

Daewoo International Corporation

**Separate financial statements
for the years ended December 31, 2014 and 2015
with independent auditors' report**

Daewoo International Corporation

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Independent auditors' report

The Shareholders and Board of Directors 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, 2015 and 2014, and the separate statements of 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 Separate 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.

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, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

We have also reviewed the translation of the 2015 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 states 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, 2015 and 2014 and expressed an unqualified opinion thereon in our auditors' report dated March 3, 2016.

Ernst & Young Han Young

March 3, 2016

This audit report is effective as at March 3, 2016, 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, 2014 and 2015

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

Kim, Young-Sang
Chief Executive Officer
Daewoo International Corporation

Daewoo International Corporation
Separate statements of financial position
as at December 31, 2014 and 2015

		Korean won in millions		U.S. dollar in thousands (Note 2)
	Notes	2014	2015	2015
Assets				
Current assets				
Cash and cash equivalents	4,29,30	₩ 86,938	₩ 83,431	\$ 71,187
Trade and other receivables	5,29,30	4,195,547	3,388,220	2,890,973
Other current financial assets	6,29,30	10,931	1,421	1,212
Derivative financial assets	18,29,30	73,598	68,868	58,761
Other current assets	7	75,556	53,553	45,694
Inventories	8	482,493	320,207	273,214
Disposal groups classified as held for sale	32	102,915	-	-
		5,027,978	3,915,700	3,341,041
Non-current assets				
Trade and other receivables	5,29,30	595,070	551,659	470,699
Other non-current financial assets	6,29,30	99,843	100,114	85,421
Investment in subsidiaries and associates	9	745,139	679,447	579,733
Property, plant and equipment	10	308,665	306,147	261,218
Intangible assets	11	1,605,279	1,629,249	1,390,144
Investment properties	12	166,742	163,912	139,857
Deferred tax assets	27	75,282	125,289	106,901
Current tax assets		7,130	2,795	2,385
		3,603,150	3,558,612	3,036,358
Total assets		₩ 8,631,128	₩ 7,474,312	\$ 6,377,399
Liabilities and equity				
Current liabilities				
Trade and other payables	13,29,30	₩ 1,501,947	₩ 1,166,364	\$ 995,191
Borrowings	14,29,30	2,848,717	1,833,824	1,564,696
Current portion of bonds	14,29,30	303,733	349,799	298,463
Derivative financial liabilities	18,29,30	61,298	72,560	61,911
Other current liabilities	15	97,456	59,393	50,677
Current tax liabilities		42,033	50,821	43,363
Liabilities directly associated with disposal groups classified as held for sale	32	24,015	-	-
		4,879,199	3,532,761	3,014,301
Non-current liabilities				
Trade and other payables	13,29,30	12,084	31,419	26,808
Borrowings	14,29,30	419,509	576,855	492,197
Bonds	14,29,30	897,913	894,963	763,621
Other non-current liabilities	15	3,593	566	483
Employee benefit liabilities	16	20,501	14,406	12,292
Provisions	17,18	54,412	56,432	48,150
		1,408,012	1,574,641	1,343,551
Total liabilities		6,287,211	5,107,402	4,357,852

(Continued)

Daewoo International Corporation
Separate statements of financial position
as at December 31, 2014 and 2015 (cont'd)

		Korean won in millions		U.S. dollar in thousands (Note 2)
	Notes	2014	2015	2015
Equity				
Issued capital	19	₩ 569,381	₩ 569,381	\$ 485,820
Capital surplus	19	333,161	333,161	284,267
Accumulated other comprehensive income	6,20	24,518	22,422	19,131
Retained earnings	21	1,416,857	1,441,946	1,230,329
Total equity		2,343,917	2,366,910	2,019,547
Total equity and liabilities		₩ 8,631,128	₩ 7,474,312	\$ 6,377,399

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

Daewoo International Corporation
Separate statements of comprehensive income
for the years ended December 31, 2014 and 2015

		Korean won in millions		U.S. dollar in thousands (Note2)
	Notes	2014	2015	2015
Sales	3	₩ 19,938,097	₩ 16,881,040	\$ 14,403,618
Cost of sales	22	(18,859,585)	(15,734,626)	(13,425,449)
Gross profit		1,078,512	1,146,414	978,169
Selling and administrative expenses	22,23,26,29	(731,606)	(801,793)	(684,124)
Operating profit		346,906	344,621	294,045
Finance income	24,29	1,192,348	1,281,174	1,093,152
Finance costs	24,29	(1,213,286)	(1,282,620)	(1,094,386)
Other income	25,26,29	21,757	21,724	18,536
Other expenses	25,26,29	(72,482)	(273,790)	(233,609)
Profit for the year before tax		275,243	91,109	77,738
Income tax expense	27	(101,822)	(9,259)	(7,900)
Profit for the year	3	₩ 173,421	₩ 81,850	\$ 69,838
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Net loss on valuation of available -for-sale financial assets	6,20,27,29	(4,618)	(2,096)	(1,789)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gain (loss) on defined benefit liabilities	16,27	(6,369)	177	151
Other comprehensive income for the year, net of tax		(10,987)	(1,919)	(1,638)
Total comprehensive income for the year, net of tax		₩ 162,434	₩ 79,931	\$ 68,200
Earnings per share				
(Korean won and U.S. dollar in units):				
Basic	28	₩ 1,523	₩ 719	\$ 0.61
Diluted	28	₩ 1,523	₩ 719	\$ 0.61

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

Daewoo International Corporation
Separate statements of changes in equity
for the years ended December 31, 2014 and 2015

	Korean won in millions					U.S. dollar in thousands (Note2)
	Accumulated other					
	Issued capital	Capital surplus	comprehensive income	Retained earnings	Total	Total
As at January 1, 2014	₩ 569,381	₩ 333,161	₩ 29,136	₩ 1,283,968	₩ 2,215,646	\$ 1,890,483
Profit for the year	-	-	-	173,421	173,421	147,970
Net loss on valuation of available-for-sale financial assets	-	-	(4,618)	-	(4,618)	(3,940)
Re-measurement loss on defined benefit plans	-	-	-	(6,369)	(6,369)	(5,435)
Total comprehensive income	-	-	(4,618)	167,052	162,434	138,595
Dividends (Note 21)	-	-	-	(34,163)	(34,163)	(29,149)
As at December 31, 2014	₩ 569,381	₩ 333,161	₩ 24,518	₩ 1,416,857	₩ 2,343,917	\$ 1,999,929
As at January 1, 2015	₩ 569,381	₩ 333,161	₩ 24,518	₩ 1,416,857	₩ 2,343,917	\$ 1,999,929
Profit for the year	-	-	-	81,850	81,850	69,838
Net loss on valuation of available-for-sale financial assets	-	-	(2,096)	-	(2,096)	(1,788)
Re-measurement gain on defined benefit plans	-	-	-	177	177	151
Total comprehensive income	-	-	(2,096)	82,027	79,931	68,201
Dividends (Note 21)	-	-	-	(56,938)	(56,938)	(48,582)
As at December 31, 2015	₩ 569,381	₩ 333,161	₩ 22,422	₩ 1,441,946	₩ 2,366,910	\$ 2,019,548

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

Daewoo International Corporation
Separate statements of cash flows
for the years ended December 31, 2014 and 2015

	Korean won in millions		U.S. dollar in thousands (Note2)	
	2014	2015	2015	
Operating activities				
Profit for the year	₩ 173,421	₩ 81,850	\$	69,838
Non-cash adjustment to reconcile profit for the year to net cash flows:				
Depreciation of property, plant and equipment	18,293	18,183		15,515
Depreciation of investment properties	1,741	2,908		2,481
Amortisation of intangible assets	80,274	123,514		105,387
Severance benefits	10,538	12,470		10,640
Bad debt expenses	8,525	43,587		37,190
Interest expenses	67,021	50,724		43,280
Loss on impairment of available-for-sale financial assets	1,097	498		425
Loss on disposal of available-for-sale financial assets	208	-		-
Loss on impairment of investment in subsidiaries and associates	3,525	162,110		138,319
Loss on disposal of subsidiaries and associates	2,843	-		-
Gain on disposal of subsidiaries and associates	-	(308)		(263)
Loss on impairment of disposal groups classified as held for sale	14,899	-		-
Reversal of loss on impairment of disposal groups classified as held for sale	-	(136)		(116)
Gain on disposal of disposal groups classified as held for sale	-	(592)		(505)
Loss on foreign currency translation	180,901	205,624		175,447
Loss on settlement of derivatives	256,489	251,669		214,735
Loss on valuation of derivatives	121,055	179,502		153,159
Other bad debt expenses	5,817	58,157		49,622
Loss on disposal of property, plant and equipments	146	212		181
Loss on disposal of intangible assets	26	309		264
Loss on impairment of intangible assets	20,173	13,991		11,938
Income tax expense	101,822	9,259		7,900
Loss on valuation of inventory	-	3,000		2,560
Financial guarantee expenses	1,016	17,960		15,324
Contribution to provision for contingencies	5,948	15,947		13,607
Contribution to provision for restoration	132	130		111
Interest income	(41,135)	(47,456)		(40,491)
Dividend income	(23,376)	(36,960)		(31,536)
Gain on foreign currency translation	(204,905)	(223,469)		(190,673)
Gain on settlement of derivatives	(246,789)	(309,450)		(264,036)
Gain on valuation of derivatives	(139,037)	(115,188)		(98,283)
Reversal of allowance for doubtful accounts	(3,429)	(197)		(168)
Gain on disposal of property, plant and equipments	(476)	(265)		(226)
Gain on disposal of intangible assets	(302)	-		-
Reversal of provision for contingencies	(7,716)	(4,058)		(3,462)
Reversal of loss on valuation of inventory	(3,121)	-		-
Financial guarantee income	(1,192)	(1,219)		(1,040)

(Continued)

Daewoo International Corporation
Separate statements of cash flows
for the years ended December 31, 2014 and 2015 (cont'd)

	Korean won in millions		U.S. dollar in thousands (Note2)
	2014	2015	2015
Working capital adjustments:			
Decrease (increase) in trade receivables	₩ (414,228)	₩ 842,321	\$ 718,703
Decrease (increase) in other current receivables	36,866	(4,746)	(4,050)
Decrease (increase) in inventories	(70,629)	159,286	135,910
Decrease in other current assets	2,519	22,106	18,862
Decrease (increase) in derivative financial assets	(14,130)	9,460	8,072
Decrease (increase) in other non-current receivables	-	1,211	1,033
Increase (decrease) in trade accounts payable	(156,192)	(366,139)	(312,406)
Increase (decrease) in other current payables	(41,795)	(659)	(562)
Increase (decrease) in other current liabilities	(4,032)	(26,014)	(22,197)
Increase (decrease) in other non-current payables	(2,477)	3,813	3,253
Increase (decrease) in provision for contingencies	686	-	-
Payment of severance benefit	(2)	(7)	(6)
Contribution to plan assets	(14,499)	(17,990)	(15,350)
Interest received	25,667	34,015	29,023
Dividends received	24,424	34,626	29,544
Interest paid	(70,765)	(56,536)	(48,239)
Income tax paid	(83,031)	(45,531)	(38,849)
Net cash flows provided by (used in) operating activities	(377,186)	1,101,522	939,865
Investing activities			
Increase (decrease) in short-term financial instruments	(6,503)	9,482	8,090
Increase in long-term financial instruments	-	1	1
Proceeds from disposal of available-for-sale financial assets	123	6	5
Proceeds from disposal of investment in subsidiaries	460	-	-
Decrease (increase) in long-term other receivables	34,728	851	726
Decrease (increase) in guarantee deposits	(503)	295	252
Decrease (increase) in long-term guarantee deposits	959	874	746
Proceeds from disposal of property, plant and equipment	506	302	258
Proceeds from disposal of intangible assets	855	299	255
Decrease (increase) in short-term loans receivable	2,749	(31,644)	(27,000)
Decrease (increase) in current portion of long-term loans receivable	-	(985)	(840)
Increase in long-term loans receivable	(79,047)	(35,417)	(30,219)
Acquisition of available-for-sale financial assets	(3,146)	(2,841)	(2,424)
Acquisition of associates	(27,136)	(1,446)	(1,234)
Acquisition of subsidiaries	(23,297)	(24,799)	(21,160)
Acquisition of property, plant, and equipment	(60,353)	(23,520)	(20,068)
Acquisition of intangible assets	(115,606)	(156,376)	(133,427)
Acquisition of investment properties	(147,018)	(78)	(67)
Receipt of government grants	-	369	315
Proceeds from disposal of disposal groups classified as held for sale	-	67,657	57,728
Net cash flows used in investing activities	(422,229)	(196,970)	(168,063)

