Deloitte.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated financial statements of Doosan Infracore Co., Ltd. and subsidiaries (the "Company"). The financial statements consist of the consolidated statements of financial position as of December 31, 2013 and 2012 and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean Won, for the years ended December 31, 2013 and 2012. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Anjin LLC

March 13, 2014

Notice to Readers

This report is effective as of March 13, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to the auditors' report.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

Kim, Yong Seong
Chief Executive Officer
DOOSAN INFRACORE CO., LTD.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In Korean Won)

ASSETS	Notes	December 31, 2013	December 31, 2012
CURRENT ASSETS:			
Cash and cash equivalents	2,4,5,10	₩ 287,837,894,710	₩ 462,494,292,429
Short-term financial instruments	2,4,5,10	476,689,896,477	222,294,825,630
Short-term investment securities	2,4,6,10	10,615,626	-
Trade and other receivables, less allowance for doubtful accounts	2,3,4,7,10,33,35	1,332,548,957,307	1,309,109,422,991
Derivative assets	2,4,9,10	42,058,214,557	73,437,207,075
Inventories	2,8	1,489,497,127,395	1,662,008,926,258
Assets held for sale	2	440,866,076	2,645,196,457
Other current assets		77,122,100,326	130,004,706,876
Total Current Assets		3,706,205,672,474	3,861,994,577,716
NON-CURRENT ASSETS:			
Long-term financial instruments	2,4,5,10	2,011,500,000	2,011,500,000
Long-term investment securities	2,4,6,10	9,187,861,752	9,244,959,753
Long-term trade and other receivables, less allowance for doubtful accounts	2,3,4,7,10,33,35	3,509,019,686	8,374,860,523
Non-current derivative assets	2,4,9,10	1,776,066,413	4,525,583,392
Property, plant and equipment, net	2,3,12,34	2,256,581,320,986	2,023,666,222,683
Intangible assets	2,3,13	4,739,850,232,360	4,754,639,097,102
Investment property	2,14	28,306,350,354	27,871,356,394
Investments in joint ventures and associates	2,11,33,35	154,127,200,055	145,002,625,289
Deferred income tax assets	2,3,30	463,420,422,875	589,291,669,281
Other non-current assets	10	116,517,893,483	118,368,009,684
Total Non-current Assets		7,775,287,867,964	7,682,995,884,101
TOTAL ASSETS		₩ 11,481,493,540,438	₩ 11,544,990,461,817

(Continued)

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2013 AND 2012
(In Korean Won)

LIABILITIES AND EQUITY	Notes	December 31, 2013	December 31, 2012
CURRENT LIABILITIES :			
Trade and other payables	4,10,15,35	₩ 1,119,257,063,688	₩ 1,067,423,350,749
Short-term borrowings	2,4,10,16,33,34	730,370,021,070	1,325,079,857,757
Current portion of bonds	4,10,16,33	426,872,492,128	469,592,187,972
Current portion of long-term borrowings	2,4,10,16,33,34	84,927,848,154	270,380,842,054
Income taxes payable	2,30	33,732,288,923	31,856,682,031
Derivative liabilities	2,4,9,10	1,111,137,066	831,659,485
Provisions	2,3,18	148,532,912,250	146,441,019,324
Other current liabilities	10	208,864,179,473	227,472,882,460
Total Current Liabilities		2,753,667,942,752	3,539,078,481,832
NON-CURRENT LIABILITIES :			
Bonds	4,10,16,33	1,764,755,744,200	1,585,861,248,159
Long-term borrowings	2,4,10,16,33,34	2,637,741,509,672	2,508,227,472,114
Other non-current payables	4,10,15	20,695,021,176	27,504,331,079
Retirement benefit obligation	2,17	564,414,857,221	753,810,600,998
Non-current derivative liabilities	2,4,9,10	-	7,707,578
Deferred income tax liabilities	2,3,30	8,002,730,726	3,561,696,033
Non-current provisions	2,3,18	5,549,688,773	7,370,145,747
Other non-current liabilities	2,10	177,645,793,637	110,769,464,224
Total Non-current Liabilities		5,178,805,345,405	4,997,112,665,932
Total Liabilities		7,932,473,288,157	8,536,191,147,764
EQUITY:			
Capital stock	1,19	1,037,276,570,000	843,290,170,000
Capital surplus	19	237,381,189,581	14,254,797,512
Capital securities	20	508,259,603,649	508,259,603,649
Other equity items	21	(26,387,480,016)	(30,403,879,853)
Accumulated other comprehensive loss	6,9,11,12,22	(83,127,632,799)	(177,960,866,635)
Retained earnings	23	1,313,453,266,948	1,299,786,309,414
Equity attributable to owners of the parent		2,986,855,517,363	2,457,226,134,087
Non-controlling interests		562,164,734,918	551,573,179,966
Total Equity		3,549,020,252,281	3,008,799,314,053
TOTAL LIABILITIES AND EQUITY		₩ 11,481,493,540,438	₩ 11,544,990,461,817

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	Notes	2013	2012
SALES	2,24,25,35	₩ 7,736,830,293,865	₩ 8,158,350,959,705
COST OF SALES	2,8,12,13,17,26,35	(6,089,337,802,977)	(6,478,129,915,411)
GROSS PROFIT		1,647,492,490,888	1,680,221,044,294
Selling and administrative expenses	7,12,13,17,26,27	(1,277,992,100,880)	(1,317,803,816,096)
OPERATING INCOME		369,500,390,008	362,417,228,198
Finance income	9,10,28	173,794,728,373	249,570,319,161
Finance expense	9,10,28	(532,454,814,457)	(570,352,372,508)
Other non-operating income	29	28,786,137,744	35,901,618,689
Other non-operating expense	7,29	(69,556,686,922)	(82,007,652,363)
Share of loss of joint ventures and associates	2,11	(8,014,965,285)	(18,393,850,149)
Gain on disposal of investment in joint ventures and associates	11	-	704,719,182
Impairment loss of investment in associates	11	(19,018,488,883)	-
LOSS BEFORE INCOME TAX BENEFIT(EXPENSE)		(56,963,699,422)	(22,159,989,790)
INCOME TAX BENEFIT(EXPENSE)	2,30	(43,986,238,851)	415,502,546,441
NET INCOME(LOSS)		(₩ 100,949,938,273)	₩ 393,342,556,651
Attributable to:			
Owners of the parent		(₩ 101,756,286,055)	₩ 340,338,846,265
Non-controlling interests		₩ 806,347,782	₩ 53,003,710,386
EARNINGS(LOSS) PER SHARE:	2,31		
Basic		(₩ 596)	₩ 2,018
Diluted		(₩ 596)	₩ 2,018

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	2013	2012
NET INCOME(LOSS)	(₩ 100,949,938,273)	₩ 393,342,556,651
OTHER COMPREHENSIVE INCOME		
Items not reclassified subsequently to profit or loss:		
Re-measurements of net defined benefit liabilities	142,313,920,280	(841,308,862)
Revaluation of property, plant and equipment	165,989,215,006	-
Items reclassified subsequently to profit or loss:		
Loss on valuation of available-for-sale financial assets	(23,922,052)	(61,673,396)
Decrease in equity of associates	(720,654,126)	(1,195,628,629)
Loss on foreign operations translation	(48,571,548,795)	(267,579,682,463)
Gain(loss) on valuation of cash flow hedge derivatives	(20,125,528,559)	90,106,400,250
Total other comprehensive income(loss)	238,861,481,754	(179,571,893,100)
TOTAL COMPREHENSIVE INCOME	₩ 137,911,543,481	₩ 213,770,663,551
Owners of the parent	₩ 122,039,587,370	₩ 201,297,149,529
Non-controlling interests	₩ 15,871,956,111	₩ 12,473,514,022

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	Capital stock	Capital surplus	Capital securities	Other equity items	Accumulated Other comprehensive income (loss)	Retained earnings (deficit)	Non-controlling interests	Total
Balance at January 1, 2012	₩842,779,420,000	₩8,288,339,555	₩-	₩94,339,619,629	(₩42,494,821,600)	₩942,153,278,515	₩440,135,192,649	₩2,285,201,028,748
Cumulative effects of change in accounting policy	-	-	-	-	-	20,869,836,335	3,067,995,051	23,937,831,386
Balance at January 1, 2012, after adjustment	842,779,420,000	8,288,339,555	-	94,339,619,629	(42,494,821,600)	963,023,114,850	443,203,187,700	2,309,138,860,134
Total comprehensive loss:								
Net income	-	-	-	-	-	340,338,846,265	53,003,710,386	393,342,556,651
Remeasurements of net defined benefit liabilities	-	-	-	-	-	(3,575,651,701)	2,734,342,839	(841,308,862)
Gain(loss) on valuation of available-for-sale	-	-	-	-	(61,673,396)	-	-	(61,673,396)
Decrease in equity of associates	-	-	-	-	(1,195,628,629)	-	-	(1,195,628,629)
Gain(loss) on translation of foreign operations	-	-	-	-	(224,315,143,260)	-	(43,264,539,203)	(267,579,682,463)
Gain(loss) on valuation of derivatives	-	-	-	-	90,106,400,250	-	-	90,106,400,250
Sub total	-	-	-	-	(135,466,045,035)	336,763,194,564	12,473,514,022	213,770,663,551
Capital transactions with shareholders:								
Exercise and extinguishment of share options	510,750,000	5,966,457,957	-	(4,934,464,091)	-	-	-	1,542,743,866
Share-based payment	-	-	-	3,446,189,499	-	-	-	3,446,189,499
Issuance of capital securities	-	-	508,259,603,649	-	-	-	-	508,259,603,649
Conversion of convertible preferred stock	-	-	-	(94,499,680,439)	-	-	94,499,680,439	-
Capital increase with consideration in subsidiaries	-	-	-	(215,750,926)	-	-	215,750,926	-
Business transfer amongst consolidated entities	-	-	-	(1,181,046,879)	-	-	1,181,046,879	-
Others	-	-	-	(27,358,746,646)	-	-	-	(27,358,746,646)
Sub total	510,750,000	5,966,457,957	508,259,603,649	(124,743,499,482)	-	-	95,896,478,244	485,889,790,368
Balance at December 31, 2012	₩843,290,170,000	₩14,254,797,512	₩508,259,603,649	(₩30,403,879,853)	(₩177,960,866,635)	₩1,299,786,309,414	₩551,573,179,966	₩3,008,799,314,053

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DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	Capital stock	Capital surplus	Capital securities	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Non-controlling interests	Total
Balance at January 1, 2013	₩843,290,170,000	₩14,254,797,512	₩508,259,603,649	(₩30,403,879,853)	(₩177,960,866,635)	₩1,299,786,309,414	₩551,573,179,966	₩3,008,799,314,053
Total comprehensive loss:								
Net income(loss)	-	-	-	-	-	(101,756,286,055)	806,347,782	(100,949,938,273)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	128,656,116,582	13,657,803,698	142,313,920,280
Revaluation and disposal of property, plant and equipment	-	-	-	-	164,526,295,394	306,523,007	1,156,396,605	165,989,215,006
Gain(loss) on valuation of available-for-sale	-	-	-	-	(23,922,052)	-	-	(23,922,052)
Increase in equity of associates	-	-	-	-	(720,654,126)	-	-	(720,654,126)
Gain(loss) on translation of foreign operations	-	-	-	-	(48,822,956,821)	-	251,408,026	(48,571,548,795)
Gain(loss) on valuation of derivatives	-	-	-	-	(20,125,528,559)	-	-	(20,125,528,559)
Sub total	-	-	-	-	94,833,233,836	27,206,353,534	15,871,956,111	137,911,543,481
Capital transactions with shareholders:								
Capital increase	193,986,400,000	219,628,416,169	-	-	-	-	-	413,614,816,169
Extinguishment of share options	-	3,497,975,900	-	(3,497,975,900)	-	-	-	-
Share-based payment	-	-	-	2,233,974,578	-	-	-	2,233,974,578
Capital increase with consideration in subsidiaries	-	-	-	(2,448,078,041)	-	-	2,448,078,041	-
Business transfer amongst consolidated entities	-	-	-	7,728,479,200	-	-	(7,728,479,200)	-
Dividends	-	-	-	-	-	(13,539,396,000)	-	(13,539,396,000)
Sub total	193,986,400,000	223,126,392,069	-	4,016,399,837	-	(13,539,396,000)	(5,280,401,159)	402,309,394,747
Balance at December 31, 2013	₩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

