

**DAEWOO ENGINEERING &
CONSTRUCTION CO., LTD. and Subsidiaries**
Consolidated Financial Statements
December 31, 2014 and 2013

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
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December 31, 2014 and 2013

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
DAEWOO ENGINEERING & CONSTRUCTION CO., LTD.

We have audited the accompanying consolidated financial statements of DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and its subsidiaries (collectively "the Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

The consolidated financial statements of the Group as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

The amounts expressed in U.S. dollars are provided solely for the convenience of the reader and have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 19, 2015

This report is effective as of March 19, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(in millions of Korean won and thousands of US dollars (Note 4))

	Notes	2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	5,6,9,37	₩ 325,690	₩ 409,596	\$ 296,298	\$ 372,631
Financial instrument assets	5,6,12,13,24,37	196,564	124,540	178,825	113,301
Trade receivables	5,6,8,10,37	3,263,114	3,087,670	2,968,626	2,809,016
Other receivables	5,6,10,37	619,349	659,513	563,454	599,994
Advance payments		527,535	458,026	479,926	416,690
Prepaid expenses		255,818	293,150	232,732	266,695
Inventories	11	1,231,598	1,482,592	1,120,449	1,348,792
Assets held for sale	14,24	568,247	433,753	516,964	394,608
		<u>6,987,915</u>	<u>6,948,840</u>	<u>6,357,274</u>	<u>6,321,727</u>
Non-current assets					
Investments in associates	15,24	54,003	39,586	49,129	36,013
Financial instrument assets	5,6,13,24,37	73,184	13,946	66,579	12,687
Investments in securities	5,6,12,24,37	351,144	493,774	319,454	449,212
Other receivables	5,6,8,10,37	969,635	858,965	882,128	781,446
Prepaid expenses		39,863	32,200	36,265	29,294
Investment property	18,24	178,460	190,373	162,354	173,192
Property, plant and equipment	16,24	797,642	698,143	725,657	635,137
Intangible assets	17,24	115,191	110,382	104,795	100,420
Deferred income tax assets	33	693,181	736,104	630,623	669,672
		<u>3,272,303</u>	<u>3,173,473</u>	<u>2,976,984</u>	<u>2,887,073</u>
Total assets		<u>₩ 10,260,218</u>	<u>₩ 10,122,313</u>	<u>\$ 9,334,258</u>	<u>\$ 9,208,800</u>

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(in millions of Korean won and thousands of US dollars (Note 4))

	Notes	2014	2013	2014	2013
Liabilities					
Current liabilities					
Financial instrument liabilities	5,6,13,20,37	₩ 1,569,890	₩ 1,665,382	\$ 1,428,211	\$ 1,515,086
Trade payables	5,6,37	480,967	486,496	437,561	442,591
Other payables	5,6,19,37	1,124,445	1,045,481	1,022,967	951,129
Advances received	8,19	830,175	1,265,331	755,254	1,151,138
Withholdings		149,395	131,025	135,911	119,200
Guarantee deposits received	5,6	61,079	62,553	55,567	56,908
Income tax payable	33	17,750	66,817	16,148	60,787
Debt held for sale	14	-	33,976	-	30,910
		<u>4,233,701</u>	<u>4,757,061</u>	<u>3,851,619</u>	<u>4,327,749</u>
Non-current liabilities					
Financial instruments liabilities	5,6,13,20,37	1,319,551	1,455,526	1,200,465	1,324,168
Other payables	5,6,19	250	610	227	555
Advances received	8,19	923,250	463,137	839,929	421,340
Provisions	22	572,417	537,422	520,758	488,921
Guarantee deposits received	5,6	271,163	74,038	246,691	67,356
Defined benefit liabilities	21	198,029	164,658	180,157	149,798
Deferred income tax liabilities	33	16,262	16,267	14,794	14,799
		<u>3,300,922</u>	<u>2,711,658</u>	<u>3,003,021</u>	<u>2,466,937</u>
Total liabilities		<u>7,534,623</u>	<u>7,468,719</u>	<u>6,854,640</u>	<u>6,794,686</u>
Equity attributable to owners of the Parent Company					
Capital stock	1,25	2,078,113	2,078,113	1,890,569	1,890,569
Capital surplus	25	548,907	548,200	499,370	498,726
Other components of equity	26	(99,174)	(99,289)	(90,224)	(90,328)
Accumulated other comprehensive income	26	(154,967)	(112,603)	(140,982)	(102,441)
Retained earnings	27	256,819	181,820	233,642	165,411
		<u>2,629,698</u>	<u>2,596,241</u>	<u>2,392,375</u>	<u>2,361,937</u>
Non-controlling interest		95,897	57,353	87,243	52,177
Total equity		<u>2,725,595</u>	<u>2,653,594</u>	<u>2,479,618</u>	<u>2,414,114</u>
Total liabilities and equity		<u>₩ 10,260,218</u>	<u>₩ 10,122,313</u>	<u>\$ 9,334,258</u>	<u>\$ 9,208,800</u>

The U.S. dollars figures are provided for information purpose only and do not form part of the consolidated financial statements. Refer to Note 4.

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

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2014 and 2013

(in millions of Korean won and thousands of US dollars,
except per share amounts (Note 4))

	Notes	2014		2013					
Sales	7,8	₩	9,995,023	₩	8,782,196	\$	9,092,998	\$	7,989,625
Cost of sales	8,29		<u>9,231,385</u>		<u>8,442,194</u>		<u>8,398,276</u>		<u>7,680,307</u>
Gross profit			763,638		340,002		694,722		309,318
Selling and administrative expenses	29,30		336,665		584,666		306,282		531,901
Operating income (loss)	7		<u>426,973</u>		<u>(244,664)</u>		<u>388,440</u>		<u>(222,583)</u>
Income from associates	15		12,757		8,828		11,606		8,031
Other income	31		439,400		328,372		399,745		298,737
Other expenses	31		627,804		845,902		571,146		769,561
Financial income	32		28,304		33,362		25,750		30,351
Financial costs	32		<u>123,445</u>		<u>119,719</u>		<u>112,304</u>		<u>108,915</u>
Profit before income tax (benefit)			156,185		(839,723)		142,091		(763,940)
Income tax expense (benefit)	33		<u>54,075</u>		<u>(121,687)</u>		<u>49,196</u>		<u>(110,705)</u>
Profit (loss) for the year		₩	<u>102,110</u>	₩	<u>(718,036)</u>	\$	<u>92,895</u>	\$	<u>(653,235)</u>
Profit (loss) for the year attributable to:									
Equity holders of the Parent Company			104,803		(717,807)		95,345		(653,027)
Non-controlling interest			(2,693)		(229)		(2,450)		(208)
Earnings (loss) per share attributable to the equity holders of the Parent Company during the year	28								
Basic earnings (loss) per share		₩	255	₩	(1,747)	\$	0.23	\$	(1.59)
Diluted earnings (loss) per share			255		(1,747)		0.23		(1.59)

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DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

(in millions of Korean won and thousands of US dollars (Note 4))

	Notes	2014	2013	2014	2013
Profit (loss) for the year		<u>₩ 102,110</u>	<u>₩ (718,036)</u>	<u>\$ 92,895</u>	<u>\$ (653,235)</u>
Other comprehensive loss, net of tax		(73,418)	(40,079)	(66,792)	(36,463)
Items not to be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities	21	(29,804)	14,208	(27,114)	12,926
Items to be reclassified to profit or loss subsequently					
Gain (loss) on valuation of available-for-sale financial assets	6,12,26	3,100	(188)	2,820	(171)
Loss on overseas operations translation	26	(51,296)	(47,645)	(46,666)	(43,346)
Other comprehensive income (loss) from associates	6,15,26	<u>4,582</u>	<u>(6,454)</u>	<u>4,168</u>	<u>(5,872)</u>
Total comprehensive income (loss) for the year		<u>₩ 28,692</u>	<u>₩ (758,115)</u>	<u>\$ 26,103</u>	<u>\$ (689,698)</u>
Equity holders of the Parent Company		₩ 32,635	₩ (757,150)	\$ 29,690	\$ (688,819)
Non-controlling interest		(3,943)	(965)	(3,587)	(879)

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DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014 and 2013

(in millions of Korean won)

Notes	Attributable to equity holders of the Parent Company							Total
	Capital stock	Capital surplus	Other Components of Equity	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interest		
Balance as of January 1, 2013	₩ 2,078,113	₩ 548,200	₩ (99,202)	₩ (59,052)	₩ 885,419	₩ 57,502	₩ 3,410,980	
Comprehensive income (loss)								
Loss for the year	-	-	-	-	(717,807)	(229)	(718,036)	
Loss on valuation of available-for-sale financial assets	6,12,26	-	-	(188)	-	-	(188)	
Loss on overseas operations translation	26	-	-	(46,909)	-	(736)	(47,645)	
Remeasurements of net defined benefit liabilities	21	-	-	-	14,208	-	14,208	
Other comprehensive loss of associates	-	-	-	(6,454)	-	-	(6,454)	
Total comprehensive income (loss)	-	-	-	(53,551)	(703,599)	(965)	(758,115)	
Transactions with equity holders of the Parent Company :								
Increase in paid-in capital of the subsidiaries	-	-	-	-	-	816	816	
Changes in scope of subsidiaries	-	-	(87)	-	-	-	(87)	
Total transactions with equity holders of the Parent Company	-	-	(87)	-	-	816	729	
Balance as of December 31, 2013	25,26,27 ₩ 2,078,113	₩ 548,200	₩ (99,289)	₩ (112,603)	₩ 181,820	₩ 57,353	₩ 2,653,594	
Balance as of January 1, 2014	₩ 2,078,113	₩ 548,200	₩ (99,289)	₩ (112,603)	₩ 181,820	₩ 57,353	₩ 2,653,594	
Comprehensive income (loss)								
Profit (loss) for the year	-	-	-	-	104,803	(2,693)	102,110	
Gain on valuation of available-for-sale financial assets	6,12,26	-	-	3,100	-	-	3,100	
Loss on overseas operations translation	26	-	-	(50,046)	-	(1,250)	(51,296)	
Remeasurements of net defined benefit liabilities	21	-	-	-	(29,804)	-	(29,804)	
Other comprehensive income of associates	-	-	-	4,582	-	-	4,582	
Total comprehensive income (loss)	-	-	-	(42,364)	74,999	(3,943)	28,692	
Transactions with equity holders of the Parent Company :								
Increase in paid-in capital of the subsidiaries	-	-	-	-	-	43,900	43,900	
Dividends paid	-	-	-	-	-	(706)	(706)	
Changes in ownership interest of subsidiaries	-	707	115	-	-	(707)	115	
Total transactions with equity holders of the Parent Company	-	707	115	-	-	42,487	43,309	
Balance as of December 31, 2014	25,26,27 ₩ 2,078,113	₩ 548,907	₩ (99,174)	₩ (154,967)	₩ 256,819	₩ 95,897	₩ 2,725,595	

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014 and 2013

(in thousands of US dollars (Note 4))

Notes	Attributable to equity holders of the Parent Company						Non-controlling interest	Total
	Capital stock	Capital surplus	Other Components of Equity	Accumulated other comprehensive income (loss)	Retained earnings			
Balance as of January 1, 2013	\$ 1,890,569	\$ 498,726	\$ (90,249)	\$ (53,723)	\$ 805,512	\$ 52,313	\$ 3,103,148	
Comprehensive income (loss)								
Loss for the year	-	-	-	-	(653,027)	(208)	(653,235)	
Loss on valuation of available-for-sale financial assets	6,12,26	-	-	(171)	-	-	(171)	
Loss on overseas operations translation	26	-	-	(42,675)	-	(671)	(43,346)	
Remeasurements of net defined benefit liabilities	21	-	-	-	12,926	-	12,926	
Other comprehensive loss of associates	-	-	-	(5,872)	-	-	(5,872)	
Total comprehensive income (loss)	-	-	-	(48,718)	(640,101)	(879)	(689,698)	
Transactions with equity holders of the Parent Company :								
Increase in paid-in capital of the subsidiaries	-	-	-	-	-	743	743	
Changes in scope of subsidiaries	-	-	(79)	-	-	-	(79)	
Total transactions with equity holders of the Parent Company	-	-	(79)	-	-	743	664	
Balance as of December 31, 2013	25,26,27 \$ 1,890,569	\$ 498,726	\$ (90,328)	\$ (102,441)	\$ 165,411	\$ 52,177	\$ 2,414,114	
Balance as of January 1, 2014	\$ 1,890,569	\$ 498,726	\$ (90,328)	\$ (102,441)	\$ 165,411	\$ 52,177	\$ 2,414,114	
Comprehensive income (loss)								
Profit (loss) for the year	-	-	-	-	95,345	(2,450)	92,895	
Gain on valuation of available-for-sale financial assets	6,12,26	-	-	2,820	-	-	2,820	
Loss on overseas operations translation	26	-	-	(45,529)	-	(1,137)	(46,666)	
Remeasurements of net defined benefit liabilities	21	-	-	-	(27,114)	-	(27,114)	
Other comprehensive income of associates	-	-	-	4,168	-	-	4,168	
Total comprehensive income (loss)	-	-	-	(38,541)	68,231	(3,587)	26,103	
Transactions with equity holders of the Parent Company :								
Increase in paid-in capital of the subsidiaries	-	-	-	-	-	39,939	39,939	
Dividends paid	-	-	-	-	-	(642)	(642)	
Changes in ownership interest of subsidiaries	-	644	104	-	-	(644)	104	
Total transactions with equity holders of the Parent Company	-	644	104	-	-	38,653	39,401	
Balance as of December 31, 2014	25,26,27 \$ 1,890,569	\$ 499,370	\$ (90,224)	\$ (140,982)	\$ 233,642	\$ 87,243	\$ 2,479,618	

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

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

(in millions of Korean won and thousands of US dollars (Note 4))

