

**DOOSAN BOBCAT INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2015 AND 2014 AND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND**  
**FOR THE PERIOD FROM APRIL 25, 2014 (DATE OF INCORPORATION) TO DECEMBER**  
**31, 2014**

**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 and portable power equipment 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. 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 April 1, 2015, the Company acquired certain construction equipment 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.

(2) Consolidated subsidiaries

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

Subsidiaries	Type of business	Location	Ownership (%)		Financial closing date
			December 31,2015	December 31,2014	
DII	Holdings	USA	88.41	88.41	December 31
DII’s subsidiaries					
Clark Equipment Co.	Manufacturing and sales	USA	100.00	100.00	December 31
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	78.27	78.27	December 31
DHEL’s subsidiaries					
Doosan Holdings International Ltd.	Holdings	Ireland	100.00	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 Holding 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 Portable Power of Netherlands BV	Sales	Netherlands	-	100.00	December 31
Doosan International Italia S.r.L.	Sales	Italy	100.00	100.00	December 31

Subsidiaries	Type of business	Location	Ownership (%)		
			December 31,2015	December 31,2014	Financial closing date
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.	Sales	China	100.00	100.00	December 31
Doosan International China Co., Ltd.	Sales	China	100.00	100.00	December 31
Doosan International Manufacturing China Co., Ltd.	Sales	China	100.00	100.00	December 31
Doosan International South Africa Ltd.	Sales	South Africa	100.00	100.00	December 31
Doosan Bobcat Manufacturing s.r.o.	Manufacturing	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 and sales	France	100.00	100.00	December 31
Montabert	Manufacturing and sales	France	-	100.00	December 31
Geith International Ltd.	Manufacturing and sales	Ireland	100.00	100.00	December 31
Doosan International Luxemburg DISEA	Management Holdings	Luxemburg Singapore	100.00	100.00	December 31
DISEA's subsidiaries					
Doosan Infracore Bobcat Korea Co., Ltd.	Sales	Korea	100.00	-	December 31
Doosan Bobcat Chile Compact S.A.	Sales	Chile	100.00	-	December 31
Doosan Infracore Suzhou Co., Ltd.	Manufacturing and sales	China	100.00	-	December 31
Doosan Infracore India Private Ltd.	Manufacturing and sales	India	100.00	-	March 31
Bobcat Corp.	Sales	Japan	100.00	-	December 31
Doosan International Mexico S.A. de C.V.	Shared service	Mexico	100.00	-	December 31

- 2) As of and for the year ended December 31, 2015 condensed financial information of significant consolidated subsidiaries is as follows (in thousands of U.S. dollars):

As of and for the year ended December 31, 2015					
Subsidiaries	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Doosan Infracore International, Inc.	\$3,655,150	\$2,371,998	\$-	(\$85,311)	\$2,472
Clark Equipment Co.	2,204,555	787,450	2,672,185	287,186	255,222
Bobcat Equipment Ltd.	77,931	33,115	207,776	4,734	(3,495)
Doosan Holdings Europe Ltd.	2,347,813	1,351,701	-	(118,479)	(118,637)
Doosan Holdings International Ltd.	2,582,874	412,577	-	11,005	11,005
Doosan Infracore Europe S.A.	77,470	45,350	170,018	(19,993)	(25,158)
Bobcat Bensheim GmbH	120,589	42,868	90,225	(4,707)	(1,744)
Doosan Holding France S.A.S.	151,542	52,708	-	90,110	110,294
Doosan Techno Holding Co., Ltd.(Ireland)	568,575	397,249	-	(1,674)	(21,169)
Doosan Benelux SA	645,905	652,753	727,645	745	4,589
Doosan International UK Ltd.	34,928	7,718	104,197	982	7,572
Doosan Bobcat Manufacturing s.r.o.	90,450	33,475	183,209	3,008	(1,348)
Doosan Trading Ltd.	239,901	3,069	-	(279)	(27,032)
Bobcat France S.A.	33,357	13,554	73,026	2,470	1,278
Doosan International Luxemburg	684,613	553,653	32,739	(14,879)	(31,087)
Doosan International South East Asia Pte. Ltd.	121,177	26,512	3,675	463	463
Doosan Infracore Bobcat Korea Co., Ltd.	76,290	66,921	87,968	(1,369)	(1,992)
Doosan Infracore Suzhou Co., Ltd.	109,867	95,908	24,358	(9,403)	(9,641)
Doosan Infracore India Private Ltd.	40,944	13,684	38,531	2,603	152

- 3) As of December 31, 2015, non-controlling interests in subsidiary having material impact to DBI are as follows (in thousands of U.S. dollars):

Subsidiaries	Net income(loss) allocated to non- controlling interests	Non-controlling interests	Dividends allocated to non-controlling interests
Doosan Infracore International, Inc. and subsidiaries	\$23,991	\$284,030	\$-
Doosan Holdings Europe Ltd. and subsidiaries	(14,508)	42,189	-

### (3) Changes in the scope of consolidation

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

Subsidiary	Change	Description
Doosan Infracore Bobcat Korea Co., Ltd.	Included	Newly established
Doosan Bobcat Chile Compact S.p.A.	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

Changes in the scope of consolidation for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows:

Subsidiary	Change	Description
Bobcat Parts Services GmbH. (Note)	Excluded	Merged with another subsidiary
Doosan Beteiligungs GmbH. (Note)	Excluded	Merged with another subsidiary
Bobcat Bensheim GmbH. (Note)	Excluded	Merged with another subsidiary
Goldwave Ltd.	Excluded	Liquidation of subsidiary
Goldwave Holdings Ltd.	Excluded	Liquidation of subsidiary
Geith Patents Ltd.	Excluded	Liquidation of subsidiary

(Note) The companies had been merged with Doosan Holdings Germany GmbH. and the company's name was changed to Bobcat Bensheim GmbH. for the period from April 25, 2014 (date of incorporation) to December 31, 2014.

## **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 International Financial Reporting Standards (“IFRS”)

### (1) Basis of preparation

The significant accounting policies under 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 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 IFRSs and new interpretations issued that are mandatorily effective accounting periods beginning on or after January 1, 2015.

##### Amendments to International Auditing standards (“IAS”) – Employee Benefits

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

#### 2) New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

##### Amendments to IAS 1 – Presentation of Financial Statements

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

##### Amendments to IAS 16 – Property, Plant and Equipment

The amendments to IAS 16 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

##### Amendments to IAS 38 – Intangible Assets

The amendments to IAS 38 do not allow the presumption that revenue is an appropriate basis for the amortization of intangible assets, in which the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

#### Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS28 - Investment in Associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The amendments are effective for annual periods beginning on or after 1 January 2016

#### Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provides guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments to IFRS 11 are effective for the annual periods beginning on or after January 1, 2016.