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	₩ 760,438,890,834	₩ 438,409,211,826
Net income(loss)	(100,949,938,273)	393,342,556,651
Adjustments	737,408,867,508	245,431,355,928
Changes in operating assets and liabilities	123,979,961,599	(200,364,700,753)
Interest received	21,276,076,828	27,692,389,440
Interest paid	(285,422,726,836)	(782,514,855,762)
Dividends received	1,027,636,796	9,599,997
Income tax paid	(15,385,152,127)	(133,961,580,256)
Net Cash Provided by(Used in) Operating Activities	481,934,725,495	(450,365,234,755)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities		
Disposal of long-term financial instruments	173,836,508	244,033,153
Decrease in loans	23,940,469,187	37,934,761,916
Disposal of property, plant and equipment	2,615,395,505	54,998,888,339
Disposal of intangible assets	-	731,406,051
Disposal of investment properties	-	854,076,937
Sub-total	26,729,701,200	94,763,166,396
Cash outflows for investing activities:		
Increase in short-term financial assets	254,395,216,473	104,155,996,915
Acquisition of investment in joint ventures and associates	35,000,000,000	6,410,284,877
Increase in long-term financial instruments	-	2,000,000,000
Acquisition of long-term investment securities	24,258,582	7,095,495,328
Acquisition of property, plant and equipment	239,329,631,970	406,588,201,502
Acquisition of intangible assets	93,328,023,190	95,577,370,919
Sub-total	(622,077,130,215)	(621,827,349,541)
Net Cash Used in Investing Activities	(₩ 595,347,429,015)	(₩ 527,064,183,145)

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DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean Won)

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Increase of borrowings	₩ 357,841,063,250	₩ 1,152,738,130,513
Issuance of bonds	620,430,083,500	496,658,603,591
Capital increase	413,614,816,169	-
Exercise of share option	-	1,594,320,000
Issuance of capital securities	-	530,535,202,054
Sub-total	1,391,885,962,919	2,181,526,256,158
Cash outflows for financing activities:		
Repayment of borrowings	974,225,224,303	1,137,461,679,197
Repayment of bonds	480,000,000,000	233,000,000,000
Dividends	17,862,000,000	-
Sub-total	(1,472,087,224,303)	(1,370,461,679,197)
Net Cash Provided by used in Financing Activities	(80,201,261,384)	811,064,576,961
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	18,957,567,185	4,827,508,400
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174,656,397,719)	(161,537,332,539)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	462,494,292,429	624,031,624,968
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 287,837,894,710	₩ 462,494,292,429

The accompanying notes are an integral part of these consolidated financial statements.

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 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, 2013 and 2012 are as follows (in millions of Korean Won):

Subsidiaries	Type of business	Location	Proportion of ownership interests held by DI and immediate parents (Note) 2013	2012	Proportion of ownership interests held by non-controlling interests (Note) 2013	2012	Financial closing date
Doosan Infracore China Co., Ltd.	Manufacturing, Sales	China	80.00	80.00	20.00	20.00	December 31
Doosan Infracore Machine Tools Yantai Co., Ltd.	Manufacturing, 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 Suzhou Co., Ltd.	Manufacturing, Sales	China	100.00	100.00	15.00	15.00	December 31
Doosan Infracore U.K., Ltd.	Sales	England	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	U.S.A	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 International Mexico S.A. de C.V.	Sales	Mexico	99.99	100.00	0.00	0.00	December 31
Doosan Bobcat Chile S.A.	Sales	Chile	99.99	100.00	0.00	0.00	December 31
Bobcat Corp.	Sales	Japan	100.00	100.00	0.00	0.00	December 31
Doosan Infracore (Shandong) Co., Ltd.	Manufacturing, Sales	China	92.22	90.18	21.10	22.95	December 31
Doosan Infracore India Private Ltd.	Manufacturing, Sales	India	100.00	100.00	0.00	0.00	March 31
Doosan Infracore Norway AS	Manufacturing, Sales	Norway	100.00	100.00	0.00	0.00	December 31

			Proportion of ownership interests held by DI and immediate parents (Note)		Proportion of ownership interests held by non-controlling interests (Note)		
Subsidiaries	Type of business	Location	2013	2012	2013	2012	Financial closing date
Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA	Manufacturing, Sales	Brazil	99.99	99.99	0.01	0.01	December 31
Doosan Infracore International, Inc.	Holdings	U.S.A	88.41	88.41	11.59	11.59	December 31
Clark Equipment Co.	Manufacturing, Sales	U.S.A	100.00	100.00	11.59	11.59	December 31
Bobcat Equipment Ltd.	Sales	Canada	100.00	100.00	11.59	11.59	December 31
Doosan Infracore Europe S.A.	Manufacturing, Sales	Belgium	100.00	100.00	21.73	21.73	December 31
Doosan Holdings Europe Ltd.	Holdings	Ireland	78.27	78.27	21.73	21.73	December 31
Doosan Holdings International Ltd.	Holdings	Ireland	100.00	100.00	21.73	21.73	December 31
Doosan Holdings Germany GmbH.	Holdings	Germany	100.00	100.00	21.73	21.73	December 31
Doosan Holdings France S.A.S.	Holdings	France	100.00	100.00	21.73	21.73	December 31
Goldwave Ltd.	Holdings	Ireland	100.00	100.00	21.73	21.73	December 31
Doosan Techno Holding Co., Ltd.(Ireland)	Management	Ireland	100.00	100.00	21.73	21.73	December 31
Doosan Benelux SA	Sales	Belgium	100.00	100.00	21.73	21.73	December 31
Doosan International Portable Power of Netherlands BV	Sales	Netherlands	100.00	100.00	21.73	21.73	December 31
Doosan International Italia S.r.L	Sales	Italia	100.00	100.00	21.73	21.73	December 31
CJSC Doosan International Russia	Sales	Russia	100.00	100.00	21.73	21.73	December 31
Doosan International UK Ltd.	Sales	England	100.00	100.00	21.73	21.73	December 31
Doosan International Australia Pty Ltd.	Sales	Australia	100.00	100.00	21.73	21.73	December 31
Doosan Infracore Portable Power (Shanghai) Co., Ltd.	Sales	China	100.00	100.00	21.73	21.73	December 31
Doosan International China Co., Ltd.	Sales	China	100.00	100.00	21.73	21.73	December 31
Doosan International Manufacturing China Co., Ltd.	Sales	China	100.00	100.00	21.73	21.73	December 31
Doosan International South East Asia Pte. Ltd.	Sales	Singapore	100.00	100.00	21.73	21.73	December 31
Doosan International South Africa Ltd.	Sales	South Africa	100.00	100.00	21.73	21.73	December 31
Doosan Bobcat Manufacturing s.r.o.	Manufacturing	Czech	100.00	100.00	21.73	21.73	December 31
Doosan Bobcat Engineering s.r.o.	Research and development	Czech	100.00	100.00	21.73	21.73	December 31
Doosan Trading Ltd.	Shared service	Ireland	100.00	100.00	21.73	21.73	December 31
Bobcat Parts Services GmbH.	Sales	Germany	100.00	100.00	21.73	21.73	December 31
Doosan Beteiligungs GmbH.	Holdings	Germany	100.00	100.00	21.73	21.73	December 31
Bobcat Bensheim GmbH & Co KG	Sales	Germany	100.00	100.00	21.73	21.73	December 31
Bobcat Lyon SAS	Sales	France	100.00	100.00	21.73	21.73	December 31
Bobcat France S.A.	Manufacturing, Sales	France	100.00	100.00	21.73	21.73	December 31
Montabert	Manufacturing, Sales	France	100.00	100.00	21.73	21.73	December 31
Geith International Ltd.	Manufacturing, Sales	Ireland	100.00	100.00	21.73	21.73	December 31
Goldwave Holdings Ltd.	Holdings	Ireland	100.00	100.00	21.73	21.73	December 31
Geith Patents Ltd.	Management	Ireland	100.00	100.00	21.73	21.73	December 31
Doosan International Luxemburg	Management	Luxemburg	100.00	100.00	21.73	21.73	December 31

(Note) 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, which 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.

2) Condensed financial information of DI's consolidated subsidiaries as of and for the year ended December 31, 2013 is as follows (in millions of Korean Won):

Subsidiaries	Asset	Liability	Sales	Net income (loss)	Total comprehensive income(loss)
Doosan Infracore China Co., Ltd	₩1,740,316	₩1,137,907	₩844,360	₩3,042	₩10,583
Doosan Infracore Machine Tools Yantai Co., Ltd.	134,446	92,226	129,976	967	1,469
Doosan Infracore (China) Investment Co., Ltd.	206,457	8,635	9,781	(31,763)	(28,142)
Doosan Infracore Suzhou Co., Ltd.	88,743	59,008	93,889	(10,195)	(9,461)
Doosan Infracore Germany GmbH.	101,449	70,376	170,547	5,175	5,896
Doosan Infracore America Corp.	211,524	115,675	321,517	9,346	7,023
Doosan Infracore (Shandong) Co., Ltd.	101,527	85,491	99,041	(14,515)	(14,317)
Doosan Infracore India Private Ltd.	48,791	23,080	88,066	6,449	3,023
Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA	146,793	111,332	13,885	(28,664)	(29,279)
Doosan Infracore International, Inc.	3,550,245	1,428,235	-	(51,695)	(81,485)
Clark Equipment Co.	1,551,670	653,951	2,528,652	189,454	175,903
Bobcat Equipment Ltd.	90,744	38,157	241,446	5,502	798
Doosan Infracore Europe S.A.	201,769	72,077	349,880	13,653	17,860
Doosan Holdings Europe Ltd.	2,524,795	1,266,797	-	(64,047)	(81,559)
Doosan Holdings International Ltd.	2,639,172	398,508	-	(10,336)	(44,851)
Doosan Holdings France S.A.S.	330,594	264,752	-	(1,560)	289
Doosan Techno Holding Co., Ltd.(Ireland)	695,313	462,972	-	2,170	8,496
Doosan Benelux SA	670,951	669,027	653,726	(44,369)	(43,438)
Doosan International UK Ltd.	53,504	31,863	135,931	6,571	7,978
Doosan Bobcat Manufacturing s.r.o.	97,123	30,347	219,192	5,849	4,439
Doosan Trading Ltd.	317,852	3,071	-	956	9,578
Bobcat Bensheim GmbH & Co KG	99,568	36,175	104,445	2,585	4,260
Bobcat France S.A.	58,845	36,758	75,021	3,238	3,769
Montabert	170,841	38,291	119,249	11,660	14,877
Doosan International Luxemburg	902,581	700,130	52,041	27,658	32,872

3) As of December 31, 2013, non-controlling interests in subsidiary having material impact to 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
DICC	₩608	₩120,482	₩-
Doosan Infracore International, Inc. and subsidiaries	16,594	276,935	-
Doosan Holdings Europe Ltd. and subsidiaries	(12,358)	174,280	-

(3) Changes in the scope of consolidation

Changes in the scope of consolidation for the year ended December 31, 2013 are as follows:

Subsidiary	Change	Description
Doosan International Construction Equipment Espana, S.L.	Excluded	Liquidation of subsidiary
Doosan International do Brasil Commercial and Market Related Consulting Ltda.	Excluded	Liquidation of subsidiary
Geith International UK Ltd.	Excluded	Liquidation of subsidiary

Changes in the scope of consolidation for the year ended December 31, 2012 are as follows:

Subsidiary	Change	Description
Clark Business Services Corporation	Excluded	Merged with another subsidiary
Bobcat Reno	Excluded	Liquidation of subsidiary
Perimeter Bobcat, Inc.	Excluded	Liquidation of subsidiary
CDS Midwest Inc.	Excluded	Liquidation of subsidiary
Clark Distribution Services, Inc.	Excluded	Liquidation of subsidiary
Doosan International India Private Ltd.	Excluded	Merged with another subsidiary
Doosan Infracore Belgium N.V.	Excluded	Liquidation of subsidiary

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DI and its subsidiaries (the "Company") maintain its 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 accompanying comparative period.

