

Daewoo International Corporation

Separate financial statements
for the years ended December 31, 2013 and 2014
with independent auditors' report

Daewoo International Corporation

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Independent auditors' report

To the Shareholders and Board of Directors of
Daewoo International Corporation

We have audited the accompanying separate financial statements of Daewoo International Corporation (the "Company") which comprise the separate statements of financial position as at December 31, 2014 and 2013 and the separate statements of profit or loss and other comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, the separate financial statements referred to above expressed in Korean won present fairly, in all material respects, the separate financial position of Daewoo International Corporation as at December 31, 2014 and 2013, and its financial performance and cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

We have also reviewed the translation of the 2014 separate financial statements mentioned above into United States dollar amounts on the basis described in Note 2 to the accompanying separate financial statements. In our opinion, such statements have been properly translated on such basis.

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which state that Daewoo International Corporation is the parent company of its subsidiaries (collectively referred to as the Group) and that the consolidated financial statements of the Group prepared in accordance with KIFRS have been issued separately. We have audited the consolidated financial statements of the Group as at and for the years ended December 31, 2014 and 2013 and expressed an unqualified opinion thereon in our auditors' report dated March 4, 2015.

Other matter

The 2013 comparative separate financial statements have been audited in accordance with previous auditing standards generally accepted in the Republic of Korea.

March 4, 2015

This audit report is effective as at March 4, 2015, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Daewoo International Corporation

Financial statements for the years ended December 31, 2013 and 2014

The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.

JEON, BYEONG-EAL
Chief Executive Officer
Daewoo International Corporation

Daewoo International Corporation
Separate statements of financial position
as at December 31, 2013 and 2014

		Korean won in millions		U.S dollars in thousands (Note 2)
	Notes	2013	2014	2014
Assets				
Current assets				
Cash and cash equivalents	4,29,30	₩ 73,732	₩ 86,938	US\$ 79,092
Trade and other receivables	5,29,30	3,545,168	4,195,547	3,816,910
Other current financial assets	6,29,30	23,306	10,931	9,945
Derivative financial assets	18,29,30	24,388	73,598	66,956
Other current assets	7	77,464	75,556	68,737
Inventories	8	409,542	482,493	438,949
Disposal groups classified as held for sale	33	-	102,915	93,627
		4,153,600	5,027,978	4,574,216
Non-current assets				
Trade and other receivables	5,29,30	504,717	595,070	541,366
Other non-current financial assets	6,29,30	323,232	99,843	90,832
Investment in subsidiaries and associates	9	701,534	745,139	677,892
Property, plant and equipment	10	394,807	308,665	280,809
Intangible assets	11	1,527,355	1,605,279	1,460,407
Investment properties	12	45,726	166,742	151,694
Deferred tax assets	27	88,705	75,282	68,488
Current tax assets		-	7,130	6,487
		3,586,076	3,603,150	3,277,975
Total assets		₩ 7,739,676	₩ 8,631,128	US\$ 7,852,191
Liabilities and equity				
Current liabilities				
Trade and other payables	13,29,30	₩ 1,711,544	₩ 1,501,947	US\$ 1,366,400
Borrowings	14,29,30	1,994,328	2,848,717	2,591,628
Current portion of bonds	14,29,30	210,476	303,733	276,322
Derivative financial liabilities	18,29,30	34,500	61,298	55,766
Other current liabilities	15	102,826	97,456	88,661
Current tax liabilities	27	33,217	42,033	38,240
Liabilities directly associated with disposal groups classified as held for sale	33	-	24,015	21,848
		4,086,891	4,879,199	4,438,865
Non-current liabilities				
Trade and other payables	13,29,30	22,378	12,084	10,993
Borrowings	14,29,30	557,889	419,509	381,649
Bonds	14,29,30	802,181	897,913	816,879
Other non-current liabilities	15	3,593	3,593	3,269
Employee benefit liabilities	16	16,333	20,501	18,651
Provisions	17,18	34,765	54,412	49,501
		1,437,139	1,408,012	1,280,942
Total liabilities		5,524,030	6,287,211	5,719,807

(Continued)

Daewoo International Corporation
 Separate statements of financial position (cont'd)
 as at December 31, 2013 and 2014

	Notes	Korean won in millions		U.S dollars in thousands (Note2)
		2013	2014	2014
Equity				
Issued capital	19	₩ 569,381	₩ 569,381	517,996
Capital surplus	19	333,161	333,161	303,094
Accumulated other comprehensive income	6,20	29,136	24,518	22,305
Retained earnings	21	1,283,968	1,416,857	1,288,989
Total equity		2,215,646	2,343,917	2,132,384
Total equity and liabilities		₩ 7,739,676	₩ 8,631,128	US\$ 7,852,191

The accompanying notes are an integral part of the financial statements.

Daewoo International Corporation
Separate statement of comprehensive income
for the years ended December 31, 2013 and 2014

	Notes	Korean won in millions		U.S dollars in thousands (Note2)
		2013	2014	2014
Sales	3	₩ 16,601,358	₩ 19,938,097	US\$ 18,138,735
Cost of sales	22	(15,802,379)	(18,859,585)	(17,157,555)
Gross profit		798,979	1,078,512	981,180
Selling and administrative expenses	22,23,26,29	(659,949)	(731,606)	(665,580)
Operating profit		139,030	346,906	315,600
Finance income	25,29	892,904	1,192,348	1,084,742
Finance costs	25,29	(857,674)	(1,213,286)	(1,103,790)
Other income	24,26,29	10,822	21,757	19,793
Other expenses	24,26,29	(15,822)	(72,482)	(65,941)
Profit for the year before tax		169,260	275,243	250,404
Income tax expense	27	(21,313)	(101,822)	(92,633)
Profit for the year from continuing operations		147,947	173,421	157,771
Profit (loss) after tax for the year from discontinued operations	32	(15,406)	-	-
Profit for the year	3	₩ 132,541	₩ 173,421	US\$ 157,771
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Net gain (loss) on valuation of available-for-sale financial assets	6,20,27,29	(811)	(4,618)	(4,202)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gains (losses) on defined benefit liabilities	16,27	(4,818)	(6,369)	(5,795)
Other comprehensive income for the year, net of tax		(5,629)	(10,987)	(9,997)
Total comprehensive income for the year, net of tax		₩ 126,912	₩ 162,434	US\$ 147,774
Earnings per share for continuing operations				
(Korean won and U.S dollars in units):				
Basic	28	₩ 1,299	₩ 1,523	US\$ 1.39
Diluted	28	₩ 1,299	₩ 1,523	US\$ 1.39
Earnings per share				
(Korean won and U.S dollars in units):				
Basic	28	₩ 1,164	₩ 1,523	US\$ 1.39
Diluted	28	₩ 1,164	₩ 1,523	US\$ 1.39

The accompanying notes are an integral part of the financial statements.

Daewoo International Corporation
Separate statements of changes in equity
for the years ended December 31, 2013 and 2014

	Korean won in millions					U.S dollars in thousands (Note2)
	Issued Capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Total	Total
As at January 1, 2013	₩ 569,381	₩ 333,161	₩ 29,947	₩ 1,190,408	₩ 2,122,897	US\$ 1,931,311
Profit for the year	-	-	-	132,541	132,541	120,580
Net loss on valuation of available-for-sale financial assets	-	-	(811)	-	(811)	(738)
Re-measurement losses on defined benefit plans	-	-	-	(4,818)	(4,818)	(4,383)
Total comprehensive income	-	-	(811)	127,722	126,911	115,459
Dividends (Note 21)	-	-	-	(34,163)	(34,163)	(31,080)
As at December 31, 2013	₩ 569,381	₩ 333,161	₩ 29,136	₩ 1,283,968	₩ 2,215,646	US\$ 2,015,690
As at January 1, 2014	₩ 569,381	₩ 333,161	₩ 29,136	₩ 1,283,968	₩ 2,215,646	US\$ 2,015,690
Profit for the year	-	-	-	173,421	173,421	157,771
Net loss on valuation of available-for-sale financial assets	-	-	(4,618)	-	(4,618)	(4,202)
Re-measurement losses on defined benefit plans	-	-	-	(6,369)	(6,369)	(5,795)
Total comprehensive income	-	-	(4,618)	167,052	162,434	147,774
Dividends (Note 21)	-	-	-	(34,163)	(34,163)	(31,080)
AS at December 31, 2014	₩ 569,381	₩ 333,161	₩ 24,518	₩ 1,416,857	₩ 2,343,917	US\$ 2,132,384

The accompanying notes are an integral part of the financial statements.

Daewoo International Corporation
Separate statements of cash flows
for the years ended December 31, 2013 and 2014

	Korean won in millions		U.S dollars in thousands (Note2)	
	2013	2014	2014	
Operating activities				
Profit for the year	₩ 132,541	₩ 173,421	US\$ 157,771	
Non-cash adjustment to reconcile profit for the year to net cash flows:				
Depreciation of property, plant and equipment	13,593	18,293	16,642	
Depreciation of investment properties	532	1,741	1,584	
Amortisation of intangible assets	11,210	80,274	73,029	
Severance benefits	13,005	10,538	9,587	
Bad debt expenses	5,670	8,525	7,756	
Interest expense	50,432	67,021	60,973	
Loss on impairment of available-for-sale financial assets	435	1,097	998	
Loss on disposal of available-for-sale financial assets	-	208	189	
Loss on impairment of investment in associates	-	3,525	3,207	
Loss on disposal of subsidiaries and associates	508	2,843	2,586	
Loss on impairment of disposal groups classified as held for sale	-	14,899	13,554	
Loss on foreign currency translation	72,578	180,901	164,575	
Loss on settlement of derivatives	180,782	256,489	233,342	
Loss on valuation of derivatives	122,367	121,055	110,130	
Loss on redemption of borrowings	1,759	-	-	
Other bad debt expenses	5,324	5,817	5,292	
Loss on disposal of property, plant and equipments	41	146	133	
Loss on disposal of intangible assets	32	26	24	
Loss on impairment of intangible assets	975	20,173	18,352	
Loss on disposal of business	26,451	-	-	
Income tax expense	16,395	101,822	92,633	
Provision for product warranties	5	-	-	
Loss on valuation of inventory	242	-	-	
Financial guarantee expenses	742	1,016	924	
Contribution to provision for contingencies	743	5,948	5,411	
Contribution to provision for restoration	130	132	120	
Interest income	(39,889)	(41,135)	(37,423)	
Dividend income	(28,358)	(23,376)	(21,266)	
Gain on foreign currency translation	(80,898)	(204,905)	(186,413)	
Gain on settlement of derivatives	(247,869)	(246,789)	(224,517)	
Gain on valuation of derivatives	(59,606)	(139,037)	(126,489)	
Reversal of allowance for doubtful accounts	(479)	(3,429)	(3,120)	
Gain on disposal of property, plant and equipments	(57)	(476)	(433)	
Gain on disposal of intangible assets	(725)	(302)	(275)	
Gain on disposal of lease assets	(164)	-	-	
Reversal of provision for contingencies	-	(7,716)	(7,020)	
Reversal of loss on valuation of inventory	(15,549)	(3,121)	(2,839)	
Gain on disposal of available-for-sale financial assets	(40)	-	-	
Financial guarantee income	(1,345)	(1,192)	(1,084)	

(Continued)

Daewoo International Corporation
Statements of cash flows (cont'd)
for the years ended December 31, 2013 and 2014

	Korean won in millions		U.S dollars in thousands (Note2)	
	2013	2014	2014	
Working capital adjustments:				
Increase in trade receivables	₩ (549,127)	₩ (414,228)	US\$ (376,845)	
Decrease in other current receivables	5,830	36,866	33,539	
Increase in inventories	(33,078)	(70,629)	(64,255)	
Decrease in other current assets	20,084	2,519	2,292	
Decrease (increase) in derivative financial assets	10,885	(14,130)	(12,855)	
Increase (decrease) in trade accounts payable	465,441	(156,192)	(142,096)	
Increase (decrease) in other current payables	24,211	(41,795)	(38,023)	
Increase in other current liabilities	8,438	(4,032)	(3,668)	
Increase (decrease) in other non-current payables	(690)	(2,477)	(2,253)	
Increase (decrease) in provision for contingencies	-	686	624	
Payment of severance benefit	(1,033)	(2)	(2)	
Contribution in plan assets	(14,246)	(14,499)	(13,191)	
Interest received	8,388	25,667	23,351	
Dividends received	28,358	24,424	22,220	
Interest paid	(69,261)	(70,765)	(64,379)	
Income tax paid	(256,509)	(83,031)	(75,538)	
Net cash flows used in operating activities	(170,796)	(377,186)	(343,146)	
Investing activities				
Increase in short-term financial instruments	(9,418)	(6,503)	(5,916)	
Proceeds from disposal of available-for-sale financial assets	990	123	112	
Decrease in financial assets held to maturity	1	-	-	
Proceeds from disposal of investment in subsidiaries	76,561	460	418	
Decrease in long-term other receivable	-	34,728	31,594	
Decrease (increase) in guarantee deposits	1,109	(503)	(458)	
Decrease in long-term guarantee deposits	252	959	872	
Proceeds from disposal of property, plant and equipment	996	506	460	
Proceeds from disposal of intangible assets	1,500	855	778	
Decrease (increase) in short-term loans receivable	(2,866)	2,749	2,501	
Increase in long-term loans receivable	(84,474)	(79,047)	(71,913)	
Acquisition of available-for-sale financial assets	(1,098)	(3,146)	(2,862)	
Acquisition of associates	(43,605)	(27,136)	(24,687)	
Acquisition of subsidiaries	-	(23,297)	(21,195)	
Acquisition of property, plant, and equipment	(87,934)	(60,353)	(54,906)	
Acquisition of intangible assets	(269,389)	(115,606)	(105,173)	
Acquisition of investment properties	(20,935)	(147,018)	(133,750)	
Proceeds from government grants	47	-	-	
Proceeds from disposal of business	126,809	-	-	
Net cash flows used in investing activities	(311,454)	(422,229)	(384,125)	
Financing activities				
Increase in short-term borrowings	78,348	684,247	622,495	
Proceeds from long-term borrowings	117,248	40,762	37,083	
Issuance of bonds	416,313	398,949	362,945	
Repayment of long-term borrowings	(101,806)	(61,655)	(56,091)	
Redemption of bonds	(116,210)	(209,206)	(190,326)	
Dividends paid	(34,163)	(34,163)	(31,080)	
Net cash flows from financing activities	359,730	818,934	745,026	
Net increase(decrease) in cash and cash equivalents	(122,520)	19,519	17,755	
Net foreign exchange difference	(289)	(116)	(106)	
Cash and cash equivalents at January 1	196,541	73,732	67,078	
Cash and cash equivalents at December 31	₩ 73,732	₩ 93,135	US\$ 84,727	
Cash and cash equivalents on the statements of financial position	₩ 73,732	₩ 86,938	US\$ 79,092	
Cash and cash equivalents included in disposal groups classified as held for sale	₩ -	₩ 6,198	US\$ 5,636	

The accompanying notes are an integral part of the financial statements.

1. Corporate information

Daewoo International Corporation (the "Company") was incorporated on December 27, 2000 as a result of a spin-off by the trading segment of Daewoo Corporation.

The Company is engaged in various business activities, such as providing export services, export agency services, intermediary trading, manufacturing, distribution and natural resource development. The primary products sold by the Company include various industrial grade steel, metals, chemicals, transportation equipment, machinery, ships, plants, electronics, grain and petroleum.

The Company listed its shares on the Korea Exchange on March 23, 2001. The Company's issued capital as at spin-off date, amounted to ₩93,100 million and as at December 31, 2014 amounted to ₩569,381 million, through several rounds of debt-for-equity swaps and share dividends. The Company's major stockholder is POSCO, which owns 60.31% of the Company's total outstanding shares.

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in accordance with Korea International Financial Reporting Standards (KIFRS) enacted by *the Corporate External Audit Law*.

The separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in fair values attributable to the risks that are being hedged in effective hedge relationships. The separate financial statements are presented in Korean won and all values are rounded to the nearest million, except when otherwise indicated.

The accompanying separate financial statements have been translated into English from the Korean language financial statements. In the event of differences in interpreting the financial statement, or the independent auditors' report thereon, the Korean version which is used for regulatory purposes, shall prevail.