#### Amendments to IFRS 9 – Financial Instruments

The amendments to IFRS 9 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, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after 1 January 2018

#### Amendments to IFRS 15 – Revenue from Contracts with Customers

The core principle under IFRS 15 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 IAS 11 - Construction Contracts, IAS 18- Revenue, International Financial Reporting Interpretation Committee (“IFRIC”) 13 - Customer Loyalty Programmes, IFRIC 15-Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and IFRIC 31-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after 1 January 2018.

## (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 consolidated financial statements. The Company's proportionate share of the difference between assets net of liabilities and equity after translating into Korean won is accounted for as "increase (decrease) in equity of associates" included in accumulated other comprehensive income (loss).



### (3) Foreign currency translation

#### 1) Functional currency and presentation currency

The Company's consolidated financial statements are presented in the currency of the primary economic environment in which they 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.

Exchange differences from the net investment in the foreign operation and borrowings and other foreign currency instruments designated as hedging instrument for the net investment in the foreign operation are recognized in other comprehensive income. On the disposal of a foreign operation resulting in loss of control, all of the accumulated exchange differences in respect of that operation are reclassified to income or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### (4) Cash and cash equivalents

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

## (5) Financial assets

### 1) Classification of financial assets

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

#### a) FVTPL

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

#### b) Loans and receivables

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

#### c) AFS

AFS 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 FVTPL. AFS are classified as non-current assets unless management has intention to sell them within twelve months.

#### d) Held-to-maturity investments

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

## 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 FVTPL, which are initially measured at fair value, and related transaction costs are recognized in income or loss.

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

Changes in fair value of monetary and non-monetary financial assets 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 the equity is reclassified into income and expense in the consolidated statements of income.

Interest from AFS 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, 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 statement 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 at the proceeds received, net of direct issue costs.

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

### 3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. Conversion option over an entity's own equity is accounted for as equity only when it will be settled by the entity delivering (or receiving) a fixed number of their 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 FVTPL are recognized immediately in income or loss. Financial liabilities are classified as either financial liabilities FVTPL or other financial liabilities.

#### a) FVTPL

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

A financial liability is classified as held for trading if:

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

FVTPL is 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 as a net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs that are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by 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 their 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 revaluation model. When useful life of each part of an item of property, plant and equipment is different compared to that of the item, the part is recognized separately. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow 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:

	<u>Estimated useful lives (years)</u>
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 since 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:

	<u>Estimated useful lives (years)</u>
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 which is systematically allocated. Capitalized development costs are presented at the acquisition cost less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses.

The expenditure on research and development 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 and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

## (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 who 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 statement 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 which is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligation. Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income, which is 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 by 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 and it is probable that the economic benefits associated with the transaction will flow to the Company and when transaction meets the revenue recognition criteria specified by activity. When measuring revenue, the Company reliably estimates 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

(20) 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.

**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 period 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 and 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.

#### **4. FINANCIAL RISK MANAGEMENT:**

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

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

##### (1) Market risk

###### 1) Foreign currency risk

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

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies and exposed to foreign currency risk as of December 31, 2015 and 2014 is as follows (in thousands of U.S. dollars):

	December 31, 2015				
	USD	EUR	GBP	Others (*)	Total
Assets	\$524,895	\$111,993	\$18,303	\$1,504	\$656,695
Liabilities	(858,842)	(136,734)	(21,194)	(4,383)	(1,021,153)
Net assets (liabilities)	<u>(\$333,947)</u>	<u>(\$24,741)</u>	<u>(\$2,891)</u>	<u>(\$2,879)</u>	<u>(\$364,458)</u>

  

	December 31, 2014				
	USD	EUR	GBP	Others (*)	Total
Assets	\$424,775	\$129,917	\$34,737	\$2,499	\$591,928
Liabilities	(729,202)	(185,239)	(8,263)	(11,340)	(934,044)
Net assets (liabilities)	<u>(\$304,427)</u>	<u>(\$55,322)</u>	<u>\$26,474</u>	<u>(\$8,841)</u>	<u>(\$342,116)</u>

(\*) 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 decrease in functional currency exchange rates of the respective entity holding the assets and liabilities, for the year ended December 31, 2015 and for the period from April 25, 2014 (date of incorporation) to December 31, 2014, is as follows (in thousands of U.S. dollars):

	For the year ended		For the	
	December 31, 2015		Period from April 25, 2014 (date of incorporation) to December 31, 2014	
	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	(\$36,446)	\$36,446	(\$34,212)	\$34,212

## 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 value of the Company's financial liabilities with floating interest rates exposed to interest rate risk as of December 31, 2015 and 2014 is as follows (in thousands of U.S. dollars):

	December 31, 2015	December 31, 2014
Financial liabilities	\$1,580,500	\$1,593,500



A sensitivity analysis on the Company's net income(loss) before income tax expense, assuming a 1% increase and decrease in interest rate but other factors being unchanged, for the year ended December 31, 2015 and for the period from April 25, 2014 (date of incorporation) to December 31, 2014 is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015		For the period from April 25, 2014 (date of incorporation) to December 31, 2014	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Net income (loss) before income tax expense	(\$15,805)	\$15,805	(\$10,914)	\$10,914

### 3) Price risk

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

### (2) Credit risk

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

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

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



1) Exposure to credit risk

The maximum exposure amount of credit risk of financial assets as of December 31, 2015 and 2014 is as follows (in thousands of U.S. dollars):

	December 31, 2015	December 31, 2014
Cash and cash equivalents	\$358,741	\$154,203
Short-term financial instruments	130	4,185
Loans and receivables		
Trade and other receivables	341,731	341,832
Non-current trade and other receivables	2,137	4,480
Long-term financial assets	85	-
Derivative assets	2,022	4,127
Total	<u>\$704,846</u>	<u>\$508,827</u>

2) Aging analysis of the Company's receivables as of December 31, 2015 and 2014 is as follows (in thousands of U.S. dollars):

	December 31, 2015						Total
	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	
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	<u>\$424</u>	<u>\$282,769</u>	<u>\$31,836</u>	<u>\$22,327</u>	<u>\$15,474</u>	<u>\$5,669</u>	<u>\$358,499</u>