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

K-IFRS 1001 *Presentation of Financial Statements*

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have an effect on only presentation of financial statements and no effect on the financial position and operating results. The amendments have been applied retrospectively for the comparative period.

K-IFRS 1019 *Employee Benefits*

The amendments to K-IFRS 1019 require the recognition of actuarial gains and losses in other comprehensive income and eliminate the 'corridor approach' and 'immediate recognition in profit and loss approach' permitted under the previous version of K-IFRS 1019. Expected return on plan assets is measured by using the discount rate used in measuring defined benefit obligations instead of using an independent expected return and presented in net interest on the net defined benefit liability. Meanwhile, the Company shall recognize past service cost as an expense or income at the earlier date between when the plan amendment or curtailment occurs and when the entity recognizes related restructuring costs or termination benefits. The amendments have been applied retrospectively for the comparative period, and hence the statement of financial position as of December 31, 2012 and the statement of comprehensive income for the year ended December 31, 2012, have been modified.

The impact of retrospective application of the standards referred above to the statement of financial position as of December 31, 2012, and the statement of comprehensive income for the year ended December 31, 2012, is as follows (in millions of Korean Won):

	As of December 31, 2012		
Description	Before	After	Difference
Current Assets	₩3,861,995	₩3,861,995	₩-
Non-current Assets	7,690,846	7,682,995	(7,851)
Total Assets	₩11,552,841	₩11,544,990	(₩7,851)
Current Liabilities	₩3,539,078	₩3,539,078	₩-
Non-current Liabilities	5,017,050	4,997,113	(19,937)
Total Liabilities	₩8,556,128	₩8,536,191	(₩19,937)
Equity attributable to owners of the parent			
Capital stock and capital surplus	₩857,545	₩857,545	₩-
Capital securities	508,260	508,260	-
Other equity items	(30,404)	(30,404)	-
Accumulated other comprehensive loss	(177,281)	(177,961)	(680)
Retained earnings	1,288,381	1,299,786	11,405
Non-controlling interests	550,212	551,573	1,361
Total Equity	₩2,996,713	₩3,008,799	₩12,086

	Year ended December 31, 2012		
Description	Before	After	Difference
Net income	₩404,020	₩393,343	(₩10,677)
Total comprehensive income	225,622	213,771	(11,851)

K-IFRS 1107 – *Financial Instruments: Disclosures*

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities and require entities to disclose information about rights of offset and related arrangements (such as collateral agreements) for financial instruments under an enforceable master netting agreement or similar arrangement, irrespective of whether they would meet the offsetting criteria under K-IFRS 1032. The Company disclose the information about related arrangement and others additionally.

K-IFRS 1110 *Consolidated Financial Statements*

K-IFRS 1110 replaces the portion of K-IFRS 1027 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in K-IFRS 2012 *Consolidation – Special Purpose Entities*.

K-IFRS 1110 establishes a single control model that applies to all entities, including special-purpose entities. In accordance with K-IFRS 1110, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of K-IFRS 1110 does not have a significant effect on the financial statements.K-IFRS 1112 *Disclosures of Interests in Other Entities*

K-IFRS 1112 is a disclosure standard and is applicable to entities that have investments in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. The standard requires an entity to disclose the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Company only disclosed significant matters on changes or transactions occurred compared to the prior year.

Other than revised or new standards referred above, revised or new standards noted below do not have significant effect on the financial statements.

- K-IFRS 1111 Joint Arrangement
- K-IFRS 1113 Fair Value Measurement

For the year ended December 31, 2013, the Company altered its accounting for land assets in property, plant and equipment from cost model to revaluation model. The effect of the change in an accounting policy on the statement of financial position as of December 31, 2013 is as follows (in millions of Korean Won):

Description	Before	Cumulative effects (*1)	After
Land	₩732,218	₩219,817	₩952,035
Deferred income tax liabilities	(101,775)	(53,584)	(155,359)

(*1) ₩221,436 million of revaluation surplus resulting from an increase for the land's value is recognized in other comprehensive income and ₩1,619 million of revaluation deficit resulting from a decrease for the land's value is recognized in loss.

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

K-IFRS 1032 *Financial Instruments: Presentation*

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Company's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014.

K-IFRS 1039 *Financial Instruments: Recognition and Measurement*

The amendments to K-IFRS 1039 allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendments to K-IFRS 1039 are effective for annual periods beginning on or after January 1, 2014.

K-IFRS 1110, 1112 and 1027 *Investment Entities*

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and 1027 to introduce new disclosure requirements for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2014.

K-IFRS interpretation 2121 *Levies*

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretation is effective for annual periods beginning on or after January 1, 2014.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets that are effective from January 1, 2014 with earlier application permitted.

The Company does not anticipate that the application of these new and revised K-IFRSs that have been issued but not effective will have any impact on the Company' consolidated financial statements.

(2) Consolidation

The consolidated financial statements incorporate the financial statements of 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, over 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 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 de-consolidated 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 intra-group 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 the 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 of an 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 as 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" 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 the 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, 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 on 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 financial assets'(AFS), '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) FVTPL

FVTPL includes financial assets classified as held for trading financial assets and financial assets designated at FVTPL upon initial recognition. 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 12 months from the end of the reporting period are classified as non-current assets. Otherwise they are classified as current assets.

c) AFS

AFS is non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or FVTPL. AFS is classified as non-current assets unless management has intention to sell them within 12 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 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 FVTPL, which are initially measured at fair value and related transaction costs are recognized in income or loss.

FVTPL and AFS 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 statement of income. Dividends on 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 which are classified as AFS 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 the equity is reclassified into other non-operating income and expense in the statement of income.
Interest from AFS calculated using the effective interest method is recognized in finance income in the 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 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

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, 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, 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 are not reversed through income or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS 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 statement 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 on a net basis, or to realize the assets and the liabilities simultaneously.

(6) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

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 FVTPL are recognized immediately in income or loss.

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

5) FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- 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 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; or
- 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.

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 of 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 it 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 consideration paid and 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 as 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 and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs which are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by 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 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 lives (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 since 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 lives (years)
Industrial rights	5 – 10, 20, 40
Development costs	4 – 12
Other intangible assets	3 – 10

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 intangible assets. 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 which 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 which 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 property

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 the 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 which 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 and 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 who manage the Company’s funds.

Defined benefit plans are post-employment 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 statement 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 which 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.

(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 statement 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 by 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 option 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 and deferred tax. Current 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 and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

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 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 that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

(23) Earnings per share

Basic earnings per common share is 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 is computed by dividing diluted net income attributable to 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 and 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) Approval of financial statements

The consolidated financial statements for the year ended December 31, 2013 were approved by the board of directors on February 4, 2014.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 these 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 risk (foreign currency risk, interest rate risk, price risk), credit risk and liquidity risk relating to the operations of the Company. The purpose of risk management policy which is approved by foreign currency risk management committee and board of directors is to minimize potential risks which could have adverse effect on financial performance.

The foreign currency risk management committee and 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 since 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, 2013 and 2012 is as follows (in millions of Korean Won):

	December 31, 2013					December 31, 2012				
	USD	EUR	CNY	Others (*)	Total	USD	EUR	CNY	Others (*)	Total
Assets	₩ 1,118,962	₩ 100,113	₩ -	₩ 3,405	₩ 1,222,480	₩ 933,120	₩ 85,741	₩ -	₩ 17,281	₩ 1,036,142
Liabilities	(2,420,656)	(145,781)	(150)	(94,648)	(2,661,235)	(2,156,582)	(286,466)	(128)	(106,836)	(2,550,012)
Net assets (liabilities)	(₩ 1,301,694)	(₩ 45,668)	(₩ 150)	(₩ 91,243)	(₩ 1,438,755)	(₩ 1,223,462)	(₩ 200,725)	(₩ 128)	(₩ 89,555)	(₩ 1,513,870)

(*) 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 years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	Year ended December 31, 2013		Year ended December 31, 2012	
	10% increase (decrease) in foreign currency rates	10% increase (decrease) in foreign currency rates	10% increase (decrease) in foreign currency rates	10% increase (decrease) in foreign currency rates
Net income(loss) before income tax expense	(₩143,876)	₩143,876	(₩151,387)	₩151,387

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, 2013 and 2012 is as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Financial liabilities	₩2,945,454	₩3,376,109

A sensitivity analysis on the Company's net income (loss) before income tax expense, assuming a 1% increase and decrease in interest rate but other factors being unchanged, for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	Year ended December 31, 2013		Year ended December 31, 2012	
	1% increase	1% decrease	1% increase	1% decrease
Net income(loss) before income tax expense	(₩29,455)	₩29,455	(₩33,761)	₩33,761

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 credit worthiness 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 which have indication of impairment or are past due as of December 31, 2013, 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, 2013 and 2012 is as follows (in millions of Korean Won):

		December 31, 2013	December 31, 2012
Cash and cash equivalents		₩287,838	₩462,494
Loans and receivables	Current and non-current financial instrument	478,701	224,306
	Trade and other receivables	1,332,549	1,309,109
	Non-current trade and other receivables	3,509	8,375
Derivative assets		43,834	77,963
Held-to-maturity investments		7,190	7,177
	Total	₩2,153,621	₩2,089,424

2) Aging analysis of the Company's receivables as of December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	December 31, 2013						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0 – 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
Trade receivables	₩297,443	₩826,218	₩117,187	₩47,363	₩51,593	₩35,996	₩1,375,800
Other receivables	3,306	45,160	15,026	25,212	3,279	18,736	110,719
Accrued income	468	4,827	-	-	-	-	5,295
Short-term loans	-	14,676	-	-	-	-	14,676
Long-term trade receivables	-	2,932	-	-	-	-	2,932
Long-term loans	-	577	-	-	-	-	577
Total	₩301,217	₩894,390	₩132,213	₩72,575	₩54,872	₩54,732	₩1,509,999

	December 31, 2012						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0 – 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
Trade receivables	₩117,054	₩804,672	₩175,921	₩80,715	₩47,580	₩66,648	₩1,292,590
Other receivables	1,081	17,434	55,029	1,290	2,307	17,103	94,244
Accrued income	468	6,727	-	-	-	-	7,195
Short-term loans	-	25,978	-	-	-	-	25,978
Long-term trade receivables	-	6,120	-	-	-	-	6,120
Long-term loans	-	2,255	-	-	-	-	2,255
Total	₩118,603	₩863,186	₩230,950	₩82,005	₩49,887	₩83,751	₩1,428,382

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. Group 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, 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 liabilities obligations related to its financing for its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget 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, 2013 and 2012 are matured as follows (in millions of Korean Won):

	December 31, 2013					
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	₩6,889,937	₩8,733,133	₩3,827,509	₩1,256,895	₩3,499,003	₩149,726

	December 31, 2012					
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	₩7,300,182	₩9,703,027	₩5,067,554	₩775,261	₩3,830,068	₩30,144

(*) Maturity analysis above is based on undiscounted cash flows per the contracts which differs from the financial liability recognized in the consolidated statement of financial position and 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, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Debt	₩7,932,473	₩8,536,191
Equity	3,549,020	3,008,799
Debt to equity ratio	223.51%	283.71%

5. RESTRICTED FINANCIAL ASSETS

Details of restricted deposits as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012	Description
Cash and cash equivalents	₩451	₩256	Security for tender and others
Short-term financial instruments	299,467	70,137	Pledged for borrowings and others
Long-term financial instruments	2,012	2,012	Checking account deposit and others
Total	₩301,930	₩72,405	

6. INVESTMENT SECURITIES

(1) Investment securities as of December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Current		
Held-to-maturity financial assets	₩10	₩-
Non-current		
AFS financial assets	2,009	2,068
Held-to-maturity financial assets	7,179	7,177
Sub-total	₩9,188	₩9,245

(2) AFS financial assets

1) AFS financial assets as of December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Investments in non-listed company	₩1,278	₩1,266
Beneficiary certificates	239	322
Investments in funds	492	480
Total	₩2,009	₩2,068

2) The changes in gain(loss) on valuation of AFS financial assets for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013			
	January 1, 2013	Valuation	Reclassification from equity to profit or loss	December 31, 2013
Beneficiary certificates	₩156	₩86	(₩118)	₩124
Tax effect	(38)	(21)	29	(30)
Total	₩118	₩65	(₩89)	₩94

