DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report

As of and For the Year Ended December 31, 2015 and 2014

Doosan Infracore Co., Ltd.

Contents

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 17, 2016.

To the Shareholders and the Board of Directors of
Doosan Infracore Co., Ltd.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Doosan Infracore Co., Ltd. and subsidiaries (the "Company"), which comprise the consolidated statement of financial position as of December 31, 2015 and 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the year ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and 2014, and its financial performance and its cash flows for the year ended December 31, 2015, and 2014, in accordance with K-IFRS.

Deloitte Anjin LLC.

March 17, 2016

<u>**Notice to Readers**</u>

This report is effective as of March 17, 2016, the auditor’s report date. Certain subsequent events or circumstances may have occurred between the auditor’s report date and the time the auditor’s report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to the auditor’s report.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
(the “Company”)

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, Doosan Infracore Co., Ltd.

Sohn, Dong-youn
Chief Executive Officer
DOOSAN INFRACORE CO., LTD.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014
(In Korean won)

ASSETS	Notes	December 31, 2015	December 31, 2014
CURRENT ASSETS:			
Cash and cash equivalents	2,4,5,10	₩560,002,522,384	₩362,952,767,457
Short-term financial instruments	2,4,5,10	381,899,640,621	536,439,120,645
Short-term investment securities	2,4,6,10	440,994,129	7,440,999,728
Trade and other receivables, less allowance for doubtful accounts	2,3,4,7,10,33,35	1,231,866,238,328	1,238,907,952,584
Derivative assets	2,4,9,10	8,330,967,001	12,104,816,893
Inventories	2,8	1,555,734,717,186	1,705,076,985,802
Other current assets		137,746,050,506	156,577,730,192
Total Current Assets		3,876,021,130,155	4,019,500,373,301
NON-CURRENT ASSETS:			
Long-term financial instruments	2,4,5,10	57,352,345,687	2,011,500,000
Long-term investment securities	2,4,6,10	97,862,349,930	87,816,767,174
Long-term trade and other non-current receivables, less allowance for doubtful accounts	2,3,4,7,10,35	2,637,222,111	10,600,551,073
Non-current derivative assets	2,4,9,10	158,889,290	100,821,253
Investments in joint ventures and associates	2,11,33,35	1,253,566,504	121,446,546,400
Property, plant and equipment, net	2,3,12,34	2,254,064,431,753	2,282,571,856,345
Intangible assets, net	2,3,13	4,423,689,090,861	4,632,573,417,301
Investment property, net	2,14	30,274,383,748	27,374,497,403
Deferred income tax assets	2,3,30	512,528,822,533	660,480,812,191
Other non-current assets	10	127,330,583,318	112,950,284,767
Total Non-current Assets		7,507,151,685,735	7,937,927,053,907
TOTAL ASSETS		₩11,383,172,815,890	₩11,957,427,427,208

(Continued)

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2015 AND 2014
(In Korean won)

LIABILITIES AND EQUITY	Notes	December 31, 2015	December 31, 2014
CURRENT LIABILITIES:			
Trade and other payables	4,10,15,35	₩1,063,584,860,464	₩1,218,877,369,478
Short-term borrowings	2,4,10,16,33,34	1,256,764,551,718	1,153,808,869,334
Current portion of bonds	4,10,16,33	809,000,378,306	69,931,995,390
Current portion of long-term borrowings	2,4,10,16,33,34	319,795,461,873	393,318,014,512
Income taxes payable	2,30	29,363,333,520	29,233,399,624
Derivative liabilities	2,4,9,10	25,487,152,056	20,280,675,491
Provisions	2,3,18	141,116,152,593	176,710,494,285
Other current liabilities	10	316,043,588,801	232,349,133,278
Total Current Liabilities		3,961,155,479,331	3,294,509,951,392
NON-CURRENT LIABILITIES:			
Other non-current payables	4,10,15	5,829,000,498	14,203,961,914
Bonds	4,10,16,33	1,115,328,426,402	1,899,812,149,246
Long-term borrowings	2,4,10,16,33,34	2,520,852,010,753	2,568,608,228,983
Retirement benefit obligation	2,17	554,544,988,746	617,054,600,475
Non-current derivative liabilities	2,4,9,10	-	477,494,787
Deferred income tax liabilities	2,3,30	4,709,378,917	6,150,128,883
Non-current provisions	2,3,18	20,141,775,364	3,354,817,136
Other non-current liabilities	2,10	97,655,447,499	264,967,835,211
Total Non-current Liabilities		4,319,061,028,179	5,374,629,216,635
Total Liabilities		8,280,216,507,510	8,669,139,168,027
EQUITY:			
Capital stock	1,19	1,037,276,570,000	1,037,276,570,000
Capital surplus	19	245,301,050,451	240,200,109,681
Capital securities	20	508,259,603,649	508,259,603,649
Other equity items	21	(37,401,620,359)	(31,315,390,978)
Accumulated other comprehensive loss	6,9,11,12,22	(207,670,131,707)	(251,078,990,355)
Retained earnings	23	475,597,665,117	1,295,796,676,795
Equity attributable to owners of the Parent		2,021,363,137,151	2,799,138,578,792
Non-controlling interests		1,081,593,171,229	489,149,680,389
Total Equity		3,102,956,308,380	3,288,288,259,181
TOTAL LIABILITIES AND EQUITY		₩11,383,172,815,890	₩11,957,427,427,208

(Concluded)

See accompanying notes to consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	Notes	2015	2014
SALES	2,24,25,35	₩7,212,985,165,337	₩7,688,557,930,487
COST OF SALES	2,8,12,13,17,26,35	(5,667,713,957,519)	(5,975,985,523,020)
GROSS PROFIT		1,545,271,207,818	1,712,572,407,467
Selling and administrative expenses	7,12,13,17,26,27	(1,517,830,131,561)	(1,259,577,970,223)
OPERATING INCOME		27,441,076,257	452,994,437,244
Finance income	9,10,28	245,130,850,887	150,956,006,505
Finance expense	9,10,28	(603,070,470,436)	(580,078,979,842)
Other non-operating income	29	52,724,290,607	41,492,170,772
Other non-operating expense	7,29	(348,313,689,935)	(105,834,151,522)
Share of loss on joint ventures and associates	2,11	(37,976,950,860)	(34,746,279,417)
LOSS BEFORE INCOME TAX EXPENSE (BENEFIT)		(664,064,893,480)	(75,216,796,260)
INCOME TAX EXPENSE (BENEFIT)	2,30	(195,440,307,967)	99,189,007,741
NET INCOME (LOSS)		₩(859,505,201,447)	₩23,972,211,481
Attributable to:			
Owners of the Parent		₩(819,103,157,094)	₩41,965,483,233
Non-controlling interests		₩(40,402,044,353)	₩(17,993,271,752)
EARNINGS (LOSS) PER SHARE:	2,31		
Basic		₩(4,038)	₩202
Diluted		₩(4,038)	₩202

See accompanying notes to consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	2015	2014
NET INCOME (LOSS)	₩(859,505,201,447)	₩23,972,211,481
OTHER COMPREHENSIVE INCOME (LOSS):		
Items not reclassified subsequently to profit or loss:		
Remeasurements of net defined benefit liabilities	24,546,108,446	(48,738,698,530)
Revaluation of property, plant and equipment	64,093,137,674	(191,889,997)
Items reclassified subsequently to profit or loss:		
Loss on valuation of available-for-sale financial assets	(64,590,463)	(891,617,273)
Increase (decrease) in equity of associates	(1,357,603,433)	390,346,555
Loss on foreign operations translation	(65,721,554,954)	(161,995,289,277)
Loss on valuation of cash flow hedge derivatives	(4,836,294,196)	(42,156,769,467)
Total other comprehensive income (loss)	16,659,203,074	(253,583,917,989)
TOTAL COMPREHENSIVE INCOME (LOSS)	₩(842,845,998,373)	₩(229,611,706,508)
Owners of the Parent	₩(758,289,528,030)	₩(168,389,447,709)
Non-controlling interests	₩(84,556,470,343)	₩(61,222,258,799)

See accompanying notes to consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	Capital stock	Capital surplus	Capital securities	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2014	₩1,037,276,570,000	₩237,381,189,581	₩508,259,603,649	₩(26,387,480,016)	₩(83,127,632,799)	₩1,313,453,266,948	₩562,164,734,918	₩3,549,020,252,281
Total comprehensive loss:								
Net income (loss)	-	-	-	-	-	41,965,483,233	(17,993,271,752)	23,972,211,481
Remeasurements of net defined benefit liabilities	-	-	-	-	-	(42,403,573,386)	(6,335,125,144)	(48,738,698,530)
Revaluation and disposal of property, plant and equipment	-	-	-	-	(86,389,693)	-	(105,500,304)	(191,889,997)
Loss on valuation of available-for-sale financial assets	-	-	-	-	(891,617,273)	-	-	(891,617,273)
Increase in equity of associates	-	-	-	-	390,346,555	-	-	390,346,555
Loss on translation of foreign operations	-	-	-	-	(125,206,927,678)	-	(36,788,361,599)	(161,995,289,277)
Loss on valuation of derivatives	-	-	-	-	(42,156,769,467)	-	-	(42,156,769,467)
Subtotal	-	-	-	-	(167,951,357,556)	(438,090,153)	(61,222,258,799)	(229,611,706,508)
Capital transactions with shareholders:								
Extinguishment of share options	-	2,818,920,100	-	(2,818,920,100)	-	-	-	-
Share-based payment	-	-	-	2,061,052,408	-	-	-	2,061,052,408
Capital increase with consideration in subsidiaries	-	-	-	(154,722,560)	-	-	154,722,560	-
Dividends	-	-	-	-	-	(17,218,500,000)	-	(17,218,500,000)
Consideration in subsidiaries' dividends	-	-	-		-	-	(11,199,500,000)	(11,199,500,000)
Additional acquisition of investment in subsidiaries	-	-	-	(4,015,320,710)	-	-	(748,018,290)	(4,763,339,000)
Subtotal	-	2,818,920,100	-	(4,927,910,962)	-	(17,218,500,000)	(11,792,795,730)	(31,120,286,592)
Balance at December 31, 2014	₩1,037,276,570,000	₩240,200,109,681	₩508,259,603,649	₩(31,315,390,978)	₩(251,078,990,355)	₩1,295,796,676,795	₩489,149,680,389	₩3,288,288,259,181

(Continued)

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	Capital stock	Capital surplus	Capital securities	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2015	₩1,037,276,570,000	₩240,200,109,681	₩508,259,603,649	₩(31,315,390,978)	₩(251,078,990,355)	₩1,295,796,676,795	₩489,149,680,389	₩3,288,288,259,181
Total comprehensive loss:								
Net loss	-	-	-	-	-	(819,103,157,094)	(40,402,044,353)	(859,505,201,447)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	17,263,551,594	7,282,556,852	24,546,108,446
Revaluation and disposal of property, plant and equipment	-	-	-	-	62,942,852,084	141,218,822	1,009,066,768	64,093,137,674
Loss on valuation of available-for-sale financial assets	-	-	-	-	(64,590,463)	-	-	(64,590,463)
Increase in equity of associates	-	-	-	-	(1,357,603,433)	-	-	(1,357,603,433)
Loss on translation of foreign operations	-	-	-	-	(12,835,398,096)	-	(52,886,156,858)	(65,721,554,954)
Gain (loss) on valuation of derivatives	-	-	-	-	(5,276,401,444)	-	440,107,248	(4,836,294,196)
Subtotal	-	-	-	-	43,408,858,648	(801,698,386,678)	(84,556,470,343)	(842,845,998,373)
Capital transactions with shareholders:								
Extinguishment of share options	-	5,100,940,770	-	(5,100,940,770)	-	-	-	-
Share-based payment	-	-	-	427,603,345	-	-	-	427,603,345
Capital increase with consideration in subsidiaries	-	-	-	(635,082,842)	-	-	692,687,749,766	692,052,666,924
Dividends	-	-	-	-	-	(18,500,625,000)	-	(18,500,625,000)
Consideration in subsidiaries dividends	-	-	-		-	-	(16,465,597,697)	(16,465,597,697)
Business transfer among consolidated entities	-	-	-	(777,809,114)	-	-	777,809,114	-
Subtotal	-	5,100,940,770	-	(6,086,229,381)	-	(18,500,625,000)	676,999,961,183	657,514,047,572
Balance at December 31, 2015	1,037,276,570,000	245,301,050,451	508,259,603,649	(37,401,620,359)	(207,670,131,707)	475,597,665,117	1,081,593,171,229	3,102,956,308,380

(Concluded)

See accompanying notes to consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	36		
Cash generated from operations:		₩537,606,913,703	₩555,151,322,498
Net income (loss)		(859,505,201,447)	23,972,211,481
Adjustments		1,196,995,297,739	631,606,364,813
Changes in operating assets and liabilities		200,116,817,411	(100,427,253,796)
Interest received		24,239,583,149	19,973,052,924
Interest paid		(284,772,938,769)	(287,634,670,235)
Dividends received		2,116,931,945	358,725,586
Income tax paid		(42,505,652,567)	(56,552,683,396)
Net Cash Provided by Operating Activities		236,684,837,461	231,295,747,377
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities			
Disposal of long-term financial instruments		157,047,303,659	-
Disposal of long-term investment securities		52,600,000,000	-
Decrease in loans		3,434,710,010	-
Disposal of long-term financial instruments		10,000,000	328,177,201
Disposal of property, plant and equipment		8,692,770,840	7,744,237,289
Disposal of intangible assets		-	1,792,441,522
Disposal of investment properties		-	1,486,728,579
Disposal of investment in joint ventures and associates		3,269,774,270	-
Disposal of interests in subsidiaries		126,667,468,493	-
Subtotal		351,722,027,272	11,351,584,591
Cash outflows for investing activities:			
Increase in short-term financial assets		-	52,165,520,823
Acquisition of short-term investment securities		45,600,000,000	-
Increase in loans		-	2,871,717,946
Increase in long-term financial assets		55,340,845,687	-
Acquisition of long-term investment securities		3,364,805,929	86,515,394,647
Acquisition of investment in joint ventures		1,108,000,000	
Acquisition of property, plant and equipment		214,829,568,249	214,804,217,376
Acquisition of intangible assets		69,816,975,379	83,517,187,372
Acquisition of investment properties		3,659,709,610	-
Net cash flows in business combinations		54,940,467,860	-
Subtotal		(448,660,372,714)	(439,874,038,164)
Net Cash Used in Investing Activities		₩(96,938,345,442)	₩(428,522,453,573)

(Continued)

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Korean won)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Increase in borrowings	₩206,066,008,395	₩2,526,270,552,169
Issuance of bonds	-	219,341,462,000
Capital increase by issuing new shares of subsidiaries	692,052,666,924	-
Subtotal	898,118,675,319	2,745,612,014,169
Cash outflows for financing activities:		
Repayment of borrowings	706,064,126,138	1,969,400,189,912
Repayment of bonds	75,081,604,560	461,663,758,616
Dividends	18,500,625,000	17,218,500,000
Consideration in subsidiaries' dividends	16,465,597,697	11,199,500,000
Additional acquisition of investment in subsidiaries	-	4,763,339,000
Subtotal	(816,111,953,395)	(2,464,245,287,528)
Net Cash Provided by Financing Activities	82,006,721,924	281,366,726,641
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(24,703,459,016)	(9,025,147,698)
NET INCREASE IN CASH AND CASH EQUIVALENTS	197,049,754,927	75,114,872,747
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	362,952,767,457	287,837,894,710
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	₩560,002,522,384	₩362,952,767,457

(Concluded)

See accompanying notes to consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS:

(1) Parent company

Doosan Infracore Co., Ltd. (“DI” or the “Parent”) was incorporated on October 23, 2000 through a spin-off from Daewoo Heavy Industries Ltd. (“DHI”) under the corporate restructuring agreement dated January 20, 2000, between DHI and its creditors, approved by DHI’s shareholders on June 27, 2000. DI operates and manages DHI’s manufacturing, selling and construction businesses of industrial machinery and equipment.