	Notes	2014	2013	2014	2013
Cash flows from operating activities					
Cash generated from operations	36	₩ 404,912	₩ (359,612)	\$ 368,370	\$ (327,158)
Interest received		23,106	27,720	21,021	25,218
Interest paid		(120,847)	(105,835)	(109,941)	(96,284)
Income tax paid		(50,781)	(68,069)	(46,198)	(61,926)
Dividends received		8,726	342	7,939	311
Dividends paid		(706)	-	(642)	-
Net cash provided by (used in) operating activities		<u>264,410</u>	<u>(505,454)</u>	<u>240,549</u>	<u>(459,839)</u>
Cash flows from investing activities					
Decrease in current financial instrument assets		73,116	26,961	66,517	24,528
Increase in current financial instrument liabilities (derivatives)		16,932	104,309	15,404	94,895
Decrease in current other receivables		20,713	194,503	18,844	176,950
Disposal of assets held for sale		68,055	64,142	61,913	58,353
Decrease in investments in securities		151,572	126,820	137,893	115,375
Disposal of investments in associates		1,192	46,704	1,084	42,489
Decrease in non-current financial instrument assets		-	200	-	182
Decrease in non-current other receivables		51,826	162,400	47,149	147,744
Disposal of investment property		9,501	5,213	8,644	4,743
Disposal of property, plant and equipment		3,035	2,571	2,761	2,339
Disposal of intangible assets		1,313	1,500	1,195	1,365
Increase in current financial instrument assets		(90,674)	(117,025)	(82,491)	(106,464)
Decrease in current financial instrument liabilities (derivatives)		(27,670)	(19,979)	(25,173)	(18,176)
Increase in current other receivables		(33,977)	(108,846)	(30,911)	(99,023)
Acquisition of investments in securities		(48,151)	(35,886)	(43,805)	(32,647)
Acquisition of investments in associates		(1,987)	-	(1,808)	-
Increase in non-current financial instrument assets		(1,400)	(2,648)	(1,274)	(2,409)
Increase in non-current other receivables		(93,797)	(103,434)	(85,332)	(94,099)
Acquisition of property, plant and equipment		(156,004)	(66,962)	(141,925)	(60,919)
Acquisition of intangible assets		(4,338)	(5,202)	(3,947)	(4,733)
Net cashflow by disposal of subsidiaries		-	(1,402)	-	(1,275)
Net cash provided by (used in) investing activities		<u>(60,743)</u>	<u>273,939</u>	<u>(55,262)</u>	<u>249,218</u>
Cash flows from financing activities					
Increase in current financial instrument liabilities		3,672,666	1,090,767	3,341,217	992,328
Increase in non-current financial instrument liabilities		867,201	807,439	788,938	734,570
Increase in paid-in capital of the non-controlling interest		43,899	-	39,937	-
Decrease in current financial instrument liabilities		(4,872,895)	(1,327,260)	(4,433,129)	(1,207,478)
Decrease in non-current financial instrument liabilities		-	(319,181)	-	(290,376)
Others		-	(87)	-	(79)
Net cash provided by (used in) financing activities		<u>(289,129)</u>	<u>251,678</u>	<u>(263,037)</u>	<u>228,965</u>
Exchange gain on cash and cash equivalents		<u>1,556</u>	<u>991</u>	<u>1,417</u>	<u>902</u>
Net increase (decrease) in cash and cash equivalents		<u>(83,906)</u>	<u>21,154</u>	<u>(76,333)</u>	<u>19,246</u>
Cash and cash equivalents at the beginning of year	9	<u>409,596</u>	<u>388,442</u>	<u>372,631</u>	<u>353,385</u>
Cash and cash equivalents at the end of year	9	<u>₩ 325,690</u>	<u>₩ 409,596</u>	<u>\$ 296,298</u>	<u>\$ 372,631</u>

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

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

1. General information

General information about DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. (“the Parent Company”) and its subsidiaries (collectively referred to “the Group”) is as follows.

General information of the parent company

The Parent Company was incorporated on December 27, 2000, upon the split-up of the former Daewoo Corporation. The Parent Company is engaged in the engineering and construction business, including projects such as construction of residential and office buildings, plants and others.

The Parent Company’s major shareholders and their respective percentage of ownership as of December 31, 2014 and 2013, are as follows:

	Number of shares	Par value (in millions)	Percentage of ownership (%)
KDB Value VI LLC	210,931,209	₩ 1,054,656	50.75
KDB Life Insurance Co., Ltd.	2,000,000	10,000	0.48
SEBT Investment LLC	51,042,007	255,210	12.28
Kumho Tire Co., Inc.	18,277,029	91,385	4.40
Kumho Petrochemical Co., LTD.	14,621,622	73,108	3.52
Asiana Airlines Inc.	9,138,514	45,693	2.20
Others	109,612,257	548,061	26.37
Total	415,622,638	₩ 2,078,113	100.00

DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

General information of the subsidiaries

The Parent Company's consolidated subsidiaries as of December 31, 2014 and 2013, are as follows:

	Location	Type of business	Percentage of ownership (%)		Year end
			2014	2013	
DW Steel Tech Co., Ltd.	Korea	Construction	100	100	December 31
Daewoo Songdo Hotel Co., Ltd.	Korea	Hotel	100	100	December 31
Prugio Service Co., Ltd.	Korea	Construction Warranties	100	100	December 31
Korea Infrastructure Management Co., Ltd.	Korea	Management	100	100	December 31
Foodream Ltd.	Korea	Food service	100	100	December 31
Busan Hi Tech Industrial Complex Co., Ltd. ¹	Korea	Real estate	85	49	December 31
Gangdong Project Financing Investment Co., Ltd.	Korea	Real estate	85	85	December 31
DAEWOO ENERGY Co., Ltd. ²	Korea	Electricity Generation	67.4	100	December 31
DW AMERICA DEVEL'T INC.	U.S.A.	Real estate	100	100	December 31
Daewoo Tripoli Investment & Development Co.	Libya	Hotel	60	60	December 31
SAIPAN LAULAU DEVELOPMENT, INC.	Saipan	Golf resort	100	100	December 31
THT DEVELOPMENT CO., LTD	Vietnam	Real estate	100	100	December 31

¹ Additional shares of the subsidiary have been acquired during the current year.

² Percentage of investment decreased from 100% to 67.4% during the current year due to increase in paid-in capital of the subsidiaries.

Changes in scope of consolidation

	Location	Type of business	Percentage of ownership (%)		Year end
			2014	2013	
Dogok-dong PFV Co., Ltd. ¹	Korea	Real estate	-	90.9	December 31
Imgo Development Corporation Ltd. ²	Korea	Golf resort	18.7	100	December 31

¹ The subsidiary was derecognized from the consolidated financial statements as a result of completion of the bankruptcy proceeding during the current period.

² The subsidiary is excluded from the consolidated financial statements due to the disposal of 81.3% of shares owned by the Group to a third party during the current period.

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The financial information of consolidated subsidiaries as of and for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014					
	Assets	Liabilities	Equity	Sales	Net Profit (loss)	Comprehensive Income (loss)
DW Steel Tech Co., Ltd.	₩ 81,916	₩ 33,094	₩ 48,822	₩ 123,544	₩ 1,707	₩ 1,558
Daewoo Songdo Hotel Co., Ltd.	168,123	135,015	33,108	31,675	(6,470)	(6,463)
Prugio Service Co., Ltd.	15,682	10,412	5,270	48,989	1,438	1,452
Korea Infrastructure Management Co., Ltd.	7,572	2,602	4,970	18,400	1,863	1,845
Foodream Ltd.	4,458	3,052	1,406	20,418	1,135	1,202
Busan Hi Tech Industrial Complex Co., Ltd.	1,571	311	1,260	65,120	8,577	8,577
Gangdong Project Financing Investment Co., Ltd.	40,478	35,798	4,680	54,612	776	776
DAEWOO ENERGY Co., Ltd.	188,726	69,596	119,130	-	(1,747)	(1,747)
DW AMERICA DEVEL'T INC. ¹	5,688	19,480	(13,792)	-	(108)	(658)
Daewoo Tripoli Investment & Development Co., Ltd.	180,913	39,791	141,122	-	(10,144)	(13,271)
SAIPAN LAULAU DEVELOPMENT, INC.	66,278	22,667	43,611	6,838	(3,588)	(1,914)
THT DEVELOPMENT CO., LTD.	206,597	113,756	92,841	-	(1,893)	1,807

(in thousands of US dollars (Note 4))

	2014					
	Assets	Liabilities	Equity	Sales	Net Profit (loss)	Comprehensive Income (loss)
DW Steel Tech Co., Ltd.	\$ 74,523	\$ 30,107	\$ 44,416	\$ 112,394	\$ 1,553	\$ 1,417
Daewoo Songdo Hotel Co., Ltd.	152,950	122,830	30,120	28,816	(5,886)	(5,880)
Prugio Service Co., Ltd.	14,267	9,472	4,794	44,568	1,308	1,321
Korea Infrastructure Management Co., Ltd.	6,889	2,367	4,521	16,739	1,695	1,678
Foodream Ltd.	4,056	2,777	1,279	18,575	1,033	1,094
Busan Hi Tech Industrial Complex Co., Ltd.	1,429	283	1,146	59,243	7,803	7,803
Gangdong Project Financing Investment Co., Ltd.	36,825	32,567	4,258	49,683	706	706
DAEWOO ENERGY Co., Ltd.	171,694	63,315	108,379	-	(1,589)	(1,589)
DW AMERICA DEVEL'T INC. ¹	5,175	17,722	(12,547)	-	(98)	(599)
Daewoo Tripoli Investment & Development Co., Ltd.	164,586	36,200	128,386	-	(9,229)	(12,073)
SAIPAN LAULAU DEVELOPMENT, INC.	60,297	20,621	39,675	6,221	(3,264)	(1,741)
THT DEVELOPMENT CO., LTD.	187,952	103,490	84,462	-	(1,722)	1,644

¹ The Group prepared its consolidated financial statements based on the unaudited financial statements of consolidated subsidiaries and reviewed the reliability of these financial statements.

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	2013					
	Assets	Liabilities	Equity	Sales	Net Profit (loss)	Comprehensive Income (loss)
DW Steel Tech Co., Ltd.	₩ 86,021	₩ 38,046	₩ 47,975	₩ 118,488	₩ 2,170	₩ 2,258
Daewoo Songdo Hotel Co., Ltd.	171,655	132,084	39,571	30,149	(8,164)	(8,206)
Prugio Service Co., Ltd.	9,868	5,850	4,018	41,239	440	875
Dogok-dong PFV Co., Ltd.	391	36,460	(36,069)	222,000	10,295	10,295
Korea Infrastructure Management Co., Ltd.	6,065	1,440	4,625	9,030	926	919
Foodream Ltd.	5,321	5,117	204	16,304	567	531
Busan Hi Tech Industrial Complex Co., Ltd.	59,455	62,065	(2,610)	63,901	(44)	(41)
Gangdong Project Financing Investment Co., Ltd.	65,364	61,460	3,904	26,268	420	420
Imgo Development Corporation Ltd.	148,855	141,436	7,419	6,282	(81)	(81)
DAEWOO ENERGY Co., Ltd.	17,533	42	17,491	-	(422)	(422)
DW AMERICA DEVEL'T INC. ¹	5,567	18,701	(13,134)	-	(5,138)	(4,994)
Daewoo Tripoli Investment & Development Co., Ltd.	185,161	41,766	143,395	-	(2,226)	(4,064)
SAIPAN LAULAU DEVELOPMENT, INC.	67,750	22,225	45,525	7,563	(4,373)	(4,944)
THT DEVELOPMENT CO., LTD.	176,870	85,835	91,035	-	(1,267)	(2,604)

(in thousands of US dollars (Note 4))

	2013					
	Assets	Liabilities	Equity	Sales	Net Profit (loss)	Comprehensive Income (loss)
DW Steel Tech Co., Ltd.	\$ 78,258	\$ 34,612	\$ 43,645	\$ 107,795	\$ 1,974	\$ 2,054
Daewoo Songdo Hotel Co., Ltd.	156,164	120,164	36,000	27,428	(7,427)	(7,465)
Prugio Service Co., Ltd.	8,977	5,322	3,655	37,517	400	796
Dogok-dong PFV Co., Ltd.	356	33,170	(32,814)	-	9,366	9,366
Korea Infrastructure Management Co., Ltd.	5,518	1,310	4,208	8,215	842	836
Foodream Ltd.	4,841	4,655	186	14,833	516	483
Busan Hi Tech Industrial Complex Co., Ltd.	54,089	56,464	(2,374)	-	(40)	(37)
Gangdong Project Financing Investment Co., Ltd.	59,465	55,913	3,552	23,897	382	382
Imgo Development Corporation Ltd.	135,421	128,672	6,749	5,715	(74)	(74)
DAEWOO ENERGY Co., Ltd.	15,951	38	15,912	-	(384)	(384)
DW AMERICA DEVEL'T INC. ¹	5,065	17,013	(11,949)	-	(4,674)	(4,543)
Daewoo Tripoli Investment & Development Co., Ltd.	168,451	37,997	130,454	-	(2,025)	(3,697)
SAIPAN LAULAU DEVELOPMENT, INC.	61,636	20,219	41,416	6,880	(3,978)	(4,498)
THT DEVELOPMENT CO., LTD.	160,908	78,089	82,819	-	(1,153)	(2,369)

¹ The Group prepared its consolidated financial statements based on the unaudited financial statements of consolidated subsidiaries and reviewed the reliability of these financial statements.

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2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation. The application of this interpretation does not have a material impact on the consolidated financial statements.

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- Amendment to Korean IFRS 1102, *Share-based payment*

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion.

- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations.

Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2014, do not have a material impact on the financial statements of the Group.

(b) New standards and interpretations not yet adopted

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014 and not early adopted would not have a material impact on its consolidated financial statements.

Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary

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and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company (except for foreign branches)'s functional and presentation currency.

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(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on the trade date.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over three months; or the

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disappearance of an active market for that financial asset because of financial difficulties. A significant or prolonged decline in the fair value of an available-for-sale equity instrument significantly from its cost is also objective evidence of impairment.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'financial instrument liabilities' in the statement of financial position.

Derivative financial instruments and hedging activities

The Group designates the derivatives that hedges of the fair value of recognized assets or liabilities or a firm commitment (as fair value hedge).

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other income (expenses)' according to the nature of transactions.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, on which the effective interest method is used, is amortized to profit or loss over the period to maturity.

Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials and supplies are valued at cost using first-in, first-out method (FIFO) and temporary materials are valued at cost less related periodic expense. Other inventories are valued at cost using the specific identification method.

Assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

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Property, plant and equipment

Property, plant and equipment are stated at its cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Buildings	18 - 60 years
Structures	4 - 40 years
Ships	5 - 12 years
Machinery	2 - 8 years
Vehicles	4 - 8 years
Tools	4 years
Furniture and fixtures	4 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting estimates.

Intangible assets

Goodwill is measured as explained in Note 2.3.(1) and carried at its cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives, are as follows:

	<u>Estimated useful life</u>
Usage rights (except for trademark rights)	Stipulated term of usage
Software	4 years

Membership rights and trademark rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment

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property, except for land, is depreciated using the straight-line method over their useful lives of 40 years.

Borrowing costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

Impairment of non-financial assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'financial instrument liabilities and 'other payables' in the statement of financial position.

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of income as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

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Financial guarantee contracts

Financial guarantee contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'financial instrument liabilities':

- The amount determined in accordance with Korean IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets;
- Or the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, Revenue.

Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

Current and deferred income tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and

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liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The Group operates the defined benefit plan. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Construction contracts

A construction contract is defined by Korean IFRS 1011, *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured (Note 8). Contract costs are

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recognized as an expense in the period in which they are incurred.

The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, prepaid expenses or other assets.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset when costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); and a contract represents a liability when the opposite is the case (due to customers for contract work).