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Daewoo International Corporation
Separate statements of cash flows
for the years ended December 31, 2014 and 2015 (cont'd)

	Korean won in millions		U.S. dollar in thousands (Note2)
	2014	2015	2015
Financing activities			
Increase (decrease) in short-term borrowings	684,247	(891,556)	(760,713)
Proceeds from long-term borrowings	40,762	193,253	164,892
Issuance of bonds	398,949	336,373	287,008
Repayment of long-term borrowings	(61,655)	(191,373)	(163,288)
Redemption of bonds	(209,206)	(303,969)	(259,359)
Financial lease liabilities	-	(1,130)	(965)
Dividends paid	(34,163)	(56,938)	(48,582)
Net cash flows provided by (used in) financing activities	818,934	(915,340)	(781,007)
Net increase (decrease) in cash and cash equivalents	19,519	(10,788)	(9,205)
Net foreign exchange difference	(116)	1,084	925
Cash and cash equivalents at January 1	73,732	93,135	79,467
Cash and cash equivalents at December 31	₩ 93,135	₩ 83,431	\$ 71,187
Cash and cash equivalents on the statements of financial position	₩ 86,938	₩ 83,431	\$ 71,187
Cash and cash equivalents included in disposal groups classified as held for sale	₩ 6,198	₩ -	\$ -

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

1. Corporate information

Daewoo International Corporation (the "Company") was incorporated on December 27, 2000 as a result of a spin-off of 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 and natural resource development. The primary products sold by the Company include various industrial grade steel, metals, chemicals, automobile parts, machinery, ships, plants, electronics, special materials, grains 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, 2015 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 60.3% of the Company's total outstanding shares.

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

The Company prepares statutory financial statements in the Korean language in accordance with *Korean International Financial Reporting Standards* (KIFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying separate financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

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 the fair values attributable to the risks that are being hedged in effective hedge relationships. The separate financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million, except when otherwise indicated.

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 2015 separate 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 ₩1,172 to US\$1, the year-end exchange rate on December 31, 2015. 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 the statement of financial position based on current /non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the 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 the 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 fair value 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 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 (AFS), interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

Dividends

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

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

Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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 AFS 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. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other 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 effective interest rate (EIR), less impairment. The EIR amortization is included as finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income as finance costs.

Available-for-sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS 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, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss and other comprehensive income in finance costs. Dividends income earned whilst holding AFS financial investments is reported when the Company's right to receive the payment is established.

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 the EIR method, less impairment. The EIR amortization is included in finance income in the statement of profit or loss and other 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 objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In the case of equity investments classified as AFS, objective evidence would include 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 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 EIR.

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 investment 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 group 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 retains substantially all of the risks and rewards of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

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 coordinated 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 profit or loss and other comprehensive income.

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
- 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 calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	40~50
Machinery	4~25
Others	4

The residual values, useful lives and methods of depreciation of property, plant and equipment 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 properties. 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;
- 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 residual values, useful lives and methods of depreciation of property, plant and equipment 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 at 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 as set first meet the recognition criteria.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives except for exploration and evaluation assets, development assets and mining rights are amortized using the straight-line method over the useful life of 5~10 years. Mining rights are amortized using the unit of production method. Memberships are not amortized as their useful life is deemed to be indefinite.

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.

Exploration and evaluation assets, development assets and mining rights

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 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 into 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 groups 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 profit or loss. 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 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 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, recognized as income by reducing the related costs on a systemic basis over the periods that the related costs, for which it is intended to compensate, are expensed. 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 at 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 profit or loss.

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 profit or loss (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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 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 OCI 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.

Recognition of current and deferred tax

Current and deferred tax are recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in OCI or directly in equity; or (b) a business combination. In case of a business combination, the Company recognizes deferred tax assets or liabilities relating to temporary differences arising in a business combination. Consequently, those deferred tax assets and liabilities affect the amount of goodwill or the bargain purchase gain.

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 profit or loss 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 profit or loss.

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.

Other disclosures relating to the Group's exposure to risks and uncertainties are disclosed in Note 29, which includes:

- Capital management
- Financial instruments risk management
- Sensitivity analysis disclosures

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 CGU 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 CGU 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. It includes the determination of the discount rate, future salary growth rate and mortality rates. 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 measurement of financial instruments

When 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 flow 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, 2015. The nature and the impact of each new standard and amendment are described below:

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 not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

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.

KIFRS 1109 *Financial Instruments*

The KASB issued the final version of KIFRS 1109 *Financial Instruments* that replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement* and all previous versions. KIFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. KIFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

KIFRS 1115 *Revenue from Contracts with Customers*

Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

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.

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

Standards issued but not yet effective (cont'd)

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.

Amendments to KIFRS 1016 and KIFRS 1041 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of KIFRS 1041. Instead, KIFRS 1016 will be applied. After initial recognition, bearer plants will be measured under KIFRS 1016 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require products that grow on bearer plants will remain in the scope of KIFRS 1041 measured at fair value less costs to sell. For government grants related to bearer plants, KIFRS 1020 *Accounting for Government Grants and Disclosure of Government Assistance* will be applied. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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.

Amendments to KIFRS 1110 and KIFRS 1028: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between KIFRS 1110 and KIFRS 1028 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in KIFRS 1103, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to KIFRS 1001 *Disclosure Initiative*

The amendments clarify:

- The materiality requirements in KIFRS 1001
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

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

Furthermore, the amendments clarify the requirements for additional subtotal which are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

The Company reviews the impacts of the above standards and intends to adopt these standards when they become effective.

Date of authorization for issue

The financial statements of the Company for the year ended December 31, 2015 were authorized for issue at the meeting of the Board of Directors held on January 26, 2016 and scheduled for approval at the shareholders' meeting to be held on March 14, 2016.

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, 2015 are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)
	Trading	Natural resource development	Others	Total	Total
Sales	₩ 16,167,171	₩ 682,261	₩ 31,608	₩ 16,881,040	\$ 14,403,618
Profit for the year	(105,495)	188,722	(1,377)	81,850	69,838
Total asset	4,296,914	2,834,169	215,145	7,346,228	6,268,113
Total liabilities	3,302,509	503,481	5,830	3,811,820	3,252,405

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. dollar in thousands (Note 2)
	2015	2015
Segment operating assets	₩ 7,346,228	\$ 6,268,113
Current tax assets	2,795	2,385
Deferred tax assets	125,289	106,901
Total assets	₩ 7,474,312	\$ 6,377,399

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3. Segment information (cont'd)

Reconciliation of liabilities is as follows:

	Korean won in millions	U. S. dollar in thousands (Note 2)
	2015	2015
Segment operating liabilities	₩ 3,811,820	\$ 3,252,405
Current tax liabilities	50,820	43,363
Current portion of bonds	349,799	298,463
Bonds	894,963	763,621
Total liabilities	₩ 5,107,402	\$ 4,357,852

Geographic information

Sales by geographic area are based on the geographical location of the market and customers.

Sales for the year ended December 31, 2015 and non-current assets as at December 31, 2015 by geographic area are as follows:

	Korean won in millions						U. S. dollar in thousands (Note 2)
	Domestic	Asia (excluding China)	China	North America	Others	Total	Total
Total sales	₩ 1,252,740	₩ 6,685,941	₩ 3,499,111	₩ 1,049,594	₩ 4,393,654	₩ 16,881,040	\$ 14,403,618
Non-current assets ¹	2,098,038	317	-	-	953	2,099,308	1,791,218

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, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Savings account and checking account	₩ 69,391	₩ 70,958	\$ 60,544
Other cash equivalents:	17,547	12,473	10,643
Cash and cash equivalents on the statements of financial position	86,938	83,431	71,187
Disposal groups classified as held for sale	6,198	-	-
Cash and cash equivalents on the statements of cash flows	₩ 93,136	₩ 83,431	\$ 71,187

5. Trade and other receivables

Trade and other receivables as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Current:			
Trade receivables	₩ 4,188,950	₩ 3,325,295	\$ 2,837,282
Allowance for doubtful accounts	(34,020)	(51,615)	(44,040)
Other receivables	28,967	77,368	66,014
Allowance for doubtful accounts	(878)	(42,140)	(35,956)
Accrued income	10	-	-
Short-term guarantee deposits	799	504	431
Short-term loans receivable	11,724	36,844	31,437
Allowance for doubtful accounts	(5)	(1,188)	(1,014)
Current portion of long-term loans receivable	-	43,152	36,819
	4,195,547	3,388,220	2,890,973
Non-current:			
Long-term trade receivables	-	6,139	5,238
Long-term loans receivable	489,716	446,193	380,711
Long-term other receivables	105,852	102,274	87,265
Allowance for doubtful accounts	(5,386)	(7,007)	(5,979)
Long-term guarantee deposits	4,888	4,060	3,464
	595,070	551,659	470,699
	₩ 4,790,617	₩ 3,939,879	\$ 3,361,672

Allowance for doubtful accounts

Changes in allowance for doubtful accounts related to trade receivables for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Beginning balance	₩ 26,986	₩ 34,020	\$ 29,027
Bad debt expenses	8,525	43,587	37,190
Write-off	(2,304)	(26,038)	(22,217)
Foreign exchange translation loss (gain)	813	46	40
Ending balance	₩ 34,020	₩ 51,615	\$ 44,040

Financial assets transferred but not derecognized

As at December 31, 2015, trade receivables transferred with a book value amounting to ₩798,332 million (\$681,171 thousands) were not derecognized. Cash received for the factoring of such receivables was accounted for as short-term borrowings.

The Company factored the above trade receivables 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 values.

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6. Other financial assets

Other current financial assets as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Deposits in financial institutions	₩ 10,931	₩ 1,421	\$ 1,212

Other non-current financial assets as at December 31, 2014 and 2015 are as follow:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Deposits in financial institutions	₩ 11	₩ 10	\$ 9
Available-for-sale financial assets	99,832	100,104	85,412
	₩ 99,843	₩ 100,114	\$ 85,421

Available-for-sale financial assets as at December 31, 2014 and 2015 are as follows:

	Korean won in millions					U. S. dollar in thousands (Note 2)
	2014	2015				2015
	Book value	Number of shares	Equity ownership (%)	Acquisition cost	Fair value or net asset value	Book value
<u>Marketable securities:</u>						Book value
Maruichi Steel Tube Ltd.	₩ 2,839	120,000	0.12	₩ 2,933	₩ 4,187	₩ 4,187
TK-Chemical Co., Ltd.	14,840	8,000,000	8.80	14,818	17,680	17,680
IQ Power Licensing AG	-	5,119,129	1.90	679	583	583
	17,679			18,430	22,450	22,450
<u>Non-marketable securities:</u>						
The Korea Economic Daily	974	178,881	0.96	1,952	1,703	974
Korea Delphi Automotive Systems Corp.	36,916	1,835,520	7.70	9,178	28,678	28,678
Hanil Daewoo Cement Mfg Co., Ltd.	-	300,000	15.00	1,500	-	-
Shinpoong Daewoo Pharma Co., Ltd.	343	-	3.42	343	329	343
CJ Philippines INC.	349	109,200	10.00	349	2,894	349
Daewoo Motors Co., Ltd.	6	-	-	-	-	-
POSCO-Malaysia Sdn. Bhd.	7,577	24,128,000	14.10	7,905	(2,746)	7,577
CES Co., Ltd.	600	156,000	5.34	600	512	600
Central Corporation	7,020	100,474	10.89	1,859	8,676	8,676
Rheoforge Co., Ltd.	-	600,000	11.48	600	(522)	-
Korea Investment Private Placement KEXIM Carbon Credit Special Asset Fund No. 1	232	-	2.13	713	86	86

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6. Other financial assets (cont'd)

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

	Korean won in millions					U. S. dollar in thousands (Note 2)	
	2014	2015				2015	
	Book value	Number of shares	Equity Ownership (%)	Acquisition cost	Fair value or net asset value	Book value	Book value
Hanmi ADM Co., Ltd.	1,000	10,000	16.67	1,000	1,513	1,000	853
Dongjin Vietnam Co., Ltd.	803	20,000	10.00	803	321	803	685
POSCO Assan TST Steel Industry A.S.	15,460	24,096,526	10.00	15,460	6,890	15,460	13,191
ADM21	500	200,000	3.15	1,000	(1,527)	2	2
Hunchun Pohang Hyundai International Logistics Complex Development Co., Ltd.	8,661	-	10.00	10,732	8,590	10,732	9,157
TES MI S.R.O.	523	-	3.00	523	228	523	446
POSCO-ITPC S.P.A	781	-	10.00	781	551	781	666
JILIN KDAC Co., LTD.	85	-	7.00	176	153	176	150
Miju Steel Mfg Co., Ltd.	182	909,391	1.49	182	(194)	182	155
KG Power	-	1,457,847	6.69	45	-	-	-
MYANMAR DAEWOO LTD.	-	625	100.00	5,390	442	571	487
DAEWOO EL SALVADOR S.A. DE C.V.	-	31,262	88.00	3,021	-	-	-
Others	141		-	7,367	2,156	141	121
	<u>82,153</u>			<u>71,479</u>	<u>58,733</u>	<u>77,654</u>	<u>66,257</u>
	<u>₩ 99,832</u>			<u>₩ 89,909</u>	<u>₩ 81,183</u>	<u>₩ 100,104</u>	<u>\$ 85,412</u>

Investments in marketable securities, Maruichi Steel Tube Ltd., TK-Chemical Co., Ltd. and IQ Power Licensing AG were stated at fair market value as at December 31, 2015. Investment in Korea Delphi Automotive Systems Corp. ("KDASC") and Central Corporation were stated at fair value of ₩15,624 per share and ₩86,350 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, 2015. The resulting unrealized gains arising from fair value adjustments on available-for-sale financial assets amounting to ₩22,422 million (\$19,131 thousand) were recorded in accumulated other comprehensive income, net of deferred income tax effect (liability) of ₩7,158 million (\$6,108 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 ₩72 million (\$61 thousand) is restricted to use in connection with sale of Daewoo Department Store.