In connection with the spin-off, effective September 30, 2000, DHI transferred to DI certain assets and liabilities amounting to ₩2,494 billion and ₩2,806 billion, respectively.

DI was listed on the stock market of Korean Exchange on February 2, 2001, and changed its name to Doosan Infracore Co., Ltd. from Daewoo Heavy Industries & Machinery Ltd. on April 29, 2005. DI’s common stock as of December 31, 2015, amounts to ₩1,037,277 million, of which 36.40% is owned by Doosan Heavy Industries and Construction Co., Ltd.

(2) Consolidated Subsidiaries

1) DI’s consolidated subsidiaries as of December 31, 2015 and 2014, are as follows:

Subsidiaries	Type of business	Location	Proportion of ownership interests held by DI and immediate parents (%) (Note 1)		Proportion of ownership interests held by non-controlling interests (%) (Note 1)		Financial closing date
			2015	2014	2015	2014	
Doosan Infracore China Co., Ltd. (DICC)	Manufacturing and Sales	China	80.00	80.00	20.00	20.00	December 31
Doosan Infracore Machine Tools Yantai Co., Ltd.	Manufacturing and Sales	China	100.00	100.00	0.00	0.00	December 31
Doosan Infracore (China) Investment Co., Ltd.	Holdings	China	100.00	100.00	0.00	0.00	December 31
Doosan Infracore Germany GmbH	Purchases, Sales	Germany	100.00	100.00	0.00	0.00	December 31
Doosan Infracore America Corp.	Purchases, Sales	USA	100.00	100.00	0.00	0.00	December 31
Doosan Infracore Japan Corp.	Purchases	Japan	100.00	100.00	0.00	0.00	December 31
Doosan (China) Financial Leasing Corp.	Finance	China	100.00	49.00	7.80	58.80	December 31
Doosan Bobcat Chile S.A.	Sales	Chile	100.00	100.00	0.00	0.00	December 31
Doosan Infracore (Shandong) Co., Ltd.	Manufacturing and Sales	China	100.00	100.00	13.00	13.00	December 31
Doosan Infracore Norway AS	Manufacturing and Sales	Norway	100.00	100.00	0.00	0.00	December 31
Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA	Manufacturing and Sales	Brazil	99.99	99.99	0.01	0.01	December 31
Doosan Infracore Bobcat Ireland Ltd.	Other Service	Ireland	100.00	100.00	0.00	0.00	December 31
Doosan Infracore Construction Equipment India Private Ltd.	Manufacturing and Sales	India	100.00	0.00	0.00	0.00	March 31
Doosan Bobcat Inc.(Note 2)	Holdings	Korea	75.50	100.00	24.50	0.00	December 31

Subsidiaries	Type of business	Location	Proportion of ownership interests held by DI and immediate parents (%) (Note 1) 2015	2014	Proportion of ownership interests held by non-controlling interests (%) (Note 1) 2015	2014	Financial closing date
Doosan International South East Asia Pte. Ltd.	Holdings	Singapore	100.00	100.00	24.50	21.73	December 31
Doosan Infracore Bobcat Korea Co., Ltd.	Manufacturing and Sales	Korea	100.00	0.00	24.50	0.00	December 31
Doosan Bobcat Chile Compact SpA	Sales	Chile	100.00	0.00	24.50	0.00	December 31
Doosan Infracore India Private Ltd.	Manufacturing and Sales	India	100.00	100.00	24.50	0.00	March 31
Bobcat Corp.	Sales	Japan	100.00	100.00	24.50	0.00	December 31
Doosan International Mexico S.A. de C.V.	Sales	Mexico	100.00	100.00	24.50	0.00	December 31
Doosan Infracore Suzhou Co., Ltd.	Sales	China	100.00	100.00	24.50	15.00	December 31
Doosan Infracore International, Inc.	Holdings	USA	88.41	88.41	33.25	11.59	December 31
Clark Equipment Co.	Manufacturing and Sales	USA	100.00	100.00	33.25	11.59	December 31
Bobcat Equipment Ltd.	Sales	Canada	100.00	100.00	33.25	11.59	December 31
Doosan International Australia Pty Ltd.	Sales	Australia	100.00	100.00	33.25	21.73	December 31
Doosan Holdings Europe Ltd.	Holdings	Ireland	78.27	78.27	40.91	21.73	December 31
Doosan Holdings International Ltd.	Holdings	Ireland	100.00	100.00	40.91	21.73	December 31
Doosan Infracore Europe S.A.	Sales	Belgium	100.00	100.00	40.91	21.73	December 31
Bobcat Bensheim GmbH	Sales	Germany	100.00	100.00	40.91	21.73	December 31
Doosan Holdings France S.A.S.	Holdings	France	100.00	100.00	40.91	21.73	December 31
Doosan Techno Holding Co., Ltd.(Ireland)	Management	Ireland	100.00	100.00	40.91	21.73	December 31
Doosan Benelux SA.	Sales	Belgium	100.00	100.00	40.91	21.73	December 31
Doosan International Portable Power of Netherlands BV	Sales	Netherlands	100.00	100.00	0.00	21.73	December 31
Doosan International Italia S.r.L.	Sales	Italia	100.00	100.00	40.91	21.73	December 31
CJSC Doosan International Russia	Sales	Russia	100.00	100.00	40.91	21.73	December 31
Doosan International UK Ltd.	Sales	England	100.00	100.00	40.91	21.73	December 31
Doosan Infracore Portable Power (Shanghai) Co., Ltd.	Sales	China	100.00	100.00	40.91	21.73	December 31
Doosan International China Co., Ltd.	Sales	China	100.00	100.00	40.91	21.73	December 31
Doosan International Manufacturing China Co., Ltd.	Sales	China	100.00	100.00	40.91	21.73	December 31
Doosan International South Africa Ltd.	Sales	South Africa	100.00	100.00	40.91	21.73	December 31
Doosan Bobcat Manufacturing s.r.o.	Manufacturing	Czech	100.00	100.00	40.91	21.73	December 31
Doosan Bobcat Engineering s.r.o.	Research and development	Czech	100.00	100.00	40.91	21.73	December 31
Doosan Trading Ltd.	Shared service	Ireland	100.00	100.00	40.91	21.73	December 31
Bobcat Lyon SAS	Sales	France	100.00	100.00	40.91	21.73	December 31
Bobcat France S.A.	Manufacturing and Sales	France	100.00	100.00	40.91	21.73	December 31
Geith International Ltd.	Manufacturing and Sales	Ireland	100.00	100.00	40.91	21.73	December 31
Doosan International Luxemburg	Management	Luxemburg	100.00	100.00	40.91	21.73	December 31

(Note 1) The proportion of ownership interests held by DI and immediate parents represents the aggregation of proportion of ownership interests directly held by DI and immediate parents in the subject entities. However, the proportion of ownership interests held by non-controlling interests represents that of ownership interests held by non-controlling interests that do not belong to the DI's ownership interests, directly and indirectly. Accordingly, the proportion of ownership interests held by non-controlling interests shown in the above table would differ from those subtracting the proportion of ownership interests held by DI and immediate parents from the whole of the ownership interests in the subject entity.

(Note 2) For the year ended December 31, 2015, its name was changed from Doosan Infracore Bobcat Holdings Co., Ltd. to Doosan Bobcat Inc.

2) Condensed financial information of DI's significant consolidated subsidiaries as of and for the year ended December 31, 2015, is as follows (in millions of Korean won):

Subsidiaries	Asset	Liability	Sales	Net income (loss)	Total comprehensive income (loss)
Doosan Infracore China Co., Ltd.	₩1,103,798	₩909,921	₩298,023	₩(319,911)	₩(313,351)
Doosan Infracore Machine Tools Yantai Co., Ltd.	133,871	97,633	140,535	(6,065)	(5,636)
Doosan Infracore (China) Investment Co., Ltd.	221,276	5,969	10,403	2,403	4,243
Doosan Infracore Germany GmbH	78,320	47,104	148,622	2,282	283
Doosan Infracore America Corp.	341,746	188,035	279,053	(48,307)	(40,748)
Doosan Infracore Bobcat Ireland Ltd.	471,034	470,951	-	46	50
Doosan (China) Financial Leasing Corp.	677,109	500,181	40,153	10,669	7,704
Doosan Bobcat Inc. and subsidiaries	6,364,931	3,239,472	4,040,752	148,133	(61,513)

3) As of December 31, 2015, non-controlling interests in subsidiary having material impact on DI are as follows (in millions of Korean won):

Subsidiaries	Net income (loss) allocated to non-controlling interests	Non-controlling interests	Dividends allocated to non-controlling interests
Doosan Infracore China Co., Ltd	₩(64,037)	₩38,724	₩11,200
Doosan Bobcat Inc. and subsidiaries	28,386	1,055,998	-

(3) Changes in the scope of consolidation

Changes in the scope of consolidation for the year ended December 31, 2015, are as follows:

Subsidiary	Change	Description
Doosan Infracore Bobcat Korea Co., Ltd.	Included	Newly established
Doosan Infracore Construction Equipment India Private Ltd.	Included	Newly established
Doosan Bobcat Chile Compact SpA	Included	Newly established
Montabert	Excluded	Decrease in ownership interest
Doosan (China) Financial Leasing Corp.	Included	Change in ownership interest

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

Subsidiary	Change	Description
Goldwave Ltd.	Excluded	Liquidation of subsidiary
Goldwave Holdings Ltd.	Excluded	Liquidation of subsidiary
Geith Patents Ltd.	Excluded	Liquidation of subsidiary
Bobcat Parts Services GmbH (Note)	Excluded	Merged with another subsidiary
Doosan Beteiligungs GmbH (Note)	Excluded	Merged with another subsidiary
Bobcat Bensheim GmbH & Co KG (Note)	Excluded	Merged with another subsidiary
Doosan Infracore Bobcat Ireland Ltd.	Included	Newly established
Doosan Bobcat Inc.	Included	Incorporated through a spin-off
Doosan Infracore U.K., Ltd.	Excluded	Liquidation of subsidiary

(Note) The companies were merged with Doosan Holdings Germany GmbH and the company’s name was changed to Bobcat Bensheim GmbH & Co KG for the year ended December 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(1) Basis of Preparation

The Company has adopted the K-IFRS for the annual period beginning on January 1, 2011.

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

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

1) Changes in accounting policies by newly adopted standards and interpretations for the current year are as follows:

Amendments to K-IFRS 1019 – Employee Benefits

The amendments permit the Company to recognize amount of contributions as a reduction in the service cost for the period in which the related service is rendered if the amount of the contributions is independent of the number of years of service. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1102 (i) change the definitions of 'vesting condition' and 'market condition' and (ii) add definitions for 'performance condition' and 'service condition', which were previously included within the definition of 'vesting condition'. The amendments to K-IFRS 1103 Business Combinations clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 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 application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify that they exclude the accounting for the formation of a joint arrangement in the financial statements, or the joint arrangement itself, from the scope of K-IFRS 1103. The amendments to K-IFRS 1113 'Fair Value Measurements' and K-IFRS 1040 'Investment Properties' exist. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

2) The Company has not applied the following new or revised K-IFRSs that have been issued, but are not yet effective:

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2016.

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

The amendments to K-IFRS 1016 prohibit the Company 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 intangible assets; the presumption can only be limited when the intangible asset is 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 1110 – Consolidated Financial Statements, K-IFRS 1112 Disclosure of interests in other entities and K-IFRS 1028 Investment in associates.

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The amendments are effective 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. 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.

Amendments to K-IFRS 1109 – Financial Instruments

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and the change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1115 – Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduce a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018- Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115-Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers and K-IFRS 2031-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

Annual Improvements to K-IFRS 2012-2014 cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 Financial Instruments: Disclosures, K-IFRS 1019 Employee Benefits and K-IFRS 1034 Interim Financial Reporting.

The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

(2) Consolidation

The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (or its subsidiaries).

1) Subsidiaries

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

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

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

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

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

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

2) Investments in joint ventures and associates

An associate is an entity over which the Company has significant influence, and which is neither a subsidiary nor an investment in a joint venture, and the Company generally holds, directly or indirectly through subsidiaries, more than 20 % of the voting power of the entity. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

These investments are initially recognized at cost and accounted for using the equity method.
The carrying amount of the investments contains goodwill arising from the acquisition and is presented at that amount, less accumulated impairment losses.

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

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

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

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

(3) Foreign currency translation

1) Functional currency and presentation currency

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

2) Foreign currency transaction and translation of balance

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

3) Translation of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations having functional currencies different from the Company are translated in presentation currency of the Company using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Exchange differences from the net investment in the foreign operation and borrowings and other foreign currency instruments designated as hedging instrument for the net investment in the foreign operation are recognized in other comprehensive income. On disposal of a foreign operation resulting in loss of control, all of the accumulated exchange differences in respect of that operation are reclassified to income or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand; demand deposits; and short-term, highly liquid investments with maturities (or date of redemption) of three months or less upon acquisition. Bank overdraft is classified as short-term borrowings in the consolidated statements of financial position.

