacturing specific products with Nabtesco, Horstman and others for the year ended December 31, 2014, and the Company paid ₩704 million as license fee.

(6) Certification of payment

As of December 31, 2014, guarantees provided by the Company for third parties are as follows (in thousands of foreign currency):

Provided to	Guarantees	Description
Subsidiary:		
Doosan Mottrol (Jiangyin) Co., Ltd.	USD 7,000	An on-site certification of payment
	CNY 95,000	
Doosan Electro Materials (Changshu) Co., Ltd.	USD 62,000	An on-site certification of payment
	CNY 39,000	
Doosan Electro-Materials Luxembourg Sarl	USD 30,000	An on-site certification of payment
Circuit Foil Luxembourg Sarl	EUR 14,500	An on-site certification of payment
Doosan Industrial Vehicle Europe N.A.	EUR 537	An on-site certification of payment
Doosan Industrial Vehicle America Corp.	USD 5,000	An on-site certification of payment
Doosan Industrial Vehicle Yantai Co., Ltd.	USD 10,000	An on-site certification of payment
Doosan Fuel Cell America, Inc.	USD 55,000	An on-site certification of payment
	USD 169,000	
Total	CNY 134,000	
	EUR 15,037	

As of December 31, 2014, received from third parties are as follows (in thousands of foreign currency and millions of Korean won):

Provider	Amount of certification of payment	Description
Seoul Guarantee Insurance	₩16,935	Performance guarantee
Korea Defense Industry Association and others	78,642	Performance guarantee
Shinhan Bank	USD 180	Performance guarantee
KDB and others	USD 16,369	L/C payment guarantee
Total	₩95,577	
	USD 16,549	

Meanwhile, the Company has responsibility of joint liability guarantee with Neoholdings Co., Ltd., which is a spin-off company for existing liabilities prior to spin-off.

(7) Ordinary wages

The Company may have to pay additional wages, if regular bonuses and other salaries fall under the category of ordinary wages. But, the Company sees the possibility of the likeliness of having to pay related amounts to be low, based on the Supreme Court decision.

31. PLEDGED ASSETS:

The Company pledged certain assets as collateral for its financial liabilities as of December 31, 2014, which are as follows (in thousands of foreign currency and millions of Korean won):

Related account	Asset	Institution	Financial debt	Collateralized value
Property, plant and equipment	Chang-won employee apartment	Kookmin Bank	₩160	₩605
	Jeung-pyeong, Ik-san plant and Chang-won plant and others	KDB	55,000 USD25,000	217,490 USD30,056
	Shin-gal plant	Woori Bank	USD1,046 ₩10,000	- ₩5,000
	Incheon plant	Shinhan Bank	40,000	40,000
Investment properties	Gun-po plant	Hana Bank	-	26,000
AFS financial asset	Equity securities	Korea Housing Guarantee	2,904	464
Financial lease asset	Machinery and equipment	HP Financial Service and others	21,610	17,835

32. RELATED-PARTY TRANSACTIONS:

(1) Related party

Relationship with the Company	Company name
Subsidiaries	DHC and subsidiaries
	Doosan Infracore Co., Ltd. ("DI") and subsidiaries
	Doosan Engineering & Construction Co., Ltd. ("DEC") and subsidiaries
	Doosan Engine Co., Ltd. ("DE") and subsidiaries
	Oricom
	Doosan Advertisement (China) Co., Ltd.
	Doosan tower
	Doosan Feed & Livestock Co., Ltd.
	Doosan Bears Inc.
	DIP
	Doosan DST Co., Ltd.
	Doosan Real Estate ABS (1st)
	Doosan Real Estate ABS (2nd)
	Doosan Hongkong Ltd.
	Doosan Electro-Materials (SHEN ZHEN) Limited
	Doosan Electro-Materials Singapore Pte Ltd.
	Doosan Shanghai Chemical Limited
	Doosan Information and Communications America, LLC
	Doosan Information and Communications China Co., Ltd.
	Doosan Information and Communications Europe Ltd.
	Doosan Mottrol (Jiangyin) Co., Ltd.
	Doosan Electro-Materials (Changshu) Co., Ltd.
	Doosan Electro-Materials America, LLC
	Doosan Electro-Materials Luxembourg Sarl
	Circuit Foil Luxembourg Sarl
	Doosan Industrial Vehicle Europe N.A.
	Doosan Industrial Vehicle U.K. Ltd.
	Doosan Logistics Europe GmbH
	Doosan Industrial Vehicle America Corp.
	Doosan Industrial Vehicle Yantai Co., Ltd.
	Doosan Fuel Cell America, Inc.
	and others
Associates	Guang Dong Xingpu Steel Center
	Doosan Eco Biznet
	MVP Capital Co., Ltd.
	Prestoliteasia
Joint venture	Sichuan Kelun-Doosan Biotechnology Company Limited
Other related parties	Doosan Capital Co., Ltd.
	Doosan Credit Union
	Yeongang Foundation
	Chung-Ang University
	Neo Trans
	Doosan Infracore Xinjiang Machinery Co., Ltd.
	and others