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7. Other current assets

Other current assets as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Advance payments	₩ 75,209	₩ 58,570	\$ 49,974
Allowance for doubtful accounts	(4,842)	(7,118)	(6,073)
Prepaid expenses	5,189	2,101	1,793
	₩ 75,556	₩ 53,553	\$ 45,694

8. Inventories

Inventories as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Merchandise	₩ 396,160	₩ 255,402	\$ 217,920
Valuation allowance	(2,792)	(5,186)	(4,425)
Raw materials	1,580	52	44
Supplies	732	1,559	1,330
Materials-in-transit	86,813	68,986	58,862
Valuation allowance	-	(606)	(517)
	₩ 482,493	₩ 320,207	\$ 273,214

The loss on valuation of inventory, which was recorded as costs of sales, amounted to ₩3,000 million (\$2,560 thousand) in 2015.

9. Investment in subsidiaries and associates

Investment in subsidiaries and associates as at December 31, 2014 and 2015 are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)
	2014		2015		2015
	Equity ownership (%)	Book value	Equity ownership (%)	Book value	Book value
<Subsidiaries>					
Daewoo Int'l (America) Corp.	100.00	₩ 29,590	100.00	₩ 29,590	\$ 25,247
Daewoo Int'l (Deutschland) GmbH	100.00	9,724	100.00	9,724	8,297
Daewoo Int'l Japan Corp.	100.00	4,729	100.00	4,729	4,035
Daewoo Int'l Singapore Pte. Ltd.	100.00	3,711	100.00	3,711	3,166
Daewoo Italia S.R.L.	100.00	3,621	100.00	3,621	3,090
Daewoo Int'l Mexico S.A. De C.V.	100.00	2,905	100.00	2,905	2,479
Daewoo Int'l Shanghai Co., Ltd.	100.00	8,807	100.00	8,807	7,515
Daewoo Int'l (M) Sdn. Bhd.	100.00	2,192	100.00	2,192	1,870
Daewoo Int'l India Private Ltd.	100.00	2,299	100.00	2,299	1,962
Myanmar Daewoo Ltd. ¹	100.00	701	-	-	-
Daewoo Textile Fergana LLC	100.00	5,856	100.00	5,856	4,997
Daewoo Textile Bukhara LLC	100.00	18,952	100.00	18,952	16,171
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	29,835
Daewoo International Australia Holdings Pty. Ltd.	100.00	126,766	100.00	125,854	107,384
Daewoo AAPC Corporation	100.00	5,027	100.00	5,027	4,289

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

	Korean won in millions				U. S. dollar in thousands (Note 2)
	2014		2015		2015
	Equity ownership (%)	Book value	Equity ownership (%)	Book value	Book value
Daewoo El Salvador S.A. De C.V. ¹	88.00	₩ -	-	₩ -	\$ -
Brasil Sao paulo Steel Processing Center ⁶	51.00	13,116	51.00	-	-
PT. Bio Inti Agrindo	85.00	38,821	85.00	43,779	37,354
Daewoo Int'l Vietnam Co., Ltd.	100.00	4,613	100.00	4,613	3,936
Myanmar Daewoo Int'l Corp.	100.00	5,403	100.00	5,403	4,610
Daewoo E&P Canada Corp. ⁶	100.00	13,207	100.00	11,173	9,533
Daewoo Power and Infra (Pty) Ltd.	100.00	1	100.00	1	1
Hanjung Power Ltd.	100.00	13,725	100.00	13,725	11,711
Daewoo Precious Resources Co., Ltd.	60.00	3,203	70.00	6,638	5,664
Daewoo Power PNG Ltd.	100.00	-	100.00	14,685	12,529
		351,936		358,251	305,675
<Associates>					
IQ Power Asia Co., Ltd. ⁴	15.16	-	-	-	-
Blue Ocean Recovery PEF No. 1	27.52	33,300	27.52	33,300	28,413
POSCO Mexico Processing Center Holding LLC	29.00	11,509	29.00	11,509	9,820
POSCO Europe Steel Distribution Center Ltd.	20.00	1,160	20.00	1,160	990
POSCO IJPC	20.00	4,665	20.00	4,665	3,980
Shanghai Lansheng Daewoo Corporation	49.00	7,957	49.00	7,957	6,789
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	49.00	876	49.00	876	747
General Medicines Co., Ltd.	33.00	2,990	33.00	2,990	2,551
Korea LNG Ltd.	20.00	2,749	20.00	2,749	2,346
KG Power (M) Sdn. Bhd.	20.00	-	20.00	-	-
Global Komsco Daewoo LLC	35.00	4,445	35.00	4,445	3,793
South-East Asia Gas Pipeline Company Ltd.	25.04	150,778	25.04	150,778	128,650
Korea Siberia Wood CJSC	50.00	-	50.00	-	-
DMSA/AMSA ^{2,6}	4.00	137,578	4.00	64,125	54,714
Daewoo Global Development Pte. Ltd.	30.00	15,683	30.00	15,683	13,381
VNS-Daewoo Co., Ltd.	40.00	4,228	40.00	4,228	3,608
SPH Co., Ltd.	50.00	500	50.00	500	427
PT. Batutua Tembaga Raya	24.10	14,785	24.10	14,785	12,615
Yulchon Mexico S. A. De C. V. ^{2,5}	-	-	10.00	1,349	1,151
HyunSon Engineering & Construction ^{2,5}	-	-	4.90	97	83
		393,203		321,196	274,058
		₩ 745,139		₩ 679,447	\$ 579,733

¹ Myanmar Daewoo Ltd. and Daewoo El Salvador S.A. de C.V. were reclassified into available-for-sale financial assets in 2015 as they are being liquidated and their assets and liabilities are not significant.

² These securities are classified as investment in an associate even though the Company's equity ownership is below 20%, as the Company is able to exercise significant influence on the investee.

³ The 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.

⁴ As the corporate reorganization plan of the entity was approved by the court during the year, the Company lost significant influence over the entity and accordingly reclassified into available-for-sale financial assets.

⁵ In 2015, Yulchon Mexico S. A. De C. V. and HyunSon Engineering & Construction Daewoo were newly established.

⁶ Due to continuous decreases in oil prices and raw material prices, the Company has recognized an impairment loss to the extent that the carrying amount of the below investments in associates exceeds their recoverable amount.

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

	Carrying amount before impaired	Recoverable amount	Impairment loss
Brasil Sao paulo Steel Processing Center	₩ 13,116	₩ -	₩ 13,116
Daewoo E&P Canada Corp.	14,268	11,173	3,095
DMSA/AMSA	210,008	64,125	145,883
	₩ 237,392	₩ 75,298	₩ 162,094
U. S. dollar in thousands (Note 2)	\$ 202,553	\$ 64,247	\$ 138,305

10. Property, plant and equipment

Property, plant and equipment as at December 31, 2014 and 2015 is as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Acquisition cost	₩ 350,376	₩ 348,588	\$ 297,430
Accumulated depreciation and impairment loss	(41,711)	(42,149)	(35,963)
Government subsidy	-	(292)	(249)
Book value	₩ 308,665	₩ 306,147	\$ 261,218

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

2014						
	Jan. 1	Acquisition	Disposals	Others	Classified as held for sale	Dec. 31
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
2015						
	Jan. 1	Acquisition	Disposals	Others	Classified as held for sale	Dec. 31
Land	₩ 15,370	₩ -	₩ -	₩ -	₩ -	₩ 15,370
Buildings	38,363	198	-	-	-	38,561
Machinery	255,780	-	-	(418)	-	255,362
Others	34,834	6,021	(6,707)	(3,425)	-	30,723
Construction -in-progress	6,029	13,655	-	(11,112)	-	8,572
	₩ 350,376	₩ 19,874	₩ (6,707)	₩ (14,955)	₩ -	₩ 348,588
U. S. dollar in thousands (Note 2)	\$ 298,956	\$ 16,957	\$ (5,723)	\$ (12,760)	\$ -	\$ 297,430

10. **Property, plant and equipment (cont'd)**

Changes in accumulated depreciation and impairment loss of property, plant and equipment for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

	2014				
	Jan. 1	Depreciation	Disposals	Others	Dec. 31
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

	2015				
	Jan. 1	Depreciation	Disposals	Others	Dec. 31
Buildings	₩ 2,510	₩ 950	₩ -	₩ -	₩ 3,460
Machinery	12,092	10,219	-	-	22,311
Others	27,109	5,419	(6,593)	(9,557)	16,378
	₩ 41,711	₩ 16,588	₩ (6,593)	₩ (9,557)	₩ 42,149
U. S. dollar in thousands (Note 2)	\$ 35,590	\$ 14,154	\$ (5,625)	\$ (8,156)	\$ 35,963

Changes in the government grants for property, plant and equipment for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

	2014				
	Jan. 1	Received	Depreciation	Classified as held for sale	Dec. 31
Buildings	₩ 98	₩ -	₩ (6)	₩ (92)	₩ -

	2015				
	Jan. 1	Received	Depreciation	Classified as held for sale	Dec. 31
Others	₩ -	₩ 369	₩ (77)	₩ -	₩ 292
U. S. dollar in thousands (Note 2)	\$ -	\$ 315	\$ (66)	\$ -	\$ 249

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11. Intangible assets

Intangible assets as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Acquisition cost	₩ 1,827,184	₩ 1,984,357	\$ 1,693,137
Accumulated amortization and impairment loss	(195,066)	(342,047)	(291,849)
Government grants	(26,839)	(13,061)	(11,144)
Book value	₩ 1,605,279	₩ 1,629,249	\$ 1,390,144

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

	2014				
	Jan. 1	Acquisition	Disposals	Others	Dec. 31
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

In 2014, development assets related to A-1 Block in Myanmar which amounted to ₩969,674 million (\$827,367 thousand) transferred to mining rights as the production of gas from the gas field in this block commenced.