(b) Sales of goods

Sales of goods are recognized when the Group delivers the products to the customer. The Group uses the percentage-of-completion method to recognize its revenues from building and selling apartment houses in accordance with "2011-I-KQA", an official opinion issued by Korea Accounting Institute. This accounting treatment is valid only under the Korean International Financial Reporting Standards as stated in sub-clause 1 of clause 1, Article 13 of the Act on External Audit of Corporations.

(c) Rendering of services

Rendering of services are recognized by reference to the stage of completion of a contract. The stage of completion of a contract is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. However, in case of the subsidiary which operates a hotel and resort business, revenue such as charge for rooms, food, drinks and service is recognized in the period the service is rendered.

(d) Interest income

Interest income is recognized using the effective interest method. When receivables are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

Leases

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

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Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of director that makes strategic decisions.

Approval of issuance of the financial statements

The issuance of the December 31, 2014 financial statements of the Company was approved by the Board of Directors on February 10, 2015, and will be approved at the annual shareholder's meeting on March 27, 2015.

3. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting date are addressed below.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5). In addition, bad debts of loans and other receivables are estimated based on historical experience and expectation of future events. There is uncertainty that may cause the significant differences with actual amount.

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Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

Provisions

The Group recognized provisions related to construction warranty, litigations and PF payment guarantee. Provisions are estimated based on historical experience and expectation. However, future events can be different significantly with historical experience and expectation, and therefore, there is uncertainty that may cause the significant differences with actual amount.

Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate.

Construction sales

The Group recognizes construction sales by reference to the stage of completion of a contract. When applying the stage of completion of a contract, the processes to estimate services performed to date in proportion to complete service that will be provided by the Group are needed. Accordingly, the Group estimates the percentage of actual accrual cost to total accrual cost. Sales can be changed by changes in total cost, period, customer plan and other related components.

4. United States dollar amounts

The Group operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US \$ 1: ₩ 1,099.2, the exchange rate in effect on December 31, 2014. Such presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

The 2013 U.S. dollar amounts, which were previously expressed at US \$ 1: ₩ 1,055.3, the rate in effect on December 31, 2013, have been restated to reflect the exchange rate in effect on December 31, 2014.

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5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 325,690	₩ 325,690	₩ 409,596	₩ 409,596
Short-term financial instrument assets	196,564	196,564	124,540	124,540
Trade receivables	3,263,114	3,263,114	3,087,670	3,087,670
Short-term other receivables	619,349	619,349	659,513	659,513
Long-term financial instrument assets	73,184	73,184	13,946	13,946
Long-term other receivables	969,635	969,635	858,965	858,965
Investment in securities ¹	183,221	183,221	268,234	268,234
	<u>₩ 5,630,757</u>	<u>₩ 5,630,757</u>	<u>₩ 5,422,464</u>	<u>₩ 5,422,464</u>
Financial liabilities				
Short-term financial instrument liabilities	₩ 1,569,890	₩ 1,569,890	₩ 1,665,382	₩ 1,665,382
Trade receivables	480,967	480,967	486,496	486,496
Short-term other receivables	1,124,445	1,124,445	1,045,480	1,045,480
Guarantee deposits received	61,079	61,079	62,553	62,553
Long-term financial instrument liabilities	1,319,551	1,319,551	1,455,526	1,455,526
Long-term other receivables	250	250	610	610
Long-term guarantee deposits received	271,163	271,163	74,038	74,038
	<u>₩ 4,827,345</u>	<u>₩ 4,827,345</u>	<u>₩ 4,790,085</u>	<u>₩ 4,790,085</u>

(in thousands of US dollars (Note 4))

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 296,297	\$ 296,297	\$ 372,631	\$ 372,631
Short-term financial instrument assets	178,825	178,825	113,301	113,301
Trade receivables	2,968,626	2,968,626	2,809,016	2,809,016
Short-term other receivables	563,454	563,454	599,994	599,994
Long-term financial instrument assets	66,579	66,579	12,687	12,687
Long-term other receivables	882,128	882,128	781,446	781,446
Investment in securities ¹	166,687	166,687	244,025	244,025
	<u>\$ 5,122,596</u>	<u>\$ 5,122,596</u>	<u>\$ 4,933,100</u>	<u>\$ 4,933,100</u>
Financial liabilities				
Short-term financial instrument liabilities	\$ 1,428,211	\$ 1,428,211	\$ 1,515,086	\$ 1,515,086

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Trade receivables	437,561	437,561	442,591	442,591
Short-term other receivables	1,022,967	1,022,967	951,128	951,128
Guarantee deposits received	55,567	55,567	56,908	56,908
Long-term financial instrument liabilities	1,200,465	1,200,465	1,324,168	1,324,168
Long-term other receivables	227	227	555	555
Long-term guarantee deposits received	246,691	246,691	67,356	67,356
	\$ 4,391,689	\$ 4,391,689	\$ 4,357,792	\$ 4,357,792

¹ Equity securities and debt securities that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

5.2 Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	2014	2013	2014	2013
Investment in securities				
Equity securities ¹	₩ 167,921	₩ 220,840	\$ 152,768	\$ 200,909
Debt securities ²	4,239	4,701	3,856	4,277
	₩ 172,160	₩ 225,541	\$ 156,624	\$ 205,186

¹ Unlisted equity securities of SOC and developers measured using cost method since estimated cash flows cannot be assessed reliably due to its early stages of construction.

² The Group measured subordinated debt securities using cost method since deviations of estimated cash flows are significant and its probability cannot be assessed reliably.

The Group will not dispose of the debt and equity securities in the short term, and will measure the debt and equity securities at fair values when the fair values are reliably measured in accordance with the progress of the project.

5.3 Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: Quoted prices (unadjusted) 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 for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2014, are as follows:

(in millions of Korean won)

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Current derivative instruments assets	₩ -	₩ 51,953	₩ -	₩ 51,953
Non-current derivative instruments assets	-	67,435	-	67,435
Available-for-sale financial assets	-	27,995	155,393	183,388
Current derivative instruments liabilities	-	51,953	-	51,953
Non-current derivative instruments liabilities	-	67,435	-	67,435

(in thousands of US dollars (Note 4))

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Current derivative instruments assets	\$ -	\$ 47,264	\$ -	\$ 47,264
Non-current derivative instruments assets	-	61,349	-	61,349
Available-for-sale financial assets	-	25,469	141,369	166,838
Current derivative instruments liabilities	-	47,264	-	47,264
Non-current derivative instruments liabilities	-	61,349	-	61,349

Fair value hierarchy of financial assets and liabilities that are not measured at its fair value are classified as Level 3.

(in millions of Korean won)

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Current derivative instruments assets	₩ -	₩ 4,743	₩ -	₩ 4,743
Non-current derivative instruments assets	-	11,278	-	11,278
Available-for-sale financial assets	121,529	14,954	131,751	268,234
Current derivative instruments liabilities	-	4,743	-	4,743
Non-current derivative instruments liabilities	-	11,278	-	11,278

(in thousands of US dollars (Note 4))

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Current derivative instruments assets	\$ -	\$ 4,315	\$ -	\$ 4,315
Non-current derivative instruments assets	-	10,260	-	10,260
Available-for-sale financial assets	110,561	13,604	119,862	244,027
Current derivative instruments liabilities	-	4,315	-	4,315
Non-current derivative instruments liabilities	-	10,260	-	10,260

Fair value hierarchy of financial assets and liabilities that are not measured at its fair value are classified as Level 3.

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5.4 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group recognizes transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There are no transfers of recurring measurements between Level 1 and Level 2 of the fair value hierarchy.

Changes in the financial instrument included in level 3 for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	2014		2013	
Beginning balance	₩	131,751	₩	145,933
Acquisition		3,753		20,559
Disposal		(4,798)		(30,497)
Reclassification from using cost method		75,804		51,944
Impairment		(49,872)		(56,718)
Other comprehensive income		(1,245)		530
Ending balance	₩	155,393	₩	131,751

	2014		2013	
Beginning balance	\$	119,861	\$	132,763
Acquisition		3,414		18,704
Disposal		(4,365)		(27,745)
Reclassification from using cost method		68,963		47,256
Impairment		(45,371)		(51,599)
Other comprehensive income		(1,133)		483
Ending balance	\$	141,369	\$	119,862

5.5 Valuation Technique and the Inputs

The Group uses valuation techniques, such as discounted cash flows and net asset approach, and variable inputs (8.21% of weighted average discount rate) in the recurring, non-recurring fair value measurements and discloses fair values categorized within Level 2 and Level 3 of the fair value hierarchy.

5.6 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group performs the fair value measurements, including level 3 fair values, by external rating agencies which have public confidence.

5.7 Sensitivity analysis for Recurring Fair Value Measurements Categorized Within Level 3

Changes in inputs for each financial instrument will not have a material effect on the equity.

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6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014				
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale ¹	Total
Current					
Cash and cash equivalents	₩ -	₩ 325,690	₩ -	₩ -	₩ 325,690
Financial instrument assets	-	140,206	51,953	4,405	196,564
Trade receivables	-	3,263,114	-	-	3,263,114
Other receivables	-	619,349	-	-	619,349
	-	4,348,359	51,953	4,405	4,404,717
Non-current					
Financial instrument assets	-	5,749	67,435	-	73,184
Investment in securities	-	-	-	351,144	351,144
Other receivables	-	969,635	-	-	969,635
	-	975,384	67,435	351,144	1,393,963
Total	₩ -	₩ 5,323,743	₩ 119,388	₩ 355,549	₩ 5,798,680

(in thousands of US dollars (Note 4))

	2014				
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale ¹	Total
Current					
Cash and cash equivalents	\$ -	\$ 296,298	\$ -	\$ -	\$ 296,298
Financial instrument assets	-	127,554	47,264	4,007	178,825
Trade receivables	-	2,968,626	-	-	2,968,626
Other receivables	-	563,454	-	-	563,454
	-	3,955,932	47,264	4,007	4,007,203
Non-current					
Financial instrument assets	-	5,230	61,349	-	66,579
Investment in securities	-	-	-	319,454	319,454
Other receivables	-	882,128	-	-	882,128
	-	887,358	61,349	319,454	1,268,161
Total	\$ -	\$ 4,843,290	\$ 108,613	\$ 323,461	\$ 5,275,364

¹ Among the equity instruments which do not have quoted price in an active market, ₩ 172,160 million (equivalent to US \$ 156,624 thousand) of instruments, measured using a historical cost basis since the fair value could not be reliably measured, are excluded.

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	2013				
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale ¹	Total
Current					
Cash and cash equivalents	₩ -	₩ 409,596	₩ -	₩ -	₩ 409,596
Financial instrument assets	-	119,796	4,743	1	124,540
Trade receivables	-	3,087,670	-	-	3,087,670
Other receivables	-	659,513	-	-	659,513
	-	4,276,575	4,743	1	4,281,319
Non-current					
Financial instrument assets	-	2,668	11,278	-	13,946
Investment in securities	-	-	-	493,774	493,774
Other receivables	-	858,965	-	-	858,965
	-	861,633	11,278	493,774	1,366,685
Total	₩ -	₩ 5,138,208	₩ 16,021	₩ 493,775	₩ 5,648,004

(in thousands of US dollars (Note 4))

	2013				
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale ¹	Total
Current					
Cash and cash equivalents	\$ -	\$ 372,631	\$ -	\$ -	\$ 372,631
Financial instrument assets	-	108,985	4,315	1	113,301
Trade receivables	-	2,809,016	-	-	2,809,016
Other receivables	-	599,994	-	-	599,994
	-	3,890,626	4,315	1	3,894,942
Non-current					
Financial instrument assets	-	2,427	10,260	-	12,687
Investment in securities	-	-	-	449,212	449,212
Other receivables	-	781,446	-	-	781,446
	-	783,873	10,260	449,212	1,243,345
Total	\$ -	\$ 4,674,499	\$ 14,575	\$ 449,213	\$ 5,138,287

¹ Among the equity instruments which do not have quoted price in an active market, ₩ 225,541 million (equivalent to US \$ 205,186 thousand) of instruments, measured using a historical cost basis since the fair value could not be reliably measured, are excluded.

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Categorizations of financial liabilities as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Derivative instruments used for hedging purposes	Total
Current				
Financial instrument liabilities	₩ -	₩ 1,517,937	₩ 51,953	₩ 1,569,890
Trade payables	-	480,967	-	480,967
Other payables	-	1,124,445	-	1,124,445
Guarantee deposits received	-	61,079	-	61,079
	-	3,184,428	51,953	3,236,381
Non-current				
Financial instrument liabilities	-	1,252,116	67,435	1,319,551
Other payables	-	250	-	250
Guarantee deposits received	-	271,163	-	271,163
	-	1,523,529	67,435	1,590,964
Total	₩ -	₩ 4,707,957	₩ 119,388	₩ 4,827,345

(in thousands of

US dollars (Note 4))

	2014			
	Liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Derivative instruments used for hedging purposes	Total
Current				
Financial instrument liabilities	\$ -	\$ 1,380,947	\$ 47,264	\$ 1,428,211
Trade payables	-	437,561	-	437,561
Other payables	-	1,022,967	-	1,022,967
Guarantee deposits received	-	55,567	-	55,567
	-	2,897,042	47,264	2,944,306
Non-current				
Financial instrument liabilities	-	1,139,116	61,349	1,200,465
Other payables	-	227	-	227
Guarantee deposits received	-	246,691	-	246,691
	-	1,386,034	61,349	1,447,383
Total	\$ -	\$ 4,283,076	\$ 108,613	\$ 4,391,689

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	2013			
	Liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Derivative instruments used for hedging purposes	Total
Current				
Financial instrument liabilities	₩ -	₩ 1,660,639	₩ 4,743	₩ 1,665,382
Trade payables	-	486,496	-	486,496
Other payables	-	1,045,480	-	1,045,480
Guarantee deposits received	-	62,553	-	62,553
	-	3,255,168	4,743	3,259,911
Non-current				
Financial instrument liabilities	-	1,444,248	11,278	1,455,526
Other payables	-	610	-	610
Guarantee deposits received	-	74,038	-	74,038
	-	1,518,896	11,278	1,530,174
Total	₩ -	₩ 4,774,064	₩ 16,021	₩ 4,790,085

(in thousands of
US dollars (Note 4))

	2013			
	Liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Derivative instruments used for hedging purposes	Total
Current				
Financial instrument liabilities	\$ -	\$ 1,510,771	\$ 4,315	\$ 1,515,086
Trade payables	-	442,591	-	442,591
Other payables	-	951,129	-	951,129
Guarantee deposits received	-	56,908	-	56,908
	-	2,961,399	4,315	2,965,714
Non-current				
Financial instrument liabilities	-	1,313,908	10,260	1,324,168
Other payables	-	555	-	555
Guarantee deposits received	-	67,356	-	67,356
	-	1,381,819	10,260	1,392,079
Total	\$ -	\$ 4,343,218	\$ 14,575	\$ 4,357,793