Daewoo International Corporation is the parent entity of its subsidiaries (collectively referred to as the "Group") and the consolidated financial statements of the Group prepared in accordance with KIFRS have been issued separately.

Financial statements translation

The accompanying 2014 financial statements are expressed in Korean won, and solely for convenience of the reader, have been translated into United States dollars at the rate of ₩1,099.2 to US\$1, the year-end exchange rate on December 31, 2014. Such translation should not be construed as a representation that the Korean won amount can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

Summary of significant accounting policies

Subsidiaries, associates and jointly controlled entities

Pursuant to *KIFRS 1027*, the accompanying separate financial statements are accounted for, by a parent, investor in an associate on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. Moreover, *KIFRS 1027* requires that, in separate financial statements, investments in subsidiaries or associates should be accounted for at cost. All dividends should be recognized in profit or loss within separate financial statements once the right to receive payment has been established.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current /non-current classification.

An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Company measures financial instruments, such as, derivatives at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- | | |
|---|---------------------|
| - Disclosure for valuation methods, significant estimates and assumptions | Notes 2,6,29 and 30 |
| - Quantitative disclosures of fair value measurement hierarchy | Note 30 |
| - Investment properties | Note 12 |
| - Financial instruments (including those carried at amortized cost) | Notes 6,29 and 30 |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable excluding taxes or duty. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria described below must also be met before revenue is recognized.

When the collectability of an amount already included in revenue becomes uncertain, the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue received from transactions where the Company acts as an agent without assuming the risks and rewards of ownership of the goods is recognized on a net basis.

Rendering of services

Revenue from the rendering of services is recognized by reference to the stage of completion when the amount of revenue can be measured reliably, the stage of completion of the transaction can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

2. **Basis of preparation and summary of significant accounting policies (cont'd)**

Summary of significant accounting policies (cont'd)

Dividends

Dividends income is recognized when the Company's right to receive the payment is established.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Financial assets

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance costs in the statement of comprehensive income. Transaction costs attributable to the acquisition of the financial asset at fair value through profit or loss are charged to current operation.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the EIR, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in statement of comprehensive income in finance costs.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the other comprehensive income to the statement of profit or loss in other operating income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using EIR, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, objective evidence includes a significant or prolonged decline in the fair value of the investment below its cost.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Evidence of impairment includes the Company's historical loss experience for receivables with similar credit risk characteristics, increased number of delayed payments and significant change of national or local economic conditions that correlate with defaults on the receivables.

For financial assets carried at amortized cost, the amount of the impairment loss is measured as 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.

The carrying amount of the asset is reduced directly, except for loans and receivables. The carrying amount of loans and receivables is reduced through use of an allowance account. If the loans and receivables have been extinguished, the loans and receivables are written off and offset against the related allowance account.

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 to the extent that the asset's carrying amount does not exceed what the amortized cost would have been had impairment loss not been recognized. However, impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method, except for materials in-transit which are stated at cost by the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to sell are the incremental costs directly attributable to the sales, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and :

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. Additional disclosures are provided in Note 32. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent cost is recognized in the carrying amount of the item of property, plant and equipment, if the following recognition criteria are met.

- it is probable that future economic benefits associated with the item will flow to the Company and;
- the cost can be measured reliably.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

The carrying amount of the replaced part is expensed, and the expenditures related to repair and maintenance are reflected in current operation as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	Years
Buildings	20~54
Structures	15~40
Machinery	4~25
Others	2~8

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Investment properties

Property held to earn rental income or for capital appreciation is classified as investment property. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses.

Subsequent cost is recognized in the carrying amount of the item of property, plant and equipment, if the following recognition criteria are met.

- it is probable that future economic benefits associated with the item will flow to the Company and;
- the cost can be measured reliably.

The carrying amount of the replaced part is expensed, and the expenditures related to repair and maintenance are reflected in current operation as incurred.

Depreciation of investment properties other than land is calculated on a straight-line basis. The useful lives and depreciation method of investment properties are the same as those of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meet the recognition criteria. Development expenditure not capitalized are expensed in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives except for mining rights are amortized using the straight-line method over the useful economic life of 5~20 years. Mining rights are amortized using the unit of production method.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company engages in the development of natural resources either by entering into contracts for sharing the extracted natural resources or by acquiring interests in the related projects. Expenditures related to natural resources are recognized as either exploration and evaluation assets, development assets or mining rights. The nature of these intangible assets is as follows:

Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when the reserves are proven successful.

Development assets

Development assets consist of expenditures for the evaluation of oil fields, facility construction, drilling for viability and others. These development assets are reclassified as mining rights at inception of the extraction.

Mining rights

Mining rights (production wells) consist of operation costs for improving productivity, oil reservoir management for prediction of oil output and production optimization, and increasing the return rate of crude oil. Mining rights are amortized using the unit of production method.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Leases

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for (i) whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or (ii) the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign currency translation

These financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Exchange differences arising on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Any investment income on the temporary investment of those borrowings is deducted from borrowing costs. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is deducted in reporting the related expenses. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. It is recognized in profit or loss over the life of depreciable asset as a reduced depreciation expenses.

Financial liabilities and equity instrument

Debts and equity instruments issued by the Company are classified based on the substance of the contracts as financial liabilities and equity.

Equity instruments

An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities are recognized initially at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Severance benefit

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses' in statement of comprehensive income (by function).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustments would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, a contingent liability is disclosed, but not recognized.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Summary of significant accounting policies (cont'd)

Derivatives

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

Under a fair value hedge, the change in the fair value of a hedging derivative is recognized in the statement of comprehensive income and the change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the statement of comprehensive income.

When the hedging instrument expires or is sold, terminated or exercised, hedge no longer meets the criteria for hedge accounting or the entity revokes the designation of hedge relationship, the hedge accounting is discontinued prospectively.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (a) the economic characteristics and risks of the host contract and the embedded derivatives are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (c) the hybrid (combined) instrument is not measured at fair value through profit or loss.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Pension benefits

The present value of the defined benefit obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2. **Basis of preparation and summary of significant accounting policies (cont'd)**

New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1027)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under *KIFRS 1110 Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since the Company does not qualify to be an investment entity under *KIFRS 1110*.

Offsetting Financial Assets and Financial Liabilities - Amendments to KIFRS 1032

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company.

***Recoverable Amount Disclosures for Non-Financial Assets – Amendments to KIFRS 1036
Impairment of Assets***

These amendments remove the unintended consequences of *KIFRS 1113* on the disclosures required under *KIFRS 1036*. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments have no impact on the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to KIFRS 1039

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

2. **Basis of preparation and summary of significant accounting policies (cont'd)**

New and amended standards and interpretations (cont'd)

KIFRS 2021 Levies

KIFRS 2021 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to KIFRS 1019 Defined Benefit Plans: Employee Contributions

KIFRS 1019 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

Amendments to KIFRS 1111 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to KIFRS 1111 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant KIFRS 1103 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to KIFRS 1111 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

Amendments to KIFRS 1016 and KIFRS 1038: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in *KIFRS 1016 and KIFRS 1038* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Standards issued but not yet effective (cont'd)

Amendments to KIFRS 1027: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying KIFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of KIFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to KIFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company reviews the impacts of the standards and whether to adopt the standards.

Date of authorization for issue

The financial statements of the Company for the year ended December 31, 2014 were authorized for issue at the meeting of the Board of Directors held on January 30, 2015 and scheduled for approval at the shareholders' meeting to be held on March 16, 2015

3. Segment information

Operating segment

For management purposes, the Company has three reportable operating segments (trading, natural resource development, and others). Accounting policies of each segment are the same as those of the Company mentioned in Note 2.

The financial performance and financial position of each segment for the year ended December 31, 2014 are as follows:

	Korean won in millions				U. S. dollars in thousands (Note 2)
	Trading	Natural resource development	Others	Total	Total
Sales	₩ 19,367,577	₩ 519,926	₩ 50,594	₩ 19,938,097	US\$ 18,138,735
Profit for the year	23,257	150,657	(493)	173,421	157,771
Total asset	5,309,603	2,904,393	334,721	8,548,717	7,777,216
Total liabilities	4,504,898	514,171	24,464	5,043,533	4,588,366

Adjustments and eliminations

Current taxes, deferred taxes and certain financial assets and financial liabilities are not allocated to individual segments as they are accounted for at the enterprise level.

Reconciliation of assets is as follows:

	Korean won in millions	U. S. dollars in thousands (Note 2)
	2014	2014
Segment operating assets	₩ 8,548,717	US\$ 7,777,216
Current tax assets	7,130	6,487
Deferred tax assets	75,282	68,488
	₩ 8,631,129	US\$ 7,852,191

3. Adjustments and eliminations (cont'd)

Reconciliation of liabilities is as follows:

	Korean won in millions	U. S. dollars in thousands (Note 2)
	2014	2014
Segment operating liabilities	₩ 5,043,533	US\$ 4,588,366
Current tax liabilities	42,033	38,240
Current portion of bonds	303,733	276,322
Bonds	897,913	816,879
	₩ 6,287,212	US\$ 5,719,807

Geographic information

Sales by geographic area are based on the geographical location of the market and customers. Sales for the year ended December 31, 2014 and non-current assets as at December 31, 2014 by geographic area are as follows:

	Korean won in millions						U. S. dollars in thousands (Note 2)
	Domestic	Asia (excluding China)	China	North America	Others	Total	Total
Total sales	₩ 1,696,928	₩ 7,126,224	₩ 4,354,797	₩ 1,468,256	₩ 5,291,892	₩ 19,938,097	US\$ 18,138,735
Non-current assets ¹	2,079,082	330	-	-	1,274	2,080,686	1,892,910

¹ Non-current assets consist of PP&E, intangible assets and investment properties.

4. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Cash	₩ 120	₩ -	US\$ -
Passbook account and checking account	53,482	69,391	63,129
Other cash equivalents	20,130	17,547	15,963
Cash and cash equivalents on the statements of financial position	73,732	86,938	79,092
Disposal groups classified as held for sale	-	6,198	5,636
Cash and cash equivalents on the statements of cash flows	₩ 73,732	₩ 93,136	US\$ 84,728

5. Trade and other receivables

Trade and other receivables as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Current:			
Trade receivables	₩ 3,492,346	₩ 4,188,950	US\$ 3,810,908
Allowance for doubtful accounts	(26,986)	(34,020)	(30,950)
Other receivables	66,668	28,967	26,353
Allowance for doubtful accounts	(1,026)	(878)	(799)
Accrued income	103	10	9
Short-term guarantee deposits	382	799	727
Short-term loans receivable	13,716	11,724	10,666
Allowance for doubtful accounts	(35)	(5)	(4)
	<u>3,545,168</u>	<u>4,195,547</u>	<u>3,816,910</u>
Non-current:			
Long-term loans receivable	379,294	489,716	445,520
Long-term other receivables	119,337	105,852	96,299
Allowance for doubtful accounts	-	(5,386)	(4,900)
Long-term guarantee deposits	6,086	4,888	4,447
	<u>504,717</u>	<u>595,070</u>	<u>541,366</u>
	<u>₩ 4,049,885</u>	<u>₩ 4,790,617</u>	<u>US\$ 4,358,275</u>

Allowance for doubtful accounts

Changes in allowance for doubtful accounts related to trade receivables for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Beginning balance	₩ 26,964	₩ 26,986	US\$ 24,550
Bad debt expenses	5,670	8,525	7,756
Write-off	(5,565)	(2,304)	(2,096)
Foreign exchange translation loss (gain)	(83)	813	740
Ending balance	<u>₩ 26,986</u>	<u>₩ 34,020</u>	<u>US\$ 30,950</u>

Financial assets transferred but not derecognized

As at December 31, 2014 trade receivables transferred with a book value amounting to ₩2,069,350 million were not derecognized. Cash received for the factoring of such receivables was accounted for as short-term borrowings (See Note 18).

The Company factored the above trade receivable to financial institutions with recourse. The Company retains the risks of ownership arising from credit risk such as default of debtors. The fair values of the above receivables transferred and the related borrowings are not significantly different from their book value.

6. Other financial assets

Other current financial assets

Other current financial assets as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Deposits in financial institutions	₩ 23,306	₩ 10,931	US\$ 9,945	

Other non-current financial assets

Other non-current financial assets as at December 31, 2013 and 2014 are as follow:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Deposits in financial institutions	₩ 12	₩ 11	US\$ 10	
Special deposit	221,416	-	-	
Available-for-sale financial assets	101,804	99,832	90,822	
	₩ 323,232	₩ 99,843	US\$ 90,832	

Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2013 and 2014 are as follows:

	Korean won in millions					U. S. dollars in thousands (Note 2)	
	2013	2014				2014	
	Book value	Number of shares	Equity ownership (%)	Acquisition cost	Fair value or net asset value	Book value	Book value
<u>Marketable securities:</u>							
Maruichi Steel Tube Ltd.	₩ 3,202	120,000	0.12	₩ 2,933	₩ 2,839	₩ 2,839	US\$ 2,583
TK-Chemical Co., Ltd.	14,280	8,000,000	8.89	14,818	14,840	14,840	13,501
	17,482			17,751	17,679	17,679	16,084
<u>Non-marketable securities:</u>							
The Korea Economic Daily	974	178,881	0.96	1,952	1,606	974	886
Korea Delphi Automotive Systems Corp.	48,564	1,835,520	7.70	9,178	36,916	36,916	33,584
Hanil Daewoo Cement Mfg Co., Ltd.	-	300,000	15.00	135	(1,066)	-	-
Shinpoong Daewoo Pharma Co., Ltd.	343	-	3.42	343	288	343	312
Chemcross Com., Inc.	226	200,000	1.17	226	-	-	-
CJ Philippines Incorporation	349	109,200	10.00	349	2,907	349	318
Daewoo Motors Co., Ltd.	29	305,289	0.32	29	-	€	5
K. K. Korea Kamchatka Co., Ltd.	-	328	10.00	-	-	-	-
POSCO-Malaysia Sdn. Bhd.	5,175	24,128,000	13.40	7,905	(3,955)	7,577	6,893
CES Co., Ltd.	600	156,000	5.34	600	452	600	546
Central Corporation	1,859	100,474	10.88	1,859	7,020	7,020	6,386
Rheoforge Co., Ltd.	300	600,000	11.48	600	(522)	-	-

6. Other financial assets (cont'd)

Available-for-sale financial assets (cont'd)

		Korean won in millions						U. S. dollars in thousands (Note 2)	
		2013	2014					2014	
	Book value	Number of shares	Owner-ship (%)	Acquisition cost	Fair value or net asset value	Book value	Book value		
Korea Investment Private Placement KEXIM Carbon Credit Special Asset Fund No. 1	₩ 342	-	2.9	₩ 713	₩ 232	₩ 232		US\$	211
Hanmi ADM Co., Ltd.	1,000	10,000	16.67	1,000	1,506	1,000			910
Dongjin Vietnam Co., Ltd.	803	20,000	10.00	803	385	803			731
POSCO Assan TST Steel Industry A.S.	15,460	24,096,526	10.00	15,460	5,718	15,460			14,065
ADM21	1,000	200,000	3.15	1,000	1,422	500			455
Hunchun Pohang Hyundai International Logistics Complex Development Co., Ltd.	5,540	-	10.00	8,661	5,804	8,661			7,879
TES MI s.r.o.	523	-	3.00	523	198	523			476
POSCO-ITPC S.p.A	781	-	10.00	781	596	781			711
Jilin KDAC Co., Ltd.	85	-	7.00	85	85	85			77
Miju Steel Mfg Co., Ltd.	182	909,391	1.49	182	1	182			166
KG Power	45	1,457,847	6.69	45	-	-			-
Others	142	-	-	3,131	(692)	141			127
	84,322			55,560	58,901	82,153			74,738
	₩ 101,804			₩ 73,311	₩ 76,580	₩ 99,832		US\$	90,822

Investments in marketable securities, Maruichi Steel Tube Ltd. and TK-Chemical Co., Ltd. were stated at fair market value as at December 31, 2014. Investment in Korea Delphi Automotive Systems Corp. ("KDASC") and Central Corporation were stated at fair value of ₩20,112 per share and ₩69,867 per share, respectively, by using the discounted cash flow method under the income approach. Investment in Korea Investment Private Placement KEXIM Carbon Credit Special Asset Fund No. 1 was valued at net asset value (NAV) as at December 31, 2014. The resulting unrealized gains arising from fair value adjustments on available-for-sale financial assets amounting to ₩24,518 million (US\$22,305 thousand) were recorded in accumulated other comprehensive income, net of deferred income tax effect (liability) of ₩7,828 million (US\$7,122 thousand).