	2015				
	Jan. 1	Acquisition	Disposals	Others	Dec. 31
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	4,236	139	-	-	4,375
Mining right	1,656,415	97,529	-	-	1,753,944
Development cost	6,711	-	-	-	6,711
Exploration and evaluation assets	146,125	61,427	-	(16,347)	191,205
Membership	12,664	3	(465)	12	12,214
Software	-	338	(143)	14,680	14,875
	₩ 1,827,184	₩ 159,436	₩ (608)	₩ (1,655)	₩ 1,984,357
U. S. dollar in thousands (Note 2)	\$ 1,559,031	\$ 136,038	\$ (519)	\$ (1,413)	\$ 1,693,137

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11. Intangible assets (cont'd)

Changes in accumulated amortization and impairment losses of intangible assets for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

2014					
	Jan. 1	Amortization	Others	Impairment	Dec. 31
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
	<u>₩ 94,525</u>	<u>₩ 80,367</u>	<u>₩ -</u>	<u>₩ 20,174</u>	<u>₩ 195,066</u>
2015					
	Jan. 1	Amortization	Others	Impairment ¹	Dec. 31
Distributorship rights	₩ 1,033	₩ -	₩ -	₩ -	₩ 1,033
Industrial proprietary rights	3,916	219	-	-	4,135
Exploration and evaluation assets	28,900	-	-	-	28,900
Mining right	152,242	120,999	-	13,446	286,687
Development cost	6,711	-	-	-	6,711
Membership	2,264	-	-	350	2,614
Software	-	2,409	9,558	-	11,967
	<u>₩ 195,066</u>	<u>₩ 123,627</u>	<u>₩ 9,558</u>	<u>₩ 13,796</u>	<u>₩ 342,047</u>
U. S. dollar in thousands (Note 2)	<u>\$ 166,439</u>	<u>₩ 105,484</u>	<u>\$ 8,155</u>	<u>\$ 11,771</u>	<u>\$ 291,849</u>

¹The Company recognized an impairment loss on the mining rights about block 8 in Peru, which was assessed that there is no recoverability.

Changes in government grants for intangible assets for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

2014				
	Jan. 1	Amortization	Others	Dec. 31
Mining rights	₩ 1,013	₩ (93)	₩ -	₩ 920
Exploration and evaluation assets	25,919	-	-	25,919
	<u>₩ 26,932</u>	<u>₩ (93)</u>	<u>₩ -</u>	<u>₩ 26,839</u>
2015				
	Jan. 1	Amortization	Others	Dec. 31
Mining rights	₩ 920	₩ (114)	₩ -	₩ 806
Exploration and evaluation assets	25,919	-	(13,664)	12,255
	<u>₩ 26,839</u>	<u>₩ (114)</u>	<u>₩ (13,664)</u>	<u>₩ 13,061</u>
U. S. dollar in thousands (Note 2)	<u>\$ 22,900</u>	<u>\$ (97)</u>	<u>\$ (11,659)</u>	<u>\$ 11,144</u>

Joint operation

Mining right and machinery include the Company's proportionate share of the jointly controlled asset. As at December 31, 2015, a list of significant joint operation is as follows:

	Activities	Equity 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

Investment properties as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2014	2015	2015
Acquisition cost	₩ 167,953	₩ 168,031	\$ 143,371
Accumulated depreciation and impairment loss	(1,211)	(4,119)	(3,514)
Book value	₩ 166,742	₩ 163,912	\$ 139,857

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

	2014				
	Jan. 1	Acquisition	Others	Classified as held for sale	Dec. 31
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)	-	-
	₩ 82,161	₩ 147,018	₩ -	₩ (61,226)	₩ 167,953

	2015		
	Jan. 1	Acquisition	Dec. 31
Land	₩ 51,703	₩ -	₩ 51,703
Buildings	116,250	78	116,328
	₩ 167,953	₩ 78	₩ 168,031
U. S. dollar in thousands (Note 2)	\$ 143,305	\$ 66	\$ 143,371

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. NEATT was recorded as land and buildings within PP&E and investment properties.

Changes in accumulated depreciation and impairment loss of investments properties for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

	2014			
	Jan. 1	Depreciation	Classified as held for sale	Dec. 31
Land	₩ 4,631	₩ -	₩ (4,631)	₩ -
Building	30,656	1,616	(31,061)	1,211
Structures	1,148	125	(1,273)	-
	₩ 36,435	₩ 1,741	₩ (36,965)	₩ 1,211

	2015		
	Jan. 1, 2015	Depreciation	Dec. 31, 2015
Building	₩ 1,211	₩ 2,908	₩ 4,119
U. S. dollar in thousands (Note 2)	\$ 1,033	\$ 2,481	\$ 3,514

12. Investment properties (cont'd)

The fair value of investment properties amounted to ₩168,679 million (\$143,924 thousand) as at December 31, 2015 (₩160,148 million as at December 31, 2014).

Income and expense arising from investment properties for the years ended December 31, 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Rental income	₩ 1,534	₩ 4,191	\$ 3,576
Rental expense	(3,131)	(5,158)	(4,401)
	₩ (1,597)	₩ (967)	\$ (825)

13. Trade and other payables

Trade and other payables as at December 31, 2014 and 2015 are as follows;

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Current:			
Trade payables	₩ 1,326,972	₩ 970,508	\$ 828,078
Other payables	164,289	181,285	154,680
Accrued expenses	9,521	14,065	12,001
Guarantee deposits received	1,165	506	432
	1,501,947	1,166,364	995,191
Non-current:			
Long-term other payables	11,032	9,812	8,372
Long-term guarantee deposits received	320	1,630	1,391
Financial guarantee liabilities	732	19,977	17,045
	12,084	31,419	26,808
	₩ 1,514,031	₩ 1,197,783	\$ 1,021,999

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14. Borrowings

Borrowings as at December 31, 2014 and 2015 are as follows:

	Creditor	Annual interest rates as at Dec. 31, 2015	Korean won in millions		U. S. dollar in thousands (Note 2)
			2014	2015	2015
Current borrowings:					
Short-term borrowings:					
Banker's usance and others	Woori Bank and others	0.93~2.34%	₩ 2,674,509	₩ 1,787,262	\$ 1,524,967
Current-portion of long-term borrowings:					
Work-out debt and others	AKA Bank and others	6M Euribor +0.45% and others	176,066	47,104	40,191
Less: present value discount			(1,858)	(542)	(462)
			<u>174,208</u>	<u>46,562</u>	<u>39,729</u>
			2,848,717	1,833,824	1,564,696
Non-current borrowings:					
Korean won denominated borrowings:					
Others	Korea Resources Corporation and others	3 year government bond yield -2.25% and others	33,024	43,165	36,830
Foreign-currency denominated borrowings:					
Work-out debt from Creditor Council	AKA Bank	6M Euribor +0.45%	13,279	6,522	5,565
Forgivable borrowings	Korea National Oil Corporation and others	1.5~2.5% and others	263,078	259,040	221,024
Others	Korea National Oil Corporation and others	3M Libor + 1% and others	117,271	273,838	233,650
			<u>393,628</u>	<u>539,400</u>	<u>460,239</u>
			426,652	582,565	497,069
Less: present value discount			(7,143)	(5,710)	(4,872)
			<u>419,509</u>	<u>576,855</u>	<u>492,197</u>
			<u>₩ 3,268,226</u>	<u>₩ 2,410,679</u>	<u>\$ 2,056,893</u>

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14. Borrowings (cont'd)

Bonds as at December 31, 2014 and 2015 are as follows:

	Annual interest rates as at Dec. 31, 2015	Korean won in millions		U. S. dollar in thousands (Note 2)
		2014	2015	2015
Current-portion of bonds				
5-1th unsecured bond	4.43%	₩ 200,000	₩ -	\$ -
7th unsecured bond	4.32%	-	200,000	170,648
8-1th unsecured bond	2.92%	-	150,000	127,987
9th privately placed bond	3M SOR + 1.15%	103,969	-	-
		303,969	350,000	298,635
Less: discount on bonds		(236)	(201)	(172)
		303,733	349,799	298,463
Non-current bonds:				
7th unsecured bond	4.32%	200,000	-	-
8-1th unsecured bond	2.92%	150,000	-	-
8-2th unsecured bond	3.09%	150,000	150,000	127,986
10-1th unsecured bond	3.00%	180,000	180,000	153,584
10-2th unsecured bond	3.26%	220,000	220,000	187,713
11th privately placed bond	3M Libor + 90bp	-	234,400	200,000
12th privately placed bond	3M SGD SOR + 0.75%	-	114,276	97,505
		900,000	898,676	766,788
Less: discount on bonds		(2,087)	(3,713)	(3,168)
		897,913	894,963	763,620
		₩ 1,201,646	₩ 1,244,762	\$ 1,062,083

15. Other liabilities

Other liabilities as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Current:			
Advance received	₩ 74,442	₩ 41,660	\$ 35,546
Withholdings	23,014	17,733	15,131
	97,456	59,393	50,677
Non-current:			
Long-term withholdings	3,593	566	483
	₩ 101,049	₩ 59,959	\$ 51,160

16. Severance 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

	2014	2015
Discount rate (%)	2.90%~2.99%	2.50%
Future salary growth rate (%)	3.50%~5.30%	5.00%
Expected retirement rate (%)	6.70%	7.20%

Sensitivity analysis

Discount rate

	1%p decrease	1%p increase
Impact on the defined benefit obligation	₩ 8,249	₩ (7,024)
Rate of change	9.99%	(8.50%)

Future salary growth rate

	1%p decrease	1%p increase
Impact on the defined benefit obligation	₩ (6,937)	₩ 7,964
Rate of change	(8.39%)	9.64%

Net benefit expense recognized in profit of loss

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Current service cost	₩ 9,803	₩ 11,354	\$ 9,688
Past service cost	(53)	-	-
Net Interest cost	788	792	676
	₩ 10,538	₩ 12,146	\$ 10,363

Amounts recognized in the statement of financial position

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Present value of defined benefit obligation	₩ 77,082	₩ 82,575	\$ 70,456
Fair value of plan assets	(56,581)	(68,169)	(58,164)
	₩ 20,501	₩ 14,406	\$ 12,292

16. Severance benefit liability (cont'd)

Changes in the present value of the defined benefit obligation

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Beginning balance	₩ 66,057	₩ 77,082	\$ 65,770
Current service cost	9,803	11,354	9,688
Past service cost	(53)	-	-
Interest cost	2,497	2,266	1,933
Benefits paid	(6,515)	(8,111)	(6,921)
Re-measurement gain (loss) in OCI:	8,346	(5)	(4)
Actuarial changes arising from changes in demographic assumptions	1,575	(824)	(703)
Actuarial changes arising from changes in financial assumptions	6,391	1,534	1,309
Others	380	(715)	(610)
Classified as held for sale	(3,901)	-	-
Transfer from related parties	848	-	-
Others	-	(11)	(10)
Ending balance	₩ 77,082	₩ 82,575	\$ 70,456

Changes in the fair value of plan assets

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Beginning balance	₩ 49,724	₩ 56,581	\$ 48,277
Contribution by employer	14,509	18,000	15,358
Interest income	1,709	1,474	1,258
Benefits paid	(6,525)	(8,114)	(6,923)
Re-measurement gain (loss) in OCI:	(57)	228	195
Actuarial changes arising from changes in financial assumptions	(57)	228	195
Classified as held for sale	(3,627)	-	-
Transfer from related parties	848	-	-
Ending balance	₩ 56,581	₩ 68,169	\$ 58,165

16. Severance benefit liability (cont'd)

Re-measurement gain(loss) in OCI

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Re-measurement of defined benefit obligation	₩ (8,346)	₩ 5	\$ 4
Re-measurement of plan assets	(57)	228	195
	(8,403)	233	199
Income tax effect	2,034	(56)	(48)
Other comprehensive income	₩ (6,369)	₩ 177	\$ 151

17. Provisions

Provisions as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Provision for contingencies (see Note 18)	₩ 50,013	₩ 51,618	\$ 44,043
Provision for restoration	4,399	4,814	4,107
	₩ 54,412	₩ 56,432	\$ 48,150

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

	Korean won in millions			U. S. dollar in thousands (Note 2)
	Provision for contingencies	Provision for restoration	Total	Total
Beginning balance	₩ 50,013	₩ 4,399	₩ 54,412	\$ 46,427
Contribution (reversal)	11,889	130	12,019	10,255
Used	(2,467)	-	(2,467)	(2,105)
Others	(9,682)	(11)	(9,693)	(8,270)
Foreign currency translation	1,865	296	2,161	1,843
Ending balance	₩ 51,618	₩ 4,814	₩ 56,432	\$ 48,150

18. Provision for contingencies

Changes in provision for contingencies for the year ended December 31, 2015 are as follows (Korean won in millions):

	Jan 1	Increase	Decrease	Foreign currency translation	Dec 31	Principal debt amount
Creditors of Daewoo Corp.	₩ 24,788	₩ 735	₩ -	₩ 1,277	₩ 26,800	₩ 244,040
Legal proceedings provision	25,225	1,210	(16,207)	588	10,816	-
Other onerous contracts provision	-	14,002	-	-	14,002	109,351
	<u>50,013</u>	<u>15,947</u>	<u>(16,207)</u>	<u>1,865</u>	<u>51,618</u>	<u>353,391</u>
U.S. dollar in thousands (Note 2)	\$ 42,673	\$ 13,607	\$ (13,828)	\$ 1,591	\$ 44,043	\$ 301,528

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 ₩26,800 million (\$22,867 thousand) as the amount of provision on the basis of the settlement agreement with some creditors and other information.