(5) Financial assets

1) Classification of financial assets

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss ("FVTPL")', 'loans and receivables', 'available-for-sale ("AFS") financial assets' and 'held-to-maturity investments'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is a contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies. A financial asset is classified as held for trading financial asset if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets, including an embedded derivative separated from the host contract and accounted for as derivative, are classified as held for trading financial assets, unless they are designated as effective hedging instruments. These categories of assets are classified as current assets or non-current assets depending on the timing of settlement.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables with maturities of more than twelve months from the end of the reporting period are classified as non-current assets. Otherwise, they are classified as current assets.

c) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are classified as non-current assets, unless management has intention to sell them within twelve months.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments, with maturities of more than 12 months from the end of the reporting period, are classified as non-current assets. Otherwise, they are classified as current assets.

2) Recognition and measurement

All financial assets are recognized on the trade date when the purchase or sale of a financial asset is under a contract and are initially measured at fair value, plus transaction costs, except for financial assets at FVTPL, which are initially measured at fair value and related transaction costs are recognized in income or loss.

Financial assets at FVTPL and AFS financial assets are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method. Gains or losses arising from changes in fair value of financial assets at FVTPL are recognized in the other non-operating income and expense line item in the consolidated statements of income. Dividends on financial assets at FVTPL are recognized in the finance income when the Company's right to receive the dividends is established.

Changes in fair value of monetary and non-monetary financial assets that are classified as AFS financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified into other non-operating income and expense in the consolidated statement of income.

Interest from AFS financial assets calculated using the effective interest method is recognized in finance income in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the finance income when the Company's right to receive the dividends is established.

3) Impairment of financial assets

a) Financial assets measured at amortized cost

The Company assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate at initial recognition. The carrying amount of the financial asset is reduced by the impairment loss and the amount of the loss is recognized in income or loss. The Company measures impairment loss based on the fair value of financial assets from observable market data.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in income or loss.

b) AFS financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset, or a group of financial assets, is impaired. For equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If there is an objective evidence of impairment on AFS financial assets, the cumulative loss that has been recognized in other comprehensive income, less any impairment loss previously recognized in income or loss, is reclassified from equity to income or loss. Impairment losses recognized in income or loss for an investment in an equity instrument classified as AFS financial assets are not reversed through income or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income or loss, the impairment loss is reversed through income or loss.

4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

5) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset as a net amount in the consolidated statements of financial position when the Company has a legally enforceable right to set off the recognized amounts of the assets and liabilities and intends to settle them on a net basis or realize the assets and the liabilities simultaneously.

(6) Financial liabilities and equity instruments

1) Classification as debt and equity instruments

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

2) Equity instruments

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

When the Company reacquires its own shares, those shares are deducted from equity. No gain or loss is recognized in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. Conversion option over an entity's own equity is accounted for as equity only when it will be settled by the entity delivering (or receiving) a fixed number of its own equity instruments and receiving (or delivering) a fixed amount of cash or another financial asset.

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. Conversion option classified as equity is reclassified to share premium when the option is exercised.

The equity component 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.

Transaction costs related to issuance of convertible bonds are allocated between the liability and equity components in proportion to relative fair value. Transaction costs allocated to equity are recognized directly in equity. Transaction costs allocated to liability are included in book value of liability and amortized using effective interest method.

4) Financial liabilities

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

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

5) Financial assets at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is a contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, it is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company 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.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities, or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

6) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial liability, or (when appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the estimated future cash payments or receipts, certain factors, such as commission income and expense, points, transaction costs and premiums and discounts, are factored into the calculation.

7) Financial guarantee contract liabilities

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

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

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

8) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or expired. The difference between the consideration paid and the book value of financial liabilities derecognized is recognized in income or loss.

(7) Trade receivables

Trade receivables are amounts owed by customer for products and services provided in the ordinary course of business. Receivables expected to be collected within one year are classified as current assets. Otherwise, they are classified as non-current assets. Trade receivables are initially measured at fair value and are presented net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

(8) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs that are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined using the specific identification method for materials in transit and the gross average method for all other inventories. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year. The Company periodically reviews changes in net realizable value of inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and recognizes loss on inventory valuation. Loss on inventory valuation is charged to cost of sales when it is ordinary and to other non-operating expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

(9) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. When useful life of each part of an item of property, plant and equipment is different compared to that of the item, the part is recognized separately. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace a part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of the asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expensed as incurred.
The Company does not depreciate land. Depreciation expense for property, plant and equipment other than land is computed using the straight-line method, which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the Company over the estimated useful lives of the assets as follows:

	Estimated useful life (years)
Buildings	20–40
Structures	10–20
Machinery	3–15
Vehicles	3–10
Tools	3–10
Office equipment	3–14

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

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

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment, as adjusted by depreciation. Upon the derecognition of a property, plant and equipment, the difference between the net disposal proceed and carrying amount of the item is recognized in other non-operating income (expense).

(10) Intangible assets

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

Intangible assets other than goodwill and intangibles with indefinite useful lives are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use. However, useful lives of membership and other intangible assets with similar nature are determined to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company and they are not amortized, but tested for impairment once a year.

The estimated useful lives of the assets are as follows:

	Estimated useful life (years)
Industrial rights	5–10
Development costs	4–12
Other intangible assets	3–7

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 and is classified as an intangible asset. Goodwill is tested for impairment annually and carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any. Impairment loss recognized for goodwill is not reversed. For the purpose of impairment testing, goodwill is allocated to each of the Company’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products, there is technical and commercial feasibility of completing the development and the Company has the ability to measure reliably the expenditure attributable to the development. Capitalized development costs include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost that is systematically allocated. Capitalized development costs are presented at the acquisition cost, less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses.

The expenditure on research and development, which does not meet conditions noted above, is recognized as an expense when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period, and for the assets that have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

(11) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the book value of investment property is presented at cost, less accumulated depreciation and accumulated impairment. While land is not depreciated, all other investment property is depreciated using the straight-line method over 40 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

(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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

(13) Impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not amortized, but tested for impairment annually. Assets that are amortized or depreciated are tested for impairment to determine whether events and circumstances indicating those assets have suffered impairment exist. Impairment loss is the excess of the carrying amount over recoverable amount. Recoverable amount is the higher of fair value, less costs to sell, or value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

(14) Borrowings

Borrowings are measured initially at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The difference between the amount received and the redemption amount is amortized using the effective interest method and recognized in income or loss. Borrowings are classified as non-current liabilities when the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, borrowings are classified as current liabilities.

(15) Retirement benefit obligation

The Company operates a defined benefit pension plan. In general, the Company funds its benefit obligation, calculated based on periodic actuarial estimates, through insurance companies that manage the Company’s funds.

Defined benefit plans are postemployment benefit plans other than defined contribution plans. Generally under defined benefit plan, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings, years of service, ages and other. The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, less fair value of plan assets and adjustment for unrecognized past service cost. Defined benefit obligations are calculated by an actuary using the projected unit credit method.

The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid, and calculated at the discount rate that is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company’s obligation. Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income, which is immediately recognized as retained earnings. Meanwhile, past service cost is directly recognized in profit or loss in the period of a plan amendment.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service that entitles them to the contributions.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation when the effect of the time value of money is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. In the consolidated statements of income, a net amount is presented, being the anticipated cost of the obligation, less the reimbursement.

(17) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is generally recognized as income or loss when it is incurred.

However, 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 income or loss.

(18) Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved at the shareholders` meeting.

(19) Share-based payment arrangement

The Company recognizes share options granted to employees at the fair value at the grant date. The fair value determined at the grant date of the share option is expensed on a straight-line basis over the vesting period. The Company determines fair value of share options using the Black-Scholes model.

(20) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services arising in the course of the ordinary activities of the Company. Revenue is reduced for value-added tax, estimated customer returns, rebates and trade discounts and is presented after eliminating intercompany transactions. The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, and when transaction meets the revenue recognition criteria specified by activity. When measuring revenue, the Company reliably estimates on contingencies related to sales based on historical data, such as customer type, transaction type and trading terms.

1) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is recognized on initial delivery of the goods, net of expected discounts and returns estimated based on historical data. The Company estimates and recognizes provision for warranty and sales return arising from sale of goods.

2) Other revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized using the effective interest method. Revenues arising from dividends are recognized when the right to receive the dividend payment is established. Rental income is recognized on a straight-line basis. Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

(21) Government grants

For the purpose of acquisition of certain assets, government grants related to assets are accounted for as a deduction from related assets on the date that the related assets are received.

If a government grant that will be received is not subject to specific conditions attached to it, government grants related to primary operating activity are recognized in operating income; otherwise, those are recognized in other non-operating income. Meanwhile, expense related to the government grants is to be offset first and then recognized in current income.

(22) Income tax and deferred tax

Income tax expense is composed of current tax and deferred tax. Current tax and deferred tax are recognized in income 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.

Income tax (current tax) expense is the sum of corporate tax for each fiscal year and tax added to corporate tax under corporate income tax law and other law. Additional income taxes or tax refunds for the prior periods are included in income tax expense for the current period when recognized. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

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 is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

(23) Earnings per share

Basic earnings per common share are computed by dividing net income attributable to owners of the Company by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income attributable to the owners of the Company, which is adjusted by adding back the after-tax amount of expenses related to dilutive potential ordinary shares, by weighted-average number of common shares and dilutive potential ordinary shares outstanding during the period. Antidilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

(24) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount or fair value, less costs to sell and are no longer depreciated or amortized. If the fair value, less costs to sell, of the non-current assets held for sale (and disposal groups) decreases, impairment loss is recognized immediately in income or loss. A gain should be recognized for any subsequent increase in fair value, less costs to sell, of an asset, but not in excess of the cumulative impairment loss recognized.

(25) Segment report

Operating segments are reported on the same basis as financial information is reported to management. The management of the Company decides how to allocate resources to segments and assess their performance.

(26) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Company classifies the emission rights as intangible assets. Emission right allowances the government allocated free of charge are measured at ₩0, and emission right allowances purchased are measured at cost, which the Company paid to purchase the allowances. If emission rights that the government allocated free of charge are sufficient to settle the emission right allowances allotted for vintage year, the emission liabilities are measured at ₩0. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at the best estimate at the end of the reporting period.

(27) Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2015, were approved by the board of directors on February 4, 2016, and will be approved finally at the shareholder’s meeting on March 25, 2016.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and underlying assumptions are based on historical experiences and other factors, including expectation on possible future events. Actual results may differ from those estimates. The following are critical assumptions and key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(1) Warranty provision

The Company provides warranty for product when related revenue is recognized. At the end of each reporting period, provisions are recorded for the best estimated costs to fulfill current and future warranty obligations. The Company continuously introduces new products using advanced complex technology, and accordingly, these estimates may change in future period due to additional provisions required under local legislation and practice.

(2) Impairment of goodwill

The Company performs test for goodwill impairment testing annually. Recoverable amount of cash-generating units is based on calculation of value in use. The value-in-use calculation requires accounting estimates.

(3) Allowance for doubtful accounts of receivables

In order to calculate the impairment of receivables, the management of the Company estimates an expected bad debt considering the aging of receivables, past experience of bad debt write offs and economic and industrial factors.

(4) Measurement of property, plant and equipment and intangible assets

If the Company acquires property, plant and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date. It is also required to estimate useful lives for depreciation and amortization. For these estimation processes, the management’s judgments shall take an important role.

4. FINANCIAL RISK MANAGEMENT:

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

The foreign currency risk management committee and the board of directors provide documented policies on overall risk management, as well as specific risk management, such as foreign currency risk and interest rate risk. Financial risk management activities, such as identification, evaluation and management of financial risks at the Company level, are performed by treasury and international finance department in accordance with the aforementioned documented risk management policies. In addition, the Company enters into derivative contracts to hedge against certain risks.

(1) Market risk

1) Foreign currency risk

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

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies and exposed to foreign currency risk as of December 31, 2015 and 2014, is as follows (in millions of Korean won):

	December 31, 2015					December 31, 2014				
	USD	EUR	CNY	Others (*)	Total	USD	EUR	CNY	Others (*)	Total
Assets	₩1,184,171	₩124,801	₩2,210	₩37,845	₩1,349,027	₩1,441,655	₩223,011	₩485	₩57,316	₩1,722,467
Liabilities	(2,373,082)	(260,704)	(12,364)	(66,522)	(2,712,672)	(2,431,893)	(351,863)	(21)	(104,894)	(2,888,671)
Net assets (liabilities)	₩(1,188,911)	₩(135,903)	₩(10,154)	₩(28,677)	₩(1,363,645)	₩(990,238)	₩(128,852)	₩464	₩(47,578)	₩(1,166,204)

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

A sensitivity analysis on the Company’s net income before income tax expense, assuming a 10% increase and decrease in functional currency exchange rates of the respective entity holding the assets and liabilities, for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Year ended December 31, 2015		Year ended December 31, 2014	
	10% increase in foreign currency rates	10% decrease in foreign currency rates	10% increase in foreign currency rates	10% decrease in foreign currency rates
Net income (loss) before income tax expense	₩(136,365)	₩136,365	₩(116,620)	₩116,620

2) Interest rate risk

The Company's interest rate risk is related to borrowings and bank deposits with floating interest rates and the related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing with floating interest rates. Borrowings and bank deposits with fixed interest rates do not have influence on net income and equity due to the changes in market interest rates.

To manage the Company's interest rate risk in advance, the Company tries to minimize external borrowings using internal funds, reduce borrowings with high interest rates, improve the structure of long-term and short-term borrowings, maintain the appropriate balance between borrowings with floating interest rate and fixed interest rate and regularly monitor domestic and international interest rate changes with action plans.

The book value of the Company's financial assets and liabilities with floating interest rates exposed to interest rate risk as of December 31, 2015 and 2014, is as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Financial liabilities	₩3,280,199	₩2,934,440

A sensitivity analysis on the Company's net income (loss) before income tax expense, assuming a 1% increase and 1% decrease in interest rate, but other factors being unchanged, for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Year ended December 31, 2015		Year ended December 31, 2014	
	1% increase	1% decrease	1% increase	1% decrease
Net income (loss) before income tax expense	₩(32,802)	₩32,802	₩(29,344)	₩29,344

3) Price risk

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

(2) Credit risk

The credit risk refers to risk of financial losses to the Company when the counterparty defaults on the obligations of the contract and arises from the Company's normal transaction and investing activity. To manage credit risk, the Company evaluates the creditworthiness of each customer or counterparty considering the financial status, past experience and other factors. The Company establishes credit limit for each customer and counterparty.