	Year ended December 31, 2012			
	January 1, 2012	Valuation	Reclassification from equity to profit or loss	December 31, 2012
Beneficiary certificates	₩237	₩54	(₩135)	₩156
Tax effect	(58)	(13)	33	(38)
Total	₩179	₩41	(₩102)	₩118

(3) Held-to-maturity financial assets

Held-to-maturity financial assets as of December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Current		
Government bonds and public bonds	₩10	₩-
Non-current		
Government bonds and public bonds	179	177
Other debt securities	7,000	7,000
Sub-total	₩7,179	₩7,177

7. TRADE AND OTHER RECEIVABLES

(1) Trade and other receivables as of December 31, 2013 and 2012 consist of the following (in millions of Korean Won):

	December 31, 2013		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,370,592	(₩138,000)	₩1,232,592
Other receivables	110,719	(18,349)	92,370
Accrued income	5,295	(468)	4,827
Short-term loans	14,676	(11,916)	2,760
Total	₩1,501,282	(₩168,733)	₩1,332,549
Long-term trade receivables	₩2,932	₩-	₩2,932
Long-term loans	577	-	577
Total	₩3,509	₩-	₩3,509

	December 31, 2012		
	Gross (*)	Allowance for doubtful accounts	Book value
Trade receivables	₩1,289,570	(₩89,962)	₩1,199,608
Other receivables	94,244	(17,448)	76,796
Accrued income	7,195	(468)	6,727
Short-term loans	25,978	-	25,978
Total	₩1,416,987	(₩107,878)	₩1,309,109
Long-term trade receivables	₩6,120	₩-	₩6,120
Long-term loans	2,255	-	2,255
Total	₩8,375	₩-	₩8,375

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

(2) The changes in allowance for doubtful accounts for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013			
	January 1, 2013	Increase	Other	December 31, 2013
Trade receivables	₩89,962	₩53,978	(₩5,940)	₩138,000
Other receivables	17,448	891	10	18,349
Accrued income	468	-	-	468
Short-term loans	-	12,191	(275)	11,916
Total	₩107,878	₩67,060	(₩6,205)	₩168,733

	Year ended December 31, 2012			
	January 1, 2012	Increase	Other	December 31, 2012
Trade receivables	₩60,423	₩39,999	(₩10,460)	₩89,962
Other receivables	18,314	(823)	(43)	17,448
Accrued income	-	468	-	468
Total	₩78,737	₩39,644	(₩10,503)	₩107,878

Receivables past due are assessed as impaired. An allowance for doubtful account 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 statements of income.

8. INVENTORIES

Inventories as of December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

	December 31, 2013		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩350,707	(₩18,242)	₩332,465
Finished goods	520,563	(36,347)	484,216
Semi-finished goods	32,468	(84)	32,384
Work-in-progress	81,504	(312)	81,192
Raw materials	410,669	(20,706)	389,963
Supplies	2,648	(104)	2,544
Materials in transit	166,733	-	166,733
Total	₩1,565,292	(₩75,795)	₩1,489,497

	December 31, 2012		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩331,354	(₩15,752)	₩315,602
Finished goods	599,342	(45,843)	553,499
Semi-finished goods	32,166	(57)	32,109
Work-in-progress	75,478	(2,626)	72,852
Raw materials	581,673	(21,396)	560,277
Supplies	3,091	(79)	3,012
Materials in transit	124,658	-	124,658
Total	₩1,747,762	(₩85,753)	₩1,662,009

Cost of inventory charged to cost of sales amounted to ₩5,775,344 million and ₩6,103,403 million for the years ended December 31, 2013 and 2012, respectively. Reversal loss on inventory valuation deducted from cost of sales amounted to ₩9,958 million for the year ended December 31, 2013 and loss on inventory valuation added to cost of sales amounted to ₩14,669 million for the year ended December 31, 2012.

9. DERIVATIVES

(1) Details of the Company's derivatives 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
	Interest rate swap	A contract to receive floating rate indexed to London InterBank Offered Rate (LIBOR) in foreign currency and pay fixed interest in foreign currency at the date of payment to avoid risk of changes in interest rates
	Long-term foreign currency borrowings	Designation of long-term foreign currency borrowings as hedging instruments to avoid cash flow risk arising from forecasted sales in foreign currencies
Other	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, 2013 and 2012 are as follows (in thousands of foreign currencies and millions of Korean Won):

	December 31, 2013						
	Buy		Sell		Assets	Gains	Other comprehensive
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	income(loss)
Foreign currency forwards	KRW	964,568	USD	865,000	₩42,514	₩-	₩42,514
	KRW	151,876	EUR	103,000	396	-	396
	CZK	902,661	EUR	32,834	290	(62)	-
	USD	100,000	EUR	72,844	(172)	(37)	-
	KRW	47,067	GBP	27,000	(304)	-	(304)
Total					₩42,724	(₩99)	42,606

	December 31, 2012						
	Buy		Sell		Assets	Gains	Other comprehensive
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	income(loss)
Foreign currency forwards	KRW	1,476,654	USD	1,295,000	₩73,613	₩-	₩73,613
	KRW	166,602	EUR	115,000	1,838	-	1,838
	CZK	762,046	EUR	30,355	26	30	-
	USD	105,328	EUR	79,664	185	214	-
	KRW	53,254	GBP	29,500	1,696	-	1,696
Interest rate swap		(*)			(235)	-	(235)
Long-term foreign currency borrowings	KRW	292,152	USD	280,000	-	-	(7,756)
Total					₩77,123	₩244	₩69,156

(*) The Company entered into a loan agreement with Korea Development Bank ("KDB") for long-term borrowings of USD 50 million with interest rate of 3M LIBOR + 3.5%. To hedge against the risk of variability of interest rates of this borrowing, the Company entered into an interest rate swap that requires the Company to pay fixed rate of interest of 4.65% for principal amounting to USD 50 million and to receive variable rate of interest.

Derivative instruments classified as financial assets at FVTPL are classified as current assets or current liability. Derivatives that are designated as hedging instruments are classified as non-current assets (liabilities) when their maturities exceed 12 months from end of the reporting period. Otherwise they are classified as current assets (liabilities).

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

10. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013						
	FVTPL - assets	Loans and receivables	AFS	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩476,690	₩-	₩-	₩-	₩476,690	₩476,690
Short-term investment securities	-	-	-	11	-	11	11
Trade and other receivables	-	1,332,549	-	-	-	1,332,549	1,332,549
Derivatives assets	290	-	-	-	43,545	43,835	43,835
Long-term financial instruments	-	2,012	-	-	-	2,012	2,012
Long-term investment securities	-	-	2,009	7,179	-	9,188	9,188
Long-term trade and other receivables	-	3,509	-	-	-	3,509	3,509
Other non-current assets	-	73,243	-	-	-	73,243	73,243
Total	₩290	₩1,888,003	₩2,009	₩7,190	₩43,545	₩1,941,037	₩1,941,037

	December 31, 2013				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,119,257	₩-	₩1,119,257	₩1,119,257
Borrowings and bonds	-	5,644,667	-	5,644,667	5,644,667
Derivatives liabilities	172	-	939	1,111	1,111
Other current liabilities	-	3,863	-	3,863	3,863
Other non-current payables	-	20,695	-	20,695	20,695
Financial guarantee liabilities	-	101,454	-	101,454	101,454
Total	₩172	₩6,889,936	₩939	₩6,891,047	₩6,891,047

	December 31, 2012						
	FVTPL - assets	Loans and receivables	AFS	Held-to-maturity investments	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	₩-	₩222,295	₩-	₩-	₩-	₩222,295	₩222,295
Trade and other receivables	-	1,309,109	-	-	-	1,309,109	1,309,109
Derivatives assets	211	-	-	-	77,752	77,963	77,963
Long-term financial instruments	-	2,012	-	-	-	2,012	2,012
Long-term investment securities	-	-	2,068	7,177	-	9,245	9,245
Long-term trade and other receivables	-	8,375	-	-	-	8,375	8,375
Other non-current assets	-	79,212	-	-	-	79,212	79,212
Total	₩211	₩1,621,003	₩2,068	₩7,177	₩77,752	₩1,708,211	₩1,708,211

	December 31, 2012				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	₩-	₩1,067,423	₩-	₩1,067,423	₩1,067,423
Borrowings and bonds	-	6,159,142	-	6,159,142	6,159,142
Derivatives liabilities	-	-	839	839	839
Other current liabilities	-	5,078	-	5,078	5,078
Other non-current liabilities	-	27,504	-	27,504	27,504
Financial guarantee liabilities	-	41,036	-	41,036	41,036
Total	₩-	₩7,300,183	₩839	₩7,301,022	₩7,301,022

(2) Fair value measurements of financial instruments by fair-value hierarchy level as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013			
Type	Level 1	Level 2	Level 3	Total
Financial Assets:				
FVTPL	₩-	₩290	₩-	₩290
AFS	239	-	-	239
Derivatives designated as hedging instruments	-	43,545	-	43,545
Total	₩239	₩43,835	₩-	₩44,074
Financial Liabilities:				
FVTPL	₩-	(₩172)	₩-	(₩172)
Derivatives designated as hedging instruments	-	(939)	-	(939)
Total	₩-	(₩1,111)	₩-	(₩1,111)

	December 31, 2012			
Type	Level 1	Level 2	Level 3	Total
Financial Assets:				
FVTPL	₩-	₩211	₩-	₩211
AFS	322	-	-	322
Derivatives designated as hedging instruments	-	77,752	-	77,752
Total	₩322	₩77,963	₩-	₩78,285
Financial Liabilities:				
Derivatives designated as hedging instruments	₩-	(₩839)	₩-	(₩839)
Total	₩-	(₩839)	₩-	(₩839)

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).

(3) Net finance income(loss) by each category of financial instruments for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	Year ended December 31, 2013						
	Interest income (expense)	Dividend income	Gain(loss) on valuation	Depreciation	Gain(loss) on disposal	Others	Other comprehensive loss (*)
Financial Assets:							
Cash and cash equivalents	₩13,547	₩-	₩-	₩-	₩-	₩-	₩-
FVTPL	-	-	-	-	-	-	-
Loans and receivables	5,235	-	-	(67,037)	(5,712)	-	-
AFS	-	9	-	-	122	-	(32)
Held-to-maturity investments	594	-	-	-	-	-	-
Total	₩19,376	₩9	₩-	(₩67,037)	(₩5,590)	₩-	(₩32)
Financial Liabilities:							
FVTPL	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Financial liabilities at amortized cost	(312,366)	-	-	-	(1,679)	(64,753)	-
Total	(₩312,366)	₩-	₩-	₩-	(₩1,679)	(₩64,753)	₩-

	Year ended December 31, 2012						
	Interest income (expense)	Dividend income	Gain(loss) on valuation	Depreciation	Gain(loss) on disposal	Others	Other comprehensive loss (*)
Financial Assets:							
Cash and cash equivalents	₩15,839	₩-	₩-	₩-	₩-	₩-	₩-
FVTPL	-	-	-	-	-	-	-
Loans and receivables	4,790	-	-	(39,658)	(7,739)	-	-
AFS	-	10	-	-	129	-	(81)
Held-to-maturity investments	487	-	(1,200)	-	-	-	-
Total	₩21,116	₩10	(₩1,200)	(₩39,658)	(₩7,610)	₩-	(₩81)
Financial Liabilities:							
FVTPL	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Financial liabilities at amortized cost	(381,649)	-	-	-	-	(35,229)	-
Total	(₩381,649)	₩-	₩-	₩-	₩-	(₩35,229)	₩-

(*)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 ₩26,550 million and the gain of ₩118,874 million for the years ended December 31, 2013 and 2012, 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 arose from foreign currency transaction and translation are mostly resulted from loans and receivables, and financial liabilities measured at amortized cost.

(4) Financial liabilities subject to an enforceable master netting arrangement or similar agreement as of December 31, 2013 are as follows (in millions of Korean Won) :

	Year ended December 31, 2013				
	Gross amounts of financial liabilities	Gross amounts of financial assets set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amounts
Borrowings	₩50,000	₩50,000	₩-	₩-	₩-

Financial liabilities subject to an enforceable master netting arrangement or similar agreement as of December 31, 2012 is nil.