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 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, 2015.

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, 2015, the bankruptcy proceedings of Daewoo Corporation are in progress.

Provision for litigation and others

The Company recognized probable outflow of resources amounting to ₩24,818 million (US\$21,176 thousand) as provision for contingencies in connection with lawsuits against the Company and Canada Baptiste project as at December 31, 2015 (see related Notes below).

18. Provision for contingencies (cont'd)

Pending litigations

As at December 31, 2015, the Company has been listed as a defendant in the following pending lawsuits, and details are as follows (Korean won in millions, foreign currency in thousands):

<u>Jurisdiction</u>	<u>Plaintiff</u>	<u>Description of litigation</u>	<u>Litigation claim amounts</u>	
Overseas	IDBI	Claim for discharge of guarantee obligation	INR	4,458,849
	Petrochemical Commercial Company	Claim for payments	US\$	3,270
	Haft Almas	Claim for damage	US\$	4,416
	Ecopetrol S.A.	Claim for damage	US\$	11,228
	Rong Cheng Hawtai Automobile Co., Ltd.	Reimbursement of design fee / Interest on delayed reimbursement	US\$	3,605
	Bayoil (USA), Inc. etc. ¹	Claim for damage		Undefined
Domestic	Receiver of Daewoo Corps.	Claim for refund of surplus profit	KRW	500
	Individuals	Claim for additional wage	KRW	9,070
	Individuals	Claim for additional wage	KRW	335
	Bluebird Co., Ltd.	Claim for affirmation of the non-existence of payables	KRW	1,137
	Individuals	Claim for additional wage	KRW	81
	Individuals	Claim for additional wage	KRW	57
	Individuals	Claim for additional wage	KRW	6
	Chungwoo Logitech., Ltd	Claim of collecting payments	KRW	100
	Individual	Claim for damage	KRW	12

¹ The claim amounts of the 3 lawsuits were not determinable as at December 31, 2015.

The Company is involved in 20 pending lawsuits as a plaintiff as at December 31, 2015.

The ultimate outcome of these lawsuits could not be determined. Therefore, the Company has not established potential liabilities that may arise as a result of the above litigations as at December 31, 2015 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 ₩7,000 million. There is no outstanding balance as at December 31, 2015. As at December 31, 2015, 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 (U.S. dollar in thousands):

	<u>Bank</u>	<u>Credit line amount</u>	<u>Outstanding balance</u>
Local L/C	Woori Bank and others	\$ 360,875	\$ 223,544
L/C	Woori Bank and others	\$ 2,041,027	\$ 1,050,822
D/A	Woori Bank and others	\$ 2,518,635	\$ 610,406
Credit line in foreign currency	Woori Bank and others	\$ 355,000	\$ 257,241
P-Bond and others	Korea EXIM Bank and others	\$ 608,246	\$ 442,397

Collateral

The Company has pledged 45 blank promissory notes, 17 blank checks as collateral to Korea National Oil Corporation and others for the contract performance guarantees as at December 31, 2015.

18. Provision for 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 (U.S. dollar and euro in thousands and Korean won in millions):

Contract	Bank	Derivative credit lines	Details
Currency forwards	Woori Bank	\$ 15,000	Limit of loss
	Busan Bank	₩ 10,000	Limit of loss
	Kookmin Bank	₩ 15,000	Limit of loss
	Citibank Korea	\$ 50,000	Limit of risk transaction
	SC Bank Korea	\$ 120,000	Limit of transaction
	HSBC	\$ 20,000	Limit of risk transaction
	UOB ¹	\$ 200,000	Limit of transaction
	Bank of Communications	\$ 20,000	Limit of transaction
	China Construction Bank	\$ 100,000	Limit of transaction
	JP Morgan	\$ 50,000	Limit of transaction
	Deutsch Bank	EUR 10,000	Limit of loss
	Credit Agricole ¹	\$ 50,000	Limit of risk transaction
	KEB Hana Bank	\$ 80,000	Limit of risk transaction
	Korea Exchange Bank	\$ 20,000	Limit of risk transaction
	ANZ Bank	\$ 50,000	Limit of transaction
	Societe General	\$ 50,000	Limit of transaction
	SMBC	\$ 100,000	Limit of transaction
	Industrial & Commercial Bank of China	\$ 111,000	Limit of transaction
Commodity futures	Triland	\$ 20,000	Limit of loss
		\$ 20,000	Limit of transaction
	Mitsui Bussan	\$ 15,000	Limit of loss
		\$ 15,000	Limit of transaction
	Toyota	\$ 13,000	Limit of loss
		\$ 13,000	Limit of transaction
	Societe General	\$ 20,000	Limit of loss
		\$ 20,000	Limit of transaction
	Daishin Securities ²	\$ 5,000	Limit of loss

¹ Includes limit of transaction on currency swap contracts.

² Includes limit of transaction on currency futures contracts.

18. Provision for contingencies (cont'd)

Derivatives (cont'd)

Details of unsettled contracts for currency forwards, commodity futures, currency futures and currency swap contract are as follows (U.S. dollar and Singapore dollar in thousands, Korean won in millions):

Currency forwards

Currency unit	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
USD	400,730	881,110	₩ 1,825
EUR	49,713	332,174	(649)
JPY	30,091	33,194	101
CNY	-	535	1
AED	3,686	230	1
CHF	564	403	(15)
CAD	-	95,182	4,259
GBP	3,633	40,573	681
AUD	3,628	2,933	44
			₩ 6,248
U. S. dollar in thousands (Note 2)			\$ 5,331

Commodity futures

Commodity	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
Aluminum	₩ 59,634	₩ 161,969	₩ 10,808
Copper	125,690	176,266	3,514
Nickel	73,273	149,872	12,795
Tin	4,665	8,822	222
Coal	8,671	8,151	(520)
Rubber	-	1,569	46
Brent	-	1,562	(11)
Fuel oil	3,744	32,510	10,583
			₩ 37,437
U. S. dollar in thousands (Note 2)			\$ 31,943

Currency futures

Currency unit	Unsettled contractual amount		Accumulated valuation gain (loss)
	Long position	Short position	
JPY	₩ -	₩ 2,162	₩ (35)
U. S. dollar in thousands (Note 2)			\$ (30)

18. Provision for contingencies (cont'd)

Derivatives (cont'd)

Currency swap

Bank	Unsettled contractual amount				Expiration date	Interest swap	Valuation	
	Buy		Sell				gain	(loss)
UOB	US\$	69,077	SGD	96,500	Oct. 27, 2017	Pay 3M US\$ Libor+1.10% Receive 3M SGD SOR+0.75%	₩	(1,450)
KEB Hana Bank	US\$	130,000	₩	132,600	Jun. 30, 2017	Pay 3M US\$ Libor+1.21% Receive KRW 3.20%		(18,481)
KEB Hana Bank	US\$	70,000	₩	71,120	Jun. 30, 2017	Pay 3M US\$ Libor+1.20% Receive KRW 3.20%		(10,228)
Credit Agricole	US\$	29,891	SGD	41,500	Oct. 27, 2017	Pay 3M US\$ Libor+1.05% Receive 3M SGD SOR+0.75%		(493)
							₩	(30,652)
U. S. dollar in thousands (Note 2)							\$	(26,154)

Changes in the book value of derivative financial assets (liabilities) for the year ended December 31, 2015 are as follows:

	Jan. 1	Settlement	Valuation gain	Valuation loss	Dec. 31
Currency forwards	₩ 13,241	₩ (13,242)	₩ 18,800	₩ (12,551)	₩ 6,248
Commodity futures	25,189	(25,154)	45,922	(8,520)	37,437
Currency futures	(25)	25	-	(35)	(35)
Currency swap	(19,421)	-	-	(11,231)	(30,652)
Firm commitment contracts	(6,684)	86,693	50,466	(144,828)	(14,353)
Others	-	-	-	(2,337)	(2,337)
	₩ 12,300	₩ 48,322	₩ 115,188	₩ (179,502)	₩ (3,692)
U. S. dollar in thousands (Note 2)	\$ 10,495	\$ 41,230	\$ 98,283	\$ (153,158)	\$ (3,150)

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 others 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, 2015, settled firm commitment contracts amounting to ₩9,452 million and ₩96,143 million were deducted from sales and cost of sales, respectively.

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18. Provision for contingencies (cont'd)

Guarantee obligations

Guarantees provided by the Company to certain creditors on behalf of associates/debtors as at December 31, 2015 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)	
Shinhan Bank	Daewoo International India Pvt Ltd.	US\$ 20,000	₩ 23,440	US\$ 8,799	₩ 10,313	2016
HSBC	Daewoo Paper Manufacturing Co., Ltd	US\$ 12,500	14,650	US\$ 12,500	14,650	2016
Korea EXIM Bank	Daewoo Textile Bukhara LLC	US\$ 12,000	14,064	US\$ 12,000	14,064	2018
Korea EXIM Bank	Sherritt International Corporation ¹	US\$ 21,818	25,571	US\$ 6,473	7,586	2023
Korea EXIM Bank	Ambatovy project investments Ltd. ¹	US\$ 65,455	76,713	US\$ 54,010	63,299	2019
Bank of China	Global Komsco Daewoo	US\$ 3,500	4,102	US\$ 3,500	4,102	2017
Bank of China	Global Komsco Daewoo	US\$ 700	820	US\$ 700	820	2019
ICBC	Global Komsco Daewoo	US\$ 4,025	4,717	US\$ 4,025	4,717	2019
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 7,000	8,204	US\$ 7,000	8,204	2017
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 10,500	12,306	US\$ 10,500	12,306	2019
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 11,000	12,892	US\$ 11,000	12,892	2020
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 26,000	30,472	US\$ 26,000	30,472	2021
Korea EXIM Bank	PT. Bio Inti Agrindo	US\$ 5,000	5,860	US\$ 5,000	5,860	2022
ING and others	POSCO Assan TST	US\$ 14,653	17,173	US\$ 14,653	17,173	2020
Korea EXIM Bank	Daewoo Power Png Ltd.	US\$ 54,400	63,757	US\$ 14,000	16,408	2025
Shinhan Bank	Yulchon Mexico S. A de C. V.	US\$ 480	563	US\$ -	-	2016
		<u>US\$ 269,031</u>	<u>₩ 315,304</u>	<u>US\$ 190,160</u>	<u>₩ 222,866</u>	

¹Represents payment guarantees for Sherritt International Corp. and Ambatovy Project Investments Ltd. ("APIL") 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 to APIL 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 Note 31).

Investment in DMSA and AMSA (book value: ₩64,125 million) have been pledged as collateral to creditors in connection with the above payment guarantees.

18. Provision for 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 the minimum guaranteed return of 6.5% per annum for 6 months from 4 years after execution of investments. As at December 31, 2015, Devonian PEF's interest in Canada Baptiste Project amounted to ₩109,351 million (US\$93,303 thousand).

An estimated loss ₩14,002 million (\$ 11,947 thousand) was recorded as provisions in relation to the exercise of right in this year.

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 or any successor of FI ("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, 2015 amounts ₩22,854 million (US\$19,500 thousand) and there is no underlying subordinated loan.

The put option of ₩2,337 million (\$1,994 thousand) was recorded as derivative financial liabilities in 2015.

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 funds 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, 2015, the outstanding borrowings amounted to ₩106,652 million (US\$91,000 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 funds for redemption of borrowings from its creditors and related interests. As at December 31, 2015, the outstanding borrowings amounted to ₩68,000 million (US\$58,020 thousand).

