DOOSAN BOBCAT INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
ATTACHMENT: INDEPENDENT AUDITORS' REPORT

DOOSAN BOBCAT INC. AND SUBSIDIARIES

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Independent Auditors' Report

To the Shareholders and the Board of Directors of
Doosan Bobcat Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Doosan Bobcat Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, respectively, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2016 and 2015, respectively, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, respectively, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, respectively, in accordance with K-IFRS.

Deloitte Anjin LLC

March 22, 2017

Notice to Readers

This report is effective as of March 22, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modification to the auditors' report.

DOOSAN BOBCAT INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Scott Park and Jong Seon Kim
Chief Executive Officers
Doosan Bobcat Inc.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015
(In U.S. dollars)

ASSETS	Notes	December 31, 2016	December 31, 2015
CURRENT ASSETS:			
Cash and cash equivalents	2 and 4	$300,909,879	$358,741,273
Short-term financial instruments	2, 4 and 8	474,423	129,553
Trade and other receivables, less allowance for doubtful accounts	2, 3, 4, 5, 8 and 28	340,172,192	341,731,479
Inventories	2 and 6	579,885,090	669,776,574
Derivative assets	2, 4, 7 and 8	2,969,989	2,022,376
Other current assets		40,730,743	28,733,569
Total Current Assets		1,265,142,316	1,401,134,824
NON-CURRENT ASSETS:			
Long-term trade and other receivables, less allowance for doubtful accounts	2, 3, 4, 5, 8 and 28	4,011,134	2,136,704
Long-term financial assets	2, 4 and 8	82,752	85,324
Property, plant and equipment, net	2, 3 and 9	370,002,821	365,757,367
Intangible assets, net	2, 3 and 10	3,500,339,230	3,548,521,146
Deferred tax assets	2, 3 and 25	71,902,486	88,986,869
Other non-current assets	8	23,163,038	24,206,526
Total Non-current Assets		3,969,501,461	4,029,693,936
TOTAL ASSETS		$5,234,643,777	$5,430,828,760

(Continued)

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2016	December 31, 2015
CURRENT LIABILITIES:			
Trade and other payables	2, 4, 8, 11 and 28	$442,804,398	$540,336,360
Short-term borrowings	2, 4, 8 and 12	-	22,250,007
Current portion of long-term borrowings	2, 4, 8, 9 and 12	13,000,000	13,000,000
Income tax payable	2 and 25	8,613,109	1,014,790
Derivative liabilities	2, 7 and 8	349,495	123,575
Provisions	2, 3 and 14	81,767,798	64,734,667
Other current liabilities		64,436,573	71,681,007
Total Current Liabilities		610,971,373	713,140,406
NON-CURRENT LIABILITIES:			
Other non-current payables	4, 8, 11 and 28	1,026,897	1,510,152
Long-term borrowings	2, 4, 8, 9, 12, 27 and 28	1,320,999,499	1,547,031,120
Retirement benefit obligation	2 and 13	389,552,612	405,158,525
Deferred income tax liabilities	2 and 25	63,745,283	4,018,242
Non-current provisions	2, 3 and 14	39,856,870	34,594,561
Other non-current liabilities		34,938,873	58,601,282
Total Non-current Liabilities		1,850,120,034	2,050,913,882
Total Liabilities		2,461,091,407	2,764,054,288
EQUITY:			
Capital stock	1 and 15	43,095,528	47,146
Capital surplus	15	2,786,003,529	2,299,116,370
Other equity item	16	(178,407,620)	7,700,021
Accumulated other comprehensive loss	17	(418,921,616)	(361,765,092)
Retained earnings	18	541,782,549	395,152,480
Equity attributable to owners of the Company		2,773,552,370	2,340,250,925
Non-controlling interests		-	326,523,547
Total Equity		2,773,552,370	2,666,774,472
TOTAL LIABILITIES AND EQUITY		$5,234,643,777	$5,430,828,760

(Concluded)

See accompanying notes to consolidated financial statements.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

	Notes	2016	2015
SALES	2, 19, 20 and 28	$3,403,644,148	$3,571,178,017
COST OF SALES	2, 6, 9, 10, 13, 21 and 28	(2,645,344,104)	(2,812,751,560)
GROSS PROFIT		758,300,044	758,426,457
Selling and administrative expenses	5, 8, 9, 10, 13, 21 and 22	(401,552,042)	(417,661,102)
OPERATING INCOME		356,748,002	340,765,355
Finance income	7, 8 and 23	35,361,840	58,031,761
Finance expenses	7, 8 and 23	(127,671,030)	(149,272,975)
Other non-operating income	24	29,313,005	40,888,058
Other non-operating expenses	5, 8 and 24	(47,731,073)	(31,862,238)
INCOME BEFORE INCOME TAX EXPENSE		246,020,744	258,549,961
INCOME TAX EXPENSE	2 and 25	(90,630,221)	(127,631,716)
NET INCOME:		$155,390,523	$130,918,245
Attributable to:			
Owners of the Parent		$145,561,128	$120,926,555
Non-controlling interests		$9,829,395	$9,991,690
EARNINGS PER SHARE:	2 and 26		
Basic		$1.80	$1.31
Diluted		$1.53	$1.31

See accompanying notes to consolidated financial statements.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In U.S. dollars)

	2016	2015
NET INCOME	$155,390,523	$130,918,245
OTHER COMPREHENSIVE LOSS:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurement of net defined benefit liabilities	(843,657)	18,488,056
Revaluation and disposal of property, plant and equipment	-	2,681,348
Items reclassified subsequently to profit or loss:		
Loss on translation of foreign operations	(47,378,794)	(207,593,431)
Gain on valuation of derivatives	356,209	1,140,767
TOTAL COMPREHENSIVE INCOME(LOSS)	$107,524,281	$(54,365,015)
Attributable to:		
Owners of the parent	$89,473,545	$(18,586,658)
Non-controlling interests	$18,050,736	$(35,778,357)

See accompanying notes to consolidated financial statements.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

	Capital stock	Capital surplus	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings	Owners of the Company	Non-controlling interests	Total
Balance at January 1, 2015	$46,781	$2,605,162,683	$-	$(206,662,896)	$14,957,990	$2,413,504,558	$362,936,996	$2,776,441,554
Total comprehensive income (loss):								
Net income	-	-	-	-	120,926,555	120,926,555	9,991,690	130,918,245
Remeasurements of net defined benefit liabilities	-	-	-	-	15,588,983	15,588,983	2,899,073	18,488,056
Revaluation and disposal of property, plant and equipment	-	-	-	2,370,389	-	2,370,389	310,959	2,681,348
Gain on valuation of derivatives	-	-	-	892,888	-	892,888	247,879	1,140,767
Loss on translation of foreign operations	-	-	-	(220,912,714)	-	(220,912,714)	(49,227,958)	(270,140,672)
Subtotal	-	-	-	(217,649,437)	136,515,538	(81,133,899)	(35,778,357)	(116,912,256)
Capital transactions with shareholders:								
Equity transactions amongst subsidiaries	-	-	7,700,021	-	-	7,700,021	(635,092)	7,064,929
Transferred to retained earnings	-	(258,233,533)	-	-	258,233,533	-	-	-
Interim dividend	-	-	-	-	(14,554,581)	(14,554,581)	-	(14,554,581)
Stock redemption	(10,061)	-	(569,255,123)	-	-	(569,265,184)	-	(569,265,184)
Increased paid-in convertible preferred stock	10,426	583,989,584	-	-	-	584,000,010	-	584,000,010
Capitalization of losses on capital reduction	-	(631,802,364)	569,255,123	62,547,241	-	-		-
Subtotal	365	(306,046,313)	7,700,021	62,547,241	243,678,952	7,880,266	(635,092)	7,245,174
Balance at December 31, 2015	$47,146	$2,299,116,370	$7,700,021	$(361,765,092)	$395,152,480	$2,340,250,925	$326,523,547	$2,666,774,472
Balance at January 1, 2016	$47,146	$2,299,116,370	$7,700,021	$(361,765,092)	$395,152,480	$2,340,250,925	$326,523,547	$2,666,774,472
Total comprehensive income (loss):								
Net income	-	-	-	-	145,561,128	145,561,128	9,829,395	155,390,523
Remeasurement of net defined benefit liabilities	-	-	-	-	1,068,941	1,068,941	(1,912,598)	(843,657)
Gain (loss) on valuation of derivatives	-	-	-	537,341	-	537,341	(181,132)	356,209
Gain on translation of foreign operations	-	-	-	(61,489,222)	-	(61,489,222)	10,315,071	(51,174,151)
Subtotal	-	-	-	(60,951,881)	146,630,069	85,678,188	18,050,736	103,728,924
Capital transactions with shareholders:								
Ordinary shares issued in kind	5,820	530,299,087	(186,107,641)	-	-	344,197,266	(344,574,283)	(377,017)
Free issue of new shares	42,971,166	(47,385,589)	-	3,795,357	-	(619,066)	-	(619,066)
Issue of new shares	71,396	3,973,661	-	-	-	4,045,057	-	4,045,057
Subtotal	43,048,382	486,887,159	(186,107,641)	3,795,357	-	347,623,257	(344,574,283)	3,048,974`
Balance at December 31, 2016	$43,095,528	$2,786,003,529	$(178,407,620)	$(418,921,616)	$541,782,549	$2,773,552,370	$-	$2,773,552,370