	December 31, 2014						Total
	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	
Trade receivables	\$-	\$274,021	\$42,879	\$5,416	\$9,076	\$3,112	\$334,504
Other receivables	-	19,660	192	26	-	1,102	20,980
Short-term loans	-	1,061	-	-	-	-	1,061
Long-term trade receivables	-	3,161	-	-	-	-	3,161
Long-term other receivables	-	303	-	-	-	-	303
Long-term loans	-	1,016	-	-	-	-	1,016
Total	<u>\$-</u>	<u>\$299,222</u>	<u>\$43,071</u>	<u>\$5,442</u>	<u>\$9,076</u>	<u>\$4,214</u>	<u>\$361,025</u>

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 are 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 its financing for its operation. The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget for three months and 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, 2015 and 2014 are matured as follows (in thousands of U.S. dollars):

		December 31, 2015				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	\$2,125,720	\$2,568,704	\$651,852	\$88,356	\$258,468	\$1,570,028
		December 31, 2014				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	\$2,213,803	\$2,710,621	\$730,649	\$94,468	\$257,705	\$1,627,799

(\*) 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, 2015, financial guarantee contract liabilities of the Company are explained in Note 25.

#### (4) Capital risk

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

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

Debt-to-equity ratio as of December 31, 2015 and 2014, is as follows (in thousands of U.S. dollars):

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Debt	\$2,764,054	\$2,915,280
Equity	<u>2,666,774</u>	<u>2,776,442</u>
Debt to equity ratio	<u>103.65%</u>	<u>105.00%</u>

#### 5. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of December 31, 2015 and 2014, consist of the following (in thousands of U.S. dollars):

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

	December 31, 2014		
	Gross	Allowance for doubtful accounts	Book value
Trade receivables	\$334,504	(\$14,713)	\$319,791
Other receivables	20,980	-	20,980
Short-term loans	1,061	-	1,061
<b>Total</b>	<b>\$356,545</b>	<b>(\$14,713)</b>	<b>\$341,832</b>
Long-term trade receivables	\$3,161	\$-	\$3,161
Long-term other receivables	303	-	303
Long-term loans	1,016	-	1,016
<b>Total</b>	<b>\$4,480</b>	<b>\$-</b>	<b>\$4,480</b>

- (2) The changes in allowance for doubtful accounts for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

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

  

	For the period from April 25, 2014 (date of incorporation) to December 31, 2014					
	April 25, 2014 (date of incorporation)	Increase	Reversal	Acquisition of business	Other	December 31, 2014
Trade receivables	\$24,693	\$-	(\$989)	\$-	(\$8,991)	\$14,713

Past due receivables are considered impaired. An allowance for doubtful account is individually recognized for receivables that can be assessed individually for impairment. An allowance for doubtful account is recognized based on 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 operating expenses in the consolidated statements of income.

## 6. INVENTORIES:

Inventories as of December 31, 2015 and 2014, are summarized as follows (in thousands of U.S. dollars):

	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	<u>\$727,551</u>	<u>(\$57,774)</u>	<u>\$669,777</u>

  

	December 31, 2014		
	Acquisition cost	Valuation allowance	Book value
Merchandise	\$115,607	(\$8,600)	\$107,007
Finished goods	304,207	(25,958)	278,249
Work in progress	21,821	(66)	21,755
Raw materials	185,622	(18,351)	167,271
Materials in transit	154,326	-	154,326
Total	<u>\$781,583</u>	<u>(\$52,975)</u>	<u>\$728,608</u>

Cost of inventory charged to cost of sales amounted to USD 2,673,863 thousand and USD 2,118,093 thousand for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, respectively. Loss on inventory valuation charged to cost of sales amounted to USD 4,799 thousand and USD 12,160 thousand for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, respectively.

## 7. DERIVATIVES:

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

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

(2) Details of gain and loss on valuation of derivatives as of December 31, 2015 and 2014 are as follows (in thousands of U.S. dollars):

December 31, 2015							
Type	Buy		Sell		Assets (Liabilities)	Gains (Losses)	Other comprehensive income
	Currency	Amount	Currency	Amount			
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

  

December 31, 2014							
Type	Buy		Sell		Assets (Liabilities)	Gains (Losses)	
	Currency	Amount	Currency	Amount			
Trading	CZK	231,607	EUR	8,408	(\$60)		\$69
	USD	125,000	EUR	99,892	4,127		4,770
Total					\$4,067		\$4,839

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).

## 8. FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2015 and 2014 are as follows (in thousands of U.S. dollars):

December 31, 2015							
	FVTPL - assets	Loans and receivables	AFS	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	\$989	\$345,554	\$85	\$1,163	\$347,791	\$347,791	

## December 31, 2015

	FVTPL - liabilities	Financial liabilities		Derivatives	
		at amortized cost	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
<b>Total</b>	<b>\$-</b>	<b>\$2,124,127</b>	<b>\$124</b>	<b>\$2,124,251</b>	<b>\$2,124,251</b>

## December 31, 2014

	FVTPL - assets	Loans and receivables	Book value	Fair value
Short-term financial instruments	\$-	\$4,185	\$4,185	\$4,185
Trade and other receivables	-	341,832	341,832	341,832
Derivative assets	4,127	-	4,127	4,127
Long-term trade and other receivables	-	4,480	4,480	4,480
Other non-current assets	-	10,671	10,671	10,671
<b>Total</b>	<b>\$4,127</b>	<b>\$361,168</b>	<b>\$365,295</b>	<b>\$365,295</b>

## December 31, 2014

	FVTPL - liabilities	Financial liabilities at amortized cost	Book value	Fair value
Trade and other payables	\$-	\$643,185	\$643,185	\$643,185
Borrowings	-	1,568,610	1,568,610	1,568,610
Derivative liabilities	60	-	60	60
Other non-current payables	-	2,008	2,008	2,008
<b>Total</b>	<b>\$60</b>	<b>\$2,213,803</b>	<b>\$2,213,863</b>	<b>\$2,213,863</b>

- (2) Fair value measurements of financial instruments by fair value hierarchy level as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

Type	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
FVTPL	\$-	\$859	\$-	\$859
Derivative used for hedging	-	1,163	-	1,163
Financial Liabilities:				
Derivative used for hedging	-	(124)	-	(124)

Type	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
FVTPL	\$-	\$4,127	\$-	\$4,127
Financial Liabilities:				
FVTPL	-	(60)	-	(60)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs that are not based on observable market data (unobservable inputs).

