

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

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS:

(1) The Parent company

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

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

The Parent’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 shareholders and others and 51.7% of preferred stocks are owned by others.

(2) Consolidated subsidiaries

1) The details of consolidated subsidiaries as of December 31, 2014 and 2013, are as follows:

Subsidiary	Type of business	Location	Ownership ratio of the Group (%) (*1)		Ownership ratio of non-controlling interests (%) (*1)		Financial closing date
			2014	2013	2014	2013	
Oricom Inc.	Advertising	Korea	69.7	70	30.3	30	December 31
Doosan Advertising (Beijing) Co., Ltd.	Advertising	China	100	100	30.3	30	December 31
Doosan Bears, Inc.	Sports	Korea	100	100	-	-	December 31
Doosan Feed & Livestock Co., Ltd.	Manufacturing and sales	Korea	100	100	-	-	December 31
Doosan Tower Co., Ltd.	Real estate	Korea	100	100	-	-	December 31
Doosan Electro-Materials Singapore Pte Ltd.	Wholesale and retail	Singapore	100	100	-	-	December 31
Doosan Hongkong Ltd.	Wholesale and retail	China	100	100	-	-	December 31
Doosan Electro-Materials (Shen Zhen) Limited.	Wholesale and retail	China	100	100	-	-	December 31
Doosan Shanghai Chemical Materials Co., Ltd.	Wholesale and retail	China	100	100	-	-	December 31
Doosan Electro-Materials (Changshu) Co., Ltd.	Manufacturing	China	100	100	-	-	December 31
Doosan Real Estate Securitization Specialty Ltd. (*2)	Specialized in securitization	Korea	-	-	100	100	December 31
Doosan Second Real Estate Securitization Specialty Ltd. (*2)	Specialized in securitization	Korea	-	-	100	100	December 31
Doosan Information and Communications America, LLC	IT service	USA	100	100	-	-	December 31
Doosan Information and Communications China, Co., Ltd.	IT service	China	100	100	-	-	December 31
Doosan Mottrol (Jiangyin) Co., Ltd.	Manufacturing	China	100	100	-	-	December 31
DIP Holdings Co., Ltd.	Holding company	Korea	100	100	-	-	December 31
Doosan DST Co., Ltd. ("DST")	Defense	Korea	50.9	50.9	49.1	49.1	December 31
Doosan Industrial Vehicle Europe N.A.	Wholesale and retail	Belgium	100	100	-	-	December 31
Doosan Industrial Vehicle U.K. Ltd.	Wholesale and retail	UK	100	100	-	-	December 31
Doosan Logistics Europe GmbH	Manufacturing	Germany	100	100	-	-	December 31
Doosan Industrial Vehicle America Corp.	Wholesale and retail	USA	100	100	-	-	December 31
Doosan Industrial Vehicle Yantai Co., Ltd.	Manufacturing	China	100	100	-	-	December 31
Genesis Forklift Trucks Limited	Wholesale and retail	UK	100	76.1	-	23.9	December 31
Doosan Electro-Materials America, LLC	Marketing	USA	100	100	-	-	December 31
Doosan Information and Communications Europe Ltd.	IT service	UK	100	-	-	-	December 31
Doosan Fuel Cell America, Inc.	Manufacturing	USA	100	-	-	-	December 31
Doosan Electro-Materials Luxembourg Sarl	Holding company	Luxembourg	100	-	-	-	December 31
Circuit Foil Luxembourg Sarl	Manufacturing	Luxembourg	100	-	-	-	December 31
Circuit Foil Asia Pacific (Hong Kong)	Wholesale and retail	Hong Kong	100	-	-	-	December 31
Circuit Foil Asia Pacific (Zhangjiagang)	Manufacturing	China	100	-	-	-	December 31
Circuit Foil Trading Inc.	Wholesale and retail	USA	100	-	-	-	December 31
Doosan Heavy Industries & Construction Co., Ltd. ("DHC") (*3)	Other engine and turbine manufacture	Korea	40.3	44.5	59.7	55.5	December 31
Doosan Asset Management Company Co., Ltd	Real estate development	Korea	100	100	59.7	55.5	December 31
Doosan Heavy Industries Vietnam Co., Ltd.	Other engine and turbine manufacture	Vietnam	100	100	61.3	57.2	December 31
HF Controls Corp.	Manufacturing	USA	100	100	59.7	55.5	December 31
PT. Doosan Heavy Industries Indonesia	Manufacturing	Indonesia	55	55	77.8	75.5	December 31
Doosan Heavy Industries Japan Corp.	Wholesale and retail	Japan	100	100	59.7	55.5	December 31
S.C. Doosan IMGB S.A.	Manufacturing	Romania	99.9	99.8	59.8	55.6	December 31
Doosan Enpure Ltd.	Engineering and service	UK	100	100	59.7	55.5	December 31
Doosan Construction Site Solution Vietnam Company Limited	Equipment rental	Korea	100	100	59.7	55.5	December 31
Doosan Power Systems India Private Ltd.	Engineering and service	India	100	100	59.7	55.5	March 31
Doosan Heavy Industries America Holdings Inc.	Holding company	USA	100	100	59.7	55.5	December 31
Doosan Hydro Technology Inc.	Manufacturing	USA	100	100	59.7	55.5	December 31

Subsidiary	Type of business	Location	Ownership ratio of the Group (%) (*1)		Ownership ratio of non-controlling interests (%) (*1)		Financial closing date
			2014	2013	2014	2013	
Doosan Engineering & Services LLC	Engineering and service	USA	100	100	59.7	55.5	December 31
Doosan Heavy Industries America Corp.	Wholesale and retail	USA	100	100	59.7	55.5	December 31
Doosan ATS America, LLC	Engineering and service	USA	100	-	59.7	-	December 31
Doosan Skoda Power s.r.o (former. Skoda Power s.r.o)	Manufacturing	Czech	100	100	59.7	55.5	December 31
Skoda Power Private Ltd.	Engineering	India	100	100	59.7	55.5	March 31
Doosan Power Systems Pension Trustee Company Ltd.	Specialized service	UK	100	100	59.7	55.5	December 31
Doosan Power Systems Overseas Investments Ltd.	Holding company	UK	100	100	59.7	55.5	December 31
Doosan Babcock Ltd. (former Doosan Power Systems Ltd.)	Engineering and service	UK	100	100	59.7	55.5	December 31
Doosan Power Systems Holdings Ltd.	Holding company	UK	100	100	59.7	55.5	December 31
Doosan Power Systems Europe Limited GmbH	Engineering and service	Germany	100	100	59.7	55.5	December 31
Doosan Power Systems Czech Investment a.s.	Holding company	Czech	100	100	59.7	55.5	December 31
Doosan Power Systems Americas LLC	Engineering and service,	USA	100	100	59.7	55.5	December 31
Doosan Lentjes UK Limited	Specialized service	UK	100	100	60.1	56	December 31
Doosan Lentjes GmbH	Engineering and service	Germany	99	99	60.1	56	December 31
Doosan Power Systems S.A.	Holding company	Luxembourg	100	100	59.7	55.5	December 31
Doosan Babcock Energy Technologies (Shanghai) Ltd.	Engineering and service	China	100	100	59.7	55.5	December 31
Doosan Babcock Energy Services (Overseas) Ltd.	Engineering and service	UK	100	100	59.7	55.5	December 31
Doosan Babcock Energy Polska Sp z.o.o.	Engineering and service	Poland	98.9	98.9	60.1	56	December 31
Doosan Babcock Energy Germany GmbH	Engineering and service	Germany	100	100	59.7	55.5	December 31
Doosan Lentjes Czech s.r.o (former AE & E Lentjes Praha s.r.o)	Specialized service	Czech	100	100	60.1	56	December 31
AE & E Lentjes Belgie N.V.	Dormant corporation	Belgium	100	100	60.1	56	December 31
Doosan Power Systems(Scotland) Ltd Partnership	Real estate	UK	100	100	59.7	55.5	December 31
Doosan Babcock General Maintenance Services LLC (*3)	Specialized service	UAE	49	-	80.2	-	December 31
Doosan Babcock WLL (*3)	Specialized service	Qatar	49	49	80.2	78.2	December 31
Doosan Infracore Co., Ltd. (“DI”) (*3)	Manufacturing, Sales	Korea	36.4	36.4	85.3	83.8	December 31
Doosan Infracore China Co., Ltd.	Manufacturing, Sales	China	80	80	88.3	87.1	December 31
Doosan Infracore Machine Tools Yantai Co., Ltd.	Manufacturing, Sales	China	100	100	85.3	83.8	December 31
Doosan Infracore (China) Investment Co., Ltd.	Holding company	China	100	100	85.3	83.8	December 31
Doosan Infracore Suzhou Co., Ltd.	Manufacturing, Sales	China	100	100	87.5	86.2	December 31
Doosan Infracore (Shandong) Co., Ltd.	Manufacturing, Sales	China	100	92.2	87.2	87.2	December 31
Doosan Infracore Germany GmbH.	Purchases, Sales	Germany	100	100	85.3	83.8	December 31
Doosan Infracore America Corp.	Purchases, Sales	USA	100	100	85.3	83.8	December 31
Doosan Infracore Japan Corp.	Purchases	Japan	100	100	85.3	83.8	December 31
Doosan International Mexico S.A. de C.V.	Sales	Mexico	100	100	85.3	83.8	December 31
Doosan Bobcat Chile S.A.	Sales	Chile	100	100	85.3	83.8	December 31
Bobcat Corp.	Sales	Japan	100	100	85.3	83.8	December 31
Doosan Infracore India Private Ltd.	Manufacturing, Sales	India	100	100	85.3	83.8	March 31
Doosan Infracore Norway AS	Manufacturing, Sales	Norway	100	100	85.3	83.8	December 31
Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA	Manufacturing, Sales	Brazil	100	100	85.3	83.8	December 31
Doosan Infracore Bobcat Ireland Ltd.	Other Service	Ireland	100	-	85.3	-	December 31
Doosan Infracore Bobcat Holdings Co., Ltd.(“DIBH”)	Holdings	Korea	100	-	85.3	-	December 31
Doosan Infracore International, Inc.	Holdings	USA	100	100	85	83.5	December 31
Clark Equipment Co.	Manufacturing, Sales	USA	100	100	85	83.5	December 31
Bobcat Equipment Ltd.	Sales	Canada	100	100	85	83.5	December 31
Doosan Holdings Europe Ltd.	Holdings	Ireland	100	100	84.8	83.2	December 31
Doosan Holdings International Ltd.	Holdings	Ireland	100	100	84.8	83.2	December 31
Doosan Infracore Europe S.A.	Manufacturing, Sales	Belgium	100	100	84.8	83.2	December 31
Bobcat Bensheim GmbH. (former Doosan Holdings Germany GmbH.)	Holdings	Germany	100	100	84.8	83.2	December 31

Subsidiary	Type of business	Location	Ownership ratio of the Group (%) (*1)		Ownership ratio of non-controlling interests (%) (*1)		Financial closing date
			2014	2013	2014	2013	
Doosan Holdings France S.A.S.	Holdings	France	100	100	84.8	83.2	December 31
Doosan Techno Holding Co., Ltd.(Ireland)	Intellectual property rights management	Ireland	100	100	84.8	83.2	December 31
Doosan Benelux SA	Sales	Belgium	100	100	84.8	83.2	December 31
Doosan International Portable Power of Netherlands BV	Sales	Netherlands	100	100	84.8	83.2	December 31
Doosan International Italia S.r.L	Sales	Italy	100	100	84.8	83.2	December 31
CJSC Doosan International Russia	Sales	Russia	100	100	84.8	83.2	December 31
Doosan International UK Ltd.	Sales	UK	100	100	84.8	83.2	December 31
Doosan International Australia Pty Ltd.	Sales	Australia	100	100	84.8	83.2	December 31
Doosan Infracore Portable Power (Shanghai) Co., Ltd.	Sales	China	100	100	84.8	83.2	December 31
Doosan International China Co., Ltd.	Sales	China	100	100	84.8	83.2	December 31
Doosan International Manufacturing China Co., Ltd.	Sales	China	100	100	84.8	83.2	December 31
Doosan International South East Asia Pte. Ltd.	Sales	Singapore	100	100	84.8	83.2	December 31
Doosan International South Africa Ltd.	Sales	South Africa	100	100	84.8	83.2	December 31
Doosan Bobcat Manufacturing s.r.o.	Manufacturing	Czech	100	100	84.8	83.2	December 31
Doosan Bobcat Engineering s.r.o.	Research and development	Czech	100	100	84.8	83.2	December 31
Doosan Trading Ltd.	Shared service	Ireland	100	100	84.8	83.2	December 31
Bobcat Lyon SAS	Sales	France	100	100	84.8	83.2	December 31
Bobcat France S.A.	Manufacturing, Sales	France	100	100	84.8	83.2	December 31
Montabert	Manufacturing, Sales	France	100	100	84.8	83.2	December 31
Geith International Ltd.	Manufacturing, Sales	Ireland	100	100	84.8	83.2	December 31
Doosan International Luxemburg	Intellectual property rights management	Luxembourg	100	100	84.8	83.2	December 31
Doosan Engineering & Construction Co., Ltd. ("DEC")	Construction	Korea	84.3	84.9	66	62.3	December 31
Doosan Cuvex Co., Ltd.	Leisure	Korea	100	100	66	62.3	December 31
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	Manufacturing	Vietnam	100	100	66	62.3	December 31
Doosan Engine Co., Ltd. ("DE") (*3)	Internal combustion engine manufacture	Korea	42.7	42.7	82.8	81	December 31
Doosan Marine Industry (Dalian) Co., Ltd.	Manufacturing	China	100	100	82.8	81	December 31
Treasury stock trust	Acquisition of treasury stock	Korea	100	100	-	-	December 31

(*1) The ownership interest held by the Parent represents the aggregated total of ownership interests directly held by each entity within the Group. The ownership interest held by non-controlling interests represents the proportion of ownership interests that is not attributable directly or indirectly to the entities within the Group, and it may differ from the aggregated total, less the effective ownership interest held by the Group.

(*2) Although the Group does not own the equity of the special-purpose company, the Group gets profits from its operation according to the agreement, with structured investment. As the Group has control to decide its operational activity, it also influences the profits significantly. Meanwhile, the Group has repaid all unsubordinated credit issued by structured entities, so all the obligations for supplying liquidity are dissipated, and the Group has no additional financial support burden as of December 31, 2014.

(*3) Potential voting rights held by the Group on above subsidiaries for assessing whether or not it controls the subsidiaries are less than 50%, but the Group concluded that the Group has de facto control over the subsidiaries (see Note 2-(2)).

2) Changes in the scope of consolidation

Changes in the scope of consolidation for the year ended December 31, 2014, are as follows:

Subsidiary	Change	Description
DIBH	Newly included	Incorporated through a spin-off
Doosan Information and Communications Europe Ltd.	Newly included	Newly established
Doosan Infracore Bobcat Ireland Ltd.	Newly included	Newly established
Doosan Fuel Cell America, Inc.	Newly included	Newly established
Doosan Electro-Materials Luxembourg Sarl	Newly included	Newly established
Doosan ATS America, LLC	Newly included	Newly established
Doosan Babcock General Maintenance Services LLC	Newly included	Newly established
Doosan Babcock WLL	Newly included	Acquisition control
Circuit Foil Luxembourg Sarl	Newly included	Newly acquired
Circuit Foil Asia Pacific (Hong Kong)	Newly included	Newly acquired
Circuit Foil Asia Pacific (Zhangjiagang)	Newly included	Newly acquired
Circuit Foil Trading Inc.	Newly included	Newly acquired
SRS Korea Co., Ltd.	Excluded	Disposal of shares
Doosan Dong-A Co., Ltd.	Excluded	Disposal of shares
Rexcon Co., Ltd.	Excluded	Merged with another subsidiary
Bobcat Parts Services GmbH.(*)	Excluded	Merged with another subsidiary
Doosan Beteiligungs GmbH.(*)	Excluded	Merged with another subsidiary
Bobcat Bensheim GmbH & Co KG(*)	Excluded	Merged with another subsidiary
Doosan Babcock Energy Scotland Ltd.	Excluded	Liquidation
Babcock Welding Products Ltd.	Excluded	Liquidation
Babcock Energy Ltd.	Excluded	Liquidation
Doosan Infracore U.K., Ltd.	Excluded	Liquidation
Doosan Power Systems UK Investment Ltd.	Excluded	Liquidation
Doosan Power Systems Brazil Ltda	Excluded	Liquidation
Goldwave Ltd.	Excluded	Liquidation
Goldwave Holdings Ltd.	Excluded	Liquidation
Geith Patents Ltd.	Excluded	Liquidation
Doosan third Real Estate Securitization Specialty Ltd.	Excluded	Liquidation

(*) The companies were merged with Doosan Holdings Germany GmbH. and the company's name was changed to Bobcat Bensheim GmbH.