See accompanying notes to consolidated financial statements.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations:	29	$362,189,275	$375,021,548
Net income		155,390,523	130,918,245
Adjustments		318,537,612	337,864,753
Changes in operating assets and liabilities		(111,738,860)	(93,761,450)
Interest received		1,942,366	3,138,811
Interest paid		(74,905,820)	(77,493,109)
Income tax paid		(18,696,783)	(8,840,802)
Net Cash Provided by Operating Activities		270,529,038	291,826,448
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities:			
Decrease in short-term financial assets		-	4,071,542
Decrease in loans		731,648	1,319,512
Disposal of property, plant and equipment		895,750	3,449,434
Increase in government grants		-	1,853,914
Disposal of business		-	123,776,775
Subtotal		1,627,398	134,471,177
Cash outflows for investing activities:			
Increase in short-term financial instruments		344,875	-
Acquisition of long-term financial assets		-	85,324
Acquisition of property, plant and equipment		43,373,122	50,087,424
Acquisition of intangible assets		32,438,882	29,033,589
Combination of business		-	109,175,760
Subtotal		(76,156,879)	(188,382,097)
Net Cash Used in Investing Activities		(74,529,481)	(53,910,920)

(Continued)

DOOSAN BOBCAT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Increase in borrowings	$-	$2,582,579
Issuing of convertible preferred shares	-	584,000,010
Issuing of new shares	4,045,057	-
Subtotal	4,045,057	586,582,589
Cash outflows for financing activities:		
Repayment of borrowings	253,586,216	13,000,000
Interim dividend	-	14,554,581
Stock redemption	-	569,265,184
Relevant cost of free issue of new shares	619,066	-
Relevant cost of investment in kind	377,017	-
Subtotal	(254,582,299)	(596,819,765)
Net Cash Provided by (Used in) Financing Activities	(250,537,242)	(10,237,176)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,293,709)	(23,140,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,831,394)	204,538,238
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	358,741,273	154,203,035
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$300,909,879	$358,741,273

(Concluded)

See accompanying notes to consolidated financial statements.

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In U.S. dollars)

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS:

(1) Parent company

Doosan Bobcat Inc. (formerly, Doosan Infracore Bobcat Holdings Co., Ltd.) (“DBI” or the “Parent”), together with its subsidiaries (collectively, the “Company”), is a leading construction equipment (“CE”) manufacturer and distributor, with a global business network in North America, Australia, Europe, Asia, Latin America, the Middle East and Africa.

The Company was incorporated in the Republic of Korea on April 25, 2014, as a wholly owned subsidiary of Doosan Infracore Co. Ltd. (“DI”), with 88.4% and 78.3% controlling equity interests of Doosan Infracore International, Inc. (“DII”), whose primary operation is in North America, and Doosan Holdings Europe Ltd. (“DHEL”), whose primary operation is in Europe, respectively. Prior to the incorporation of the Company, the controlling interests of DII and DHEL were directly owned by DI. All non-controlling interests of DII and DHEL were owned by Doosan Engine Co., Ltd. (“DE”). On June 7, 2016, the Company acquired all non-controlling interests of DII and DHEL from DE in order to improve the corporate governance.

On April 1, 2015, the Company acquired certain CE and portable power businesses in Asia and Latin America from DI for $118,684 thousand and sold certain assets and liabilities for heavy equipment business in Asia to DI for $12,545 thousand. The Company placed most of acquired businesses under Doosan International South East Asia Pte. Ltd. (“DISEA”), a direct subsidiary of the Company. On June 30, 2016, DII was merged into Clark Equipment Company ("CEC"), and CEC took the role of holdings of subsidiaries whose primary operation is in North America from DII. As a result, as of December 31, 2016, the Company owned all equity interests of CEC, DHEL and DISEA. On November 18, 2016, the Company was newly listed on the securities market established by the Korea Stock Exchange.

As of December 31, 2016, Company shareholders’ respective percentage of ownership is as follows:

Name of shareholder	Number of shares owned	Percentages of ownership (%)
DI	59,476,250	59.33%
DE (*)	10,578,070	10.55%
Others	30,194,846	30.12%
	100,249,166	100.00%

(*) In 2016, DE became the Company's shareholder due to the issuance of the Company's shares in exchange for shares of DII and DHEL owned by DE.

(2) Consolidated subsidiaries

1) DBI's consolidated subsidiaries as of December 31, 2016 and 2015, are as follows:

Subsidiaries	Type of business	Location	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Financial closing date
CEC (*1)	Manufacturing and sales	USA	100.00	88.41	December 31
CEC's subsidiaries:					
Bobcat Equipment Ltd.	Sales	Canada	100.00	100.00	December 31
Doosan International Australia Pty Ltd.	Sales	Australia	100.00	100.00	December 31
DHEL:	Holdings	Ireland	100.00	78.27	December 31
DHEL's subsidiaries					
Doosan Holdings International Ltd.(*2)	Holdings	Ireland	-	100.00	December 31
Doosan Infracore Europe S.A.	Sales	Belgium	100.00	100.00	December 31
Bobcat Bensheim GmbH	Sales	Germany	100.00	100.00	December 31
Doosan Holdings France S.A.S.	Holdings	France	100.00	100.00	December 31
Doosan Techno Holding Co., Ltd. (Ireland)	Management	Ireland	100.00	100.00	December 31
Doosan Benelux SA	Sales	Belgium	100.00	100.00	December 31
Doosan International Italia S.r.L.	Sales	Italy	100.00	100.00	December 31
CJSC Doosan International Russia	Sales	Russia	100.00	100.00	December 31
Doosan International UK Ltd.	Sales	England	100.00	100.00	December 31
Doosan Infracore Portable Power (Shanghai) Co., Ltd. (*3)	Sales	China	-	100.00	December 31
Doosan International China Co., Ltd. (*3)	Sales	China	-	100.00	December 31
Doosan International Manufacturing China Co., Ltd. (*4)	Sales	China	-	100.00	December 31
Doosan International South Africa Ltd.	Sales	South Africa	100.00	100.00	December 31
Doosan Bobcat EMEA s.r.o. (*5)	Manufacturing and sales	Czech	100.00	100.00	December 31
Doosan Bobcat Engineering s.r.o.	Research and development	Czech	100.00	100.00	December 31
Doosan Trading Ltd.	Shared service	Ireland	100.00	100.00	December 31
Bobcat Lyon SAS	Sales	France	100.00	100.00	December 31
Bobcat France S.A.	Manufacturing	France	100.00	100.00	December 31
Geith International Ltd.	Sales	Ireland	100.00	100.00	December 31
Doosan International Luxemburg	Management	Luxemburg	100.00	100.00	December 31
DISEA:	Holdings	Singapore	100.00	100.00	December 31
DISEA's subsidiaries					
Doosan Infracore Bobcat Korea Co., Ltd.	Sales	Korea	100.00	100.00	December 31
Doosan Bobcat Chile Compact SpA	Sales	Chile	100.00	100.00	December 31
Doosan Infracore Suzhou Co., Ltd.	Manufacturing and sales	China	100.00	100.00	December 31
Doosan Infracore India Private Ltd.	Manufacturing and sales	India	100.00	100.00	March 31
Bobcat Corp.	Sales	Japan	100.00	100.00	December 31
Doosan International Mexico S.A. de C.V.	Other service	Mexico	100.00	100.00	December 31

(*1) For the year ended December 31, 2016, DII was merged into CEC, and CEC took the role of holdings from DII.

(*2) For the year ended December 31, 2016, Doosan Holdings International Ltd. was merged into DHEL.

(*3) For the year ended December 31, 2016, Doosan Infracore Portable Power (Shanghai) Co., Ltd. and Doosan International China Co., Ltd. were merged into Doosan Infracore Suzhou Co., Ltd.

(*4) For the year ended December 31, 2016, Doosan International Manufacturing China Co., Ltd. was liquidated.

(*5) For the year ended December 31, 2016, its name was changed from Doosan Bobcat Manufacturing s.r.o to Doosan Bobcat EMEA s.r.o.

2) As of December 31, 2016, condensed financial information of significant consolidated subsidiaries is as follows (in thousands of U.S. dollars):

As of December 31, 2016					
Subsidiaries	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
CEC	$5,791,735	$3,102,163	$2,401,467	$178,909	$170,511
Bobcat Equipment Ltd.	86,999	39,468	151,753	461	1,381
DHEL	3,741,671	1,657,781	-	52,644	49,752
Doosan Infracore Europe S.A.	39,766	15,461	76,915	(6,885)	(7,815)
Bobcat Bensheim GmbH	124,297	50,252	108,923	(674)	(3,930)
Doosan Holdings France S.A.S.	61,560	54,985	-	(4,969)	(3,614)
Doosan Techno Holding Co., Ltd. (Ireland)	560,725	397,209	-	(1,010)	(7,810)
Doosan Benelux SA	519,202	325,998	950,400	211,411	199,614
Doosan Bobcat EMEA s.r.o.	604,687	504,731	211,140	46,762	42,977
Doosan Trading Ltd.	230,980	2,805	-	859	(8,658)
Bobcat Lyon SAS	11,094	8,491	45,270	272	177
Bobcat France S.A.	36,152	14,920	80,375	2,286	1,339
Doosan International Luxemburg	667,116	537,672	39,589	3,924	(1,516)
DISEA	120,389	24,625	-	1,099	1,099
Doosan Infracore Bobcat Korea Co., Ltd.	72,072	66,218	103,113	(436)	(529)
Doosan Infracore Suzhou Co., Ltd.	76,995	51,374	27,606	(2,062)	9,147
Doosan Infracore India Private Ltd.	49,436	20,863	50,815	3,918	3,315

3) As of December 31, 2016 and 2015, non-controlling interests in subsidiaries having a material impact on DBI are as follows (in thousands of U.S. dollars):