Available-for-sales financial assets other than marketable securities and investment in KDASC, Central Corporation and Korea Investment Private Placement KEXIM Carbon Credit Special Asset Fund No. 1 were recorded at cost as those securities do not have quoted market prices in active markets and the fair value of those securities could not be measured reliably.

Restricted deposits

Deposits in financial institutions amounting to ₩4,000 million (US\$3,639 thousand) is restricted to use in connection with sale of Daewoo Department Store.

7. Other current assets

Other current assets as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Advance payments	₩ 95,945	₩ 75,209	US\$ 68,422
Allowance for doubtful accounts	(20,965)	(4,842)	(4,405)
Prepaid expenses	2,484	5,189	4,720
	₩ 77,464	₩ 75,556	US\$ 68,737

8. Inventories

Inventories as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Merchandise	₩ 298,644	₩ 396,160	US\$ 360,408
Valuation allowance	(5,742)	(2,792)	(2,540)
Raw materials	2,638	1,580	1,437
Supplies	33	732	666
Materials-in-transit	114,140	86,813	78,978
Valuation allowance	(171)	-	-
	₩ 409,542	₩ 482,493	US\$ 438,949

9. Investment in subsidiaries and associates

Investment in subsidiaries and associates as at December 31, 2013 and 2014 are as follows:

	Korean won in millions				U. S. dollars in thousands (Note 2)
	2013		2014		2014
	Equity ownership (%)	Book value	Equity ownership (%)	Book value	Book value
<Subsidiaries>					
Daewoo Int'l (America) Corp.	100.00	₩ 29,590	100.00	₩ 29,590	US\$ 26,920
Daewoo Int'l (Deutschland) GmbH	100.00	9,724	100.00	9,724	8,846
Daewoo Int'l Japan Corp.	100.00	4,729	100.00	4,729	4,302
Daewoo Int'l Singapore Pte. Ltd.	100.00	3,711	100.00	3,711	3,376
Daewoo Italia S.R.L.	100.00	3,621	100.00	3,621	3,294
Daewoo Int'l Mexico S.A. De C.V.	100.00	2,905	100.00	2,905	2,643
Daewoo Int'l Shanghai Co., Ltd.	100.00	8,807	100.00	8,807	8,012
Daewoo Int'l (M) Sdn. Bhd.	100.00	2,192	100.00	2,192	1,994
Daewoo Int'l India Private Ltd.	100.00	2,299	100.00	2,299	2,092
Myanmar Daewoo Ltd.	100.00	701	100.00	701	638
Daewoo Textile Fergana LLC	100.00	5,856	100.00	5,856	5,328
Daewoo Textile Bukhara LLC	100.00	18,952	100.00	18,952	17,242
Daewoo Paper Manufacturing Co., Ltd. ³	33.84	-	33.84	-	-
Tianjin Daewoo Paper Manufacturing Co., Ltd. ³	25.00	-	25.00	-	-
Daewoo (China) Co., Ltd.	100.00	34,967	100.00	34,967	31,811
Daewoo International Australia Holdings Pty. Ltd.	100.00	126,766	100.00	126,766	115,326
Daewoo AAPC Corporation	100.00	5,027	100.00	5,027	4,573
Daewoo Int'l Cameroon S.A. ⁷	100.00	3,095	-	-	-

9. Investment in subsidiaries and associates (cont'd)

	Korean won in millions				U. S. dollars in thousands (Note 2)
	2013		2014		2014
	Equity ownership (%)	Book value	Equity ownership (%)	Book value	Book value
Daewoo El Salvador S.A. De C.V.	88.00	-	88.00	-	-
Brasil Sao paulo Steel Processing Center	51.00	13,116	51.00	13,116	11,932
PT. Bio Inti Agrindo	85.00	29,777	85.00	38,821	35,318
Daewoo Int'l Vietnam Co., Ltd.	100.00	4,613	100.00	4,613	4,197
Myanmar Daewoo Int'l Corp.	100.00	5,403	100.00	5,403	4,915
Daewoo E&P Canada Corp.	100.00	8,603	100.00	13,207	12,015
Daewoo Power And Infra (Pty) Ltd.	100.00	-	100.00	1	1
Hanjung Power Ltd. ⁵	-	-	100.00	13,725	12,486
Daewoo Precious Resources Co., Ltd. ⁴	-	-	60.00	3,202	2,913
Daewoo Power PNG Ltd. ⁴	-	-	100.00	-	-
		324,454		351,935	320,174

	Korean won in millions				U. S. dollars in thousands (Note 2)
	2013		2014		2014
	Equity ownership (%)	Book value	Equity ownership (%)	Book value	Book value
<Associates>					
IQ Power Asia Co., Ltd. ¹	15.16	53	15.16	-	-
Blue Ocean Recovery PEF No. 1	27.52	33,300	27.52	33,300	30,295
POSCO Mexico Processing Center Holding LLC	29.00	11,508	29.00	11,509	10,470
POSCO Europe Steel Distribution Center Ltd.	20.00	1,160	20.00	1,160	1,055
POSCO IJPC	20.00	4,665	20.00	4,665	4,244
Shanghai Lansheng Daewoo Corporation	49.00	7,957	49.00	7,957	7,239
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	49.00	876	49.00	876	797
Hanjung Power Ltd. ⁵	49.00	7,489	-	-	-
General Medicines Co., Ltd.	33.00	2,990	33.00	2,990	2,720
Korea LNG Ltd.	20.00	2,749	20.00	2,749	2,501
KG Power (M) Sdn. Bhd.	20.00	-	20.00	-	-
Global Komsco Daewoo LLC	35.00	4,445	35.00	4,445	4,044
South-East Asia Gas Pipeline Company Ltd.	25.04	150,778	25.04	150,778	137,171
N.I. Co., Ltd. ⁶	50.00	-	-	-	-
Daewoo (Thailand) Co., Ltd. ⁶	49.00	-	-	-	-
Korea Siberia Wood CJSC	50.00	3,473	50.00	-	-
DMSA/AMSA ²	4.00	137,578	4.00	137,578	125,162
Daewoo Global Development Pte. Ltd.	30.00	8,059	30.00	15,683	14,268
VNS-Daewoo Co., Ltd. ⁴	-	-	40.00	4,228	3,846
SPH Co, Ltd. ⁴	-	-	50.00	500	455
PT. Batuyua Tembaga Raya ⁴	-	-	24.10	14,785	13,451
		377,080		393,203	357,718
	₩	701,534	₩	745,139	US\$ 677,892

¹The IQ Power Asia Co., Ltd. are classified as an associate even though the Company's percentage of ownership is below 20%, as the Company is able to exercise significant influence on the investee.

9. Investment in subsidiaries and associates (cont'd)

²The DMSA/AMSA are classified as investment in an associate even though the Company's percentage of ownership is below 20%, as the Company is able to exercise significant influence on the investee

³The ownership interest in Daewoo Paper Manufacturing Co., Ltd. and Tianjin Daewoo Paper Manufacturing Co., Ltd. represent direct interests owned by the Company. The ownership interest owned by the consolidated group which consists of the Company and its subsidiaries are 67% and 54%, respectively.

⁴In 2014, Daewoo Precious Resources Co., Ltd., Daewoo Power PNG Ltd., VNS-Daewoo Co., Ltd., SPH Co., Ltd, PT. Batuyua Tembaga Raya, were newly established.

⁵In 2014, Hanjung Power Ltd. has been reclassified from an associate into a subsidiary as the Company acquired additional equity interests in Hanjung Power Ltd.

⁶In 2014, N.I.Co., Ltd. was reclassified into available-for-sale financial assets since the Company cannot exercise a significant influence on the investee. Daewoo (Thailand) Co., Ltd completed liquidation in 2014.

⁷In 2014, Daewoo Int'l Cameroon SA was disposed of.

10. Property, Plant and equipment

Property, plant and equipment as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Acquisition cost	₩ 450,850	₩ 350,376	US\$ 318,755	
Accumulated depreciation and impairment loss	(55,945)	(41,711)	(37,946)	
Government subsidy	(98)	-	-	
Book value	₩ 394,807	₩ 308,665	US\$ 280,809	

Change in the acquisition cost of property, plant and equipment for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

	2013						
	Jan. 1, 2013	Acquisitions	Disposals	Others	Classified as held for sale	Business disposal	Dec. 31, 2013
Land	₩ 77,813	₩ -	₩ -	₩ -	₩ -	₩ (59,905)	₩ 17,908
Buildings	100,751	-	-	14	-	(42,139)	58,626
Structures	10,557	75	-	-	-	(3,130)	7,502
Machinery	64,748	16,540	(297)	244,875	-	(69,482)	256,384
Others	56,864	1,429	(1,557)	936	-	(9,622)	48,050
Construction -in-progress	171,633	136,882	-	(245,825)	-	(310)	62,380
	₩ 482,366	₩ 154,926	₩ (1,854)	₩ -	₩ -	₩ (184,588)	₩ 450,850

	2014						
	Jan. 1, 2014	Acquisition	Disposals	Others	Classified as held for sale	Business disposal	Dec. 31, 2014
Land	₩ 17,908	₩ 15,318	₩ -	₩ -	₩ (17,856)	₩ -	₩ 15,370
Buildings	58,626	34,441	-	-	(54,704)	-	38,363
Structures	7,502	122	(29)	-	(7,595)	-	-
Machinery	256,384	-	-	(604)	-	-	255,780
Others	48,050	3,244	(4,073)	1,512	(13,899)	-	34,834
Construction -in-progress	62,380	7,228	-	(63,251)	(328)	-	6,029
	₩ 450,850	₩ 60,353	₩ (4,102)	₩ (62,343)	₩ (94,382)	₩ -	₩ 350,376

U. S. dollars in thousands (Note 2)	US\$ 410,162	US\$ 54,906	US\$ (3,732)	US\$ (56,717)	US\$ (85,864)	US\$ -	US\$ 318,755
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10. Property, Plant and equipment (cont'd)

Change in accumulated depreciation and impairment loss of property, plant and equipment for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

2013						
	Jan. 1, 2013	Depreciation	Disposals	Classified as held for sale	Business disposal	Dec. 31, 2013
Buildings	₩ 21,931	₩ 2,182	₩ -	₩ -	₩ (9,801)	₩ 14,312
Structures	3,691	512	-	-	(1,164)	3,039
Machinery	56,202	3,320	(279)	-	(57,423)	1,820
Others	37,479	7,600	(595)	-	(7,710)	36,774
	₩ 119,303	₩ 13,614	₩ (874)	₩ -	₩ (76,098)	₩ 55,945

2014						
	Jan. 1, 2014	Depreciation	Disposals	Classified as held for sale	Business disposal	Dec. 31, 2014
Buildings	₩ 14,312	₩ 1,485	₩ -	₩ (13,287)	₩ -	₩ 2,510
Structures	3,039	380	(10)	(3,409)	-	-
Machinery	1,820	10,272	-	-	-	12,092
Others	36,774	6,161	(3,918)	(11,908)	-	27,109
	₩ 55,945	₩ 18,298	₩ (3,928)	₩ (28,604)	₩ -	₩ 41,711
U. S. dollars in thousands (Note 2)	US\$ 50,896	US\$ 16,647	US\$ (3,574)	US\$ (26,023)	US\$ -	US\$ 37,946

Change in the government grants for property, plant and equipment for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

2013					
	Jan. 1, 2013	Depreciation	Business disposal	Classified as held for sale	Dec. 31, 2013
Structures	₩ 104	₩ (6)	₩ -	₩ -	₩ 98
Machinery	5	-	(5)	-	-
	₩ 109	₩ (6)	₩ (5)	₩ -	₩ 98

2014					
	Jan. 1, 2014	Depreciation	Business disposal	Classified as held for sale	Dec. 31, 2014
Buildings	₩ 98	₩ (6)	₩ -	₩ (92)	₩ -
U. S. dollars in thousands (Note 2)	US\$ 89	US\$ (5)	US\$ -	US\$ (84)	US\$ -

11. Intangible assets

Intangible assets as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Acquisition Cost	₩ 1,648,812	₩ 1,827,184	US\$ 1,662,285
Accumulated amortization and impairment losses	(94,525)	(195,066)	(177,462)
Government grants	(26,932)	(26,839)	(24,417)
Book value	₩ 1,527,355	₩ 1,605,279	US\$ 1,460,406

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

2013						
	Jan. 1, 2013	Acquisition	Disposals	others	Business disposal	Dec. 31, 2013
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	3,985	151	-	-	-	4,136
Mining right	75,580	14,799	-	451,904	-	542,283
Development cost	6,711	-	-	-	-	6,711
Exploration and evaluation assets	109,666	3,550	-	-	-	113,216
Development asset ¹	1,131,078	289,016	-	(451,904)	-	968,190
Membership	15,308	-	(806)	-	(1,259)	13,243
Others	1,224	-	-	-	(1,224)	-
	₩ 1,344,585	₩ 307,516	₩ (806)	₩ -	₩ (2,483)	₩ 1,648,812

2014						
	Jan. 1, 2014	Acquisition	Disposals	others	Business disposal	Dec. 31, 2014
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	4,136	101	(1)	-	-	4,236
Mining right	542,283	82,719	-	1,031,413	-	1,656,415
Development cost	6,711	-	-	-	-	6,711
Exploration and evaluation assets	113,216	32,909	-	-	-	146,125
Development asset	968,190	1,484	-	(969,674)	-	-
Membership	13,243	-	(579)	-	-	12,664
	₩ 1,648,812	₩ 117,213	₩ (580)	₩ 61,739	₩ -	₩ 1,827,184
U. S. dollars in thousands (Note 2)	US\$ 1,500,011	US\$ 106,635	US\$ (528)	US\$ 56,167	US\$ -	US\$ 1,662,285

In 2014, development assets related to A-1 Block in Myanmar which amounted to ₩969,674 million (US\$882,163 thousand) transferred to mining rights as the production of gas from the gas field in this block commenced.

Change in accumulated amortization and impairment losses of intangible assets for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

2013						
	Jan 1, 2013	Amortization	Disposals	Others	Business disposal	Dec 31, 2013
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	3,254	364	-	-	-	3,618
Exploration and evaluation assets	28,182	-	-	-	-	28,182
Mining right	41,061	12,945	-	-	-	54,006
Development cost	6,711	-	-	-	-	6,711
Membership	-	-	-	975	-	975
	1,194	18	-	-	(1,212)	-
	₩ 81,435	₩ 13,327	₩ -	₩ 975	₩ (1,212)	₩ 94,525

11. Intangible assets (cont'd)

	2014					
	Jan 1, 2014	Amortization	Disposals	Others	Business disposal	Dec 31, 2014
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	3,618	298	-	-	-	3,916
Exploration and evaluation assets	28,182	-	-	718	-	28,900
Mining right	54,006	80,069	-	18,167	-	152,242
Development cost	6,711	-	-	-	-	6,711
Membership	975	-	-	1,289	-	2,264
	₩ 94,525	₩ 80,367	₩ -	₩ 20,174	₩ -	₩ 195,066
U. S. dollars in thousands (Note 2)	US\$ 85,994	US\$ 73,114	US\$ -	US\$ 18,354	US\$ -	US\$ 177,462

Change in government grants for intangible assets for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

	2013			
	Jan 1, 2013	Amortization	Others ¹	Dec 31, 2013
Mining rights	₩ 1,154	₩ (141)	₩ -	₩ 1,013
Exploration and evaluation assets	9,572	-	16,347	25,919
	₩ 10,726	₩ (141)	₩ 16,347	₩ 26,932

	2014			
	Jan 1, 2014	Amortization	Others ¹	Dec 31, 2014
Mining rights	₩ 1,013	₩ (93)	₩ -	₩ 920
Exploration and evaluation assets	25,919	-	-	25,919
	₩ 26,932	₩ (93)	₩ -	₩ 26,839
U. S. dollars in thousands (Note 2)	US\$ 24,501	US\$ (84)	US\$ -	US\$ 24,417

¹Represent forgivable borrowings for impaired mines that are to be exempted from repayment.