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Gain and loss of financial instruments by category for years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014						Total
	Assets/ liabilities at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets/ liabilities classified as available- for-sale	Financial liabilities carried at amortized cost		
Dividend income	₩ -	₩ -	₩ -	₩ 1,685	₩ -	₩ 1,685	
Reversal of allowance of bad debts (bad debt expense)	-	26,275	-	-	-	26,275	
Impairment loss on investments in securities	-	-	-	(49,872)	-	(49,872)	
Gain (loss) on disposal of investment in securities	-	-	-	15,224	-	15,224	
Interest expenses	-	-	-	-	(118,234)	(118,234)	
Interest income	-	26,892	-	1,412	-	28,304	
Gain (loss) on foreign currency translation	-	32,079	-	-	(5,556)	26,523	
Loss on transactions of derivatives	(7,359)	-	(4,333)	-	-	(11,692)	
Gain on transactions of derivatives	2,618	-	14,660	-	-	17,278	
Loss on valuation of derivatives	-	-	(39,145)	-	-	(39,145)	
Gain on valuation of derivatives	-	-	89,773	-	-	89,773	
Loss on valuation of firm commitment	-	-	(104,525)	-	-	(104,525)	
Gain on valuation of firm commitment	-	-	43,479	-	-	43,479	
Gain (loss) on valuation (other comprehensive income)	-	-	-	3,100	-	3,100	

(in thousands of US dollars
(Note 4))

	2014						Total
	Assets/ liabilities at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets/ liabilities classified as available- for-sale	Financial liabilities carried at amortized cost		
Dividend income	\$ -	\$ -	\$ -	\$ 1,533	\$ -	\$ 1,533	
Reversal of allowance of bad debts (bad debt expense)	-	23,904	-	-	-	23,904	
Impairment loss on investments in securities	-	-	-	(45,371)	-	(45,371)	
Gain (loss) on disposal of investment in securities	-	-	-	13,850	-	13,850	
Interest expenses	-	-	-	-	(107,564)	(107,564)	
Interest income	-	24,465	-	1,285	-	25,750	
Gain (loss) on foreign currency translation	-	29,184	-	-	(5,055)	24,129	
Loss on transactions of derivatives	(6,695)	-	(3,942)	-	-	(10,637)	
Gain on transactions of derivatives	2,382	-	13,337	-	-	15,719	
Loss on valuation of derivatives	-	-	(35,612)	-	-	(35,612)	
Gain on valuation of derivatives	-	-	81,671	-	-	81,671	
Loss on valuation of firm commitment	-	-	(95,092)	-	-	(95,092)	
Gain on valuation of firm commitment	-	-	39,555	-	-	39,555	
Gain (loss) on valuation (other comprehensive income)	-	-	-	2,820	-	2,820	

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	2013						Total
	Assets/ liabilities at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets/ liabilities classified as available- for-sale	Financial liabilities carried at amortized cost		
(in millions of Korean won)	₩	₩	₩	₩	₩	₩	₩
Dividend income	-	-	-	342	-	-	342
Reversal of allowance of bad debts (bad debt expense)	-	(251,206)	-	-	-	-	(251,206)
Impairment loss on investments in securities	-	-	-	(58,938)	-	-	(58,938)
Gain (loss) on disposal of investment in securities	-	-	-	91,680	-	-	91,680
Interest expenses	-	-	-	-	(111,304)	-	(111,304)
Interest income	-	32,456	-	906	-	-	33,362
Gain (loss) on foreign currency translation	-	(4,095)	-	-	2,035	-	(2,060)
Loss on transactions of derivatives	(719)	-	(19,825)	-	-	-	(20,544)
Gain on transactions of derivatives	103,816	-	2,225	-	-	-	106,041
Loss on valuation of derivatives	-	-	(11,914)	-	-	-	(11,914)
Gain on valuation of derivatives	-	-	4,107	-	-	-	4,107
Loss on valuation of firm commitment	-	-	(6,331)	-	-	-	(6,331)
Gain on valuation of firm commitment	-	-	31,739	-	-	-	31,739
Gain (loss) on valuation (other comprehensive income)	-	-	-	(188)	-	-	(188)

	2013						Total
	Assets/ liabilities at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets/ liabilities classified as available- for-sale	Financial liabilities carried at amortized cost		
(in thousands of US dollars (Note 4))	\$	\$	\$	\$	\$	\$	\$
Dividend income	-	-	-	311	-	-	311
Reversal of allowance of bad debts (bad debt expense)	-	(228,535)	-	-	-	-	(228,535)
Impairment loss on investments in securities	-	-	-	(53,619)	-	-	(53,619)
Gain (loss) on disposal of investment in securities	-	-	-	83,406	-	-	83,406
Interest expenses	-	-	-	-	(101,259)	-	(101,259)
Interest income	-	29,527	-	824	-	-	30,351
Gain (loss) on foreign currency translation	-	(3,725)	-	-	1,851	-	(1,874)
Loss on transactions of derivatives	(654)	-	(18,036)	-	-	-	(18,690)
Gain on transactions of derivatives	94,447	-	2,024	-	-	-	96,471
Loss on valuation of derivatives	-	-	(10,839)	-	-	-	(10,839)
Gain on valuation of derivatives	-	-	3,736	-	-	-	3,736
Loss on valuation of firm commitment	-	-	(5,760)	-	-	-	(5,760)
Gain on valuation of firm commitment	-	-	28,875	-	-	-	28,875
Gain (loss) on valuation (other comprehensive income)	-	-	-	(171)	-	-	(171)

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7. Segment information

The Group has six major operation segments: civil works, architectural construction, housing, power plants, plants and others.

General information about the Group's reportable segments is as follows:

<u>Segment</u>	<u>Business</u>
Civil works	Civil construction such as road, bridge, harbor, reclamation landfill, land construction dredge, high-speed railroad construction and others
Architectural construction	Architectural construction such as commercial, work, residential, factory building construction and others
Housing	Sales of apartment houses and contracted construction such as apartments, shopping districts and others
Power plants	Energy-related plant construction such as nuclear power plants, thermal power plants and IPP
Plants	Petrochemical plant construction such as oil & gas, refinery and LNG
Others	Rental real estate, product sales, operating hotel and others

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The segment information for sales and operating income (loss) for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014						Total
	Civil works	Architectural construction	Housing	Power plants	Plants	Others	
Sales	₩ 1,533,381	₩ 2,689,490	₩ 2,896,373	₩ 1,255,280	₩ 1,516,917	₩ 103,582	₩ 9,995,023
Operating income (loss)	61,269	144,571	357,882	(146,800)	18,887	(8,837)	426,972
- Depreciation	9,796	2,273	192	3,114	14,406	18,557	48,338
- Amortization	665	804	710	514	760	6,085	9,538

(in thousands of US dollars (Note 4))

	2014						Total
	Civil works	Architectural construction	Housing	Power plants	Plants	Others	
Sales	\$ 1,394,997	\$ 2,446,770	\$ 2,634,983	\$ 1,141,994	\$ 1,380,019	\$ 94,235	\$ 9,092,998
Operating income (loss)	55,740	131,524	325,584	(133,552)	17,182	(8,038)	388,440
- Depreciation	8,912	2,068	175	2,833	13,106	16,882	43,976
- Amortization	605	731	646	468	691	5,536	8,677

(in millions of Korean won)

	2013						Total
	Civil works	Architectural construction	Housing	Power plants	Plants	Others	
Sales	₩ 1,392,095	₩ 2,337,645	₩ 1,999,839	₩ 1,393,150	₩ 1,570,788	₩ 88,679	₩ 8,782,196
Operating income (loss)	(27,154)	(150,826)	75,675	(68,069)	(58,363)	(15,927)	(244,664)
- Depreciation	11,821	1,968	185	3,566	12,925	19,469	49,934
- Amortization	349	392	369	225	347	7,387	9,069

(in thousands of US dollars (Note 4))

	2013						Total
	Civil works	Architectural construction	Housing	Power plants	Plants	Others	
Sales	\$ 1,266,462	\$ 2,126,678	\$ 1,819,359	\$ 1,267,422	\$ 1,429,028	\$ 80,676	\$ 7,989,625
Operating income (loss)	(24,703)	(137,214)	68,846	(61,926)	(53,096)	(14,490)	(222,583)
- Depreciation	10,754	1,790	168	3,244	11,759	17,713	45,428
- Amortization	318	357	336	205	316	6,719	8,251

The Group does not report the segment information for assets and liabilities to the chief operating decision maker.

Sales by geographic areas for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	2014		2013	
Korea	₩ 6,857,384	₩ 5,870,525	\$ 6,238,523	\$ 5,340,725
Middle East	1,146,062	1,297,179	1,042,633	1,180,112
Asia	453,688	349,705	412,744	318,145
Africa	1,524,082	1,262,751	1,386,537	1,148,791
Others	13,807	2,036	12,561	1,852
Total	₩ 9,995,023	₩ 8,782,196	\$ 9,092,998	\$ 7,989,625

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There is no external customer attributing to more than 10% of sales for the years ended December 31, 2014 and 2013.

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

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Construction contracts revenue	₩ 8,339,112	₩ 7,596,391	\$ 7,586,529	\$ 6,910,836
Sales of real estate	1,540,848	1,087,674	1,401,790	989,514
Other revenue	115,063	98,131	104,679	89,275
Total	₩ 9,995,023	₩ 8,782,196	\$ 9,092,998	\$ 7,989,625

8. Construction Contracts

The Group's contract balances and the related sales recognized for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	2014			
	Beginning	Net contract increase¹	Sales recognized²	Ending
Civil works	₩ 7,164,487	₩ 2,375,132	₩ 1,530,368	₩ 8,009,251
Architectural works	6,683,249	1,674,469	2,687,701	5,670,017
Housing	19,809,459	882,922	2,858,131	17,834,250
Power plant	4,708,237	(243,882)	1,255,166	3,209,189
Plant	3,290,235	2,271,734	1,516,916	4,045,053
Total	₩ 41,655,667	₩ 6,960,375	₩ 9,848,282	₩ 38,767,760

<i>(in thousands of US dollars (Note 4))</i>	2014			
	Beginning	Net contract increase¹	Sales recognized²	Ending
Civil works	\$ 6,517,910	\$ 2,160,782	\$ 1,392,256	\$ 7,286,436
Architectural works	6,080,103	1,523,352	2,445,143	5,158,312
Housing	18,021,705	803,241	2,600,192	16,224,754
Power plant	4,283,331	(221,872)	1,141,891	2,919,568
Plant	2,993,300	2,066,716	1,380,018	3,679,998
Total	\$ 37,896,349	\$ 6,332,219	\$ 8,959,500	\$ 35,269,068

¹ Total increase and decrease in the contracts amount to ₩ 10,749,916 million (equivalent to US \$ 9,779,763 thousand) and ₩ 3,789,541 million (equivalent to US \$ 3,447,544 thousand), respectively, for the year ended December 31, 2014.

² The above sales recognized include sales of real estate of ₩ 1,503,886 million (equivalent to US \$ 1,368,164 thousand) and other sales of ₩ 5,284 million (equivalent to US \$ 4,807 thousand).

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(in millions of Korean won)

	2013			
	Beginning	Net contract increase¹	Sales recognized²	Ending
Civil works	₩ 7,216,869	₩ 1,334,581	₩ 1,386,963	₩ 7,164,487
Architectural works	6,932,322	2,087,610	2,336,683	6,683,249
Housing	18,136,493	3,656,408	1,983,442	19,809,459
Power plant	3,248,638	2,852,625	1,393,026	4,708,237
Plant	2,931,321	1,929,698	1,570,784	3,290,235
Total	₩ 38,465,643	₩ 11,860,922	₩ 8,670,898	₩ 41,655,667

(in thousands of US dollars
(Note 4))

	2013			
	Beginning	Net contract increase¹	Sales recognized²	Ending
Civil works	\$ 6,565,565	\$ 1,214,138	\$ 1,261,793	\$ 6,517,910
Architectural works	6,306,697	1,899,209	2,125,803	6,080,103
Housing	16,499,721	3,326,426	1,804,441	18,021,706
Power plant	2,955,457	2,595,183	1,267,309	4,283,331
Plant	2,666,777	1,755,548	1,429,025	2,993,300
Total	\$ 34,994,217	\$ 10,790,504	\$ 7,888,371	\$ 37,896,350

¹ Total increase and decrease in the contracts amount to ₩ 13,967,050 million (equivalent to US \$ 12,706,559 thousand) and ₩ 2,106,128 million (equivalent to US \$ 1,916,055 thousand), respectively, for the year ended December 31, 2013.

² The above sales recognized include sales of real estate of ₩ 1,071,301 million (equivalent to US \$ 974,619 thousand) and other sales of ₩ 3,206 million (equivalent to US \$ 2,917 thousand).

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Details of cumulative sales, income and others per segment as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014				
	Cumulative sales	Cumulative cost	Cumulative income	Advances	Construction deposits¹
Civil works	₩ 4,847,044	₩ 4,548,743	₩ 298,301	₩ 344,410	₩ 4,410
Architectural works	3,147,459	2,974,660	172,799	138,599	51,005
Housing	2,898,196	2,531,139	367,057	111,985	-
Power plant	3,905,580	3,886,387	19,193	276,063	59,721
Plant	4,787,667	4,640,255	147,412	300,562	117,384
Total	₩19,585,946	₩ 18,581,184	₩ 1,004,762	₩ 1,171,619	₩ 232,520

(in thousands of US dollars (Note 4))

	2014				
	Cumulative sales	Cumulative cost	Cumulative income	Advances	Construction deposits¹
Civil works	\$ 4,409,611	\$ 4,138,231	\$ 271,380	\$ 313,328	\$ 4,012
Architectural works	2,863,409	2,706,205	157,204	126,091	46,402
Housing	2,636,641	2,302,710	333,931	101,879	-
Power plant	3,553,111	3,535,650	17,461	251,149	54,331
Plant	4,355,592	4,221,484	134,108	273,437	106,790
Total	\$17,818,364	\$ 16,904,280	\$ 914,084	\$ 1,065,884	\$ 211,535

(in millions of Korean won)

	2013				
	Cumulative sales	Cumulative cost	Cumulative income	Advances	Construction deposits¹
Civil works	₩ 4,257,397	₩ 4,029,261	₩ 228,136	₩ 168,729	₩ -
Architectural works	1,776,766	1,679,283	97,483	154,708	38,247
Housing	2,180,818	1,899,717	281,101	124,276	-
Power plant	5,472,208	5,106,840	365,368	187,443	24,377
Plant	3,512,502	3,481,391	31,111	141,755	120,210
Total	₩17,199,691	₩ 16,196,492	₩ 1,003,199	₩ 776,911	₩ 182,834

(in thousands of US dollars (Note 4))

	2013				
	Cumulative sales	Cumulative cost	Cumulative income	Advances	Construction deposits¹
Civil works	\$ 3,873,178	\$ 3,665,631	\$ 207,547	\$ 153,502	\$ -
Architectural works	1,616,417	1,527,732	88,685	140,746	34,795
Housing	1,984,005	1,728,273	255,732	113,060	-
Power plant	4,978,355	4,645,961	332,394	170,527	22,177
Plant	3,663,808	3,498,653	165,155	128,962	109,361
Total	\$ 16,115,763	\$ 15,066,250	\$ 1,049,513	\$ 706,797	\$ 166,333

¹ Construction deposits are recorded as trade receivables and long-term other receivables.