(2) Significant transactions for the years ended December 31, 2014 and 2013, between the Company and related parties are as follows (in millions of Korean won):

	2014				2013			
	Sales	Sales - other	Purchase	Purchases - others	Sales	Sales - other	Purchase	Purchases - others
Subsidiaries:								
DHC and subsidiaries	₩122,497	₩ -	₩ -	₩520	₩207,907	₩ -	₩30	₩1,085
DI and subsidiaries	211,292	-	33,762	5,927	281,604	-	8,793	1,778
DEC and subsidiaries	25,968	192	-	5,978	36,370	285	9	2,626
DE and subsidiaries	10,471	-	-	2,819	20,198	-	-	2,718
DIV	164,384	190	32,059	724	51,553	102	7,051	265
DIP	123,387	-	-	-	37,787	-	-	-
Others	135,503	2,147	10,952	12,036	139,872	384	3,657	12,287
Subtotal	793,502	2,529	76,773	28,004	775,291	771	19,540	20,759
Associates	20	-	38	55	2,991	-	137	5
Joint venture	931	-	-	-	-	-	-	-
Other related parties	12,320	-	1,692	8,312	8,933	-	2,501	4,743
Total	₩806,773	₩2,529	₩78,503	₩36,371	₩787,215	₩771	₩22,178	₩25,507

(3) As of December 31, 2014 and 2013, significant balances related to the transactions between the Company and related parties are as follows (in millions of Korean won):

	December 31, 2014				December 31, 2013			
	Trade receivables	Other receivables	Trade payables	Other payables	Trade receivables	Other receivables	Trade payables	Other payables
Subsidiaries:								
DHC and subsidiaries	₩18,816	₩1,199	₩132	₩414	₩24,006	₩51,866	₩298	₩132
DI and subsidiaries	31,052	1,595	8,937	1,059	62,125	1,357	9,107	1,155
DEC and subsidiaries	16,630	8,743	706	96	20,417	7,771	21	182
DE and subsidiaries	1,867	1,563	-	12	3,923	1,648	-	221
DIV	59,734	197	4,294	528	54,806	378	2,857	311
Others	55,556	5,546	10,417	7,065	42,887	4,839	8,401	5,752
Subtotal	183,655	18,843	24,486	9,174	208,164	67,859	20,684	7,753
Associates	-	-	-	17	48	-	-	8
Other related parties	296	1,686	-	197	827	1,142	-	563
Total	₩183,951	₩20,529	₩24,486	₩9,388	₩209,039	₩69,001	₩20,684	₩8,324

(4) Fund and equity transactions for the years ended December 31, 2014 and 2013, between the Company and related parties are as follows (in millions of Korean won):

	Transaction	2014	2013
Subsidiaries:			
DHC (*1)	Capital expansion and investment in capital	₩ -	₩13,601
Doosan Bears	Capital expansion	10,000	-
DIP (*2)	Acquiring share	-	112,510
Doosan Dong-A Co., Ltd. (*3)	Disposal of share	25,000	-
Doosan Information and Communications Europe Ltd.	Investment in capital as of establishment	4,870	-
Doosan Electro-Materials Luxembourg Sarl	Investment in capital as of establishment	25,630	-
Doosan Fuel Cell America, Inc.	Investment in capital as of establishment	53,250	-
Treasury stock trust	Investment	60,000	30,000
Associates:			
MVP Capital Co., Ltd.	Collection of invested capital	-	279

(*1) The Company invests rental part in kind and owns equities on DHC (see Note 34).
(*2) The Company acquired share of Doosan Corporation Industrial Vehicle from the Company's subsidiary, DIP. (see Note 35).
(*3) In 2014, the Company disposed the investment of Doosan Dong-A Co., Ltd. for ₩25,000 million.

(5) The Company provided guarantee to related parties as of December 31, 2014 (see Note 30-(6)).