Joint operation

Mining right, development asset and machinery include the Company's share in jointly controlled asset. As at December 31, 2014, list of significant joint operation are as follows:

	Activities	Participating interest (%)	Location
Myanmar A-1/A-3 field	Gas field development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facilities	51.00	Myanmar

12. Investment properties

Investments properties as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Acquisition cost	₩ 82,161	₩ 167,953	US\$ 152,796
Accumulated depreciation and impairment loss	(36,435)	(1,211)	(1,102)
Book value	₩ 45,726	₩ 166,742	US\$ 151,694

12. Investment properties (cont'd)

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

	2013				
	Jan. 1, 2013	Acquisition	Others	Classified as held for sale	Dec. 31, 2013
Land	₩ 11,534	₩ -	₩ -	₩ -	₩ 11,534
Buildings	47,203	-	-	-	47,203
Structures	2,489	-	-	-	2,489
Construction -in-progress	-	20,935	-	-	20,935
	<u>₩ 61,226</u>	<u>₩ 20,935</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 82,161</u>
	2014				
	Jan. 1, 2014	Acquisition	Others	Classified as held for sale	Dec. 31, 2014
Land	₩ 11,534	₩ 51,703	₩ -	₩ (11,534)	₩ 51,703
Buildings	47,203	95,315	20,935	(47,203)	116,250
Structures	2,489	-	-	(2,489)	-
Construction -in-progress	20,935	-	(20,935)	-	-
	<u>₩ 82,161</u>	<u>₩ 147,018</u>	<u>₩ -</u>	<u>₩ (61,226)</u>	<u>₩ 167,953</u>
U. S. dollars in thousands (Note 2)	<u>US\$ 74,746</u>	<u>US\$ 133,750</u>	<u>US\$ -</u>	<u>US\$ (55,700)</u>	<u>US\$ 152,796</u>

In 2014, the title to Northeast Asia Trade Tower (NEATT) was transferred to the Company as the Company paid the remaining balance of the acquisition price. As at December 31, 2014, NEATT was recorded as land and buildings within PP&E and investment properties.

Change in accumulated depreciation and impairment loss of investments properties for the years ended December 31, 2013 and 2014 are as follows (Korean won in millions):

	2013			
	Jan. 1, 2013	Depreciation	Classified as held for sale	Dec. 31, 2013
Land	₩ 4,631	₩ -	₩ -	₩ 4,631
Building	30,251	405	-	30,656
Structures	1,020	128	-	1,148
	<u>₩ 35,902</u>	<u>₩ 533</u>	<u>₩ -</u>	<u>₩ 36,435</u>
	2014			
	Jan. 1, 2014	Depreciation	Classified as held for sale	Dec. 31, 2014
Land	₩ 4,631	₩ -	₩ (4,631)	₩ -
Building	30,656	1,616	(31,061)	1,211
Structures	1,148	125	(1,273)	-
	<u>₩ 36,435</u>	<u>₩ 1,741</u>	<u>₩ (36,965)</u>	<u>₩ 1,211</u>
U. S. dollars in thousands (Note 2)	<u>US\$ 33,147</u>	<u>US\$ 1,584</u>	<u>US\$ (33,629)</u>	<u>US\$ 1,102</u>

The fair value of investment properties amounted to ₩160,148 million (US\$145,695 thousand) as at December 31, 2014.

12. Investment properties (cont'd)

Income and expense arising from investment properties in 2014 as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2014		2014	
Rental income	₩	1,534	US\$	1,396
Rental expense		(3,131)		(2,848)
	₩	(1,597)	US\$	(1,452)

13. Trade and other payables

Trade and other payables as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Current:				
Trade payables	₩ 1,493,262	₩ 1,326,972	US\$	1,207,216
Other payables	211,113	164,289		149,462
Accrued expenses	6,332	9,521		8,662
Guarantee deposits received	837	1,165		1,060
	1,711,544	1,501,947		1,366,400
Non-current:				
Long-term other payables	13,081	11,032		10,036
Long-term guarantee deposits received	8,417	320		291
Financial guarantee liabilities	880	732		666
	22,378	12,084		10,993
	₩ 1,733,922	₩ 1,514,031	US\$	1,377,393

14. Borrowings

Borrowings as at December 31, 2013 and 2014 are as follows:

		Annual interest rates as at Dec. 31, 2014	Korean won in millions		U. S. dollars in thousands (Note 2)	
Creditor						
			2013	2014	2014	
Current borrowings:						
Short-term borrowings:						
Banker's usance and others	Woori Bank and others	0.23~2.74%	₩ 1,939,817	₩ 2,674,509	US\$ 2,433,141	
Current-portion of long-term borrowings:						
Work-out debt and others	AKA BANK and others	6M Euribor +0.45% and others	58,192	176,066	160,177	
Less: present value discount			(3,681)	(1,858)	(1,690)	
			54,511	174,208	158,487	
			1,994,328	2,848,717	2,591,628	

14. Borrowings (cont'd)

			Korean won in millions		U. S. dollars in thousands (Note 2)
	Creditor	Annual interest rates as at Dec. 31, 2014	2013	2014	2014
Non-current borrowings:					
Korean won denominated borrowings:					
Work-out debt from Creditor Council	Korea Trade Insurance Corporation	-	13,821	-	-
Others	Korea Resources Corporation and others	3-yr government bond yield- 2.25% and others	14,549	33,024	30,044
			28,370	33,024	30,044
Foreign-currency denominated borrowings:					
Work-out debt from Creditor Council	AKA Bank	6M Euribor +0.45%	21,179	13,279	12,081
Forgivable borrowings	Korea National Oil Corporation and others	1.0~6.0% and others	253,546	263,078	239,336
Others	Korea National Oil Corporation and others	3M Libor +1.50% and others	265,074	117,271	106,688
			539,799	393,628	358,105
			568,169	426,652	388,149
Less: present value discount			(10,281)	(7,143)	(6,500)
			557,888	419,509	381,649
			₩ 2,552,216	₩ 3,268,226	US\$ 2,973,277

Bonds as at December 31, 2013 and 2014 are as follows:

		Korean won in millions		U. S. dollars in thousands (Note 2)
	Annual interest rates as at Dec. 31, 2014	2013	2014	2014
Current-portion of bond:				
6th unsecured bond (Shogun bond)	-	₩ 211,060	₩ -	US\$ -
5-1st unsecured bond	4.43%	-	200,000	181,951
9th unsecured bond	3M SOR + 1.25%	-	103,969	94,586
		211,060	303,969	276,537
Less: discount on bonds		(584)	(236)	(215)
		210,476	303,733	276,322
Non-current bonds:				
5-1st unsecured bond	-	200,000	-	-
7th unsecured bond	4.32%	200,000	200,000	181,951
8-1th unsecured bond	2.92%	150,000	150,000	136,463
8-2th unsecured bond	3.09%	150,000	150,000	136,463
9th unsecured bond	-	104,094	-	-
10-1th unsecured bond	3.001%	-	180,000	163,755
10-2th unsecured bond	3.257%	-	220,000	200,146
		804,094	900,000	818,777
Less: discount on bonds		(1,913)	(2,087)	(1,899)
		802,181	897,913	816,879
		₩ 1,012,657	₩ 1,201,646	US\$ 1,093,201

15. Other liabilities

Other liabilities as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Current:				
Advances received	₩ 92,912	₩ 74,442	US\$ 67,724	
Withholdings	9,914	23,014	20,937	
	102,826	97,456	88,661	
Non-current:				
Long-term withholdings	3,593	3,593	3,269	
	₩ 106,419	₩ 101,049	US\$ 91,930	

16. Employee benefit liability

The Company operates a defined benefit pension plan for its employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

Principal assumptions used in actuarial valuation

	2013	2014
Discount rate (%)	3.81%~3.91%	2.9%~2.99%
Future salary increases (%)	3.5%~5.30%	3.5%~5.30%
Expected retirement rate (%)	7.7%	6.7%

Sensitivity analysis

Discount rate

	1%p decrease	1%p increase
Impact on net defined benefit obligation of change Rate	₩ 7,739 10.04%	₩ (6,579) (8.52%)

Future salary increases

	1%p decrease	1%p increase
Impact on the defined benefit obligation of change Rate	₩ (6,509) (8.43%)	₩ 7,487 9.71%

Net benefit expense recognized in the profit of loss

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Current service cost	₩ 12,712	₩ 9,803	US\$ 8,918	
Past service cost	-	(53)	(48)	
Net Interest cost	293	788	717	
	₩ 13,005	₩ 10,538	US\$ 9,587	

16. **Employee benefit liability(cont'd)**

Amounts recognized in the statement of financial position

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Present value of defined benefit obligation	₩ 66,057	₩ 77,082	US\$ 70,126	
Fair value of plan assets	(49,724)	(56,581)	(51,475)	
	₩ 16,333	₩ 20,501	US\$ 18,651	

Changes in the present value of the defined benefit obligation

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Beginning balance	₩ 67,413	₩ 66,057	US\$ 60,096	
Current service cost	12,712	9,803	8,918	
Past service cost	-	(53)	(48)	
Interest cost	2,365	2,497	2,272	
Benefits paid	(8,784)	(6,515)	(5,927)	
Re-measurement gains/(losses) in OCI:	6,289	8,346	7,593	
Actuarial changes arising from changes in demographic assumptions	1,599	1,575	1,433	
Actuarial changes arising from changes in financial assumptions	4,690	6,391	5,814	
Other	-	380	346	
Business disposal	(13,938)	-	-	
Classified as held for sale	-	(3,901)	(3,549)	
Others	-	848	771	
Ending balance	₩ 66,057	₩ 77,082	US\$ 70,126	

Changes in the fair value of plan assets

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Beginning balance	₩ 53,408	₩ 49,724	US\$ 45,237	
Contribution by employer	14,246	14,509	13,200	
Interest income	2,072	1,709	1,555	
Benefits paid	(7,751)	(6,525)	(5,936)	
Re-measurement gains/(losses) in OCI:	(68)	(57)	(52)	
Actuarial changes arising from changes in financial assumptions	(68)	(57)	(52)	
Business disposal	(12,183)	-	-	
Classified as held for sale	-	(3,627)	(3,300)	
Others	-	848	771	
Ending balance	₩ 49,724	₩ 56,581	US\$ 51,475	

16. Employee benefit liability (cont'd)

Re-measurement gains/(losses) in OCI

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Re-measurement of defined benefit obligation	₩ (6,289)	₩ (8,346)	US\$	(7,593)
Re-measurement of plan assets	(68)	(57)		(52)
	(6,357)	(8,403)		(7,645)
Income tax effect	1,538	2,034		1,850
Other comprehensive income	₩ (4,819)	₩ (6,369)	US\$	(5,795)

17. Provisions

Provisions as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Provision for contingencies	₩ 30,330	₩ 50,013	US\$	45,499
Provision for restoration	4,090	4,399		4,002
Provision for product warranties	345	-		-
	₩ 34,765	₩ 54,412	US\$	49,501

Changes in provisions for the year ended December 31, 2014 is as follows:

	Korean won in millions				U. S. dollars in thousands (Note 2)	
	Provision for contingencies	Provision for restoration	Provision for product warranties	Total	Total	
Beginning balance	₩ 30,330	₩ 4,090	₩ 345	₩ 34,765	US\$	31,628
Contribution to provision ¹	14,878	132	-	15,010		13,655
Foreign currency translation	2,519	177	-	2,696		2,453
Reversal of provision ²	(7,716)	-	-	(7,716)		(7,020)
Classified as held for sale	-	-	(345)	(345)		(314)
Others	10,002	-	-	10,002		9,099
Ending balance	₩ 50,013	₩ 4,399	₩ -	₩ 54,412	US\$	49,501

¹In 2014, the Company recognized contribution to provision for contingencies in profit or loss, net of ₩8,930 million (US\$8,124 thousand) which is expected to be reimbursed by a supplier. The amount which is expected to be reimbursed by a supplier. The amount which is expected to be reimbursed by a supplier is recorded as long-term other receivables.

²Upon the disposal of Daewoo Cement (Shandong) Co., Ltd. (DCCL) in 2012, the Company assumed a part of the guarantee obligation which DCCL had provided to the creditors of Shandong Daewoo Automotive Components Ltd. (SDAC). The company estimated ₩7,716 million (US\$7,020 thousand) as the amount of provision to settle such guarantee obligation. In 2014, based on the decision of the Chinese court, that provision was fully reversed.

18. Commitments and contingencies

Contingent liabilities carried over from Daewoo Corporation prior to the spin-off

On July 22, 2000, the shareholders of Daewoo Corporation's approved the spin-off of two business segments which were established as separate entities, Daewoo International Corporation and Daewoo Engineering & Construction Co., Ltd. (Daewoo E&C), with the former representing the international trading division and the latter representing the construction division. Certain creditors approved the spin-off while others disapproved. Creditors approving the spin-off entered into a work-out agreement on March 15, 2000, transferring certain of Daewoo Corporation's liabilities to the Company and to Daewoo E&C, which resulted in the Company becoming a primary debtor or guarantor for such transferred liabilities.

Regarding the probable claims on liabilities from both consenting and dissenting creditors, the Company estimated ₩24,788 million (US\$22,551 thousand) as the amount of provision on the basis of the settlement agreement with some creditors and other information.

In addition, the Company recognized probable outflow of resources amounting to ₩25,225 million (US\$22,551 thousand) as provision for contingencies in connection with lawsuits against the Company as at December 31, 2014.

Changes in provision for contingencies for the year ended December 31, 2014 as follows (Korean won in millions):

	Provision						Principle debt amount
	As at Jan 1, 2014	Increase	Decrease	Foreign currency translation	As at Dec 31, 2014		
Creditors of Daewoo Corp.	₩ 23,299	₩ 690	₩ -	₩ 799	₩ 24,788	₩	225,718
Creditors of SDAC	7,031	-	(7,716)	685	-		-
Lawsuit	-	24,190	-	1,035	25,225		-
	<u>30,330</u>	<u>24,880</u>	<u>(7,716)</u>	<u>2,519</u>	<u>50,013</u>		<u>225,718</u>
U.S. dollars in thousands (Note 2)	US\$ 27,593	US\$ 22,635	US\$ (7,020)	US\$ 2,292	US\$ 45,500	US\$	205,348

The above total amount of provision for contingencies related to creditors of Daewoo Corporation was proportionately allocated between the Company and Daewoo E&C in an appropriate proportion.

In May 2002, Industrial Development Bank of India (IDBI), a creditor of Daewoo Motors India Ltd. (DMIL), to which Daewoo Corporation provided a payment guarantee, filed a petition with the court of Delhi/Mumbai against DMIL to exercise its rights to dispose of DMIL's assets for settlement of the related obligations. Accordingly, the Company estimated the probable loss of the pending petitions and reflected the amount in provisions for contingencies as at December 31, 2014.

Further, Daewoo Corporation filed for bankruptcy with the Seoul Central District Court on May 25, 2006 and received the adjudication of bankruptcy on June 16, 2006. As at December 31, 2014, the bankruptcy proceedings of Daewoo Corporation are in progress.

18. Commitments and contingencies (cont'd)

Pending litigations

As at December 31, 2014, the Company is involved in pending lawsuits and defends are as follows (Korean won in millions, foreign currency in thousands):

Jurisdiction	Plaintiff	Description of litigation	Litigation claim amounts	
Overseas	IDBI	Claim for discharge of guarantee obligation	INR	4,458,849
	Republic of Iraq	Claim for damage	US\$	230
	DMSA	Claim for damage	US\$	199,862
	Logistec USA Inc.	Claim for damage	US\$	75
	CBX Resources, LLC	Claim for damage		Undefined
	Bayoil (USA), Inc. and 3	Claim for damage		Undefined
	Petrochemical Commercial Company	Claim for payments	EUR	3,270
	Xin Iron & Steel Co., Ltd.	Claim for damage	US\$	1,798
	Haft almas	Claim for damage	US\$	4,416
	Construmart S.A	Claim for damage	US\$	850
	Sunfert International (P) Ltd. and Sun International (P) Ltd.	Claim for withdrawal of GAFTA arbitration		Undefined
Domestic	Receiver of Daewoo Corps.	Claim for refund of surplus profit	KRW	500
	Employees	Claim for additional wage	KRW	6,800
	Employees	Claim for additional wage	KRW	280
	Bluebird Co., Ltd.	Claim for affirmation of the non-existence of payables	KRW	1,100
	Shinkwang industry Co., Ltd.	Claim for affirmation of the non-existence of payables	US\$	1,869

The Company is involved in 15 pending lawsuits as a plaintiff as at December 31, 2014.