- (3) Gain and loss by each category of financial instruments for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015					
	Interest income (expense)	Bad debt expense	Loss on disposal	Gains on derivative instrument	Gains on foreign currency transaction	Others
Financial assets:						
Derivatives	\$-	\$-	\$-	\$10,500	\$-	\$-
Loans and receivables	2,404	(1,670)	(4,477)	-	2,050	-
Total	<u>\$2,404</u>	<u>(\$1,670)</u>	<u>(\$4,477)</u>	<u>\$10,500</u>	<u>\$2,050</u>	<u>\$-</u>
Financial liabilities:						
Derivatives	\$-	\$-	\$-	\$-	\$-	\$-
Financial liabilities at amortized cost	(82,398)	-	-	-	(8,700)	1,261
Total	<u>(\$82,398)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>(\$8,700)</u>	<u>\$1,261</u>



For the period from April 25, 2014 (date of incorporation) to December 31, 2014

	Interest income (expense)	Bad debt reversal	Loss on disposal	Gains on derivative instrument	Gains on foreign currency transaction	Others
Financial assets:						
Derivatives	\$-	\$-	\$-	\$12,619	\$-	\$-
Loans and receivables	1,193	989	(3,999)	-	209	-
Total	<u>\$1,193</u>	<u>\$989</u>	<u>(\$3,999)</u>	<u>\$12,619</u>	<u>\$209</u>	<u>\$-</u>
Financial liabilities:						
Derivatives	\$-	\$-	\$-	\$-	\$-	\$-
Financial liabilities at amortized cost	(65,043)	-	(35,004)	-	276	(52)
Total	<u>(\$65,043)</u>	<u>\$-</u>	<u>(\$35,004)</u>	<u>\$-</u>	<u>\$276</u>	<u>(\$52)</u>

## 9. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015								
	Land	Buildings	Structure	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	(22)	(3,941)	-	-	-	-	-	-	(3,963)
Reversal of impairment	583	-	-	389	-	-	-	-	972
Revaluation	4,385	-	-	-	-	-	-	-	4,385
Combination 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	<u>\$25,321</u>	<u>\$139,897</u>	<u>\$5,734</u>	<u>\$164,056</u>	<u>\$728</u>	<u>\$92</u>	<u>\$5,128</u>	<u>\$24,801</u>	<u>\$365,757</u>
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)

For the period from April 25, 2014 (date of incorporation) to December 31, 2014

	Land	Buildings	Machinery	Vehicles	Equipment	Construction in progress	Total
April 25, 2014 (date of incorporation)	\$29,461	\$109,869	\$160,740	\$904	\$7,467	\$43,888	\$352,329
Acquisition	-	-	2,236	168	1,579	44,040	48,023
Disposal	-	(434)	(3,739)	(55)	(354)	-	(4,582)
Depreciation	-	(5,835)	(35,711)	(241)	(1,483)	-	(43,270)
Impairment losses	(2,112)	(7,827)	(465)	-	(471)	-	(10,875)
Others	(871)	20,911	35,065	(77)	101	(47,690)	7,439
December 31, 2014	<u>\$26,478</u>	<u>\$116,684</u>	<u>\$158,126</u>	<u>\$699</u>	<u>\$6,839</u>	<u>\$40,238</u>	<u>\$349,064</u>
Acquisition cost	\$28,411	\$184,339	\$360,871	\$4,946	\$22,060	\$40,238	\$640,865
Accumulated depreciation	-	(60,489)	(202,319)	(4,230)	(14,790)	-	(281,828)
Accumulated impairment losses	(1,933)	(7,166)	(426)	(17)	(431)	-	(9,973)

Land assets are remeasured on fair value basis at the revaluation date. If the land assets were measured on a historical cost basis as of December 31, 2015, their carrying amount would be \$13,094 thousand. As of December 31, 2015, the Company's property, plant and equipment are partially pledged as collateral for loans from JP Morgan and other three banks. Refer to Note 12.

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

For the year ended December 31, 2015, the Company initially remeasured all land assets using fair value at the date of the revaluation. As of December 31, 2015, the fair value of land assets is determined from appraisal that is undertaken by independently qualified valuers, Daniel Companies, CBRE Inc., and others, on November 30, 2015. Daniel Companies, CBRE Inc., and others are certified professionals that have a significant amount of industry experience.

Fair value of land assets is determined by reference to recent market transactions of similar, recently sold parcels nearby the subject land in order to derive an indication of the most probable sales price (or value) of the subject land.

(3) Fair value measurements of land asset by fair-value hierarchy level as of December 31, 2015, are as follows (in thousands of U.S. dollars):

Type	Level 1	Level 2	Level 3	Total
Land	\$-	\$-	\$25,321	\$25,321

- (4) The effect of applying revaluation model as of December 31, 2015, is as follows (in thousands of U.S. dollars):

January 1, 2015	Acquisition	Disposal of business	Others	Revaluation increase	Revaluation decrease	December 31, 2015
\$26,478	\$282	(\$5,188)	(\$1,197)	\$6,018	(\$1,072)	\$25,321

- (5) Classification of depreciation expense for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Cost of sales	\$45,058	\$36,274
Selling and administrative expenses	3,695	4,604
Research and development cost and others	3,355	2,392
Total	<u>\$52,108</u>	<u>\$43,270</u>

## 10. INTANGIBLE ASSETS:

(1) The change in intangible assets for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, is as follows (in thousands of U.S. dollars):

	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 losses	-	-	-	(282)	(282)
Combination 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	<u>\$2,466,078</u>	<u>\$981,252</u>	<u>\$84,025</u>	<u>\$17,166</u>	<u>\$3,548,521</u>
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)
	For the period from April 25, 2014 (date of incorporation), to December 31, 2014				
	Goodwill	Industrial rights	Development costs	Others	Total
April 25, 2014 (date of incorporation)	\$2,867,405	\$1,098,881	\$83,411	\$21,306	\$4,071,003
Acquisition	-	-	12,722	1,900	14,622
Disposal	-	-	-	(38)	(38)
Amortization	-	(10,939)	(10,508)	(4,859)	(26,306)
Impairment losses	-	-	-	(755)	(755)
Others	(172,164)	(51,423)	(1,813)	102	(225,298)
December 31, 2014	<u>\$2,695,241</u>	<u>\$1,036,519</u>	<u>\$83,812</u>	<u>\$17,656</u>	<u>\$3,833,228</u>
Acquisition cost	\$2,695,241	\$1,151,951	\$148,843	\$51,514	\$4,047,549
Accumulated amortization	-	(115,432)	(65,031)	(33,858)	(214,321)

As of December 31, 2015, the Company's intangible assets are partially pledged as collateral for loans from JP Morgan and other three banks. Refer to Note 12.