	As of December 31, 2016		
Subsidiaries	Net income allocated to non-controlling interests	Non-controlling interests	Dividends allocated to non-controlling interests
CEC and subsidiaries	$8,960	$-	$-
DHEL and subsidiaries	$869	$-	$-

	As of December 31, 2015		
Subsidiaries	Net income (loss) allocated to non-controlling interests	Non-controlling interests	Dividends allocated to non-controlling interests
DII and subsidiaries	$23,511	$283,900	$-
DHEL and subsidiaries	$(13,519)	$42,624	$-

(3) Changes in the scope of consolidation

Changes in the scope of consolidation for the year ended December 31, 2016, are as follows:

Subsidiary	Change	Description
DII	Excluded	Merged with other subsidiary
Doosan Holdings International Ltd.	Excluded	Merged with other subsidiary
Doosan Infracore Portable Power (Shanghai) Co., Ltd.	Excluded	Merged with other subsidiary
Doosan International China Co., Ltd.	Excluded	Merged with other subsidiary
Doosan International Manufacturing China Co., Ltd.	Excluded	Liquidation

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

Subsidiary	Change	Description
Doosan Infracore Bobcat Korea Co., Ltd.	Included	Newly established
Doosan Bobcat Chile Compact SpA	Included	Newly established
Doosan Infracore Suzhou Co., Ltd.	Included	Acquired under common control
Doosan Infracore India Private Ltd.	Included	Acquired under common control
Bobcat Corp.	Included	Acquired under common control
Doosan International Mexico S.A. de C.V.	Included	Acquired under common control
Montabert	Excluded	Disposal
Doosan International Portable Power of Netherlands BV	Excluded	Disposal

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in U.S. dollars and prepares consolidated financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRSs").

(1) Basis of preparation

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

1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to K-IFRSs, and new interpretations were issued that are mandatorily effective for accounting periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1001 – *Presentation of Financial Statements*

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments also require separate disclosure of the share of other comprehensive income of associates and joint ventures accounted for using that equity method that will or will not be reclassified subsequently to profit or loss. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

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

The amendments to K-IFRS 1016 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Amendments to K-IFRS 1038 – *Intangible Assets*

The amendments to K-IFRS 1038 do not allow the presumption that revenue is an appropriate basis for the amortization of intangible assets; the presumption can only be limited when an intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Amendments to K-IFRS 1110 – *Consolidated Financial Statements*, K-IFRS 1112 – *Disclosure of Interests in Other Entities* and K-IFRS 1028 – *Investment in Associates*

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or the joint venture used for its subsidiaries. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Amendments to K-IFRS 1111 – *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 Business Combinations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

Annual Improvements to K-IFRS 2012-2014 Cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 Financial Instruments: Disclosures, K-IFRS 1019 Employee Benefits, and K-IFRS 1034 Interim Financial Reporting. The application of these amendments has no significant impact on the disclosure in the Company's consolidated financial statements.

2) New and revised K-IFRSs in issue, but not yet effective

The Company has not applied the following new and revised standards and interpretations that have been issued, but are not yet effective:

Amendments to K-IFRS 1109 – *Financial Instruments*

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

Based on an analysis of the Company's financial instruments as of December 31, 2016, on the basis of the facts and circumstances that exist at that date, the Company has performed a preliminary assessment of the impact of the K-IFRS 1109 on the Company's consolidated financial statements as follows:

1. Classification and measurement of financial assets

With respect to the classification and measurement, K-IFRS 1109 requires more strict criteria, compared to K-IFRS 1039, for classifying as carried at amortized cost or fair value through other comprehensive income financial assets. At the date of initial application of K-IFRS 1109, as a result, the Company anticipates higher volatility in profit or loss due to the classification of some financial assets to ‘financial assets at fair value through profit or loss (“FVTPL”)’ under K-IFRS 1109.

As of December 31, 2016, the Company’s financial assets consist mainly of loans and receivables amounting to USD 346,401 thousand, financial assets at FVTPL amounting to USD 1,476 thousand and available-for-sale (“AFS”) financial assets amounting to USD 83 thousand.

2. Classification and measurement of financial liabilities

As of December 31, 2016, all financial liabilities that are within the scope of K-IFRS 1109 are designated as amortized cost. According to the preliminary assessment of potential impact of K-IFRS 1109, the Company does not anticipate that the application of the classification and measurement under K-IFRS 1109 will not have a significant impact on the Company’s consolidated financial statements.

3. Impairment: financial assets and contract assets

The new impairment requirements in K-IFRS 1109 are based on an impairment model and replace the K-IFRS 1039 incurred loss model. The expected credit loss model applies to debt instruments recorded at amortized cost or at fair value through other comprehensive income, plus lease receivables, contract assets, loan commitment and financial guarantee contracts. The amount of expected credit loss recognized as a loss allowance is updated at each reporting date to reflect changes in credit risk since initial recognition.

As of December 31, 2016, the Company’s debt instruments recorded at amortized cost amounting to USD 346,401 thousand and its allowance for credit loss amounting to USD 21,148 thousand are recorded.

The Company has measured a loss allowance for account receivables with significant financial elements in the amount equivalent to the expected credit loss impairment and performed a preliminary assessment of the impact by using a simple method where credit risk is not counted if it is low as of the end of the reporting date. According to the assessment, as of December 31, 2016, the Company's loss allowance has been expected to increase by USD 519 thousand from USD 21,148 thousand to USD 21,667 thousand.

As facts and circumstances applied to the above assessment may change as more detailed information is obtained by managements during the period leading up to the initial date of application of the standard, which is expected to be January 1, 2018, the assessment of the potential impact is subject to change.

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

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

Based on an analysis of the Company's revenue from contracts with customers as of December 31, 2016, on the basis of the facts and circumstances that exist at that date, the Company has performed a preliminary assessment of the impact of the K-IFRS 1115 to the Company's consolidated financial statements as follows:

1. Sales-related warranties

As regard to the sales-related warranties, the Company is still in the process of allocating transaction price to each remaining performance obligation in the sales-related warranty contract, and it is not practicable to provide a reasonable financial estimate of the effect until the Company's management completes the detailed review. Meanwhile, As of December 31, 2016, the Company's warranty provision for product quality amounting to USD 69,044 thousand is recorded.

As facts and circumstances applied to the above assessment may change as more detailed information is obtained by managements during the period leading up to the initial date of application of the standard, which is expected to be January 1, 2018, the assessment of the potential impact is subject to change.

Amendments to K-IFRS 1102 - *Share-based Payment*
The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment; 2) Share-based payment transaction in which the Company settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety (it otherwise would be classified as equity-settled without the net settlement feature); and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1007 – *Statement of Cash Flows*

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1012 – *Income Taxes*

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use, and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

(2) Consolidation

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

1) Subsidiaries

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

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

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

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

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

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

2) Investments in joint ventures and associates

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

The carrying amount of the investments contains goodwill arising from the acquisition and is presented at the amount, less accumulated impairment losses.

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

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

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

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

(3) Foreign currency translation

1) Functional currency and presentation currency

The Company's consolidated financial statements are presented in the currency of the primary economic environment in which the subsidiaries operate (their functional currencies). The presentation currency for the consolidated financial statements of the Company is the U.S. dollar.

2) Foreign currency transaction and translation of balance

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

3) Translation of foreign operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations having functional currencies different from the Company's presentation currency are translated in presentation currency of the Company using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(4) Cash and cash equivalents

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

(5) Financial assets

1) Classification of financial assets

Financial assets are classified into the following specified categories: ‘financial assets at FVTPL’, ‘loans and receivables,’ ‘AFS financial assets’ and ‘held-to-maturity investments.’ The classification depends on the nature and purpose of the financial assets, and is determined at the time of initial recognition.

a) Financial assets at FVTPL

Financial assets at FVTPL include financial assets classified as held-for-trading financial assets and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as held-for-trading financial asset if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets, including an embedded derivative separated from the host contract and accounted for as derivative, are classified as held-for-trading financial assets, unless they are designated as effective hedging instruments. These categories of assets are classified as current assets or non-current assets depending on the timing of settlement.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, which have maturities of more than 12 months from the end of the reporting period, are classified as non-current assets. Otherwise, they are classified as current assets.

c) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are classified as non-current assets, unless management has the intention to sell them within 12 months.

d) Held-to-maturity investments

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

2) Recognition and measurement

In general, financial assets are recognized on a trade date when an entity becomes a party to the contractual provisions of the instrument. Regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. All financial assets are initially measured at fair value, plus transaction costs, except for financial assets at FVTPL, which are initially measured at fair value, and related transaction costs are recognized in income or loss.

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

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

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

3) Impairment of financial assets

a) Financial assets measured at amortized cost

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

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

b) Financial assets AFS

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

4) Derecognition of financial assets

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

5) Offsetting financial assets and financial liabilities

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

(6) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

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

3) Compound instruments

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

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to share premium.