Credit risk arises from cash and cash equivalents, derivatives and deposit in banks and financial institutions, as well as the Company's receivables and firm commitment.

The purpose of credit risk management is to maintain an efficient management of credit risk, provide prompt support for decision-making and minimize loss through safety measures for receivables. When default is expected for the receivables that have indication of impairment or are past due as of December 31, 2015, the Company evaluates the risk and an allowance is recognized in the consolidated statement of financial position.

1) Exposure to credit risk

The maximum exposure amount of credit risk of financial assets as of December 31, 2015 and 2014, is as follows (in millions of Korean won):

		December 31, 2015	December 31, 2014
Cash and cash equivalents		₩560,003	₩362,953
Loans and receivables	Current and non-current financial instrument	439,252	538,451
	Trade and other receivables	1,231,866	1,238,908
	Non-current trade and other receivables	2,637	10,601
Derivative assets		8,490	12,206
Held-to-maturity investments		3,548	10,509
Total		₩2,245,796	₩2,173,628

2) Aging analysis of the Company's receivables as of December 31, 2015 and 2014, is as follows (in millions of Korean won):

	December 31, 2015						
	Individually assessed receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–three months	Three–six months	Six–twelve months	More than twelve months	Total
Trade receivables	₩443,268	₩733,346	₩93,347	₩44,212	₩31,978	₩276,948	₩1,623,099
Other receivables	50,875	31,680	25,608	136	5,065	47,612	160,976
Accrued income	-	6,649	-	-	-	-	6,649
Short-term loans	16,274	210	-		-	-	16,484
Long-term trade receivables	-	2,504	-	-	-	-	2,504
Long-term other receivables	5,911	26	-	-	-	-	5,937
Long-term loans	-	107	-	-	-	-	107
Total	₩516,328	₩774,522	₩118,955	₩44,348	₩37,043	₩324,560	₩1,815,756

	December 31, 2014						
	Individually assessed receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–three months	Three–six months	Six–twelve months	More than twelve months	Total
Trade receivables	₩400,841	₩689,677	₩118,515	₩31,638	₩35,983	₩41,098	₩1,317,752
Other receivables	37,518	33,823	23,078	2,062	1,521	20,429	118,431
Accrued income	-	4,953	-	-	-	-	4,953
Short-term loans	-	19,397	-	-	-	-	19,397
Long-term trade receivables	-	3,475	-	-	-	-	3,475
Long-term other receivables	-	8,262	-	-	-	-	8,262
Long-term loans	-	1,466	-	-	-	-	1,466
Total	₩438,359	₩761,053	₩141,593	₩33,700	₩37,504	₩61,527	₩1,473,736

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

AFS financial assets, held-to-maturity financial assets, deposit in financial institution and derivative instruments are individually assessed for impairment.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liability obligations related to its financing for its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget for three months and twelve months. Through these forecasts, the Company maintains the required liquidity volume and manages liquidity risk in advance.

The Company's major non-derivative liabilities as of December 31, 2015 and 2014, are matured as follows (in millions of Korean won):

		December 31, 2015				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	7,138,375	8,104,880	3,992,108	1,291,973	1,012,055	1,808,744

		December 31, 2014				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	₩7,528,312	₩9,235,689	₩4,134,752	₩1,473,944	₩1,784,518	₩1,842,475

(*) Maturity analysis mentioned above is based on undiscounted cash flows per the contracts that differs from the financial liability recognized in the consolidated statement of financial position and the above amount also includes guarantee amounts.

(4) Capital risk

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

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

Debt-to-equity ratios as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Debt	₩8,280,217	₩8,669,139
Equity	3,102,956	3,288,288
Debt-to-equity ratio	266.85%	263.64%

5. RESTRICTED FINANCIAL ASSETS:

Details of restricted deposits as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014	Description
Cash and cash equivalents	₩10,537	₩449	Security for tender and others
Short-term financial instruments	291,209	421,047	Pledged for borrowings and others
Long-term financial instruments	2,012	2,012	Checking account deposit and others
Total	₩303,758	₩423,508	

6. INVESTMENT SECURITIES:

(1) Investment securities as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Current:		
AFS financial assets	₩441	₩441
Held-to-maturity financial assets	-	7,000
Total	₩441	₩7,441
Non-current:		
AFS financial assets	₩94,314	₩84,308
Held-to-maturity financial assets	3,548	3,509
Total	₩97,862	₩87,817

(2) AFS financial assets

1) AFS financial assets as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Current:		
Investments in non-listed company	₩441	₩441
Non-current:		
Investments in non-listed company	₩637	₩664
Beneficiary certificates	92,574	83,140
Investments in funds	1,103	504
Total	₩94,314	₩84,308

2) The changes in gain (loss) on valuation of AFS financial assets for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015			
	January 1, 2015	Valuation	Reclassification from equity to profit or loss	December 31, 2015
Beneficiary certificates	₩(1,347)	₩398	₩-	₩(949)
Tax effect	550	(463)	-	87
Total	₩(797)	₩(65)	₩-	₩(862)

	Year ended December 31, 2014			
	January 1, 2014	Valuation	Reclassification from equity to profit or loss	December 31, 2014
Beneficiary certificates	₩124	₩(1,471)	₩-	₩(1,347)
Tax effect	(30)	580	-	550
Total	₩94	₩(891)	₩-	₩(797)

(3) Held-to-maturity financial assets

Held-to-maturity financial assets as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Current:		
Other debt securities	₩-	₩7,000
Total	₩-	₩7,000
Non-current:		
Government bonds and public bonds	₩48	₩9
Other debt securities	3,500	3,500
Total	₩3,548	₩3,509

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of December 31, 2015 and 2014, consist of the following (in millions of Korean won):

	December 31, 2015		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,612,063	₩(482,431)	₩1,129,632
Other receivables	160,976	(65,601)	95,375
Accrued income	6,649	-	6,649
Short-term loans	16,484	(16,274)	210
Total	₩1,796,172	₩(564,306)	₩1,231,866
Long-term trade receivables	₩2,504	₩-	₩2,504
Long-term other receivables	3,901	(3,875)	26
Long-term loans	107	-	107
Total	₩6,512	₩(3,875)	₩2,637

	December 31, 2014		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,308,851	₩(159,044)	₩1,149,807
Other receivables	118,431	(37,558)	80,873
Accrued income	4,953	-	4,953
Short-term loans	19,397	(16,122)	3,275
Total	₩1,451,632	₩(212,724)	₩1,238,908
Long-term trade receivables	₩3,475	₩-	₩3,475
Long-term other receivables	5,660	-	5,660
Long-term loans	1,466	-	1,466
Total	₩10,601	₩-	₩10,601

(*) If transferred trade receivables do not meet the derecognition criteria, the Company continues to recognize the trade receivables and also recognize a collateralized borrowing for the proceeds received (see Note 16).

(2) The changes in allowance for doubtful accounts for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015			
	January 1, 2015	Increase	Other	December 31, 2015
Trade receivables	₩159,044	₩155,465	₩167,922	₩482,431
Other receivables	37,558	28,010	33	65,601
Accrued income	16,122	-	152	16,274
Short-term loans	-	3,875	-	3,875
Total	₩212,724	₩187,350	₩168,107	₩568,181

	Year ended December 31, 2014			
	January 1, 2014	Increase	Other	December 31, 2014
Trade receivables	₩138,000	₩49,511	₩(28,467)	₩159,044
Other receivables	18,349	18,554	655	37,558
Accrued income	468	(468)	-	-
Short-term loans	11,916	3,886	320	16,122
Total	₩168,733	₩71,483	₩(27,492)	₩212,724

Receivables past due are assessed as impaired. An allowance for doubtful accounts is individually recognized for receivables that can be assessed individually for impairment. An allowance for doubtful account is recognized based on aging analysis and the Company's past collection experience for the group of receivables that are not individually significant and have similar characteristics. Provision for doubtful accounts is included in selling and administrative expenses and other non-operating expenses in the consolidated statement of income.

8. INVENTORIES:

Inventories as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

	December 31, 2015			December 31, 2014		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩481,645	₩(30,975)	₩450,670	₩422,997	₩(25,138)	₩397,859
Finished goods	530,355	(44,317)	486,038	558,209	(45,375)	512,834
Semifinished goods	38,482	-	38,482	50,599	-	50,599
Work in progress	85,667	(2,750)	82,917	91,833	(361)	91,472
Raw materials	415,357	(37,907)	377,450	411,044	(31,879)	379,165
Supplies	2,097	(288)	1,809	2,464	(347)	2,117
Materials in transit	118,369	-	118,369	271,031	-	271,031
Total	₩1,671,972	₩(116,237)	₩1,555,735	₩1,808,177	₩(103,100)	₩1,705,077

Cost of inventory charged to cost of sales amounted to ₩5,362,204 million and ₩5,647,489 million for the year ended December 31, 2015 and 2014, respectively. Loss on inventory valuation added to cost of sales amounted to ₩13,137 million and ₩27,305 million for the year ended December 31, 2015 and 2014, respectively.

9. DERIVATIVES:

(1) Details of the Company's derivative contracts are as follows:

Purpose	Derivative instruments	Contract description
Cash flow hedge	Foreign currency forwards	A contract to avoid cash flow risk arising from forecasted sales in foreign currencies
Trading purpose	Foreign currency forwards	Foreign currency forwards to hedge future cash flows

(2) Details of gain and loss on valuation of derivatives as of December 31, 2015 and 2014, are as follows (in thousands of foreign currencies and millions of Korean won):

	December 31, 2015						
	Buy		Sell		Assets	Gains	Other comprehensive
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	income (loss)
Foreign currency forwards	KRW	585,464	USD	515,000	₩(19,144)	₩-	₩(19,144)
	KRW	110,138	EUR	87,000	(2,017)	-	(2,017)
	KRW	47,075	GBP	27,000	58	-	58
	KRW	48,772	CNY	276,000	47	-	47
	USD	150,000	EUR	137,260	1,006	(3,212)	-
	USD	32,300	BRL	114,378	1,833	2,142	-
	CZK	481,293	EUR	17,770	77	-	41
	EUR	34,045	GBP	24,583	1,037	-	661
	USD	18,599	CZK	458,335	106	-	121
Total					₩(16,997)	₩(1,070)	₩(20,233)

	December 31, 2014						
	Buy		Sell		Assets	Gains	Other comprehensive
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	income (loss)
Foreign currency forwards	KRW	795,702	USD	737,000	₩(18,890)	₩-	₩(18,890)
	KRW	144,130	EUR	103,000	5,239	-	5,239
	KRW	47,049	GBP	27,000	641	-	641
	CZK	231,607	EUR	8,408	(68)	(68)	-
	USD	125,000	EUR	99,892	4,537	4,634	-
	USD	23,691	BRL	58,983	(12)	(14)	-
Total					₩(8,553)	₩4,552	₩(13,010)

Derivative instruments classified as financial assets at FVTPL are classified as current assets or current liabilities. Derivatives that are designated as hedging instruments are classified as non-current assets (liabilities) when their maturities exceed twelve months from the end of the reporting period. Otherwise, they are classified as current assets (liabilities).

There is no gain or loss relating to the ineffective portion that shall be recognized in income or loss in applying cash flow hedge.

10. FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015						
	Financial assets at FVTPL - assets	Loans and receivables	AFS financial assets	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩381,900	₩-	₩-	₩-	₩381,900	₩381,900
Short-term investment securities	-	-	441	-	-	441	441
Trade and other receivables	-	1,231,866	-	-	-	1,231,866	1,231,866
Derivative assets	3,298	-	-	-	5,192	8,490	8,490
Long-term financial instruments	-	57,352	-	-	-	57,352	57,352
Long-term investment securities	-	-	94,314	3,548	-	97,862	97,862
Long-term trade and other receivables	-	2,637	-	-	-	2,637	2,637
Other non-current assets	-	71,589	-	-	-	71,589	71,589
Total	₩3,298	₩1,745,344	₩94,755	₩3,548	₩5,192	₩1,852,137	₩1,852,137

	December 31, 2015				
	Financial liabilities at FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,063,585	₩-	₩1,063,585	₩1,063,585
Borrowings and bonds	-	6,021,741	-	6,021,741	6,021,741
Derivative liabilities	459	-	25,028	25,487	25,487
Other current liabilities	-	43,200	-	43,200	43,200
Other non-current payables	-	5,829	-	5,829	5,829
Financial guarantee liabilities	-	4,020	-	4,020	4,020
Total	₩459	₩7,138,375	₩25,028	₩7,163,862	₩7,163,862

	December 31, 2014						
	Financial assets at FVTPL - assets	Loans and receivables	AFS financial assets	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩536,439	₩-	₩-	₩-	₩536,439	₩536,439
Short-term investment securities	-	-	441	7,000	-	7,441	7,441
Trade and other receivables	-	1,238,908	-	-	-	1,238,908	1,238,908
Derivative assets	5,101	-	-	-	7,105	12,206	12,206
Long-term financial instruments	-	2,012	-	-	-	2,012	2,012
Long-term investment securities	-	-	84,308	3,509	-	87,817	87,817
Long-term trade and other receivables	-	10,601	-	-	-	10,601	10,601
Other non-current assets	-	68,180	-	-	-	68,180	68,180
Total	₩5,101	₩1,856,140	₩84,749	₩10,509	₩7,105	₩1,963,604	₩1,963,604

	December 31, 2014				
	Financial liabilities at FVTPL – liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,218,877	₩-	₩1,218,877	₩1,218,877
Borrowings and bonds	-	6,085,479	-	6,085,479	6,085,479
Derivative liabilities	643	-	20,115	20,758	20,758
Other current liabilities	-	15,435	-	15,435	15,435
Other non-current payables	-	14,204	-	14,204	14,204
Financial guarantee liabilities	-	194,317	-	194,317	194,317
Total	₩643	₩7,528,312	₩20,115	₩7,549,070	₩7,549,070

(2) Fair value measurements of financial instruments by fair value hierarchy level as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015			
Type	Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets at FVTPL	₩-	₩3,298	₩-	₩3,298
AFS financial assets	2,232	-	90,343	92,575
Derivatives designated as hedging instruments	-	5,192	-	5,192
Total	₩2,232	₩8,490	₩90,343	₩101,065
Financial Liabilities:				
Financial liabilities at FVTPL	₩-	₩(459)	₩-	₩(459)
Derivatives designated as hedging instruments	-	(25,028)	-	(25,028)
Total	₩-	₩(25,487)	₩-	₩(25,487)

Type	December 31, 2014 Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets at FVTPL	₩-	₩5,101	₩-	₩5,101
AFS financial assets	285	-	82,855	83,140
Derivatives designated as hedging instruments	-	7,105	-	7,105
Total	₩285	₩12,206	₩82,855	₩95,346
Financial Liabilities:				
Financial liabilities at FVTPL	₩-	₩(643)	₩-	₩(643)
Derivatives designated as hedging instruments	-	(20,115)	-	(20,115)
Total	₩-	₩(20,758)	₩-	₩(20,758)

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).