3) Condensed financial information of the Group's significant consolidated subsidiaries (or intermediate parent) as of and for the year ended December 31, 2014, is as follows (in millions of Korean won):

Subsidiary	Assets	Liabilities	Sales	Net income	Total comprehensive income
Oricom Inc.	₩129,543	₩69,116	₩90,527	₩2,358	₩1,932
Doosan Bears, Inc.	62,107	50,696	37,094	(1,484)	(1,689)
Doosan Feed & Livestock Co., Ltd.	85,371	58,091	110,350	(761)	(511)
Doosan Tower Co., Ltd.	560,050	382,716	65,876	10,802	10,965
DIP Holdings Co., Ltd.	362,011	88,962	7,636	16,818	79,797
DST	780,954	383,734	615,614	23,706	21,181
Doosan Electro-Materials (Changshu) Co., Ltd.	116,074	109,053	67,103	4,901	5,100
Doosan Mottrol (Jiangyin) Co., Ltd.	38,430	14,189	34,021	(777)	(418)
Doosan Industrial Vehicle Europe N.A.	36,146	20,097	55,735	999	(398)
Doosan Industrial Vehicle U.K. Ltd.	22,459	19,511	30,352	542	491
Doosan Industrial Vehicle America Corp.	55,834	26,393	112,774	1,032	2,210
Doosan Industrial Vehicle Yantai Co., Ltd.	42,315	31,123	48,928	451	631
Doosan Fuel Cell America, Inc.	119,851	80,619	14,304	(17,176)	(14,018)
Doosan Electro-Materials Luxembourg Sarl	60,156	33,245	-	(545)	1,281
Circuit Foil Luxembourg Sarl	94,771	41,524	40,446	(1,711)	(373)
DHC	10,550,996	5,810,408	5,496,793	(48,323)	(111,513)
Doosan Heavy Industries Vietnam Co., Ltd.	375,364	299,800	227,864	(1,403)	1,612
HF Controls Corp.	19,447	6,814	13,225	4,182	4,796
Doosan Heavy Industries Japan Corp.	36,096	33,747	2,935	256	43
S.C. Doosan IMGB S.A.	161,042	120,952	76,324	(7,872)	(8,686)
Doosan Enpure Ltd.	10,114	6,258	19,411	287	220
Doosan Construction Site Solution Vietnam Company Limited	12,663	746	3,022	(791)	(471)
Doosan Power Systems India Private Ltd.	519,031	390,883	582,712	7,267	9,709
Doosan Heavy Industries America Holdings Inc.	140,774	202	-	114	1,063
Doosan Hydro Technology Inc.	22,517	43,312	27,227	(1,045)	(1,878)
Doosan Heavy Industries America Corp.	75,986	21,421	3,844	399	2,579
Doosan Skoda Power s.r.o (former Skoda Power s.r.o)	607,158	255,789	440,251	85,266	65,935
Doosan Power Systems Overseas Investments Ltd.	87,757	99,168	-	(2,099)	(2,099)
Doosan Babcock Ltd. (former Doosan Power Systems Ltd.)	1,947,918	1,125,676	834,931	10,456	(28,995)
Doosan Power Systems Holdings Ltd.	143,216	-	-	9,979	9,979
Doosan Power Systems Europe Limited GmbH	172,431	109,131	-	(1,624)	(3,557)
Doosan Lentjes GmbH	103,236	66,246	43,263	(6,450)	(13,256)
Doosan Power Systems S.A.	1,392,052	1,250,283	2,123	5,726	5,726
Doosan Babcock Energy Polska Sp z o.o.	31,917	21,801	44,813	2,350	1,997
Doosan Power Systems(Scotland) Ltd Partnership	29,568	1,448	3,308	(1,017)	(1,017)

(continued)

Subsidiary	Assets	Liabilities	Sales	Net income	Total comprehensive income
DI	7,209,203	4,643,678	4,196,729	47,005	5,805
Doosan Infracore China Co., Ltd.	1,609,582	1,102,594	673,319	(90,237)	(84,222)
Doosan Infracore Machine Tools Yantai Co., Ltd.	147,432	105,559	146,162	(974)	(348)
Doosan Infracore (China) Investment Co., Ltd.	215,430	6,790	12,155	3,128	6,187
Doosan Infracore (Shandong) Co., Ltd.	112,039	109,886	84,178	(15,134)	(15,310)
Doosan Infracore Germany GmbH.	85,698	54,766	168,888	2,527	(141)
Doosan Infracore America Corp.	324,113	185,511	297,348	1,169	4,292
Doosan Infracore South America Industria E Comercio De Maquinas De Construc�o LTDA	142,759	163,466	32,909	(58,016)	(56,168)
Doosan Infracore Bobcat Ireland Ltd.	441,804	441,771	-	32	33
DIBH	2,645,870	37,844	6,194	6,589	6,598
Doosan Infracore International, Inc.	3,747,311	2,329,208	-	(109,522)	(28,904)
Clark Equipment Co.	2,135,789	881,204	2,683,791	277,488	327,576
Bobcat Equipment Ltd.	97,805	44,703	239,912	2,890	516
Doosan Holdings Europe Ltd.	2,643,717	1,450,338	-	(111,801)	(64,618)
Doosan Holdings International Ltd.	2,793,376	431,904	-	26,443	120,808
Doosan Infracore Europe S.A.	199,776	93,014	322,057	(11,855)	(22,930)
Bobcat Bensheim GmbH. (former Doosan Holdings Germany GmbH.)	126,770	109,335	116,764	(4,549)	(8,615)
Doosan Holdings France S.A.S.	289,326	58,175	-	85,763	73,237
Doosan Techno Holding Co., Ltd.(Ireland)	667,681	456,091	-	(1,723)	(20,750)
Doosan Benelux SA	558,539	569,431	673,188	(12,561)	(12,816)
Doosan International UK Ltd.	81,131	55,825	192,454	6,914	3,665
Doosan Bobcat Manufacturing s.r.o.	102,852	38,743	199,821	3,511	(2,667)
Doosan Trading Ltd.	293,227	3,187	-	1,194	(24,742)
Bobcat France S.A.	42,739	21,601	84,315	1,440	(949)
Montabert	72,344	29,888	111,826	10,733	(400)
Doosan International Luxembourg	838,357	660,235	52,779	(2,692)	(19,219)
DEC	5,011,126	3,001,911	2,288,266	(48,937)	(48,937)
Doosan Cuvex Co., Ltd.	234,254	96,486	30,718	(5,362)	(5,055)
Doosan Heavy Industries Vietnam Haiphong Co., Ltd.	58,559	32,319	62,077	1,575	1,575
DE	1,469,043	823,023	887,765	(31,056)	(34,111)
Doosan Marine Industry(Dalian) Co., Ltd.	28,557	18,384	9,444	(3,692)	(3,603)

Above condensed financial information is based on separated financial information of each subsidiary.

- 4) The ownership interest held by non-controlling interests and details of financial position, result of operation and dividends vested in non-controlling interests by each of the major subsidiaries (in millions of Korean won):

	<u>DHC and subsidiaries</u>	<u>DI and subsidiaries</u>	<u>DEC and subsidiaries</u>	<u>DE and subsidiaries</u>
Ownership interest held by non-controlling interests	59.7%	85.3%	66.0%	82.8%
Cumulative non-controlling interests	₩2,754,011	₩2,048,901	₩681,599	₩313,708
Net income(loss) vested in non-controlling interests	(54,105)	19,365	11,714	(21,480)
Comprehensive income vested in non-controlling interests	(117,649)	(157,852)	13,122	(48,601)
Dividends paid to non-controlling interests (*)	41,175	28,418	-	-

(*) Oricom Inc. and others except for above subsidiaries paid dividends of ₩7,989 million vested in non-controlling interests.

Above financial information vested in non-controlling interests is based on consolidated financial information of intermediate controlling company. However, financial information of DHC and subsidiaries does not include financial information of DI, DEC, DE and its subsidiaries, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(1) Basis of preparation

The Group has prepared the consolidated financial statements in accordance with the K-IFRS.

The significant accounting policies under K-IFRS followed by the Group in the preparation of its consolidated financial statements are summarized below, and these accounting policies, except for the effects of the changes in accounting policies that are described below, have been applied consistently to the consolidated financial statements for the current period and the accompanying comparative period.

The accompanying consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given.

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. The application of the amendments has no significant impact on the Group’s consolidated 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 Group’s consolidated 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 Group's consolidated 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 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. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

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 the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to K-IFRS 1113, *Fair values Measurements*, and K-IFRS 1040, *Investment Properties*, exist and these amendments are effective to the annual periods beginning on or after July 1, 2014.

The Group does not anticipate that the application of these new and revised K-IFRS that have been issued, but not effective will have any significant impact on the Group’s consolidated financial statements.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other voteholders
- potential voting rights held by the Group, other voteholders or other parties
- rights arising from other contractual arrangements
- any additional facts and circumstances that indicate that the Group currently has, or does not have, the ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012, *Income Taxes*, and K-IFRS 1019, respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 or K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but continues to use the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income to profit or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 by comparing its recoverable amount (higher of value in use and fair value, less costs to sell) with its carrying amount, and 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.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(5) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(6) Goodwill

Goodwill arising on 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 Group's 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. The Group's policy for goodwill arising on the acquisition of an associate is described at Note 2-(4).

(7) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1039, unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

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.

(8) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services arising in the course of the ordinary activities of the Group. Revenue is reduced for value-added tax, estimated customer returns, rebates and trade discounts and is presented after eliminating intercompany transactions. The Group recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and when transaction meets the revenue recognition criteria specified by activity.

1) Sales of goods

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

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 Group 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 income and interest income

Dividend income from investments is recognized when the right to receive payment has been established.

Interest income is accrued on a timely 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.

4) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 2-(10).

(9) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billing, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

(10) 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 Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group'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 Group'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 Group as lessee

Assets held under finance leases are initially recognized as assets of the Group 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 consolidated statements 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 Group's general policy on borrowing costs (see Note 2-(12)). 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(11) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated 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 consolidated financial statements.

In preparing the financial statements of the individual entities, 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-(25) 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(12) Borrowing costs

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

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.

(13) Retirement benefit costs and termination benefits

The Group operates a defined benefit pension plan. For defined benefit retirement benefit plans, 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 (excluding interest), is reflected immediately in the consolidated statements 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 Group 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 consolidated statements of financial position represents the actual deficit or surplus in the Group'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 plans are recognized as an expense when employees have rendered service that entitles them to the contributions.

(14) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services 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 Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group 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.

(15) 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 consolidated 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 Group'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 consolidated 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.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model, whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred tax for the year

Current tax and deferred tax 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 tax and deferred tax 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.

(16) Government grants

Government grants are not recognized until there is reasonable assurance that the Group 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 statements 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 Group 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 Group with no future-related costs are recognized in profit or loss in the period in which they become receivable.

(17) Property, Plant and Equipment

Property, plant and equipment are initially stated at cost and subsequently recorded at cost, less accumulated depreciation, and accumulated impairment losses, except for land, which is recorded using revaluation model. 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 into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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

	<u>Estimated useful lives (in years)</u>
Buildings	4–50
Structures	2–40
Machinery	2–20
Others	2–20

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

The Group 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.

(18) 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 Group 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.

(19) 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 Group can demonstrate the technical and economical 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) Depreciation of intangible assets

Intangible assets (membership) with indefinite useful lives are not amortized. Intangible assets other than not amortized intangible assets are using the straight-line method, based on the estimated useful lives of the assets as follows:

	Estimated useful lives (in years)
Development costs	4-12
Industrial rights	5
Other intangible assets	2-20

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

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets 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.

(21) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is measured under the specific identification method 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.

(22) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

(23) 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

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading, if it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. 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 Group 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 monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other 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 Group'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 that 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, 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 Group 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 Group neither transfers, nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 Group 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 Group 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. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair value of those parts.

(24) 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 Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group'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 Group's own equity instruments.

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group 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 Group'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 Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction cost 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 non-operating income and expense' line item in the statements of 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; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018, *Revenue*

8) Derecognition of financial liabilities

The Group derecognize financial liabilities when the Group'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.

(25) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and 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 Group 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. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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 Group 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 statements of income relating to the hedged item.

Hedge accounting is discontinued when the Group 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 expense' 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 statements of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group 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.

(26) 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 Group 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 realisable 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 its entirety, which are described at Note 10.

(27) Approval of consolidated financial statements

The consolidated financial statements 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 Group 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period. The revisions are recognized in the period of 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 present value.

(3) Defined benefit obligation

The Group'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 Group'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 Group'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 Notes 12 and 14, the Group uses evaluation methods, 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 Group's management believes that evaluation technique and assumptions that are used for revaluation model on land and fair value model on 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) Useful lives of property, plant and equipment and intangible assets

It is required to estimate useful lives for depreciation and amortization.

(8) Scope of consolidation

The Parent's ownership interest on DHC, as of December 31, 2014, is 40.3%, and DHC owns 36.4% and 42.7% of ownership interest on DI and DEC, respectively. Ownership interest other than aforementioned share owns by larger number of investors who owns less than 1% of ownership. The management of the group has assessed whether the group has de facto control over the aforementioned subsidiaries on every reporting period since the effective date of K-IFRS 1110 (January 1, 2013) and concluded the Group exercises control over the investee based on the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

4. FINANCIAL RISK MANAGEMENT:

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

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

(1) Market risk

1) Foreign currency risk

The Group 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 Group's policy on foreign currencies. The Group's basis for foreign currency management is to reduce income/loss volatility. The Group 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 Group'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	₩2,221,776	₩366,153	₩4,299	₩81,639	₩186,678	₩2,860,545
Liabilities	(3,554,419)	(852,925)	(130,053)	(43,512)	(75,163)	(4,656,072)
Net assets (liabilities)	₩(1,332,643)	₩(486,772)	₩(125,754)	₩38,127	₩111,515	₩(1,795,527)
	December 31, 2013					
	USD	EUR	JPY	GBP	Others (*)	Total
Assets	₩1,662,292	₩249,902	₩8,931	₩42,290	₩390,100	₩2,353,515
Liabilities	(3,232,544)	(526,261)	(43,933)	(40,586)	(343,024)	(4,186,348)
Net assets (liabilities)	₩(1,570,252)	₩(276,359)	₩(35,002)	₩1,704	₩47,076	₩(1,832,833)

(*) 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 ₩(28,079) million and ₩(3,886) million, respectively.

A sensitivity analysis on the Group'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	₩(179,553)	₩179,553	₩(183,283)	₩183,283

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

2) Interest rate risk

The Group'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 Group 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 Group 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 Group 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 Group'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	₩507,350	₩569,668
Financial liabilities	(4,998,137)	(4,897,784)
Net assets (liabilities)	₩(4,490,787)	₩(4,328,116)

A sensitivity analysis on the Group's income before tax assuming a 1% increase and decrease in interest rates as of 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	₩(44,908)	₩44,908	₩(43,281)	₩43,281

3) Price risk

The Group is exposed to equity price risks arising from its listed equity investments among AFS equity investments. The Group 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 Group'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 Group 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 Group's normal transaction and investing activity. To manage credit risk, the Group evaluates the creditworthiness of each customer or counterparty considering the financial status, past experience and other factors. The Group establishes credit limit for each customer and counterparty.

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

Also, the Group reevaluates customers' credit worthiness periodically, reassesses credit transaction limit and readjust level of collateral. The Group 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 exposure amount of credit risk of financial assets maintained by the Group 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	₩1,691,010	₩1,258,450
Financial instruments	692,958	882,577
Accounts and other receivable	4,541,504	4,709,452
Deposits	309,860	266,051
Held-to-maturity financial assets	9,989	192
AFS financial assets	38,655	46,220
Derivative assets	66,396	243,719
Total	₩7,350,372	₩7,406,661

Apart from the above financial assets, the maximum exposure of the Group related to financial guarantee contract is the maximum amount to be paid if the guarantee will be charged (see Note 32).

B. The Group'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	₩2,881,883	₩1,125,441	₩167,423	₩58,991	₩48,366	₩58,741	₩4,340,845
Other receivables and loans	1,817,497	79,962	28,966	2,337	1,575	117,842	2,048,179
Accrued income	111,260	6,530	-	-	-	-	117,790
Total	<u>₩4,810,640</u>	<u>₩1,211,933</u>	<u>₩196,389</u>	<u>₩61,328</u>	<u>₩49,941</u>	<u>₩176,583</u>	<u>₩6,506,814</u>

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	₩2,582,025	₩1,364,998	₩253,601	₩105,075	₩105,842	₩136,135	₩4,547,676
Other receivables and loans	1,720,165	86,310	23,463	25,596	11,345	14,033	1,880,912
Accrued income	122,318	16,737	102	-	-	-	139,157
Total	<u>₩4,424,508</u>	<u>₩1,468,045</u>	<u>₩277,166</u>	<u>₩130,671</u>	<u>₩117,187</u>	<u>₩150,168</u>	<u>₩6,567,745</u>

An allowance for above individually impaired receivables as of December 31, 2014 and 2013, is ₩1,887,533 million and ₩1,713,612 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	₩259,783	₩57,908	₩45,359	₩226,027	₩589,077
Other receivable and loans	152,322	18,002	13,098	218,842	402,264
Accrued income	1,841	576	906	19,766	23,089
Total	<u>₩413,946</u>	<u>₩76,486</u>	<u>₩59,363</u>	<u>₩464,635</u>	<u>₩1,014,430</u>

December 31, 2013					
	0-3 months	3-6 months	6-12 months	More than 12 months	Total
Trade receivables	₩91,331	₩28,133	₩38,634	₩133,614	₩291,712
Other receivable and loans	211,748	25,234	61,063	296,185	594,230
Accrued income	3,718	3,517	6,985	23,766	37,986
Total	<u>₩306,797</u>	<u>₩56,884</u>	<u>₩106,682</u>	<u>₩453,565</u>	<u>₩923,928</u>

An allowance account is recognized by applying appropriate allowance rate for receivables that can be assessed to be impaired individually due to insolvency, bankruptcy and others. Group of financial assets that are not individually significant and have similar credit risk characteristics is assessed for impairment on a collective basis. An allowance account is recognized based on aging analysis and the Group'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 Group will encounter difficulty in meeting its financial liability obligations related to financing its operation. The Group forecasts cash flows from operating, investing and financing activities through a cash flow budget.

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

December 31, 2014						
	Book value	Nominal cash flows according to contract				
		Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	₩17,581,429	₩17,697,492	₩9,793,400	₩3,097,743	₩3,025,557	₩1,780,792
Interest on financial liabilities	-	1,216,125	491,408	257,430	355,944	111,343
Total	₩17,581,429	₩18,913,617	₩10,284,808	₩3,355,173	₩3,381,501	₩1,892,135

December 31, 2013						
	Book value	Nominal cash flows according to contract				
		Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	₩16,557,719	₩16,631,951	₩8,302,351	₩3,192,527	₩4,789,323	₩347,750
Interest on financial liabilities	-	1,091,288	414,077	315,085	352,980	9,146
Total	₩16,557,719	₩17,723,239	₩8,716,428	₩3,507,612	₩5,142,303	₩356,896

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

Apart from the above non-derivative liabilities, as of December 31, 2014, financial guarantee contract liabilities of the Group are explained in Note 32.

(4) Capital risk

The Group 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 Group 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 Group'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):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Total liabilities	₩22,466,959	₩22,108,058
Total equity	<u>8,902,341</u>	<u>9,057,983</u>
Debt-to-equity ratio	<u>252.37%</u>	<u>244.07%</u>

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
Cash and cash equivalents	₩30,686	₩70,560	Provisional seizure, bid, Project Financing (“PF”) collateral and others
Short-term financial instruments	438,981	347,587	National project (*1), establish the right of pledge and others
Long-term financial instruments	56,884	57,892	Bank transaction deposits, beneficiary certificate and others (*2)
Deposits	-	15	Establish the right of pledge
Total	<u>₩526,551</u>	<u>₩476,054</u>	

(*1) It can be used only for the purpose for implementing the national policy research and development specific issues.