11. INVESTMENT IN JOINT VENTURES AND ASSOCIATES

(1) Investments in joint ventures and associates as of December 31, 2013 are summarized as follows:

Company	Type of business	Location	Financial closing date
-Investments in associates			
Daewoo Machinery Co., Ltd. (*1)	Manufacturing	Taiwan	December 31
Daewoo Maquinas E Equipamentos Ltda. (*1)	Manufacturing	Brazil	December 31
Doosan (China) Financial Leasing Corp.	Finance	China	December 31
Doosan Capital Co., Ltd. (*2)	Finance	Republic of Korea	December 31
- Investments in joint ventures			
Xuzhou Xugong Doosan Engine Co., Ltd. (*3)	Manufacturing	China	December 31

(*1) As of December 31, 2013, the investees are in liquidation process and are reclassified into investment in associates.

(*2) The Company accounts for its investment in Doosan Capital Co., Ltd. using the equity method despite its ownership interest is less than 20% as it has significant influence through representation on the board of directors.

(*3) The Company has no control over the investee due to the agreement in which the Company cannot solely make decision on the financial and operating policy of the investee. As a result, the investee is classified into joint ventures.

(2) Investments in joint ventures and associates as of December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

Company	Percentage of ownership (%)	Acquisition cost		Book value		Proportionate share of net assets	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-Investments in associates							
Daewoo Machinery Co., Ltd.	100.00	₩1,308	₩1,308	₩-	₩-	₩-	₩-
Daewoo Maquinas Equipamentos Ltda.	70.00	1,181	1,181	-	-	-	-
Doosan (China) Financial Leasing Corp. (*1)	49.00	96,248	96,248	101,371	98,935	87,494	84,837
Doosan Capital Co., Ltd.	16.65	111,000	76,000	52,756	37,306	47,757	23,980
Sub total		209,737	174,737	154,127	136,241	135,251	108,817
- Investments in joint ventures							
Xuzhou Xugong Doosan Engine Co., Ltd. (*2)	50.00	16,232	16,232	-	8,762	-	8,762
Total		₩225,969	₩190,969	₩154,127	₩145,003	₩135,251	₩117,579

(*1) For the year ended December 31, 2013, the Company acquired 4,375,000 shares of convertible preferred stock of Doosan (China) Financial Leasing Corp. for ₩35,000 million.

(*2) The investee is in liquidation process as of December 31, 2013, resulting in recognition of an impairment loss to the book value of the investment.

(3) Changes in investment in joint ventures and associates for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

Company	Year ended December 31, 2013					
	January 1, 2013	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other	December 31, 2013
Doosan (China) Financial Leasing Corp.	₩98,935	₩-	₩1,200	₩-	₩1,236	₩101,371
Doosan Capital Co., Ltd.	37,306	35,000	(6,146)	(78)	(13,326)	52,756
Xuzhou Xugong Doosan Engine Co., Ltd.	8,762	-	(3,069)	-	(5,693)	-
Total	₩145,003	₩35,000	(₩8,015)	(₩78)	(₩17,783)	₩154,127

Company	Year ended December 31, 2012 January 1, 2012	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other	December 31, 2012
Doosan (China) Financial Leasing Corp.	₩93,831	₩6,410	₩4,020	₩-	(₩5,326)	₩98,935
Doosan Capital Co., Ltd.	53,853	-	(15,760)	(787)	-	37,306
Xuzhou Xugong Doosan Engine Co., Ltd.	16,104	-	(6,654)	-	(688)	8,762
Total	₩163,788	₩6,410	(₩18,394)	(₩787)	(₩6,014)	₩145,003

(4) The condensed financial information of the investees as of and for the years ended December 31, 2013 and 2012 as follows (in millions of Korean Won):

	As of and for the year ended December 31, 2013				As of and for the year ended December 31, 2012			
Company	Total assets	Total liabilities	Sales	Net income (loss)	Total assets	Total liabilities	Sales	Net income (loss)
Doosan (China) Financial Leasing Corp.	₩905,372	₩726,812	₩72,055	₩240	₩1,082,355	₩909,218	₩95,794	₩14,049
Doosan Capital Co., Ltd.	2,346,866	2,072,421	187,711	(28,959)	2,750,749	2,520,348	254,090	(87,863)
Xuzhou Xugong Doosan Engine Co., Ltd.	-	-	-	-	71,540	54,016	588	(13,307)

12. PROPERTY, PLANT AND EQUIPMENT

(1) Changes in property, plant and equipment for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013 Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in-progress	Total
January 1, 2013	₩732,852	₩510,356	₩68,733	₩489,875	₩8,898	₩75,127	₩37,885	₩99,940	₩2,023,666
Acquisition	680	7,862	1,294	55,217	1,405	31,530	9,815	131,527	239,330
Net changes from revaluation	219,817	-	-	-	-	-	-	-	219,817
Disposal	(354)	(6,298)	(735)	(3,167)	(539)	(74)	(43)	(50)	(11,260)
Depreciation	-	(26,220)	(5,393)	(102,778)	(2,963)	(24,066)	(16,034)	-	(177,454)
Impairment losses	-	-	-	(1,314)	-	-	-	-	(1,314)
Others	(960)	26,011	5,952	73,757	(86)	(1,594)	(1,694)	(137,590)	(36,204)
December 31, 2013	₩952,035	₩511,711	₩69,851	₩511,590	₩6,715	₩80,923	₩29,929	₩93,827	₩2,256,581
Acquisition cost	₩953,767	₩699,356	₩112,201	₩1,093,858	₩25,485	₩205,133	₩130,765	₩94,361	₩3,314,926
Accumulated depreciation	-	(183,141)	(42,350)	(577,895)	(18,770)	(124,210)	(100,836)	-	(1,047,202)
Accumulated impairment losses	(1,732)	-	-	(1,314)	-	-	-	-	(3,046)
Government subsidy	-	(4,504)	-	(3,059)	-	-	-	(534)	(8,097)

	Year ended December 31, 2012								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in-progress	Total
January 1, 2012	₩750,033	₩444,449	₩64,110	₩413,476	₩9,228	₩60,397	₩37,744	₩127,874	₩1,907,311
Acquisition	3,241	13,625	2,520	94,033	2,944	39,590	19,840	230,795	406,588
Disposal	(18,177)	(18,530)	(282)	(2,418)	(3,709)	(3,427)	(323)	-	(46,866)
Depreciation	-	(25,674)	(5,110)	(86,441)	(3,605)	(19,699)	(18,683)	-	(159,212)
Others	(2,245)	96,486	7,495	71,225	4,040	(1,734)	(693)	(258,729)	(84,155)
December 31, 2012	₩732,852	₩510,356	₩68,733	₩489,875	₩8,898	₩75,127	₩37,885	₩99,940	₩2,023,666
Acquisition cost	₩732,965	₩675,525	₩106,149	₩1,015,806	₩26,187	₩178,285	₩129,818	₩99,940	₩2,964,675
Accumulated depreciation	-	(160,539)	(37,416)	(522,375)	(17,289)	(103,158)	(91,933)	-	(932,710)
Accumulated impairment losses	(113)	-	-	-	-	-	-	-	(113)
Government subsidy	-	(4,630)	-	(3,556)	-	-	-	-	(8,186)

As of December 31, 2013, the Company's land, buildings and machinery are partially pledged as collateral for loans from KDB and others. Refer to Note 34.

(2) The Company revalued its land assets as of December 31, 2013 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, 2013, the fair value of land assets is determined from appraisal that is undertaken by independently qualified valuators, GAON Appraisal Company Limited (GAON) and others, on October 31, 2013. GAON and others are member of Korea Association of Property Appraisers and comprise of certified professionals that 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 asset by fair-value hierarchy level as of December 31, 2013 are as follows (in millions of Korean Won):

Type	Level 1	Level 2	Level 3	Total
Land	₩-	₩-	₩952,035	₩952,035

(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 (decrease) 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 comparables	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 (decrease) if correction of land conditions affecting the sales price increases (decreases)

(5) The effect of applying revaluation model as of December 31, 2013 is as follows (in millions of Korean Won):

January 1, 2013	Acquisition	Disposal	Others	Revaluation increase	Revaluation decrease	December 31, 2013
₩732,852	₩680	(₩354)	(₩960)	₩221,436	(₩1,619)	₩952,035

(6) Borrowing costs added to the cost of property, plant and equipment for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Borrowing costs added to the cost of property, plant and equipment	2,544	1,003
Interest rate(%)	4.52%	4.70%

(7) Classification of depreciation expense for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Cost of sales	₩140,602	₩117,354
Selling and administrative	20,680	25,793
Research and development cost and others	16,172	16,065
Total	₩177,454	₩159,212

13. INTANGIBLE ASSETS

(1) Changes in intangible assets for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2013	₩3,155,763	₩1,180,584	₩282,721	₩135,571	₩4,754,639
Acquisition	-	1,233	74,937	17,158	93,328
Disposal	-	-	-	(451)	(451)
Amortization	-	(16,466)	(38,248)	(41,686)	(96,400)
Impairment	-	-	-	(2,292)	(2,292)
Others	(41,549)	3,151	(1,566)	30,990	(8,974)
December 31, 2013	₩3,114,214	₩1,168,502	₩317,844	₩139,290	₩4,739,850
Acquisition cost	₩3,114,214	₩1,288,487	₩494,807	₩308,879	₩5,206,387
Accumulated amortization	-	(119,985)	(176,963)	(169,589)	(466,537)

	Year ended December 31, 2012				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2012	₩3,387,461	₩1,280,876	₩254,884	₩114,892	₩5,038,113
Acquisition	-	811	73,328	21,438	95,577
Disposal	-	-	-	(1,005)	(1,005)
Amortization	-	(20,103)	(30,974)	(36,371)	(87,448)
Impairment	-	(303)	(9,002)	(9,012)	(18,317)
Others	(231,698)	(80,697)	(5,515)	45,629	(272,281)
December 31, 2012	₩3,155,763	₩1,180,584	₩282,721	₩135,571	₩4,754,639
Acquisition cost	₩3,155,763	₩1,285,054	₩422,410	₩255,599	₩5,118,826
Accumulated amortization	-	(104,470)	(139,689)	(120,028)	(364,187)

(2) Borrowing costs added to the cost of intangible assets for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Borrowing costs added to the cost of intangible assets	2,259	846
Interest rate(%)	4.52%	4.70%

(3) Classification of amortization expense for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Cost of sales	₩40,647	₩33,642
Selling and administrative	55,544	53,757
Research and development cost and others	209	49
Total	₩96,400	₩87,448

(4) Expenditure on research and development recognized as expenses amounted to ₩225,784 million and ₩195,037 million for the years ended December 31, 2013 and 2012, 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, 2013 are as follows (in millions of Korean Won):

	Segment		
	Construction equipment	Others	Total
Goodwill	₩3,114,214	₩-	₩3,114,214
Industrial rights	1,104,018	-	1,104,018
Total	₩4,218,232	₩-	₩4,218,232

14. INVESTMENT PROPERTIES

Changes in investment properties for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013		
	Land	Building	Total
January 1, 2013	₩23,052	₩4,820	₩27,872
Transfer	683	-	683
Depreciation	-	(249)	(249)
December 31, 2013	₩23,735	₩4,571	₩28,306
Acquisition cost	₩23,735	₩9,180	₩32,915
Accumulated depreciation	-	(3,533)	(3,533)
Accumulated impairment losses	-	(1,076)	(1,076)

	Year ended December 31, 2012		
	Land	Building	Total
January 1, 2012	₩23,965	₩5,068	₩29,033
Disposal	(913)	-	(913)
Depreciation	-	(248)	(248)
December 31, 2012	₩23,052	₩4,820	₩27,872
Acquisition cost	₩23,052	₩9,180	₩32,232
Accumulated depreciation	-	(3,284)	(3,284)
Accumulated impairment losses	-	(1,076)	(1,076)

The fair values of investment properties were ₩21,368 million and ₩20,475 million as of December 31, 2013 and 2012, respectively.

15. TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Current		
Trade payables	₩687,366	₩583,469
Other payables	257,380	325,963
Accrued expenses	174,511	157,991
Total	₩1,119,257	₩1,067,423
Non-current		
Other payables	₩20,695	₩27,504

16. BORROWINGS AND BONDS

(1) Bonds as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

Type	Annual interest rate(%)	December 31, 2013	December 31, 2012
Public bonds	2.61 ~ 6.70	₩2,150,998	₩2,014,128
Private bonds	4.95	50,000	50,000
Sub-total		₩2,200,998	₩2,064,128
Less: discount on bonds		(9,370)	(8,675)
Less:current portion of bonds		(426,872)	(469,592)
Long-term bonds		₩1,764,756	₩1,585,861

(2) Long-term and short-term borrowings as of December 31, 2013 and 2012 are as follows (in thousands of foreign currencies and millions of Korean Won):

1) Short-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2013	December 31, 2012
Short-term borrowings in Korean Won	Korea Exim Bank and others	3.41 ~ 6.00	₩220,000	₩195,564
Short-term borrowings in foreign currencies	Hana Bank and others	3.05 ~ 9.25	416,719	780,888
Usance	Shinhan Bank and others	0.72 ~ 2.00	78,138	131,634
Transferred receivables	Korea Exchange Bank and others (*)	-	15,513	216,994
Total			₩730,370	₩1,325,080

(*) Financial liabilities related to transferred trade receivables which did not meet the derecognition criteria amounted to ₩15,513 million and ₩216,994 million as of December 31, 2013 and 2012, respectively. The trade receivables were pledged as collateral for these liabilities.

2) Long-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2013	December 31, 2012
Borrowings in Korean Won	KDB	4.65 ~ 5.00	₩158,000	₩141,000
	Woori Investment & Securities	5.10	50,000	50,000
	Kyongnam Bank	5.28	40,000	40,000
	TY Solution 1st Co., Ltd. and 6 others	5.10	145,000	135,000
	Korea Finance Corporation	4.63	50,000	-
	Woori Bank and 2 others	4.77	200,000	-
	Sub-total		₩643,000	₩366,000
Borrowings in Foreign currencies	AKA Bank	6M EURIBOR+0.45	EUR 2,750	EUR 3,355
	KDB	3M LIBOR+3.50	USD 50,000	USD 50,000
	Kookmin Bank	3M LIBOR+3.10	USD 30,000	USD 30,000
	Bank of China	3M LIBOR+2.90	USD 18,000	USD 18,000
	Korea Exchange Bank	3M LIBOR+3.60	USD 50,000	USD 50,000
	Shinhan Bank	6M LIBOR+3.35	USD 45,000	USD 50,000
	Kookmin Bank and 9 others	6M LIBOR+1.60	-	USD 280,000
	KDB and 7 others	6M LIBOR+4.30	USD 1,720,000	USD 1,720,000
	Innovasjon Norge	4.47	NOK 18,556	NOK 8,867
	SG Finance	6.20	NOK 187	NOK 323
	Bank of New York	8.00	USD 4,250	USD 4,250
	Hana Bank	PBOC(12M)*90%	CNY 100,000	CNY 100,000

Type	Lender	Annual interest rate (%)	December 31, 2013	December 31, 2012
	Korea Exim Bank	6M LIBOR+4.30	USD 50,000	USD 50,000
	First American Equipment Finance	2.29	USD 73	-
	Shell Brasil Petroleo Ltda	0.00	BRL 1,250	BRL 1,200
			EUR 2,750	EUR 3,355
			USD 1,967,323	USD 2,252,250
			CNY 100,000	CNY 100,000
			NOK 18,743	NOK 9,190
	Sub total		BRL 1,250	BRL 1,200
Korean Won equivalent			2,744,010	2,802,542
Less: present value discount			(21,340)	(23,934)
Less: current portion			(84,928)	(270,381)
Total			₩2,637,742	₩2,508,227

17. RETIREMENT BENEFIT OBLIGATION

(1) Details of retirement benefit obligation as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Present value of defined benefit obligation	₩1,043,963	₩1,220,133
Fair value of plan assets (*)	(479,548)	(466,322)
Total	₩564,415	₩753,811

(*) As of December 31, 2013, fair value of plan assets includes a portion of ₩606 million (₩624 million as of December 31, 2012) transferred to the National Pension Fund.

(2) Expenses recognized in income and loss for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Current service cost	₩58,868	₩47,663
Net interest cost	30,214	24,889
Total	₩89,082	₩72,552

(3) Details of total expenses recognized in consolidated statements of income for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Cost of sales	₩19,391	₩13,237
Selling and administrative expenses	58,635	47,881
Research and development cost	11,056	11,434
Total	₩89,082	₩72,552

(4) Changes in defined benefit obligation for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Beginning balance	₩1,220,133	₩1,213,475
Current service cost	58,868	47,663
Transfer in	1,566	1,491
Transfer out	(1,756)	(599)
Interest cost	45,157	52,561
Remeasurements of defined benefit liabilities		
-Actuarial loss (gain) arising from changes in demographic assumptions	(19,481)	24
- Actuarial loss (gain) arising from changes in financial assumptions	(163,730)	52,384
- Others	(33,031)	5,817
Plan participants' contributions	2,182	2,159
Benefit payment	(58,540)	(82,741)
Foreign currency translation	(7,405)	(72,101)
Ending balance	₩1,043,963	₩1,220,133

(5) Changes in plan assets for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Beginning balance	₩466,322	₩479,265
Expected return on plan assets	14,943	27,672
Transfer in	242	-
Transfer out	(419)	(34)
Remeasurements of plan assets	5,976	16,266
Plan participants' contributions	2,182	2,159
Contributions by employer directly to plan assets	54,984	33,451
Benefit payment	(55,336)	(66,335)
Foreign currency translation	(9,346)	(26,122)
Ending balance	₩479,548	₩466,322

Actual gain on plan assets is recognized ₩20,920 million and ₩43,938 million for the years ended December 31, 2013 and 2012, respectively

(6) Assumptions used on actuarial valuation as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate for defined benefit obligations	4.15% ~ 4.61%	3.70% ~ 4.70%
Expected rate of salary increase	3.75% ~ 5.40%	3.00% ~ 5.40%

(7) Details of plan assets as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Equity instruments	₩134,988	₩128,428
Debt instruments	254,709	265,506
Others	89,851	72,388
Total	₩479,548	₩466,322

Expected return on plan assets is determined based on the consideration of 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, 2013. 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, 2013 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	(₩50,385)	(4.83%)
1% Decrease	56,856	5.45%
Salary increase rate :		
1% Increase	₩24,871	2.38%
1% Decrease	(22,032)	(2.11%)

(9) Maturity of the defined benefit obligation as of December 31, 2013 is as follows (in millions of Korean Won):

	0 − 1 year	1 − 2 years	2 − 5 years	5 − 10 years	Total
Payment	₩71,021	₩91,251	₩224,366	₩383,921	₩770,559

18. PROVISIONS

Changes in provisions for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013						
	January 1, 2013	Increase	Decrease	Others	December 31, 2013	Current	Non-current
Provision for product warranties	₩151,799	₩78,291	(₩76,850)	(₩960)	₩152,280	(₩146,730)	₩5,550
Provision for returned goods	645	847	(634)	-	858	(858)	-
Others	1,367	51	(499)	26	945	(945)	-
Total	₩153,811	₩79,189	(₩77,983)	(₩934)	₩154,083	(₩148,533)	₩5,550

	Year ended December 31, 2012						
	January 1, 2012	Increase	Decrease	Others	December 31, 2012	Current	Non-current
Provision for product warranties	₩171,814	₩30,822	(₩41,829)	(₩9,008)	₩151,799	(₩144,690)	₩7,109
Provision for returned goods	104	645	(104)	-	645	(645)	-
Others	4,026	491	(2,973)	(177)	1,367	(1,106)	261
Total	₩175,944	₩31,958	(₩44,906)	(₩9,185)	₩153,811	(₩146,441)	₩7,370

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, 2013 are as follows (in millions of Korean Won):

	Number of shares	Capital stock	Share premium	Other capital surplus
Beginning balance	168,658,034	₩843,290	₩9,101	₩5,154
Capital increase	38,797,280	193,987	219,628	-
Extinguishment of share options	-	-	-	3,498
Ending balance	207,455,314	₩1,037,277	₩228,729	₩8,652

DI's number of shares authorized are 400,000,000 shares with par value of ₩5,000 per share. The number of shares issued by DI is 207,455,314 and 168,658,034 as of December 31, 2013 and 2012 respectively. There are no issued shares with restricted voting rights under the commercial law.

For the year ended December 31, 2013, in addition, DI issued 38,797,280 new shares of its common stocks for custodian deposit to JPMorgan Chase Bank, N.A., for the issuance of Global Depositary Receipts (GDRs), worth up to USD 399,999,957, on Singapore Exchange Securities Trading Limited. On December 23, 2013, the GDRs were listed on Singapore Exchange Securities Trading Limited. The GDRs are traded on the exchange in the form of Global Depositary Share (GDSs). The GDSs represent 38,797,280 common shares since each GDS represents one common share.

20. CAPITAL SECURITIES

Details of capital securities as of December 31, 2013 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 5 years - According to a “Step up” clause, 5% will be added up after 5years and 2% will be added up after 7years additionally. - Distribution: semi-annually in arrears, optional deferral of distributions is available
Others	- DI can call the capital securities at 5 years and semi-annually 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 5 years since issue date, the SPE has a 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, 2013, 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, 2013 and 2012 are summarized as follows (in millions of Korean Won):

Description	December 31, 2013	December 31, 2012
Loss on disposal of treasury stock	(₩7,909)	(₩7,909)
Share options	13,581	14,845
Other capital adjustments	(32,059)	(37,340)
Total	(₩26,387)	(₩30,404)

(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 of the shareholders' meeting. Number of granted options as of December 31, 2013 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	48,300	2009.03.17 ~ 2016.03.16	₩15,900	₩7,881
3rd grant	2007.03.16	95,700	2010.03.16 ~ 2017.03.15	20,100	8,143
4th grant	2008.03.21	163,900	2011.03.21 ~ 2018.03.20	28,700	15,709
5th grant	2009.03.27	74,250	2012.03.27 ~ 2019.03.26	15,600	7,674
6th grant	2010.03.26	248,560	2013.03.26 ~ 2020.03.25	19,400	10,543
6th-1st grant	2010.04.01	49,600	2013.04.01 ~ 2020.03.31	20,500	11,164
7th grant	2011.03.25	151,100	2014.03.25 ~ 2021.03.24	30,700	16,800
8th grant	2012.03.30	250,900	2015.03.30 ~ 2022.03.29	22,300	11,951
9th grant	2013.03.29	281,300	2016.03.29 ~ 2023.03.28	15,700	8,477
Total		1,363,610			

Changes in share option for the year ended December 31, 2013 are as follows.