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

4) Financial liabilities

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

a) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities, or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments*: *Recognition and Measurement* permits the entire consolidated contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in income or loss. The net gain or loss recognized in income or loss incorporates any interest paid on the financial liability.

b) Other financial liabilities

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

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

c) Financial guarantee contract liabilities

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

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and
- the amount initially recognized, less cumulative amortization recognized in accordance with IAS 18, *Revenue.*

d) Derecognition of financial liabilities

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

(7) Trade receivables

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

(8) Inventories

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

(9) Property, plant and equipment

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

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense for property, plant and equipment other than land is computed using the straight-line method, which reflects most closely the pattern in which the asset’s economic benefits are expected to be consumed by the Company over the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	30–35
Structure	10-15
Machinery	5–12
Vehicles	3–6
Tools	3-10
Office equipment	3–10

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

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

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

(10) Intangible assets

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

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

The estimated useful lives of the assets are as follows:

	Estimated useful lives (years)
Trademarks	5–10
Development costs	4–12
Other intangible assets	3–7

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed and is classified as intangible assets. Goodwill is tested for impairment annually and carried at cost, as established at the date of acquisition of the business, less accumulated impairment losses, if any. Impairment loss recognized for goodwill is not reversed. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination. Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products, there is technical and commercial feasibility of completing the development and the Company has the ability to measure reliably the expenditure attributable to the development. Capitalized development costs include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost that is systematically allocated. Capitalized development costs are presented at the acquisition cost, less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses.

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

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

(11) Impairment of non-financial assets

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

(12) Borrowings

Borrowings are measured initially at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The difference between the amount received and the redemption amount is amortized using the effective interest method and recognized in income or loss. Borrowings are classified as non-current liabilities when the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, borrowings are classified as current liabilities.

(13) Retirement benefit obligation

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

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

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

(14) Provisions

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

(15) Derivative financial instruments

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

However, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss.

(16) Dividend

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

(17) Revenue recognition

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

1) Sale of goods

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

2) Other revenue

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

(18) Government grants

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

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

(19) Income tax

Income tax expense is composed of current and deferred taxes. Current and deferred taxes are recognized in income or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity.

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

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

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

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

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

(20) Earnings per share

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

(21) Assets held for sale

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

(22) Segment report

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

(23) Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2016, were approved by the board of directors on March 2, 2017.

3. SIGNIFICANT ACCOUNTING ESTIMATION AND ASSUMPTIONS:

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

(1) Warranty provision

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

(2) Impairment of goodwill

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

(3) Allowance for doubtful accounts

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

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

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

(5) Income taxes

Current and deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred tax assets and liabilities in the period in which such determination is made.

4. FINANCIAL RISK MANAGEMENT:

The purpose of financial risk management is to improve financial structure and to raise efficiency of fund operation so that the Company can produces stable and sustained business results under various financial risks, such as market, credit and liquidity. The financial risk management activity is mainly controlled by the financial department. The financial department has established a financial risk management policy under cooperation with the associated department; performed activities, such as identifying, evaluating and hedging the financial risk; and concentrated on minimizing impacts due to the financial risk by a regular monitoring program.

(1) Market risk

1) Foreign currency risk

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

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies and exposed to foreign currency risk as of December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	December 31, 2016				
	USD	EUR	GBP	Others (*)	Total
Assets	$653,733	$82,819	$35,144	$48,638	$820,334
Liabilities	(1,027,334)	(169,343)	(25,322)	(5,708)	(1,227,707)
Net assets (liabilities)	$(373,601)	$(86,524)	$9,822	$42,930	$(407,373)

	December 31, 2015				
	USD	EUR	GBP	Others (*)	Total
Assets	$525,028	$111,993	$31,644	$24,422	$693,087
Liabilities	(904,362)	(172,286)	(21,378)	(9,218)	(1,107,244)
Net assets (liabilities)	$(379,334)	$(60,293)	$10,266	$15,204	$(414,157)

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

A sensitivity analysis on the Company's net income (loss) before income tax expense, assuming a 10% increase and 10% decrease in functional currency exchange rates of the respective entity holding the assets and liabilities, for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	10% increase in foreign exchange currency rates	10% decrease in foreign exchange currency rates	10% increase in foreign exchange currency rates	10% decrease in foreign exchange currency rates
Net income (loss) before income tax expense	$(40,737)	$40,737	$(41,416)	$41,416

2) Interest rate risk

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

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

The book values of the Company's financial liabilities with floating interest rates exposed to interest rate risk as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Financial liabilities	$1,347,500	$1,580,500

A sensitivity analysis on the Company's annual income (loss) before income tax expense, assuming a 100 basis points ("bp") increase and decrease in interest rate, with other factors being unchanged, as of December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	December 31, 2016		December 31, 2015	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Net income (loss) before income tax expense	$(13,475)	$13,475	$(15,805)	$15,805

(2) Credit risk

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

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

The purpose of credit risk management is to maintain an efficient management of credit risk, provide prompt support for decision-making and minimize loss through safety measures for receivables. When default is expected for the receivables that have indication of impairment or are past due as of December 31, 2016, the Company evaluates the risk, and an allowance is recognized in the consolidated statement of financial position.

1) Exposure to credit risk

The maximum exposure amount of credit risk of financial assets as of December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

		December 31, 2016	December 31, 2015
Cash and cash equivalents		$300,910	$358,741
Loans and receivables:	Short-term financial instruments	474	130
	Trade and other receivables	340,172	341,731
	Non-current trade and other receivables	4,011	2,137
AFS financial assets		83	85
Derivative assets		2,970	2,022
	Total	$648,620	$704,846

2) Aging analysis of the Company's receivables as of December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	December 31, 2016						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Trade receivables	$24,710	$272,671	$33,346	$3,720	$5,479	$11,724	$351,650
Other receivables	467	5,752	-	-	-	2,888	9,107
Accrued income	-	489	-	-	-	-	489
Short-term loans	-	74	-	-	-	-	74
Long-term trade receivables	-	4,006	-	-	-	-	4,006
Long-term other receivables	-	-	-	-	5	-	5
Total	$25,177	$282,992	$33,346	$3,720	$5,484	$14,612	$365,331

	December 31, 2015						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					
		Within due	0–3 months	3–6 months	6–12 months	More than 12 months	Total
Trade receivables	$424	$270,876	$31,556	$22,241	$7,610	$5,476	$338,183
Other receivables	-	8,992	276	80	7,859	166	17,373
Short-term loans	-	764	4	6	5	27	806
Long-term trade receivables	-	2,137	-	-	-	-	2,137
Total	$424	$282,769	$31,836	$22,327	$15,474	$5,669	$358,499

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

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

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities' obligations related to financing of its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget for three months and 12 months. Through these forecasts, the Company maintains the required liquidity volume and manages liquidity risk in advance.

The Company's major non-derivative liabilities as of December 31, 2016 and 2015, matured as follows (in thousands of U.S. dollars):

		December 31, 2016				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	$1,777,830	$2,086,150	$522,531	$79,956	$1,478,733	$4,930

		December 31, 2015				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1 year-2 years	2-5 years	More than 5 years
Financial liabilities	$2,125,597	$2,568,581	$651,729	$88,356	$258,468	$1,570,028

(*) The above table describes the contractual maturities of financial liabilities. The amounts are undiscounted and, therefore, differ from the financial liabilities recognized in the consolidated statements of financial position. Apart from the above financial liabilities, as of December 31, 2016, financial guarantee contract liabilities of the Company are explained in Note 27.

(4) Capital risk

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

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

Debt-to-equity ratio as of December 31, 2016 and 2015, is as follows. (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Debt	$2,461,091	$2,764,054
Equity	2,773,552	2,666,774
Debt to equity ratio	88.73%	103.65%

5. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of December 31, 2016 and 2015, consist of the following (in thousands of U.S. dollars):

	December 31, 2016		
	Gross	Allowance for doubtful accounts	Book value
Trade receivables	$351,650	$(20,681)	$330,969
Other receivables	9,107	(467)	8,640
Accrued income	489	-	489
Short-term loans	74	-	74
Total	$361,320	$(21,148)	$340,172
Long-term trade receivables	$4,006	$-	$4,006
Long-term other receivables	5	-	5
Total	$4,011	$-	$4,011

	December 31, 2015		
	Gross	Allowance for doubtful accounts	Book value
Trade receivables	$338,183	$(14,631)	$323,552
Other receivables	17,373	-	17,373
Short-term loans	806	-	806
Total	$356,362	$(14,631)	$341,731
Long-term trade receivables	$2,137	$-	$2,137

(2) The changes in allowance for doubtful accounts for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016			
	January 1, 2016	Increase	Other	December 31, 2016
Trade receivables	$14,631	$7,833	$(1,783)	$20,681
Other receivables	-	486	(19)	467
Total	$14,631	$8,319	$(1,802)	$21,148

	For the year ended December 31, 2015					
	January 1, 2015	Increase	Acquisition of business	Disposal of business	Other	December 31, 2015
Trade receivables	$14,713	$1,670	$3,062	$(2,127)	$(2,687)	$14,631

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

6. INVENTORIES:

Inventories as of December 31, 2016 and 2015, are summarized as follows (in thousands of U.S. dollars):

	December 31, 2016		
	Acquisition cost	Valuation allowance	Book value
Merchandise	$131,193	$(12,125)	$119,068
Finished goods	236,475	(19,026)	217,449
Work in progress	13,126	-	13,126
Raw materials	178,273	(11,872)	166,401
Materials in transit	63,841	-	63,841
Total	$622,908	$(43,023)	$579,885

	December 31, 2015		
	Acquisition cost	Valuation allowance	Book value
Merchandise	$187,697	$(12,119)	$175,578
Finished goods	280,177	(20,474)	259,703
Work in progress	19,813	(1,232)	18,581
Raw materials	176,170	(23,949)	152,221
Materials in transit	63,694	-	63,694
Total	$727,551	$(57,774)	$669,777

Cost of inventory charged to cost of sales amounted to USD 2,523,033 thousand and USD 2,673,863 thousand for the years ended December 31, 2016 and 2015, respectively. Loss on inventory valuation added to cost of sales amounted to USD 535 thousand and USD 4,799 thousand for the years ended December 31, 2016 and 2015, respectively.