(6) The Company defines key management personnel as registered officer and non-registered officer (including outside director) who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Short-term employee benefits	₩35,959	₩40,873
Severance benefits	3,631	2,810
Share-based payments	3,853	3,701
Total	₩43,443	₩47,384

33. SEPARATE STATEMENTS OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the separate statements of cash flows for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Adjustments:		
Expenses not involving cash payments and others:		
Interest expense	₩41,432	₩37,451
Income tax expense	19,680	22,509
Foreign currency translation loss	4,088	1,795
Loss on disposal of trade receivables	1,714	737
Loss on disposal of long-term investment securities	-	113
Loss on impairment of investment in subsidiary	4,477	897
Depreciation	46,598	44,829
Amortization	9,345	7,164
Loss on disposal of property, plant and equipment	350	344
Loss on impairment of property, plant and equipment	-	2,955
Loss from revaluation of property, plant and equipment	-	291
Loss on disposal of intangible assets	161	92
Impairment of intangible assets	-	3,978
Loss on disposal of investment properties	8	-
Losses on valuation of investment properties	2,408	548
Severance indemnities	24,697	22,995
Bad debt expense	552	(649)
Contribution to provision for product warranties	9,666	5,422
Share-based payment	3,853	3,701
Others	11	490
Subtotal	169,040	155,662
Income not involving cash receipts and others:		
Interest income	3,676	3,408
Dividend income	170,263	102,232
Foreign currency translation gain	3,219	1,163
Gain on disposal of long-term investment securities	-	2,195
Gain on disposal of property, plant and equipment	292	292
Gain on disposal of intangible asset	119	161
Reversal of impairment losses on intangible assets	217	-
Gain on disposal of investment properties	-	600
Gain on valuation of investment properties	5,573	14,044
Recovery of impairment of inventory	2,076	1,359
Guarantee profit on financial instruments	730	408
Gain on business transfer	-	6,787
Subtotal	(186,165)	(132,649)
Total	₩(17,125)	₩23,013

	2014	2013
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	₩(18,822)	₩98,736
Decrease (increase) in other receivables	(2,638)	5,834
Decrease (increase) in inventories	(21,408)	5,305
Increase in financial derivatives	-	(228)
Increase in other current assets	(4,847)	(811)
Decrease (increase) in long-term other receivables	(10)	60
Decrease in other non-current assets	140	820
Increase (decrease) in trade payables	55,520	(94,666)
Increase (decrease) in other payables	(1,200)	6,521
Decrease in provisions	(11,480)	(3,461)
Increase in other current liabilities	7,148	18,391
Increase (decrease) in long-term other payables	(254)	2,796
Payment of severance benefits	(14,678)	(6,563)
Accrued severance benefits transferred from affiliated companies	304	(500)
Increase in plan assets	(28,767)	(20,166)
Total	₩(40,992)	₩12,068

(2) Significant non-cash transactions for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Reclassification of investments in subsidiaries to treasury stock	₩29,654	₩49,865
Reclassification of property, plant and equipment to investment properties	-	2,278
Reclassification of construction in progress to property, plant and equipment and others	13,022	28,878
Reclassification of bonds	119,890	49,934
Reclassification of long-term debts	105,285	40,415
Investment in subsidiaries by investment in kind	-	12,824
Total	₩267,851	₩184,194

34. DISCONTINUED OPERATION:

(1) The Company discontinued an operation. Details of the discontinued operation are summarized as follows:

Details	Distribution part	Rental part
Object	Concentration on core competencies	Sharing synergy with subsidiaries
Principal activity	Distribution agent	Rental of construction machinery
The first disclosure day	2013.6.10	2013.7.5
The day of discontinued operation	2013.6.10	2013.8.30
The method of discontinued operation	Related labor forces are reassigned to affiliates and there are no assets or liabilities transferred	Disposal of business by means of investment in kind
Transferee corporation	(Each affiliate fulfilled discontinued operation directly)	DHC (subsidiary)

(2) Details of the discontinued operating profit are summarized as follows (in millions of Korean won):

	2013
OPERATING REVENUES	₩189,769
OPERATING EXPENSES:	
Cost of sales – other	171,891
Selling and administrative expenses	7,598
Subtotal	179,489
OPERATING INCOME	10,280
Finance income	2,211
Finance expenses	2,276
Other non-operating income	6,831
Other non-operating expenses	3,264
INCOME BEFORE INCOME TAX EXPENSE	13,782
Income tax expense	3,336
INCOME FROM DISCONTINUED OPERATIONS	₩10,446