- (2) Classification of amortization expense for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, is as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Cost of sales	\$22,165	\$11,849
Selling and administrative expenses	17,785	14,344
Research and development cost and others	347	113
Total	<u>\$40,297</u>	<u>\$26,306</u>

- (3) Expenditure on research and development recognized as expenses amounted to USD 56,232 thousand and USD 44,234 thousand for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, respectively.

(4) Impairment test of goodwill

- 1) Goodwill has been allocated for impairment testing purposes to the following cash-generating unit and is tested for impairment annually.

Company	Cash-generating unit	Description
Doosan Bobcat Inc.	Construction Equipment (“CE”)	Manufacturing and sale of construction equipment, etc.
	Portable Power (“PP”)	Manufacturing and sale of portable power, etc.

- 2) Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows (in thousands of U.S. dollars):

Cash-generating units	December 31, 2015
CE	\$2,448,315
PP	17,763
	<u>\$2,466,078</u>

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

Description	December 31, 2015
CE	8.5%
PP	10.7%

- 4) The Company uses cash flow projections based on financial budgets approved by the directors covering 10-year periods for a value-in-use calculation. The financial budgets are determined based on historical result and expectation of market growth. Cash flows beyond that 10-year periods have been extrapolated using a 2.5% growth rate, continuing the tenth year cash flow. The growth rate does not exceed long-term average growth rate of market and the discount rates used reflect relevant risks specific to the cash-generating units.

The result of recoverable amount the Company calculated based on value-in-use calculation was 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 period ended December 31, 2015.

## 11. TRADE AND OTHER PAYABLES:

Trade and other payables as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current		
Trade payables	\$333,842	\$463,623
Other payables	100,310	95,801
Accrued expenses	<u>106,184</u>	<u>83,761</u>
Total	<u>\$540,336</u>	<u>\$643,185</u>
Non- current		
Other payables	<u>\$1,510</u>	<u>\$2,008</u>

## 12. BORROWINGS:

Long-term borrowings as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

### (1) Short-term borrowings

<u>Lender</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Doosan Infracore China Co., Ltd. ("DICCC")	6.80	\$18,728	\$-
Standard Chartered Bank Beijing Branch	6.80	<u>3,522</u>	<u>-</u>
		<u>\$22,250</u>	<u>\$-</u>

### (2) Long-term borrowings

<u>Lender</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
JP Morgan and other three banks (Note)	3M LIBOR+3.50	\$1,180,500	\$1,193,500
Doosan Infracore Bobcat Ireland Ltd.	3M LIBOR+4.30	400,000	400,000
Bank of New York	8.00	<u>4,250</u>	<u>4,250</u>
Subtotal		1,584,750	1,597,750
Less: present value discount		(24,719)	(29,140)
Less: current portion		<u>(13,000)</u>	<u>(13,000)</u>
Total		<u>\$1,547,031</u>	<u>\$1,555,610</u>

(Note) The long-term borrowings are guaranteed by the Company. In addition, the Company's property, plant, equipment, intangible assets and others assets are pledged as collateral. Please refer to Note 25.

### **13. RETIREMENT BENEFIT OBLIGATION:**

(1) Details of retirement benefit obligation as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligation	\$754,503	\$814,463
Fair value of plan assets	<u>(349,344)</u>	<u>(382,096)</u>
Total	<u><u>\$405,159</u></u>	<u><u>\$432,367</u></u>

(2) Income and loss recognized for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	<u>For the year ended December 31, 2015</u>	<u>For the period from April 25, 2014 (date of incorporation) to December 31, 2014</u>
Current service cost	\$16,067	\$10,256
Past service cost (gain on settlements)	(21)	(19,785)
Net interest cost	<u>15,804</u>	<u>13,656</u>
Total	<u><u>\$31,850</u></u>	<u><u>\$4,127</u></u>

(3) Details of total expenses recognized in the consolidated statements of income for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	<u>For the year ended December 31, 2015</u>	<u>For the period from April 25, 2014 (date of incorporation) to December 31, 2014</u>
Cost of sales	\$12,988	(\$457)
Selling and administrative expenses	18,494	4,309
Research and development Costs	<u>368</u>	<u>275</u>
Total	<u><u>\$31,850</u></u>	<u><u>\$4,127</u></u>

The Company recognized USD 11,385 thousand of service cost relating to its defined contribution plan in the statement of income for the year ended December 31, 2015.



- (4) Changes in defined benefit obligation for the year ended December 31, 2015, and for the period from April 25, 2014, (date of incorporation) to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Beginning balance	\$814,463	\$762,444
Current service cost	16,067	10,256
Past service cost and (gain on settlements)	(21)	(19,785)
Interest cost	29,605	24,157
Remeasurements of defined benefit liabilities		
- Actuarial loss (gain) arising from changes in demographic assumptions	(9,357)	11,350
- Actuarial loss (gain) arising from changes in financial assumptions	(39,539)	89,176
- Others	(469)	(832)
Plan participants' contributions	2,197	2,156
Increase due to transfers	(4,477)	951
Foreign currency translation	(4,776)	(5,738)
Benefit payment	(49,190)	(59,672)
Ending balance	<u>\$754,503</u>	<u>\$814,463</u>

- (5) Changes in plan assets for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Beginning balance	\$382,096	\$378,347
Expected return on plan assets	13,801	10,502
Remeasurement of plan assets	(19,704)	24,582
Employer's contribution	2,531	-
Plan participants' contributions	2,197	2,156
Contributions by employer directly to plan assets	24,257	33,180
Benefit payment	(50,970)	(64,348)
Increase due to transfers	(2,318)	774
Foreign currency translation	(2,546)	(3,097)
Ending balance	<u>\$349,344</u>	<u>\$382,096</u>

The Company plans to contribute USD 29,104 thousand for the defined benefit plans in 2016.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Discount rate for defined benefit obligations	4.21%	3.84%
Expected rate of salary increase	3.75%	3.75%

(7) Details of plan assets as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Equity instruments	\$129,856	\$128,168
Debt instruments	210,563	240,427
Others	<u>8,925</u>	<u>13,501</u>
Total	<u>\$349,344</u>	<u>\$382,096</u>

(8) Sensitivity analysis as of December 31, 2015 showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption is as follows (in thousands of U.S. dollars):

	<u>Amount</u>	<u>Rate</u>
Discount rate :		
1% increase	(\$94,718)	(12.55%)
1% decrease	101,270	13.42%
Salary increase rate :		
1% increase	10,030	1.33%
1% decrease	(3,261)	(0.43%)