The ultimate outcome of these lawsuits cannot presently be determined. Therefore, the Company has not established potential liabilities that may arise as a result of above litigations as at December 31, 2014 other than lawsuits for which provision for contingencies is recognized.

Credit facilities

The Company maintains overdraft facilities with Woori Bank and others for overdraft limits of up to ₩37,000 million. There is no outstanding balance as at December 31, 2014. As at December 31, 2014, the Company has letter of credit facilities ("L/C") with Woori Bank and others, document against acceptance facilities ("D/A") and other trading facilities as follows (US dollar in thousands):

	Bank	Credit line amount		Outstanding balance	
Local L/C	Woori Bank and others	US\$	568,552	US\$	262,339
L/C	Woori Bank and others	US\$	2,285,074	US\$	924,964
D/A	Woori Bank and others	US\$	2,191,413	US\$	756,131
Credit line in foreign currency	Woori Bank and others	US\$	587,000	US\$	491,027
P-Bond and others	Korea EXIM Bank and others	US\$	478,104	US\$	161,238

Collateral

The Company has pledged 45 blank promissory notes and 17 blank checks as collateral to Korea National Oil Corporation and others for contract performance guarantees as at December 31, 2014.

18. **Commitments and contingencies (cont'd)**

Derivatives

The Company entered into currency forwards contracts and commodity futures contracts with financial institutions to hedge against foreign exchange risks and inventory price risks, and details on the maximum credit line amounts are as follows (US dollar and Euro in thousands and Korean won in millions):

Contract	Bank	Derivative credit lines		Details
Currency forwards	Woori Bank	US\$	15,000	Limit of loss
	Busan Bank	₩	10,000	Limit of loss
	Kookmin Bank	₩	15,000	Limit of loss
	Citibank Korea	US\$	50,000	Limit of risk transaction
	SC Bank Korea	US\$	120,000	Limit of transaction
	HSBC	US\$	20,000	Limit of risk transaction
	UOB ¹	US\$	200,000	Limit of transaction
	China Communication Bank	US\$	20,000	Limit of transaction
	China Construction Bank	US\$	100,000	Limit of transaction
	JP Morgan	US\$	50,000	Limit of transaction
	Deutsche Bank	EUR	10,000	Limit of loss
	Credit Agricole	US\$	50,000	Limit of risk transaction
	Hana Bank	US\$	80,000	Limit of risk transaction
	Korea Exchange Bank	US\$	20,000	Limit of risk transaction
	ANZ Bank	US\$	50,000	Limit of transaction
	Societe General	US\$	50,000	Limit of transaction
Commodity futures	JP Morgan	US\$	25,000	Limit of loss
		US\$	25,000	Limit of transaction
	Triland	US\$	20,000	Limit of loss
		US\$	20,000	Limit of transaction
	Mitsui Bussan	US\$	15,000	Limit of loss
		US\$	15,000	Limit of transaction
	Toyota	US\$	13,000	Limit of loss
		US\$	13,000	Limit of transaction
	Societe General	US\$	15,000	Limit of loss
		US\$	15,000	Limit of transaction
	Daishin Securities ²	US\$	5,000	Limit of loss

¹ Includes limit of transaction on currency swap contracts

² Includes limit of transaction on currency futures contracts

18. Commitments and contingencies (cont'd)

Derivatives (cont'd)

Details of unsettled contracts for currency forwards, commodity futures, currency futures and currency swap contract are as follows (Korean won in millions):

Currency forwards

Currency unit	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
USD	28,337	821,564	5,221
EUR	124,410	266,255	5,293
JPY	65,693	62,112	2,575
CNY	146	46,782	142
CAD	-	61,396	(52)
GBP	5,605	8,235	25
AUD	5,001	5,294	37
NZD	-	24	-
			<u>₩ 13,241</u>
U. S. dollars in thousands (Note 2)			<u>US\$ 12,046</u>

Commodity futures

Commodity	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
Aluminum	₩ 74,209	₩ 197,131	₩ 11,353
Copper	180,179	236,178	4,113
Nickel	66,518	151,200	9,386
Tin	3,267	18,917	1,555
Coal	9,558	-	(331)
Rubber	460	1,660	(76)
Soybean	23,540	-	(814)
Fuel oil	17,414	14,154	3
			<u>₩ 25,189</u>
U. S. dollars in thousands (Note 2)			<u>US\$ 22,916</u>

Currency futures

Currency unit	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
JPY	603	2,070	(25)
			<u>₩ (25)</u>
U. S. dollars in thousands (Note 2)			<u>US\$ (23)</u>

18. **Commitments and contingencies (cont'd)**

Derivatives (cont'd)

Currency swap

Bank	Unsettled contractual amount		Expiration date	Swap	Valuation gain (loss)
	Long position	Short position			
UOB	₩ 103,535	₩ 109,633	Nov. 25, 2015	Pay 3 month US\$ Libor Receive 3 month SGD SOR	₩ (6,483)
Hana Bank	128,605	139,049	Jun. 30, 2017	Pay 3 month US\$ Libor Receive KRW fixed rate	(8,231)
Hana Bank	68,977	74,873	Jun. 30, 2017	Pay 3 month US\$ Libor Receive KRW fixed rate	(4,707)
	<u>₩ 301,117</u>	<u>₩ 323,555</u>			<u>₩ (19,421)</u>
U. S. dollars in thousands (Note 2)	<u>US\$ 273,942</u>	<u>US\$ 294,355</u>			<u>US\$ (17,668)</u>

Changes in the book value of derivative financial assets (liabilities) for the year ended December 31, 2014 are as follows:

	Jan. 1, 2014	Settlement	Valuation gain	Valuation loss	Dec. 31, 2014
Currency forwards	₩ (4,851)	₩ 4,851	₩ 17,028	₩ (3,787)	₩ 13,241
Commodity futures	(100)	100	42,812	(17,623)	25,189
Currency futures	42	(42)	5	(30)	(25)
Currency swap	(1,877)	-	-	(17,544)	(19,421)
Firm commitment contracts	(3,326)	(478)	79,192	(82,072)	(6,684)
	<u>₩ (10,112)</u>	<u>₩ 4,431</u>	<u>₩ 139,037</u>	<u>₩ (121,056)</u>	<u>₩ 12,300</u>
U. S. dollars in thousands (Note 2)	<u>US\$ (9,199)</u>	<u>US\$ 4,031</u>	<u>US\$ 126,489</u>	<u>US\$ (110,131)</u>	<u>US\$ 11,190</u>

The Company uses commodity futures and other financial instruments to hedge its commodity price risks and other risks attributable to firm sales or purchase contracts. The Company applies fair value hedge accounting under which the firm sales or purchase contracts (the firm commitment contract) are designated as the hedged item with commodity futures and others as hedging instruments.

The firm commitment contracts in connection with commodity futures and currency forwards were valued at fair value. As a result of such valuation, the resulting unrealized gains and losses on valuation were recorded as firm commitment contracts assets and liabilities, respectively.

For the year ended December 31, 2014, settled firm commitment contracts assets and liabilities amounting to ₩546 million and ₩67 million were deducted from sales and cost of sales, respectively.

18. Commitments and contingencies (cont'd)

Guarantee obligations

Guarantees provided by the Company to certain creditors on behalf of associates/debtors as at December 31, 2014 are as follows:

Creditor	Debtor	Limit amount		Outstanding balance		Year of expiration
		Foreign currency amounts (in thousands)	Korean won equivalent (in millions)	Foreign currency amounts (in thousands)	Korean won equivalent (in millions)	
NOVA SCOTIA	Daewoo International Mexico S.A. de C.V.	US\$ 30,000	₩ 32,976	US\$ 20,000	₩ 21,984	2015
Shinhan Bank	Daewoo International India Pvt Ltd.	US\$ 18,772	20,634	US\$ -	-	2015
Shinhan Bank	Daewoo International India Pvt Ltd.	US\$ 30,000	32,976	US\$ 24,048	26,434	2015
HSBC	Daewoo Paper Manufacturing Co., Ltd	US\$ 12,500	13,740	US\$ 12,500	13,740	2015
Korea EXIM Bank	Daewoo Textile Bukhara LLC	US\$ 16,000	17,587	US\$ 16,000	17,587	2018
Korea EXIM Bank and others	AMSA, DMSA ¹	US\$ 149,000	163,781	US\$ 123,867	136,154	2015
Korea EXIM Bank and others	AMSA, DMSA ²	US\$ 16,133	17,734	US\$ 16,133	17,734	2015
Korea EXIM Bank	Sherritt International Corporation ³	US\$ 21,818	23,983	US\$ 6,402	7,037	2023
Korea EXIM Bank	Ambatovy project investments Ltd. ³	US\$ 65,455	71,948	US\$ 58,429	64,225	2019
Korea EXIM Bank	Global Komsco Daewoo	US\$ 1,138	1,250	US\$ 1,138	1,250	2015
Bank of China	Global Komsco Daewoo	US\$ 3,500	3,847	US\$ 3,500	3,847	2017
Bank of China	Global Komsco Daewoo	US\$ 2,450	2,693	US\$ 2,450	2,693	2019
ICBC	Global Komsco Daewoo	US\$ 4,025	4,424	US\$ 1,138	1,250	2019
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 7,000	7,694	US\$ 7,000	7,694	2017
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 12,000	13,190	US\$ 12,000	13,190	2019
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 11,000	12,091	US\$ 11,000	12,091	2020
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 26,000	28,579	US\$ 26,000	28,579	2021
ING and others	POSCO Assan TST	US\$ 18,839	20,708	US\$ 18,839	20,708	2019
HSBC	Brasil Saopaulo Steel Processing Center	US\$ 22,000	24,182	US\$ 4,021	4,420	2015
Mizuho	Brasil Saopaulo Steel Processing Center	US\$ 30,000	32,976	US\$ 30,000	32,976	2015
		US\$ 497,630	₩ 546,993	US\$ 394,465	₩ 433,593	

¹Represents construction completion guarantees for the natural resources development project at Ambatovy Nickel Mine.

²Represents additional cross guarantees which have been provided on behalf of Sherritt International Corp. as completion guarantee of the natural resources development project at Ambatovy Nickel Mine.

³Represents payment guarantees on behalf of Sherritt International Corp. and Ambatovy Project Investments Ltd. in connection with the borrowings related to the natural resources development of Ambatovy Nickel Mine. Should Sherritt International Corp. obtain additional financing from its creditors, the payment guarantee provided by the Company shall decrease by the equivalent amount of additional financing.

Principal debtors listed above are related parties of the Company, excluding Sherritt International Corp and Ambatovy Project Investments Ltd. (See also Note 31).

Investment in DMSA and AMSA (book value: ₩137,578 million) have been pledged as collateral to various creditors in connection with the above payment guarantees.

18. Commitments and contingencies (cont'd)

Other commitments

Canada Baptiste project

In accordance with the Joint Investment Agreement between the Company and Devonian Private Equity Fund (Devonian PEF), Devonian PEF has a put option to sell its interest in Canada Baptiste Project to the Company with minimum guaranteed return of 6.5% per annum for 6 months from 4 years after execution of investments. As at December 31, 2014, Devonian PEF's interest in Canada Baptiste Project amounted to ₩92,749 million (US\$84,379 thousand).

Daewoo Global Development Pte. Ltd.

In accordance with the Shareholders' Agreement and the Put Option Agreement between the Company and other shareholders of Daewoo Global Development Pte. Ltd. (DGDP), the financial investor in DGDP (FI) or any successor of FI has a put option to sell its equity interest in DGDP and its subordinated loan to DGDP to other shareholders for 3 years and 9 months from the first capital contribution date. The guaranteed return on the put option is 5.25% per annum on the equity interest and 10% per annum on the subordinated loan. If FI exercises its put option, the Company and the shareholders is to purchase the equity interest and the subordinated loan put by FI in proportion to its equity ownership. Other shareholders except the Company may decline to purchase the equity interest and the subordinated loan. Amounts of the shares underlying the put option as at December 31, 2014 amounts ₩21,434 million (US\$19,500 thousand) and there is no underlying subordinated loan.

In accordance with the stand-by loan agreement between the Company and other shareholders of DGDP, the Company and other shareholders except FI should provide subordinated loan jointly in case that DGDP would suffer from lack of fund for redemption of borrowings from FI and related interests. In addition, interests in DGDP of the Company and other shareholders except FI have been pledged as collateral to FI in connection with those borrowings. As at December 31, 2014, the outstanding borrowings amounted to ₩54,960 million (US\$50,000 thousand).

SPH Co., Ltd.

In 2014, the Company and POSCO Engineering Co., Ltd. established a 50-50 joint venture SPH Co., Ltd.(SPH) for the construction and the lease of company housing. In accordance with the loan agreement between SPH and its creditors, the Company and POSCO Engineering Co., Ltd. should provide subordinated loan jointly in case that SPH would suffer from lack of fund for redemption of borrowings from its creditors and related interests. As at December 31, 2014, the outstanding borrowings amounted to ₩68,000 million (US\$61,863 thousand).

19. Capital stock and capital surplus

Issued capital

Issued capital as at December 31, 2014 is as follows (Korean won in millions):

	Number of shares authorized	Number of shares issued	Par value	Issued capital	Paid-in capital in excess of par value (Capital surplus)
Ordinary shares	500,000,000	113,876,291	₩ 5,000	₩ 569,381	₩ 333,145
U. S. dollars in thousands (Note 2)				US\$ 517,996	US\$ 303,080

19. Capital stock and capital surplus (con't)

Capital surplus

Capital surplus as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Paid-in capital in excess of par value	₩ 333,145	₩ 333,145	US\$ 303,080	
Gain on disposal of treasury stock	16	16	14	
	₩ 333,161	₩ 333,161	US\$ 303,094	

20. Accumulated other comprehensive income

Accumulated other comprehensive income fully comprises of gain on valuation of available-for-sale financial assets. Changes in gain on valuation of available-for-sale financial assets for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Beginning balance	₩ 29,947	₩ 29,136	US\$ 26,507	
Changes during the year	(1,070)	(6,092)	(5,542)	
Tax effect	259	1,474	1,340	
Ending balance	₩ 29,136	₩ 24,518	US\$ 22,305	

21. Retained earnings

Retained earnings as at December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Legal reserve ¹	₩ 18,675	₩ 22,091	US\$ 20,097	
Voluntary reserve ²	1,136,000	1,226,000	1,115,357	
Unappropriated	129,293	168,766	153,535	
	₩ 1,283,968	₩ 1,416,857	US\$ 1,288,989	

¹The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital. The reserve is not available for the payment of cash dividends, but may be transferred to issued capital, or used to reduce accumulated deficit, if any.

² Voluntary reserve consists of a reserve for business expansion.

21. Retained earnings (cont'd)

Statements of appropriations of retained earnings

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Retained earnings before appropriations:				
Unappropriated retained earnings carried forward from the prior year	₩ 1,571	₩ 1,714	US\$ 1,559	
Actuarial losses	(4,818)	(6,369)	(5,795)	
Profit for the year	132,541	173,421	157,770	
	129,294	168,766	153,534	
Appropriations:				
Legal reserve	3,416	5,694	5,180	
Reserve for business expansion	90,000	105,000	95,524	
Cash dividends	34,163	56,938	51,799	
	127,579	167,632	152,503	
Unappropriated retained earnings to be carried forward to the next year	₩ 1,714	₩ 1,134	US\$ 1,032	

Appropriations approval dates for 2014 and 2013 are March 16, 2015 and March 17, 2014, respectively.