Some of financial instruments that are not included in the above table are not measured at fair value, but are recorded at book value that approximates fair value.

As of December 31, 2015, for fair value measurement in Level 3 of the hierarchy, the Company selects an option-pricing model as valuation technique that uses significant unobservable inputs, such as volatility of interest rate and stock price.

In addition, the Company recorded other comprehensive loss of ₩751 million for the year ended December 31, 2015, through the fair vale measurement on financial instruments designated as Level 3.

(3) Net finance income (loss) by each category of financial instruments for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Year ended December 31, 2015						
	Interest income (expense)	Dividend income	Gain (loss) on valuation	Depreciation	Loss on disposal	Others	Other comprehensive loss (*)
Financial Assets:							
Cash and cash equivalents	₩12,930	₩-	₩-	₩-	₩-	₩-	₩-
Financial assets at FVTPL	-	-	-	-	-	-	-
Loans and receivables	10,120	-	-	(187,356)	(9,148)	-	-
AFS financial assets	-	2,117	-	-	-	(122)	398
Held-to-maturity investments	803	-	-	-	-	-	-
Total	₩23,853	₩2,117	₩-	₩(187,356)	₩(9,148)	₩(122)	₩398
Financial Liabilities:							
Financial liabilities at FVTPL	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Financial liabilities at amortized cost	(290,815)	-	-	-	(1,588)	(15,694)	-
Total	₩(290,815)	₩-	₩-	₩-	₩(1,588)	₩(15,694)	₩-

	Year ended December 31, 2014						
	Interest income (expense)	Dividend income	Gain(loss) on valuation	Depreciation	Loss on disposal	Others	Other comprehensive gain (*)
Financial Assets:							
Cash and cash equivalents	₩14,392	₩-	₩-	₩-	₩-	₩-	₩-
Financial assets at FVTPL	-	-	-	-	-	-	-
Loans and receivables	4,792	-	-	(71,475)	(7,811)	-	-
AFS financial assets	-	359	-	-	(6)	(1,429)	(1,472)
Held-to-maturity investments	914	-	-	-	-	-	-
Total	₩20,098	₩359	₩-	₩(71,475)	₩(7,817)	₩(1,429)	₩(1,472)
Financial Liabilities:							
Financial liabilities at FVTPL	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Financial liabilities at amortized cost	(291,615)	-	-	-	(37,087)	(90,439)	-
Total	₩(291,615)	₩-	₩-	₩-	₩(37,087)	₩(90,439)	₩-

(*)The amounts are not adjusted for deferred income tax effect.

Among the financial instruments above, the effective portion of the gain or loss on a derivative designated as a cash flow hedge is reported in other comprehensive income (loss), and accordingly, the loss of ₩7,223 million and ₩55,616 million for the year ended December 31, 2015 and 2014, respectively, is recognized as other comprehensive income (loss). Refer to Note 9.

In addition, except when the financial instruments are entered into a derivative contract, exchange differences that arose from foreign currency transaction and translation have mostly resulted from loans and receivables and financial liabilities measured at amortized cost.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2015, are summarized as follows:

Company	Type of business	Location	Financial closing date
- Investments in joint ventures			
Doosan PSI LLC (*1)	Manufacturing	USA	December 31

(*1) For the year ended December 31, 2015, the Company acquired 50% of ownership interest in Doosan PSI LLC for ₩1,108 million.

(2) Investments in joint ventures and associates as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

Company	Percentage of ownership (%)	Acquisition cost		Book value		Proportionate share of net assets	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
-Investments in associates							
Doosan (China) Financial Leasing Corp.	49.00	₩-	₩96,248	₩-	₩96,996	₩-	₩83,783
Doosan Capital Co., Ltd.	16.65	-	111,000	-	24,451	-	19,453
Subtotal		-	207,248	-	121,447	-	103,236
- Investments in joint ventures							
Doosan PSI LLC	50.00	1,108	-	1,254	-	1,254	-
Total		₩1,108	₩207,248	₩1,254	₩121,447	₩1,254	₩103,236

As of December 31, 2015 and 2014, the Company discontinued the use of equity method on investees in liquidation process amounting to ₩0.

(3) Changes in investment in joint ventures and associates for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

Company	Year ended December 31, 2015					
	January 1, 2015	Acquisition	Share of profit (loss)	Decrease in equity of associates	Other	December 31, 2015
Doosan (China) Financial Leasing Corp.(*1)	₩96,996	₩-	₩(19,137)	₩-	₩(77,859)	₩-
Doosan Capital Co., Ltd.(*2)	24,451	-	(18,919)	(2,262)	(3,270)	-
Doosan PSI LLC	-	1,108	79	-	67	1,254
Total	₩121,447	₩1,108	₩(37,977)	₩(2,262)	₩(81,062)	₩1,254

(*1) The investee has been included in subsidiaries as the Company acquired control over the investees during the year 2015.
(*2) Investment in the investee was disposed of during 2015.

Company	Year ended December 31, 2014					
	January 1, 2014	Acquisition (disposal)	Share of loss	Increase in equity of associates	Other	December 31, 2014
Doosan (China) Financial Leasing Corp.	₩101,371	₩-	₩(5,790)	₩-	₩1,415	₩96,996
Doosan Capital Co., Ltd.	52,756	-	(28,956)	651	-	24,451
Total	₩154,127	₩-	₩(34,746)	₩651	₩1,415	₩121,447

(4) The condensed financial information of the investees as of and for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

Company	As of and for the year ended December 31, 2015				As of and for the year ended December 31, 2014			
	Total assets	Total liabilities	Sales	Net income	Total assets	Total liabilities	Sales	Net loss
Doosan (China) Financial Leasing Corp.	₩-	₩-	₩-	₩-	₩789,214	₩618,229	₩45,660	₩(10,020)
Doosan Capital Co., Ltd.	-	-	-	-	1,661,977	1,502,567	85,809	(118,784)
Doosan PSI LLC	₩3,860	₩1,353	₩4,855	₩158	₩-	₩-	₩-	₩-

12. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

Year ended December 31, 2015	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
January 1, 2015	₩948,365	₩563,996	₩67,340	₩511,029	₩5,219	₩84,606	₩24,884	₩77,133	₩2,282,572
Acquisition	53,411	1,639	1,046	17,945	1,148	23,268	5,050	111,323	214,830
Net changes from revaluation	85,613	-	-	-	-	-	-	-	85,613
Disposal	-	(83)	(1,649)	(5,974)	(1,218)	(1,384)	(501)	-	(10,809)
Depreciation	-	(25,011)	(5,497)	(100,070)	(1,778)	(29,087)	(10,594)	-	(172,037)
Impairment losses (gains)	610	(57,159)	(5,174)	(38,326)	(970)	(14,912)	(1,454)	-	(117,385)
Others	(8,997)	8,672	718	70,705	(61)	(66)	(337)	(99,353)	(28,719)
December 31, 2015	₩1,079,002	₩492,054	₩56,784	₩455,309	₩2,340	₩62,425	₩17,048	₩89,103	₩2,254,065
Acquisition cost	₩774,381	₩783,065	₩113,758	₩1,135,384	₩17,923	₩242,190	₩123,581	₩89,103	₩3,279,385
Accumulated depreciation	-	(226,589)	(51,844)	(645,126)	(14,642)	(165,403)	(104,749)	-	(1,208,353)
Accumulated impairment losses	(1,716)	(59,889)	(5,130)	(30,709)	(941)	(14,362)	(1,784)	-	(114,531)
Accumulated gain on revaluation	306,337	-	-	-	-	-	-	-	306,337
Government subsidy	-	(4,533)	-	(4,240)	-	-	-	-	(8,773)

Year ended December 31, 2014	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
January 1, 2014	₩952,035	₩511,711	₩69,851	₩511,590	₩6,715	₩80,923	₩29,929	₩93,827	₩2,256,581
Acquisition	5	5,179	2,533	52,474	1,443	31,669	8,208	113,293	214,804
Disposal	-	(659)	(197)	(9,000)	(126)	(457)	(659)	(278)	(11,376)
Depreciation	-	(25,638)	(5,553)	(101,454)	(2,576)	(27,244)	(13,664)	-	(176,129)
Impairment losses	(2,224)	(8,244)	-	(490)	(162)	-	(496)	-	(11,616)
Others	(1,451)	81,647	706	57,909	(75)	(285)	1,566	(129,709)	10,308
December 31, 2014	₩948,365	₩563,996	₩67,340	₩511,029	₩5,219	₩84,606	₩24,884	₩77,133	₩2,282,572
Acquisition cost	₩731,108	₩780,730	₩114,567	₩1,138,530	₩24,672	₩230,660	₩131,344	₩77,133	₩3,228,744
Accumulated depreciation	-	(204,480)	(47,227)	(623,164)	(19,434)	(146,054)	(105,986)	-	(1,146,345)
Accumulated impairment losses	(2,335)	(7,876)	-	(1,773)	(19)	-	(474)	-	(12,477)
Accumulated gain on revaluation	219,592	-	-	-	-	-	-	-	219,592
Government subsidy	-	(4,378)	-	(2,564)	-	-	-	-	(6,942)

The Company recognized the land subsequently measured at revaluation amount, and if the land were stated at cost, the land would amount to ₩774,268 million as of December 31, 2015. As of December 31, 2015, the Company's land, buildings and machinery are partially pledged as collateral for loans from Korea Development Bank (“KDB”). Refer to Note 34.

(2) The Company revalued its land assets as of December 31, 2015, as follows:

For the year ended December 31, 2013, the Company initially remeasured all land assets using fair value at the date of the revaluation. As of December 31, 2015, the fair value of land assets is determined from an appraisal that is undertaken by independently qualified valuators, KYUNGIL APPRAISAL CO., LTD. (“KYUNGIL”) and others on October 31, 2015. KYUNGIL and others are member of Korea Association of Property Appraisers and comprise certified professionals who have a significant amount of industry experience.

Fair value of land assets is determined by reference to Officially Assessed Reference Land Price (“OARLP”), announced by Ministry of Land, Transport and Maritime Affairs, and recent market transactions of similar, recently sold parcels nearby the subject land in order to derive an indication of the most probable sales price (or value) of the subject land.

(3) Fair value measurements of land assets by fair value hierarchy level as of December 31, 2015, are as follows (in millions of Korean won):

Type	Level 1	Level 2	Level 3	Total
Land	₩-	₩-	₩1,079,002	₩1,079,002

(4) Valuation methodologies and inputs used for fair value measurements of land assets are as follows:

Valuation methodology	Significant inputs that are not based on observable market data (unobservable inputs)	Correlation between unobservable inputs and fair value arguments
OARLP	Fluctuation rate of land price and others	Fair value increases (decreases) if rate of land price increases (decreases)
OARLP of similar parcels nearby the subject land, reflating corrections necessary for differences between the subject and the comparable	Parcel conditions and others	Fair value increases (decrease) if corrections of parcel conditions and others increase (decrease)
	Land conditions affecting the sales price and others	Fair value increases (decreases) if correction of land conditions affecting the sales price increases (decreases)

(5) The effect of applying revaluation model for the year ended December 31, 2015, is as follows (in millions of Korean won):

January 1, 2015	Acquisition	Revaluation increase	Reversal of impairment loss	Revaluation decrease	Others	December 31, 2015
₩948,365	₩53,411	₩85,613	₩798	₩(188)	₩(8,997)	₩1,079,002

(6) Borrowing costs added to the cost of property, plant and equipment for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Borrowing costs added to the cost of property, plant and equipment	₩1,091	₩1,747
Interest rate (%)	4.49%	4.59%

(7) Classification of depreciation expense for the year ended December 31, 2015 and 2014 is as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Cost of sales	₩136,234	₩138,446
Selling and administrative	15,851	23,145
Research and development cost and others	19,952	14,538
Total	₩172,037	₩176,129

13. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2015	₩3,041,206	₩1,143,219	₩332,433	₩115,715	₩4,632,573
Acquisition	-	1,768	55,407	12,643	69,818
Disposal	-	208	-	20,643	20,851
Amortization	-	(15,231)	(70,999)	(37,731)	(123,961)
Impairment	(37,671)	-	(42,965)	(20,877)	(101,513)
Others	(110,502)	25,268	10,334	821	(74,079)
December 31, 2015	₩2,893,033	₩1,155,232	₩284,210	₩91,214	₩4,423,689
Acquisition cost	₩2,928,829	₩1,295,134	₩638,087	₩347,794	₩5,209,844
Accumulated amortization	(35,796)	(139,902)	(353,877)	(256,580)	(786,155)

	Year ended December 31, 2014				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2014	₩3,114,214	₩1,168,502	₩317,844	₩139,290	₩4,739,850
Acquisition	-	1,282	69,509	12,726	83,517
Disposal	-	(12)	(184)	(1,478)	(1,674)
Amortization	-	(15,921)	(55,710)	(39,839)	(111,470)
Impairment	-	-	-	(796)	(796)
Others	(73,008)	(10,632)	974	5,812	(76,854)
December 31, 2014	₩3,041,206	₩1,143,219	₩332,433	₩115,715	₩4,632,573
Acquisition cost	₩3,041,206	₩1,277,484	₩566,000	₩318,061	₩5,202,751
Accumulated amortization	-	(134,265)	(233,567)	(202,346)	(570,178)

The carrying amount of goodwill and others with indefinite useful lives in other intangible assets item is ₩4,027,573 million and ₩4,147,840 million as of December 31, 2015 and 2014, respectively.

(2) Borrowing costs added to the cost of intangible assets for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Borrowing costs added to the cost of intangible assets	₩1,592	₩2,508
Interest rate (%)	4.49%	4.59%

(3) Classification of amortization expense for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Cost of sales	₩69,003	₩57,438
Selling and administrative	54,499	53,843
Research and development cost and others	459	189
Total	₩123,961	₩111,470

(4) Expenditure on research and development recognized as expenses amounted to ₩231,650 million and ₩230,970 million for the year ended December 31, 2015 and 2014, respectively.