19. Capital stock and capital surplus

Issued capital as at December 31, 2015 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. dollar in thousands (Note 2)				\$ 485,820	\$ 284,253

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

Capital surplus as at December 31, 2014 and 2015 are as follows (Korean won in millions, Korean Won for Par Value amount):

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Paid-in capital in excess of par value	₩ 333,145	₩ 333,145	\$ 284,253
Other capital surplus	16	16	14
	₩ 333,161	₩ 333,161	\$ 284,267

20. Accumulated other comprehensive income

Accumulated other comprehensive income comprises 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, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Beginning balance	₩ 29,136	₩ 24,518	\$ 20,920
Changes during the year	(6,092)	(2,765)	(2,359)
Tax effect	1,474	669	570
Ending balance	₩ 24,518	₩ 22,422	\$ 19,131

21. Retained earnings

Retained earnings as at December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Legal reserve ¹	₩ 22,091	₩ 27,785	\$ 23,707
Voluntary reserve ²	1,226,000	1,331,000	1,135,666
Unappropriated	168,766	83,161	70,956
	₩ 1,416,857	₩ 1,441,946	\$ 1,230,329

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. dollar in thousands (Note 2)
	2014	2015	2015
Retained earnings before appropriations:			
Unappropriated retained earnings carried forward from the prior year	₩ 1,714	₩ 1,134	\$ 968
Actuarial loss	(6,369)	177	150
Profit for the year	173,421	81,850	69,838
	168,766	83,161	70,956
Appropriations:			
Legal reserve	5,694	5,694	4,858
Reserve for business expansion	105,000	18,000	15,358
Cash dividends	56,938	56,938	48,582
	167,632	80,632	68,798
Unappropriated retained earnings to be carried forward to the next year	₩ 1,134	₩ 2,529	\$ 2,157

Appropriations approval dates for 2014 and 2015 are March 16, 2015 and March 14, 2016, respectively.

Dividends

Details of dividends declared for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
	Cash dividends	Cash dividends	Cash dividends
Dividends per share (Korean won and U.S. dollar in units) (dividend ratio) (A)	₩ 500 (10%)	₩ 500 (10%)	\$ 0.427 (10%)
Number of shares (B)	113,876,291	113,876,291	113,876,291
Dividends (A x B)	₩ 56,938	₩ 56,938	\$ 48,582

22. Expenses disclosed by the nature

Expenses disclosed by the nature of expense (cost of sales and selling and administrative expense) for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Cost of goods sold	₩ 18,759,278	₩ 15,598,700	\$ 13,309,471
Employee salaries	113,870	104,078	88,804
Depreciation of property, plant and equipment	18,293	18,183	15,515
Amortization of intangible asset	80,274	123,514	105,387
Depreciation of investment properties	1,740	2,908	2,481
Others	617,736	689,035	587,914
	₩ 19,591,191	₩ 16,536,418	\$ 14,109,572

23. Selling and administrative expenses

Details of selling and administrative expenses for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Salaries	₩ 113,870	₩ 104,078	\$ 88,804
Severance benefit	10,832	12,416	10,594
Employee welfare	18,044	24,103	20,566
Travel	8,395	7,869	6,714
Communication	3,668	4,217	3,598
Utilities	4,447	2,059	1,757
Taxes and dues	2,255	3,534	3,015
Rents	12,695	12,116	10,338
Depreciation	8,548	7,840	6,689
Amortization	298	2,628	2,242
Repairs	436	873	745
Insurance	30,955	23,249	19,837
Entertainment	560	391	334
Advertising	2,093	1,822	1,555
Packaging	582	1,753	1,496
Freight	388,617	395,739	337,661
Shipping	32,941	36,684	31,300
Commissions	69,964	102,994	87,879
Bad debt expenses	8,525	43,587	37,190
Supplies	549	434	370
Car maintenance	1,893	1,582	1,350
Printing	340	290	247
Training	1,429	1,618	1,381
Research and development	2,033	4,080	3,481

23. Selling and administrative expenses (cont'd)

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Sales promotion	₩ 6,135	₩ 4,756	\$ 4,058
Exhibition	259	257	219
Samples	298	210	179
Miscellaneous	712	439	375
Conference	233	175	150
	₩ 731,606	₩ 801,793	\$ 684,124

24. Finance income and costs

Details of finance income for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Interest income	41,135	47,456	40,491
Financial guarantee income	1,192	1,219	1,040
Dividends income	23,376	36,960	31,536
Gain on foreign currency transaction	535,915	547,432	467,092
Gain on foreign currency translation	204,905	223,469	190,673
Gain on valuation of derivatives	139,036	115,188	98,283
Gain on settlement of derivatives	246,789	309,450	264,037
	₩ 1,192,348	₩ 1,281,174	US\$ 1,093,152

Details of finance costs for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Loss on disposal of trade accounts receivable	₩ 18,283	₩ 14,082	\$ 12,015
Interest expenses	67,021	50,724	43,280
Financial guarantee expense	1,016	17,960	15,324
Loss on foreign currency transaction	568,521	563,059	480,426
Loss on foreign currency translation	180,901	205,624	175,447
Loss on valuation of derivatives	121,055	179,502	153,159
Loss on settlement of derivatives	256,489	251,669	214,735
	₩ 1,213,286	₩ 1,282,620	\$ 1,094,386

24. Finance income and costs (cont'd)

Details of interest income for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Interest income on cash equivalents	₩ 3,936	₩ 1,961	\$ 1,673
Other interest income	37,199	45,495	38,818
	₩ 41,135	₩ 47,456	\$ 40,491

Details of interest expenses for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Interest on borrowings and bonds	₩ 68,627	₩ 53,783	\$ 45,890
Less: capitalization of borrowing costs	(1,606)	(3,059)	(2,610)
	₩ 67,021	₩ 50,724	\$ 43,280

25. Other income and expenses

Details of other income for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Gain on disposal of investment in subsidiaries and associates	₩ -	₩ 308	\$ 263
Gain on disposal of property, plant and equipment	476	265	226
Gain on disposal of intangible assets	302	-	-
Gain on disposal of disposal groups classified as held for sale	-	618	527
Reversal of allowance for doubtful accounts	3,429	197	168
Reversal of provision for contingencies	7,716	4,058	3,462
Reversal of loss on impairment of disposal groups classified as held for sale	-	136	116
Miscellaneous income	9,834	16,142	13,774
	₩ 21,757	₩ 21,724	\$ 18,536

25. Other income and expenses (cont'd)

Details of other expenses for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Contribution to provisions for restoration	₩ 132	₩ 130	\$ 111
Other bad debt expense	5,817	58,157	49,622
Loss on disposal of property, plant and equipment	146	212	181
Loss on disposal of intangible assets	26	309	264
Loss on impairment of intangible assets	20,173	13,991	11,938
Donations	2,154	1,217	1,038
Contribution to provision for contingencies	5,948	15,947	13,607
Loss on impairment of investments in subsidiaries and associates	3,525	162,110	138,319
Loss on disposal of available-for-sale financial assets	208	-	-
Loss on impairment of available-for-sale financial assets	1,097	498	425
Loss on disposal of subsidiaries and associates	2,843	-	-
Miscellaneous expenses	15,514	21,192	18,081
Loss on impairment of disposal groups classified as held for sale	14,899	-	-
Loss on disposal of disposal groups classified as held for sale	-	27	23
	₩ 72,482	₩ 273,790	\$ 233,609

26. Impairment of financial instrument

Details of impairment of financial instrument for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Bad debt expenses	₩ 8,525	₩ 43,587	\$ 37,190
Other bad debt expenses	5,779	55,093	47,008
Less: reversal of allowance for doubtful accounts	(3,236)	(108)	(92)
Loss on impairment of available-for-sale financial assets	1,097	498	425
	₩ 12,165	₩ 99,070	\$ 84,531

27. Income taxes

The major components of income tax expenses for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Current income taxes	₩ 84,891	₩ 58,653	\$ 50,045
Changes in deferred income tax arising from temporary differences	(3,577)	(48,038)	(40,988)
Changes in deferred income tax arising from tax credit carryforwards	17,000	(1,969)	(1,680)
Income tax charged directly to equity	3,508	613	523
Income tax expense	₩ 101,822	₩ 9,259	\$ 7,900

Reconciliation between income tax expense at the effective income tax rates of the Company and accounting profit before income tax at the Korea statutory tax rate for the years ended December 31, 2014 and 2015 is as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Accounting profit before income tax	₩ 275,243	₩ 91,109	\$ 77,738
Tax at the statutory income tax rate	66,609	21,586	18,418
Adjustments:			
Non-taxable income			
(2014: -, 2015: ₩ 100 million)	-	(24)	(20)
Non-deductible expenses			
(2014: ₩2,965 million, 2015: ₩ 2,290 million)	718	554	473
Effect of deferred income tax not recognized			
(2014: ₩4,096 million, 2015: ₩ (7,220) million)	991	(1,747)	(1,491)
Adjustment on prior year tax from tax audit	29,914	-	-
Tax credits	(4,056)	(4,355)	(3,716)
Others	7,646	(6,755)	(5,764)
Income tax expense	₩ 101,822	₩ 9,259	\$ 7,900
Effective income tax rates	36.99%	10.16%	10.16%

27. Income taxes (cont'd)

Income tax charged directly to equity for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Gain (loss) on valuation of available-for-sale financial assets	₩ 1,474	₩ 669	\$ 571
Re-measurement loss on defined benefit liabilities	2,034	(56)	(48)
	₩ 3,508	₩ 613	\$ 523

Changes in deferred income tax assets and liabilities for the years ended December 31, 2014 and 2015 are as follows (Korean won in millions):

	2014			
Account	January 1	Recognized in profit or loss	Recognized directly to equity	December 31
Gain (loss) 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)
Provisions for severance liability	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 loss	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 expenses	32,190	(16,452)	-	15,737
Debt-for-equity swap	1,812	-	-	1,812
Gain (loss) on foreign currency translation	9	697	-	706
Gain (loss) 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	69	3,508	75,282
Tax credit carryforwards	17,000	(17,000)	-	-
	₩ 88,705	₩ (16,931)	₩ 3,508	₩ 75,282

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27. Income taxes (cont'd)

Account	2015			
	January 1	Recognized in profit or loss	Recognized directly to equity	December 31
Gain (loss) on valuation of derivatives	₩ (4,464)	₩ (548)	₩ -	₩ (5,012)
Loss on impairment of investments	34,267	(23,709)	-	10,558
Investment in subsidiaries and associates	(1,070)	46,293	-	45,223
Provisions for severance liability	13,448	3,462	(56)	16,854
Severance insurance deposits	(11,966)	(1,304)	-	(13,270)
Amortization of present value discount	3,430	(3,430)	-	-
Debt restructuring	(4,646)	579	-	(4,067)
Extraordinary loss	16,492	451	-	16,943
Allowance for doubtful accounts	-	16,469	-	16,469
Depreciation	8,077	8,286	-	16,363
Loss on impairment of property, plant and equipment	15,846	(15,846)	-	-
Capitalized borrowing costs	(30,178)	1,027	-	(29,151)
Accrued expenses	15,737	911	-	16,648
Debt-for-equity swap	1,812	-	-	1,812
Gain (loss) on foreign currency translation	706	228	-	934
Gain (loss) on valuation of available- for-sale financial assets	(7,828)	1	669	(7,158)
Gain on revaluation of property, plant and equipment	(1,853)	1,853	-	-
Financial guarantee liabilities	9	4,235	-	4,244
Borrowings with low interest rates	1,665	200	-	1,865
Forgivable borrowings	7,024	(4,059)	-	2,965
Others	18,774	12,326	-	31,100
	75,282	47,425	613	123,320
Tax credit carryforwards	-	1,969	-	1,969
	₩ 75,282	₩ 49,394	₩ 613	₩ 125,289
U. S. dollar in thousands (Note 2)	\$ 64,233	\$ 42,145	\$ 523	\$ 106,901

28. Earnings per share

Basic earnings per share

Basic earnings per share for the years ended December 31, 2014 and 2015 are calculated as follows (Korean won in millions, except for per share amounts):

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Profit for the year attributable to ordinary equity holders	₩ 173,421	₩ 81,850	\$ 69,838
Weighted average number of ordinary shares outstanding	113,876,291	113,876,291	113,876,291
Basic earnings per share (Korean won and U.S dollar in units)	₩ 1,523	₩ 719	\$ 0.61

Details of weighted average number of ordinary shares outstanding for the years ended December 31, 2014 and 2015 are as follows:

	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
	2015		
	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, 2014 and 2015 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 borrowings, interest bearing borrowings and bonds, less cash and cash equivalents, excluding discontinued operations.