1) Number of common shares to be issued:

	January 1, 2013	Granted	Exercised	Forfeited	December 31, 2013
2nd grant	70,600	-	-	(22,300)	48,300
3rd grant	139,000	-	-	(43,300)	95,700
4th grant	231,500	-	-	(67,600)	163,900
5th grant	119,650	-	-	(45,400)	74,250
6th grant	396,460	-	-	(147,900)	248,560
6th-1st grant	49,600	-	-	-	49,600
7th grant	161,600	-	-	(10,500)	151,100
8th grant	288,200	-	-	(37,300)	250,900
9th grant	-	325,300	-	(44,000)	281,300
Total	1,456,610	325,300	-	(418,300)	1,363,610

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

	January 1, 2013	Exercised	Change	December 31, 2013
2nd grant	₩556	₩-	(₩175)	₩381
3rd grant	1,132	-	(353)	779
4th grant	3,637	-	(1,062)	2,575
5th grant	918	-	(348)	570
6th grant	4,180	-	(1,559)	2,621
6th-1st grant	554	-	-	554
7th grant	2,532	-	6	2,538
8th grant	1,336	-	1,319	2,655
9th grant	-	-	908	908
Total	₩14,845	₩-	(₩1,264)	₩13,581

Expense recognized related to the share option granted amounted to ₩2,234 million and ₩3,446 million for the years ended December 31, 2013 and 2012, respectively. Expense to be recognized in the future periods amounted to ₩1,820 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%
6th-1st grant	4.65%	6. 5 years	58.76%	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%

(*) 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 years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013					
	Unrealized gain on AFS securities	Increase(decrease) in equity of associates	Gain(Loss) on translation of foreign operation	Unrealized gain(loss) on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	₩118	₩1,747	(₩232,247)	₩52,421	₩-	(₩177,961)
Increase	-	-	-	-	164,526	164,526
Decrease	(24)	(721)	(48,822)	(20,126)	-	(69,693)
Ending balance	₩94	₩1,026	(₩281,069)	₩32,295	₩164,526	(₩83,128)

	Year ended December 31, 2012					
	Unrealized gain on AFS securities	Increase(decrease) in equity of associates	Gain(Loss) on translation of foreign operation	Unrealized gain(loss) on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	₩179	₩2,943	(₩7,932)	(₩37,685)	₩-	(₩42,495)
Increase	-	-	-	90,106	-	90,106
Decrease	(61)	(1,196)	(224,315)	-	-	(225,572)
Ending balance	₩118	₩1,747	(₩232,247)	₩52,421	₩-	(₩177,961)

Tax effects directly recognized in accumulated other comprehensive as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013		
Description	Before tax	Deferred tax assets(liabilities)	After tax
Unrealized gain (loss) on AFS securities	₩124	(₩30)	₩94
Increase(decrease) in equity of associates	1,690	(664)	1,026
Gain(loss) on translation of foreign operation	(296,071)	15,002	(281,069)
Unrealized gain(loss) on valuation of derivatives	42,606	(10,311)	32,295
Gain on revaluation of property, plant and equipment	219,409	(54,883)	164,526
Total	(₩32,242)	(₩50,886)	(₩83,128)

	December 31, 2012		
Description	Before tax	Deferred tax assets(liabilities)	After tax
Unrealized gain (loss) on AFS securities	₩156	(₩38)	₩118
Increase(decrease) in equity of associates	2,216	(469)	1,747
Gain(loss) on translation of foreign operation	(246,763)	14,516	(232,247)
Unrealized gain(loss) on valuation of derivatives	69,156	(16,735)	52,421
Total	(₩175,235)	(₩2,726)	(₩177,961)

23. RETAINED EARNINGS

(1) Retained earnings as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Retained earnings before appropriations	₩591,035	₩897,368
Technology development reserve	422,418	302,418
Facilities investment reserve	300,000	100,000
Total	₩1,313,453	₩1,299,786

(2) Changes in retained earnings for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Beginning balance	₩1,299,786	₩963,023
Net income(loss) for the year	(101,756)	340,339
Actuarial gains(losses) recognized in retained earnings and others	128,656	(3,576)
Revaluation and disposal of property, plant and equipment	306	-
Dividends	(13,539)	-
Ending balance	₩1,313,453	₩1,299,786

24. SEGMENT INFORMATION

The Company's operating segments are as follows:

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

(1) The information for each business segment as of and for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	Year ended December 31, 2013					
	Sale	Inter segment transaction	Sub-total	Transaction with other segment	Net	Operating income
Engine	₩826,926	(₩8,499)	₩818,427	(₩185,745)	₩632,682	(₩7,465)
CE	7,847,935	(2,095,657)	5,752,278	-	5,752,278	231,287
MT	1,791,118	(444,080)	1,347,038	(2,006)	1,345,032	145,895
Other	(148,314)	(32,599)	(180,913)	187,751	6,838	(217)
Sub-total	10,317,665	(2,580,835)	7,736,830	-	7,736,830	369,500
Elimination	(2,580,835)	2,580,835	-	-	-	-
Total	₩7,736,830	₩-	₩7,736,830	₩-	₩7,736,830	₩369,500

	Year ended December 31, 2012					
	Sale	Inter segment transaction	Sub-total	Transaction with other segment	Net	Operating income
Engine	₩692,396	(₩4,587)	₩687,809	(₩142,314)	₩545,495	(₩26,080)
CE	8,823,673	(2,684,943)	6,138,730	-	6,138,730	230,611
MT	2,024,342	(544,456)	1,479,886	(15,170)	1,464,716	145,116
Other	(148,074)	-	(148,074)	157,484	9,410	12,770
Sub-total	11,392,337	(3,233,986)	8,158,351	-	8,158,351	362,417
Elimination	(3,233,986)	3,233,986	-	-	-	-
Total	₩8,158,351	₩-	₩8,158,351	₩-	₩8,158,351	₩362,417

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, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Engine	₩881,335	₩788,882
CE	8,144,594	8,399,653
MT	853,002	753,519
Other	1,602,563	1,602,936
Total	₩11,481,494	₩11,544,990

(3) Total liabilities of business segment as of December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Engine	₩757,924	₩645,179
CE	9,196,271	9,528,961
MT	148,935	244,783
Other	(2,170,657)	(1,882,732)
Total	₩7,932,473	₩8,536,191

(4) The sale information by geographical segment for the years ended December 31, 2013 and 2012 is as follows (in millions of Korean Won):

	Revenue	
	Year ended December 31, 2013	Year ended December 31, 2012
Asia Pacific & Emerging Market	₩2,846,305	₩2,846,992
China	1,030,990	1,106,533
Europe & Middle East & Africa	1,311,108	1,536,039
North America & Oceania	2,548,427	2,668,787
Total	₩7,736,830	₩8,158,351

(5) There is no single external customer accounted for 10% or more of the Company's sales for the years ended December 31, 2013 and 2012, respectively.

25. SALES

Details of sales for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Sales of goods		
-Manufactured products	₩6,414,532	₩6,586,876
-Merchandise	1,225,427	1,482,073
Others	96,871	89,402
Total	₩7,736,830	₩8,158,351

26. EXPENSES BY NATURE

Expenses classified by nature for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Purchases of inventories	₩4,271,194	₩4,050,241
Changes in inventories	(172,512)	(119,996)
Employee benefits	1,028,359	1,028,320
Depreciation and amortization	274,103	246,908

27. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries	₩331,668	₩344,115
Retirement benefits	58,635	47,881
Other employee benefits	79,686	94,524
Printing	5,417	6,493
Freight and custody	7,118	5,877
Communications	10,376	9,229
Utilities	5,816	7,257
Maintenance	3,106	6,810
Insurance	20,629	20,487
Depreciation	20,740	25,890
Amortization	55,544	53,757
Research and development	225,784	195,037
Advertising	60,041	81,788
Sales commission	62,188	69,135
Taxes and dues	12,042	11,509
Travel	44,034	49,533
Sundry	166,830	192,718
Entertainment	5,469	6,813
Education and training	11,476	20,713
Bad debt expenses	53,978	39,999
Others	37,415	28,239
Total	₩1,277,992	₩1,317,804

28. FINANCE INCOME AND EXPENSES

Finance income and expenses for the years ended December 31, 2013 and 2012 are summarized as follows (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Finance income:		
Interest income	₩19,376	₩21,116
Dividend income	1,028	10
Gain on foreign currency transaction	100,547	150,467
Gain on foreign currency translation	49,906	77,399
Gain on derivative transaction	969	277
Gain on valuation of derivatives	-	244
Income on financial guarantee	1,969	57
Sub-total	173,795	249,570
Finance expenses:		
Interest expenses	(312,366)	(381,649)
Loss on foreign currency transaction	(90,276)	(123,783)
Loss on foreign currency translation	(45,280)	(24,553)
Loss on derivative transaction	(16,033)	(5,080)
Loss on valuation of firm commitments	(99)	-
Loss on debt repayment	(1,679)	-
Expense on financial guarantee	(66,722)	(35,287)
Sub-total	(532,455)	(570,352)
Net finance expense	(₩358,660)	(₩320,782)

29. OTHER NON-OPERATING INCOME AND EXPENSES

(1) Other non-operating income and expenses for the years ended December 31, 2013 and 2012 consist of the following (in millions of Korean Won):

	Year ended December 31, 2013	Year ended December 31, 2012
Other non-operating income:		
Rental income	₩57	₩80
Gain on disposal of assets held for sale	1,891	-
Gain on disposal of long-term investment securities	122	129
Gain on disposal of property, plant and equipment	530	12,201
Other	26,186	23,492
Sub-total	28,786	35,902
Other non-operating expenses:		
Loss on disposal of trade receivables	(5,712)	(7,738)
Impairment loss of short-term investment securities	-	(1,200)
Other bad debt expenses	(13,059)	341
Loss on disposal of property, plant and equipment	(9,175)	(4,069)
Loss on valuation of property, plant and equipment	(1,619)	-
Impairment loss of property, plant and equipment	(1,314)	-
Loss on disposal of intangible assets	-	(274)
Impairment loss of intangible assets	(2,292)	(18,317)
Loss on disposal of investment property	-	(59)
Donations	(13,980)	(15,319)
Other	(22,406)	(35,373)
Sub-total	(69,557)	(82,008)
Total	(₩40,771)	(₩46,106)

30. INCOME TAX EXPENSE (BENEFIT)

(1) Components of income tax expense (benefit) for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Years ended December 31,	
	2013	2012
Current tax	₩34,132	₩45,347
Deferred tax	130,212	(441,519)
Total income tax expense (benefit)	164,444	(396,172)
Changes in deferred tax directly charged to equity	(120,458)	(19,331)
Income tax expense(benefit)	₩43,986	(₩415,503)

(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 years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Year ended December 31, 2013		
	January 1, 2013	Change	December 31, 2013
Advances from government	₩2,926	(₩362)	₩2,564
Allowance for doubtful accounts	5,486	85,341	90,827
Provision for product warranties	5,121	86,223	91,344
Retirement benefit obligation	32,158	71,948	104,106
Investment in associates	10,418	(10,408)	10
Provision for temporary depreciation	(6,161)	-	(6,161)
Reserve for research and development	(88,088)	11,777	(76,311)
Gain on revaluation of land	(101,775)	(53,584)	(155,359)
Derivative assets (liabilities)	(18,613)	8,302	(10,311)
Net loss carryforwards	33,512	(9,653)	23,859
Others	710,746	(319,896)	390,850
Total	₩585,730	(₩130,312)	₩455,418

	Year ended December 31, 2012		
	January 1, 2012	Change	December 31, 2012
Advances from government	₩3,637	(₩711)	₩2,926
Allowance for doubtful accounts	5,772	(286)	5,486
Provision for product warranties	5,346	(225)	5,121
Retirement benefit obligation	18,016	14,142	32,158
Investment in associates	1,054	9,364	10,418
Provision for temporary depreciation	(6,526)	365	(6,161)
Reserve for research and development	(64,372)	(23,716)	(88,088)
Gain on revaluation of land	(104,339)	2,564	(101,775)
Derivative assets (liabilities)	11,020	(29,633)	(18,613)
Accrued expenses	133,423	(133,423)	-
Net loss carryforwards	39,951	(6,439)	33,512
Others	101,229	609,517	710,746
Total	₩144,211	₩441,519	₩585,730

(3) Temporary differences which have not been recognized as deferred tax assets as of December 31, 2013 and 2012 are as follows (in millions Korean Won):

	December 31, 2013	December 31, 2012
Net loss carryforwards	₩820,042	₩677,936
Other	32,692	20,777
Total	₩852,734	₩698,713

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 which are not recognized as deferred tax assets are as follows (in millions of Korean Won):

	December 31, 2013	December 31, 2012
Subsidiaries and other	₩222,258	₩132,054

(5) A reconciliation of income tax expense(benefit) and accounting income(loss) before income tax expense for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Years ended December 31,	
	2013	2012
Loss before income tax expense	(₩56,964)	(₩22,160)
Income tax expense(benefit) at statutory income tax rate	29,628	(3,247)
Adjustment:		
Non-temporary difference	3,198	978
Effect of change in recognition of deferred income tax	31,267	(417,376)
Tax credits	(7,832)	(12,199)
Additional income tax and tax refund for prior periods	(2,621)	1,735
Other	(9,654)	14,606
Income tax expense(benefit)	₩43,986	(₩415,503)
Average effective tax rate	(*)	(*)

(*) Average effective tax rate for the years ended December 31, 2013 and 2012 were 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 years ended December 31, 2013 and 2012 are computed as follows (in millions of Korean Won, except for share data).