(*2) Carbon fund, shared growth fund, securities depository deposit and others

6. INVESTMENT SECURITIES:

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

	Type	December 31, 2014	December 31, 2013
<u>Current:</u>			
AFS financial assets	Beneficiary certificate and others	₩38,385	₩11,907
Held-to-maturity financial assets	Debt securities and others	-	11
	Total	₩38,385	₩11,918
<u>Non-Current:</u>			
AFS financial assets	Investments and others	₩383,376	₩358,494
Held-to-maturity financial assets	Debt securities and others	9,989	181
	Total	₩393,365	₩358,675

Investment securities are measured at cost or fair value depending on the presence or absence of market prices being advertised in an active market.

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

	December 31, 2014	December 31, 2013
<u>AFS financial assets:</u>		
Investments in listed companies (Korea Aerospace Industries, Ltd. and others)	₩194,800	₩143,788
Investments in non-listed companies (Korea Defense Industry Association and others)	188,306	180,393
Beneficiary certificate (La-union and others)	35,705	35,239
Trust Instrument (ABCP)	2,943	9,585
Debt securities (government and public bonds)	7	1,396
Subtotal	421,761	370,401
<u>Held-to-maturity financial assets:</u>		
Government and public bonds	9	192
Debt securities	9,980	-
Subtotal	9,989	192
Total	₩431,750	₩370,593

(3) Changes in unrealized gain on AFS financial assets 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	Valuation	Reclassification from equity to profit or loss	December 31, 2014
Investments in listed companies	₩64,104	₩52,577	₩(767)	₩115,914
Investments in non-listed companies	7,788	2,070	-	9,858
Debt securities	70	-	(70)	-
Tax effect	(17,938)	(13,174)	165	(30,947)
Consolidation adjustment	(12,214)	(1,046)	42	(13,218)
Total	₩41,810	₩40,427	₩(630)	₩81,607

	Year ended December 31, 2013			
	January 1, 2013	Valuation	Reclassification from equity to profit or loss	December 31, 2013
Investments in listed companies	₩49,819	₩15,992	₩(1,707)	₩64,104
Investments in non-listed companies	33,918	(1,521)	(24,609)	7,788
Debt securities	50	32	(12)	70
Tax effect	(19,768)	(4,000)	5,830	(17,938)
Consolidation adjustment	(24,626)	417	11,995	(12,214)
Total	₩39,393	₩10,920	₩(8,503)	₩41,810

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	Present value discount	Allowance for doubtful accounts	Book value	Gross	Present value discount	Allowance for doubtful accounts	Book value
<u>Current:</u>								
Trade receivables	₩4,333,957	₩(8,901)	₩(1,552,914)	₩2,772,142	₩4,539,127	₩(5,208)	₩(1,510,033)	₩3,023,886
Other receivables	493,880	-	(124,060)	369,820	485,248	-	(88,328)	396,920
Accrued income	117,790	-	(1,910)	115,880	139,157	-	(2,378)	136,779
Loans	560,445	-	(16,210)	544,235	631,214	-	(11,924)	619,290
Total	<u>₩5,506,072</u>	<u>₩(8,901)</u>	<u>₩(1,695,094)</u>	<u>₩3,802,077</u>	<u>₩5,794,746</u>	<u>₩(5,208)</u>	<u>₩(1,612,663)</u>	<u>₩4,176,875</u>
<u>Non-Current:</u>								
Trade receivables	₩6,888	₩ -	₩(261)	₩6,627	₩8,549	₩(25)	₩(218)	₩8,306
Other receivables	9,204	(3,203)	(35)	5,966	444	(125)	(35)	284
Loans	984,650	(283)	(257,533)	726,834	764,006	(458)	(239,560)	523,988
Total	<u>₩1,000,742</u>	<u>₩(3,486)</u>	<u>₩(257,829)</u>	<u>₩739,427</u>	<u>₩772,999</u>	<u>₩(608)</u>	<u>₩(239,813)</u>	<u>₩532,578</u>

- (2) The changes in allowance for doubtful accounts for the year ended December 31, 2014, are as follows (in millions of Korean won):

	December 31, 2014					
	January 1, 2014	Increase	Written off	Business combination	Others (*)	December 31, 2014
<u>Current:</u>						
Trade receivables	₩1,510,033	₩112,698	₩(64,176)	₩(1,421)	₩(4,220)	₩1,552,914
Other receivables	88,328	36,577	(5,511)	89	4,577	124,060
Accrued income	2,378	(468)	-	-	-	1,910
Loans	11,924	3,965	-	-	321	16,210
<u>Non-Current:</u>						
Trade receivables	218	43	-	-	-	261
Other receivables	35	-	-	-	-	35
Loans	239,560	18,002	-	-	(29)	257,533
Total	₩1,852,476	₩170,817	₩(69,687)	₩(1,332)	₩649	₩1,952,923

(*) The variation due to reclassification between non-current and current asset or exchange rate differences and others

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 consolidated 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	₩482,776	₩(30,601)	₩452,175	₩402,528	₩(34,117)	₩368,411
Finished goods	658,762	(52,603)	606,159	598,368	(45,732)	552,636
Work in progress	612,697	(17,822)	594,875	580,613	(19,388)	561,225
Raw materials	843,831	(77,058)	766,773	781,462	(41,297)	740,165
Materials in transit	399,117	-	399,117	347,804	-	347,804
Stores	27,159	(346)	26,813	20,596	(104)	20,492
Others	3,268	-	3,268	885	-	885
Total	<u>₩3,027,610</u>	<u>₩(178,430)</u>	<u>₩2,849,180</u>	<u>₩2,732,256</u>	<u>₩(140,638)</u>	<u>₩2,591,618</u>

Losses (reversals) on inventory valuation charged to the cost of sales amounted to ₩19,734 million and ₩(23,812) million for the years ended December 31, 2014 and 2013, respectively. Valuation allowance carried from business combination is ₩18,058 million as of December 31, 2014.

9. DERIVATIVES:

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

December 31, 2014							
Buy		Sell		Assets (liabilities)	Gains (losses)	Other comprehensive income (loss) (*1)	Firm commitment assets (liabilities)
Currency	Amount	Currency	Amount				
Foreign currency forwards:							
KRW	6,538,311	USD	6,007,419	₩(97,179)	₩(122,533)	₩(27,830)	₩43,549
KRW	293,946	EUR	207,798	13,252	2,328	11,999	(1,461)
KRW	301,941	JPY	28,539,929	23,479	20,384	15,686	(19,431)
USD	2,388,001	KRW	2,643,095	(7,288)	35,228	10,144	(17,409)
EUR	321,234	KRW	461,702	(24,431)	(10,393)	(14,437)	8,325
JPY	37,720,809	KRW	462,015	(93,138)	(19,333)	(61,600)	4,516
GBP and others		EUR and others		(27,920)	(21,527)	(14,258)	(2,129)
Subtotal				(213,225)	(115,846)	(80,296)	15,960
Foreign currency long-term debt:							
KRW	183,462	USD	180,000	-	-	-	12,720
Embedded derivatives (*2)				(39,860)	(73,084)	-	-
Put back options				(167)	(682)	-	-
Others				749	-	3,196	-
Total				₩(252,503)	₩(189,612)	₩(77,100)	₩28,680

December 31, 2013							
Buy		Sell		Assets (liabilities)	Gains (losses)	Other comprehensive income (*1)	Firm commitment assets(liabilities)
Currency	Amount	Currency	Amount				
<u>Foreign currency forwards:</u>							
KRW	8,279,795	USD	7,492,713	₩252,395	₩181,826	₩56,513	₩(285,438)
KRW	401,203	EUR	271,540	1,788	812	459	(1,107)
KRW	372,173	JPY	30,619,493	38,866	15,587	28,596	(15,602)
USD	2,758,884	KRW	3,094,502	(139,062)	(71,240)	(40,329)	81,090
EUR	334,641	KRW	505,731	(11,821)	(4,094)	(5,583)	4,287
JPY	33,406,835	KRW	475,327	(111,356)	(6,833)	(85,849)	1,269
GBP and others		EUR and others		(26,582)	1,130	(23,105)	(2,495)
Subtotal				4,228	117,188	(69,298)	(217,996)
<u>Interest rate swap:</u>							
USD 25,000, 3.36%		USD 25,000, 6M Libor+2.35%		(89)	126	-	-
<u>Foreign currency long-term debt:</u>							
KRW	90,876	USD	60,000	-	-	-	4,313
Embedded derivatives (*2)				32,707	35,865		
Put back options				-	2,196	-	-
Total				₩36,846	₩155,375	₩(69,298)	₩(213,683)

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

(*2) In connection with the issuance of redeemable convertible preferred stock by DEC, DHC entered into the contracts with preferred shareholders as of December 31, 2013. The details of contract are as follows (see Note 32-(10)):

Details	Description
Settlement	For all the redeemable convertible preferred stock, DHC and the investor shall settle the contract in cash for the amount of net selling price, less issuance price on December 16, 2016. If the settlement amount is positive (net selling price exceeds issuance price), the investor pays the amount to DHC; otherwise, the Company makes payment to the investor.
Early settlement	The investor, under certain circumstances, may request a settlement to DHC even before the settlement date, for the amount calculated by the same method as above.
Early call option	DHC may request, from September 14 to 16, 2015, for the purchase of up to 30% of the redeemable convertible preferred stock owned by the investor at the issuance price, plus a certain level of incentive.
Settlement call option	DHC may request, from September 14 to 16, 2016, for the purchase of a whole or part of the redeemable convertible preferred stock owned by the investor, at the issuance price.

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	Held-to- maturity financial assets	Derivatives designated as hedging instruments	Fair value
Cash and cash equivalents	₩ -	₩1,691,010	₩ -	₩ -	₩ -	₩1,691,010
Financial instruments	-	692,958	-	-	-	692,958
Investment securities	-	-	421,761	9,989	-	431,750
Trade and other receivables	-	4,541,504	-	-	-	4,541,504
Derivative assets	12,102	-	-	-	54,294	66,396
Deposits	-	309,860	-	-	-	309,860
Total	₩12,102	₩7,235,332	₩421,761	₩9,989	₩54,294	₩7,733,478

December 31, 2014					
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Financial guarantee contract	Fair value
Trade and other payables	₩ -	₩4,498,291	₩ -	₩220,322	₩4,718,613
Borrowings and bonds	-	13,083,138	-	-	13,083,138
Derivative liabilities	69,544	-	249,355	-	318,899
Total	₩69,544	₩17,581,429	₩249,355	₩220,322	₩18,120,650

	December 31, 2013						
	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to- maturity financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩1,258,450	₩ -	₩ -	₩ -	₩1,258,450	₩1,258,450
Financial instruments	-	882,577	-	-	-	882,577	882,577
Investment securities	-	-	370,401	192	-	370,593	370,593
Trade and other receivables	-	4,709,452	-	-	-	4,709,452	4,709,452
Derivative assets	34,759	-	-	-	208,960	243,719	243,719
Deposits	-	266,051	-	-	-	266,051	266,051
Total	₩34,759	₩7,116,530	₩370,401	₩192	₩208,960	₩7,730,842	₩7,730,842

	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	₩ -	₩3,907,757	₩ -	₩110,683	₩4,018,440	₩4,018,440
Borrowings and bonds	-	12,649,962	-	-	12,649,962	12,649,962
Derivative liabilities	15,259	-	191,614	-	206,873	206,873
Total	₩15,259	₩16,557,719	₩191,614	₩110,683	₩16,875,275	₩16,875,275

- (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
<u>Financial assets:</u>				
Financial assets at FVTPL	₩ -	₩12,102	₩ -	₩12,102
AFS financial assets	195,085	-	130,721	325,806
Derivatives designated as hedging instruments	-	54,294	-	54,294
Total	₩195,085	₩66,396	₩130,721	₩392,202
<u>Financial liabilities:</u>				
Financial liabilities at FVTPL	₩ -	₩(69,544)	₩ -	₩(69,544)
Derivatives designated as hedging instruments	-	(249,355)	-	(249,355)
Total	₩ -	₩(318,899)	₩ -	₩(318,899)
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at FVTPL	₩ -	₩34,759	₩ -	₩34,759
AFS financial assets	144,028	1,308	122,961	268,297
Derivatives designated as hedging instruments	-	208,960	-	208,960
Total	₩144,028	₩245,027	₩122,961	₩512,016
<u>Financial liabilities:</u>				
Financial liabilities at FVTPL	₩ -	₩(15,259)	₩ -	₩(15,259)
Derivatives designated as hedging instruments	-	(191,614)	-	(191,614)
Total	₩ -	₩(206,873)	₩ -	₩(206,873)

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

The Group 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 consolidated 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 securities.

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) Assumptions used in the fair value of AFS financial assets that have been rated as Level 3 out of AFS financial assets measured at fair value are as follows as of December 31, 2014:

AFS assets	Evaluation	Discount rate	Changes of inputs and others
Busan New Port The 2nd Rear Road Co., Ltd. and others	Past transaction model and others	-	Amount of recent capital increase
Daegu South Circulation Road Corporation and others	Dividend discount model and others	5.99%–13.63%	Expected dividend cash flows
Korea Housing Guarantee Co., Ltd. and others	Free cash flow to equity model	4.11%–4.14%	Free cash flow to equity
Machinery Financial Cooperative and others	Net asset value assessment and others	4.01%	Fair value of net assets and others

Changes in the carrying amount of AFS financial assets that have been rated as Level 3 of fair value hierarchy are as follows for the years ended December 31, 2014 and 2013 (in millions of Korea won):

Year	January 1	Acquisition	Disposal	Profit or loss	Other comprehensive income	Reclassification (*)	December 31
2014	₩122,961	₩7,091	₩(1,401)	₩ -	₩2,070	₩ -	₩130,721
2013	168,156	7,732	(85,201)	(24,609)	(1,521)	58,404	122,961

(*) The Group reclassified a certain portion of its non-marketable equity securities as Level 3 for the year ended December 31, 2013.

(5) Profit and loss by categories of financial instruments for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

2014							
	Profit or loss						Other comprehensive income (*)
	Interest	Dividend	Financial guarantee	Impairment and reversal		Disposal	
				Provision	Others		
<u>Financial assets:</u>							
Loans and receivables	₩60,817	₩ -	₩ -	₩(170,817)	₩ -	₩(24,949)	₩ -
AFS financial assets	3,815	1,754	-	-	(7,285)	9,907	53,810
Held-to-maturity investments	435	-	-	-	(21)	-	-
Total	<u>₩65,067</u>	<u>₩1,754</u>	<u>₩ -</u>	<u>₩(170,817)</u>	<u>₩(7,306)</u>	<u>₩(15,042)</u>	<u>₩53,810</u>
<u>Financial liabilities:</u>							
Financial liabilities at amortized cost	<u>₩(709,849)</u>	<u>₩ -</u>	<u>₩(91,848)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩(38,360)</u>	<u>₩ -</u>
2013							
	Profit or loss						Other comprehensive income (*)
	Interest	Dividend	Financial guarantee	Impairment and reversal		Disposal	
				Provision	Others		
<u>Financial assets:</u>							
Loans and receivables	₩79,401	₩ -	₩ -	₩(151,147)	₩ -	₩(24,035)	₩ -
AFS financial assets	4,034	2,466	-	-	(24,447)	30,780	(11,825)
Held-to-maturity investments	16	-	-	-	-	(12)	-
Total	<u>₩83,451</u>	<u>₩2,466</u>	<u>₩ -</u>	<u>₩(151,147)</u>	<u>₩(24,447)</u>	<u>₩6,733</u>	<u>₩(11,825)</u>
<u>Financial liabilities:</u>							
Financial liabilities at amortized cost	<u>₩(779,975)</u>	<u>₩ -</u>	<u>₩(59,432)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩(4,286)</u>	<u>₩ -</u>

Apart from the above financial instruments, other 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	₩(70,784)	₩18,645	₩ -	₩28,419	₩(12,368)	₩ -
Derivative instrument designated as a fair value hedge	(76,100)	3,688	-	136,879	(3,546)	-
Derivatives designated as a cash flow hedge	<u>(42,728)</u>	<u>(20,948)</u>	<u>(7,802)</u>	<u>(9,923)</u>	<u>(17,504)</u>	<u>(63,547)</u>
Total	<u>₩(189,612)</u>	<u>₩1,385</u>	<u>₩(7,802)</u>	<u>₩155,375</u>	<u>₩(33,418)</u>	<u>(63,547)</u>

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

Differences arising from foreign currency transactions (in terms of foreign currency transactions gains and income) are mostly occurred in financial assets classified as loans and receivables and financial liabilities measured in amortized cost.

- (6) 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 Korea won):

	December 31, 2014		
	Before enforceable master netting	Enforceable master netting	After enforceable master netting
<u>Financial assets:</u>			
Trade receivables	₩18,894	₩(6,084)	₩12,810
Other receivables	893	(793)	100
Derivative assets	92,746	(51,699)	41,047
Total	₩112,533	₩(58,576)	₩53,957
<u>Financial liabilities:</u>			
Trade payables	₩55,815	₩(5,459)	₩50,356
Other payables	11,030	(1,417)	9,613
Derivative liabilities	235,709	(51,699)	184,010
Long-term borrowings	50,000	(50,000)	-
Total	₩352,554	₩(108,575)	₩243,979
	December 31, 2013		
	Before enforceable master netting	Enforceable master netting	After enforceable master netting
<u>Financial assets:</u>			
Trade receivables	₩20,094	₩(6,153)	₩13,941
Other receivables	4,057	(2,044)	2,013
Derivative assets	224,679	(118,948)	105,731
Total	₩248,830	₩(127,145)	₩121,685
<u>Financial liabilities:</u>			
Trade payables	₩35,166	₩(8,197)	₩26,969
Other payables	-	-	-
Derivative liabilities	289,391	(118,948)	170,443
Long-term borrowings	250,000	(50,000)	200,000
Total	₩574,557	₩(177,145)	₩397,412

11. INVESTMENT IN JOINT VENTURES AND ASSOCIATES:

(1) Investment in joint ventures and associates as of December 31, 2014 and 2013, consists of the following (in millions of Korean won):

			Acquisition cost		Book value	
	Countries	Percentage of ownership (%)	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Associates:</u>						
Guang Dong Xingpu Steel Center	China	21.05	₩1,853	₩1,853	₩4,015	₩4,229
Doosan Eco Biznet	Korea	29.79	53	53	313	197
MVP Capital Co., Ltd.	Korea	29.13	3,000	3,000	-	-
Dong-A E&C Contents (*1)	Korea	-	-	10	-	17
Wilus Inc. (*1)	Korea	-	-	374	-	-
Doosan Capital	Korea	33.30	166,000	166,000	48,903	105,511
Tamra Offshore Wind Power Co., Ltd	Korea	36.00	9,864	9,864	9,673	9,622
Doosan (China) Financial Leasing Corp.	China	49.00	96,248	96,248	96,995	101,370
Dalian Samyoung Doosan Metal Product Co., Ltd. (*2)	China	10.80	2,675	2,675	3,647	3,391
Shinbundang Railroad Co., Ltd. (*3)	Korea	29.03	62,552	62,552	46,538	67,785
Kyunggi Railroad Co., Ltd (*2)	Korea	13.06	7,067	7,049	5,737	4,946
Neo Trans Co., Ltd	Korea	42.86	43	43	13,335	10,745
New Seoul Railroad Co., Ltd.	Korea	32.65	1,373	1,123	727	776
Others	-	-	3,175	3,685	1,259	493
Subtotal			353,903	354,529	231,142	309,082
<u>Joint ventures:</u>						
Sichuan Kelun-Doosan Biotechnology Company Limited	China	50.00	2,526	2,526	2,930	2,555
Haman Industrial Complex (*3)	Korea	80.00	3,600	3,600	1,190	2,394
Hanjung Power Ltd. (*1)	Papua New Guinea	-	-	4,364	-	6,066
Xuzhou Xugong Doosan Engine Co., Ltd.	China	50.00	16,232	16,232	-	-
Doosan Babcock WLL (*4)	Qatar	-	-	290	-	290
Subtotal			22,358	27,012	4,120	11,305
Total			₩376,261	₩381,541	₩235,262	₩320,387

(*1) Investment in the investee was disposed during 2014.