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Total borrowings (A)	₩ 4,469,872	₩ 3,655,442	\$ 3,118,978
Cash and cash equivalents (B)	(86,938)	(83,431)	(71,187)
Net borrowings (A-B)	₩ 4,382,934	₩ 3,572,011	\$ 3,047,791
Total equity (D)	₩ 2,343,917	₩ 2,366,910	\$ 2,019,547
Gearing ratio ((A-B)/D)	187%	151%	151%

Financial instruments by category

Financial assets by category as at December 31, 2014 and 2015 are as follows (Korean won in millions):

	2014			
	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	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

29. Financial instruments (cont'd)

Financial instruments by category (cont'd)

2015					
	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total	
Cash and cash equivalents	₩ -	₩ 83,431	₩ -	₩	83,431
Trade and other receivables	-	3,388,220	-		3,388,220
Other current financial assets	-	1,421	-		1,421
Derivative financial assets	68,868	-	-		68,868
Non-current trade and other receivables	-	551,659	-		551,659
Other non-current financial assets	-	10	100,104		100,114
	₩ 68,868	₩ 4,024,741	₩ 100,104	₩	4,193,713
U. S. dollar in thousands (Note 2)	\$ 58,761	\$ 3,434,079	\$ 85,412	\$	3,578,253

Financial liabilities by category as at December 31, 2014 and 2015 are as follows (Korean won in millions):

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

29. Financial instruments (cont'd)

Financial instruments by category (cont'd)

	2015		
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Trade and other payables	₩ -	₩ 1,166,364	₩ 1,166,364
Borrowings	-	1,833,824	1,833,824
Current portion of bonds	-	349,799	349,799
Derivative financial liabilities	72,560	-	72,560
Non-current trade and other payables	-	31,419	31,419
Long-term borrowings	-	576,855	576,855
Bonds	-	894,963	894,963
	₩ 72,560	₩ 4,853,224	₩ 4,925,784
U. S. dollar in thousands (Note 2)	\$ 61,911	\$ 4,140,976	\$ 4,202,887

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 expenses	₩ -	₩ (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-sale financial assets	-	-	(1,097)	-	-	(1,097)
Finance income (costs):						
Interest income	-	41,135	-	-	-	41,135
Interest expenses	-	-	-	-	(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)

29. Financial instruments (cont'd)

Financial instruments by category (cont'd)

Profit and loss by category of financial instruments for the year ended December 31, 2015 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 expenses	₩ -	₩ (43,587)	₩ -	₩ -	₩ -	₩ (43,587)
Other income (expenses):						
Other bad debt expense	-	(55,093)	-	-	-	(55,093)
Reversal of allowance for doubtful accounts	-	108	-	-	-	108
Loss on impairment of available-for-sale financial assets	-	-	(498)	-	-	(498)
Finance income (cost):						
Interest income	-	47,456	-	-	-	47,456
Interest expenses	-	-	-	-	(50,724)	(50,724)
Dividend income	-	-	608	-	-	608
Gain (loss) on foreign currency translation	-	78,508	-	-	(60,663)	17,845
Gain (loss) on valuation of derivatives	115,188	-	-	(179,502)	-	(64,314)
Gain (loss) on settlement of derivatives	309,450	-	-	(251,669)	-	57,781
Loss on disposal of trade receivables	-	(14,082)	-	-	-	(14,082)
Other comprehensive income	-	-	(2,765)	-	-	(2,765)
	₩ 424,638	₩ 13,310	₩ (2,655)	₩ (431,171)	₩ (111,387)	₩ (107,265)
U. S. dollar in thousands (Note 2)	\$ 362,319	\$ 11,357	\$ (2,266)	\$ (367,893)	\$ (95,040)	\$ (91,523)

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 2014.

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, 2014 and 2015, significant monetary assets and liabilities denominated in major foreign currencies, other than functional currencies are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)	
	2014		2015		2015	
	Asset	Liability	Asset	Liability	Asset	Liability
USD	₩ 4,020,871	₩ 4,066,410	₩ 3,265,582	₩ 3,049,506	\$ 2,786,333	\$ 2,601,968
JPY	173,446	176,487	49,480	46,328	42,218	39,529
EUR	373,838	357,119	428,560	374,830	365,666	319,821

Effects of fluctuation in foreign exchange rates on the Company's functional currency by 10% on profit for the year ended December 31, 2015 are as follow (Korean won in millions):

	Increase by 10%		Decrease by 10%	
USD	₩	21,608	₩	(21,608)
JPY		315		(315)
EUR		5,373		(5,373)

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, 2015, with all other variables remaining constant, a change by 1% point of the floating interest rate on borrowings will have an effect of ₩6,369 million (US\$ 5,434 thousands) 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 to 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 low.

29. Financial instruments (cont'd)

Maximum exposure to credit risk

As at December 31, 2014 and 2015, the maximum exposure to credit risk of the Company is as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Cash and cash equivalents	₩ 86,938	₩ 83,431	\$ 71,187
Trade and other receivables	4,195,547	3,388,220	2,890,973
Other current financial assets	10,931	1,421	1,212
Derivative financial assets	73,598	68,868	58,760
Non-current trade and other receivables	595,070	551,659	470,699
Other non-current financial assets	99,843	100,114	85,422
Financial guarantee contract	433,593	222,866	190,159
	₩ 5,495,520	₩ 4,416,579	\$ 3,768,412

Aging analysis of financial instruments

Aging analysis of non-derivative financial instruments as at December 31, 2015 is as follows (Korean won in millions):

			Past due but not impaired				
	Total	Not past due	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	₩ 83,431	₩ 83,431	₩ -	₩ -	₩ -	₩ -	₩ -
Trade and other receivables	3,388,220	3,061,910	28,078	25,881	20,560	44,189	207,602
Other current financial assets	1,421	1,421	-	-	-	-	-
Non-current trade and other receivables	551,659	551,659	-	-	-	-	-
Other non-current financial assets	100,114	100,114	-	-	-	-	-
	₩ 4,124,845	₩ 3,798,535	₩ 28,078	₩ 25,881	₩ 20,560	₩ 44,189	₩ 207,602
U. S. dollar in thousands (Note 2)	\$ 3,519,492	\$ 3,241,071	\$ 23,956	\$ 22,083	\$ 17,543	\$ 37,704	\$ 177,135

Liquidity risk

The Company establishes short and long-term capital management plans and analyzes and reviews cash flow budgets 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, 2015, 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	₩ 1,166,364	₩ 30,914	₩ 506	₩ 1,197,784
Derivative financial liabilities	72,560	-	-	72,560
Borrowings	1,833,824	259,195	55,687	2,148,706
Bonds	349,799	894,963	-	1,244,762
	₩ 3,422,547	₩ 1,185,072	₩ 56,193	₩ 4,663,812
U. S. dollar in thousands (Note 2)	\$ 2,920,262	\$ 1,011,154	\$ 47,946	\$ 3,979,362

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

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29. Financial instruments (cont'd)

The maximum amount of guarantee that is payable under the financial guarantee agreement as at December 31, 2015 is the same as disclosed in Note 18.

Fair value of financial instruments

Book value and fair value of financial instruments as at December 31, 2014 and 2015 are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)	
	2014		2015		2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Financial assets carried at amortized cost:						
Cash and cash equivalents	₩ 86,938	₩ 86,938	₩ 83,431	₩ 83,431	\$ 71,187	\$ 71,187
Trade and other receivables	4,195,547	4,195,547	3,388,220	3,388,220	2,890,973	2,890,973
Other current financial assets	10,931	10,931	1,421	1,421	1,212	1,212
Non-current trade and other receivables	595,070	595,070	551,659	551,659	470,699	470,699
Other non-current financial assets	11	11	10	10	8	8
	4,888,497	4,888,497	4,024,741	4,024,741	3,434,079	3,434,079
Financial assets carried at fair value:						
Derivative financial assets	73,598	73,598	68,868	68,868	58,761	58,761
Available-for-sale financial assets ¹	61,847	61,847	59,890	59,890	51,101	51,101
	135,445	135,445	128,758	128,758	109,862	109,862
	₩ 5,023,942	₩ 5,023,942	₩ 4,153,499	₩ 4,153,499	\$ 3,543,941	\$ 3,543,941
Financial liabilities						
Financial liability carried at amortized cost:						
Trade and other payables	₩ 1,501,947	₩ 1,501,947	₩ 1,166,364	₩ 1,166,364	\$ 995,191	\$ 995,191
Current portion of borrowings	2,848,717	2,848,717	1,833,824	1,833,824	1,564,696	1,564,696
Current portion of bonds	303,733	303,733	349,799	355,845	298,464	303,623
Non-current trade and other payables	12,084	12,084	31,419	31,419	26,808	26,808
Borrowings	419,509	419,509	576,855	576,855	492,197	492,197
Bonds	897,913	897,913	894,963	912,755	763,620	778,801
	5,983,903	5,983,903	4,853,224	4,877,062	4,140,976	4,161,316
Financial liability carried at fair value:						
Derivative financial liabilities	61,298	61,298	72,560	72,560	61,911	61,911
	61,298	61,298	72,560	72,560	61,911	61,911
	₩ 6,045,201	₩ 6,045,201	₩ 4,925,784	₩ 4,949,622	\$ 4,202,887	\$ 4,223,227

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 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.

30. Fair value measurement (cont'd)

The fair values of financial instruments by fair value hierarchy as at December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Available-for-sale financial assets	₩ 22,450	₩ 86	₩ 37,354	₩ 59,890
Derivative financial assets	-	68,868	-	68,868
Assets for which fair values are disclosed:				
Cash and cash equivalents	-	83,431	-	83,431
Trade and other receivables	-	-	3,388,220	3,388,220
Other current financial assets	-	1,421	-	1,421
Non-current trade and other receivables	-	-	551,659	551,659
Other non-current financial assets	-	10	-	10
Investment properties	-	-	168,679	168,679
Liabilities measured at fair value:				
Derivative financial liabilities	-	72,560	-	72,560
Liabilities for which fair values are disclosed:				
Trade and other payables	-	-	1,166,364	1,166,364
Short-term borrowings	-	1,833,824	-	1,833,824
Current-portion of bonds	-	355,845	-	355,845
Non-current trade and other payables	-	-	31,419	31,419
Long-term borrowings	-	576,855	-	576,855
Bonds	-	912,755	-	912,755

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. These instruments are included in Level 1, mostly are classified into Available-for-sale financial assets which are listed stocks.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. This valuation technique fully makes use of observable market information as possible and internal information at minimum. When every significant variable required for measuring fair value of the instrument is observable, the instrument is classified into Level 2.

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.

When one or more significant variable is not based on observable market information, the instrument is classified into Level 3.

Valuation techniques used to measure fair values of instruments are:

- Quoted prices or dealer price of similar instrument
- Present value discounted by forward exchange rate as of year-end is used for fair value of derivative instrument
- Discounted cash flow and other techniques are used for other instruments

A reasonable approximate value of fair value is used as book values of instruments which are classified into same category with trade and other receivables.

The Group 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 Group used the risk-free interest rate of 1.98% and market risk premium of 8.77% in determining the fair value of available-for-sale financial assets valued at Level 3 hierarchy.