7. DERIVATIVES:

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

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

(2) Details of gain and loss on valuation of derivatives as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016						
	Buy		Sell				
Type	Currency	Amount	Currency	Amount	Net assets (liabilities)	Gains (losses)	Other comprehensive income (loss)
Cash flow hedge	EUR	29,367	GBP	24,911	$294	$-	$294
	USD	26,474	CZK	645,252	850	-	1,203
Trading	USD	140,000	EUR	131,281	1,476	713	-
Total					$2,620	$713	$1,497

	December 31, 2015						
	Buy		Sell				
Type	Currency	Amount	Currency	Amount	Net assets	Gains (losses)	Other comprehensive income
Cash flow hedge	CZK	562,846	EUR	20,770	$66	$-	$66
	EUR	39,371	GBP	28,393	885	-	885
	USD	26,734	CZK	659,256	89	-	190
Trading	USD	150,000	EUR	137,296	859	(2,838)	-
Total					$1,899	$(2,838)	$1,141

Derivatives are classified as non-current assets (liabilities) if their maturities exceed 12 months from the end of the reporting period; otherwise, they are classified as current assets (liabilities).

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

8. FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016					
	FVTPL-assets	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	$-	$474	$-	$-	$474	$474
Trade and other receivables	-	340,172	-	-	340,172	340,172
Derivative assets	1,476	-	-	1,494	2,970	2,970
Long-term trade and other receivables	-	4,011	-	-	4,011	4,011
Long-term financial assets	-	-	83	-	83	83
Other non-current assets	-	1,744	-	-	1,744	1,744
Total	$1,476	$346,401	$83	$1,494	$349,454	$349,454

	December 31, 2016				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	$-	$442,804	$-	$442,804	$442,804
Borrowings	-	1,333,999	-	1,333,999	1,333,999
Derivative liabilities	-	-	349	349	349
Other non-current payables	-	1,027	-	1,027	1,027
Total	$-	1,777,830	$349	$1,778,179	$1,778,179

	December 31, 2015					
	FVTPL - assets	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Short-term financial instruments	$-	$130	$-	$-	$130	$130
Trade and other receivables	-	341,731	-	-	341,731	341,731
Derivative assets	859	-	-	1,163	2,022	2,022
Long-term trade and other receivables	-	2,137	-	-	2,137	2,137
Long-term financial assets	-	-	85	-	85	85
Other non-current assets	-	1,686	-	-	1,686	1,686
Total	$859	$345,684	$85	$1,163	$347,791	$347,791

	December 31, 2015				
	FVTPL - liabilities	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade and other payables	$-	$540,336	$-	$540,336	$540,336
Borrowings	-	1,582,281	-	1,582,281	1,582,281
Derivative liabilities	-	-	124	124	124
Other non-current payables	-	1,510	-	1,510	1,510
Financial guarantee liabilities	-	1,470	-	1,470	1,470
Total	$-	$2,125,597	$124	$2,125,721	$2,125,721

(2) Fair value measurements of financial instruments by fair value hierarchy level as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	$-	$1,476	$-	$1,476
Derivative used for hedging	-	1,494	-	1,494
Total	$-	$2,970	$-	$2,970
Financial liabilities:				
Derivative used for hedging	$-	$(349)	$-	$(349)

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	$-	$859	$-	$859
Derivative used for hedging	-	1,163	-	1,163
Total	$-	$2,022	$-	$2,022
Financial liabilities:				
Derivative used for hedging	$-	$(124)	$-	$(124)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for asset or liability, either directly or indirectly.
Level 3: Inputs that are not based on observable market data (unobservable inputs).

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

(3) Gain and loss by each category of financial instruments for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016					
	Interest income (expense)	Bad debt expense	Other bad debt expense	Loss on disposal (retirement)	Gain on derivative instrument	Others
Financial assets:						
Derivatives	$-	$-	$-	$-	$13,325	$-
Loans and receivables	2,431	(7,833)	(486)	(5,097)	-	-
Total	$2,431	$(7,833)	$(486)	$(5,097)	$13,325	$-
Financial liabilities:						
Financial liabilities at amortized cost	$(77,652)	$-	$-	$(4,432)	$-	$(171)

	For the year ended December 31, 2015				
	Interest income (expense)	Bad debt expense	Loss on disposal (retirement)	Gain on derivative instrument	Others
Financial assets:					
Derivatives	$-	$-	$-	$10,500	$-
Loans and receivables	2,404	(1,670)	(4,477)	-	-
Total	$2,404	$(1,670)	$(4,477)	$10,500	$-
Financial liabilities:					
Financial liabilities at amortized cost	$(82,398)	$-	$-	$-	$1,261

Among the financial instruments above, the effective portion of the gain or loss from a derivative designated as a cash flow hedge is reported in other comprehensive income (loss), and accordingly, the gain of USD 356 thousand and USD 1,141 thousand for the years ended December 31, 2016 and 2015, respectively, is recognized as other comprehensive income.

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

9. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
January 1, 2016	$25,321	$139,897	$5,734	$164,056	$728	$92	$5,128	$24,801	$365,757
Acquisition	-	20	-	136	420	73	696	42,028	43,373
Disposal	-	(7)	-	(489)	(172)	(15)	(110)	(82)	(875)
Depreciation	-	(6,688)	(356)	(44,244)	(261)	(45)	(1,573)	-	(53,167)
Impairment loss	-	-	-	(144)	(67)	(166)	-	-	(377)
Reversal of impairment loss	-	-	-	751	-	-	-	-	751
Others	286	13,072	(319)	45,456	217	499	330	(45,000)	14,541
December 31, 2016	$25,607	$146,294	$5,059	$165,522	$865	$438	$4,471	$21,747	$370,003
Acquisition cost	$29,355	$228,915	$6,758	$395,144	$3,503	$675	$31,211	$21,747	$717,308
Accumulated depreciation	-	(73,557)	(1,699)	(228,881)	(2,588)	(78)	(26,266)	-	(333,069)
Accumulated impairment losses	(3,748)	(9,064)	-	(741)	(50)	(159)	(474)	-	(14,236)

	For the year ended December 31, 2015								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
January 1, 2015	$26,478	$116,684	$-	$158,126	$699	$-	$6,839	$40,238	$349,064
Acquisition	282	1,176	13	2,799	407	59	904	44,448	50,088
Disposal	-	(5)	-	(2,918)	(182)	(6)	(355)	-	(3,466)
Depreciation	-	(6,627)	(280)	(42,984)	(324)	(7)	(1,886)	-	(52,108)
Impairment loss	(22)	(3,941)	-	-	-	-	-	-	(3,963)
Reversal of impairment loss	583	-	-	389	-	-	-	-	972
Revaluation	4,385	-	-	-	-	-	-	-	4,385
Combinations of business	-	30,301	6,338	5,544	170	64	422	1,416	44,255
Disposal of business	(5,188)	(6,840)	-	(6,648)	-	(14)	(338)	(350)	(19,378)
Others	(1,197)	9,149	(337)	49,748	(42)	(4)	(458)	(60,951)	(4,092)
December 31, 2015	$25,321	$139,897	$5,734	$164,056	$728	$92	$5,128	$24,801	$365,757
Acquisition cost	$29,181	$212,977	$7,178	$345,450	$2,651	$146	$16,326	$24,801	$638,710
Accumulated depreciation	-	(63,638)	(1,444)	(180,764)	(1,908)	(54)	(10,704)	-	(258,512)
Accumulated impairment losses	(3,860)	(9,442)	-	(630)	(15)	-	(494)	-	(14,441)

Land assets are remeasured on a fair value basis at the revaluation date. If the land assets were measured on a historical cost basis as of December 31, 2016, their carrying amount would be USD 13,380 thousand. As of December 31, 2016, the Company's property, plant and equipment are partially pledged as collateral on borrowings from JP Morgan and other three banks. Refer to Notes 12 and 27.

(2) Classification of depreciation expense for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of sales	$45,847	$45,058
Selling and administrative expenses	3,825	3,695
Research and development cost and others	3,495	3,355
Total	$53,167	$52,108

10. INTANGIBLE ASSETS:

(1) The change in intangible assets for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2016	$2,466,078	$981,252	$84,025	$17,166	$3,548,521
Acquisition	-	-	18,108	14,331	32,439
Disposal	-	-	-	-	-
Amortization	-	(12,424)	(21,329)	(6,121)	(39,874)
Impairment loss	-	-	-	(140)	(140)
Others	(28,999)	(13,582)	(384)	2,358	(40,607)
December 31, 2016	$2,437,079	$955,246	$80,420	$27,594	$3,500,339
Acquisition cost	$2,437,079	$1,081,030	$189,580	$66,763	$3,774,452
Accumulated amortization	-	(125,784)	(109,160)	(39,169)	(274,113)

	For the year ended December 31, 2015				
	Goodwill	Industrial rights	Development costs	Others	Total
January 1, 2015	$2,695,241	$1,036,519	$83,812	$17,656	$3,833,228
Acquisition	-	-	24,017	5,016	29,033
Disposal	-	-	-	-	-
Amortization	-	(12,890)	(21,421)	(5,986)	(40,297)
Impairment loss	-	-	-	(282)	(282)
Combinations of business	30,709	-	-	130	30,839
Disposal of business	(54,600)	(2,734)	(1,005)	-	(58,339)
Others	(205,272)	(39,643)	(1,378)	632	(245,661)
December 31, 2015	$2,466,078	$981,252	$84,025	$17,166	$3,548,521
Acquisition cost	$2,466,078	$1,096,471	$172,428	$52,567	$3,787,544
Accumulated amortization	-	(115,219)	(88,403)	(35,401)	(239,023)

The carrying amount of goodwill and others with indefinite useful lives in other intangible assets item is USD 3,381,490 thousand and USD 3,424,118 thousand as of December 31, 2016 and 2015, respectively. As of December 31, 2016, the Company's intangible assets are partially pledged as collateral for loans from JP Morgan and other three banks. Refer to Note 12 and 27.