(*2) Exercising voting rights are available for the Board of Directors of the investee companies that are classified as associates.

(*3) Shares are pledged as collateral for PF (see Note 33-(2)).

(*4) The investee has been included in subsidiaries as the Company acquired control over the investees during the year 2014.

(2) Changes in investment in joint ventures and associates for the years ended December 31, 2014 and 2013, consist of the following (in millions of Korean won):

	Year ended December 31, 2014						
	January 1, 2014	Acquisition (disposal)	Dividends	Share of profit (loss)	Increase (decrease) in equity of associates	Other (*)	December 31, 2014
<u>Associates:</u>							
Guang Dong Xingpu Steel Center	₩4,229	₩ -	₩ -	₩(270)	₩56	₩ -	₩4,015
Doosan Eco Biznet	197	-	-	116	-	-	313
MVP Capital Co., Ltd.	-	-	-	-	-	-	-
Dong-A E&C Contents	17	-	-	(10)	-	(7)	-
Wilus Inc.	-	-	-	4	-	(4)	-
Doosan Capital	105,511	-	-	(57,908)	1,300	-	48,903
Tamra Offshore Wind Power Co., Ltd	9,622	-	-	51	-	-	9,673
Doosan(China) Financial Leasing Corp.	101,370	-	-	(5,790)	-	1,415	96,995
Dalian Samyoung Doosan Metal Product Co., Ltd.	3,391	-	-	196	60	-	3,647
Shinbundang Railroad Co., Ltd.	67,785	-	-	(21,247)	-	-	46,538
Kyunggi Railroad Co., Ltd.	4,946	18	-	773	-	-	5,737
Neo Trans Co., Ltd	10,745	-	-	2,590	-	-	13,335
New Seoul Railroad Co., Ltd.	776	250	-	(299)	-	-	727
Others	493	(25)	(14)	1,015	-	(210)	1,259
Subtotal	309,082	243	(14)	(80,779)	1,416	1,194	231,142
<u>Joint ventures:</u>							
Sichuan Kelun-Doosan Biotechnology Company Limited	2,555	-	(931)	1,222	84	-	2,930
Haman Industrial Complex	2,394	-	-	(1,204)	-	-	1,190
Hanjung Power Ltd.	6,066	(6,066)	(1,494)	2,767	(1,103)	(170)	-
Doosan Babcock WLL	290	-	-	-	-	(290)	-
Subtotal	11,305	(6,066)	(2,425)	2,785	(1,019)	(460)	4,120
Total	₩320,387	₩(5,823)	₩(2,439)	₩(77,994)	₩397	₩734	₩235,262

Year ended December 31, 2013							
	January 1, 2013	Acquisition (disposal)	Dividends	Share of profit (loss)	Increase (decrease) in equity of associates	Other (*)	December 31, 2013
<u>Associates:</u>							
Guang Dong Xingpu Steel Center	₩4,267	₩ -	₩ -	₩ (95)	₩57	₩ -	₩4,229
Doosan Eco Biznet	288	-	-	(91)	-	-	197
MVP Capital Co., Ltd.	279	(279)	-	-	-	-	-
Dong-A E&C Contents	17	-	-	-	-	-	17
Wilus Inc.	-	-	-	-	-	-	-
Doosan Capital	61,902	70,000	-	(25,725)	(56)	(610)	105,511
Tamra Offshore Wind Power Co., Ltd	7,221	2,412	-	1	(12)	-	9,622
Doosan(China) Financial Leasing Corp.	98,935	-	-	1,201	-	1,234	101,370
Dalian Samyoung Doosan Metal Product Co., Ltd.	3,434	-	-	(89)	46	-	3,391
Shinbundang Railroad Co., Ltd.	91,769	-	-	(23,984)	-	-	67,785
Kyunggi Railroad Co., Ltd.	5,803	-	-	(857)	-	-	4,946
Neo Trans Co., Ltd	5,846	-	-	4,899	-	-	10,745
New Seoul Railroad Co., Ltd.	-	298	-	(347)	-	825	776
Others	68	-	-	(45)	-	470	493
Subtotal	279,829	72,431	-	(45,132)	35	1,919	309,082
<u>Joint ventures:</u>							
Sichuan Kelun-Doosan Biotechnology Company Limited	2,490	-	-	34	31	-	2,555
Haman Industrial Complex	-	-	-	2,394	-	-	2,394
Hanjung Power Ltd.	9,310	-	(4,462)	3,586	(2,368)	-	6,066
Xuzhou Xugong Doosan Engine Co., Ltd.	8,762	-	-	(8,762)	-	-	-
Doosan Babcock WLL	-	290	-	-	-	-	290
Subtotal	20,562	290	(4,462)	(2,748)	(2,337)	-	11,305
Total	₩300,391	₩72,721	₩(4,462)	₩(47,880)	₩(2,302)	₩1,919	₩320,387

(*) Changes in other equity items of investees and others.

(3) The condensed financial information of the investees as of and for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014			
	Total assets	Total liabilities	Sales	Net income (loss)
<u>Associates:</u>				
Guang Dong Xingpu Steel Center	₩25,364	₩6,289	₩35,176	₩(1,282)
Doosan Eco Biznet	1,876	824	1,306	389
Doosan Capital	1,661,977	1,502,567	85,809	(118,784)
Tamra Offshore Wind Power Co., Ltd	26,880	12	-	142
Doosan(China) Financial Leasing Corp.	789,214	618,229	45,660	(10,020)
Dalian Samyoung Doosan Metal Product Co., Ltd.	54,149	20,378	25,813	1,824
Shinbundang Railroad Co., Ltd.	1,045,533	885,221	56,004	(73,188)
Kyunggi Railroad Co., Ltd	290,498	246,577	-	(3,318)
Neo Trans Co., Ltd	35,546	4,433	47,226	6,044
New Seoul Railroad Co., Ltd.	5,280	3,671	-	(916)
<u>Joint ventures:</u>				
Sichuan Kelun-Doosan Biotechnology Company Limited	8,012	2,151	8,331	2,443
Haman Industrial Complex	50,281	48,793	10,525	(446)

	2013			
	Total assets	Total liabilities	Sales	Net income (loss)
<u>Associates:</u>				
Guang Dong Xingpu Steel Center	₩26,387	₩6,299	₩41,631	₩(454)
Doosan Eco Biznet	1,036	375	1,210	(306)
Dong-A E&C Contents	108	25	-	-
Wilus Inc.	1,545	1,009	2,380	(35)
Doosan Capital	2,346,866	2,072,421	187,711	(28,998)
Tamra Offshore Wind Power Co., Ltd	26,728	-	-	(12)
Doosan(China) Financial Leasing Corp.	933,690	726,812	72,055	2,449
Dalian Samyoung Doosan Metal Product Co., Ltd.	52,000	20,606	19,912	(829)
Shinbundang Railroad Co., Ltd.	1,082,671	849,172	49,321	(82,617)
Kyunggi Railroad Co., Ltd	66,939	51,150	-	(2,693)
Neo Trans Co., Ltd	30,069	5,000	52,557	11,430
<u>Joint ventures:</u>				
Sichuan Kelun-Doosan Biotechnology Company Limited	7,297	2,186	787	68
Haman Industrial Complex	58,747	54,313	26,046	3,883
Hanjung Power Ltd.	14,815	2,919	42,090	6,668
Doosan Babcock WLL	592	-	-	-

- (4) Adjustments from net assets of joint ventures and associates to carrying amount of investment in joint ventures and associates as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014					
	Net asset value as of December 31, 2014	Percentage of ownership (%)	Ownership of net asset value	Adjustment amounts Removed investment balance	Internal transactions and others	Book value
<u>Associates:</u>						
Guang Dong Xingpu Steel Center	₩19,076	21.05	₩4,015	₩ -	₩ -	₩4,015
Doosan Eco Biznet	1,051	29.79	313	-	-	313
Doosan Capital (*)	76,124	33.30	38,906	9,997	-	48,903
Tamra Offshore Wind Power Co., Ltd	26,868	36.00	9,673	-	-	9,673
Doosan(China) Financial Leasing Corp.	170,985	49.00	83,783	13,212	-	96,995
Dalian Samyoung Doosan Metal Product Co., Ltd.	33,771	10.80	3,647	-	-	3,647
Shinbundang Railroad Co., Ltd.	160,312	29.03	46,538	-	-	46,538
Kyunggi Railroad Co., Ltd	43,921	13.06	5,736	-	-	5,736
Neo Trans Co., Ltd	31,113	42.86	13,335	-	-	13,335
New Seoul Railroad Co., Ltd.	1,609	32.65	525	202	-	727
<u>Joint ventures:</u>						
Sichuan Kelun-Doosan Biotechnology Company Limited	5,861	50.00	2,930	-	-	2,930
Haman Industrial Complex	1,488	80.00	1,190	-	-	1,190

December 31, 2013

	Net asset value as of December 31, 2013	Percentage of ownership (%)	Ownership of net asset value	Adjustment amounts		Book value
				Removed investment balance	Internal transactions and others	
<u>Associates:</u>						
Guang Dong Xingpu Steel Center	₩20,088	21.05	₩4,229	₩ -	₩ -	₩4,229
Doosan Eco Biznet	661	29.79	197	-	-	197
Dong-A E&C Contents	83	20.00	17	-	-	17
Wilus Inc.	536	40.00	214	-	(214)	-
Doosan Capital (*)	186,888	33.30	95,514	9,997	-	105,511
Tamra Offshore Wind Power Co., Ltd	26,728	36.00	9,622	-	-	9,622
Doosan(China) Financial Leasing Corp.	178,560	49.00	87,494	13,876	-	101,370
Dalian Samyoung Doosan Metal Product Co., Ltd.	31,394	10.80	3,391	-	-	3,391
Shinbundang Railroad Co., Ltd.	233,499	29.03	67,785	-	-	67,785
Kyunggi Railroad Co., Ltd	15,789	31.33	4,947	-	(1)	4,946
Neo Trans Co., Ltd	25,069	42.86	10,745	-	-	10,745
<u>Joint ventures:</u>						
Sichuan Kelun-Doosan Biotechnology Company Limited	5,111	50.00	2,556	-	(1)	2,555
Haman Industrial Complex	4,434	80.00	3,547	-	(1,153)	2,394
Hanjung Power Ltd.	11,896	51.00	6,067	-	(1)	6,066
Doosan Babcock WLL	592	49.00	290	-	-	290
Xuzhou Xugong Doosan Engine Co., Ltd.	-	50.00	-	-	-	-

(*) The net asset value of Doosan Capital represents only the equity holders of the Parent, and the equity interest in the investee was calculated by adding the equity ownership percentage of preferred shares.

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	₩4,956,327	₩1,851,542	₩1,272,073	₩349,239	₩230,788	₩8,659,968
Acquisition	2,682	43,486	90,515	73,431	262,397	472,511
Reclassification	520	133,385	88,753	37,335	(270,664)	(10,671)
Disposal	(3,333)	(4,074)	(11,023)	(1,179)	(1,791)	(21,400)
Depreciation	(43)	(101,990)	(253,805)	(107,401)	-	(463,239)
Impairments	(2,224)	(8,250)	(1,118)	(660)	-	(12,252)
Business combination (*1)	(40,600)	(829)	10,315	(15,869)	2,817	(44,166)
Others (*2)	(5,809)	(2,886)	14,835	(3,753)	388	2,776
Balance at December 31, 2014	₩4,907,520	₩1,910,384	₩1,210,545	₩331,143	₩223,935	₩8,583,527
- Acquisition cost	₩3,617,977	₩2,848,619	₩3,453,138	₩996,753	₩223,935	₩11,140,422
- Accumulated depreciation and impairment	-	(938,235)	(2,242,593)	(665,610)	-	(3,846,438)
- Revaluation surplus	1,289,543	-	-	-	-	1,289,543

	Year ended December 31, 2013					
	Land	Buildings and structures	Machinery	Tools, furniture, fixtures and others	Construction in progress	Total
Balance at January 1, 2013	₩3,736,054	₩1,877,952	₩1,289,208	₩313,312	₩296,086	₩7,512,612
Acquisition	1,205	42,470	60,546	119,279	286,627	510,127
Reclassification	(34,995)	59,919	188,392	31,320	(346,336)	(101,700)
Disposal	(31,345)	(22,980)	(4,858)	(11,274)	(234)	(70,691)
Increase (decrease)						
in revaluation	1,289,636	-	-	-	-	1,289,636
Depreciation	(43)	(102,038)	(254,435)	(108,268)	-	(464,784)
Impairments	-	-	(1,710)	(36)	(2,548)	(4,294)
Others (*2)	(4,185)	(3,780)	(5,070)	4,904	(2,807)	(10,938)
Balance at December 31, 2013	₩4,956,327	₩1,851,543	₩1,272,073	₩349,237	₩230,788	₩8,659,968
- Acquisition cost	₩3,666,691	₩2,654,868	₩3,236,239	₩959,673	₩231,322	₩10,748,793
- Accumulated depreciation and impairment	-	(803,325)	(1,964,166)	(610,436)	(534)	(3,378,461)
- Revaluation surplus	1,289,636	-	-	-	-	1,289,636

(*1) Includes merger, acquisition and disposal of subsidiaries in 2014 (see Notes 37, 38 and 39).

(*2) Effect of exchange rate differences and others.

The Group recognized the land subsequently measured at revaluation amount; and if the land were stated at cost, the land would amount to ₩3,617,977 million and ₩3,666,691 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, certain of the Group's land and buildings are partially pledged as collateral for loans from KDB and others (see Note 33).

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

For the year ended December 31, 2013, the Group 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 valuers, 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
<u>Property:</u>						
Land	₩ -	₩ -	₩4,907,520	₩ -	₩ -	₩4,956,327

- (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):

January 1, 2013	Acquisition	Investment properties	Disposal	Revaluation increase		Revaluation decrease	December 31, 2013
				Revaluation surplus	Deferred income tax liabilities		
₩3,736,054	₩1,205	₩(39,223)	₩(31,345)	₩990,032	₩317,689	₩(18,085)	₩4,956,327

- (5) Capitalized borrowing costs for the years ended December 31, 2014 and 2013, are as follows (in millions of Korea won):

	2014	2013
Capitalized borrowing cost	₩4,535	₩5,040
Capitalization interest rate (%)	4.32-5.63	4.48-5.68

- (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	₩389,218	₩391,770
Selling, general and administrative expenses	51,228	46,651
Research and development cost	16,301	17,489
Income from discontinued operations	6,492	8,874
Total	₩463,239	₩464,784

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	₩4,891,395	₩1,177,872	₩793,848	₩350,528	₩7,213,643
Acquisition	-	1,609	245,445	23,413	270,467
Reclassifications	-	(11)	(9,014)	19,841	10,816
Disposal	-	(5)	(180)	(4,383)	(4,568)
Amortization	-	(18,624)	(99,664)	(84,495)	(202,783)
Impairment	-	-	(12,720)	(822)	(13,542)
Reversal of impairment loss	-	-	-	267	267
Business combination (*1)	38,823	154	(14,802)	1,437	25,612
Others (*2)	(123,307)	(11,400)	5,212	2,993	(126,502)
Balance at December 31, 2014	₩4,806,911	₩1,149,595	₩908,125	₩308,779	₩7,173,410
- Acquisition cost	₩4,806,911	₩1,293,054	₩1,333,696	₩819,356	₩8,253,017
- Accumulated amortization and impairment	-	(143,459)	(425,571)	(510,577)	(1,079,607)

	Year ended December 31, 2013				
	Goodwill	Industrial rights	Development costs	Other intangible assets	Total
Balance at January 1, 2013	₩4,951,088	₩1,190,746	₩697,598	₩332,282	₩7,171,714
Acquisition	-	1,581	247,252	25,777	274,610
Reclassifications	(2,814)	1,226	(25,245)	78,103	51,270
Disposal	-	(11)	-	(5,905)	(5,916)
Amortization	-	(19,156)	(77,385)	(71,812)	(168,353)
Impairment	-	-	(46,065)	(4,573)	(50,638)
Reversal of impairment loss	-	-	-	50	50
Others (*2)	(56,879)	3,486	(2,307)	(3,394)	(59,094)
Balance at December 31, 2013	₩4,891,395	₩1,177,872	₩793,848	₩350,528	₩7,213,643
- Acquisition cost	₩4,891,395	₩1,302,208	₩977,248	₩600,343	₩7,771,194
- Accumulated amortization and impairment	-	(124,336)	(183,400)	(249,815)	(557,551)

(*1) Includes merger, acquisition and disposal of subsidiaries in 2014 (see Notes 37, 38 and 39).

(*2) Effect of exchange rate differences and others.

The carrying amount of membership with indefinite useful lives in other intangible assets item is ₩49,943 million and ₩33,218 million as of December 31, 2014 and 2013, respectively.

Meanwhile, expenditure on research and development, which was recognized as an expense, amounted to ₩322,716 million and ₩317,222 million for the years ended December 31, 2014 and 2013, respectively.