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The gross amount due from customers for contract work and the gross amount due to customers for contract work as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
	Due from customers ¹	Due to customers ¹	Due from customers ¹	Due to customers ¹
Civil works	₩ 360,146	₩ 94,415	₩ 303,166	₩ 111,147
Architectural works	193,855	141,201	195,327	133,621
Housing	509,217	33,790	409,844	109,598
Power plant	104,356	158,286	228,711	345,520
Plant	468,620	124,367	395,640	224,612
Total	₩ 1,636,194	₩ 552,059	₩ 1,532,688	₩ 924,498

(in thousands of US dollars (Note 4))

	2014		2013	
	Due from customers ¹	Due to customers ¹	Due from customers ¹	Due to customers ¹
Civil works	\$ 327,644	\$ 85,894	\$ 275,806	\$ 101,116
Architectural works	176,360	128,458	177,699	121,562
Housing	463,261	30,741	372,857	99,707
Power plant	94,938	144,001	208,070	314,338
Plant	426,328	113,143	359,934	204,341
Total	\$ 1,488,531	\$ 502,237	\$ 1,394,366	\$ 841,064

¹ The gross amounts due from and due to customers for contract work are recorded as trade receivables and advances received, respectively.

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Details of joint construction contracts as of December 31, 2014, are as follows:

	Share of the Group			Lead company
	Won (millions)	U.S. dollars (thousands) (Note 4)	Percentage	
Kuwait Clean Fuel Project	₩ 1,143,366	\$1,040,180	33.3%	FLUOR
Pocheon Independent Power Plant	713,075	648,722	93.8%	The Parent Company
SAUDI JAZAN REFINERY PJ	567,930	516,676	50.0%	JGC Corporation
Sosa Wonsi Railroad Project site	481,670	438,201	34.3%	The Parent Company
Algeria Boughzoul new town site	457,141	415,885	53.7%	The Parent Company
Guri-Pocheon highway site	415,400	377,911	35.0%	The Parent Company
Ansan 37 block apartment construction site	246,226	224,005	90.0%	The Parent Company
Icheon	230,948	210,106	56.0%	The Parent Company
Gimpopungmu Prugio Centreville Project	185,472	168,734	50.0%	The Parent Company
Samcheok green power plant I , II site	170,900	155,477	50.0%	The Parent Company

9. Cash and cash equivalents

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

	2014		2013	
	₩	₩	\$	\$
<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>				
Cash	₩ 3,684	₩ 2,827	\$ 3,352	\$ 2,572
Cash equivalents	322,006	406,769	292,946	370,059
Total	₩ 325,690	₩ 409,596	\$ 296,298	\$ 372,631

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The aging analyses of trade and other receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014			2013		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term ²		Short-term	Long-term ²
Up to 1 year	₩ 2,641,505	₩ 444,076	₩ 257,862	₩ 2,308,093	₩ 351,553	₩ 164,824
1 year to 2 years	243,534	47,217	124,838	243,373	69,563	146,836
Over 2 years	198,512	75,517	315,663	163,181	85,874	282,936
Impaired	617,011	482,897	214,715	880,377	523,169	228,818
Present value discount	-	-	(15,288)	-	-	(16,687)
Total	₩ 3,700,562	₩ 1,049,707	₩ 897,790	₩ 3,595,024	₩ 1,030,159	₩ 806,727

<i>(in thousands of US dollars (Note 4))</i>	2014			2013		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term ²		Short-term	Long-term ²
Up to 1 year	\$ 2,403,116	\$ 403,999	\$ 234,591	\$ 2,099,795	\$ 319,826	\$ 149,949
1 year to 2 years	221,556	42,956	113,572	221,409	63,285	133,584
Over 2 years	180,597	68,702	287,175	148,454	78,124	257,402
Impaired	561,326	439,317	195,338	800,925	475,955	208,168
Present value discount	-	-	(13,909)	-	-	(15,181)
Total	\$ 3,366,595	\$ 954,974	\$ 816,767	\$ 3,270,583	\$ 937,190	\$ 733,922

² Deposits are excluded.

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Changes in the bad debts allowance for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			2013		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term		Short-term	Long-term
Beginning balance	₩ 507,354	₩ 370,646	₩ 133,196	₩ 327,543	₩ 400,262	₩ 151,135
Additions	20,272	63,984	24,285	183,651	51,212	29,000
Reversals	(58,528)	(13,853)	(9,885)	(11,426)	(869)	(362)
Write-off	(6,583)	(2,837)	(24,183)	-	(15,048)	(6,607)
Others ³	(25,067)	12,418	2,232	7,586	(64,911)	(39,970)
Ending balance	₩ 437,448	₩ 430,358	₩ 125,645	₩ 507,354	₩ 370,646	₩ 133,196

(in thousands of US dollars (Note4))

	2014			2013		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term		Short-term	Long-term
Beginning balance	\$ 461,567	\$ 337,196	\$ 121,175	\$ 297,984	\$ 364,139	\$ 137,495
Additions	18,442	58,210	22,093	167,077	46,590	26,383
Reversals	(53,246)	(12,603)	(8,993)	(10,395)	(791)	(329)
Write-off	(5,989)	(2,581)	(22,000)	-	(13,690)	(6,011)
Others ³	(22,805)	11,297	2,031	6,901	(59,052)	(36,363)
Ending balance	\$ 397,969	\$ 391,519	\$ 114,306	\$ 461,567	\$ 337,196	\$ 121,175

³ Others consist of the decrease in receivables, reclassification between accounts and the gain (loss) on foreign exchange translation.

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11 Inventories

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

(in millions of Korean won

and thousands of US dollars (Note 4))

	2014		2013	
Land held for development	₩	861,083	₩	1,060,753
Unfinished construction		96,366		134,375
Finished housing		31,814		57,987
Raw materials		90,484		111,207
Supplies		6,411		6,506
Materials-in-transit		108,655		72,484
Temporary materials		36,108		38,366
Merchandise		677		914
Total	₩	1,231,598	₩	1,482,592

12. Available-for-sale financial assets

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

(in millions of Korean won

and thousands of US dollars (Note 4))

	2014		2013	
Government and municipal bonds ¹	₩	27,994	₩	14,954
Debt securities		4,239		4,701
Equity securities		323,315		474,120
		355,548		493,775
Less : Current portion		4,404		1
Non-current portion	₩	351,144	₩	493,774

¹Of available-for-sale financial assets, current assets and non-current assets are recorded as current financial instrument assets and investment in securities, respectively.

Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won

and thousands of US dollars (Note 4))

	2014		2013	
Beginning balance	₩	493,775	₩	719,638
Additions		48,151		35,886
Disposals		(136,204)		(221,972)
Reclassification ¹		(4,390)		19,412
Evaluation		(688)		(268)
Net gain (loss) transfer from equity ²		4,776		17
Impairment		(49,872)		(58,938)
Ending balance	₩	355,548	₩	493,775

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¹ Details of impairment losses on investments in securities for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013	Remarks
Gyeongsan Knowledge Industry Development Co., Ltd.	₩ (4,100)	₩ -	Reclassification to investment in associates
Gyeryong Greenvill Co., Ltd.	-	28	Reclassification from investment in securities of investment in associates
Green Jang Ryang Co., Ltd.	(972)	-	Reclassification to assets held for sale
Kukdong E&C Co., Ltd. and others	682	19,384	Debt for equity swap
Total	₩ (4,390)	₩ 19,412	

<i>(in thousands of US dollars (Note 4))</i>	2014	2013	Remarks
Gyeongsan Knowledge Industry Development Co., Ltd.	\$ (3,730)	\$ 25	Reclassification to investment in associates
Gyeryong Greenvill Co., Ltd.	-	-	Reclassification from investment in securities of investment in associates
Green Jang Ryang Co., Ltd.	(884)	17,636	Reclassification to assets held for sale
Kukdong E&C Co., Ltd. and others	621	17,661	Debt for equity swap
Total	\$ (3,993)	\$ 17,661	

² Details of impairment losses on investments in securities for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013	Remarks
Ssangyong Engineering&Construction and others	₩ 634	₩ 17,202	Capital reduction after debt for equity swap
Bichae-Nuri Development Co., Ltd.	9,815	33,857	Termination of project
Erail Co., Ltd. and others	39,423	7,879	Decrease in recoverable amounts
Total	₩ 49,872	₩ 58,938	

<i>(in thousands of US dollars (Note 4))</i>	2014	2013	Remarks
Ssangyong Engineering&Construction and others	\$ 577	\$ 15,650	Capital reduction after debt for equity swap
Bichae-Nuri Development Co., Ltd.	8,929	30,801	Termination of project
Erail Co., Ltd. and others	35,865	7,168	Decrease in recoverable amounts
Total	\$ 45,371	\$ 53,619	

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Equity securities as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			2013	
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
Marketable equity securities					
CJ Korean Express Co., Ltd. ⁴	-	-	₩ -	₩ -	₩ 121,529
Unmarketable equity securities					
Hyundai I Park Mall Co., Ltd. ¹	320,000	0.88	1,600	1	1
Jeju International Convention Center Co., Ltd. ¹	1,089,522	3.27	4,788	4,788	4,788
Shinchon Station Building Co., Ltd. ¹	183,000	17.94	915	915	915
Ulsan New Port Container Terminal Co., Ltd. ¹	1,542,300	14.55	7,712	3,442	7,712
Eulsukdo Bridge ¹	3,880,266	16.05	19,401	15,520	15,520
Kyongsoo Highway Co., Ltd. ¹	3,400,320	10.30	17,002	17,002	17,002
Shinbundang Railroad Co., Ltd. ¹	4,122,000	9.71	20,610	20,610	20,610
Login Gim Hae Lespo Town Ltd. ¹	9,800	2.45	49	49	49
Green Kimhae Enviro Co., Ltd. ¹	100,775	5.00	504	504	504
Chungjung Sangju Co., Ltd. ¹	70,552	4.00	353	86	353
Green Asan Enviro Co., Ltd. ¹	69,390	3.70	347	347	347
Green Yeosu Enviro Co., Ltd. ¹	84,567	9.00	423	153	423
Green Dangjin Enviro Co., Ltd. ¹	27,505	2.80	138	1	138
Green Jeju Enviro Co., Ltd. ¹	30,626	3.01	153	1	153
Green Gunsan Enviro Co., Ltd. ¹	59,842	3.49	299	119	299
Green Ansung Enviro Co., Ltd. ^{1,3}	1,514,624	64.00	7,573	7,573	7,573
Green Jangryang Enviro Co., Ltd. ⁵	-	-	-	-	971
UITrans LRT co. ^{1,3}	2,337,681	22.72	11,688	11,688	10,449
Sangju-Yeongcheon Expressway Co., Ltd. ¹	3,243,000	7.50	16,215	16,215	12,941
Second Seohaean Expressway Co., Ltd. ¹	1,224,600	4.59	6,122	6,122	6,122
Garorim Tidal Power Plant Co., Ltd. ¹	1,294,380	16.12	6,472	1	6,472
Yonsei International Student Residence Hall Management Co., Ltd. ¹	5,600	1.01	28	1	28
Seoul Northern Highway Co., Ltd. ^{1,3}	6,826,400	24.90	34,132	34,132	35,042
Seoul-Moonsan Highway Co., Ltd. ¹	166,887	14.40	834	834	834
Gayah Railroad Co., Ltd. ¹	305,490	2.46	1,527	1	1,527
Green Han River Town Co., Ltd. ¹	9,116	0.44	46	46	46
Erail Co., Ltd. ¹	1,044,488	9.08	5,222	-	5,222
Green Jechon Enviro Co., Ltd. ^{1,3}	328,071	20.78	1,640	1	1,640
Eunpyeong Saegil Co., Ltd. ^{1,3}	260,800	33.00	1,304	1,304	1,108
Ocean Culture Co., Ltd. ¹	442,431	11.68	2,212	685	2,212
Ganghwa Tidal Power Plant Co., Ltd. ^{1,3}	4,600	46.00	23	23	23
Chonmasan tunnel Co., Ltd. ^{1,3}	1,944,000	51.43	9,720	9,720	8,515
The Green Town Co., Ltd. ¹	124,564	12.82	623	1	623
New Seoul Railroad Co., Ltd. ^{1,3}	165,386	20.92	827	827	659
Gyeonggi rail Co., Ltd. ¹	495,000	4.25	2,475	2,475	2,475
BUGOK ENVIRONMENT CO. LTD. ^{1,3}	201,400	100.00	1,007	1,007	1,007
Wonju Green Co., Ltd. ¹	226,376	11.03	1,132	1,132	1,132
P-WATERS CO., Ltd. ¹	72,288	4.00	361	361	361
Ulsan clean environment Co., Ltd. ¹	376,752	11.18	1,884	1,884	1,884