(1) Basic earnings per share

Basic earnings per share is 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, 2013	Year Ended December 31, 2012
Net income(loss) available to common share	(₩101,756)	₩340,339
Weighted average number of common shares outstanding	170,677,618	168,618,942
Basic net income(loss) per share (in Korean Won)	(₩596)	₩2,018

The weighted average number of common shares outstanding used in basic earnings per share calculation is as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning outstanding shares	168,658,034	168,555,884
Capital increase	2,019,584	-
Effect of share option exercised	-	63,058
Weighted average number of common shares outstanding	170,677,618	168,618,942

(2) Diluted earnings per share

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

	Year Ended December 31, 2013	Year Ended December 31, 2012
Controlling interest in net income(loss)	(₩101,756)	₩340,339
Share-based payment, net of tax	-	-
Adjusted net income(loss) available to common share	(101,756)	340,339
Adjusted weighted average number of common shares outstanding	170,677,618	168,651,018
Diluted net income(loss) per share (in Korean Won)	(₩596)	₩2,018

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

	Year ended December 31, 2013	Year ended December 31, 2012
Weighted average number of common shares outstanding	170,677,618	168,618,942
Effect of share option	-	32,076
Adjusted weighted average number of common shares outstanding	170,677,618	168,651,018

For the year ended December 31, 2013, share options were excluded from the diluted earnings per share calculation as they have an anti-dilutive effect during the period. For the year ended December 31, 2012, share option grant 3rd, 4th, 6th and 6th-1st, 7th, 8th were excluded from the diluted earnings per share calculation, notwithstanding they would dilute the basic earnings per share in future, as they have an anti-dilutive effect during the period.

32. DIVIDEND

For the year ended December 31, 2013 DI pay dividends amounting to ₩17,862 million for holders of capital securities.

33. COMMITMENTS AND CONTINGENCIES

(1) The Company is involved in lawsuits as a defendant with total claims exposure of ₩125,777 million as of December 31, 2013. Currently, the ultimate outcome of these lawsuits cannot be determined. In addition, DI is involved in lawsuits in process regarding ordinary wages however, according to the definition of ordinary wages clarified by the Korean Supreme Court, DI assumes that it is less likely to pay the ordinary wages to employees.

(2) Financial covenant

For the year ended December 31, 2011, DI issued 18th and 19th foreign currency denominated bonds for USD 130 million and USD 350 million, respectively. When issuing the 18th foreign currency denominated bond, the Parent entered into an agreement to maintain its debt ratio under 800% and to liquidate no more than ₩5 trillion annually.

In addition, the issued 18th and 19th foreign currency denominated bonds have an early redemption clause for 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., acquired on November 25, 2011 as collateral to KDB

(3) As of December 31, 2013, 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 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.

(4) The financial liabilities related to the transferred receivables which DI continues to recognize because DI retains substantially all of the risks and rewards of ownership as of December 31, 2013 amounted to ₩15,513 million.

(5) As of December 31, 2013, 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	Won equivalents
Doosan Infracore Co., Ltd.	Daewoo Construction	EUR 2,750	₩4,005
	Daewoo International	EUR 1,658	2,414
	KJ Industry	KRW 3,000	3,000
	End-User	BRL 31,210	13,943
DICC(*)	Vendors and counterparties	CNY 6,771,308	1,178,817
Doosan Infracore (Shandong) Co., Ltd.	Vendors and counterparties	CNY 96,028	16,717
Doosan Infracore International, Inc. and others	End-User	USD 42,508	44,859
Doosan Holdings Europe Ltd. and others	End-User	USD 1,329	1,402
			₩1,265,157

(*) CNY 3,615,813 of the total amount provided by DICC is provided for Doosan (China) Financial Leasing Corp., which is an investee accounted for using the equity method.

As of December 31, 2013, DI entered into agreements with KDB for the guarantees of 18th and 19th foreign currency denominated bond, which amount to USD 130 million and USD 350 million, respectively. 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 1,816 thousand, and entered into contracts with Seoul Guarantee Insurance Company and Machinery Financial Cooperative for the guarantees related to contracts and warranties totaling ₩57,685 million.

34. PLEDGED ASSETS

(1) DI's assets pledged as collateral for long-term and short-term borrowings as of December 31, 2013 are as follows (in thousands of foreign currencies and millions of Korean Won):

Institution	Asset	Borrowings	Collateralized value
KDB	Land, buildings, and machinery (*)	₩158,000	₩184,413
		USD 51,870	USD 95,026
		EUR 4,758	DM 84,000
		JPY 164,296	
		GBP 204	

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

DI has provided its 3,188 shares of Doosan Infracore International, Inc., and its 3,413 shares of Doosan Holdings Europe Ltd. as collateral to TY Solution 1st Co., Ltd. and other 6 parties for borrowings amounting to ₩145,000 million. In addition, DI has provided its 4,540 shares of Doosan Infracore International, Inc., and its 4,859 shares of Doosan Holdings Europe Ltd. as collateral to Woori Bank and other 2 parties for borrowings amounting to ₩200,000 million.

(2) For the year ended December 31, 2011 Doosan Holdings Europe Ltd. repaid all the borrowings funded in 2007 in relation to the acquisition of compact equipment of Ingersoll Rand Company Limited from KDB and other creditors and entered into new loan agreement with the creditors to borrow USD 1,720,000 thousand on November 30, 2011. The new loan is secured by all shares of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd., including all shares of subsidiaries of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd., respectively, held by DI and Doosan Engine Co., Ltd. at that time, certain tangible and intangible assets of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd. and their subsidiaries. In relation to this new loan agreement entered amongst Doosan Infracore International, Inc., Doosan Holdings Europe Ltd., KDB and other 7 banks, the Company needs to maintain capital expenditures that do not exceed 10% of last year's total revenue, and also needs to maintain earnings before interest, taxes, depreciation and amortization (EBITA) more than equal to 1.5 times or higher of net interest and financial liabilities of 2.0 time or lower of equity in the combined financial statements of Doosan Infracore International, Inc. and Doosan Holdings Europe Ltd., as included in the DI's consolidated financial statements in accordance with K-IFRS. In case of breach of these debt covenants, appropriate remedies to make additional cash inflow such as capital injections or borrowings of shareholders are required and this may result in DI's obligation to make additional funding.

35. RELATED PARTY TRANSACTIONS

Related party disclosures for the years ended December 31, 2013 and 2012 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	Doosan Capital Co., Ltd., Doosan (China) Financial Leasing Corp.
Joint ventures	Xuzhou Xugong Doosan Engine Co., Ltd.
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 Dong-A Co., Ltd., Doosan Infracore Xinjiang Machinery Co., Ltd. and others

(2) Significant transactions for the years ended December 31, 2013 and 2012 with related parties are as follows (in millions of Korean Won):

	Year ended December 31, 2013				
	Sales	Other income	Purchases	Acquisition of property, plant and equipment, intangible assets	Other expenses
Ultimate controlling party	₩10,541	₩30	₩113,893	₩15,867	₩151,845
Next most senior parent	153	-	-	-	99
Associates and joint ventures	120	4,368	-	-	-
Other related parties	18,394	471	1,097	47,390	99,048
Total	₩29,208	₩4,869	₩114,990	₩63,257	₩250,992

	Year ended December 31, 2012					
	Sales	Disposal of property, plant and equipment, intangible assets	Other income	Purchases	Acquisition of property, plant and equipment, intangible assets	Other expenses
Ultimate controlling party	₩753	₩201	₩163	₩114,774	₩39,791	₩195,651
Next most senior parent	536	-	1	-	49	52
Associates and joint ventures	1,391	-	7,764	-	-	-
Other related parties	65,275	-	8,890	2,225	43,462	116,741
Total	₩67,955	₩201	₩16,818	₩116,999	₩83,302	₩312,444

(3) As of December 31, 2013 and 2012 related significant balances are as follows (in millions of Korean Won):

	Year ended December 31, 2013			
	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate controlling party	₩10,041	₩221	₩34,661	₩28,821
Next most senior parent	-	21	-	61
Associates and joint ventures	523	5,913	-	-
Other related parties	2,499	40,418	352	32,813
Total	₩13,063	₩46,573	₩35,013	₩61,695

	Year ended December 31, 2012				
	Trade receivables	Other receivables	Loans	Trade payables	Other payables
Ultimate controlling party	₩320	₩333	₩-	₩23,466	₩55,121
Next most senior parent	491	-	-	-	57
Associates and joint ventures	555	380	20,612	-	-
Other related parties	13,110	38,057	-	115	48,610
Total	₩14,476	₩38,770	₩20,612	₩23,581	₩103,788

(4) Fund transactions and equity contribution transactions for the years ended December 31, 2013 and 2012 with related parties are as follows (in millions of Korean Won):

	Year ended December 31, 2013		
	Loans		
	Lending	Collection	Equity contribution
Associates	₩-	(₩20,612)	₩35,000

	Year ended December 31, 2012		
	Loans		
	Lending	Collection	Equity contribution
Associates	₩-	(₩42,598)	₩6,410

(5) As of December 31, 2013, guarantees by the Company for related parties are disclosed in Note 33. Guarantees by related parties for the Company, however, are null as of December 31, 2013.

(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 years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Years ended December 31,	
Description	2013	2012
Employee benefits	₩28,077	₩28,040
Retirement benefits	2,870	2,027
Share-based payment	2,234	3,446
Total	₩33,181	₩33,513

36. CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) The adjustments and changes in operating assets and liabilities in the consolidated statements of cash flows for the years ended December 31, 2013 and 2012 are as follows (in millions of Korean Won):

	Years ended December 31,	
	2013	2012
Adjustments:		
Income tax expense(benefit)	₩43,986	(₩415,503)
Finance income	(70,310)	(98,826)
Finance expense	359,425	406,202
Depreciation	177,703	159,460
Amortization	96,400	87,448
Retirement benefits	89,082	72,552
Gain on disposal of long-term investment securities	(122)	(129)
Gain on disposal of property, plant and equipment	(530)	(12,202)
Impairment of short-term investment securities	-	1,200
Loss on disposal of property, plant and equipment	9,175	4,069
Loss on disposal of intangible assets	-	274
Loss on valuation of property, plant and equipment	1,619	-
Impairment loss of property, plant and equipment	1,314	-
Impairment loss of intangible assets	2,292	18,317
Loss on disposal of investment property	-	59
Share of loss (profit) of equity-accounted investees	8,015	18,394
Impairment loss of equity-accounted investees	19,019	-
Loss (gain) on disposal of investment in associates	-	(705)
Gain on disposal of assets held for sale	(1,892)	-
Other	2,233	4,821
Total	₩ 737,409	₩ 245,431

	Years ended December 31	
	2013	2012
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	(₩72,439)	₩202,671
Decrease(increase) in other receivables	24,658	(16,100)
Increase in derivative assets	(79)	(23,227)
Decrease in inventories	148,842	102,422
Decrease in other current assets	45,452	4,575
Decrease in other non-current assets	10,906	15,631
Increase(decrease) in trade payables	77,636	(311,051)
Decrease in other payables	(89,560)	(162,238)
Increase in derivative liabilities	7,829	38,376
Increase(decrease) in provisions	12,048	(15,711)
Decrease in other current liabilities	(38,409)	(7,872)
Payment of severance benefits	(58,540)	(81,181)
Transfer in(out)	(191)	1,491
Decrease(increase) in plan assets	(1,653)	30,758
Decrease in other non-current payables	(98)	(1,135)
Increase in other non-current liabilities	57,578	22,226
Total	₩123,980	(₩200,365)

(2) Significant non-cash transactions for the years ended December 31, 2013 and 2012 are nil.

37. SUBSEQUENT EVENTS

In November 2004, DI and a co-defendant, Korea Aerospace Industries, Ltd., were filed with a Russia-based court, alleging their illegal use of software. On January 27, 2014, in the second trial, they received a court ruling from the Court of Arbitration at Moscow that they need to pay USD 49,749,048 to plaintiff. DI now plans to appeal against the decision of the court and accordingly, the ultimate outcome of the lawsuit cannot be predicted. Meanwhile, DI assumes that a court ruling from the Russia court cannot be made effective in Korea.