(2) Impairment test of goodwill

- 1) Goodwill has been allocated for impairment testing purposes to the following CGUs and is tested for impairment annually:

Company	CGUs	Description
The Parent	Mottrol BG	Manufacturing and sale of hydraulic components
	Industrial Vehicle BG	Manufacturing and sale of industrial vehicles
	Fuel Cell BU	Manufacturing and sale of fuel cell
DHC	Power Generation	Manufacturing and sale of power generation
	Water	Manufacturing and sale of desalination and water treatment plants
DI	Construction Machinery	Manufacturing and sale of construction machinery and others
DEC	Construction industry	Housing and infrastructure construction
	Chemical engineering equipment	Production of chemical industry facilities and gas industry equipment
DST	Defense industry	Defense industry
Oricom Inc.	Advertising	Advertising services

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

Company	CGUs	December 31, 2014	December 31, 2013
The Parent	Mottrol BG	₩84,562	₩84,562
	Industrial Vehicle BG	52,686	53,491
	Fuel Cell BU	38,823	-
DHC	Power Generation	624,476	674,174
	Water	6,441	6,237
DI	Construction Machinery	3,843,130	3,916,138
DEC	Construction industry	76,869	76,869
	Chemical engineering equipment	4,441	4,441
DST	Defense industry	74,110	74,110
Oricom Inc.	Advertising	1,373	1,373
Total		₩4,806,911	₩4,891,395

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

Company	CGUs	Discount rate (%)
The Parent	Mottrol BG	9.01
	Industrial Vehicle BG	9.80
	Fuel Cell BU	13.80
DHC	Power Generation	8.50
	Water	8.80
DI	Construction Machinery	8.60
DEC	Construction industry	8.85
	Chemical engineering equipment	8.85-14.40
DST	Defense industry	8.80
Oricom Inc.	Advertising	6.10

The Group 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 '0%–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 Group 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.

The recoverable amount may change according to changes in key assumptions. Accordingly, the Group's management regularly observes relevant turnovers and industrial trends.

- (3) Capitalized borrowing costs for the years ended December 31, 2014 and 2013, are as follows (in millions of Korea won):

	2014	2013
Capitalized borrowing cost	₩9,574	₩6,978
Capitalization interest rate (%)	4.32–4.59	3.76–5.6

- (4) 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	₩108,064	₩85,677
Selling, general and administrative expenses	87,294	74,498
Research and development cost	468	184
Income from discontinued operations	6,957	7,994
Total	₩202,783	₩168,353

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	₩325,104	₩126,745	₩451,849
Acquisition	-	25,139	25,139
Disposal	(917)	(1,678)	(2,595)
Revaluation	2,843	2,364	5,207
Reclassifications	-	(145)	(145)
Balance at December 31, 2014	₩327,030	₩152,425	₩479,455

	Year ended December 31, 2013		
	Land	Buildings	Total
Balance at January 1, 2013	₩315,132	₩126,805	₩441,937
Acquisition	767	1,752	2,519
Disposal	(41,296)	(16,656)	(57,952)
Revaluation	16,371	(1,313)	15,058
Reclassifications	34,130	16,157	50,287
Balance at December 31, 2013	₩325,104	₩126,745	₩451,849

Certain of the Group's land and buildings included in the above investment property are pledged as collateral for loans from Hana Bank and others (see Note 33).

The recognized amount of rental income from investment property for the years ended December 31, 2014 and 2013, is ₩49,032 million and ₩46,329 million, respectively.

- (2) Details of fair value model that the Group applies to measurement of investment properties are as follows:

For the year ended December 31, 2013, the Group 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 valuers, 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
<u>Property:</u>						
Land	₩ -	₩ -	₩327,030	₩ -	₩ -	₩325,104
Buildings	-	-	152,425	-	-	126,745

- (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 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).
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 (decrease) if circumstance correction increases (decreases).
	b. Regional factors	Fair value increases (decrease) if regional factors increase (decrease).
	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 (increase) 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
Public issued bond	3.57–7.80	₩3,465,110	₩4,238,896
Private placement bond	3.90–8.50	430,000	230,000
Exchangeable bond	1.50	155,522	219,999
Convertible bond	4.00	200,000	15,059
Bond with warrant	-	-	13,811
Bonds payables in foreign currency	7.49	29,678	28,493
Total		4,280,310	4,746,258
Less: Conversion rights adjustment		(10,369)	(24,675)
Less: Exchange rights adjustment		(22,531)	(320)
More: Premium on bonds		49,305	40,096
Less: Discount on bonds		(33,960)	(19,433)
Less: Current portion of long-term bonds		(844,014)	(1,346,521)
Long-term bonds		₩3,418,741	₩3,395,405

The conditions of exchangeable bond and convertible bond are as follows:

Details	Exchangeable bond	Convertible bond
The date of issue (the day of maturity)	2011.6.14 (2016.6.14)	2014.9.4 (2017.9.4)
Interest rate	1.50%	4.00%
Guaranteed return	4.5% (116.72% of principal)	7.5% (111.65% of principal)
Exercise period	2011.6.15–2016.5.14	From one month after date of issue to one month before maturity
Exercise price	₩53,480 per share	₩10,200 per share
Issuing price	₩220,000 millions	₩190,798 millions
The option of redemption	Right exercisable after three years from the day of issue	Right exercisable after one and a half years and two and a half years from the day of issue
The modification of exercise price	Exercising price adjustable due to increase of capital stock without consideration, stock dividend	Exercising price adjustable due to increase of capital stock with consideration, stock dividend
Stock for conversion	Common share of DEC	Common share of DEC

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

Company	Lender	Annual interest rate (%)	December 31, 2014	December 31, 2013
<u>Borrowings in Korean won:</u>				
Doosan	KDB and others	1.06–7.20	₩302,407	₩199,577
DHC and subsidiaries	Kookmin Bank and others	2.85–4.84	445,728	443,000
DI and subsidiaries	Korea Exim Bank and others	2.98–5.13	388,500	236,978
DEC and subsidiaries	Kwangju Bank and others	1.65–9.47	550,891	533,076
Subtotal			1,687,526	1,412,631
<u>Borrowings in foreign currency:</u>				
Doosan	NongHyup Bank and others	0.63–6.56	100,131	89,788
DHC and subsidiaries	HSBC and others	0.58–12.25	709,050	645,647
DI and subsidiaries	Hana Bank and others	0.72–9.25	774,767	510,370
DE and subsidiaries	Woori Bank and others	1.08–5.94	40,607	5,874
DEC and subsidiaries	Korea Exchange Bank and others	6M Libor+0.80 –6.80	61,222	26,199
Subtotal			1,685,777	1,277,878
Total			₩3,373,303	₩2,690,509

Financial liabilities related to transferred trade receivables which did not meet the derecognition criteria amounted to ₩40,472 million and ₩20,438 million as of December 31, 2014 and 2013, respectively. The trade receivables were pledged as collateral for these liabilities (see Note 32-(3)).

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

Company	Lender	Annual interest rate(%)	December 31, 2014	December 31, 2013
<u>Borrowings in Korean won:</u>				
Doosan	Korea Housing Guarantee and others	1.00–6.15	₩317,787	₩323,316
DHC and subsidiaries	IBK and others	3.20–5.57	901,058	1,215,431
DI and subsidiaries	KDB and others	4.29–5.10	672,000	643,000
DE and subsidiaries	KDB and others	4.42–5.15	95,000	50,000
DEC and subsidiaries	Shinhan Bank and others	1.00–8.20	171,656	186,166
Subtotal			<u>2,157,501</u>	<u>2,417,913</u>
<u>Borrowings in foreign currency:</u>				
Doosan	Korea Exim Bank and others	2.13–3.63	154,742	47,763
DHC and subsidiaries	KDB and others	3M Euribor+1.95 –3M Libor+6.00	493,540	335,756
DI and subsidiaries	KDB and others	0–8.00	2,233,480	2,101,011
DE and subsidiaries	China Construction Bank	6.40	1,591	66,451
Subtotal			<u>2,883,353</u>	<u>2,550,981</u>
	Total		<u>5,040,854</u>	<u>4,968,894</u>
	Discount on current portion of long-term borrowings		(33,799)	(21,367)
	Less: Current portion of long-term borrowings		<u>(1,067,495)</u>	<u>(343,980)</u>
	Long-term borrowings		<u>₩3,939,560</u>	<u>₩4,603,547</u>

(4) Securitized debt

The principal feature of the securitization of the Group's transactions is that future receivables from various construction projects are initially transferred to a special-purpose entity ("SPE"), which in turn will issue an asset-backed security (future receivables).

	Annual interest rate (%)	December 31, 2014	December 31, 2013
Securitized debt	7.50–9.76	₩444,050	₩270,000
Less: Discount on current portion of securitized debt		(4,024)	-
Less: Current portion of securitized debt		<u>(397,348)</u>	<u>(270,000)</u>
Long-term securitized debt		<u>₩42,678</u>	<u>₩ -</u>

16. RETIREMENT BENEFIT OBLIGATION:

The Group 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. Meanwhile, contributions to defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Present value of defined benefit obligation	₩2,606,142	₩2,324,554
Fair value of plan assets	<u>(1,521,102)</u>	<u>(1,303,416)</u>
Total	<u>₩1,085,040</u>	<u>₩1,021,138</u>

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

	<u>2014</u>	<u>2013</u>
Current service cost	₩139,540	₩166,090
Net interest cost	46,895	49,646
Effect of downscale and liquidation	<u>(10,153)</u>	<u>(196)</u>
Total	<u>₩176,282</u>	<u>₩215,540</u>

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

	<u>2014</u>	<u>2013</u>
Cost of sales	₩97,305	₩99,947
Selling, general and administrative expenses	60,164	98,450
Research and development cost	16,066	12,228
Income from discontinued operations	<u>2,747</u>	<u>4,915</u>
Total	<u>₩176,282</u>	<u>₩215,540</u>

- (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	₩2,324,554	₩2,459,371
Current service cost	139,540	166,090
Interest cost	101,014	93,913
Remeasurements of defined benefit liabilities:		
- Changes in demographic assumptions	10,083	(1,334)
- Changes in financial assumptions	206,335	(207,101)
- Others	(2,468)	(39,294)
Subtotal	213,950	(247,729)
Transfer in/out	(955)	(1,041)
Business combinations	(17,918)	-
Effect of downscale and liquidation	(11,856)	(196)
Contributions by employee	2,380	-
Contributions by employer directly to plan assets	-	2,353
Benefit payment	(155,988)	(145,618)
Others	11,421	(2,589)
Ending balance	₩2,606,142	₩2,324,554

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	₩1,303,416	₩1,173,342
Expected return on plan assets	54,119	44,267
Return on plan assets excluding amounts included in interest income	63,433	12,073
Transfer in/out	570	(226)
Business combinations	(8,347)	-
Effect of downscale and liquidation	(1,703)	-
Contributions by employee	2,306	2,182
Contributions by employer directly to plan assets	224,030	167,664
Benefit payment	(120,013)	(89,731)
Others	3,291	(6,155)
Ending balance	₩1,521,102	₩1,303,416

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

	<u>Company</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Discount rate		3.00%–8.40%	3.70%–8.10%
Expected rate of salary increase	Doosan	3.00%–4.80%	5.00%–7.00%
	DHC and subsidiaries	0.00%–8.00%	2.40%–8.00%
	DI and subsidiaries	3.75%–4.23%	4.07%–8.00%
	DEC and subsidiaries	3.00%–5.30%	3.00%–5.30%
	DE and subsidiaries	2.40%–3.40%	2.40%–5.30%

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity instruments	₩437,356	₩422,462
Debt instruments	563,097	528,018
Deposit and others	<u>520,649</u>	<u>352,936</u>
Total	<u>₩1,521,102</u>	<u>₩1,303,416</u>

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	₩(204,842)	(-)7.9%	₩(184,099)	(-)7.9%
1% decrease	242,036	9.3%	224,718	9.7%
Salary increase rate:				
1% increase	54,177	2.1%	72,542	3.1%
1% decrease	(56,044)	(-)2.2%	(63,699)	(-)2.7%

- (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	₩203,092	₩253,833	₩586,349	₩981,032	₩2,024,306

Above maturity of the defined benefit does not include planned payment over 10 years, and maturity profile does not include estimated payments after 10 years. The Group expects to contribute ₩263,360 million for the defined benefit plans in 2015.

The Group recognized expenses amounting to ₩22,142 million and ₩34,449 million for the defined benefit plans in 2014 and 2013, respectively.

17. **PROVISIONS:**

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

	Year ended December 31, 2014							
	January 1, 2014	Accrual	Use	Business combinations	Others	December 31, 2014	Current	Non -Current
Provision for product warranties	₩423,539	₩32,845	₩(72,932)	₩2,011	₩(1,296)	₩384,167	₩146,257	₩237,910
Provision for returned goods of product	5,370	2,274	(941)	(5,290)	-	1,413	1,413	-
Provision for restoration	3,548	259	(345)	1,190	391	5,043	-	5,043
Provision for loss compensation	1,151	2,342	(948)	51	6	2,602	-	2,602
Other provisions	<u>2,270</u>	<u>-</u>	<u>(2,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>₩435,878</u>	<u>₩37,720</u>	<u>₩(77,436)</u>	<u>₩(2,038)</u>	<u>₩(899)</u>	<u>₩393,225</u>	<u>₩147,670</u>	<u>₩245,555</u>

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

18. SHARE CAPITAL AND SHARE PREMIUM:

Changes in share capital and share premium of the Parent 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			Share premium
	Common shares	Preferred shares	Common shares	Preferred shares	Total	
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	<u>20,882,071</u>	<u>5,396,759</u>	<u>₩105,910</u>	<u>₩26,984</u>	<u>₩132,894</u>	<u>₩337,274</u>
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	<u>21,270,888</u>	<u>5,396,759</u>	<u>₩107,854</u>	<u>₩26,984</u>	<u>₩134,838</u>	<u>₩355,736</u>

The Parent'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
Asset revaluation reserve	277,542	277,542
Other capital surplus	310,865	339,822
Total	<u>₩945,533</u>	<u>₩956,028</u>

20. OTHER CAPITAL ITEMS:

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Treasury stock	₩(300,033)	₩(238,810)
Loss on disposal of treasury stock	(16,738)	(16,738)
Share option	16,874	14,834
Loss on capital reduction	(127,319)	(127,319)
Other capital items	<u>(36,202)</u>	<u>(417)</u>
Total	<u>₩(463,418)</u>	<u>₩(368,450)</u>

- (2) Treasury stock

Changes in treasury stock for the year ended December 31, 2014, are as follows (in millions of Korean won):

	<u>Number of treasury stock</u>			<u>Carrying amount</u>		
	<u>Common stock</u>	<u>Preferred stock</u>	<u>Total</u>	<u>Common stock</u>	<u>Preferred stock</u>	<u>Total</u>
January 1, 2014	4,670,211	673,054	5,343,265	₩223,758	₩15,052	₩238,810
Acquisition	<u>730,887</u>	<u>-</u>	<u>730,887</u>	<u>61,223</u>	<u>-</u>	<u>61,223</u>
December 31, 2014	<u>5,401,098</u>	<u>673,054</u>	<u>6,074,152</u>	<u>₩284,981</u>	<u>₩15,052</u>	<u>₩300,033</u>

(3) Share-based payment

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

	<u>Date of grant</u>	<u>Number of granted options</u>	<u>Exercisable period</u>	<u>Exercisable price</u>	<u>Expected fair value at the date of grant</u>
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	<u>112,500</u>	2017.3.28–2024.3.27	134,300	39,558
	Total	<u>393,260</u>			

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

	<u>Risk-free interest rate</u>	<u>Expected exercisable period</u>	<u>Expected volatility</u>	<u>Expected dividend yield ratio</u>
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:

	<u>January 1, 2014</u>	<u>Granted</u>	<u>Exercised</u>	<u>Forfeited</u>	<u>December 31, 2014</u>
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	<u>319,360</u>	<u>114,000</u>	<u>(3,950)</u>	<u>(36,150)</u>	<u>393,260</u>

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

	<u>January 1, 2014</u>	<u>Granted</u>	<u>Exercised</u>	<u>Forfeited</u>	<u>December 31, 2014</u>
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	<u>₩14,834</u>	<u>₩4,233</u>	<u>₩(145)</u>	<u>₩(2,048)</u>	<u>₩16,874</u>

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 of a controlling company, recognized related to the share option grant, amounted to ₩3,853 million and ₩3,701 million for the years ended December 31, 2014 and 2013, respectively. Expense of subsidiary companies, recognized related to the share option grant, amounted to ₩5,047 million and ₩6,456 million for the years ended December 31, 2014 and 2013, respectively.