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31. Related party transactions

Significant transactions with related parties for the years ended December 31, 2014 and 2015 and the related account balances outstanding as at December 31, 2014 and 2015 are summarized as follows (Korean won in millions):

	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 Corporation	-	678	678	-	-	-
Brasil Sao Paulo Steel Process	14,616	-	14,616	-	-	-
Myanmar Daewoo Int'l corp.	-	-	-	-	1,117	1,117
Hanjug 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 Waigaogiao 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	-	-	-
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:						
POSCO Asia. Co.,Ltd.	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

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31. Related party transactions (cont'd)

	2015					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	others	Total
Parent company:						
POSCO	₩ 46,450	₩ -	₩ 46,450	₩ 3,372,193	₩ 132,955	₩ 3,505,148
Subsidiaries:						
Daewoo Shanghai Waigaoqiao Co., Ltd.	33,496	-	33,496	8,724	-	8,724
Daewoo Int'l Vietnam Co., Ltd.	6,335	-	6,335	450	2,686	3,136
Daewoo Int'l (America) Corp.	946,191	-	946,191	50,952	-	50,952
Daewoo Int'l (Deutschland) GmbH	356,482	-	356,482	16,079	595	16,674
Daewoo Int'l Japan Corp.	623,035	-	623,035	60,667	538	61,205
Daewoo Int'l Singapore Pte. Ltd.	793,082	-	793,082	4,276	838	5,114
Daewoo Italia S.R.L.	318,034	-	318,034	-	2,181	2,181
Daewoo (China) Co., Ltd.	210,471	-	210,471	3,160	2,812	5,972
Daewoo Textile Fergana LLC	7,025	47	7,072	53,886	-	53,886
Daewoo Textile Bukhara LLC	2,319	-	2,319	22,442	-	22,442
Daewoo Paper Manufacturing Co., Ltd.	906	-	906	-	-	-
Daewoo Int'l Mexico S.A de C.V.	151,151	-	151,151	-	2,768	2,768
Daewoo Int'l Guangzhou Corp.	15,424	-	15,424	-	1,662	1,662
Daewoo Int'l (M) Sdn. Bhd.	127,156	-	127,156	-	2,002	2,002
Daewoo Int'l Shanghai Co., Ltd.	8,673	-	8,673	13	2,719	2,732
Daewoo Int'l India Private Limited	33,095	-	33,095	-	3,090	3,090
Daewoo E&P Canada Corporation	-	879	879	-	-	-
Brasil Sao Paulo Steel Process	12,310	-	12,310	-	-	-
Myanmar Daewoo Int'l corp.	-	-	-	-	1,173	1,173
Hanjung Power Ltd.	1,818	5,738	7,556	-	-	-
PT. Bio Inti Agrindo	2,935	437	3,372	-	-	-
Daewoo Power Png Ltd.	12,892	-	12,892	-	-	-
Daewoo Int'l Australia Holdings Pty, Ltd.	156	-	156	-	-	-
Associates:						
POSCO Mexico Processing Center Holding LLC	164,990	-	164,990	-	-	-
POSCO-ESDC Ltd.	-	101	101	-	1,688	1,688
POSCO IJPC	26,361	-	26,361	2,364	-	2,364
Shanghai Lansheng Daewoo Corporation	11,713	-	11,713	-	728	728
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd	214,521	-	214,521	7,149	-	7,149
General Medicines Co., Ltd.	4,031	364	4,395	-	-	-
Korea LNG Ltd.	-	12,195	12,195	-	-	-
DMSA/AMSA	800	9,493	10,293	241,069	-	241,069
South-East Asia Gas Pipeline Company Limited	-	48,071	48,071	-	-	-
Global Komsco Daewoo LLC	-	-	-	6,532	-	6,532
POSCO Aapc	15,877	-	15,877	-	-	-
Daewoo Global Developemnt PTE. Ltd.	2,312	-	2,312	-	-	-
VNS-Daewoo Co., Ltd.	25,323	-	25,323	-	11	11
PT. Batutua Tembagi Raya	-	-	-	1,280	-	1,280
Others:						
POSCO Asia Co.,Ltd.	4,639	-	4,639	270,258	-	270,258
POSCO-Vietnam	62,092	-	62,092	68,554	-	68,554
POSCO-Thainox	8,362	-	8,362	45,578	-	45,578
POSCO Assan TST	256,335	-	256,335	5,523	-	5,523
Other affiliates of POSCO	787,186	-	787,186	443,643	28,726	472,369
	₩ 5,293,978	₩ 77,325	₩ 5,371,303	₩ 4,684,792	₩ 187,172	₩ 4,871,964
U. S. dollar in thousands (Note 2)	\$ 4,517,046	\$ 65,977	\$ 4,583,023	\$ 3,997,263	\$ 159,703	\$ 4,156,966

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31. Related party transactions (cont'd)

Significant balances outstanding with related parties as at December 31, 2014 and 2015 are summarized as follows (Korean won in millions):

	2014					
	Receivables			Payables		
	Trade receivables	Others	Total	Trade payables	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	3,618
Daewoo Int'l (Deutschland) GmbH	160,692	-	160,692	3,824	26	3,850
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	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. ²	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 El 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 ²	-	18,002	18,002	-	-	-
Brasil Sao Paulo steel process ²	33,361	-	33,361	-	-	-
Myanmar Daewoo Int'l Corp.	-	-	-	-	100	100
Hanjung Power Pty., Ltd ²	6,306	-	6,306	-	-	-
Associate:						
POSCO Mexico Processing Center Holding LLC	27,982	-	27,982	-	-	-
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/AMSA ²	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	-	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 Raya ²	-	34,542	34,542	-	-	-
Others:						
POSCO Asia Co.,Ltd.	-	-	-	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

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31. Related party transactions (cont'd)

	2015					
	Receivables			Payables		
	Trade receivables	Others	Total	Trade payables	Others	Total
Parent company:						
POSCO	₩ -	₩ 58	₩ 58	₩ 139,609	₩ 5,189	₩ 144,798
Subsidiary:						
Daewoo Shanghai Waigaoqiao Co., Ltd.	11,281	-	11,281	-	27	27
Daewoo Int'l Vietnam Co., Ltd.	1,517	229	1,746	-	178	178
Daewoo Int'l (America) Corp.	307,105	308	307,413	4,667	1,752	6,419
Daewoo Int'l (Deutschland) GmbH	152,626	-	152,626	19	73	92
Daewoo Int'l Japan Corp.	118,239	-	118,239	13,778	415	14,193
Daewoo Int'l Singapore Pte. Ltd.	108,075	-	108,075	-	102	102
Daewoo Italia S.R.L.	115,325	-	115,325	-	199	199
Daewoo (China) Co., Ltd.	22,079	347	22,426	-	236	236
Daewoo Textile Fergana LLC ²	5,048	11,408	16,456	1,463	18	1,481
Daewoo Textile Bukhara LLC	2,355	2,237	4,592	-	126	126
Daewoo Paper Manufacturing Co., Ltd. ²	15,408	8,228	23,636	-	36	36
Daewoo Int'l Mexico S.A de C.V.	59,200	-	59,200	-	324	324
Daewoo Int'l Guangzhou Corp.	4,165	-	4,165	-	144	144
Daewoo Int'l (M) Sdn. Bhd.	46,733	-	46,733	-	977	977
Daewoo Int'l Shanghai Co., Ltd.	6,282	7	6,289	-	213	213
Daewoo Int'l India Private Limited	21,261	51	21,312	-	237	237
Daewoo E&P Canada Corporation ²	-	17,585	17,585	-	-	-
Brasil Sao Paulo steel process ²	31,286	35,196	66,482	-	-	-
Myanmar Daewoo Int'l Corp.	-	-	-	-	184	184
Hanjung Power Pty., Ltd. ²	-	15,068	15,068	-	785	785
PT. Bio Inti Agrindo ²	2,348	29,421	31,769	-	708	708
Daewoo Power PNG Ltd.	4,132	1,021	5,153	-	978	978
Daewoo Int'l Australia Holdings Pty. Ltd.	43	-	43	-	-	-
Associate:						
POSCO Mexico Processing Center Holding LLC	48,759	-	48,759	-	-	-
POSCO IJPC	15,566	-	15,566	1	-	1
Shanghai Lansheng Daewoo Corporation	5,122	-	5,122	-	581	581
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	101,806	-	101,806	921	-	921
General Medicines Co., Ltd.	1,768	13	1,781	-	70	70
Korea LNG Ltd	-	727	727	-	-	-
DMSA/AMSA ²	-	107,247	107,247	-	-	-
KG Power (M) Sdn. Bhd.	2,339	-	2,339	-	-	-
South-East Asia Gas Pipeline Company Limited ²	-	283,954	283,954	-	-	-
Global Komsco Daewoo LLC	-	569	569	-	45	45
POSCO Aapc	411	-	411	-	-	-
Daewoo Global Development PTE. Ltd.	-	2,344	2,344	-	-	-
Korea Siberia Wood CJSC	-	2,190	2,190	-	-	-
PT. Batutua Tembaga Raya ²	-	36,830	36,830	-	-	-
Others:						
POSCO Asia Co.,Ltd.	-	-	-	105,345	-	105,345
POSCO-Vietnam	37,666	-	37,666	101	-	101
POSCO-Thainox	983	-	983	6,555	-	6,555
POSCO Assan TST	134,943	251	135,194	254	242	496
Other affiliates of POSCO	208,102	74	208,176	17,703	9,961	27,664
	₩ 1,591,973	₩ 555,363	₩ 2,147,336	₩ 290,416	₩ 23,800	₩ 314,216
U. S. dollar in thousands (Note 2)	\$ 1,358,339	\$ 473,859	\$ 1,832,198	\$ 247,795	\$ 20,307	\$ 268,102

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31. Related party transactions (cont'd)

¹ A provision for the trade receivable amounts to ₩24,659 million as at December 31, 2015.

² During the year ended December 31, 2015, changes in loan investment included the above other receivables as follows:

	Jan. 1, 2015	Increase ¹	Decrease	Transfer to equity	Foreign exchange translation and others	Dec. 31, 2015
Daewoo E&P Canada Corporation	₩ 17,189	₩ 1,656	₩ -	₩ -	₩ (1,903)	₩ 16,942
DMSA/AMSA	140,544	21,953	-	(72,430)	9,788	99,855
South-east Asia Gas Pipeline Company Limited	295,352	8,917	(40,403)	-	20,087	283,953
Hanjung Power Pty., Ltd	-	9,873	-	-	675	10,548
PT. Bio Inti Agrindo	-	27,186	-	-	1,387	28,573
PT. Batutua Tembaga Raya	34,542	-	-	-	2,288	36,830
Daewoo Textile Fergana LLC	2,073	-	(1,179)	-	(157)	737
Daewoo Paper Manufacturing Co., Ltd.	1,099	-	-	-	73	1,172
Brasil Sao Paulo steel process	-	33,759	-	-	1,401	35,160
	₩ 490,799	₩ 103,344	₩ (41,582)	₩ (72,430)	₩ 33,639	₩ 513,770
U. S. dollar in thousands (Note 2)	\$ 418,770	\$ 88,177	\$ (35,479)	\$ (61,800)	\$ 28,702	\$ 438,370

¹ Include capitalized interest

Key management personnel compensation

Compensations for key management personnel for the years ended December 31, 2014 and 2015 are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2014	2015	2015
Salaries	₩ 8,421	₩ 11,428	\$ 9,751
Long-term employee benefits	27	695	593
Severance benefits	2,711	1,448	1,235
	₩ 11,159	₩ 13,571	\$ 11,579

31. Related party transactions (cont'd)

Guarantees provided to related parties

Guarantees provided to related parties as at December 31, 2014 and 2015 are as follows (Korean won in millions):

	Limit amount		Outstanding balance	
	2014	2015	2014	2015
Subsidiaries:				
Daewoo Paper Manufacturing Co., Ltd.	₩ 13,740	₩ 14,650	₩ 13,740	₩ 14,650
Daewoo Textile Bukhara LLC	17,587	14,064	17,587	14,064
Daewoo International Mexico S.A. de C.V.	32,976	-	21,984	-
PT. Bio Inti Agrindo	61,554	69,734	61,554	69,734
Brasil Saopaulo Steel Processing Center	57,158	-	37,396	-
Daewoo Int'l India Private Limited	53,610	23,440	26,434	10,313
Daewoo Power PNG Ltd.	-	63,757	-	16,408
Associates:				
DMSA/AMSA	181,515	-	153,888	-
Global Komsco Daewoo LLC	12,214	9,639	9,040	9,639
Yulchon Mexico S. A De C. V.	-	563	-	-
Other related parties:				
POSCO Assan TST	20,708	17,173	20,708	17,173
	₩ 451,062	₩ 213,020	₩ 362,331	₩ 151,981
U. S. dollar in thousands (Note 2)	\$ 384,865	\$ 181,758	\$ 309,156	\$ 129,677

32. 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 fully transfer Daewoo Department Store located in Changwon. The sales transaction has been closed as at June 30, 2015.

As at December 31, 2014, the assets and liabilities of the Daewoo Department Store classified as held for sale are as follows:

	Korean won in millions			U.S. dollar in thousands (Note 2)
	Book value before the reclassification	Loss on impairment	Book value	Book value
Assets:				
Quick assets	₩ 26,108	₩ -	₩ 26,108	\$ 22,276
Inventories	799	-	799	682
Investment properties	24,261	(4,017)	20,244	17,273
Property, plant and equipment	65,685	(10,882)	54,803	46,760
Other assets	961	-	961	820
	<u>117,814</u>	<u>(14,899)</u>	<u>102,915</u>	<u>87,811</u>
Liabilities:				
Trade and other payables	13,044	-	13,044	11,130
Long-term guarantee deposits received	9,056	-	9,056	7,727
Other liabilities	1,915	-	1,915	1,634
	<u>24,015</u>	<u>-</u>	<u>24,015</u>	<u>20,491</u>
Net assets	<u>₩ 93,799</u>	<u>₩ (14,899)</u>	<u>₩ 78,900</u>	<u>\$ 67,321</u>