(9) Maturity of the defined benefit obligation as of December 31, 2015 is as follows (in thousands of U.S. dollars):

	<u>0 – 1 year</u>	<u>1 – 2 years</u>	<u>2 – 5 years</u>	<u>5 – 10 years</u>	<u>Total</u>
Payment	\$49,170	\$47,924	\$140,195	\$226,765	\$464,054

#### 14. PROVISIONS:

Changes in provisions for the year ended December 31, 2015, are as follows (in thousands of U.S. dollars):

	January 1,				December 31,		
	2015	Increase	Decrease	Others	2015	Current	Non-current
Warranty	\$49,954	\$16,197	(\$4,561)	(\$144)	\$61,446	\$44,260	\$17,186
Product liability	18,958	2,898	(1,543)	(46)	20,267	2,858	17,409
Legal	6,000	1,479	(2,311)	(463)	4,705	4,705	-
Restructuring	37,666	7,147	(28,720)	(3,182)	12,911	12,911	-
Total	<u>\$112,578</u>	<u>\$27,721</u>	<u>(\$37,135)</u>	<u>(\$3,835)</u>	<u>\$99,329</u>	<u>\$64,734</u>	<u>\$34,595</u>

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, 2015, are as follows (in thousands of U.S. dollars):

Date	Description	Number of shares		Capital stock	Share premium	Other capital surplus
		Ordinary share	Convertible preferred share			
January 1, 2015	Beginning balance	10,000	-	\$47	\$2,433,925	\$171,238
March 31, 2015	Transfer to retained earnings	-	-	-	(258,234)	-
August 28, 2015	Issuance of convertible preferred stock - 1st	-	1,929	8	462,440	-
September 4, 2015	Issuance of convertible preferred stock - 2 <sup>nd</sup>	-	542	2	121,549	-
September 14, 2015	Capital reduction- 1st	(1,840)	-	(8)	-	-
September 30, 2015	Capital reduction - 2nd	(547)	-	(2)	-	-
October 22, 2015	Transfer to loss on capital reduction	-	-	-	(631,802)	-
December 31, 2015	Ending balance	<u>7,613</u>	<u>2,471</u>	<u>\$47</u>	<u>\$2,127,878</u>	<u>\$171,238</u>

Doosan Bobcat Inc. is authorized to issue up to 400,000,000 ordinary shares with a par value DI in exchange for the 88.41% and 78.27% of controlling equity interests of DII and DHEL, of KRW 5,000 per share. On April 25, 2014, Doosan Bobcat Inc. issued 10,000 ordinary shares to respectively. In addition, DI contributed cash of KRW 10 billion. In September, 2015, the Company repurchased and retired 2,387 ordinary shares at a cost of USD 569 million, as authorized by the Board of directors in August 2015. 7,613 ordinary shares of Doosan Bobcat Inc. were issued and outstanding as of December 31, 2015. No issued ordinary shares of Doosan Bobcat Inc. have restricted voting rights under the Korean commercial law.

The balance on the share premium account represents the amounts received in excess of the par value of the ordinary shares. On March 31, 2015, the Company transferred USD 258 million from capital surplus to retained earnings for the future dividends.

## (2) Convertible preferred shares

In August and September 2015, the Company issued 2,471 shares of convertible preferred stock (“CPS”) with par value of KRW 5,000 to 3rd party investors and raised capital of USD 595 million (“Issue Price”). In connection with the issuance of the CPSs, the Company entered into the Share Subscription Agreement and the separate Agreement and the Company’s major shareholder, DI, entered into the Shareholder Agreement with investors (collectively, “Agreements”). Under the Agreements, the holders of the CPSs are entitled to (i) one vote per one CPS, (ii) conversion of the CPSs, in part or in whole, into the same number of common shares between 2016 and 2025, (iii) preferred distribution of remaining assets in the event of liquidation of the Company in the amount of the Issue Price plus the accumulated unpaid dividends in priority to the holders of common shares, and (iv) preferred dividend of 6.9% per annum for the first five years, and 9% per annum subsequently, of the Issue Price plus accumulated and unpaid dividends.

The Company can determine the payment of preferred dividends at its discretion. However, if minimum dividend calculated based on minimum dividend rate of 6.5% per annum is not paid for a specific fiscal year, preferred dividend rate will be increased by 0.5% up to 10% for the following year. Following such adjustment of the preferred dividend rate, if the Company distributes preferred dividends at a rate equal to or greater than the minimum dividend rate, preferred dividend rate will be adjusted downward for the following fiscal year based on certain prescribed formula. The Company cannot declare and pay dividends to common shareholders, unless the accrued and unpaid dividends on the CPSs have been fully paid.

In case an initial public offering of the Company is not completed within 4 years and 6 months from the issuance, the investors may request DI cause the Company to sell the shares of the Company or its subsidiaries within 5 years from the issuance of the CPSs. In case the subsidiary sale is not completed within 5 years from the issuance of the CPSs, the preferred dividend rate will be increased by 2% for the following one year and 4% subsequently until the sale is completed.

DI or any parties designated by DI have the right to (i) purchase up to 50% of the CPSs from the investors at the Issue Price plus accumulated and unpaid dividends after three years from the issuance and (ii) all or any portion of the CPSs after 4 years and 6 months from the issuance.

## 16. OTHER EQUITY ITEMS

Other equity items as of December 31, 2015 and 2014, are as follows (in thousands of U.S. dollars):

Description	December 31, 2015	December 31, 2014
Capital adjustment from equity transactions among subsidiaries	\$7,700	\$-

## 17. ACCUMULATED OTHER COMPREHENSIVE LOSS:

Accumulated other comprehensive loss as of December 31, 2015 and 2014, is summarized as follows (in thousands of U.S. dollars):

Description	December 31, 2015	December 31, 2014
Loss on translation of foreign operations	(\$365,678)	(\$207,313)
Unrealized gain on valuation of derivatives	893	-
Revaluation of property, plant and equipment	3,020	650
Ending balance	(\$361,765)	(\$206,663)

## 18. RETAINED EARNINGS:

Changes in retained earnings for the year ended December 31, 2015 and for the period from April 25, 2014 (date of incorporation) to December 31, 2014 are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Beginning balance	\$14,958	\$-
Net income	120,927	56,335
Actuarial losses recognized in retained earnings	15,589	(41,377)
Transferred to retained earnings	258,233	-
Interim dividend	(14,555)	-
Ending balance	\$395,152	\$14,958