(5) Impairment test of goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives allocated to the Company's segment as of December 31, 2015, are as follows (in millions of Korean won):

	Doosan Bobcat Inc. and subsidiaries	Doosan Infracore Norway AS	Total
Goodwill	₩2,890,243	₩2,790	₩2,893,033

The Company uses cash flow projections based on financial budgets approved by the directors covering five-year periods for a value-in-use calculation. The financial budgets are determined based on historical result and expectation of market growth. The assumptions for a value-in-use calculation as of December 2015, are as follows:

	Doosan Bobcat Inc. and subsidiaries	Doosan Infracore Norway AS
Growth rate	2.5%	2.0%
Discount rate	8.6%	11.9%

Cash flows beyond that five-year periods have been extrapolated using 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 cash-generating units.

The result of recoverable amount the Company calculated based on value-in-use calculation was to cause the aggregate carrying amount to exceed the aggregate recoverable amount of Doosan Infracore Norway AS cash-generating unit. Therefore, impairment loss is recognized in the amount of ₩37,671 million based on the impairment test for the year ended December 31, 2015.

14. INVESTMENT PROPERTIES:

Changes in investment properties for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015		
	Land	Building	Total
January 1, 2015	23,052	4,322	27,374
Acquisition	3,660	-	3,660
Depreciation	-	(248)	(248)
Others	(512)	-	(512)
December 31, 2015	26,200	4,074	30,274
Acquisition cost	26,200	9,180	35,380
Accumulated depreciation	-	(4,030)	(4,030)
Accumulated impairment losses	-	(1,076)	(1,076)

	Year ended December 31, 2014		
	Land	Building	Total
January 1, 2014	₩23,735	₩4,571	₩28,306
Transfer	(702)	-	(702)
Depreciation	-	(249)	(249)
Others	19	-	19
December 31, 2014	₩23,052	₩4,322	₩27,374
Acquisition cost	₩23,052	₩9,180	₩32,232
Accumulated depreciation	-	(3,782)	(3,782)
Accumulated impairment losses	-	(1,076)	(1,076)

The fair values of investment properties are ₩24,088 million and ₩20,682 million as of December 31, 2015 and 2014, respectively. The recognized amount of rental income from investment property for the year ended December 31, 2015 and 2014, is ₩942 million and ₩923 million, respectively.

15. TRADE AND OTHER PAYABLES:

Trade and other payables as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Current:		
Trade payables	₩556,004	₩762,582
Other payables	295,696	282,443
Accrued expenses	211,885	173,852
Total	₩1,063,585	₩1,218,877
Non-current:		
Other payables	₩5,829	₩14,204

16. BORROWINGS AND BONDS:

(1) Bonds as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

Type	Annual interest rate (%)	December 31, 2015	December 31, 2014
Public bonds	3.77–6.06	₩1,827,788	₩1,876,306
Private bonds	4.76	100,000	100,000
Subtotal		1,927,788	1,976,306
Less: discount on bonds		(3,459)	(6,562)
Less: current portion of bonds		(809,000)	(69,932)
Long-term bonds		₩1,115,329	₩1,899,812

(2) Long-term and short-term borrowings as of December 31, 2015 and 2014, are as follows (in thousands of foreign currencies and millions of Korean won):

1) Short-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2015	December 31, 2014
Short-term borrowings in Korean won	Korea Exim Bank and others	2.32–5.99	₩534,000	₩388,500
Short-term borrowings in foreign currencies	KDB and others	1.80–9.25	534,180	566,481
Usance	Woori Bank and others	0.72–2.00	103,787	171,090
Transferred receivables (*)	KEB Hana Bank and others	-	84,798	27,738
Total			₩1,256,765	₩1,153,809

(*) Financial liabilities related to transferred trade receivables that do not meet the derecognition criteria amounted to ₩84,798 million and ₩27,738 million as of December 31, 2015 and 2014, respectively. Trade receivables are pledged as collateral for these liabilities.

2) Long-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2015	December 31, 2014
Borrowings in Korean won	Korea Development Bank	3.90‑4.87	115,000	₩135,000
	Nonghyup Investment & Securities	5.10	-	50,000
	Kyongnam Bank	4.29	-	40,000
	TY Solution 1st Co., Ltd. and six others	5.10–5.45	-	145,000
	KDB	4.63–4.98	41,667	50,000
	Core Value 1st Co., Ltd. and two others	4.77	100,000	200,000
	Woori Bank	4.17	40,000	40,000
	Boosan Bank	4.32	4,000	12,000
	Subtotal		300,667	672,000
Borrowings in foreign currencies	AKA Bank	6M EURIBOR+0.45	EUR 1,444	EUR 2,113
	KDB	3M LIBOR+3.50	USD 50,000	USD 50,000
	Kookmin Bank	3M LIBOR+3.10	USD 25,000	USD 30,000
	Bank of China	3M LIBOR+2.90	-	USD 18,000
	KEB Hana Bank	3M LIBOR+3.60	USD 33,600	USD 50,000
	Shinhan Bank	6M LIBOR+3.35	USD 35,000	USD 40,000
	Korea Exim Bank	6M LIBOR+4.30	USD 40,000	USD 50,000
	Korea Exim Bank	3M LIBOR+2.76	USD 175,000	USD 175,000
	Korea Exim Bank	3M LIBOR+4.30	USD 400,000	USD 400,000
	JP Morgan and three others	3M LIBOR+3.50	USD 1,180,500	USD 1,193,500
	Innovasjon Norge	4.40	NOK 29,033	NOK 15,071
	Bank of New York	8.00	USD 4,250	USD 4,250
	Doosan Heavy Industries America Holdings Inc.	1.89	USD 18,000	USD 82,000
	KEB Hana Bank	4.99	CNY 80,000	CNY 100,000
	Shell Brasil Petroleo Ltda	0.00	BRL 1,250	BRL 1,250
	Standardchartered Bank	5.14–5.64	CNY 117,917	-
	Minsheng Financial Leasing Co., Ltd.	5.23–6.30	CNY 371,141	-
	Ping An Bank	5.00–6.61	CNY 39,230	-
	Everbright Financial Leasing Co., Ltd.	5.25–5.50	CNY 95,598	-
	Cinda Financial Leasing Co., Ltd.	5.27–6.30	CNY 366,949	-
	Industrial and Commercial Bank of China	4.75–5.50	CNY 54,567	-
	China Development Bank Leasing Co., Ltd.	6.25–6.50	CNY 12,606	-
	KDB	3.99–4.06	USD 16,000	-
	Woori Bank	6.13–6.38	CNY 40,000	-
	KDB	5.14–5.64	CNY 150,000	-
	International Far Eastern Leasing Co., Ltd.	6.20	CNY 55,556	-

Type	Lender	Annual interest rate (%)	December 31, 2015	December 31, 2014
			EUR 1,444	EUR 2,113
			USD 1,977,350	USD 2,092,750
			CNY 1,383,564	CNY 100,000
			NOK 29,033	NOK 15,071
	Subtotal		BRL 1,250	BRL 1,250
Korean won equivalent			2,869,894	2,995,614
Less: present value of discount			(29,247)	(33,688)
Less: current portion			(319,795)	(393,318)
Total			₩2,520,852	₩2,568,608

17. RETIREMENT BENEFIT OBLIGATION:

(1) Details of retirement benefit obligation as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Present value of defined benefit obligation	₩1,077,547	₩1,163,528
Fair value of plan assets (*)	(523,002)	(546,473)
Total	₩554,545	₩617,055

(*) As of December 31, 2015, fair value of plan assets includes a portion of ₩303 million (₩583 million as of December 31, 2014) transferred to the National Pension Fund.

(2) Expenses recognized in income and loss for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Current service cost	₩53,361	₩49,812
Past service cost and gain on settlements	(1,066)	(20,839)
Net interest cost	25,991	27,036
Total	₩78,286	₩56,009

(3) Details of total expenses recognized in consolidated statement of income for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Cost of sales	₩31,799	₩21,728
Selling and administrative expenses	35,504	24,088
Research and development cost	10,983	10,193
Total	₩78,286	₩56,009

The Company recognized ₩8,412 million and ₩15,524 million of service cost relating to its defined contribution plan in the consolidated statements of income for the year ended December 31, 2015 and 2014, respectively.

(4) Changes in defined benefit obligation for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩1,163,528	₩1,043,963
Current service cost	53,361	49,812
Past service cost and gain on settlements	(1,066)	(20,839)
Transfer in	3,603	1,699
Transfer out	(5,677)	(774)
Business combinations and business transfer	(5,661)	-
Interest cost	42,361	45,574
Remeasurements of defined benefit liabilities		
-Actuarial loss (gain) arising from changes in demographic assumptions	(18,009)	4,259
- Actuarial loss (gain) arising from changes in financial assumptions	(58,613)	99,372
- Others	11,684	(4,743)
Plan participants' contributions	2,486	2,271
Benefit payment	(163,477)	(85,716)
Foreign currency translation	53,027	28,650
Ending balance	₩1,077,547	₩1,163,528

(5) Changes in plan assets for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩546,473	₩479,548
Expected return on plan assets	16,370	18,539
Transfer in	1,765	1,073
Transfer out	(2,553)	(255)
Business combinations and business transfer	(1,098)	-
Remeasurements of plan assets	(23,996)	24,763
Plan participants' contributions	2,486	2,271
Contributions by employer directly to plan assets	67,594	85,797
Benefit payment	(107,777)	(79,042)
Foreign currency translation	23,738	13,779
Ending balance	₩523,002	₩546,473

Actual gain on plan assets is recognized ₩(7,626) million and ₩43,302 million for the year ended December 31, 2015 and 2014, respectively. The Company plans to contribute ₩78,504 million for the defined benefit plans in 2016.

(6) Assumptions used on actuarial valuation as of December 31, 2015 and 2014, are as follows:

	December 31, 2015	December 31, 2014
Discount rate for defined benefit obligations	3.00%–3.84%	3.40%–4.15%
Expected rate of salary increase	2.80%–3.85%	3.40%–5.00%

(7) Details of plan assets as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Equity instruments	₩260,528	₩140,882
Debt instruments	138,444	264,277
Others	124,030	141,314
Total	₩523,002	₩546,473

Expected return on plan assets is determined based on the consideration that is applicable for assets being held by the Company in accordance with its investment policy. Expected return on debt instruments is determined based on the consideration of interest rates at which interest is paid for debt instruments as of December 31, 2015. Expected return on equity instruments and others is determined based on the consideration of historical data on actual return from relevant markets.

(8) Sensitivity analysis as of December 31, 2015, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption is as follows (in millions of Korean won):

	Amount	Rate
Discount rate:		
1% increase	₩(39,619)	(3.68)%
1% decrease	43,193	4.01%
Salary increase rate:		
1% increase	₩15,156	1.41%
1% decrease	(11,860)	(1.10)%

(9) Maturity of the defined benefit obligation as of December 31, 2015 is as follows (in millions of Korean won):

	0–one year	One year–two years	Two–five years	Five–ten years	Total
Payment	₩74,638	₩85,107	₩235,939	₩373,690	₩769,374

18. PROVISIONS:

Changes in provisions for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015						
	January 1, 2015	Increase	Decrease	Others	December 31, 2015	Current	Non-current
Provision for product warranties	₩137,466	64,581	(62,404)	4,405	144,048	(123,906)	20,142
Provision for returned goods	1,197	1,513	(630)	-	2,080	(2,080)	-
Others	41,402	5,179	(24,818)	(6,633)	15,130	(15,130)	-
Total	₩180,065	71,273	(87,852)	(2,228)	161,258	(141,116)	20,142

	Year ended December 31, 2014						
	January 1, 2014	Increase	Decrease	Others	December 31, 2014	Current	Non-current
Provision for product warranties	₩152,280	₩71,404	₩(85,757)	₩(461)	₩137,466	₩(134,111)	₩3,355
Provision for returned goods	858	1,354	(1,015)	-	1,197	(1,197)	-
Others	945	40,547	(222)	132	41,402	(41,402)	-
Total	₩154,083	₩113,305	₩(86,994)	₩(329)	₩180,065	₩(176,710)	₩3,355

The Company estimates expenditure required to settle the Company’s obligation for product warranty, refund, related after-sales service and other based on warranty period, historical claim rate and other.

19. CAPITAL STOCK AND CAPITAL SURPLUS:

Changes in capital stock and capital surplus for the year ended December 31, 2015, are as follows (in millions of Korean won):

	Number of shares	Capital stock	Share premium	Other capital surplus
Beginning balance	207,455,314	₩1,037,277	₩228,729	₩11,471
Extinguishment of share options	-	-	-	5,101
Ending balance	207,455,314	₩1,037,277	₩228,729	₩16,572

DI's number of shares authorized is 400,000,000 shares with a par value of ₩5,000 per share. The number of shares issued by DI is 207,455,314 as of December 31, 2015 and 2014. There are no issued shares with restricted voting rights under the commercial law.

20. CAPITAL SECURITIES:

Detail of capital securities as of December 31, 2015, are as follows:

	Description
Issue price (Korean won equivalent)	$500,000,000 ₩(556,650 million)
Maturity date	30 years and automatic revolving
Dividend condition	- Amount: 3.25% at par value, reset every five years - According to a "Step-up" clause, 5% will be added up after five years and 2% will be added up after seven years additionally. - Distribution: semiannually in arrears; optional deferral of distributions is available
Others	- DI can call the capital securities at five years and semiannually afterwards - Investor can put the capital securities to Core Partners Limited, a special-purpose entity ("SPE"), if DI does not exercise its call option

If investors exercise their put option and Core Partners Limited, a SPE, acquires the capital securities after five years since issue date, the SPE has the right to put the capital securities back to DI (the "Stock Exchange Right") under which the SPE can exchange the capital securities with a par value of $15.4 for a share of DI's common stock.

The capital securities are classified as equity as of December 31, 2015, as they do not contain a contractual financial obligation for DI to settle in cash, and the Stock Exchange Right confers at issue date a right to receive a fixed number of DI's common stock.

21. OTHER EQUITY ITEMS:

(1) Other equity items as of December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

Description	December 31, 2015	December 31, 2014
Loss on disposal of treasury stock	₩(7,909)	₩(7,909)
Share options	8,149	12,823
Other capital adjustments	(37,642)	(36,229)
Total	₩(37,402)	₩(31,315)

(2) Share-based payment

The Company granted share options to its directors. Share options are settled based on board of directors' decision by issuance of new shares, treasury shares or cash settlement. These share options carry a two-year service vesting condition, subsequent to the resolution at the shareholders' meeting. Number of granted options as of December 31, 2015, is as follows (in millions of Korean won, except for share data).