Expense to be recognized in the future period amounted to ₩3,241 million. Expense of subsidiary companies amounted to ₩4,001 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):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Gain on AFS securities	₩81,607	₩41,810
Decrease in equity of associates	(3,532)	(3,552)
Loss on translation of foreign operations	(108,366)	(53,225)
Gain on valuation of derivatives	18,331	9,397
Revaluation surplus	<u>468,181</u>	<u>470,676</u>
Total	<u>₩456,221</u>	<u>₩465,106</u>

22. RETAINED EARNINGS:

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Legal reserve	₩35,464	₩28,108
Voluntary reserve	97,666	79,716
Unappropriated retained earnings	<u>1,683,104</u>	<u>1,745,117</u>
Total	<u>₩1,816,234</u>	<u>₩1,852,941</u>

The Commercial Code of the Republic of Korea requires the Parent 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	₩1,852,941	₩1,759,555
Profit for the year	65,349	123,553
Remeasurements of defined benefit liabilities	(31,053)	47,037
Payment of dividends	(73,455)	(77,271)
Revaluation surplus	2,452	67
Ending balance	₩1,816,234	₩1,852,941

- (3) 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. SEGMENT INFORMATION:

- (1) The Group is engaged in various businesses, such as heavy industry, machinery manufacturing, apartment construction industry and service industry; key products and services of each division are as follows:

<u>Business segment</u>	<u>Main products and services</u>
Electro-Materials BG	Copper-clad laminates and others
Mottrol BG	Oil hydraulic equipment and others
Industrial Vehicle BG	Forklift and others
Information and Communication BU	Development and maintenance service of information technology system and others
Others	Advertisement and substituting office work and others
DHC	Generating unit, casting, forging and others
DI	Internal combustion engine, construction machinery of all kinds, transportation equipment and others
DEC	Construction of apartment buildings and others
DE	Marine engine, internal combustion engine, nuclear power plant emergency generator and others

Information on each business segment for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	Year ended December 31, 2014				
	Sales	Intercompany	Net sales	Operating income	Net income (loss)
Electro-Materials BG	₩791,221	₩(117,698)	₩673,523	₩37,381	₩43,593
Mottrol BG	356,058	(153,757)	202,301	(340)	467
Industrial Vehicle BG	860,191	(203,891)	656,300	43,801	33,513
Information and Communication BU	238,740	(227,985)	10,755	27,524	21,328
Others	1,445,751	(297,538)	1,148,213	188,668	125,761
DHC	7,879,315	(651,883)	7,227,432	324,710	(95,012)
DI	10,598,897	(2,953,903)	7,644,994	452,994	23,972
DEC	2,401,632	(180,393)	2,221,239	142,968	(68,580)
DE	897,208	(13,449)	883,759	(39,596)	(42,231)
Subtotal	<u>25,469,013</u>	<u>₩(4,800,497)</u>	<u>₩20,668,516</u>	<u>1,178,110</u>	<u>42,811</u>
Elimination	<u>(4,800,497)</u>			<u>(164,369)</u>	<u>(9,561)</u>
Total	<u>₩20,668,516</u>			<u>₩1,013,741</u>	<u>₩33,250</u>
- Discontinued operations	₩200,278			₩5,671	₩60,767
- Continuing operations	20,468,238			1,008,070	(27,517)

	Year ended December 31, 2013				
	Sales	Intercompany	Net sales	Operating income	Net income (loss)
Electro-Materials BG	₩784,924	₩(37,454)	₩747,470	₩46,606	₩35,238
Mottrol BG	378,740	(150,811)	227,929	4,389	876
Industrial Vehicle BG	839,673	(188,261)	651,412	46,685	29,025
Information and Communication BU	249,947	(241,731)	8,216	34,362	25,851
Others	1,704,956	(518,937)	1,186,019	249,973	233,991
DHC	9,071,112	(622,531)	8,448,581	516,107	55,632
DI	10,317,664	(2,609,922)	7,707,742	369,500	(100,950)
DEC	2,420,849	(199,922)	2,220,927	57,370	(60,325)
DE	749,044	(10,806)	738,238	721	(5,236)
Subtotal	<u>26,516,909</u>	<u>₩(4,580,375)</u>	<u>₩21,936,534</u>	<u>1,325,713</u>	<u>214,102</u>
Elimination	<u>(4,580,375)</u>			<u>(170,836)</u>	<u>(83,934)</u>
Total	<u>₩21,936,534</u>			<u>₩1,154,877</u>	<u>₩130,168</u>
- Discontinued operations	₩320,473			₩19,698	₩11,553
- Continuing operations	21,616,061			1,135,179	118,615

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

- (2) Total assets and liabilities of each business segment as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Electro-Materials BG	₩521,598	₩271,169	₩442,989	₩226,809
Mottrol BG	244,678	130,232	305,011	140,988
Industrial Vehicle BG	362,931	177,011	463,580	177,436
Information and Communication BU	123,093	81,872	132,243	82,222
Others	4,558,494	2,083,505	4,381,897	1,950,618
DHC	12,936,847	7,500,854	13,847,988	8,603,310
DI	11,957,427	8,669,139	11,481,494	7,932,473
DEC	5,133,091	3,170,495	4,950,416	2,934,973
DE	1,540,297	839,595	1,662,609	872,571
Subtotal	37,378,456	22,923,872	37,668,227	22,921,400
Elimination	(6,009,156)	(456,913)	(6,502,185)	(813,342)
Total	₩31,369,300	₩22,466,959	₩31,166,042	₩22,108,058

- (3) Sales information by geographical segment for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Sales	Intercompany	Net sales	Sales	Intercompany	Net sales
Domestic	₩13,026,595	₩ (2,908,645)	₩10,117,950	₩12,735,746	₩(2,482,916)	₩10,252,830
America	3,784,788	(567,291)	3,217,497	3,390,378	(602,774)	2,787,604
Asia	3,045,232	(411,614)	2,633,618	3,779,579	(623,018)	3,156,561
Middle East	1,812,193	-	1,812,193	2,969,868	(36,332)	2,933,536
Europe	3,760,980	(912,947)	2,848,033	3,537,197	(835,335)	2,701,862
Others	39,225	-	39,225	104,141	-	104,141
Subtotal	25,469,013	₩(4,800,497)	₩20,668,516	26,516,909	₩(4,580,375)	₩21,936,534
Elimination	(4,800,497)			(4,580,375)		
Total	₩20,668,516			₩21,936,534		
- Discontinued	₩200,278			₩320,473		
- Continuing	20,468,238			21,616,061		

24. REVENUES:

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

	2014			2013		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Sales of goods	₩13,149,155	₩146,459	₩13,295,614	₩13,157,171	₩243,138	₩13,400,309
Construction contracts	7,051,504	-	7,051,504	8,205,122	-	8,205,122
Others	267,579	53,819	321,398	253,768	77,335	331,103
Total	₩20,468,238	₩200,278	₩20,668,516	₩21,616,061	₩320,473	₩21,936,534

25. CONSTRUCTION CONTRACTS:

(1) Details of the Group's accumulated construction income and assets and liabilities related to construction contracts as of and for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	As of and for the year ended December 31, 2014					
	Accumulated construction revenue	Accumulated construction cost	Advances from construction contract	Receivable from construction contract		Due to customers for contract work
				Claimed	Unclaimed	
DHC	₩34,602,998	₩29,448,147	₩5,154,851	₩1,105,167	₩1,102,682	₩(747,018)
DST	79,510	77,375	2,135	3,392	64,633	(412)
DEC	9,780,001	8,564,581	1,215,420	1,463,796	777,882	(142,482)
DE	188,147	147,311	40,836	-	13,000	(14,568)
DPS S.A. and others	7,748,960	6,739,164	1,009,796	77,568	185,466	(216,134)
Total	₩52,399,616	₩44,976,578	₩7,423,038	₩2,649,923	₩2,143,663	₩(1,120,614)

	As of and for the year ended December 31, 2013					
	Accumulated construction revenue	Accumulated construction cost	Advances from construction contract	Receivable from construction contract		Due to customers for contract work
				Claimed	Unclaimed	
DHC	₩32,993,094	₩27,858,865	₩5,134,229	₩1,060,740	₩1,373,139	₩(1,066,450)
DST	224,618	219,548	5,070	12,779	31,389	(3,382)
DEC	8,600,172	7,555,325	1,044,847	1,560,416	658,568	(231,672)
DE	167,748	128,992	38,756	-	10,721	(3,773)
DPS S.A. and others	6,002,165	5,199,634	802,531	234,759	302,758	(356,129)
Total	₩47,987,797	₩40,962,364	₩7,025,433	₩2,868,694	₩2,376,575	₩(1,661,406)

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

				Year ended December 31, 2014			
	Ordering organization	Project	Period	January 1, 2014	Increase (decrease)	Revenue recognized	December 31, 2014
DHC	SEC and others	Rabigh Power Plant and others	2010.9–2017.12	₩13,270,519	₩6,110,300	₩(5,496,793)	₩13,884,026
DST	Defense Acquisition Program Administration and others	Prototype research and development and others	2006.7–2018.11	117,173	110,556	(66,319)	161,410
DEC	Haeundae Jugong Apts Construction Union and others	Haeundae Jugong Apts and others	2007.5–2017.1	7,195,003	1,666,971	(2,133,437)	6,728,537
DE	KHNP and others	Singori #3–4 emergency generators and others	2005.2–2017.3	84,587	33,641	(20,726)	97,502
DPS S.A. and others	GMR and others	Raipur and others	2008.12–2030.12	2,457,071	1,307,841	(1,848,369)	1,916,543
				Year ended December 31, 2013			
	Ordering organization	Project	Period	January 1, 2013	Increase (decrease)	Revenue recognized	December 31, 2013
DHC (*)	SEC and others	Rabigh Power Plant	2010.9–2017.12	₩16,354,006	₩3,623,327	₩(6,706,814)	₩13,270,519
DST	Defense Acquisition Program Administration and others	Prototype research and development and others	2006.12–2018.5	150,454	47,050	(80,331)	117,173
DEC	Haeundae Jugong Apts Construction Union and others	Haeundae Jugong Apts and others	2007.5–2017.6	9,104,762	280,155	(2,189,914)	7,195,003
DE	KHNP and others	Singori #3–4 emergency generators and others	2005.2–2017.3	121,423	(1,507)	(35,329)	84,587
DPS S.A. and others	GMR and others	Raipur and others	2008.12–2030.12	2,315,097	2,010,505	(1,868,531)	2,457,071

(*) DHC made an in-kind contribution of its HRSG business unit to DEC during the year ended December 31, 2013. Accordingly, the changes in contract amounts above reflect transfers of ₩290,395 million on the remaining contract amount for the HRSG business unit.

26. EXPENSES CLASSIFIED BY NATURE:

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

	<u>2014</u>	<u>2013</u>
Changes in inventories	₩(186,203)	₩(65,315)
Purchases of raw materials and goods	10,208,326	9,892,777
Employee benefits	3,282,892	3,098,557
Depreciation and amortization	<u>666,022</u>	<u>633,137</u>
Total	<u>₩13,971,037</u>	<u>₩13,559,156</u>

27. 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	₩824,056	₩847,688
Provision for retirement and severance benefits	115,791	116,211
Employee welfare	162,368	169,662
Travel	79,896	78,039
Utilities	6,520	6,994
Sales commission	77,560	80,138
Taxes and dues	33,899	31,897
Rent	58,066	56,555
Depreciation	51,228	46,651
Insurance	30,608	35,002
Entertainment	14,716	14,360
Advertising	63,929	60,786
Packaging	16,936	14,566
Research and development	304,453	291,559
Education and training	25,103	27,843
Freight and custody	31,891	26,971
Sales promotion cost	20,770	14,926
Royalty	1,213	1,567
Service fees	140,381	165,675
Maintenance of office	1,394	3,051
Outsourcing fee	14,185	16,386
Bad debt expense	113,764	119,696
Amortization	87,294	74,498
Defect repair cost	22,448	25,962
Cost of developing overseas market	30,285	29,258
Others	50,728	9,725
Total	₩2,379,482	₩2,365,666

28. 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
<u>Finance income:</u>		
Interest income	₩64,239	₩81,569
Dividend income	1,754	2,466
Gain on foreign currency transaction	225,187	288,409
Gain on foreign currency translation	83,803	71,739
Gain on derivative transaction	313,362	304,163
Gain on valuation of derivatives	92,725	251,257
Gain on valuation of firm contracts	170,311	81,990
Income on financial guarantee	4,361	14,521
Total	955,742	1,096,114
<u>Finance expenses:</u>		
Interest expenses	706,113	775,058
Loss on foreign currency transaction	225,889	258,794
Loss on foreign currency translation	111,923	75,580
Loss on derivative transactions	311,977	337,581
Loss on valuation of derivatives	282,337	95,882
Loss on valuation of firm contracts	76,866	212,593
Loss on retirement of bonds	1,493	2,607
Loss on repayment of debt	36,867	1,679
Loss on payment guarantee	113,000	101,078
Others	1,469	-
Total	1,867,934	1,860,852
Net finance expenses	₩(912,192)	₩(764,738)

29. OTHER NON-OPERATING INCOME AND EXPENSES:

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
<u>Other non-operating income:</u>		
Gain on disposal of short-term investment securities	₩9,773	₩2,624
Gain on disposal of long-term investment securities	1,463	27,989
Gain on disposal of property, plant and equipment	4,743	59,507
Gain on disposal of intangible assets	295	338
Gain on disposal of investment properties	785	7,931
Gain on valuation of investment properties	9,602	17,069
Reversal of impairment losses on intangible assets	255	50
Gain on disposal of assets scheduled to sell	45,090	3,277
Gain on bargain purchase	4,069	-
Others	95,601	59,496
Total	171,676	178,281
<u>Other non-operating expenses:</u>		
Loss on disposal of trade receivables	24,949	23,981
Loss on disposal of long-term investment securities	1,433	39
Impairment loss on long-term investment securities	7,306	24,447
Loss on disposal of property, plant and equipment	9,591	13,025
Loss on disposal of intangible assets	347	356
Loss on disposal of investment properties	1,288	34
Impairment loss on property, plant and equipment	8,691	4,294
Impairment loss of intangible assets	13,103	47,941
Loss on valuation of investment properties	4,395	2,011
Loss on revaluation of land	-	18,085
Other bad debt expense	61,965	28,489
Donations	31,150	39,735
Others	143,810	99,765
Total	308,028	302,202
Net other non-operating expenses	₩(136,352)	₩(123,921)

30. 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	₩158,972	₩203,669
Deferred income tax	(298,882)	271,507
Transferred deferred income tax due to business combinations	5,083	-
Deferred income tax directly charged to equity	39,801	(392,069)
- Income tax expenses (benefit) directly charged to discontinued operations	₩(4,085)	₩3,082
- Income tax expenses (benefit) related to continuing operations	(90,941)	80,025

- (2) Income tax expenses directly charged to discontinued operations for the years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Current income tax expense	₩(4,255)	₩3,304
Deferred income tax	170	1,351
Deferred income tax directly charged to equity	-	(1,573)
Income tax expenses (benefit) directly charged to discontinued operations	₩(4,085)	₩3,082

(3) 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	Change		Business combinations	December 31, 2014
		Income (expense)	Equity		
Inventories	₩4,355	₩308	₩ -	₩(2,178)	₩2,485
AFS securities	(17,938)	165	(13,174)	-	(30,947)
Property, plant and equipment	(702,680)	(16,748)	(436)	(1,549)	(721,413)
Accrued expenses	15,782	(434)	-	(1,092)	14,256
Retirement benefit obligation	214,463	14,224	47,515	(2,889)	273,313
Reserve for research and human resource	(169,459)	10,960	-	-	(158,499)
Investment properties	(20,060)	2,147	-	-	(17,913)
Others	1,166,130	235,912	5,896	12,791	1,420,729
Consolidation adjustment	(26,065)	7,464	-	-	(18,601)
Total	₩464,528	₩253,998	₩39,801	₩5,083	₩763,410

	January 1, 2013	Change		December 31, 2013
		Income (expense)	Equity	
Inventories	₩4,040	₩315	₩ -	₩4,355
AFS securities	(19,768)	5,830	(4,000)	(17,938)
Property, plant and equipment	(434,428)	49,437	(317,689)	(702,680)
Accrued expenses	17,482	(1,700)	-	15,782
Retirement benefit obligation	138,902	165,569	(90,008)	214,463
Reserve for research and human resource	(166,531)	(2,928)	-	(169,459)
Investment properties	(16,004)	(4,056)	-	(20,060)
Others	1,242,984	(93,095)	16,241	1,166,130
Consolidation adjustment	(30,642)	1,190	3,387	(26,065)
Total	₩736,035	₩120,562	₩(392,069)	₩464,528

The Group offsets deferred tax assets and deferred tax liabilities, if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets against deferred tax liabilities relating to income taxes levied by the same taxation authority.

- (4) Temporary differences, net loss and tax credit carryforwards, which have not been recognized as deferred income tax assets and expired or unused as of December 31, 2014 and 2013, are as follows (in millions of Korean won):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deductible temporary differences	₩1,820,148	₩1,403,788

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

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Subsidiaries	₩(519,700)	₩(792,445)
Associated companies and joint ventures	<u>355,767</u>	<u>297,435</u>
Total	<u>₩(163,933)</u>	<u>₩(495,010)</u>

- (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):

	<u>2014</u>	<u>2013</u>
Profit before income tax expense	₩(118,458)	₩198,640
Income tax expense at statutory income tax rate	(28,667)	48,071
Adjustments:		
Non-temporary difference	16,449	14,762
Temporary difference not recognized as deferred income tax	(41,302)	29,717
Tax credits	(55,350)	(24,986)
Effect of tax rate change	(69)	(230)
Additional income tax and tax refund for prior periods	(941)	5,405
Others	<u>18,939</u>	<u>7,286</u>
Income tax expense (benefit)	<u>₩(90,941)</u>	<u>₩80,025</u>
Effective tax rate	(*)	40.29%

(*) Effective tax rate is not calculated due to net loss before income tax.

31. 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	₩4,582,004,286	₩60,766,809,620	₩65,348,813,906
(-) Dividends for preferred share	1,049,683,700	13,920,966,810	14,970,650,510
Net income available to common share	3,532,320,586	46,845,842,810	50,378,163,396
Weighted-average number of common shares outstanding (*1)	16,099,680	16,099,680	16,099,680
Basic earnings per share	₩219	₩2,910	₩3,129

	Year ended December 31, 2013		
	Continuing	Discontinued	Total
Net income	₩112,000,270,292	₩11,552,884,805	₩123,553,155,097
(-) Dividends for preferred share	25,218,102,743	2,601,260,116	27,819,362,859
Net income available to common share	86,782,167,549	8,951,624,689	95,733,792,238
Weighted-average number of common shares outstanding (*1)	16,367,016	16,367,016	16,367,016
Basic earnings per share	₩5,302	₩547	₩5,849

(*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	₩3,532,320,586	₩46,845,842,810	₩50,378,163,396
Share-based compensation cost	-	-	-
Adjusted net income available to common shares	3,532,320,586	46,845,842,810	50,378,163,396
Adjusted weighted-average number of common shares outstanding (*2)	16,105,459	16,105,459	16,105,459
Diluted earnings per share	₩219	₩2,909	₩3,128

	Year ended December 31, 2013		
	Continuing	Discontinued	Total
Controlling interest in net income	₩86,782,167,549	₩8,951,624,689	₩95,733,792,238
Share-based compensation cost	-	-	-
Adjusted net income available to common shares	86,782,167,549	8,951,624,689	95,733,792,238
Adjusted weighted-average number of common shares outstanding	16,380,712	16,380,712	16,380,712
Diluted earnings per share	₩5,298	₩546	₩5,844

(*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

32. COMMITMENTS AND CONTINGENCIES:

(1) Notes, bills and checks offered in security

The Group pledged several notes and checks to financial institutions as collateral for long-term borrowings and performance guarantee agreements.

(2) Financial covenant

1) DI

For the year ended December 31, 2011, DI issued 19th foreign currency denominated bonds for USD 350,000 thousand. In addition, the issued 19th foreign currency-denominated bond has an early redemption clause for when and if DI's guarantor, KDB, becomes privatized, and the funds required for such redemption will be provided by KDB to DI.

As of December 31, 2014, DI, a shareholder of DICC, entered into an agreement with unrelated financial investors, under which DI and the unrelated financial investors, as they mutually agree, may collectively dispose of all shares of DICC, belonging to each of them, to a third party. Upon exercise of the agreement by the unrelated financial investors, DI has a right to sell its shares of DICC pursuant to the agreement or otherwise repurchase the shares held by the unrelated financial investors.