Dividends

Details of dividends declared for the years ended December 31, 2013 and 2014 and are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
	Cash dividend	Cash dividend	Cash dividend	
Number of shares (A)	113,876,291	113,876,291	113,876,291	
Dividend per share (Korean won and US dollars in units) (dividend ratio)(B)	₩ 300 (6%)	₩ 500 (10%)	US\$ 0.455 (10%)	
Dividends (A x B)	₩ 34,163	₩ 56,938	US\$ 51,799	

22. Expenses disclosed by nature

Cost of sales and selling and administrative expenses disclosed by nature for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Cost of goods sold	₩ 15,787,921	₩ 18,759,278	US\$ 17,066,301	
Employee benefits	101,261	113,870	103,594	
Depreciation of property, plant and equipment	10,498	18,293	16,642	
Amortization of intangible asset	11,192	80,274	73,029	
Depreciation of investment properties	532	1,740	1,583	
Others	550,924	617,736	561,986	
	₩ 16,462,328	₩ 19,591,191	US\$ 17,823,135	

23. Selling and administrative expenses

Details of selling and administrative expenses for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Salaries	₩ 101,216	₩ 113,870	US\$ 103,594	
Expenses related to defined benefit plan	10,069	10,832	9,854	
Employee welfare	16,707	18,044	16,416	
Travel	8,212	8,395	7,637	
Communication	3,189	3,668	3,337	
Utility	4,371	4,447	4,046	
Taxes and dues	1,904	2,255	2,051	
Rental	12,111	12,695	11,549	
Depreciation	8,844	8,548	7,777	
Amortization	364	298	271	
Repairs	265	436	397	
Insurance	17,816	30,955	28,161	
Entertainment	437	560	509	
Advertising	2,562	2,093	1,904	
Packaging	1,097	582	529	
Freight	344,851	388,617	353,545	
Shipping	33,083	32,941	29,968	
Commissions	73,516	69,964	63,650	
Bad debt expenses	5,670	8,525	7,756	
Supplies	577	549	499	
Car maintenance	1,975	1,893	1,722	
Publication	355	340	309	
Training	911	1,429	1,300	
Research and development	2,612	2,033	1,850	

23. Selling and administrative expenses (cont'd)

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Sales promotion	6,153	6,135	5,581
Exhibition	164	259	236
Samples	164	298	271
Conference	85	233	213
Miscellaneous	669	712	648
	<u>₩ 659,949</u>	<u>₩ 731,606</u>	<u>US\$ 665,580</u>

24. Other income and expenses

Other income

Details of other income for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Gain on disposal of lease assets	164	-	-
Gain on disposal of property, plant and equipment	36	476	433
Gain on disposal of intangible assets	725	302	275
Gain on disposal of available-for-sale financial assets	40	-	-
Reversal of allowance for doubtful accounts	479	3,429	3,120
Reversal of provision for contingencies	-	7,716	7,020
Others	9,377	9,834	8,945
	<u>₩ 10,821</u>	<u>₩ 21,757</u>	<u>US\$ 19,793</u>

24. Other income and expenses (cont'd)

Other expenses

Details of other expenses for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Contribution to provisions for restoration	₩ 130	₩ 132	US\$ 120
Other bad debt expense	5,314	5,817	5,292
Loss on disposal of property, plant and equipment	41	146	133
Loss on disposal of intangible assets	32	26	24
Loss on impairment of intangible assets	975	20,173	18,352
Donations	1,685	2,154	1,960
Contribution to provision for contingencies	743	5,948	5,411
Loss on impairment of investments in associates	-	3,525	3,207
Loss on disposal of available-for-sale financial assets	-	208	189
Loss on impairment of available-for-sale financial assets	435	1,097	998
Loss on disposal of subsidiaries and associates	508	2,843	2,586
Loss on impairment of disposal groups classified held for sale	-	14,899	13,554
Miscellaneous expense	5,959	15,514	14,115
	₩ 15,822	₩ 72,482	US\$ 65,941

25. Finance income and costs

Finance income

Details of finance income for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Interest income	38,815	41,135	37,423
Financial guarantee income	1,345	1,192	1,084
Dividends income	28,342	23,376	21,266
Gain on foreign currency transaction	436,102	535,915	487,551
Gain on foreign currency translation	80,827	204,905	186,413
Gain on valuation of derivatives	59,605	139,036	126,488
Gain on settlement of derivatives	247,868	246,789	224,517
	₩ 892,904	₩ 1,192,348	US\$ 1,084,742

25. Finance income and costs (cont'd)

Finance costs

Details of finance costs for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Loss on redemption of borrowings	₩ 1,759	₩ -	US\$ -
Loss on disposal of trade accounts receivable	16,556	18,283	16,633
Interest expenses	50,432	67,021	60,973
Financial guarantee expense	742	1,016	924
Loss on foreign currency transaction	412,525	568,521	517,213
Loss on foreign currency translation	72,510	180,901	164,575
Loss on valuation of derivatives	122,367	121,055	110,130
Loss on settlement of derivatives	180,783	256,489	233,342
	₩ 857,674	₩ 1,213,286	US\$ 1,103,790

Interest income

Details of interest income for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Interest income on cash equivalents	₩ 4,796	₩ 3,936	US\$ 3,581
Other interest income	34,019	37,199	33,842
	₩ 38,815	₩ 41,135	US\$ 37,423

Interest expense

Details of interest expense for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Interest on borrowings	₩ 66,373	₩ 72,184	US\$ 65,670
Other interest expense	23,282	(3,557)	(3,236)
	89,655	68,627	62,434
Less: capitalization of borrowing costs	(39,223)	(1,606)	(1,461)
	₩ 50,432	₩ 67,021	US\$ 60,973

26. Impairment of financial instrument

Details of impairment of financial instrument for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Bad debt expense	₩ 5,670	₩ 8,525	US\$ 7,756	
Other bad debt expense	620	5,779	5,257	
Less: reversal of allowance for doubtful accounts	(181)	(3,236)	(2,944)	
Loss on impairment of available-for-sale financial assets	435	1,097	998	
	₩ 6,544	₩ 12,165	US\$ 11,067	

27. Income taxes

The major components of income tax expenses for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Current income taxes	₩ 44,109	₩ 84,891	US\$ 77,230	
Changes in deferred income tax arising from temporary differences	(15,389)	(3,577)	(3,254)	
Changes in deferred income tax arising from tax credit carryforwards	(14,123)	17,000	15,466	
Income tax charged directly to equity	1,797	3,508	3,191	
Income tax expense	₩ 16,394	₩ 101,822	US\$ 92,633	
Income tax expense related to continuing operation	₩ 21,313	₩ 101,822	US\$ 92,633	
Income tax expense related to discontinued operation	₩ (4,919)	₩ -	US\$ -	

27. Income taxes (cont'd)

Reconciliation between tax expense and the product of accounting profit multiplied by statutory tax rate for the years ended December 31, 2013 and 2014 is as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Profit before tax from continuing operation	₩ 169,260	₩ 275,243	US\$ 250,404	
Profit before tax from discontinued operation	(20,325)	-	-	
Accounting profit before income tax	₩ 148,935	₩ 275,243	US\$ 250,404	
Tax at the statutory income tax rate	₩ 35,580	₩ 66,609	US\$ 60,598	
Adjustments:				
Non-taxable income				
(2013: ₩498 million, 2014: -)	(121)	-	-	
Non-deductible expenses				
(2013: ₩598 million, 2014: ₩2,965 million)	145	718	653	
Effect of deferred income tax not recognized				
(2013: ₩(13,834) million, 2014: ₩4,096 million)	(3,348)	991	902	
Adjustment on prior year tax from tax audit	-	29,914	27,214	
Tax credits	(10,556)	(4,056)	(3,690)	
Others	(5,306)	7,646	6,956	
Income tax expense	₩ 16,394	₩ 101,822	US\$ 92,633	
Effective income tax rates	11.01%	36.99%	36.99%	

Income tax charged directly to equity for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Loss on valuation of available-for-sale financial assets	₩ 259	₩ 1,474	US\$ 1,341	
Re-measurement losses on defined benefit liabilities	1,538	2,034	1,850	
	₩ 1,797	₩ 3,508	US\$ 3,191	

27. Income taxes (cont'd)

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

Account	2013			
	January 1, 2013	Recognized in profit and loss	Recognized directly to equity	December 31, 2013
Gain on valuation of derivatives	₩ (784)	₩ 2,068	₩ -	₩ 1,284
Loss on impairment of investments	22,884	1,714	-	24,598
Investment in subsidiaries and associates	4,542	(5,731)	-	(1,189)
Severance and retirement benefits	11,926	(380)	1,538	13,084
Severance insurance deposits	(10,644)	(1,857)	-	(12,501)
Amortization of present value discount	4,667	(1,238)	-	3,429
Debt restructuring	(4,951)	306	-	(4,645)
Extraordinary losses	11,127	216	-	11,343
Allowance for doubtful accounts	2,026	(290)	-	1,736
Depreciation	3,750	(466)	-	3,284
Loss on impairment of property, plant and equipment	15,846	(679)	-	15,167
Capitalized borrowing costs	(23,752)	(6,661)	-	(30,413)
Accrued expense	17,934	14,256	-	32,190
Debt-for-equity swap	1,812	-	-	1,812
Loss (gain) on foreign currency translation	38	(29)	-	9
Gain on valuation of available-for-sale financial assets	(9,561)	-	259	(9,302)
Gain on revaluation of property, plant and equipment	(13,032)	13,032	-	-
Financial guarantee liabilities	(179)	(57)	-	(236)
Borrowings with low interest rates	2,647	(982)	-	1,665
Forgivable borrowings	16,711	(9,760)	-	6,951
Others	3,309	10,130	-	13,439
	56,316	13,592	1,797	71,705
Tax credit carryforwards	2,877	14,123	-	17,000
	₩ 59,193	₩ 27,715	₩ 1,797	₩ 88,705

27. Income taxes (cont'd)

Account	2014			
	January 1, 2014	Recognized in profit and loss	Recognized directly to equity	December 31, 2014
Gain on valuation of derivatives	₩ 1,284	₩ (5,748)	₩ -	₩ (4,464)
Loss on impairment of investments	24,599	9,668	-	34,267
Investment in subsidiaries and associates	(1,189)	119	-	(1,070)
Severance and retirement benefits	13,084	(1,670)	2,034	13,448
Severance insurance deposits	(12,501)	535	-	(11,966)
Amortization of present value discount	3,430	-	-	3,430
Debt restructuring	(4,646)	-	-	(4,646)
Extraordinary losses	11,342	5,150	-	16,492
Allowance for doubtful accounts	1,736	(1,736)	-	-
Depreciation	3,284	4,793	-	8,077
Loss on impairment of property, plant and equipment	15,167	679	-	15,846
Capitalized borrowing costs	(30,413)	235	-	(30,178)
Accrued expense	32,190	(16,452)	-	15,737
Debt-for-equity swap	1,812	-	-	1,812
Loss (gain) on foreign currency translation	9	697	-	706
Gain on valuation of available-for-sale financial assets	(9,302)	-	1,474	(7,828)
Gain on revaluation of property, plant and equipment	-	(1,853)	-	(1,853)
Financial guarantee liabilities	(236)	245	-	9
Borrowings with low interest rates	1,665	-	-	1,665
Forgivable borrowings	6,951	73	-	7,024
Others	13,439	5,335	-	18,774
	71,705	70	3,508	75,282
Tax credit carryforwards	17,000	(17,000)	-	-
	₩ 88,705	₩ (16,930)	₩ 3,508	₩ 75,282
U. S. dollars in thousands (Note 2)	US\$ 80,700	US\$ (15,402)	US\$ 3,190	US\$ 68,488

28. Earnings per share

Basic earnings per share

Basic earnings per share for the years ended December 31, 2013 and 2014 are calculated as follows (Korean won in millions, except for per share amounts):

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Profit for the year attributable to ordinary equity holders of the parent from continuing operations	₩ 147,947	₩ 173,421	US\$ 157,771	
Profit for the year attributable to ordinary equity holders	₩ 132,541	₩ 173,421	US\$ 157,771	
Weighted average number of ordinary shares outstanding	113,876,291	113,876,291	113,876,291	
Basic earnings per share from continuing operations (Korean won and U.S. dollars in units)	₩ 1,299	₩ 1,523	US\$ 1.39	
Basic earnings per share (Korean won and U.S dollars in units)	₩ 1,164	₩ 1,523	US\$ 1.39	

Details of weighted average number of ordinary shares outstanding for the year ended December 31, 2013 and 2014 are as follows:

	2013		
	Number of outstanding shares	Number of days outstanding	Weighted number of shares
Beginning balance	113,876,291	365/365	113,876,291
	113,876,291		113,876,291

	2014		
	Number of outstanding shares	Number of days outstanding	Weighted number of shares
Beginning balance	113,876,291	365/365	113,876,291
	113,876,291		113,876,291

Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2013 and 2014 are the same as basic earnings per share as the Company does not have any potential ordinary shares.

29. Financial instruments

Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders.

The Company monitors capital using a gearing ratio, which is net borrowings divided by total equity. The Company includes within net debt, interest bearing loans and borrowings, bonds and convertible bonds, less cash and cash equivalents, excluding discontinued operations.

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Total borrowings (A)	₩ 3,564,874	₩ 4,469,872	US\$ 4,066,477	
Cash and cash equivalents (B)	(73,732)	(86,938)	(79,092)	
Net borrowings (A-B)	₩ 3,491,142	₩ 4,382,934	US\$ 3,987,385	
Total equity (D)	₩ 2,215,646	₩ 2,343,917	US\$ 2,132,384	
Gearing ratio ((A-B)/D)	158%	187%	187%	

Classification of financial instruments

Financial assets by classification as at December 31, 2013 and 2014 are as follows (Korean won in millions):

	2013				
	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to- -maturity investments	Total
Cash and cash equivalents	₩ -	₩ 73,732	₩ -	₩ -	₩ 73,732
Trade and other receivables	-	3,545,168	-	-	3,545,168
Other current financial assets	-	23,306	-	-	23,306
Derivative financial assets	24,388	-	-	-	24,388
Non-current trade and other receivables	-	504,717	-	-	504,717
Other non-current financial assets	-	221,428	101,804	-	323,232
	₩ 24,388	₩ 4,368,351	₩ 101,804	₩ -	₩ 4,494,543

29. Financial instruments (cont'd)

Classification of financial instruments (cont'd)

		2014				
	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to- -maturity investments	Total	
Cash and cash equivalents	₩ -	₩ 86,938	₩ -	₩ -	₩ 86,938	
Trade and other receivables	-	4,195,547	-	-	4,195,547	
Other current financial assets	-	10,931	-	-	10,931	
Derivative financial assets	73,598	-	-	-	73,598	
Non-current trade and other receivables	-	595,070	-	-	595,070	
Other non-current financial assets	-	11	99,832	-	99,843	
	₩ 73,598	₩ 4,888,497	₩ 99,832	₩ -	₩ 5,061,927	
U. S. dollars in thousands (Note 2)	US\$ 66,956	US\$ 4,447,323	US\$ 90,822	US\$ -	US\$ 4,605,101	

Financial liabilities by classification as at December 31, 2013 and 2014 are as follows (Korean won in millions):

		2013	
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Trade and other payables	₩ -	₩ 1,711,544	₩ 1,711,544
Borrowings	-	1,994,328	1,994,328
Current portion of bonds	-	210,476	210,476
Derivative financial liabilities	34,500	-	34,500
Non-current trade and other payables	-	22,378	22,378
Long-term borrowings	-	557,888	557,888
Bonds	-	802,181	802,181
	₩ 34,500	₩ 5,298,795	₩ 5,333,295

29. Financial instruments (cont'd)

Classification of financial instruments (cont'd)

	2014		
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Trade and other payables	₩ -	₩ 1,501,947	₩ 1,501,947
Borrowings	-	2,848,717	2,848,717
Current portion of bonds	-	303,733	303,733
Derivative financial liabilities	61,298	-	61,298
Non-current trade and other payables	-	12,084	12,084
Long-term borrowings	-	419,509	419,509
Bonds	-	897,913	897,913
	₩ 61,298	₩ 5,983,903	₩ 6,045,201
U. S. dollars in thousands (Note 2)	US\$ 55,766	US\$ 5,443,871	US\$ 5,499,637