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	2014			2013	
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
Neulpureun Paju-Yangju Co., Ltd. ¹	41,687	3.80	208	1	208
Metropolitan West Highway ¹	472,920	1.43	2,365	2,365	2,365
Neulpureun Goyang Co., Ltd. ¹	49,885	3.62	249	1	196
Gyeryong Greenville Co., Ltd. ¹	5,676	0.30	28	4	28
Korea Housing Guarantee ²	2,527,445	0.39	53,901	20,328	21,655
Techno Village Co., Ltd. ¹	56,000	3.38	280	280	280
Daewoo Motor Co., Ltd. ¹	150,795	0.16	-	-	-
Kiwoom Investment Co., Ltd. ¹	51,000	0.57	255	255	255
Smart City Asset Management Co., Ltd. ¹	10,200	17.00	51	51	51
Smart City Co., Ltd. ¹	1,819,625	19.23	9,098	1,098	9,098
Neo Trans Co., Ltd. ¹	2,858	14.29	14	14	14
M.Ciety Development Co., Ltd. ⁴	-	-	-	-	2,244
M.Ciety Co., Ltd. ¹	2,640	4.40	13	13	13
Gwangmyeong-Station Terminal Complex Co., Ltd. ¹	98,000	16.33	490	490	490
Arena Park Development Inc. ¹	442,200	10.05	2,211	1	1
A Park Development Inc. ¹	6,030	10.05	30	-	-
Posco Engineering Co., Ltd. ²	325,517	3.26	25,380	18,449	18,616
Bichae-Nuri Development Co., Ltd. ¹	657,800	11.50	3,289	1	3,289
Bichae-Nuri Co., Ltd. ¹	11,500	11.50	58	1	58
Chung-Ju Technopolis Co., Ltd. ¹	150,000	15.00	1,500	1,500	1,500
Pyeongtaek, South Korea and China Tech Valley Co., Ltd. ¹	191,000	19.10	955	1	1
Chun-An Hermeca Development Co., Ltd. ⁷	-	-	-	-	-
Flossom Co., Ltd. ¹	429,000	5.00	2,145	1	1
Econhill Development Asset Management Co., Ltd. ¹	6,140,862	17.71	29,165	1	1
Seoul Lite Tower Co., Ltd. ¹	2,053,454	10.64	10,267	1,839	2,267
SHINSUNG Engineering & Construction Co., Ltd. ¹	2,642	0.02	13	13	13
KYUNGHEE Univ. Development Co., Ltd. ¹	170	17.00	2	2	2
Gimpo golden valley4 PFV co.,Ltd. ¹	100,000	10.00	500	500	500
RAINTREEPM CO. Ltd ⁷	-	-	-	-	100
EIGHTCITY ^{1,3}	300,000	23.81	1,500	1	1
Gyeongsan knowledge industry development Co., Ltd. ^{1,6}	-	-	-	-	4,000
Songsan Industrial complex ¹	38,000	19.00	380	380	380
Yulchon 2 Industrial Complex Development Inc. ⁶	-	-	-	-	1,600
Miraesamsong Project Co., Ltd. ¹	100,000	10.00	500	500	500
Miraesamsong asset management co., Ltd. ¹	398	19.90	2	2	2
Incheon Art Center ¹	78,000	19.50	390	390	390
HYUNJIN CO., LTD. ¹	2,909	0.03	15	15	15
Kukdong E&C Co., Ltd. ¹	234,487	4.87	11,724	1,173	1,173
Poonglim Co., Ltd. ¹	14,782	0.11	739	74	74
Woobang Co., Ltd. ¹	1,305	0.02	7	7	7
Halla Industry Co., Ltd. ¹	-	-	628	-	29
STX Construction Co., Ltd. ¹	945	0.03	95	5	5
Woolim Co., Ltd. ¹	3,888	0.23	778	39	39
KD Construction Co., Ltd. ¹	42,601	4.15	1,278	426	426
PUMYANG CONSTRUCTION CO., LTD. ¹	9,498	0.92	1,872	48	48

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	2014				2013
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
KOCREF SEOMYUN REITs CO., LTD. ¹	125,000	7.69	2,500	2,500	-
Ssangyong Engineering&Construction ¹	28,060	0.15	389	124	-
HAN IL Construction Co., Ltd. ¹	7	-	1	-	-
Smart Power Co., LTD. ¹	1,080	11.23	-	-	-
Korea Construction Financial Cooperative ²	46,013	-	46,614	64,035	63,626
Korea Specialty Contractor Financial Cooperative ²	84	-	1,105	1,105	1,029
Electronic Contractors' Financial Cooperative ¹	500	-	112	112	203
Information and Communication Financial Cooperative ¹	567	-	81	81	66
Engineering Financial Cooperative ²	20,115	-	9,996	10,043	54
Korea Electric Engineers Association ¹	200	-	20	20	20
Deinse anonymous association ¹	-	-	6,303	6,303	6,303
4S Structure Safety Group Cooperative ¹	5	19.23	5	5	-
GM Daewoo Auto & Technology Co., Ltd. ¹	-	-	39	39	39
KB Sosa Wonsi Railroad Project Private Special Assets ¹	-	-	25,746	10,842	11,994
Eugene Green Housing 2nd Private Real-estate Trust ¹	-	100.00	35,501	502	432
Meritz Happy Housing Fund 1st ¹	-	100.00	57,526	3,465	7,427
Meritz Happy Housing Fund 2nd ¹	-	100.00	12,895	2	410
KB Housing 1st Fund ¹	-	100.00	30,455	-	-
KIAMCO Road Investment Fund ¹	-	-	11,373	11,373	11,373
Korea Investment Private Equity Newstart investment trust ²	-	-	3,000	2,924	-
Subtotal			593,397	323,315	352,591
Total			₩ 593,397	₩ 323,315	₩ 474,120

(in thousands of US dollars (Note 4))

	2014				2013
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
Marketable equity securities					
CJ Korean Express Co., Ltd. ⁴			\$ -	\$ -	\$ 110,561
Unmarketable equity securities					
Hyundai I Park Mall Co., Ltd. ¹	320,000	0.88	1,456	1	1
Jeju International Convention Center Co., Ltd. ¹	1,089,522	3.27	4,356	4,356	4,356
Shinchon Station Building Co., Ltd. ¹	183,000	17.94	832	832	832
Ulsan New Port Container Terminal Co., Ltd. ¹	1,542,300	14.55	7,016	3,131	7,016
Eulsukdo Bridge ¹	3,880,266	16.05	17,650	14,119	14,119
Kyongsoo Highway Co., Ltd. ¹	3,400,320	10.30	15,468	15,468	15,468
Shinbundang Railroad Co., Ltd. ¹	4,122,000	9.71	18,750	18,750	18,750
Login Gim Hae Lespo Town Ltd. ¹	9,800	2.45	45	45	45
Green Kimhae Enviro Co., Ltd. ¹	100,775	5.00	459	459	459
Chungjung Sangju Co., Ltd. ¹	70,552	4.00	321	78	321
Green Asan Enviro Co., Ltd. ¹	69,390	3.70	316	316	316

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	2014			2013	
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
Green Yeosu Enviro Co., Ltd. ¹	84,567	9.00	385	139	385
Green Dangjin Enviro Co., Ltd. ¹	27,505	2.80	126	1	126
Green Jeju Enviro Co., Ltd. ¹	30,626	3.01	139	1	139
Green Gunsan Enviro Co., Ltd. ¹	59,842	3.49	272	108	272
Green Ansung Enviro Co., Ltd. ^{1,3}	1,514,624	64.00	6,890	6,890	6,890
Green Jangryang Enviro Co., Ltd. ⁵	-	-	-	-	883
UITrans LRT co. ^{1,3}	2,337,681	22.72	10,633	10,633	9,506
Sangju-Yeongcheon Expressway Co., Ltd. ¹	3,243,000	7.50	14,752	14,752	11,773
Second Seohaean Expressway Co., Ltd. ¹	1,224,600	4.59	5,570	5,570	5,570
Garorim Tidal Power Plant Co., Ltd. ¹	1,294,380	16.12	5,888	1	5,888
Yonsei International Student Residence Hall Management Co., Ltd. ¹	5,600	1.01	25	1	25
Seoul Northern Highway Co., Ltd. ^{1,3}	6,826,400	24.90	31,052	31,052	31,880
Seoul-Moonsan Highway Co., Ltd. ¹	166,887	14.40	759	759	759
Gayah Railroad Co., Ltd. ¹	305,490	2.46	1,389	1	1,389
Green Han River Town Co., Ltd. ¹	9,116	0.44	42	42	42
Erail Co., Ltd. ¹	1,044,488	9.08	4,751	-	4,751
Green Jechon Enviro Co., Ltd. ^{1,3}	328,071	20.78	1,492	1	1,492
Eunpyeong Saegil Co., Ltd. ^{1,3}	260,800	33.00	1,186	1,186	1,008
Ocean Culture Co., Ltd. ¹	442,431	11.68	2,012	623	2,012
Ganghwa Tidal Power Plant Co., Ltd. ^{1,3}	4,600	46.00	21	21	21
Chonmasan tunnel Co., Ltd. ^{1,3}	1,944,000	51.43	8,843	8,843	7,747
The Green Town Co., Ltd. ¹	124,564	12.82	567	1	567
New Seoul Railroad Co., Ltd. ^{1,3}	165,386	20.92	752	752	600
Gyeonggi rail Co., Ltd. ¹	495,000	4.25	2,252	2,252	2,252
BUGOK ENVIRONMENT CO. LTD. ^{1,3}	201,400	100.00	916	916	916
Wonju Green Co., Ltd. ¹	226,376	11.03	1,030	1,030	1,030
P-WATERS CO., Ltd. ¹	72,288	4.00	328	328	328
Ulsan clean environment Co., Ltd. ¹	376,752	11.18	1,714	1,714	1,714
Neulpureun Paju-Yangju Co., Ltd. ¹	41,687	3.80	189	1	189
Metropolitan West Highway ¹	472,920	1.43	2,152	2,152	2,152
Neulpureun Goyang Co., Ltd. ¹	49,885	3.62	227	1	178
Gyeryong Greenville Co., Ltd. ¹	5,676	0.30	25	4	25
Korea Housing Guarantee ²	2,527,445	0.39	49,037	18,493	19,701
Techno Village Co., Ltd. ¹	56,000	3.38	255	255	255
Daewoo Motor Co., Ltd. ¹	150,795	0.16	-	-	-
Kiwoom Investment Co., Ltd. ¹	51,000	0.57	232	232	232
Smart City Asset Management Co., Ltd. ¹	10,200	17.00	46	46	46
Smart City Co., Ltd. ¹	1,819,625	19.23	8,277	999	8,277
Neo Trans Co., Ltd. ¹	2,858	14.29	13	13	13
M.Ciety Development Co., Ltd. ⁴	-	-	-	-	2,041
M.Ciety Co., Ltd. ¹	2,640	4.40	12	12	12
Gwangmyeong-Station Terminal Complex Co., Ltd. ¹	98,000	16.33	446	446	446
Arena Park Development Inc. ¹	442,200	10.05	2,011	1	1
A Park Development Inc. ¹	6,030	10.05	27	-	-

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<i>(in thousands of US dollars (Note 4))</i>	2014			2013	
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value	Book Value
Posco Engineering Co., Ltd. ²	325,517	3.26	23,090	16,784	16,936
Bichae-Nuri Development Co., Ltd. ¹	657,800	11.50	2,992	1	2,992
Bichae-Nuri Co., Ltd. ¹	11,500	11.50	53	1	53
Chung-Ju Technopolis Co., Ltd. ¹	150,000	15.00	1,365	1,365	1,365
Pyeongtaek, South Korea and China Tech Valley Co., Ltd. ¹	191,000	19.10	869	1	1
Chun-An Hermeca Development Co., Ltd. ⁷	-	-	-	-	-
Flossom Co., Ltd. ¹	429,000	5.00	1,951	1	1
Econhill Development Asset Management Co., Ltd. ¹	6,140,862	17.71	26,533	1	1
Seoul Lite Tower Co., Ltd. ¹	2,053,454	10.64	9,340	1,673	2,062
SHINSUNG Engineering & Construction Co., Ltd. ¹	2,642	0.02	12	12	12
KYUNGHEE Univ. Development Co., Ltd. ¹	170	17.00	2	2	2
Gimpo golden valley4 PFV co.,Ltd. ¹	100,000	10.00	455	455	455
RAINTREEPM CO. Ltd ⁷	-	-	-	-	91
EIGHTCITY ^{1,3}	300,000	23.81	1,365	1	1
Gyeongsan knowledge industry development Co., Ltd. ^{1,6}	-	-	-	-	3,639
Songsan Industrial complex ¹	38,000	19.00	346	346	346
Yulchon 2 Industrial Complex Development Inc. ⁶	-	-	-	-	1,456
Miraesamsong Project Co., Ltd. ¹	100,000	10.00	455	455	455
Miraesamsong asset management co., Ltd. ¹	398	19.90	2	2	2
Incheon Art Center ¹	78,000	19.50	355	355	355
HYUNJIN CO., LTD. ¹	2,909	0.03	14	14	14
Kukdong E&C Co., Ltd. ¹	234,487	4.87	10,666	1,066	1,066
Poonglim Co., Ltd. ¹	14,782	0.11	672	67	67
Woobang Co., Ltd. ¹	1,305	0.02	6	6	6
Halla Industry Co., Ltd. ¹	-	-	571	-	26
STX Construction Co., Ltd. ¹	945	0.03	86	5	5
Woolim Co., Ltd. ¹	3,888	0.23	708	35	35
KD Construction Co., Ltd. ¹	42,601	4.15	1,163	388	388
PUMYANG CONSTRUCTION CO., LTD.	9,498	0.92	1,703	44	44
KOCREF SEOMYUN REITs CO., LTD. ¹	125,000	7.69	2,274	2,274	-
Ssangyong Engineering&Construction ¹	28,060	0.15	354	113	-
HAN IL Construction Co., Ltd. ¹	7	-	1	-	-
Smart Power Co., LTD. ¹	1,080	11.23	-	-	-
Korea Construction Financial Cooperative ²	46,013	-	42,406	58,255	57,883
Korea Specialty Contractor Financial Cooperative ²	84	-	1,005	1,005	936
Electronic Contractors' Financial Cooperative ¹	500	-	102	102	185
Information and Communication Financial Cooperative ¹	567	-	74	74	60
Engineering Financial Cooperative ²	20,115	-	9,094	9,137	49
Korea Electric Engineers Association ¹	200	-	18	18	18
Deinse anonymous association ¹	-	-	5,734	5,734	5,734
4S Structure Safety Group Cooperative ¹	5	19.23	5	5	-
GM Daewoo Auto & Technology Co., Ltd. ¹	-	-	35	35	35
KB Sosa Wonsi Railroad Project Private Special Assets ¹	-	-	23,421	9,863	10,911

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<i>(in thousands of US dollars (Note 4))</i>	2014			2013
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Book Value
Eugene Green Housing 2nd Private Real-estate Trust ¹	-	100.00	32,297	393
Meritz Happy Housing Fund 1st ¹	-	100.00	52,333	6,756
Meritz Happy Housing Fund 2nd ¹	-	100.00	11,731	373
KB Housing 1st Fund ¹	-	100.00	27,707	-
KIAMCO Road Investment Fund I ¹	-	-	10,346	10,346
Korea Investment Private Equity Newstart investment trust ²	-	-	2,729	-
Subtotal			<u>539,844</u>	<u>320,771</u>
Total			<u>\$ 539,844</u>	<u>\$ 431,332</u>

¹ The unmarketable equity securities that do not have readily determinable fair values are stated at cost. However, the unmarketable equity securities, whose net offset value declined significantly and are not expected to recover, are stated at collectable amount.

² The value computed through an objective valuation model and reliable estimation based on professional judgment of an independent external appraiser is considered as its fair value.

³ The ownership interest in an investee established in accordance with Private Investment Law on Social Overhead Infrastructure is treated as available-for-sale financial asset because the Group cannot exercise significant influence on investee's finance or operations.

⁴ During current year, this entity was eliminated as it was sold to a third party.

⁵ During current year, as the contract of sale was entered, this entity is classified as assets held for sale.

⁶ During current year, as the Group acquired significant influence over the entity, this entity is reclassified from investment in securities to investment in associate.

⁷ During this year, this entity was liquidated.