2) DEC

DEC entered into construction contracts with INTDC Co., Ltd. and Daewon Plus Constructions Co., Ltd. to develop Ilsan Zenith project and Haeundae Zenith project, respectively. DEC has provided guarantees to customers, who purchase the Ilsan Zenith and Haeundae Zenith apartments for the consideration paid to purchase the apartments during the repurchase guarantee periods (2-3 years after the date of sale), should customers apply for such guarantees (see Note 32-8).

As of December 31, 2014, the Group's consolidated financial statements do not reflect the effect from such guarantees, as the Group cannot reasonably predict the number of purchasers applying for the guarantee and the related guaranteed amount.

(3) Transferred trade receivables

Outstanding trade receivables sold with recourse by the Group are in the amount of ₩40,472 million and ₩20,438 million as of December 31, 2014 and 2013, respectively. Because the Group retains some level of risks and rewards relating to trade receivables, the Group has recognized its carrying amount and cash receipt from transfer as short-term borrowings, in consolidated statements of financial position (see Note 15-(2)).

(4) Litigation in progress

Details of major lawsuits are as follows (in millions of Korean won):

<u>Subsidiaries</u>	<u>Claim</u>	<u>Claimed amount</u>
Doosan	Claims for damages and others	₩2,816
DHC and subsidiaries	Claims for cancelation of apartment contracts and others	212,623
DI and subsidiaries	Claims for damages and others	105,183
DEC and subsidiaries	Claims for damages and others	84,106
DE and subsidiaries	Claims for damages	10,207
	Total	<u>₩414,935</u>

The outcome of such pending lawsuits cannot presently be determined.

(5) Technical contract

DE and others have technical license agreements for the purpose of manufacturing specific products with MAN, MHI, YRI and others for the years ended December 31, 2014 and 2013, and the Group paid ₩87,177 million and ₩91,686 million as license fee.

(6) Operating leases

Details of non-cancelable operating leases contract for the year ended December 31, 2014, are as follows (in millions of Korean won):

	<u>Under 1 year</u>	<u>1 year– 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Minimum lease payment	₩29,324	₩105,607	₩150,654	₩285,585

(7) Credit lines for borrowings

As of December 31, 2014, the Group has entered into bank overdraft agreements amounting to ₩13,090,861 million with various financial institutions, including Hana Bank.

(8) Certification of payment

- 1) As of December 31, 2014, guarantees provided by the Group for third parties or received from third parties are as follows (in millions of Korean won):

Provider	Provided to	Amount
<u>Guarantees provided by the Group:</u>		
DHC and subsidiaries	Asan Baebang's customers and others	₩336,092
DI and subsidiaries	Daewoo Engineering & Construction and others	1,030,169
DEC and subsidiaries	Ilsan Zenith's customers and others	1,877,180
DE and subsidiaries	Employee stock ownership association	7,307
	Total	₩3,250,748
Provided to	Provider	Amount
<u>Guarantees received from financial institutions:</u>		
The Parent	Korea Defense Industry Association and others	₩78,642
	Seoul Guarantee Insurance	16,935
	Shinhan Bank	198
	Woori Bank and others	17,993
Oricom Inc.	Seoul Guarantee Insurance	1,495
	Woori Bank	490
Doosan Feed & Livestock Co., Ltd.	Seoul Guarantee Insurance	309
	Shinhan Bank and others	4,082
DST	Korea Defense Industry Association	612,678
	Seoul Guarantee Insurance	8,281
	Korea Exim Bank	520
Doosan Tower Co., Ltd.	Seoul Guarantee Insurance	122
Doosan Bears, Inc.	Seoul Guarantee Insurance	543
Circuit Foil Luxembourg Sarl	BGL BNP PARIBAS LUX	33
DHC and subsidiaries	Mashreq Bank	210,442
	Construction Guarantee Cooperative	393,116
	Korea Trade Insurance Corporation	528,212
	Seoul Guarantee Insurance	826,848
	Korea Exim Bank	604,649
	Korea Exchange Bank	445,986
	Machinery Financial Cooperative	1,169,393
	Korea Federation of Small and Medium Business and others	2,287,013
DI and subsidiaries	KDB and others	386,918
	Seoul Guarantee Insurance and others	12,825
DE and subsidiaries	Korea Exchange Bank	68,308
	Woori Bank	60,656
	Nonghyup Bank	19,875
	Kookmin Bank	6,516
	Hana Bank	3,189

Provided to	Provider	Amount
DEC and subsidiaries	Construction Guarantee Cooperative	1,824,513
	Korea Housing Guarantee	691,393
	Seoul Guarantee Insurance	119,610
	Dongbu Corporation and others	474,608
	Korea Exchange Bank	73,392
	Woori Bank	82,365
	Hana Bank	67,100
	KDB	56,441
	Shinhan Bank	1,418
	Korea Exim Bank	80,094
	Machinery Financial Cooperative	128,222
	ACB Bank	10,769
		<u>₩11,376,192</u>

As of December 31, 2014, DEC provides joint and several guarantees amounting to ₩670,479 million to GS Engineering & Construction Corporation and other construction companies. The Parent has responsibility of joint liability guarantee with Neoholdings Co., Ltd., which is a spin-off company from 2012, for existing liabilities prior to spin-off.

2) Certification of payment related to PF

As of December 31, 2014, certifications of payment to DEC, and DHC for PF of developer are as follows (in millions of Korean won):

Business name	Bond institution	The term of guarantee	Limit of guarantee	The balance	Description
<u>Asset-backed commercial paper:</u>					
Sangdo-dong Doosan Weve 2	Kiwoom Securities and others	2014.05.29–2015.05.26	₩60,000	₩60,000	Debt acceptance
Hanam Doosan Weve Park	HI Securities and others	2014.11.13–2015.11.11	50,000	50,000	Debt acceptance
Subtotal			110,000	110,000	
<u>Loan:</u>					
Seoul Forest Trimage	KFCC and others	2014.04.28–2017.08.28	210,000	210,000	Debt acceptance
Yongin Administration Town	KDB Capital and others	2014.04.18–2016.04.17	55,000	55,000	Debt acceptance
Hongcheon Mokok CC	SC Bank and others	2014.04.23–2015.04.22	124,000	124,000	Debt acceptance
Pohang New Port	Shinhan Bank and others	2010.03.26–2025.12.31	7,447	7,447	Joint and several guarantee
Daejeon Cheonbyeon	Hana Bank	2004.05.06–2024.05.06	7,167	3,987	Joint and several guarantee
Banwol-dong, Hwaseong	Nonghyup Bank and others	2008.03.31–2015.06.30	123,500	95,000	Joint and several guarantee
Subtotal			527,114	495,434	
<u>A short-term debenture:</u>					
Seoul Forest Trimage	LIG Securities and others	2014.04.28–2017.08.28	35,000	35,000	Debt acceptance
Yongin Administration Town	SK Securities	2014.04.18–2016.04.17	30,000	30,000	Debt acceptance
Sangdo-dong Doosan Weve 2	Kiwoom Securities	2014.05.27–2015.05.26	150,000	150,000	Debt acceptance
Hanam Doosan Weve Park	KTB Securities and others	2014.11.13–2015.11.11	30,000	30,000	Debt acceptance
Hongcheon Mokok CC	Kyobo Securities and others	2014.04.23–2015.04.22	66,000	51,000	Debt acceptance
Ulsan Daehyeon-dong	KTB Securities	2014.10.08–2015.01.08	41,600	32,000	Joint and several guarantee
Cheonan Cheongdang-dong	Shin Young Securities	2014.12.19–2015.03.19	65,000	50,000	Joint and several guarantee
Osong Complex	Nonghyup Bank and others	2014.12.31–2015.03.31	65,000	50,000	Joint and several guarantee
Subtotal			482,600	428,000	
Total			₩1,119,714	₩1,033,434	

(9) Covenant related to unconsolidated structured entities

Details of unconsolidated structured entities as of December 31, 2014, are as follows (in millions of Korean won):

	Asset amount of interests in unconsolidated structured entities	Liability amount of interests in unconsolidated structured entities	Maximum exposure to the loss of unconsolidated structured entities
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	₩ -	₩55,400	₩55,400
DS SOLBAT 2nd Co., Ltd	-	64,000	64,000
Doosan E&C 1st Co., Ltd. (*1)	-	110,000	110,000
DS Haeundae Project Co., Ltd.	-	109,600	109,600
PINETREECITY 1st Co., Ltd. (*1)	-	50,000	50,000
SD 1st Co., Ltd.	-	75,050	75,050
DS SOLBAT 3rd Co., Ltd	-	40,000	40,000
DS SOC 1st Co., Ltd.	-	50,000	50,000

(* 1) The Group has provided certain tangible assets of DEC as collateral related to obligation for financial support to structured entities.

Details of securitization assets and method are as follows:

	Assets	Method
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	Shares of Doosan Cuvex Co., Ltd.	Issuing ABS bonds
DS SOLBAT 2nd Co., Ltd	Future construction receivables from Cheongju G-well City 2nd projects	Issuing ABS bonds
Doosan E&C 1st Co., Ltd.	Plant	Issuing ABS bonds
DS Haeundae Project Co., Ltd.	Future construction receivables from Haeundae AID reconstruction projects	Issuing ABS bonds
PINETREECITY 1st Co., Ltd.	Changwon 1st and 2nd plant	Issuing ABS bonds
SD 1st Co., Ltd.	Future construction receivables from nine government-ordered construction projects, including Incheon-Gimpo Expressway	Issuing ABS bonds
DS SOLBAT 3rd Co., Ltd	Future construction receivables from three construction projects, including Hanam Misa 14 District	Issuing ABS bonds
DS SOC 1st Co., Ltd.	Future construction receivables from SOC business	Issuing ABS bonds

(10) Redeemable convertible preferred stock

Detail	Description
Issue company	DEC
Issue price	₩399,999,987,200
Issue day	December 16, 2013
Conversion period	From March 16, 2017, to March 15, 2018
Dividend condition	Based on the issue price, 6.5% per year
Others	<ul style="list-style-type: none">① If issue company has profit available for dividends, it can redeem all or some portion of preferred stock on December 16, 2015 or 2016② Limited to 30% of total issued amount③ Issue company has the redeemable right in connection with the redeemable convertible preferred stock④ No voting right was given. However, in the case where no dividend payment for preferred stock is declared at a shareholders' meeting, one voting right per share will be given from the next shareholders' meeting up to the shareholders' meeting where dividend payment for preferred stock is declared⑤ Covenant related to conversion<ul style="list-style-type: none">- Conversion right: Both preferred shareholders and DEC hold conversion right. In the case of exercising early conversion right, only preferred shareholders have the conversion right.- Early conversion: Preferred shareholders can convert on December 16, 2015, and two business days prior to such date- Conversion ratio: One common stock for one preferred stock
Option	In connection with the settlement of redeemable convertible preferred stock, DHC entered into the contracts related to call option with preferred shareholders (see Note 9)

(11) Ordinary wages

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

33. PLEDGED ASSETS:

- (1) The Group pledged certain assets as collateral for its long-term and short-term borrowings as of December 31, 2014, as follows:

1) DI, DIBH and DE

On May 2014, DII and DHEL entered into a new loan agreement, under which they raised a total of USD1,700,000 thousand. The borrowings, amounting to USD1,300,000 thousand, are secured by 34,338 shares of DII and 30,174 shares of DHEL held by DIBH and DE, as well as secured by certain tangible and intangible assets of DII and DHEL. Meanwhile, limit loan agreement of USD100,000 thousand is secured by the shares of DII and DHEL.

DI has provided 3,188 and 4,540 shares of DII and 3,413 and 4,859 shares of DHEL, respectively, held by DIBH as collateral to TY Solution 1st Co., Ltd. and other six parties for borrowings amounting to ₩145,000 million and Woori Bank and other three parties for borrowings amounting to ₩200,000 million.

DIBH has provided its 20,429 shares of DII as collateral related to 19th foreign bonds issued by DI.

2) DEC

DEC has provided its 1,200,000 shares of Doosan Cuvex Co., Ltd. as collateral in connection with an overdraft limit agreement amounting to ₩265,902 million with Woori Bank. As of December 31, 2014, the balance of related borrowing amounted to ₩265,902 million.

DEC has provided 24.76% of equity interests in Doosan Heavy Industry Vietnam Co., Ltd. as collateral in connection with an overdraft limit agreement amounting to ₩61,661 million with KDB. As of December 31, 2014, the balance of related borrowing amounted to ₩61,661 million.

DEC has provided a certain portion of property, plant and equipment in trust with NH Investment & Securities for the borrowings amounting to ₩20,000 million and ₩10,000 million from Grand Eighth and DS Changwon the 1st Co., Ltd., respectively. As of December 31, 2014, the balance on the related trust asset amounted to ₩245,826 million.

3) Pledged assets by consolidated entity other than the above are summarized as follows (in millions of Korean won):

Pledgor	Asset	Institution	Borrowings	Collateralized value
DHC and others	Property, plant and equipment and investment properties	KDB and others	₩1,953,026	₩2,764,135
DHC and DI	Short-term financial instruments	Bank of China and others	131,399	249,707
Doosan and DEC	Short- and long-term investment securities	Korea Housing Guarantee	10,171	9,759
DIP Holdings Co., Ltd.	Shares of subsidiaries and affiliated company	KDB	61,500	79,200
DHC, DEC and others	Trade receivables	Banca Transylvania and others	5,400	15,921
Total			₩2,161,496	₩3,118,722

Benefit entitlement on inventories has been provided as collateral to KDB.

4) Pledged assets to parties other than consolidated entity are summarized as follows (in millions of Korean won):

Pledgor	Asset	Institution	Beneficiary	Book value
DEC	Investments in joint ventures and associates	KDB and others	New Bundang Line	₩46,538
		Kyungnam Bank and others	Haman Industrial Complex	397
	Long-term investment securities	KDB and others	Metropolitan West Highway and others	59,258
DE	Long-term financial instruments	The Korea Securities Finance Corporation	Employee stock ownership association	1,928
Total				₩108,121

34. **RELATED-PARTY TRANSACTIONS:**

Related-party disclosures for the years ended December 31, 2014 and 2013, are as follows:

(1) Nature of relationship

Relationship with the Company	Company name
Associates	Guang Dong Xingpu Steel Center Doosan Eco Biznet MVP Capital Co., Ltd. Doosan Capital Co., Ltd. (“Doosan Capital”) Tamra Offshore Wind Power Co., Ltd. Doosan (China) Financial Leasing Corp. (“DCFL”) DSDMP Shinbundang Railroad Co., Ltd. Kyunggi Railroad Co., Ltd. Neo Trans and others
Joint ventures	Sichuan Kelun-Doosan Biotechnology Company Limited Haman Industrial Complex Xuzhou Xugong Doosan Engine Co., Ltd. and others
Unconsolidated structured entities	Doosan Cuvex 1st Securitization Specialty Co., Ltd. DS Gangnam Bundang Inc DS SOLBAT 1st Co., Ltd. DS SOLBAT 2nd Co., Ltd. DS SOLBAT the 3rd Co., Ltd. DS Haeundae Project Co., Ltd. Doosan E&C 1st Co., Ltd. PINETREECITY 1st Co., Ltd. M.D.S Liquidity Project Co., Ltd. SD 1st Co., Ltd. DS SOC 1st Co., Ltd. and others
Other related parties	Doosan Credit Union Yeongang Foundation Neoplux Chung-Ang University and others

(2) Significant transactions

- 1) For the year ended December 31, 2014, significant transactions between the Group and related parties are as follows (in millions of Korean won):

	2014			
	Sales	Sales- other	Purchase	Purchases- others
<u>Associates:</u>				
Doosan Capital	₩2,793	₩ -	₩ -	₩ -
DCFL	-	4,382	-	-
Kyunggi Railroad Co., Ltd.	94,004	-	19	-
Neo Trans	6,094	3	444	-
Others	274	-	179	517
Subtotal	103,165	4,385	642	517
<u>Joint ventures:</u>				
Haman Industrial Complex	248	-	-	-
Others	-	-	-	-
Subtotal	248	-	-	-
<u>Unconsolidated structured entities:</u>				
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	-	6,001
DS Gangnam Bundang Inc.	-	-	-	4,863
DS SOLBAT 1st Co., Ltd.	-	-	-	3,836
DS SOLBAT 2nd Co., Ltd.	-	-	-	4,243
DS SOLBAT 3rd Co., Ltd.	-	-	-	640
DS Haeundae Project Co., Ltd.	-	-	-	6,435
Doosan E&C 1st Co., Ltd.	-	-	-	8,915
PINETREECITY the 1st Co., Ltd.	-	-	-	3,944
M.D.S Liquidity Project Co., Ltd.	-	-	-	3,792
SD 1st Co., Ltd.	-	-	-	3,690
DS SOC 1st Co., Ltd.	-	-	-	7
Subtotal	-	-	-	46,366
<u>Other related parties:</u>				
Doosan Credit Union	768	-	2,047	3,427
Yeongang Foundation	2,124	-	1,093	5,371
Chung-Ang University	32,411	-	958	15,533
Others	2,746	1	1,070	1,675
Subtotal	38,049	1	5,168	26,006
Total	₩141,462	₩4,386	₩5,810	₩72,889

- 2) For the year ended December 31, 2013, significant transactions between the Group and related parties are as follows (in millions of Korean won):

	2013			
	Sales	Sales- other	Purchase	Purchases- others
<u>Associates:</u>				
Doosan Capital	₩ -	₩4,684	₩ -	₩ -
DCFL	3	3,053	2,872	-
Kyunggi Railroad Co., Ltd.	97,221	-	231	-
Neo Trans	5,741	-	1	-
Others	5	-	267	199
Subtotal	102,970	7,737	3,371	199
<u>Joint ventures:</u>				
HAMAN Industrial Complex	221	-	-	-
Others	2,394	-	-	-
Subtotal	2,615	-	-	-
<u>Unconsolidated structured entities:</u>				
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	-	7,206
DUY 1st Co., Ltd.	-	-	-	2,978
DS Cheongju 1st Co., Ltd.	-	-	-	2,852
Poseidon We've Co., Ltd.	-	-	-	1,530
DS Gangnam Bundang Inc.	-	-	-	10,434
DS SOLBAT 1st Co., Ltd.	-	-	-	6,081
DS Haeundae Project Co., Ltd.	-	-	-	1,530
Doosan E&C 1st Co., Ltd.	-	-	-	197
Others	-	-	-	2,899
Subtotal	-	-	-	35,707
<u>Other related parties:</u>				
Doosan Credit Union	629	-	1,140	3,451
Yeongang Foundation	2,178	487	53	6,189
Chung-Ang University	25,369	-	37	24,110
Others	4,114	29	1,132	3,820
Subtotal	32,290	516	2,362	37,570
Total	₩137,875	₩8,253	₩5,733	₩73,476