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

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Selling and administrative expenses:						
Bad debt expense	₩ -	₩ (5,670)	₩ -	₩ -	₩ -	₩ (5,670)
Other income (expenses):						
Other bad debt expense	-	(620)	-	-	-	(620)
Reversal of allowance for doubtful accounts	-	181	-	-	-	181
Loss on impairment of available-for-sale financial assets	-	-	(435)	-	-	(435)
Finance income (cost):						
Interest income	-	39,815	-	-	-	39,815
Interest expense	-	-	-	-	(50,432)	(50,432)
Dividend income	-	-	2,117	-	-	2,117
Gain (loss) on foreign currency translation	37	(43,655)	-	-	50,624	7,006
Gain (loss) on valuation of derivatives	59,606	-	-	(122,367)	-	(62,761)
Gain (loss) on settlement of derivatives	247,868	-	-	(180,783)	-	67,085
Loss on disposal of trade receivables	-	(16,575)	-	-	-	(16,575)
Loss on redemption of borrowings	-	-	-	-	(1,759)	(1,759)
Other comprehensive income	-	-	(1,070)	-	-	(1,070)
	₩ 307,511	₩ (26,524)	₩ 612	₩ (303,150)	₩ (1,567)	₩ (23,118)

29. Financial instruments (cont'd)

Classification of financial instruments (cont'd)

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

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Selling and administrative expenses:						
Bad debt expense	₩ -	₩ (8,525)	₩ -	₩ -	₩ -	₩ (8,525)
Other income (expenses):						
Other bad debt expense	-	(5,779)	-	-	-	(5,779)
Reversal of allowance for doubtful accounts	-	3,236	-	-	-	3,236
Loss on disposal of available-for-sales financial assets	-	-	(208)	-	-	(208)
Loss on impairment of available-for-sales financial assets	-	-	(1,097)	-	-	(1,097)
Finance income (cost):						
Interest income	-	41,135	-	-	-	41,135
Interest expense	-	-	-	-	(67,021)	(67,021)
Dividend income	-	-	636	-	-	636
Gain (loss) on foreign currency translation	-	81,575	-	(55,576)	-	25,999
Gain (loss) on valuation of derivatives	139,036	-	-	(121,055)	-	17,981
Gain (loss) on settlement of derivatives	246,790	-	-	(256,489)	-	(9,699)
Loss on disposal of trade receivables	-	(18,283)	-	-	-	(18,283)
Other comprehensive income	-	-	(6,092)	-	-	(6,092)
	₩ 385,826	₩ 93,359	₩ (6,761)	₩ (433,120)	₩ (67,021)	₩ (27,717)
U. S. dollars in thousands (Note 2)	US\$ 351,006	US\$ 84,934	US\$ (6,151)	US\$ (394,032)	US\$ (60,973)	US\$ (25,216)

Financial risk management

The Company is exposed to market risk (foreign currency risk and interest rate risk), credit risk, and liquidity risk. The primary purpose of Company's financial risk management is to detect potential risk which could decrease the Company's profit and to eliminate, reduce and hedge such risk to an acceptable level. The Company uses derivative financial instruments for hedging special risk such as foreign currency risk. Financial risk management policy of the Company has not changed since 2013.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: foreign currency risk, interest rate risk and other price risk.

29. Financial instruments (cont'd)

Foreign currency risk

The Company is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2013 and 2014, monetary assets and liabilities denominated in major foreign currencies, other than functional currencies are as follows:

	Korean won in millions				U. S. dollars in thousands (Note 2)	
	2013		2014		2014	
	Asset	Liability	Asset	Liability	Asset	Liability
USD	₩ 3,295,492	₩ 3,929,162	₩ 4,020,871	₩ 4,066,410	US\$ 3,657,998	US\$ 3,699,427
JPY	103,589	73,413	173,446	176,487	157,793	160,559
EUR	344,671	244,713	373,838	357,119	340,100	324,890

Effects of fluctuation in foreign exchange rates on the Company's functional currency by 10% on profit for the year ended December 31, 2014 are as follow (Korean won in millions):

	Increase by 10%	Decrease by 10%
USD	₩ (4,554)	₩ 4,554
JPY	(304)	304
EUR	1,672	(1,672)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings and bonds with floating interest rates.

As at December 31, 2014, with all other variables remaining constant, a change by 1% of the floating interest rate on borrowings will have an effect of ₩4,020 million on the Company's profit for the year.

Credit risk

Credit risk is the risk that counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to the credit risk relates operating and financial activities.

Trade and other receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

Other assets

Credit risks associated with the Company's other assets which consist of cash, short-term deposits and short-term and long-term loans arise from the default by the counterparties. Maximum exposure to credit risks will be the book value of the other assets. The Company deposits its surplus funds in Woori Bank and other financial institutions whose credit ratings are high, therefore, credit risk related to financial institutions is considered limited.

29. Financial instruments (cont'd)

Maximum exposure to credit risk

As at December 31, 2013 and 2014 the maximum exposure to credit risk of the Company as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2013	2014	2014	
Cash and cash equivalents	₩ 73,732	₩ 86,938	US\$ 79,092	
Trade and other receivables	3,545,168	4,195,547	3,816,910	
Other current financial assets	23,306	10,931	9,945	
Derivative financial assets	24,388	73,598	66,956	
Non-current trade and other receivables	504,717	595,070	541,366	
Other non-current financial assets	323,232	99,843	90,832	
Financial guarantee contract	345,154	433,593	394,462	
	₩ 4,839,697	₩ 5,495,520	US\$ 4,999,563	

Aging analysis of financial instruments

Aging analysis of non-derivative financial instruments as at December 31, 2014 is as follows (Korean won in millions):

	Total		Not past due		Past due but not impaired					
					Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 120 days	Over 120 days	
Cash and cash equivalents	₩	86,938	₩	86,938	₩	-	₩	-	₩	-
Trade and other receivables		4,195,547		3,814,356		57,405		37,883		27,659
Other current financial assets		10,931		10,931		-		-		-
Non-current trade and other receivables		595,070		595,070		-		-		-
Other non-current financial assets		99,843		99,843		-		-		-
	₩	4,988,329	₩	4,607,138	₩	57,405	₩	37,883	₩	27,659
U. S. dollars in thousands (Note 2)	US\$	4,538,145	US\$	4,191,356	US\$	52,224	US\$	34,464	US\$	25,163
										US\$ 204,778
										US\$ 30,160

Liquidity risk

The Company establishes short and long-term capital management plans and analyzes and reviews cash flow budgets with against actual cash outflow in order to match the maturity of financial liabilities and financial assets. The Company believes that it has sufficient cash inflows from operating activities and financial assets to redeem financial liabilities that become due.

The aggregated maturities of financial liabilities outstanding as at December 31, 2014, excluding present value discount, are as follows (Korean won in millions):

	Within 1 year	1 year to 5 years	Over 5 years	Total
Trade and other payables	₩ 1,501,947	₩ 12,084	₩ -	₩ 1,514,031
Derivative financial liabilities	61,298	-	-	61,298
Borrowings	2,848,717	85,384	67,440	3,001,541
Bonds	303,733	897,913	-	1,201,646
	₩ 4,715,695	₩ 995,381	₩ 67,440	₩ 5,778,516
U. S. dollars in thousands (Note 2)	US\$ 4,290,116	US\$ 905,550	US\$ 61,354	US\$ 5,257,020

Forgivable borrowings whose maturity is not yet determinable have been excluded from the above table.

29. Financial instruments (cont'd)

Fair value of financial instruments (cont'd)

Book value and fair value of financial instruments as at December 31, 2013 and 2014 are as follows:

	Korean won in millions				U. S. dollars in thousands (Note 2)			
	2013		2014		2014			
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Financial assets carried at amortized cost:								
Cash and cash equivalents	₩ 73,732	₩ 73,732	₩ 86,938	₩ 86,938	US\$ 79,092	US\$ 79,092		
Trade and other receivables	3,545,168	3,545,168	4,195,547	4,195,547	3,816,910	3,816,910		
Other current financial assets	23,306	23,306	10,931	10,931	9,945	9,945		
Non-current trade and other receivables	504,717	504,717	595,070	595,070	541,366	541,366		
Other non-current financial assets	221,429	221,429	11	11	10	10		
	<u>4,368,352</u>	<u>4,368,352</u>	<u>4,888,497</u>	<u>4,888,497</u>	<u>4,447,323</u>	<u>4,447,323</u>		
Financial assets carried at fair value:								
Derivative financial assets	24,388	24,388	73,598	73,598	66,956	66,956		
Available-for-sale financial assets ¹	66,388	66,388	61,847	61,847	56,265	56,265		
	<u>90,776</u>	<u>90,776</u>	<u>135,445</u>	<u>135,445</u>	<u>123,221</u>	<u>123,221</u>		
	<u>₩ 4,459,128</u>	<u>₩ 4,459,128</u>	<u>₩ 5,023,942</u>	<u>₩ 5,023,942</u>	<u>US\$ 4,570,544</u>	<u>US\$ 4,570,544</u>		
Financial liabilities								
Financial liability carried at amortized cost:								
Trade and other payables	₩ 1,711,544	₩ 1,711,544	₩ 1,501,947	₩ 1,501,947	US\$ 1,366,400	US\$ 1,366,400		
Current borrowings	1,994,328	1,994,328	2,848,717	2,848,717	2,591,628	2,591,628		
Current bonds	210,476	210,476	303,733	303,733	276,322	276,322		
Non-current trade and other payables	22,378	22,378	12,084	12,084	10,993	10,993		
Borrowings	557,888	557,888	419,509	419,509	381,649	381,649		
Bonds	802,182	802,182	897,913	897,913	816,879	816,879		
	<u>5,298,796</u>	<u>5,298,796</u>	<u>5,983,903</u>	<u>5,983,903</u>	<u>5,443,871</u>	<u>5,443,871</u>		
Financial liability carried at fair value:								
Derivative financial liabilities	34,500	34,500	61,298	61,298	55,766	55,766		
	<u>34,500</u>	<u>34,500</u>	<u>61,298</u>	<u>61,298</u>	<u>55,766</u>	<u>55,766</u>		
	<u>₩ 5,333,296</u>	<u>₩ 5,333,296</u>	<u>₩ 6,045,201</u>	<u>₩ 6,045,201</u>	<u>US\$ 5,499,637</u>	<u>US\$ 5,499,637</u>		

¹Excludes equity securities carried at cost as the fair value of those securities could not be measured reliably.

30. Fair value measurement

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of financial instruments by fair value hierarchy as at December 31, 2014 are as follows:

	Level 1		Level 2		Level 3		Total
Assets measured at fair value :							
Available-for-sale financial assets	₩	17,679	₩	232	₩	43,936	₩ 61,847
Derivative financial assets		-		73,598		-	73,598
Assets for which fair values are disclosed:							
Cash and cash equivalents		-		86,938		-	86,938
Trade and other receivables		-		-		4,195,547	4,195,547
Other current financial assets		-		10,931		-	10,931
Non-current trade and other receivables		-		-		595,070	595,070
Other non-current financial assets		-		11		-	11
Investment properties		-		-		160,148	160,148
Liabilities measured at fair value :							
Derivative financial liabilities		-		61,298		-	61,298
Liabilities for which fair values are disclosed:							
Trade and other payables		-		-		1,501,947	1,501,947
Short-term borrowings		-		2,848,717		-	2,848,717
Current-portion of bond		-		303,733		-	303,733
Non-current trade and other payables		-		-		12,084	12,084
Long-term borrowings		-		419,509		-	419,509
Bond		-		897,913		-	897,913

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Fair value of derivative financial instruments that are traded in active market is measured by reference to quoted market price.

The Company used the interest rate for U.S. government treasury bills in determining the fair value of the derivative financial assets and liabilities valued at level 2 hierarchy. Also, the Company used the risk-free interest rate of 2.83% and market risk premium of 7.83% in determining the fair value of available-for-sale financial assets valued at level 3 hierarchy.

31. Related party transactions

Significant transactions with related parties for the years ended December 31, 2013 and 2014 and the related account balances outstanding as at December 31, 2013 and 2014 are summarized as follows (Korean won in millions):

	2013								
	Sales and others			Purchase and others					
	Sales	Others	Total	Purchase	Others	Total			
Parent company:									
POSCO	₩ 16,297	₩ 2,843	₩ 19,140	₩ 3,522,678	₩ 65	₩ 3,522,743			
Subsidiaries:									
Daewoo Shanghai Waigaoqiao Co., Ltd.	54,645	-	54,645	13,983	-	13,983			
Daewoo Int'l Vietnam Co., Ltd.	3	-	3	1,877	-	1,877			
Daewoo Int'l (America) Corp.	981,712	-	981,712	16,669	-	16,669			
Daewoo Int'l (Deutschland) GmbH	300,220	-	300,220	16,373	-	16,373			
Daewoo Int'l Japan Corp.	404,438	-	404,438	84,557	1,117	85,674			
Daewoo Int'l Singapore Pte. Ltd.	624,469	-	624,469	11,578	-	11,578			
Daewoo Italia S.R.L.	240,240	-	240,240	5,568	-	5,568			
Daewoo (China) Co., Ltd.	238,637	-	238,637	3,429	-	3,429			
Daewoo Textile Fergana LLC	6,620	689	7,309	56,156	-	56,156			
Daewoo Textile Bukhara LLC	1,954	51	2,005	20,123	-	20,123			
Daewoo Paper Manufacturing Co., Ltd.	2,591	-	2,591	-	-	-			
Daewoo Int'l Mexico S.A de C.V.	20,287	-	20,287	1,953	-	1,953			
Daewoo Int'l Guangzhou Corp.	37,409	-	37,409	8,316	-	8,316			
Daewoo STC Vina Ltd.	-	-	-	175	1,216	1,391			
Daewoo Int'l (M) Sdn. Bhd.	71,872	-	71,872	1,537	-	1,537			
Daewoo Int'l Shanghai Co., Ltd.	12,137	-	12,137	13,127	-	13,127			
Daewoo Int'l India Private Limited	17,060	-	17,060	1,675	-	1,675			
Daewoo E&P Canada Corporation	-	145	145	-	-	-			
Brasil Sao Paulo Steel Process	35,424	-	35,424	-	-	-			
Associates:									
POSCO Mexico Processing Center Holding LLC	98,719	-	98,719	-	-	-			
POSCO-ESDC Ltd.	-	-	-	120	-	120			
POSCO IJPC	78,469	-	78,469	-	-	-			
Shanghai Lansheng Daewoo Corporation	16,080	-	16,080	1,411	-	1,411			
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd	261,604	-	261,604	10,607	-	10,607			
Hanjung Power Ltd.	114	3,952	4,066	99	-	99			
General Medicines Co., Ltd.	5,874	274	6,148	-	-	-			
IQ Power Asia Co., Ltd.	2,490	-	2,490	-	-	-			
Korea LNG Ltd.	-	21,999	21,999	-	-	-			
DMSA/AMSA	344	9,914	10,258	-	-	-			
KG Power (M) Sdh. Bhd.	-	-	-	2,380	-	2,380			
South-East Asia Gas Pipeline Company Limited	-	20,879	20,879	-	-	-			
Global Komsco Daewoo LLC	-	-	-	289	-	289			
Others:									
POSA	311,277	-	311,277	64,227	-	64,227			
POSCO -Vietnam	530	-	530	50,685	-	50,685			
POSCO-Thainox	189,884	-	189,884	32,659	-	32,659			
POSCO Assan TST	212,312	-	212,312	-	-	-			
Other Affiliates of POSCO	548,528	-	548,528	304,660	1,103	305,763			
	₩ 4,792,240	₩ 60,746	₩ 4,852,986	₩ 4,246,911	₩ 3,501	₩ 4,250,412			