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Debt securities as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

		2014		2013
	Maturity	Nominal Value	Book Value	Book Value
Short-term debt securities				
Government bonds				
National housing bonds and others	Up to 1 year	₩ 165	₩ 166	₩ -
	1 year to 5 years	25,468	25,400	13,808
	5 years to 10 years	2,435	2,428	1,146
		<u>28,068</u>	<u>27,994</u>	<u>14,954</u>
Corporate bonds				
Jushinbo NH 1st Securitization Specialty Co., Ltd.	Up to 1 year	1,196	1	1
Shinbo Chaeon 1st Securitization Specialty Co., Ltd. ^{1,2}	Up to 1 year	1,237	1,237	1,500
Woori Bank subordinated bonds ^{1,2}	Up to 1 year	3,000	3,000	3,000
SACC Co., Ltd. ^{2,3}	1 year to 5 years	200	1	200
		<u>5,633</u>	<u>4,239</u>	<u>4,701</u>
Total		<u>₩ 33,701</u>	<u>₩ 32,233</u>	<u>₩ 19,655</u>

(in thousands of US dollars (Note 4))

		2014		2013
	Maturity	Nominal Value	Book Value	Book Value
Short-term debt securities				
Government bonds				
National housing bonds and others	Up to 1 year	\$ 150	\$ 151	\$ -
	1 year to 5 years	23,170	23,108	12,562
	5 years to 10 years	2,215	2,209	1,042
		<u>25,535</u>	<u>25,468</u>	<u>13,604</u>
Corporate bonds				
Jushinbo NH 1st Securitization Specialty Co., Ltd.	Up to 1 year	1,088	1	1
Shinbo Chaeon 1st Securitization Specialty Co., Ltd. ^{1,2}	Up to 1 year	1,125	1,125	1,365
Woori Bank subordinated bonds ^{1,2}	Up to 1 year	2,730	2,729	2,729
SACC Co., Ltd. ^{2,3}	1 year to 5 years	182	1	182
		<u>5,125</u>	<u>3,856</u>	<u>4,277</u>
Total		<u>\$ 30,660</u>	<u>\$ 29,324</u>	<u>\$ 17,881</u>

¹ The above debt securities, which are subordinated bonds, are stated at cost because they do not have readily determinable fair value.

² The Group did not recognize the interest income on these bonds because its collection is uncertain.

³ Impairment loss on investment in securities, amounting to ₩ 199 million (equivalent to US \$ 181 thousand), was recognized as their recoverable value substantially decreased in the current year.

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13. Derivative instruments

The Group enters into fair value hedge and derivative instruments for trading contracts with Woori Bank and others. Changes in derivative instrument for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Amount		Gain(loss) on valuation	
	Assets	Liabilities	Gain	Loss
Trading purpose				
Forward foreign currency contracts	₩ -	₩ -	₩ -	₩ -
Fair value hedge purpose				
Forward foreign currency contracts	82,220	37,168	89,773	39,145
Firm commitment contracts	37,168	82,220	43,479	104,525
Total	₩ 119,388	₩ 119,388	₩ 133,252	₩ 143,670

*(in thousands of
US dollars (Note 4))*

	2014			
	Amount		Gain(loss) on valuation	
	Assets	Liabilities	Gain	Loss
Trading purpose				
Forward foreign currency contracts	\$ -	\$ -	\$ -	\$ -
Fair value hedge purpose				
Forward foreign currency contracts	74,800	33,814	81,671	35,612
Firm commitment contracts	33,813	74,799	39,555	95,092
Total	\$ 108,613	\$ 108,613	\$ 121,226	\$ 130,704

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(in millions of Korean won)

	2013			
	Amount		Gain(loss) on valuation	
	Assets	Liabilities	Gain	Loss
Trading purpose				
Forward foreign currency contracts	₩ -	₩ -	₩ -	₩ -
Fair value hedge purpose				
Forward foreign currency contracts	4,107	11,914	4,107	11,914
Firm commitment contracts	11,914	4,107	31,739	6,331
Total	₩ 16,021	₩ 16,021	₩ 35,846	₩ 18,245

(in thousands of
US dollars (Note 4))

	2013			
	Amount		Gain(loss) on valuation	
	Assets	Liabilities	Gain	Loss
Trading purpose				
Forward foreign currency contracts	\$ -	\$ -	\$ -	\$ -
Fair value hedge purpose				
Forward foreign currency contracts	3,736	10,839	3,736	10,838
Firm commitment contracts	10,839	3,736	28,875	5,760
Total	\$ 14,575	\$ 14,575	\$ 32,611	\$ 16,598

The Group sold its right of first refusal for Kumho Asiana Building 1, and recognized gain on transactions of derivatives of ₩ 103,816 million (equivalent to US \$ 94,447 thousand) arising from the sale transactions as other income.

In relation to the derivative instrument transactions for trading, gain and loss on derivative transactions amounting to ₩ 2,618 million, equivalent to US \$ 2,382 thousand (2013: ₩ 1,805 million, equivalent to US \$ 1,642 thousand) and ₩7,359 million, equivalent to US \$ 6,695 thousand (2013: ₩ 8,455 million, equivalent to US \$ 7,692 thousand) were recognized as other income and expenses, respectively. In relation to the fair value hedge, gain and loss on derivative transactions amounting to ₩ 14,660 million, equivalent to US \$ 13,337 thousand (2013: ₩ 420 million, equivalent to US \$ 382 thousand) and ₩ 4,333 million, equivalent to US \$ 3,942 thousand (2013: ₩ 12,089 million, equivalent to US \$ 10,998 thousand) were recognized as other income and expenses, respectively (Note 31).

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14. Assets and liabilities held for sale

Changes in assets and liabilities held for sale for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won and thousands of US dollars (Note 4))

	2014		2013	
	₩	₩	\$	\$
Assets held for sale				
Beginning balance	₩ 433,753	₩ 394,305	\$ 394,608	\$ 358,720
Increase ¹	282,763	148,854	257,244	135,420
Decrease ^{2,3}	148,268	109,406	134,888	99,532
Ending balance ⁴	₩ 568,248	₩ 433,753	\$ 516,964	\$ 394,608
Liabilities held for sale				
Beginning balance	₩ 33,976	₩ -	\$ 30,910	\$ -
Increase	-	33,976	-	30,910
Decrease ⁵	33,976	-	30,910	-
Ending balance ⁶	₩ -	₩ 33,976	\$ -	\$ 30,910

¹ Investment in securities of Green Jang Ryang Co., Ltd. and others are classified as assets held for sale since the sale of Green Jang Ryang Co., Ltd. is in progress as of December 31, 2014.

² In relation to the disposal of assets held for sale, the Group recognized ₩ 3,986 million, equivalent to US \$ 3,626 thousand (2013: ₩1,298 million, equivalent to US \$ 1,181 thousand) as gain on disposal of assets held for sale, and ₩ 529 million, equivalent to US \$ 481 thousand (2013: ₩ 6,953 million, equivalent to US \$ 6,326 thousand) as loss on disposal of assets held for sale as other income and expenses, respectively, for the year ended December 31, 2014 (Note 31).

³ In relation to the recovery and decline of fair value against book value of assets held for sale for the year ended December 31, 2014, impairment losses on assets held for sale of ₩ 4,305 million, equivalent to US \$ 4,079 thousand (2013: ₩ 6,106 million, equivalent to US \$ 5,786 thousand) were recognized as other expenses (Note 31).

⁴ Consists of real estate held for sale amounting to ₩565,291 million, equivalent to US \$ 535,669 thousand (2013: ₩285,295 million, equivalent to US \$ 270,345 thousand), securities held for sale ₩2,371 million, US \$ 2,247 thousand (2013: nil), and other receivables ₩586 million, equivalent to US \$ 555 thousand (2013: ₩148,458 million, equivalent to US \$ 140,678 thousand) as of December 31, 2014.

⁵ Liabilities held for sale decreased since the sale of Imgo Development Co., which was classified as assets held for sale as of December 31, 2014, to a third party was completed as of December 31, 2014.

⁶ There are no liabilities held for sale as of December 31, 2014, and liabilities held for sale amounts to ₩33,976 million, equivalent to US \$ 32,196 thousand as of December 31, 2013.

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15. Investments in Associates

Investments in associates as of December 31, 2014 and 2013 are as follows:

(in millions of Korean won)

	Location	Ratio of ownership (%)	Book value	
			2014	2013
Investment securities accounted for under the equity method				
BEIJING LUFTHANSA CENTER CO., Ltd.	China	25.0	₩ 23,863	₩ 23,375
Daewoo Power India Ltd.	India	50.0	1,027	1,125
Hanam Marbling City Development Co., LTD.	Korea	44.0	10	396
KDS Hydro Pte. Ltd. ¹	Singapore	20.0	14,793	9,549
Ansan Laketown PFV Co., Ltd.	Korea	47.4	10,367	3,830
Gyeongsan knowledge industry development Co., Ltd. ²	Korea	29.0	678	-
Yulchon 2 Industrial Complex Development Inc. ²	Korea	40.0	1,401	-
Jinwi 3 Industrial Complex Development Inc. ³	Korea	20.0	979	-
			<u>53,118</u>	<u>38,275</u>
Investment securities not accounted for under the equity method ⁴				
Skyland Asset Management Co., Ltd.	Korea	25.0	13	13
Chung-Ju Technopolis Assets Management Co., Ltd.	Korea	35.0	105	105
Chun-An Hermeca Development Asset Management Co., Ltd. ⁵	Korea	-	-	142
Econhill Development Asset Management Co., Ltd.	Korea	29.4	1	1
SACC Co., Ltd. ⁶	Korea	27.3	1	300
Skyland Co., Ltd.	Korea	25.0	1	1
Sewoon Nineteen Co., Ltd.	Korea	33.0	1	1
Myeong-dong City and Residential	Korea	44.0	1	1
Hanam Marbling City Co., LTD.	Korea	44.0	44	44
Ansan Laketown Co., Ltd.	Korea	47.4	142	142
Seoul University Medicalhub Co., Ltd. ³	Korea	20.0	15	-
Daewoo Arabia Ltd. ⁷	Saudi Arabia	60.0	-	-
Daewoo Nigeria Ltd ⁷	Nigeria	90.0	1	1
Daewoo-Hannel Corp. ⁷	Vietnam	60.0	-	-
Daewoo E&C Iran ⁷	Iran	100.0	-	-
UNION DW ENG & CON LTD.	Thailand	49.0	-	-
MEGAWORLD-DW CO.	Philippines	40.0	1	1
Vietnam Bason city 21	Vietnam	40.0	48	48
Daewoo E&C LLC ⁷	Oman	70.0	510	510
GULF ENG.CONST. & CONTRACT	Libya	49.0	1	1
			<u>885</u>	<u>1,311</u>
Total			<u>₩ 54,003</u>	<u>₩ 39,586</u>

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(in thousands of US dollars (Note 4))

	Location	Ratio of ownership (%)	Book value	
			2014	2013
Investment securities accounted for under the equity method				
BEIJING LUFTHANSA CENTER CO., Ltd.	China	25.0	\$ 21,709	\$ 21,265
Daewoo Power India Ltd.	India	50.0	934	1,023
Hanam Marbling City Development Co. LTD.	Korea	44.0	9	360
KDS Hydro Pte. Ltd. ¹	Singapore	20.0	13,458	8,688
Ansan Laketown PFV Co., Ltd.	Korea	47.4	9,431	3,485
Gyeongsan knowledge industry development Co., Ltd. ²	Korea	29.0	617	-
Yulchon 2 Industrial Complex Development Inc. ²	Korea	40.0	1,275	-
Jinwi 3 Industrial Complex Development Inc. ³	Korea	20.0	891	-
			<u>48,324</u>	<u>34,821</u>
Investment securities not accounted for under the equity method ⁴				
Skyland Asset Management Co., Ltd.	Korea	25.0	12	12
Chung-Ju Technopolis Assets Management Co., Ltd.	Korea	35.0	96	96
Chun-An Hermeca Development Asset Management Co., Ltd. ⁵	Korea	-	-	129
Econhill Development Asset Management Co., Ltd.	Korea	29.4	1	1
SACC Co., Ltd. ⁶	Korea	27.3	1	273
Skyland Co., Ltd.	Korea	25.0	1	1
Sewoon Nineteen Co., Ltd.	Korea	33.0	1	1
Myeong-dong City and Residential	Korea	44.0	1	1
Hanam Marbling City Co., LTD.	Korea	44.0	40	40
Ansan Laketown Co., Ltd.	Korea	47.4	129	129
Seoul University Medicalhub Co., Ltd. ³	Korea	20.0	14	-
Daewoo Arabia Ltd. ⁷	Saudi Arabia	60.0	-	-
Daewoo Nigeria Ltd. ⁷	Nigeria	90.0	1	1
Daewoo-Hannel Corp. ⁷	Vietnam	60.0	-	-
Daewoo E&C Iran ⁷	Iran	100.0	-	-
UNION DW ENG & CON LTD.	Thailand	49.0	-	-
MEGAWORLD-DW CO.	Philippines	40.0	1	1
Vietnam Bason city 21	Vietnam	40.0	44	44
Daewoo E&C LLC ⁷	Oman	70.0	462	462
GULF ENG.CONST. & CONTRACT	Libya	49.0	1	1
			<u>805</u>	<u>1092</u>
Total			<u>\$ 49,129</u>	<u>\$ 36,013</u>

¹ In 2014, ₩ 972 million (equivalent to US \$ 884 thousand) were additionally acquired.

² Reclassified to investment in associates from investment in securities since the Group obtained significant influence due to acquisition of interest in 2014 (Note 12).

³ The Group obtained significant influence due to acquisition of interest in 2014.

⁴ Equity method is not applied considering that changes in the ownership interest on the investee are insignificant. However, in case of significant decline in net asset value indicating that it is not recoverable, the recoverable amount is accounted for as its carrying amount. Net asset value is computed from either financial statements with provisional settlement of accounts as of the end of

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the current period or the most recent available financial statement.

⁵ During current year, this entity was eliminated as it was liquidated.

⁶ As of December 31, 2014, the difference between the recoverable amount and book value is recognized as impairment loss amounting to ₩ 299 million (equivalent to US \$ 272 thousand).

⁷ Although the Group's ownership exceeds 50%, they are classified as investments in associates since the investees do not perform substantive operating activities and the impact on the financial statements of the Group is not material.

Changes in the investments in associates for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Beginning balance	₩ 39,586	₩ 96,290	\$ 36,013	\$ 87,600
Acquisition	1,987	-	1,808	-
Others ¹	4,100	(64)	3,730	(58)
Share of profit	12,757	8,828	11,605	8,031
Impairment	(299)	(15,543)	(272)	(14,140)
Share of other comprehensive income (loss)	3,650	(6,494)	3,321	(5,908)
Dividends	(7,041)	(7,529)	(6,406)	(6,850)
Disposal	(737)	(35,902)	(670)	(32,662)
Ending balance	<u>₩ 54,003</u>	<u>₩ 39,586</u>	<u>\$ 49,129</u>	<u>\$ 36,013</u>

¹ Consists of transfer to investments in securities.