(2) Classification of amortization expense for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of sales	$22,013	$22,165
Selling and administrative expenses	17,552	17,785
Research and development cost and others	309	347
Total	$39,874	$40,297

(3) Expenditure on research and development recognized as expenses amounted to USD 53,934 thousand and USD 56,232 thousand for the years ended December 31, 2016 and 2015, respectively.

(4) Impairment test of goodwill

1) Goodwill allocated for impairment testing purposes to the following cash-generating unit is as follows.

Cash-generating unit	Description
Doosan Bobcat	Manufacturing and sale of CE, etc.

2) The carrying amount of goodwill allocated to cash-generating units is as follows (in thousands of U.S. dollars):

Cash-generating units	December 31, 2016
Doosan Bobcat	$2,437,079

3) The Company uses cash flow projections based on financial budgets approved by the directors covering five-year periods, and the financial budgets are determined based on historical result and expectation of market growth.

The recoverable amount of cash-generating unit is determined based on a value-in-use calculation and a discount rate used as follows:

	Doosan Bobcat
Growth rate	2.0%
Discount rate	9.4%

4) The growth rate is calculated by continuing the estimated cash flows at the end of the five-year period, and this growth rate does not exceed long-term average growth rate of market. The discount rates used reflect relevant risks specific to the cash-generating units.

5) The result of recoverable amount that the Company calculated based on value-in-use calculation was not to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Therefore, no impairment loss is recognized based on the impairment test for the year ended December 31, 2016.

11. TRADE AND OTHER PAYABLES:

Trade and other payables as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Current:		
Trade payables	$256,384	$333,842
Other payables	80,313	100,310
Accrued expenses	106,107	106,184
Total	$442,804	$540,336
Non-current:		
Other payables	$1,027	$1,510

12. BORROWINGS:

Borrowings as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

(1) Short-term borrowings

Lender	Annual interest rate (%)	December 31, 2016	December 31, 2015
Doosan Infracore China Co., Ltd.("DICC")	-	$-	$18,728
Standard Chartered Bank, Beijing Branch	-	-	3,522
		$-	$22,250

(2) Long-term borrowings

Lender	Annual interest rate (%)	December 31, 2016	December 31, 2015
JP Morgan and other three banks (Note)	3 Month LIBOR (London Inter- Bank Offered Rate+3.50	$947,500	$1,180,500
Doosan Infracore Bobcat Ireland Ltd.	3 Month LIBOR+4.83	400,000	400,000
Bank of New York	8.00	4,250	4,250
Subtotal		1,351,750	1,584,750
Less: present value of discount		(17,751)	(24,719)
Less: current portion		(13,000)	(13,000)
Total		$1,320,999	$1,547,031

(Note) The long-term borrowings are guaranteed by the Parent and its certain subsidiaries. In addition, the Company's property, plant, equipment; intangible assets; and other assets are pledged as collateral. Refer to Note 27.

13. RETIREMENT BENEFIT OBLIGATION:

(1) Details of retirement benefit obligation as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$766,199	$754,503
Fair value of plan assets	(376,647)	(349,344)
Total	$389,552	$405,159

(2) Income and loss recognized for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current service cost	$16,318	$16,067
Past service cost (gain on settlements)	226	(21)
Net interest cost	18,272	15,804
Total	$34,816	$31,850

(3) Details of total expenses recognized in the consolidated statements of income for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of sales	$12,871	$12,988
Selling and administrative expenses	21,546	18,494
Research and development costs	399	368
Total	$34,816	$31,850

The Company recognized USD 10,006 thousand and USD 11,385 thousand of service cost relating to its defined contribution plan in the consolidated statements of income for the years ended December 31, 2016 and 2015, respectively.

(4) Changes in defined benefit obligation for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	$754,503	$814,463
Current service cost	16,318	16,067
Past service cost (gain on settlements)	226	(21)
Interest cost	29,412	29,605
Remeasurements of defined benefit liabilities		
-Actuarial loss (gain) arising from changes in demographic assumptions	(1,443)	(9,357)
- Actuarial loss (gain) arising from changes in financial assumptions	17,340	(39,539)
- Others	1,728	(469)
Plan participants' contributions	2,151	2,197
Others	312	(4,477)
Foreign currency translation	(7,725)	(4,776)
Benefit payment	(46,623)	(49,190)
Ending balance	$766,199	$754,503

(5) Changes in plan assets for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	$349,344	$382,096
Expected return on plan assets	11,140	13,801
Remeasurement of plan assets	18,297	(19,704)
Employers' contribution	47,727	26,788
Plan participants' contributions	2,151	2,197
Benefit payment	(46,079)	(50,970)
Others	183	(2,318)
Foreign currency translation	(6,116)	(2,546)
Ending balance	$376,647	$349,344

Actual gain on plan assets recognized is USD 29,437 thousand and USD (5,903) thousand for the years ended December 31, 2016 and 2015, respectively. The Company plans to contribute USD 26,904 thousand for the defined benefit plans in 2017.

(6) Assumptions used on actuarial valuation as of December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Discount rate for defined benefit obligations	2.42%–4.10%	3.00%–4.21%
Expected rate of salary increase	3.20%–4.80%	2.8%–3.85%

(7) Details of plan assets as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Equity instruments	$135,920	$129,856
Debt instruments	222,503	210,563
Others	18,224	8,925
Total	$376,647	$349,344

Expected return on plan assets is determined based on the consideration that is applicable for assets being held by the Company in accordance with its investment policy. Expected return on debt instruments is determined based on the consideration of interest rates at which interest is paid for debt instruments as of December 31, 2016. Expected return on equity instruments and others is determined based on the consideration of historical data on actual return from relevant markets.

(8) Sensitivity analysis as of December 31, 2016, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption is as follows (in thousands of U.S. dollars):

	Amount	Rate
Discount rate :		
1% increase	$(90,762)	(11.85%)
1% decrease	116,616	15.23%
Salary increase rate :		
1% increase	6,965	0.91%
1% decrease	(6,404)	(0.84%)

(9) Maturity of the defined benefit obligation as of December 31, 2016, is as follows (in thousands of U.S. dollars):

	0 − 1 year	1 − 2 years	2 − 5 years	5 − 10 years	Total
Payment	$46,128	$46,998	$137,985	$223,154	$454,265

14. PROVISIONS:

Changes in provisions for the year ended December 31, 2016, are as follows (in thousands of U.S. dollars):

	January 1, 2016	Increase	Decrease	Others	December 31, 2016	Current	Non-current
Warranty	$61,446	$43,283	$(34,640)	$(1,045)	$69,044	$48,219	$20,825
Product liability	20,267	4,356	(2,571)	(1)	22,051	3,019	19,032
Legal	4,705	3,062	(3,372)	(126)	4,269	4,269	-
Restructuring	12,911	23,610	(8,989)	(1,271)	26,261	26,261	-
Total	$99,329	$74,311	$(49,572)	$(2,443)	$121,625	$81,768	$39,857

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

15. CAPITAL STOCK AND CAPITAL SURPLUS:

(1) Changes in capital stock and capital surplus for the year ended December 31, 2016, are as follows (in thousands of U.S. dollars):

Date	Description	Number of shares: Ordinary share	Number of shares: Convertible preferred share	Capital stock	Share premium	Other capital surplus
January 1, 2016	Beginning balance	7,613	2,471	$47	$2,127,878	$171,238
June 8, 2016	Issuance of new ordinary shares	1,354	-	6	530,300	-
June 8, 2016	Free issue of new ordinary shares	7,837,158	2,159,654	42,971	(47,386)	-
July 14, 2016	Stock split	70,615,125	19,459,125	-	-	-
August 30. 2016	Convertible preferred stock conversion to ordinary stocks	21,621,250	(21,621,250)	-	-	-
November 17, 2016	Issue of new ordinary shares	166,666	-	71	3,974	-
December 31, 2016	Ending balance	100,249,166	-	$43,095	$2,614,766	$171,238

The Company is authorized to issue up to 400,000,000 ordinary shares with a par value of ₩500 per share. As of December 31, 2016, 100,249,166 ordinary shares are issued. As of December 31, 2016, no issued ordinary shares of the Company have restricted voting rights under the Korean Commercial Law.