(3) Significant balances related to the transactions between the Group and related parties (in millions of Korean won):

1) For the year ended December 31, 2014

	Receivables			Payables		
	Trade receivables	Other receivables	Loans	Trade payables	Other payables	Borrowings
<u>Associates:</u>						
DCFL	₩ -	₩395	₩1,396	₩ -	₩ -	₩ -
Kyunggi Railroad Co., Ltd.	1,550	9	12,300	6	-	-
Neo Trans	161	-	-	104	79	-
Others	11,064	-	10,212	20	164	-
Subtotal	12,775	404	23,908	130	243	-
<u>Joint ventures:</u>						
Haman Industrial Complex	11,823	5,921	-	-	-	-
<u>Unconsolidated structured entities:</u>						
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	-	-	-	55,400
DS SOLBAT 2nd Co., Ltd.	-	-	-	-	-	64,000
DS SOLBAT 3rd Co., Ltd.	-	-	-	-	-	40,000
DS Haeundae Project Co., Ltd.	-	-	-	-	-	109,600
Doosan E&C 1st Co., Ltd.	-	-	-	-	-	110,000
PINETREECITY 1st Co., Ltd.	-	-	-	-	-	50,000
SD 1st Co., Ltd.	-	-	-	-	-	75,050
DS SOC 1st Co., Ltd.	-	-	-	-	-	50,000
Subtotal	-	-	-	-	-	554,050
<u>Other related parties:</u>						
Doosan Credit Union	57	2	-	-	605	-
Yeongang Foundation	11	1,712	-	3	348	-
Chung-Ang University	3	198	-	159	152	-
Others	19	9	-	218	1,287	-
Subtotal	90	1,921	-	380	2,392	-
Total	₩24,688	₩8,246	₩23,908	₩510	₩2,635	₩554,050

2) For the year ended December 31, 2013

	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
<u>Associates:</u>					
DCFL	₩ -	₩5,913	₩ -	₩ -	₩ -
Kyunggi Railroad Co., Ltd.	15,905	9	-	-	-
Neo Trans	557	8	1	-	-
Others	11,023	2,978	72	198	-
Subtotal	27,485	8,908	73	198	-
<u>Joint ventures:</u>					
Haman Industrial Complex	14,373	5,921	-	64	-
Others	1,017	171	-	-	-
Subtotal	15,390	6,092	-	64	-
<u>Unconsolidated structured entities:</u>					
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	-	-	95,000
DS Gangnam Bundang Inc.	-	-	-	-	45,000
DS SOLBAT 1st Co., Ltd.	-	-	-	-	130,000
Doosan E&C 1st Co., Ltd.	-	-	-	-	110,000
Subtotal	-	-	-	-	380,000
<u>Other related parties:</u>					
Doosan Credit Union	57	4	-	989	-
Yeongang Foundation	215	2,013	3	506	-
Chung-Ang University	3	170	-	12	-
Others	47	8	225	1,063	-
Subtotal	322	2,195	228	2,570	-
Total	₩43,197	₩17,195	₩301	₩2,832	₩380,000

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

1) For the year ended December 31, 2014

	Loans		Borrowings		Investments		Dividend	
	Loans	Collection	Borrowings	Refunding	Received	Provided	Income	Payout
<u>Associates:</u>								
DCFL	₩1,396	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Doosan do BPL	-	261	-	-	-	-	-	-
Kyunggi Railroad Co., Ltd.	12,300	-	-	-	-	18	-	-
New Seoul Railroad Co., Ltd.	354	-	-	-	-	250	-	-
Others	9,858	-	-	-	-	-	14	-
Subtotal	23,908	261	-	-	-	268	14	₩ -
<u>Joint ventures:</u>								
Hanjung Power Ltd.	-	-	-	-	-	-	1,494	-
Sichuan Kelun-Doosan Biotechnology Company Limited	-	-	-	-	-	-	931	-
Subtotal	-	-	-	-	-	-	2,425	₩ -
<u>Unconsolidated entities:</u>								
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	90,000	129,600	-	-	-	-
DS Gangnam Bundang Inc.	-	-	70,000	115,000	-	-	-	-
DS SOLBAT 1st Co., Ltd.	-	-	143,000	273,000	-	-	-	-
DS SOLBAT 2nd Co., Ltd.	-	-	160,000	96,000	-	-	-	-
DS SOLBAT 3rd Co., Ltd.	-	-	40,000	-	-	-	-	-
DS Haeundae Project Co., Ltd.	-	-	110,000	400	-	-	-	-
M.D.S Liquidity Project Co., Ltd.	-	-	80,000	80,000	-	-	-	-
PINETREECITY 1st Co., Ltd.	-	-	150,000	100,000	-	-	-	-
SD 1st Co., Ltd.	-	-	135,000	59,950	-	-	-	-
DS SOC 1st Co., Ltd.	-	-	50,000	-	-	-	-	-
Subtotal	-	-	1,028,000	853,950	-	-	-	₩ -
Total	₩23,908	₩261	₩1,028,000	₩853,950	₩ -	₩268	₩2,439	₩ -

2) For the year ended December 31, 2013

	Loans		Borrowings		Investments		Dividend	
	Loans	Collection	Borrowings	Refunding	Received	Provided	Income	Payout
<u>Associates:</u>								
Doosan Capital	₩ -	₩ -	₩ -	₩ -	₩ -	₩70,000	₩ -	₩ -
Tamra Offshore WindPower Co., Ltd.	-	-	-	-	-	2,412	-	-
DCFL	-	20,613	-	-	-	-	-	-
New Seoul Railroad Co., Ltd.	-	-	-	-	-	298	-	-
Subtotal	-	20,613	-	-	-	72,710	-	-
<u>Joint ventures:</u>								
Hanjung Power Ltd.	-	-	-	-	-	-	4,462	-
Others	-	-	-	-	-	290	-	-
Subtotal	-	-	-	-	-	290	4,462	-
<u>Unconsolidated entities:</u>								
RC 1st Securitization Specialty Co., Ltd.	-	-	-	30,800	-	-	-	-
Doosan Cuvex 1st Securitization Specialty Co., Ltd.	-	-	-	20,000	-	-	-	-
DUY 1st Co., Ltd.	-	-	-	45,000	-	-	-	-
DS Cheongju 1st Co., Ltd.	-	-	-	50,000	-	-	-	-
DS Gangnam Bundang Inc.	-	-	150,000	171,000	-	-	-	-
DS SOLBAT 1st Co., Ltd	-	-	280,000	150,000	-	-	-	-
IZenith 2nd Co., Ltd..	-	-	140,000	140,000	-	-	-	-
Doosan E&C 1st Co., Ltd.	-	-	110,000	-	-	-	-	-
Poseidon Weave 1st Co., Ltd.	-	-	50,000	50,000	-	-	-	-
Subtotal	-	-	730,000	656,800	-	-	-	-
Total	₩ -	₩20,613	₩730,000	₩656,800	₩ -	₩73,000	₩4,462	₩ -

(5) As of December 31, 2014, the Group provides guarantees and warranties for related party. (see Notes 32 and 33)

(6) Compensation to key management personnel of the Group for the years ended December 31, 2014 and 2013, is as follows (in millions of Korean won):

	2014	2013
Employee benefits	₩145,887	₩144,238
Severance benefits	12,897	11,592
Share-based payments	8,900	10,157
Total	₩167,684	₩165,987

35. CONSOLIDATED STATEMENTS OF CASH FLOWS:

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

	2014	2013
<u>Adjustments:</u>		
Expenses not involving cash payments and others:		
Bad debt expense	₩113,471	₩120,606
Cost of goods sold (allowance for inventory)	19,734	(23,812)
Depreciation	463,239	464,784
Amortization	202,783	168,353
Severance indemnities	176,282	215,540
Compensation expenses of share-based payments	8,900	10,157
Interest income	(65,067)	(83,451)
Dividend income	(1,754)	(2,466)
Gain on foreign currency translation	(83,855)	(71,743)
Gain on valuation of derivatives	(92,725)	(251,257)
Gain on valuation of fixed-price contract	(170,311)	(81,990)
Gain on financial warranty	(4,361)	(14,521)
Interest expenses	709,849	779,975
Loss on foreign currency translation	111,934	75,629
Loss on valuation of derivatives	282,337	95,882
Loss on valuation of fixed-price contract	76,866	212,593
Loss on retirement of bonds	1,493	2,607
Loss on retirement of redemption fund	36,867	1,679
Loss on payment guarantee	96,209	73,953
Gain on disposal of short-term investment securities	(9,877)	(2,818)
Gain on disposal of long-term investment securities	(1,463)	(27,989)
Gain on disposal of properties	(4,761)	(59,562)
Gain on disposal of intangible assets	(330)	(338)
Gain on disposal of investment in real properties	(785)	(8,828)
Gain on disposal of properties scheduled to disposal	(45,090)	(3,277)
Gains on valuation of investment in real properties	(9,602)	(17,069)
Reversal of impairment losses on intangible assets	(267)	(50)
Gain on bargain purchase	(4,069)	-
Gain on disposal of subsidiaries (discontinued operation)	(67,876)	-
Loss on disposal of Trade receivables	24,949	24,035
Loss on disposal of long-term investment securities	1,433	39
Loss on impairment of long-term investment securities	7,306	24,447
Loss on disposal of properties	9,741	13,135
Loss on disposal of intangible asset	347	372
Loss on disposal of investment in real properties	1,288	34
Loss on valuation of investment in real properties	4,395	2,011
Loss from revaluation of land	-	18,085

(continued)

	2014	2013
Loss on impairment of properties	12,252	4,294
Loss on impairment of intangible asset	13,542	50,638
Other bad debt expense	61,948	28,771
Provision for warranties	37,461	108,647
Share of loss of equity-accounted investees	77,994	47,880
Income tax expense (gain)	(95,026)	83,107
Other expense (gain)	(40,181)	(39,826)
Total	<u>₩1,855,220</u>	<u>₩1,938,256</u>

	2014	2013
Changes in operating assets and liabilities:		
Increase or decrease in trade receivables	₩(57,349)	₩87
Increase or decrease in other receivables	(21,854)	(64,737)
Increase or decrease in due from customers for contract work	250,431	(326,611)
Increase or decrease in derivative assets (liability)	90,778	171,841
Increase or decrease in inventories	(262,198)	271,593
Increase or decrease in other current assets	(159,691)	235,286
Increase or decrease in other long-term receivables	(2,854)	2,456
Increase or decrease in other non-current assets	(61,328)	(14,649)
Increase or decrease in trade payables	583,186	(23,003)
Increase or decrease in other payables	(133,164)	(157,258)
Increase or decrease in due to customers for contract work	(557,219)	(485,994)
Increase or decrease in provisions	(77,436)	(122,970)
Increase or decrease in other current liabilities	83,184	(129,662)
Increase or decrease in other long-term payables	268,620	61,701
Increase or decrease in other non-current liabilities	(1,471)	(10,381)
Payment of severance benefits	(155,988)	(145,618)
Increase or decrease in plan assets	(111,540)	(80,166)
Increase or decrease in assets and liabilities related with other operations	(32,732)	(34,902)
Total	<u>₩(358,625)</u>	<u>₩(852,987)</u>

(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 construction in progress to property, plant and equipment and others	₩269,152	₩346,336

36. PROPERTIES SCHEDULED TO DISPOSAL:

- (1) The properties scheduled to disposal as of December 31, 2014 and 2013, are as follows
(in millions of Korean won):

	<u>Consolidated subsidiary</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Properties scheduled to disposal:</u>			
Gyeonggi Expressway	DHC	₩ -	₩22,572
Doosan Infracore Xinjiang Machinery	DI	<u>-</u>	<u>440</u>
Total		<u>₩ -</u>	<u>₩23,012</u>

37. **BUSINESS COMBINATION:**

(1) Details of business combination are summarized as follows (in millions of Korean won):

Details	2014
Acquired company	Fuelcellpower Co., Ltd
Object	Finding new opportunities for growth
Principal activity	Manufacturing and sales of fuel cell
Date of acquisition	September 30, 2014
Acquired shares	Mergers as new issue of stock
Purchase price (*)	₩19,975
Merger accounting method	Acquisition

(*) Fair value of the 131,788 new shares issued for merger and closing price of ₩113,000 as of the date of merger.

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

	Fuelcellpower Co., Ltd.
<u>Fair value of assets acquired:</u>	
Current assets	₩14,087
Non-Current assets	7,423
Subtotal	21,510
<u>Fair value of liabilities acquired:</u>	
Current liabilities	30,311
Non-Current liabilities	1,512
Subtotal	31,823
Fair value of net assets acquired	₩(10,313)

(3) Goodwill in business combinations for the year ended December 31, 2014, is as follows (in millions of Korean won):

	Fuelcellpower Co., Ltd.
Purchase price	₩19,975
Fair value of the identifiable netassets acquired	(10,313)
Goodwill	₩30,288

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

	<u>Fuelcellpower Co., Ltd.</u>
Consideration paid-in cash	₩ -
Acquisition of cash and cash equivalents	<u>779</u>
Total	<u>₩779</u>

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

	<u>Fuelcellpower Co., Ltd.</u>
Sales	₩8,208
Net income	(162)

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.

38. ADDITIONAL ACQUISITION OF CONSOLIDATED SUBSIDIARY:

(1) Details of acquisition of subsidiaries are summarized as follows:

Details	Doosan Fuel Cell America, Inc.	Doosan Electro-Materials Luxembourg Sarl
Business transferer	ClearEdge Power, Inc.	Circuit Foil Luxembourg Sarl
Location	USA	Luxembourg
Principal activity	Manufacturing and sales of fuel cell	Copper-clad laminates and others
Date of acquisition	2014.7.18	2014.7.10
Purchase price	USD 32,397 thousand (₩33,185 million)	USD 49,357 thousand (₩50,507 million)

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

	Doosan Fuel Cell America, Inc.	Doosan Electro-Materials Luxembourg Sarl	Total
<u>Fair value of assets acquired:</u>			
Current assets	₩51,007	₩58,045	₩109,052
Non-Current assets	16,154	22,907	39,061
Subtotal	67,161	80,952	148,113
<u>Fair value of liabilities acquired:</u>			
Current liabilities	35,037	20,557	55,594
Non-Current liabilities	6,893	5,495	12,388
Subtotal	41,930	26,052	67,982
Fair value of net assets acquired	₩25,231	₩54,900	₩80,131

(3) Goodwill in acquisition of subsidiaries for the year ended December 31, 2014, is as follows (in millions of Korean won):

	Doosan Fuel Cell America, Inc.	Doosan Electro-Materials Luxembourg Sarl	Total
Purchase price	₩33,185	₩50,507	₩83,692
Fair value of the identifiable net assets acquired	25,231	54,900	80,131
Cumulative effect of foreign currency translation	581	324	905
Goodwill	₩8,535	₩(4,069)	₩4,466

- (4) Net cash flows in acquisition of subsidiaries for the year ended December 31, 2013, are as follows (in millions of Korean won):

	Doosan Fuel Cell America, Inc.	Doosan Electro-Materials Luxembourg Sarl	Total
Consideration paid-in cash	₩33,185	₩50,507	₩83,692
Acquisition of cash and cash equivalents	-	2,665	2,665
Total	₩(33,185)	₩(47,842)	₩(81,027)

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

	Doosan Fuel Cell America, Inc	Doosan Electro-Materials Luxembourg Sarl	Total
Sales	₩40,446	₩39,376	₩79,822
Net income	(17,176)	(1,655)	(18,831)

39. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS):

(1) The details of discontinued operations as of December 31, 2014, are as follows:

Details	SRS Korea Co., Ltd.	Doosan Dong-A Co., Ltd.
Main products and services	Food manufacturing and selling business	Publishing business
Disposal date	August 27, 2014	October 23, 2014
Method	Disposal of shares	Disposal of shares
Acquiring company	Restaurant Investments Asia B.V.	YES24 CO., LTD.
Disposal price	₩100,000 million	₩25,000 million

(2) The book value of net assets disposed as of disposal date is as follows (in millions of Korean won):

	SRS Korea Co., Ltd.	Doosan Dong-A Co., Ltd.	Total
<u>Assets:</u>			
Current assets	₩22,798	₩48,020	₩70,818
Non-Current assets	60,999	78,839	139,838
Subtotal	83,797	126,859	210,656
<u>Liabilities:</u>			
Current liabilities	26,876	109,866	136,742
Non-Current liabilities	11,739	5,551	17,290
Subtotal	38,615	115,417	154,032
Net assets	₩45,182	₩11,442	₩56,624

(3) Details of gain on subsidiaries disposal are as follows (in millions of Korean won):

	Price of net asset disposed	Value of net asset disposed	Incidental expense of disposal	Gain on subsidiaries disposal
SRS Korea Co., Ltd.	₩100,000	₩(45,182)	₩(500)	₩54,318
Doosan Dong-A Co., Ltd.	25,000	(11,442)	-	13,558
Total	₩125,000	₩(56,624)	₩(500)	₩67,876

- (4) Net cash flows incurred by subsidiaries disposal for the year ended December 31, 2014, are as follows (in millions of Korean won):

	Price of net asset disposed	Cash of transferred business	Incidental expense of disposal	Net cash flows
SRS Korea Co., Ltd.	₩100,000	₩(14,334)	₩(500)	₩85,166
Doosan Dong-A Co., Ltd.	25,000	(3,219)	-	21,781
Total	₩125,000	₩(17,553)	₩(500)	₩106,947

- (5) Details of income from discontinued operations for the disposal years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Operating income	₩200,278	₩320,473
Operating expense	205,949	300,775
Financial expenses	(2,839)	(3,226)
Other non-operating income (expenses)	65,192	(1,837)
Income tax (expenses) income	(4,085)	3,082
Total	₩60,767	₩11,553

- (6) Details of net cash flows from operating activities, investing activities and financing activities attributable to discontinued operations for the disposal years ended December 31, 2014 and 2013, are as follows (in millions of Korean won):

	2014	2013
Cash flows from operating activities	₩16,126	₩5,731
Cash flows from investing activities	94,627	(8,943)
Cash flows from financing activities	1,200	(15,220)
Total	₩111,953	₩(18,432)