(3) Details of cash inflow occurred by discontinued operations are as follows (in millions of Korean won):

	2013
Cash flows from operating activities	₩1,698
Cash flows from investing activities	(1,698)
Cash flows from financing activities	-

35. BUSINESS COMBINATIONS:

(1) The business combinations for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013	
Details	Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co., Ltd.
Object	Finding new opportunities for growth	Business diversification for strategy of growth	The rationalization of management
Principal activity	Manufacturing and sales of fuel cell	Manufacturing and sales of forklift	Agency business
Date of acquisition	2014.9.30	2013.9.1	2013.9.1
Shares acquired	By issuance of new stocks	Mergers after 100% shares acquisition	Mergers after 100% shares acquisition
Purchase price (*1)	₩19,975	₩220,018	₩280
Accounting method	Acquisition	Pooling of interest method	Pooling of interest method

(*1) Fair value of merger consideration

2014	2013	
Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co., Ltd.
Fair value of issued stocks of the 384,867 (including the 208,092 treasury stocks obtained by claim of appraisal right) new shares of the transferred corporation (closing price of ₩113,000 on date of merger)	Acquisition value of whole equity of Doosan Corporation Industrial Vehicle and N Shaper Co., Ltd. before amalgamation	

(2) Fair values of assets and liabilities at acquisition date from business combinations are as follows (in millions of Korean won):

	2014	2013	
	Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co, Ltd.
Fair value of assets acquired:			
Current assets	₩14,087	₩190,726	₩1,890
Non-Current assets	7,423	155,971	951
Subtotal	21,510	346,697	2,841
Fair value of liabilities acquired:			
Current liabilities	30,311	207,637	1,323
Non-Current liabilities	1,512	14,033	1,426
Subtotal	31,823	221,670	2,749
Fair value of net assets acquired	₩(10,313)	₩125,027	₩92

(3) Investment balance in business combinations is as follows (in millions of Korean won):

	2014	2013	
	Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co., Ltd.
Purchase price	₩19,975	₩220,018	₩280
Fair value of the identifiable net assets acquired	(10,313)	125,027	92
Goodwill	₩30,288	₩ -	₩ -
Capital surplus	-	94,991	188

(4) Net cash flows in business combinations for the year ended December 31, 2014, are as follows (in millions of Korean won):

	2014	2013	
	Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co., Ltd.
Consideration paid-in cash	₩ -	₩ -	₩ -
Acquisition of cash and cash equivalents	779	21,186	385
Total	₩779	₩21,186	₩385

(5) Details of income in business combinations after acquisition date are as follows (in millions of Korean won):

	2014	2013	
	Fuelcellpower Co., Ltd.	Doosan Corporation Industrial Vehicle	N Shaper Co., Ltd.
Sales	₩8,208	₩220,832	₩4,366
Net income	(162)	(23)	10,781

Meanwhile, the revenues and net income contributed by Fuelcellpower Co., Ltd. prior to the merger transaction date, which are excluded in the income statement, amount to ₩2,511 million and ₩899 million, respectively. The revenues and net income contributed by Doosan Co., Industrial Vehicle and N Shaper Co., Ltd. prior to the merger transaction date, which are excluded in the income statement, amount to ₩400,907 million and ₩18,349 million, respectively.

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Internal Accounting Control System ("IACS") Review Report

English Translation of a Report Originally Issued in Korean on March 19, 2015

To the Representative Director of
Doosan Corporation:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Doosan Corporation (the "Company") as of December 31, 2014. The Management's Report and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2014, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2014, in all material respects, in accordance with the IACS framework established by the Korea Listed Companies Association."

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

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with Korean International Financial Reporting Standards, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2014, and we did not review its IACS subsequent to December 31, 2014. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 19, 2015

Report on the Assessment of Internal Accounting control System ("IACS")

To the Board of Directors and auditor (Audit Committee) of Doosan Corporation.

Ⅰ. As the Internal Accounting Control Officer("IACO") of Doosan Corporation ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended December 31, 2014.

The Company's management including IACO is responsible for designing and operating IACS.

Ⅰ. As the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statement.

Ⅰ. As the IACO, applied the IACS Framework established by KOREA Listed Companies Association for the assessment of design and operation of the IACS.

Based on assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2014, in all material respect, in accordance with the IACS Framework.

Feb 27, 2015

Internal Accounting control officer **Park Wan-seok**

Chief Executive Officer **Lee Jae-kyoung**