16. OTHER EQUITY ITEMS:

Other equity items as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

Description	December 31, 2016	December 31, 2015
Capital adjustment from equity transactions among subsidiaries	$7,700	$7,700
Ordinary shares issued in kind	(186,108)	-
Total	$(178,408)	$7,700

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016			
	Loss on translation of foreign operation	Unrealized gain on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	$(365,678)	$893	$3,020	$(361,765)
Increase	-	537	-	537
Decrease	(57,694)	-	-	(57,694)
Ending balance	$(423,372)	$1,430	$3,020	$(418,922)

	For the year ended December 31, 2015			
	Loss on translation of foreign operation	Unrealized loss on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	$(207,313)	$-	$650	$(206,663)
Increase	-	-	2,370	2,370
Decrease	(158,365)	893	-	(157,472)
Ending balance	$(365,678)	$893	$3,020	$(361,765)

18. RETAINED EARNINGS:

Changes in retained earnings for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	$395,152	$14,958
Net income	145,561	120,927
Actuarial gain recognized in retained earnings	1,069	15,589
Transferred from capital surplus	-	258,233
Interim dividend	-	(14,555)
Ending balance	$541,782	$395,152

19. SEGMENT INFORMATION:

The Company has a single reportable segment. The following table presents a breakdown of the main products:

Reportable segment	Main products
CE	Compact (skid steer loader, compact track loader and mini excavator), heavy excavator and portable power

(1) The sales by main products for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Compact	$2,566,828	$2,683,101
Heavy	596,625	588,739
Portable power	240,191	299,338
Total	$3,403,644	$3,571,178

(2) The sales by region for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
North America and Oceania	$2,247,119	$2,479,603
Europe, Middle East and Africa	970,512	913,415
Asia and Latin America	186,013	178,160
Total	$3,403,644	$3,571,178

(3) There is no single external customer that accounted for 10% or more of the Company's sales for the years ended December 31, 2016 and 2015.

20. SALES:

Details of sales for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales of goods:		
Manufactured products	$3,223,679	$3,338,478
Merchandise	140,727	169,944
Others	39,238	62,756
Total	$3,403,644	$3,571,178

21. EXPENSES BY NATURE:

Expenses classified by nature for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Purchases of inventories	$1,748,867	$1,898,257
Changes in inventories	89,891	58,832
Employee benefits	341,078	337,082
Depreciation and amortization	93,041	92,405

22. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Salaries	$118,198	$124,343
Provision for retirement benefits (*1)	21,707	21,702
Other employee benefits	23,589	26,804
Rent	11,993	12,508
Depreciation	3,825	3,695
Amortization	17,552	17,785
Research and development	53,934	56,232
Advertising	21,011	28,158
Travel	19,467	21,153
Sundry	80,180	83,325
Provision for doubtful accounts	7,833	1,670
Others	22,263	20,286
Total	$401,552	$417,661

(*1) Voluntary separation program is included.

23. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the years ended December 31, 2016 and 2015, are summarized as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Finance income:		
Interest income	$2,431	$2,404
Gain on foreign currency transaction	9,128	15,621
Gain on foreign currency translation	9,451	23,391
Gain on derivative transaction	12,612	13,338
Gain on valuation of derivatives	713	-
Income on financial guarantee	1,027	3,278
Subtotal	35,362	58,032
Finance expenses:		
Interest expenses	(77,652)	(82,398)
Loss on foreign currency transaction	(13,574)	(9,751)
Loss on foreign currency translation	(30,815)	(52,269)
Loss on valuation of derivatives	-	(2,838)
Costs of financial guarantee	(229)	(1,094)
Loss on redemption	(4,432)	-
Others	(969)	(923)
Subtotal	(127,671)	(149,273)
Net finance expense	$(92,309)	$(91,241)

24. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Other non-operating income:		
Gain on disposal of property, plant and equipment	$26	$13
Reversal of impairment loss on property, plant and equipment	751	-
Others	28,536	40,875
Subtotal	29,313	40,888
Other non-operating expenses:		
Loss on disposal of trade receivables	$(5,097)	$(4,477)
Provision for doubtful accounts - other	(486)	-
Loss on disposal of property, plant and equipment	(5)	(30)
Impairment loss in property, plant and equipment	(377)	(3,963)
Impairment loss in intangible asset	(140)	(282)
Donations	(821)	(968)
Others	(40,805)	(22,142)
Subtotal	(47,731)	(31,862)
Total	$(18,418)	$9,026

25. INCOME TAX EXPENSE:

(1) Components of income tax expense for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current tax	$15,414	$7,008
Deferred tax	76,812	125,167
Total income tax expense	92,226	132,175
Tax directly charged to equity	(1,596)	(8,170)
Changes in scope of consolidation	-	3,627
Income tax expense	$90,630	$127,632

(2) The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	Year ended December 31, 2016		
	January 1, 2016	Increase (decrease)	December 31, 2016
Provision for retirement and severance benefits	$100,094	$13,873	$113,967
Property, plant and equipment	(23,001)	4,982	(18,019)
Reserve for research and development	(22,009)	(1,307)	(23,316)
Intangible assets	(141,127)	(22,541)	(163,668)
Provisions	16,052	(487)	15,565
Inventories	16,394	4,919	21,313
Others	134,893	(66,939)	67,954
Consolidation adjustments	3,673	(9,312)	(5,639)
Total	$84,969	$(76,812)	$8,157

	Year ended December 31, 2015		
	January 1, 2015	Increase (decrease)	December 31, 2015
Provision for retirement and severance benefits	$101,003	$(909)	$100,094
Property, plant and equipment	(7,254)	(15,747)	(23,001)
Reserve for research and development	(20,394)	(1,615)	(22,009)
Intangible assets	(95,612)	(45,515)	(141,127)
Provisions	13,496	2,556	16,052
Inventories	23,007	(6,613)	16,394
Others	191,590	(56,697)	134,893
Consolidation adjustments	4,300	(627)	3,673
Total	$210,136	$(125,167)	$84,969

(3) Carryforwards of unused tax losses, temporary differences and tax credits for which deferred tax assets are not recognized as of December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Tax loss carryforwards	$423,438	$613,826
Temporary differences	928,456	813,668
Tax credits	5,982	603

The utilization of deferred tax assets depends on the Company's ability to generate taxable profit during the periods in which temporary differences become deductible or tax loss and credit carryforwards can be utilized, the economic situation and industry forecast. The Company periodically reviews such matters.

(4) Temporary differences from investments in subsidiaries for which deferred tax assets are not recognized are as follows (in thousands of U.S. dollars):

	December 31, 2016	December 31, 2015
Investments in subsidiaries	$894,359	$767,099

(5) A reconciliation of income tax expense and accounting income before income tax expense for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

	Year ended December 31, 2016	Year ended December 31, 2015
Profit before income tax expense	$246,021	$258,550
Income tax expense at statutory income tax rates in the respective countries	204,185	119,230
Adjustments:		
Permanent difference	(28,694)	(22,593)
Changes in unrecognized deferred tax assets	(51,973)	35,435
Tax credits	(3,342)	(3,859)
Additional tax	1,019	(7,253)
Others	(30,565)	6,672
Income tax expense	90,630	127,632
Average effective tax rate	36.80%	49.40%

Statutory income tax rates of the Company in the respective countries vary from 12.5% to 39.3%.

26. EARNINGS PER SHARE:

Earnings per share for the years ended December 31, 2016 and 2015, are computed as follows (in U.S. dollars, except for share data):

(1) Basic earnings per share

Basic earnings per share is computed by dividing net income attributable to owners of the Company by the weighted-average number of common shares outstanding for the years ended December 31, 2016 and 2015, excluding treasury shares.

	For the year ended December 31, 2016	For the year ended December 31, 2015
Net income available to common share	$145,561,128	$120,926,555
Convertible preferred stock dividends	-	(14,554,581)
Net income attributable to owners of the Company	145,561,128	106,371,974
Weighted-average number of common shares outstanding (*)	80,660,109	81,472,545
Basic net income per share	$1.80	$1.31

(*) The weighted-average number of common shares outstanding used in basic earnings per share calculation for the years ended December 31, 2016 and 2015, is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning outstanding shares	7,613	10,000
Capital reduction	-	(549)
Ordinary shares issued in kind	766	(139)
Free issue of new shares	7,323,060	8,137,943
Stock split	65,982,946	73,325,290
Convertible preferred stocks conversion to ordinary stocks	7,325,232	-
Issue of new shares	20,492	-
Weighted-average number of common shares outstanding	80,660,109	81,472,545

(2) Diluted earnings per share

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

	2016
Controlling interest in net income	$145,561,128
Adjusted net income available to common shares	145,561,128
Adjusted weighted-average number of common shares outstanding (*)	94,956,127
Diluted net income per share	$1.53

(*) Adjusted weighted-average number of common shares outstanding is as follows:

	2016
Weighted-average number of common shares outstanding	80,660,109
Effect of convertible preferred stock dividends	14,296,018
Adjusted weighted-average number of common shares outstanding	94,956,127

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

27. COMMITMENTS AND CONTINGENCIES:

(1) The Company is involved in lawsuits as a defendant, with a total claim exposure of USD 11,869 thousand as of December 31, 2016. Currently, the ultimate outcome of these lawsuits cannot be determined.

(2) Guarantee and pledged assets

1) As of December 31, 2016, guarantees provided by the Company for third parties are as follows (in thousands of U.S. dollars):

Provider	Provided for	Guarantee
CEC and subsidiaries	End customers, etc.	$90,770
DHEL and subsidiaries	End customers, etc.	1,175
Total		$91,945

2) On May 28, 2014, CEC and DHEL repaid all the borrowings funded in 2011 in relation to the acquisition of compact equipment of Ingersoll Rand Company Limited from Korea Development Bank and other creditors and entered into new loan agreement under which they raised a total of USD 1,700,000 thousand through borrowings from JP Morgan, other three banks and Doosan Infracore Bobcat Ireland Ltd. The borrowings, amounting to USD 1,300,000 thousand from JP Morgan and other three banks, are secured by 62,495 shares of CEC, 38,446 shares of DHEL and 110,071,219 shares of DISEA held by DBI, as well as secured by certain tangible, intangible assets and shares of CEC and subsidiaries , DHEL and subsidiaries and DISEA and subsidiaries. The total borrowings as of December 31, 2016, are USD 947,500 thousand.