	Date of grant	Number of granted options	Exercisable period	Exercisable price	Expected fair value at the date of grant
2nd grant	2006.03.17	26,900	2009.03.17–2016.03.16	₩15,900	₩7,881
3rd grant	2007.03.16	46,400	2010.03.16–2017.03.15	20,100	8,143
4th grant	2008.03.21	66,700	2011.03.21–2018.03.20	28,700	15,709
5th grant	2009.03.27	37,150	2012.03.27–2019.03.26	15,600	7,674
6th grant	2010.03.26	90,070	2013.03.26–2020.03.25	19,400	10,543
7th grant	2011.03.25	50,500	2014.03.25–2021.03.24	30,700	16,800
8th grant	2012.03.30	116,200	2015.03.30–2022.03.29	22,300	11,951
9th grant	2013.03.29	229,400	2016.03.29–2023.03.28	15,700	8,477
10th grant	2014.03.21	191,100	2017.03.21–2024.03.20	13,600	6,436
Total		854,420			

Changes in share option for the year ended December 31, 2015, are as follows:

1) Number of common shares to be issued:

	January 1, 2015	Granted	Exercised	Forfeited	December 31, 2015
2nd grant	40,100	-	-	(13,200)	26,900
3rd grant	84,300	-	-	(37,900)	46,400
4th grant	148,800	-	-	(82,100)	66,700
5th grant	54,900	-	-	(17,750)	37,150
6th grant	194,060	-	-	(103,990)	90,070
7th grant	82,800	-	-	(32,300)	50,500
8th grant	250,900	-	-	(134,700)	116,200
9th grant	252,800	-	-	(23,400)	229,400
10th grant	293,200	-	-	(102,100)	191,100
Total	1,401,860	-	-	(547,440)	854,420

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

	January 1, 2015	Exercised	Change	December 31, 2015
2nd grant	₩316	₩-	₩(104)	₩212
3rd grant	686	-	(308)	378
4th grant	2,338	-	(1,290)	1,048
5th grant	422	-	(137)	285
6th grant	2,046	-	(1,096)	950
7th grant	1,391	-	(543)	848
8th grant	2,998	-	(1,610)	1,388
9th grant	1,888	-	57	1,945
10th grant	738	-	357	1,095
Total	₩12,823	₩-	₩(4,674)	₩8,149

Expense recognized related to the share option granted amounted to ₩428 million and ₩2,061 million for the year ended December 31, 2015 and 2014, respectively. Expense to be recognized in the future periods amounted to ₩135 million.

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

	Risk-free interest rate (*)	Expected exercisable period	Expected volatility	Expected dividend yield ratio
2nd grant	5.13%	5 years	55.97%	0.90%
3rd grant	4.81%	5 years	47.08%	1.23%
4th grant	5.19%	6. 5 years	47.94%	1.47%
5th grant	4.74%	6. 5 years	59.76%	1.67%
6th grant	4.53%	6. 5 years	58.82%	1.34%
7th grant	4.19%	6. 5 years	58.01%	1.07%
8th grant	3.80%	6. 5 years	57.96%	0.44%
9th grant	2.57%	6. 5 years	54.12%	0.21%
10th grant	3.27%	6. 5 years	42.29%	0.00%

(*) Risk-free interest rate is based on 5- and 10-year treasury bond yield rate.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Changes in accumulated other comprehensive income (loss) for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015					
	Unrealized loss on AFS securities	Increase (decrease) in equity of associates	Loss on translation of foreign operation	Unrealized loss on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	₩(797)	₩1,416	₩(406,276)	₩(9,862)	₩164,440	₩(251,079)
Increase	-	-	-	-	62,943	62,943
Decrease	(65)	(1,357)	(12,835)	(5,277)	-	(19,534)
Ending balance	₩(862)	₩59	₩(419,111)	₩(15,139)	₩227,383	₩(207,670)

	Year ended December 31, 2014					
	Unrealized gain (loss) on AFS securities	Increase in equity of associates	Loss on translation of foreign operation	Unrealized gain (loss) on valuation of derivatives	Gain (loss) on revaluation of property, plant and equipment	Total
Beginning balance	₩94	₩1,026	₩(281,069)	₩32,295	₩164,526	₩(83,128)
Increase	-	390	-	-	-	390
Decrease	(891)	-	(125,207)	(42,157)	(86)	(168,341)
Ending balance	₩(797)	₩1,416	₩(406,276)	₩(9,862)	₩164,440	₩(251,079)

Tax effects directly recognized in accumulated other comprehensive income (loss) as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015		
Description	Before tax	Deferred tax assets (liabilities)	After tax
Unrealized gain (loss) on AFS securities	₩(949)	87	(862)
Increase (decrease) in equity of associates	78	(19)	59
Loss on translation of foreign operation	(418,590)	(521)	(419,111)
Unrealized gain (loss) on valuation of derivatives	(20,234)	5,095	(15,139)
Gain on revaluation of property, plant and equipment	303,519	(76,136)	227,383
Total	(136,176)	(71,494)	(207,670)

Description	December 31, 2014 Before tax	Deferred tax assets (liabilities)	After tax
Unrealized gain (loss) on AFS securities	₩(1,347)	₩550	₩(797)
Increase (decrease) in equity of associates	2,340	(924)	1,416
Gain (loss) on translation of foreign operation	(406,670)	394	(406,276)
Unrealized gain (loss) on valuation of derivatives	(13,010)	3,148	(9,862)
Gain on revaluation of property, plant and equipment	218,790	(54,350)	164,440
Total	₩(199,897)	₩(51,182)	₩(251,079)

23. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Retained earnings before appropriations (deficit before disposal)	₩(181,069)	₩670,464
Technology development reserve	456,667	425,333
Facilities investment reserve	200,000	200,000
Total	₩475,598	₩1,295,797

(2) Changes in retained earnings for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩1,295,797	₩1,313,453
Net income (loss) for the year	(819,103)	41,965
Actuarial gains (losses) recognized in retained earnings and others	17,264	(42,403)
Revaluation and disposal of property, plant and equipment	141	-
Dividends	(18,501)	(17,218)
Ending balance	₩475,598	₩1,295,797

24. SEGMENT INFORMATION:

The Company's operating segments are as follows:

Business segment	Main products
Engines ("EG")	Engine of the commercial cars and buses; engine parts
Construction Equipment ("CE")	Crawler excavator, excavator parts and portable power
Machine Tools ("MT")	MT and factory automation system

(1) The information for each business segment as of and for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Year ended December 31, 2015					
	Sale	Intersegment transaction	Subtotal	Transaction with other segment	Net	Operating income
EG	₩901,567	₩(8,180)	₩893,387	₩(315,645)	₩577,742	₩2,401
CE	7,216,281	(1,840,876)	5,375,405	(75)	5,375,330	(55,579)
MT	1,662,941	(415,809)	1,247,132	(122)	1,247,010	71,801
Other	(62,535)	(240,404)	(302,939)	315,842	12,903	8,818
Subtotal	9,718,254	(2,505,269)	7,212,985	-	7,212,985	27,441
Elimination	(2,505,269)	2,505,269	-	-	-	-
Total	₩7,212,985	₩-	₩7,212,985	₩-	₩7,212,985	₩27,441

	Year ended December 31, 2014					
	Sale	Intersegment transaction	Subtotal	Transaction with other segment	Net	Operating income
EG	₩1,015,466	₩(11,451)	₩1,004,015	₩(344,016)	₩659,999	₩45,734
CE	8,003,565	(2,304,545)	5,699,020	-	5,699,020	254,252
MT	1,766,280	(439,790)	1,326,490	(3,948)	1,322,542	157,943
Other	(186,413)	(154,554)	(340,967)	347,964	6,997	(4,935)
Subtotal	10,598,898	(2,910,340)	7,688,558	-	7,688,558	452,994
Elimination	(2,910,340)	2,910,340	-	-	-	-
Total	₩7,688,558	₩-	₩7,688,558	₩-	₩7,688,558	₩452,994

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

(2) Total assets of business segment as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
EG	₩903,697	₩874,795
CE	7,938,033	8,230,117
MT	873,775	872,794
Other	1,667,668	1,979,721
Total	₩11,383,173	₩11,957,427

(3) Total liabilities of business segment as of December 31, 2015 and 2014, are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
EG	₩804,568	₩758,244
CE	9,917,555	9,706,094
MT	129,844	162,473
Other	(2,571,750)	(1,957,672)
Total	₩8,280,217	₩8,669,139

(4) The sale information by geographical segment for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Revenue	
	Year ended December 31, 2015	Year ended December 31, 2014
Asia Pacific and Emerging Market	₩2,456,460	₩2,819,389
China	504,373	863,822
Europe and Middle East and Africa	1,171,624	1,295,068
North America & Oceania	3,080,528	2,710,279
Total	₩7,212,985	₩7,688,558

(5) There is no single external customer that accounted for 10% or more of the Company's sales for the year ended December 31, 2015 and 2014.

25. SALES:

Details of sales for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Sales of goods		
-Manufactured products	₩6,137,889	₩6,456,830
-Merchandise	955,511	1,132,514
Others	119,585	99,214
Total	₩7,212,985	₩7,688,558

26. EXPENSES BY NATURE:

Expenses classified by nature for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Purchases of inventories	₩2,892,172	₩4,129,673
Changes in inventories	106,137	(215,580)
Employee benefits	1,131,325	1,024,177
Depreciation and amortization	296,246	287,848

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries	₩301,011	₩340,208
Retirement benefits(*1)	221,063	28,967
Other employee benefits	73,328	81,654
Printing	3,504	4,261
Freight and custody	6,115	6,076
Communications	9,794	9,151
Utilities	5,118	5,667
Maintenance	6,121	5,796
Insurance	19,934	17,158
Depreciation	15,872	23,167
Amortization	54,499	53,843
Research and development	231,650	230,970
Advertising	66,083	63,370
Sales commission	60,066	59,864
Taxes and dues	14,079	11,929
Travel	43,709	47,732
Sundry	152,298	127,529
Entertainment	4,800	6,948
Education and training	8,704	12,845
Bad debt expenses	155,465	49,511
Others	64,617	72,932
Total	₩1,517,830	₩1,259,578

(*1) Voluntary separation program is included.

28. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the year ended December 31, 2015 and 2014, are summarized as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Finance income:		
Interest income	₩23,853	₩20,098
Dividend income	2,117	359
Gain on foreign currency transaction	116,361	81,831
Gain on foreign currency translation	77,808	32,868
Gain on derivative transaction	21,031	7,565
Gain on valuation of derivatives	2,195	5,177
Income on financial guarantee	1,766	3,058
Subtotal	245,131	150,956
Finance expenses:		
Interest expenses	(290,815)	(291,615)
Loss on foreign currency transaction	(80,320)	(89,018)
Loss on foreign currency translation	(208,577)	(66,283)
Loss on derivative transaction	-	(486)
Loss on valuation of firm commitments	(3,265)	(625)
Expense on financial guarantee	(17,460)	(93,497)
Loss on bond repayment	(1,588)	(220)
Loss on debt repayment	-	(36,867)
Other finance expenses	(1,045)	(1,468)
Subtotal	(603,070)	(580,079)
Net finance expense	₩(357,939)	₩(429,123)

29. OTHER NON-OPERATING INCOME AND EXPENSES:

(1) Other non-operating income and expenses for the year ended December 31, 2015 and 2014, consist of the following (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Other non-operating income:		
Rental income	₩58	₩39
Gain on disposal of property, plant and equipment	1,093	951
Gain on disposal of intangible assets	-	176
Gain on disposal of investment property	-	785
Gain on disposal of other non-current assets	29,718	-
Reversal of impairment loss of property, plant and equipment	139	-
Other	21,716	39,541
Subtotal	52,724	41,492
Other non-operating expenses:		
Loss on disposal of trade receivables	(9,148)	(7,811)
Other bad debt expenses	(31,891)	(21,964)
Loss on disposal of property, plant and equipment	(3,210)	(4,583)
Loss on disposal of intangible assets	-	(58)
Impairment loss of property, plant and equipment	(116,448)	(8,063)
Impairment loss of intangible assets	(101,513)	(796)
Loss on disposal of short-term investment securities	-	(6)
Impairment loss of short-term investment securities	(122)	(1,429)
Donations	(13,332)	(11,277)
Other	(72,650)	(49,847)
Subtotal	(348,314)	(105,834)
Total	₩(295,590)	₩(64,342)

30. INCOME TAX EXPENSE (BENEFIT):

(1) Components of income tax expense (benefit) for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Current tax	₩60,518	₩50,160
Deferred tax	146,512	(198,913)
Total income tax expense (benefit)	207,030	(148,753)
Changes in deferred tax directly charged to equity	(11,590)	49,564
Income tax expense (benefit)	₩195,440	₩(99,189)

(2) The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31, 2015		
	January 1, 2015	Change	December 31, 2015
Advances from government	₩2,464	₩(743)	₩1,721
Allowance for doubtful accounts	16,034	68,615	84,649
Provision for product warranties	33,976	(8,193)	25,783
Retirement benefit obligation	138,268	(4,097)	134,171
Investment in associates	11,332	(25,336)	(14,004)
Provision for temporary depreciation	(6,161)	-	(6,161)
Reserve for research and development	(81,474)	25,814	(55,660)
Gain on revaluation of land	(156,092)	(20,539)	(176,631)
Derivative assets	3,148	1,947	5,095
Net loss carryforwards	25,736	2,251	27,987
Others	667,100	(186,231)	480,869
Total	₩654,331	₩(146,512)	₩507,819

	Year ended December 31, 2014		
	January 1, 2014	Change	December 31, 2014
Advances from government	₩2,564	₩(100)	₩2,464
Allowance for doubtful accounts	90,827	(74,793)	16,034
Provision for product warranties	91,344	(57,368)	33,976
Retirement benefit obligation	104,106	34,162	138,268
Investment in associates	10	11,322	11,332
Provision for temporary depreciation	(6,161)	-	(6,161)
Reserve for research and development	(76,311)	(5,163)	(81,474)
Gain on revaluation of land	(155,359)	(733)	(156,092)
Derivative assets (liabilities)	(10,311)	13,459	3,148
Net loss carryforwards	23,859	1,877	25,736
Others	390,850	276,250	667,100
Total	₩455,418	₩198,913	₩654,331

(3) Temporary differences that have not been recognized as deferred tax assets as of December 31, 2015 and 2014, are as follows (in millions Korean won):

	December 31, 2015	December 31, 2014
Net loss carryforwards	₩1,348,083	₩1,103,627
Temporary differences	256,516	7,330
Tax credit carryforwards	910,669	19,734

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

(4) Temporary differences from investments in subsidiaries, joint ventures and associates that are not recognized as deferred tax assets are as follows (in millions of Korean won):

	December 31, 2015	December 31, 2014
Subsidiaries and other	₩213,105	₩131,783

(5) A reconciliation of income tax expense (benefit) and accounting income (loss) before income tax expense for the year ended December 31, 2015 and 2014, is as follows (in millions of Korean won):

	Year ended December 31, 2015	Year ended December 31, 2014
Loss before income tax expense	₩(664,065)	₩(75,217)
Income tax expense (benefit) at statutory income tax rate	(188,487)	(21,021)
Adjustment:		
Non-temporary difference	(68,631)	4,297
Effect of change in recognition of deferred income tax	438,527	(65,844)
Tax credits	(4,366)	(23,543)
Additional income tax and tax refund for prior periods	4,467	(2,065)
Other	13,930	8,987
Income tax expense (benefit)	₩195,440	₩(99,189)
Average effective tax rate	(*)	(*)

(*) Average effective tax rate for the year ended December 31, 2015 and 2014, was not calculated due to the effect of change in recognition of deferred income tax.