31. Related party transactions (cont'd)

	2014					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	others	Total
Parent company:						
POSCO	₩ 29,265	₩ -	₩ 29,265	₩ 3,438,105	₩ 110,349	₩ 3,548,454
Subsidiaries:						
Daewoo Shanghai Waigaoqiao Co., Ltd.	94,543	-	94,543	37,588	28	37,616
Daewoo Int'l Vietnam Co., Ltd.	-	-	-	-	2,921	2,921
Daewoo Int'l (America) Corp.	1,312,174	-	1,312,174	20,934	646	21,580
Daewoo Int'l (Deutschland) GmbH	405,549	-	405,549	38,057	549	38,606
Daewoo Int'l Japan Corp.	555,711	-	555,711	136,484	669	137,153
Daewoo Int'l Singapore Pte. Ltd.	1,046,667	-	1,046,667	32,786	779	33,565
Daewoo Italia S.R.L.	256,207	-	256,207	-	1,304	1,304
Daewoo (China) Co., Ltd.	317,116	-	317,116	-	3,793	3,793
Daewoo Textile Fergana LLC	5,080	75	5,155	47,627	-	47,627
Daewoo Textile Bukhara LLC	2,019	-	2,019	20,996	-	20,996
Daewoo Paper Manufacturing Co., Ltd.	580	-	580	-	-	-
Daewoo Int'l Mexico S.A de C.V.	81,177	-	81,177	-	2,624	2,624
Daewoo Int'l Guangzhou Corp.	22,424	-	22,424	492	2,152	2,644
Daewoo Int'l (M) Sdn. Bhd.	97,757	-	97,757	-	1,723	1,723
Daewoo Int'l Shanghai Co., Ltd.	7,832	-	7,832	2,418	3,742	6,160
Daewoo Int'l India Private Limited	5,579	-	5,579	-	2,259	2,259
Daewoo E&P Canada Coporation	-	678	678	-	-	-
Brasil Sao Paulo Steel Process	14,616	-	14,616	-	-	-
Myanmar Daewoo Int'l corp.	-	-	-	-	1,117	1,117
Hanjung Power Ltd.	6,301	4,127	10,428	-	-	-
Associates:						
POSCO Mexico Processing Center Holding LLC	114,935	-	114,935	-	-	-
POSCO-ESDC Ltd.	-	-	-	-	437	437
POSCO IJPC	54,604	-	54,604	-	-	-
Shanghai Lansheng Daewoo Corporation	21,100	-	21,100	1,107	944	2,051
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd	241,912	-	241,912	18,030	-	18,030
General Medicines Co., Ltd.	4,970	355	5,325	-	-	-
Korea LNG Ltd.	-	18,612	18,612	-	-	-
DMSA/AMSA	31	7,660	7,691	-	-	-
KG Power (M) Sdh. Bhd.	-	-	-	-	-	-
South-East Asia Gas Pipeline Company Limited	-	27,392	27,392	-	-	-
Global Komsco Daewoo LLC	-	-	-	2,725	-	2,725
POSCO Aapc	10,513	-	10,513	-	-	-
Daewoo Global Developemnt PTE. Ltd.	1,747	-	1,747	-	-	-
Vns-Daewoo co.,ltd	11,424	-	11,424	-	-	-
Others:						
POSA	139,960	-	139,960	114,728	-	114,728
POSCO-Vietnam	85,785	-	85,785	107,926	-	107,926
POSCO -Thainox	167,848	-	167,848	60,670	-	60,670
POSCO Assan TST	427,157	-	427,157	41,111	107	41,218
Other Affiliates of POSCO	678,693	-	678,693	440,723	7,747	448,470
	₩ 6,221,276	₩ 58,899	₩ 6,280,175	₩ 4,562,507	₩ 143,890	₩ 4,706,397
U. S. dollars in thousands (Note 2)	US\$ 5,659,822	US\$ 53,584	US\$ 5,713,406	US\$ 4,150,752	US\$ 130,904	US\$ 4,281,656

31. Related party transactions (cont'd)

	2013					
	Receivable and others			Payable and others		
	Trade receivable	Others	Total	Trade payable	Others	Total
Parent company:						
POSCO	₩ 9,319	₩ -	₩ 9,319	₩ 148,383	₩ 878	₩ 149,261
Subsidiary:						
Daewoo Shanghai Waigaoqiao Co., Ltd.	16,622	-	16,622	6,169	218	6,387
Daewoo Int'l Vietnam Co., Ltd.	-	-	-	-	189	189
Daewoo Int'l (America) Corp.	214,889	3,430	218,319	1,744	156	1,900
Daewoo Int'l (Deutschland) GmbH	109,889	1,651	111,540	-	102	102
Daewoo Int'l Japan Corp.	94,551	16,629	111,180	14,162	153	14,315
Daewoo Int'l Singapore Pte. Ltd.	122,216	-	122,216	-	107	107
Daewoo Italia S.R.L.	40,764	189	40,953	1,064	200	1,264
Daewoo (China) Co., Ltd.	35,304	993	36,297	-	471	471
Daewoo Textile Fergana LLC	3,086	13,483	16,569	3,783	325	4,108
Daewoo Textile Bukhara LLC	1,254	733	1,987	-	34	34
Daewoo Paper Manufacturing Co., Ltd.	13,883	7,365	21,248	-	-	-
Tianjin Daewoo Paper Manufacturing Co., Ltd.	71	34	105	-	-	-
Daewoo Int'l Mexico S.A de C.V.	6,796	-	6,796	-	133	133
Daewoo Int'l Guangzhou Corp.	7,867	-	7,867	-	151	151
Daewoo STC Vina Ltd.	-	52	52	-	17	17
Daewoo EI Salvador S.A de C.V.	-	230	230	-	-	-
Daewoo Int'l (M) Sdn. Bhd.	25,518	-	25,518	-	76	76
Daewoo Int'l Shanghai Co., Ltd.	4,337	-	4,337	8,413	143	8,556
Daewoo Int'l India Private Limited	2,471	-	2,471	-	246	246
Daewoo E&P Canada Coporation 1	-	8,467	8,467	-	-	-
Brasil Sao Paulo steel process	30,888	-	30,888	-	-	-
Daewoo Int' Cameroon S.A	-	-	-	-	21	21
Associate:						
POSCO Mexico Processing Center Holding LLC	32,279	-	32,279	-	-	-
POSCO-ESDC Ltd.	-	-	-	-	1	1
POSCO IJPC	46,805	224	47,029	-	-	-
Shanghai Lansheng Daewoo Corporation	4,201	-	4,201	-	127	127
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	116,856	42	116,898	1,082	18	1,100
General Medicines Co., Ltd.	1,855	-	1,855	-	5	5
IQ Power Asia Co., Ltd.	2,303	-	2,303	-	-	-
Korea LNG Ltd	-	1,393	1,393	-	-	-
DMSA/AMSA 1	4,446	110,883	115,329	-	-	-
KG Power (M) Sdn. Bhd.	2,108	332	2,440	2,252	-	2,252
South-East Asia Gas Pipeline Company Limited1	-	259,551	259,551	-	-	-
Global Komsco Daewoo LLC	775	67	842	-	-	-
Others:						
POSA	61,515	48	61,563	14,099	-	14,099
POSCO-Vietnam	532	-	532	4,963	-	4,963
POSCO -Thainox	27,453	-	27,453	3,703	-	3,703
POSCO Assan TST	53,517	684	54,201	-	-	-
Other Affiliates of POSCO	151,503	1,657	153,160	29,606	681	30,287
	₩ 1,245,873	₩ 428,137	₩ 1,674,010	₩ 239,423	₩ 4,452	₩ 243,875

31. Related party transactions (cont'd)

	2014					
	Receivable and others			Payable and others		
	Trade receivable	Others	Total	Trade payable	Others	Total
Parent company:						
POSCO	₩ 300	₩ -	₩ 300	₩ 154,272	₩ 6,116	₩ 160,388
Subsidiary:						
Daewoo Shanghai Waigaoqiao Co., Ltd.	20,912	-	20,912	-	53	53
Daewoo Int'l Vietnam Co., Ltd.	-	-	-	-	297	297
Daewoo Int'l (America) Corp.	322,322	1,025	323,347	458	3,160	3,617
Daewoo Int'l (Deutschland) GmbH	160,692	-	160,692	3,824	26	3,851
Daewoo Int'l Japan Corp.	126,058	3,524	129,582	14,190	279	14,469
Daewoo Int'l Singapore Pte. Ltd.	197,818	-	197,818	-	332	332
Daewoo Italia S.R.L.	43,103	-	43,103	-	44	44
Daewoo (China) Co., Ltd.	84,775	344	85,119	-	501	501
Daewoo Textile Fergana LLC	2,038	14,697	16,735	3,853	132	3,985
Daewoo Textile Bukhara LLC	2,390	1,845	4,235	-	-	-
Daewoo Paper Manufacturing Co., Ltd.	14,451	7,671	22,122	-	-	-
Daewoo Int'l Mexico S.A de C.V.	52,334	41	52,375	-	249	249
Daewoo Int'l Guangzhou Corp.	4,692	-	4,692	-	255	255
Daewoo EI Salvador S.A de C.V.	-	248	248	-	-	-
Daewoo Int'l (M) Sdn. Bhd.	44,080	-	44,080	-	183	183
Daewoo Int'l Shanghai Co., Ltd.	70	7	77	-	301	301
Daewoo Int'l India Private Limited	-	27	27	-	326	326
Daewoo E&P Canada Coporation 1	-	18,002	18,002	-	-	-
Brasil Sao Paulo steel process	33,361	-	33,361	-	-	-
Myanmar Daewoo Int'l Corp.	-	-	-	-	100	100
Hanjung Power Pty., Ltd	6,306	-	6,306	-	-	-
Associate:						
POSCO Mexico Processing Center Holding LLC	27,982	-	27,982	-	-	-
POSCO-ESDC Ltd.	-	-	-	-	-	-
POSCO IJPC	40,477	-	40,477	-	-	-
Shanghai Lansheng Daewoo Corporation	11,847	-	11,847	-	132	132
Shanghai Waigaoqiao Free Trade Zone Lansheng						
Daewoo Int'l Trading Co., Ltd.	140,851	-	140,851	32	-	32
General Medicines Co., Ltd.	2,661	-	2,661	-	-	-
IQ Power Asia Co., Ltd.	2,398	-	2,398	-	-	-
Korea LNG Ltd	-	2,045	2,045	-	-	-
DMSA/AMSA1	4,639	128,761	133,400	-	-	-
KG Power (M) Sdn. Bhd.	2,195	332	2,527	2,346	-	2,346
South-East Asia Gas Pipeline Company Limited 1	-	295,352	295,352	-	-	-
Global Komsco Daewoo LLC	13	-	13	-	-	-
POSCO Aapc	2,916	-	2,916	-	-	-
Daewoo Global Development PTE. Ltd.	-	2,198	2,198	-	-	-
Vns-Daewoo Co., Ltd.	12,077	100	12,177	-	-	-
PT Batutua Tembaga Raya1	-	34,542	34,542	-	-	-
Others:						
POSA	-	-	-	2,605	-	2,605
POSCO-Vietnam	12,552	-	12,552	642	-	642
POSCO -Thainox	805	-	805	729	-	729
POSCO Assan TST	148,491	-	148,491	664	-	664
Other Affiliates of POSCO	135,563	-	135,563	32,804	109	32,913
	₩ 1,661,169	₩ 510,761	₩ 2,171,930	₩ 216,419	₩ 12,595	₩ 229,014
US						
U. S. dollars in thousands (Note 2)	\$ 1,511,253	US\$ 464,666	US\$ 1,975,919	US\$ 196,888	US\$ 11,458	US\$ 208,346

31. Related party transactions (cont'd)

¹ During the year ended December 31, 2014, change in loan investment included the above other receivables are as follows:

	Jan.1, 2014	Increase ^a	Decrease	Foreign exchange translation	Dec.31, 2014
Daewoo E&P Canada Cporation	₩ 8,324	₩ 9,324	₩ -	₩ (459)	₩ 17,189
DMSA/AMSA	95,990	26,096	-	4,865	126,951
South-east Asia Gas Pipeline Company Limited	259,551	26,819	(3,308)	12,290	295,352
PT Batutua Tembaga Raya	-	34,102	-	440	34,542
	₩ 363,865	₩ 96,341	₩ (3,308)	₩ 17,136	₩ 474,034
U. S. dollars in thousands (Note 2)	US\$ 331,027	US\$ 87,646	US\$ (3,009)	US\$ 15,590	US\$ 431,254

^aInclude capitalized interest

Key management personnel compensation

Compensations for key management personnel for the years ended December 31, 2013 and 2014 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2013	2014	2014
Salaries	₩ 11,466	₩ 8,421	US\$ 7,661
Long-term employee benefits	2,185	27	25
Severance benefits	7,822	2,711	2,466
	₩ 21,473	₩ 11,159	US\$ 10,152

Guarantees provided to related parties

Guarantees provided to related parties as at December 31, 2013 and 2014 are as follows (Korean won in millions):

	Limit amount		Outstanding balance	
	2013	2014	2013	2014
Subsidiaries:				
Daewoo Int'l (Deutschland) GmbH	21,844	-	2,579	-
Daewoo Paper Manufacturing Co., Ltd.	13,191	13,740	13,191	13,740
Daewoo Textile Bukhara LLC	21,106	17,587	21,106	17,587
Daewoo International Mexico S.A. de C.V.	31,659	32,976	17,940	21,984
PT. Bio Inti Agrindo	31,659	61,554	31,659	61,554
Brasil Saopaulo Steel Processing Center	21,106	57,158	18,616	37,396
Daewoo Int'l India Private Limited	-	53,610	-	26,434
Associates:				
DMSA/AMSA	174,266	181,515	147,742	153,888
Global Komsco Daewoo LLC	8,496	12,214	6,279	9,040
Other related parties:				
POSCO Assan TST	22,090	20,708	22,090	20,708
	₩ 345,417	₩ 451,062	₩ 281,202	₩ 362,331
U. S. dollars in thousands (Note 2)	US\$ 314,244	US\$ 410,355	US\$ 255,824	US\$ 329,632

32. Discontinued operations

By the resolution of the Board of Directors dated on October 31, 2013, the Company entered into the sales and purchase agreement to fully transfer the business of Busan Factory which manufactures textile. Transfer of the business of Busan Factory was completed on December 30, 2013.

Profit or losses from discontinued operations which represent financial performance of Busan Factory in 2013 are as follows (Korean won in millions):

	2013
Sales	₩ 241,042
Cost of sales	(216,187)
Selling and administration expenses	(17,516)
Financial income (expense), net	781
Other income (expense), net	100
Loss on disposal of business	(28,545)
Profit before tax benefit from a discontinued operations	(20,325)
Income tax benefit related to discontinued operations	4,919
Profit for the year from a discontinued operations	₩ (15,406)

Basic earnings per share from discontinued operations are as follows (Korean won in millions) :

	2013
Profit (loss) for the year from discontinued operations	₩ (15,406)
Weighted-average number of shares of ordinary stock outstanding	113,876,291
Basic earnings (loss) per share from discontinued operations	₩ (135)

Diluted earnings (loss) per share from discontinued operations for the years ended December 31, 2013 are the same as basic earnings per share from discontinued operations as the Company does not have any potential ordinary shares.

33. Disposal groups classified as held for sale

By the resolution of the Board of Directors dated on August 18, 2014, the Company entered into the sale and purchase agreements to the fully transfer Daewoo Department Store located in Changwon. As the sales transaction has not yet closed as at December 31, 2014, the assets and liabilities of Daewoo Department Store are reclassified into disposal groups classified as held for sale.

The assets and liabilities of the Daewoo Department Store classified as held for sale are as follows:

	Korean won in millions			U.S. dollars in thousands (Note 2)	
	Book value before the reclassification	Loss on impairment	Book value	Book value	
Assets:					
Quick assets ¹	₩ 26,108	₩ -	₩ 26,108	US\$ 23,752	
Inventories	799	-	799	727	
Investment properties	24,261	(4,017)	20,244	18,417	
Property, plant and equipment	65,685	(10,882)	54,803	49,857	
Other assets	961	-	961	874	
	<u>117,814</u>	<u>(14,899)</u>	<u>102,915</u>	<u>93,627</u>	
Liabilities:					
Trade and other payables	13,044	-	13,044	11,867	
Long term received deposit	9,056	-	9,056	8,239	
Other liabilities	1,915	-	1,915	1,741	
	<u>24,015</u>	<u>-</u>	<u>24,015</u>	<u>21,848</u>	
Net assets	<u>₩ 93,799</u>	<u>₩ (14,899)</u>	<u>₩ 78,900</u>	<u>US\$ 71,779</u>	

¹ Deposits in financial institutions amounting to ₩2,851 million (US\$2,594 thousand) is restricted to use in accordance with relevant financial agreements.

As disposal groups classified as held for sale were measured at fair value less cost to sell, the impairment loss amounting to ₩14,899 million (US\$13,554 thousand) was recognized in other expenses.