**19. SALES:**

Details of sales for the year ended December 31, 2015, and period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Sales of goods:		
Manufactured products	\$3,338,478	\$2,625,397
Merchandise	169,944	100,604
Others	62,756	56,272
	<hr/>	<hr/>
Total	\$3,571,178	\$2,782,273

**20. EXPENSES BY NATURE:**

Expenses classified by nature for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Employee benefits	\$337,082	\$228,244
Depreciation and amortization	92,405	69,576

**21. SELLING AND ADMINISTRATIVE EXPENSES:**

Selling and administrative expenses for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Salaries	\$124,343	\$96,288
Provision for retirement benefits	21,702	4,613
Other employee benefits	26,804	22,545
Rent	12,508	10,402
Depreciation	3,695	4,604
Amortization	17,785	14,344
Research and development	56,232	44,234
Advertising	28,158	16,225
Travel	21,153	16,155
Sundry	83,325	44,483
Provision for doubtful accounts	1,670	(989)
Others	20,286	20,968
Total	<u>\$417,661</u>	<u>\$293,872</u>

## 22. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are summarized as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Finance income:		
Interest income	\$2,404	\$1,193
Gain on foreign currency transaction	15,621	9,158
Gain on foreign currency translation	23,391	26,560
Gain on derivative transaction	13,338	8,242
Gain on valuation of derivatives	-	4,839
Income on financial guarantee	3,278	2,949
	<hr/>	<hr/>
Subtotal	58,032	52,941
	<hr/>	<hr/>
Finance expenses:		
Interest expenses	(82,398)	(65,043)
Loss on foreign currency transaction	(9,751)	(17,040)
Loss on foreign currency translation	(52,269)	(36,791)
Loss on derivative transaction	-	(462)
Loss on valuation of derivatives	(2,838)	-
Costs of financial guarantee	(1,094)	(1,607)
Loss on redemption	-	(35,004)
Others	(923)	(1,394)
	<hr/>	<hr/>
Subtotal	(149,273)	(157,341)
	<hr/>	<hr/>
Net finance expense	(\$91,241)	(\$104,400)



### 23. OTHER OPERATING INCOME AND EXPENSES:

Other operating income and expenses for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Other operating income:		
Gain on disposal of property, plant and equipment	\$13	\$2
Others	40,875	8,099
Subtotal	40,888	8,101
Other operating expenses:		
Loss on disposal of trade receivables	(\$4,477)	(\$3,999)
Loss on disposal of property, plant and equipment	(30)	(345)
Impairment loss of property, plant and equipment	(3,963)	(8,489)
Impairment loss of intangible asset	(282)	(755)
Donations	(968)	(717)
Others	(22,142)	(44,457)
Subtotal	(31,862)	(58,762)
Total	\$9,026	(\$50,661)

## 24. INCOME TAX EXPENSE:

(1) Components of income tax expense for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Current tax	\$7,008	\$17,227
Deferred tax	125,167	16,224
Total income tax expense	<u>132,175</u>	<u>33,451</u>
Changes in deferred tax directly charged to equity	(8,170)	24,432
Changes in scope of consolidation	<u>3,627</u>	<u>-</u>
Income tax expense	<u>\$127,632</u>	<u>\$57,883</u>

(2) The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	Year ended December 31, 2015		
	January 1, 2015	Increase (Decrease)	December 31, 2015
Provision for retirement and severance benefits	\$101,003	(\$2,228)	\$98,775
Property, plant and equipment	(7,254)	(16,109)	(23,363)
Reserve for research and development	(20,394)	(1,615)	(22,009)
Intangible assets	(95,612)	(45,220)	(140,832)
Provisions	13,496	2,398	15,894
Inventories	23,007	(6,613)	16,394
Others	<u>195,890</u>	<u>(55,780)</u>	<u>140,110</u>
Total	<u>\$210,136</u>	<u>(\$125,167)</u>	<u>\$84,969</u>

	Period from April 25, 2014 (date of incorporation) to December 31, 2014		
	April 25, 2014 (date of incorporation)	Increase (Decrease)	December 31, 2014
Provision for retirement and severance benefits	\$65,595	\$35,408	\$101,003
Property, plant and equipment	(28,669)	21,415	(7,254)
Reserve for research and development	(15,382)	(5,012)	(20,394)
Intangible assets	(39,798)	(55,814)	(95,612)
Provisions	12,892	604	13,496
Inventories	14,470	8,537	23,007
Others	217,252	(21,362)	195,890
Total	<u>\$226,360</u>	<u>(\$16,224)</u>	<u>\$210,136</u>

- (3) Temporary differences that have not been recognized as deferred tax assets as of December 31, 2015 and 2014 are as follows (in thousands of U.S. dollars):

	December 31, 2015	December 31, 2014
Net loss carryforwards	\$613,826	\$634,331
Other	808,819	758,334

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

- (4) A reconciliation of income tax expense and accounting income before income tax expense for the year ended December 31, 2015 and period from April 25, 2014 (date of incorporation) to December 31, 2014 is as follows (in thousands of U.S. dollars):

	Year ended December 31, 2015	Period from April 25, 2014 (date of incorporation) to December 31, 2014
Income from continuing operations before income tax expense	\$258,550	\$111,025
Income tax expense at statutory income tax rate	124,895	52,293
Adjustment:		
Permanent difference	(22,593)	2,613
Effect of change in recognition of deferred income tax	35,435	26,504
Tax credits	(3,859)	(17,530)
Additional tax	(7,253)	(2,282)
Other	1,007	(3,715)
Income tax expense	<u>127,632</u>	<u>57,883</u>
Average effective tax rate	<u>49.4%</u>	<u>52.13%</u>

## **25. COMMITMENTS AND CONTINGENCIES:**

(1) The Company is involved in lawsuits as defendants with a total claim exposure of USD 25,270 thousand as of December 31, 2015. Currently, the ultimate outcome of these lawsuits cannot be determined.

(2) Guarantee and pledged assets

1) As of December 31, 2015, guarantees provided by the Company for third parties are as follows (in thousands of U.S. dollars):

<u>Provider</u>	<u>Provided for</u>	<u>Guarantee</u>
DII and subsidiaries	End customers	\$ 73,328
DHEL and subsidiaries	End customers	<u>1,431</u>
Total		<u><u>\$ 74,759</u></u>

2) Doosan Bobcat Inc. provided its 4,540 ordinary shares of DII and 4,859 ordinary shares of DHEL as collateral to Core value 1st Co, Ltd. and two other parties for DI's borrowings, amounting to \$85,324 thousand. In addition, as of December 31, 2015, Doosan Bobcat Inc. provided its 20,429 ordinary shares of DII as collateral to Korea Development Bank for DI's bonds, amounting to \$350,000 thousand.