3) Operating lease

As of December 31, 2016, total amount of the minimum lease payments for the future related to non-cancelable operating lease is as follows (in thousands of U.S. dollars):

	Amount
Less than 1 year	$12,496
1 year–5 years	23,236
More than 5 years	5,525
Total	$41,257

28. RELATED-PARTY TRANSACTIONS:

Related-party disclosures for the years ended December 31, 2016 and 2015, are as follows:

(1) Nature of relationship

Relationship with the Company	Company name
Ultimate controlling party	Doosan Corp.
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.
Parent	Doosan Infracore
Other related parties	DE, DICC, Doosan Infracore (China) Investment Co., Ltd., Doosan Bobcat Chile S.p.A., Doosan Infracore (Shandong) Co., Ltd., Doosan Infracore Norway AS, Doosan Construction & Engineering Co., Ltd., Doota mall, Oricom Inc., Doosan Bears Inc., Doosan Cuvex Co., Ltd. and others

(2) Significant transactions for the years ended December 31, 2016 and 2015, with related parties are as follows (in thousands of U.S. dollars):

		For the year ended December 31, 2016				
Description	Company name	Sales	Other income	Purchases	Acquisition of property, plant and equipment and intangible assets	Other expenses
Ultimate controlling party	Doosan Corp.	$4	$157	$2,034	$460	$3,752
Parent	Doosan Infracore	969	1,238	506,558	2,602	6,985
Other related parties	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	-	22,423
	Others	57,130	248	135,237	-	35,752
	Sub total	57,130	248	135,237	-	58,175
Total		$58,103	$1,643	$643,829	$3,062	$68,912

Description	Company name	For the year ended December 31, 2015 Sales	Other income	Purchases	Other expenses
Ultimate controlling party	Doosan Corp	$-	$154	$-	$5,536
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	45	-	-	-
Parent	Doosan Infracore	29,904	3,393	657,920	188
Other related parties	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	20,714
	Others	7,008	162	40,886	33,249
	Sub total	7,008	162	40,886	53,963
Total		$36,957	$3,709	$698,806	$59,687

(3) As of December 31, 2016 and 2015, related significant balances are as follows (in thousands of U.S. dollars):

		December 31, 2016				
Description	Company name	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate controlling party	Doosan Corp.	$-	$50	$325	$1,691	$-
Parent	Doosan Infracore	57,737	2,920	31,425	4,111	-
Other related parties	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	1,989	400,000
	Others	26,337	1,029	16,850	1,409	-
	Sub total	26,337	1,029	16,850	3,398	400,000
Total		$84,074	$3,999	$48,600	$9,200	$400,000

		December 31, 2015				
Description	Company name	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate controlling party	Doosan Corp.	$-	$49	$-	$1,449	$-
Parent	Doosan Infracore	20,003	5,393	62,602	13,405	-
Other related parties	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	1,805	400,000
	Others	3,779	1,760	17,422	1,092	18,728
	Sub total	3,779	1,760	17,422	2,897	418,728
Total		$23,782	$7,202	$80,024	$17,751	$418,728

(4) Loan and borrowings, and equity contribution for the years ended December 31, 2016 and 2015, with related parties are as follows (in thousands of U.S. dollars):

		For the year ended December 31, 2016		
		Borrowings		Capital transaction
Description	Company name	Borrowings	Repayment	Capital injection (*)
Other related parties	Doosan Engine and Others	$-	$18,728	$530,327

(*) As of June 7, 2016, DE made contribution in kind of USD 530,682 thousand, amount of DII’s and DHEL's shares to DBI, and it received USD 530,327 thousand, amount of DBI's shares, and USD 355 thousand, amount of cash, in return.

		For the year ended December 31, 2015						
		Borrowings		Equity Transaction		Asset / entrepreneurship transaction		Capital transaction
Description	Company name	Borrowings	Repayment	Acquisition	Disposal	Acquisition	Disposal	Capital injection
Parent company	Doosan Infracore	$-	$-	$57,262	$100	$61,422	$12,545	$-
Other related parties	Doosan Infracore China Co., Ltd. and Others	18,728	-	-	-	-	-	115,044

(5) As of December 31, 2016, guarantees by the Company for related parties are disclosed in Note 27. Meanwhile, as of December 31, 2016, guarantees by related parties for the Company are as follows (in thousands of U.S. dollars):

Provider	Provided for	Guarantee
DI	Clark Equipment Co.	$101

(6) The Parent defines key management personnel, including registered officer and non-registered officer, as who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the years ended December 31, 2016 and 2015, is as follows (in thousands of U.S. dollars):

Description	For the year ended December 31, 2016	For the year ended December 31, 2015
Employee benefits	$2,463	$2,226
Retirement benefits	148	189
Total	$2,611	$2,415

29. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the consolidated statements of cash flows for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Adjustments:		
Income tax expenses	$90,630	$127,632
Finance income	(12,594)	(25,795)
Finance expenses	112,900	137,506
Retirement benefits	34,816	31,850
Depreciation	53,167	52,108
Amortization	39,874	40,297
Gain on disposal of property, plant and equipment	(26)	(13)
Loss on disposal of property, plant and equipment	5	30
Impairment loss of property, plant and equipment	377	3,963
Reversal of impairment loss on property, plant and equipment	(751)	(972)
Impairment loss of intangible assets	140	282
Gain on disposal of business	-	(29,023)
Total	$318,538	$337,865

	For the year ended December 31, 2016	For the year ended December 31, 2015
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	$(19,086)	$30,582
Decrease in other receivables	8,734	14,416
Increase in derivative assets	(948)	-
Decrease in inventories	18,113	75,667
Increase in other current assets	(3,244)	(2,788)
Decrease in other non-current assets	38,194	10,105
Decrease in trade payables	(77,458)	(208,086)
Increase (decrease) in other payables	(28,058)	10,603
Increase in derivative liabilities	1,476	-
Decrease in provisions	(2,329)	(16,110)
Increase in other current liabilities	205	778
Increase in other non-current liabilities	803	9,084
Payment of severance benefits	(44,159)	(42,135)
Decrease (increase) in plan assets	(3,982)	24,123
Total	$(111,739)	$(93,761)

(2) The significant non-cash transactions from investing and financing activities that are not included in the consolidated statements of cash flows for the years ended December 31, 2016 and 2015, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Free issue of new shares	$42,971	$-
Ordinary shares issued in kind	530,327	-
Total	$573,298	$-

30. BUSINESS COMBINATIONS:

(1) The business combinations for the year ended December 31, 2015, are as follows (in thousands of U.S. dollars):

Description	For the year ended December 31, 2015
Acquisition type	Equity and business right of subsidiaries of Doosan Infracore
Object	to enhance the competitiveness of business and improve efficiency of management
Principal activity	Manufacturing and sales
Date of acquisition	April 1, 2015
Purchase price	$118,684
Accounting method	Interest pooling method

(2) Business combinations for the year ended December 31, 2015, are adjusted for business combination accounting methods under common control so that the Company used book value for consolidated financial statements of Doosan Infracore. The value of assets and liabilities at acquisition date from business combinations is as follows (in thousands of U.S. dollars):

Description	Acquisition amount
Assets	$231,425
Liabilities	110,520
Net assets	$120,905

(3) Net cash flows in business combinations for the year ended December 31, 2015, are as follows (in thousands of U.S. dollars):

Description	For the year ended December 31, 2015
(-) Consideration paid in cash (*)	$(118,684)
(+) Acquisition of cash and cash equivalents	10,669
Total	$(108,015)

(*) As of December 31, 2015, amounts recorded as other receivables are USD 1,160 thousand.

31. DISPOSAL OF BUSINESS:

(1) Details of disposal of business as of December 31, 2015, are as follows:

Details	Doosan Infracore India Private Ltd.	Montabert	Doosan International Portable Power of Netherlands BV
Main products and services	Heavy equipment manufacturing and sales	Compact equipment manufacturing and sales	Heavy equipment manufacturing and sales
Disposal date	April 1, 2015	June 1, 2015	December 17, 2015
Method	Business transfer	Disposal of shares	Disposal of shares
Disposal price	USD 12,545 thousand	USD 124,413 thousand	USD 100 thousand

(2) The book value of net assets disposed as of the disposal date is as follows (in thousands of U.S. dollars):

	Doosan Infracore India Private Ltd.	Montabert	Doosan International Portable Power of Netherlands BV	Total
Assets	$20,459	$118,276	$279	$139,014
Liabilities	(7,934)	(25,706)	(132)	(33,772)
Net assets	$12,525	$92,570	$147	$105,242

(3) Details of gain on disposal of business are as follows (in thousands of U.S. dollars):

	Doosan Infracore India Private Ltd.	Montabert	Doosan International Portable Power of Netherlands BV	Total
Price of business disposed	$12,545	$124,413	$100	$137,058
Value of net asset disposed	(12,525)	(92,570)	(147)	(105,242)
Others	-	(2,325)	916	(1,409)
Effect of exchange rate changes	-	(1,384)	-	(1,384)
Gain on disposal of business	$20	$28,134	$869	$29,023

(4) Net cash flows incurred by disposal of business for the year ended December 31, 2015, are as follows (in thousands of U.S. dollars):

	Doosan Infracore India Private Ltd.	Montabert	Doosan International Portable Power of Netherlands BV	Total
Price of business disposed	$12,545	$124,413	$100	$137,058
Cash of transferred business	(2)	(7,531)	(191)	(7,724)
Net cash flows (*)	$12,543	$116,882	$(91)	$129,334

(*) As of December 31, 2015, amounts recorded as other receivables are USD 5,557 thousand.