The Company’s tax rate varies from 15% to 35% according to tax authorities.

31. EARNINGS PER SHARE:

Earnings per share for the year ended December 31, 2015 and 2014 are computed as follows (in millions of Korean won, except for share data).

(1) Basic earnings per share

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
Net income (loss) available to common share	₩(837,604)	₩41,965
Weighted-average number of common shares outstanding (*1)	207,455,314	207,455,314
Basic net income (loss) per share (in Korean won)	₩(4,038)	₩202

(*1) The weighted-average number of common shares outstanding for the year ended December 31, 2015 and 2014, is equal to the number of shares outstanding.

(2) Diluted earnings per share

The Company does not compute diluted earnings per common share for the year ended December 31, 2015 and 2014, because there is no item related to dilution. Diluted earnings per share are equal to earnings per share for the year ended December 31, 2015 and 2014.

Share options that are excluded from the diluted earnings per share calculation as they have an antidilutive effect during 2015 and 2014 are as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Share options	854,420	1,401,860

32. DIVIDEND:

For the year ended December 31, 2015, DI paid dividends amounting to ₩18,501 million for holders of capital securities.

33. COMMITMENTS AND CONTINGENCIES:

(1) The Company is involved in lawsuits as a defendant with a total claims exposure of ₩105,569 million as of December 31, 2015. Currently, the ultimate outcome of these lawsuits cannot be determined.

(2) As of December 31, 2015, the Company has entered into bank overdraft agreements amounting to ₩4,586,049 million with various financial institutions.

(3) Financial covenant

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 when and if the Parent's guarantor, KDB, becomes privatized, and the funds required for such redemption will be provided by KDB to the Parent. In turn, DI has provided its 20,429 shares of Doosan Infracore International, Inc. (DII).

(4) 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.

(5) As of December 31, 2015, DI entered into an agreement with unrelated financial investors, preferred shareholder of DBI under which DI and the unrelated financial investors, as they mutually agree, unless executing IPO of DBI in four years and six month, may collectively dispose of all shares of DBI, belonging to each of them, to a third party or right to request dispose of DBI's subsidiaries. Upon exercise of the agreement by the unrelated financial investors, the Company has a right to sell its shares of Doosan Bobcat Inc. pursuant to the agreement or, otherwise, repurchase the shares held by the unrelated financial investors.

(6) The financial liabilities related to the transferred receivables that DI continues to recognize because DI retains substantially all of the risks and rewards of ownership as of December 31, 2015, amounting to ₩84,798 million.

(7) As of December 31, 2015, guarantees provided by the Company for third parties are as follows (in thousands of foreign currencies and millions of Korean won):

Provider	Provided for	Guarantee	Korean won equivalent
Doosan Infracore Co., Ltd.	Daewoo Construction	EUR 1,444	₩1,849
	Daewoo International	EUR 783	1,003
	KJ Industry	KRW 3,000	3,000
	End User	BRL 2,209	654
	Doosan Capital Co., Ltd.	KRW 20,000	20,000
Doosan Infracore China Co., Ltd.	End User	CNY 932,746	166,477
Doosan Infracore (Shandong) Co., Ltd.	End User	CNY 4,001	714
Doosan Infracore International, Inc. and others	End User	USD 73,328	85,940
Doosan Holdings Europe Ltd. and others	End User	USD 1,431	1,677
			₩281,314

As of December 31, 2015, DI entered into agreements with KDB for the guarantees of 19th foreign currency-denominated bond, totaling USD 350,000 thousand. DI entered into agreements with various banks for the guarantees of letters of credit and usance bills related to DI's exports and imports, totaling USD 2,724 thousand, and entered into contracts with Seoul Guarantee Insurance Company and Machinery Financial Cooperative for the guarantees related to contracts and warranties, totaling ₩29,366 million.

34. PLEDGED ASSETS:

(1) DI's assets pledged as collateral for long-term and short-term borrowings as of December 31, 2015, are as follows (in thousands of foreign currencies and millions of Korean won):

Institution	Asset	Borrowings	Collateralized value
KDB	Land, buildings and machinery (*)	KRW 234,000 USD 50,000	KRW 384,413 USD 95,026 DM 84,000

(*) The Company's rights to property insurance benefits are pledged as collateral to KDB.

The Company has provided 4,540 shares of Doosan Infracore International, Inc. and 4,859 shares of Doosan Holdings Europe Ltd., respectively, held by Doosan Bobcat Inc. as collateral to Core Value 1st Co., Ltd. and other two parties for borrowings amounting to ₩100,000 million. The Company has provided a savings account totaling CNY 830,000 thousand as collateral to the Bank of China and others for line of credit amounting to ₩132,000 million.

The Company has provided whole shares of Doosan Infracore America Corp. and Doosan Infracore Norway AS as collateral to Korea Exim Bank for borrowings amounting to USD 175,000 thousand. In addition, the Company has provided a savings account totaling ₩15,000 million as collateral for borrowings of Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA amounting to BRL 20,000 thousand.

(2) The Company has provided 27,096 shares of Doosan Infracore International, Inc. and 21,820 shares of Doosan Holdings Europe Ltd., as well as secured by certain tangible and intangible assets of Doosan Infracore International, Inc. and subsidiaries and Doosan Holdings Europe Ltd. and subsidiaries as collateral to JP Morgan and other three parties for borrowings amounting to USD 1,185,000 thousand.

35. RELATED-PARTY TRANSACTIONS:

Related party disclosures for the year ended December 31, 2015 and 2014, are as follows:

(1) Nature of relationship

Relationship with the Company	Company name
Ultimate controlling party	Doosan Corp.,
Next most-senior parent	Doosan Heavy Industries and Construction Co., Ltd.
Associates and joint ventures	Doosan PSI LLC
Other related parties	Doosan Engine Co., Ltd., Doosan DST Co., Ltd., Doosan Construction & Engineering Co., Ltd., Doosan Tower, Oricom Inc., Doosan Bears Inc., Doosan Cuvex Co., Ltd., Doosan Heavy Industries America Holdings Inc., Doosan Power Systems Pension Scheme and others

(2) Significant transactions

Significant transactions for the year ended December 31, 2015 and 2014, with related parties are as follows (in millions of Korean won):

	Year ended December 31, 2015				
	Sales	Other income	Purchases	Acquisition of property, plant and equipment and intangible assets	Other expenses
Ultimate controlling party	₩35,474	₩190	₩64,291	₩51,557	₩77,593
Next most-senior parent	2,943	1	-	-	12
Associates and joint ventures	-	2,900	-	-	-
Other related parties	3,692	462	-	21,748	81,357
Total	₩42,109	₩3,553	₩64,291	₩73,305	₩158,962

	Year ended December 31, 2014				
	Sales	Other income	Purchases	Acquisition of property, plant and equipment and intangible assets	Other expenses
Ultimate controlling party	₩39,670	₩19	₩116,818	₩15,778	₩78,689
Next most-senior parent	748	-	-	-	31
Associates and joint ventures	-	4,382	-	-	-
Other related parties	3,152	1,013	-	24,125	82,807
Total	₩43,570	₩5,414	₩116,818	₩39,903	₩161,527

(3) As of December 31, 2015 and 2014, related significant balances are as follows (in millions of Korean won):

	Year ended December 31, 2015				
	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate controlling party	₩3,490	₩689	₩3,168	₩37,425	₩-
Next most-senior parent	62	191	-	1,325	-
Other related parties	577	41,109	-	17,243	21,096
Total	₩4,129	₩41,989	₩3,168	₩55,993	₩21,096

	Year ended December 31, 2014					
	Trade receivables	Other receivables	Loans	Trade payables	Other payables	Borrowings
Ultimate controlling party	₩8,808	₩1,187	₩-	₩8,156	₩24,492	₩-
Next most-senior parent	63	212	-	-	1,315	-
Associates and joint ventures	-	395	1,396	-	-	-
Other related parties	1,929	41,661	-	-	17,653	90,134
Total	₩10,800	₩43,455	₩1,396	₩8,156	₩43,460	₩90,134

(4) Fund transactions and equity contribution transactions for the year ended December 31, 2015 and 2014, with related parties are as follows (in millions of Korean won):

	Year ended December 31, 2015					
	Loans		Borrowings		Investment	
	Lending	Collection	Borrowing	Repayment	Capital increase	Investment
Associates	₩105,926	-	₩-	₩-	₩-	₩1,108
Other related parties	-	-	-	69,038	134,831	-

	Year ended December 31, 2014				
	Loans		Borrowings		
	Lending	Collection	Borrowing	Repayment	Equity contribution
Associates	₩1,396	₩-	₩-	-	₩-
Other related parties	-	-	90,134	-	-
					-

For the year ended December 31, 2014, meanwhile, the Company acquired shares of Private Equity Fund at ₩85,600 million, which invests the redeemable convertible preferred shares issued by Doosan Heavy Industries and Construction Co., Ltd.

(5) As of December 31, 2015, guarantees by the Company for related parties and guarantees by related parties for the Company are ₩0.

(6) The parent defines key management personnel, including registered officer and non-registered officer (including outside director), who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31,	
Description	2015	2014
Employee benefits	₩21,654	₩26,390
Retirement benefits	4,914	2,400
Share-based payment	428	2,061
Total	26,996	₩30,851

36. CONSOLIDATED STATEMENT OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the consolidated statement of cash flows for the year ended December 31, 2015 and 2014, are as follows (in millions of Korean won):

	Year ended December 31,	
	2015	2014
Adjustments:		
Income tax expense (benefit)	₩195,440	₩(99,189)
Finance income	(105,973)	(58,502)
Finance expense	504,245	395,609
Retirement benefits	78,286	56,009
Depreciation	172,285	176,378
Amortization	123,961	111,470
Gain on disposal of property, plant and equipment	(1,093)	(951)
Gain on disposal of intangible assets	-	(176)
Gain on disposal of investment property	-	(785)
Gain on disposal of other non-current assets	(29,718)	-
Loss on disposal of property, plant and equipment	3,210	4,583
Loss on disposal of intangible assets	-	58
Reversal of loss on disposal of property, plant and equipment	(139)	-
Impairment loss on property, plant and equipment	116,448	8,063
Impairment loss on intangible assets	101,513	796
Loss on disposal of long-term investment securities	-	6
Impairment loss on long-term investment securities	122	1,429
Share of loss on equity-accounted investees	37,977	34,746
Other	431	2,062
Total	₩1,196,995	₩631,606

	Year ended December 31	
	2015	2014
Changes in operating assets and liabilities:		
Decrease in trade receivables	₩217,289	₩47,003
Decrease in other receivables	174,409	8,811
Increase in derivative assets	1,529	(4,811)
Increase in inventories	(138,020)	(272,199)
Increase in other current assets	(6,080)	(75,958)
Decrease in other non-current assets	49,762	3,906
Increase (decrease) in trade payables	(118,687)	122,094
Decrease in other payables	36,057	25,939
Increase in derivative liabilities	(535)	5,023
Increase in provisions	53,781	13,367
Decrease in other current liabilities	35,156	24,406
Payment of severance benefits	(163,477)	(85,716)
Transfer in (out)	(1,286)	107
Decrease (increase) in plan assets	37,697	(6,755)
Increase in other non-current liabilities	22,522	94,356
Total	₩200,117	₩(100,427)

(2) Significant non-cash transactions for the year ended December 31, 2015 and 2014, are ₩0.

37. BUSINESS COMBINATION:

(1) Details of business combination are summarized as follows (in thousands of local currency):

Details	2015
Acquired company	Doosan (China) Financial Leasing Corp.
Principal activity	Finance
Date of acquisition	July 17, 2015
Ownership after acquiring	100%
Purchase price	CNY 901,961

Doosan (China) Financial Leasing Corp. was acquired by Doosan Infracore (China) Investment Co., Ltd. and Doosan Infracore China Co., Ltd. so as to support China business by developing competitive financial instrument and to operate systemic risk management.

(2) Fair value of consideration transferred in business combinations for the year ended December 31, 2015, are as follows (in thousands of local currency):

	Doosan (China) Financial Leasing Corp.
Cash	CNY 460,000
Fair value of acquired company's equity investment at acquisition date	441,961
Total consideration transferred in business	CNY 901,961

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

	Doosan (China) Financial Leasing Corp.
Fair value of assets acquired:	
Current assets	₩574,766
Non-current assets	122,065
Subtotal	696,831
Fair value of liabilities acquired:	
Current liabilities	47,488
Non-current liabilities	483,450
Subtotal	530,938
Fair value of net assets acquired	₩165,893

(4) Net cash flows in business combinations for the year ended December 31, 2015, are as follows (in millions of Korean won):

	Doosan (China) Financial Leasing Corp.
Purchase price	₩83,301
Fair value of the identifiable net assets acquired	(28,361)
Goodwill	₩54,940

Included in revenue for the year is ₩10,669 million in respect of Doosan (China) Financial Leasing Corp. Profit for the year is ₩40,153 attributable to the additional business generated by Doosan (China) Financial Leasing Corp.

Had these business combinations been effected on January 1, 2015, the revenue of the Company from continuing operations would have been ₩7,230,202 million, and the profit (loss) for the year from continuing operations would have been ₩(865,876) million. The directors consider these 'pro forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

38. SUBSEQUENT EVENT:

According to the approval of the board of directors of the Company on March 2, 2016, the Company plans to transfer business of MT and dispose of management right. The Company expects to increase revenue and profit as a result of business transfer. The Company entered into an agreement as of March 2, 2016, and expects execution of business transfer at the end of April 2016.