On May 28, 2014, DII 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 27,096 shares of DII, 21,820 shares of DHEL and 110,071,219 shares of DISEA held by Doosan Bobcat Inc. as well as secured by certain tangible and intangible assets of DII and subsidiaries and DHEL and subsidiaries. The total borrowings as of December 31, 2015 are USD 1,180,500 thousand.

## 26. RELATED-PARTY TRANSACTIONS:

Related-party disclosures for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows.

### (1) Nature of relationship

<u>Relationship with the Company</u>	<u>Company name</u>
Ultimate controlling party	Doosan Corp.
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.
Parent	DI
Other related parties	DE , Doosan Infracore America Corp., Doosan Infracore China Co., Ltd., Doosan Infracore (China) Investment Co., Ltd., Doosan Infracore Germany GmbH., Doosan Infracore Japan Corp., Doosan Infracore Machine Tools Yantai Co., Ltd., Doosan Bobcat Chile S.A., Doosan Infracore (Shandong) Co., Ltd., Doosan Infracore Norway AS, Doosan DST Co., Ltd., Doosan Construction & Engineering Co., Ltd., Doosan Tower, Oricom Inc., Doosan Bears Inc., Doosan Cuvex Co., Ltd. and others

- (2) Significant transactions for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, with related parties are as follows (in thousands of U.S. dollars):

Description	For the year ended December 31, 2015			
	Sales	Other income	Purchases	Other expenses
Ultimate controlling party	\$-	\$154	\$-	\$5,536
Next most senior parent	45	-	-	-
Parent	29,904	3,393	657,920	188
Other related parties	7,008	162	40,886	53,963
Total	<u>\$36,957</u>	<u>\$3,709</u>	<u>\$698,806</u>	<u>\$59,687</u>

  

Description	For the period from April 25, 2014 (date of incorporation) to December 31, 2014			
	Sales	Other income	Purchases	Other expenses
Ultimate controlling party	\$-	\$-	\$-	\$4,815
Parent	98,166	3,092	615,063	775
Other related parties	29,236	2	20,763	37,042
Total	<u>\$127,402</u>	<u>\$3,094</u>	<u>\$635,826</u>	<u>\$42,632</u>

- (3) As of December 31, 2015 and 2014, related significant balances are as follows (in thousands of U.S. dollars):

Description	December 31, 2015				
	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate controlling party	\$-	\$49	\$-	\$1,449	\$-
Parent	20,003	5,393	62,602	13,405	-
Other related parties	3,779	1,760	17,422	2,897	418,728
Total	<u>\$23,782</u>	<u>\$7,202</u>	<u>\$80,024</u>	<u>\$17,751</u>	<u>\$418,728</u>

  

Description	December 31, 2014				
	Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate controlling party	\$-	\$14	\$-	\$835	\$-
Parent	69,111	4,778	212,509	3,773	-
Other related parties	18,069	874	4,312	3,477	400,000
Total	<u>\$87,180</u>	<u>\$5,666</u>	<u>\$216,821</u>	<u>\$8,085</u>	<u>\$400,000</u>

- (4) Loan and borrowings, and equity contribution for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, with related parties are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015						
	Borrowings		Equity Transaction		Asset / Entrepreneurship Transaction		Capital Transaction
	Borrowings	Repayment	Acquisition	Disposal	Acquisition	Disposal	Capital injection
Parent company	\$-	\$-	\$57,262	\$100	\$61,422	\$12,545	\$-
Other related parties	18,728	-	-	-	-	-	115,044

	For the period from April 25, 2014 (date of incorporation) to December 31, 2014					
	Borrowings		Equity Transaction		Asset / Entrepreneurship Transaction	
	Borrowings	Repayment	Acquisition	Disposal	Acquisition	Disposal
Other related parties	\$400,000	\$-	\$-	\$-	\$-	\$-

- (5) As of December 31, 2015, guarantees by the Company for related parties are disclosed in Note 25. Meanwhile, as of December 31, 2015, 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 (including outside director) who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, is as follows (in thousands of U.S. dollars):

Description	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Employee benefits	\$ 2,226	\$1,122
Retirement benefits	189	66
Total	<u>\$2,415</u>	<u>\$1,188</u>

## 27. CONSOLIDATED STATEMENT OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the consolidated statement of cash flows for the year ended December 31, 2015, and for the period from April 25, 2014 (date of incorporation), to December 31, 2014, are as follows (in thousands of U.S. dollars):

	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Adjustments:		
Income tax expenses	\$127,632	\$57,883
Finance income	(25,795)	(32,592)
Finance expense	137,506	136,838
Depreciation	52,108	43,270
Amortization	40,297	26,306
Retirement benefits	31,850	4,127
Gain on disposal of property, plant and equipment	(13)	(2)
Reversal of impairment loss of property, plant and equipment	(972)	-
Loss on disposal of property, plant and equipment	30	345
Impairment loss on property, plant and equipment	3,963	8,490
Impairment loss on intangible assets	282	755
Gain on disposal of business	(29,023)	-
Total	<u>\$337,865</u>	<u>\$245,420</u>
	For the year ended December 31, 2015	For the period from April 25, 2014 (date of incorporation) to December 31, 2014
Changes in operating assets and liabilities:		
Decrease in trade receivables	\$30,582	\$35,848
Decrease (increase) in other Receivables	14,416	(4,253)
Increase in derivative assets	-	(4,127)
Decrease (increase) in inventories	75,667	(90,196)
Decrease(increase) in other current assets	(2,788)	2,185
Decrease (increase) in other non-current assets	10,105	(149)
Increase(decrease) in trade payables	(208,086)	26,362
Increase in other payables	10,603	48,335
Increase in derivative liabilities	-	4,505
Increase(decrease) in provisions	(16,110)	27,992
Increase in other current liabilities	778	4,115
Increase in other non-current liabilities	9,084	2,135
Post-employment benefits	(18,012)	(28,504)
Total	<u>(\$93,761)</u>	<u>\$24,248</u>



- (2) There are no significant non-cash transactions for the year ended December 31, 2015 and period from April 25, 2014 (date of incorporation) to December 31, 2014.

**28. BUSINESS COMBINATION:**

- (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	Pooling of interest 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 of 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	<u>\$120,905</u>

- (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	<u>10,669</u>
Total	<u>(\$ 108,015)</u>

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

## 29. DISPOSAL OF BUSINESS:

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

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

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

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

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

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

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

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