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Details of changes in carrying amount of equity method investments for the year ended December 31, 2014, is as follows:

(in millions of Korean won)

	<u>Beginning</u>	<u>Acquisition (Disposal)</u>	<u>Share of profit of associates</u>	<u>Share of other compre- hensive income of associates</u>	<u>Dividends</u>	<u>Impairment</u>	<u>Ending</u>
Investment securities accounted for under the equity method							
BEIJING LUFTHANSA CENTER CO., Ltd.	₩ 23,375	₩ -	₩ 7,380	₩ 149	₩ (7,041)	₩ -	₩ 23,863
Daewoo Power India Ltd.	1,125	-	(98)	-	-	-	1,027
Hanam Marbling City Development Co., LTD.	396	-	(386)	-	-	-	10
KDS Hydro Pte. Ltd.	9,549	971	772	3,501	-	-	14,793
Ansan Laketown PFV Co., Ltd	3,830	-	6,537	-	-	-	10,367
Gyeongsan knowledge industry development Co., Ltd.	-	1,906	(1,228)	-	-	-	678
Yulchon 2 Industrial Complex Development Inc.	-	1,600	(199)	-	-	-	1,401
Jinwi 3 Industrial Complex Development Inc.	-	1,000	(21)	-	-	-	979
	<u>38,275</u>	<u>5,477</u>	<u>12,757</u>	<u>3,650</u>	<u>(7,041)</u>	<u>-</u>	<u>53,118</u>
Investment securities not accounted for under the equity method							
Skyland Asset Management Co., Ltd.	13	-	-	-	-	-	13
Chung-Ju Technopolis Assets Management Co., Ltd	105	-	-	-	-	-	105
Chun-An Hermeca Development Asset Management Co., Ltd	142	(142)	-	-	-	-	-
Econhill Development Asset Management Co., Ltd.	1	-	-	-	-	-	1
SACC Co., Ltd.	300	-	-	-	-	(299)	1
Skyland Co., Ltd.	1	-	-	-	-	-	1
Sewoon Nineteen Co., Ltd.	1	-	-	-	-	-	1
Myeong-dong City and Residential	1	-	-	-	-	-	1
Hanam Marbling City Co., LTD.	44	-	-	-	-	-	44
Ansan Laketown Co., Ltd.	142	-	-	-	-	-	142
Seoul University Medicalhub Co., Ltd.	-	15	-	-	-	-	15
Daewoo Nigeria Ltd.	1	-	-	-	-	-	1
MEGAWORLD-DW CO.	1	-	-	-	-	-	1
Vietnam Bason city 21	48	-	-	-	-	-	48
Daewoo E&C LLC.	510	-	-	-	-	-	510
GULF ENG.CONST. & CONTRACT	1	-	-	-	-	-	1
	<u>1,311</u>	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299)</u>	<u>885</u>
Total	<u>₩ 39,586</u>	<u>₩ 5,350</u>	<u>₩ 12,757</u>	<u>₩ 3,650</u>	<u>₩ (7,041)</u>	<u>₩ (299)</u>	<u>₩ 54,003</u>

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	<u>Beginning</u>	<u>Acquisition (Disposal)</u>	<u>Share of profit of associates</u>	<u>Share of other compre- hensive income of associates</u>	<u>Dividends</u>	<u>Impairment</u>	<u>Ending</u>
Investment securities accounted for under the equity method							
BEIJING LUFTHANSA CENTER CO., Ltd	\$ 21,265	\$ -	\$ 6,714	\$ 136	\$ (6,406)	\$ -	\$ 21,709
Daewoo Power India Ltd.	1,023	-	(89)	-	-	-	934
Hanam Marbling City Development Co., LTD.	360	-	(351)	-	-	-	9
KDS Hydro Pte. Ltd.	8,688	883	702	3,185	-	-	13,458
Ansan Laketown PFV Co., Ltd.	3,484	-	5,947	-	-	-	9,431
Gyeongsan knowledge industry development Co., Ltd.	-	1,734	(1,117)	-	-	-	617
Yulchon 2 Industrial Complex Development Inc.	-	1,456	(181)	-	-	-	1,275
Jinwi 3 Industrial Complex Development Inc.	-	910	(19)	-	-	-	891
	<u>34,820</u>	<u>4,983</u>	<u>11,606</u>	<u>3,321</u>	<u>(6,406)</u>	<u>-</u>	<u>48,324</u>
Investment securities not accounted for under the equity method							
Skyland Asset Management Co., Ltd.	12	-	-	-	-	-	12
Chung-Ju Technopolis Assets Management Co., Ltd	96	-	-	-	-	-	96
Chun-An Hermeca Development Asset Management Co., Ltd.	129	(129)	-	-	-	-	-
Econhill Development Asset Management Co., Ltd.	1	-	-	-	-	-	1
SACC Co., Ltd.	273	-	-	-	-	(272)	1
Skyland Co., Ltd.	1	-	-	-	-	-	1
Sewoon Nineteen Co., Ltd.	1	-	-	-	-	-	1
Myeong-dong City and Residential	1	-	-	-	-	-	1
Hanam Marbling City Co., LTD.	40	-	-	-	-	-	40
Ansan Laketown Co., Ltd	128	-	-	-	-	-	128
Seoul University Medicalhub Co., Ltd.	-	13	-	-	-	-	13
Daewoo Nigeria Ltd.	1	-	-	-	-	-	1
MEGAWORLD-DW CO.	1	-	-	-	-	-	1
Vietnam Bason city 21	44	-	-	-	-	-	44
Daewoo E&C LLC.	464	-	-	-	-	-	464
GULF ENG.CONST. & CONTRACT	1	-	-	-	-	-	1
	<u>1,193</u>	<u>(116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(272)</u>	<u>805</u>
Total	<u>\$ 36,013</u>	<u>\$ 4,867</u>	<u>\$ 11,606</u>	<u>\$ 3,321</u>	<u>\$ (6,406)</u>	<u>\$ (272)</u>	<u>\$ 49,129</u>

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The financial information of investees as of and for the year ended December 31, 2014, is as follows:

(in millions of Korean won)

	2014				
	Assets	Liabilities	Sales	Net profit (loss)	comprehensive income (loss)
BEIJING LUFTHANSA CENTER Co., Ltd.	₩ 117,020	₩ 21,570	₩ 104,559	₩ 29,521	₩ 30,112
DW POWER(INDIA) LTD.	2,190	136	-	(197)	(197)
Hanam Marbling City Co., LTD.	1,272	1,248	-	(876)	(876)
KDS Hydro Pte. Ltd.	220,124	146,154	38,554	3,855	21,369
Ansan Laketown PFV Co., Ltd.	120,156	98,285	188,273	13,792	13,792
Gyeongsan knowledge industry development Co., Ltd.	125,504	123,167	-	(2,172)	(2,172)
Yulchon 2 Industrial Complex Development Inc.	3,502	-	-	(498)	(498)
Jinwi 3 Industrial Complex Development Inc.	4,895	-	-	(104)	(104)

(in thousands of US dollars (Note 4))

	2014				
	Assets	Liabilities	Sales	Net profit (loss)	comprehensive income (loss)
BEIJING LUFTHANSA CENTER Co., Ltd.	\$ 106,459	\$ 19,623	\$ 95,123	\$ 26,857	\$ 27,394
DW POWER(INDIA) LTD.	1,992	124	-	(179)	(179)
Hanam Marbling City Co., LTD.	1,157	1,135	-	(797)	(797)
KDS Hydro Pte. Ltd.	200,258	132,964	35,075	3,507	19,441
Ansan Laketown PFV Co., Ltd.	109,312	89,415	171,282	12,547	12,547
Gyeongsan knowledge industry development Co., Ltd.	114,178	112,051	-	(1,976)	(1,976)
Yulchon 2 Industrial Complex Development Inc.	3,186	-	-	(453)	(453)
Jinwi 3 Industrial Complex Development Inc.	4,453	-	-	(95)	(95)

The financial information of investees as of and for the year ended December 31, 2013, is as follows:

(in millions of Korean won)

	2013				
	Assets	Liabilities	Sales	Net profit (loss)	comprehensive income (loss)
BEIJING LUFTHANSA CENTER Co., Ltd.	₩ 115,607	₩ 22,105	₩ 102,276	₩ 30,050	₩ 32,008
DW POWER(INDIA) LTD.	2,331	81	-	(403)	(740)
Hanam Marbling City Co., LTD.	901	-	-	(2,170)	(2,170)
KDS Hydro Pte. Ltd.	187,850	140,106	60,684	8,373	(9,164)
Ansan Laketown PFV Co., Ltd.	183,376	175,296	87,100	5,984	5,984

(in thousands of US dollars (Note 4))

	2013				
	Assets	Liabilities	Sales	Net profit (loss)	comprehensive income (loss)
BEIJING LUFTHANSA CENTER Co., Ltd.	\$ 109,549	\$ 20,947	\$ 96,917	\$ 28,475	\$ 30,331
DW POWER(INDIA) LTD.	2,209	77	-	(382)	(701)
Hanam Marbling City Co., LTD.	854	-	-	(2,056)	(2,056)
KDS Hydro Pte. Ltd.	178,006	132,764	57,504	7,934	(8,684)
Ansan Laketown PFV Co., Ltd.	173,767	166,110	82,536	5,670	5,670

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Details of adjustments from financial information to the book value of investments in associates for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Book value (a*b)
BEIJING LUFTHANSA CENTER CO., Ltd	₩ 95,450	25%	₩ 23,863
DW POWER(INDIA) LTD.	2,054	50%	1,027
Hanam Marbling City Co. LTD.	24	44%	10
KDS Hydro Pte. Ltd.	73,970	20%	14,793
Ansan Laketown PFV Co., Ltd	21,871	47%	10,367
Gyeongsan knowledge industry development Co., Ltd.	2,337	29%	678
Yulchon 2 Industrial Complex Development Inc.	3,502	40%	1,401
Jinwi 3 Industrial Complex Development Inc.	4,895	20%	979

(in thousands of US dollars (Note 4))

	2014		
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Book value (a*b)
BEIJING LUFTHANSA CENTER CO.,Ltd	\$ 86,836	25%	\$ 21,709
DW POWER(INDIA) LTD.	1,868	50%	934
Hanam Marbling City Co., LTD.	21	44%	9
KDS Hydro Pte., Ltd.	67,292	20%	13,458
Ansan Laketown PFV Co., Ltd.	20,065	47%	9,431
Gyeongsan knowledge industry development Co., Ltd.	2,126	29%	617
Yulchon 2 Industrial Complex Development Inc.	3,187	40%	1,275
Jinwi 3 Industrial Complex Development Inc.	4,453	20%	891

(in millions of Korean won)

	2013		
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Book value (a*b)
BEIJING LUFTHANSA CENTER Co., Ltd.	₩ 93,502	25%	₩ 23,375
DW POWER(INDIA) LTD.	2,250	50%	1,125
Hanam Marbling City Co., LTD.	901	44%	396
KDS Hydro Pte., Ltd.	47,744	20%	9,549
Ansan Laketown PFV Co., Ltd	8,080	47%	3,830

(in thousands of US dollars (Note 4))

	2013		
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Book value (a*b)
BEIJING LUFTHANSA CENTER Co., Ltd.	\$ 85,061	25%	\$ 21,265
DW POWER(INDIA) LTD.	2,046	50%	1,023
Hanam Marbling City Co., LTD.	819	44%	360
KDS Hydro Pte., Ltd.	43,438	20%	8,688
Ansan Laketown PFV Co., Ltd.	7,414	47%	3,485

¹ The Group evaluated recoverable amount of investments of GULF ENG.CONST. & CONTRACT and recognized impairment loss.

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Adjustments on the net asset values of the investee to reconcile its accounting policies with those of the Group are as follows:

(in millions of Korean won)

	2014			Remarks
	Net asset before adjustments ¹	Adjustments ¹	Net asset after adjustments ¹	
DW POWER(INDIA) LTD.	₩ 4,158	₩ (3,131)	₩ 1,027	Charging the capitalized initial cost of business to the current expense

(in thousands of US dollars (Note 4))

	2014			Remarks
	Net asset before adjustments ¹	Adjustments ¹	Net asset after adjustments ¹	
DW POWER(INDIA) LTD.	\$ 3,940	\$ (3,006)	\$ 934	Charging the capitalized initial cost of business to the current expense

(in millions of Korean won)

	2013			Remarks
	Net asset before adjustments ¹	Adjustments ¹	Net asset after adjustments ¹	
DW POWER(INDIA) LTD.	₩ 9,776	₩ (8,651)	₩ 1,125	Charging the capitalized initial cost of business to the current expense

(in thousands of US dollars (Note 4))

	2013			Remarks
	Net asset before adjustments ¹	Adjustments ¹	Net asset after adjustments ¹	
DW POWER(INDIA) LTD.	\$ 9,264	\$ (8,241)	\$ 1,023	Charging the capitalized initial cost of business to the current expense

¹ The Group's proportionate ownership was considered when assessing the net assets and adjustments of investees.

All equity method investments are unlisted equity securities and none of these investments is traded in an active market.

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16. Property, plant and equipment

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014					Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others ¹	
Land	₩ 142,552	₩ 11,700	₩ -	₩ -	₩ 4,096	₩ 158,348
Buildings	163,289	2,050	-	(6,570)	4,754	163,523
Structures	3,536	452	-	(442)	273	3,819
Machinery	55,453	40,327	(688)	(15,512)	(1,620)	77,960
Ships	26,753	1,822	(215)	(5,356)	(505)	22,499
Vehicles	19,684	16,906	(618)	(8,998)	(579)	26,395
Tools	3,653	1,061	(165)	(1,850)	312	3,011
Equipment	14,571	4,519	(560)	(7,277)	75	11,328
Construction-in-progress	268,652	77,167	-	-	(15,060)	330,759
Total	₩ 698,143	₩ 156,004	₩ (2,246)	₩ (46,005)	₩ (8,254)	₩ 797,642

(in thousands of US dollars (Note 4))

	2014					Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others ¹	
Land	\$ 129,687	\$ 10,644	\$ -	\$ -	\$ 3,726	\$ 144,057
Buildings	148,552	1,865	-	(5,977)	4,325	148,765
Structures	3,217	411	-	(402)	248	3,474
Machinery	50,449	36,688	(626)	(14,112)	(1,474)	70,925
Ships	24,339	1,658	(196)	(4,873)	(459)	20,469
Vehicles	17,908	15,380	(562)	(8,186)	(527)	24,013
Tools	3,323	965	(150)	(1,683)	284	2,739
Equipment	13,256	4,111	(509)	(6,620)	68	10,306
Construction-in-progress	244,406	70,203	-	-	(13,700)	300,909
Total	\$ 635,137	\$ 141,925	\$ (2,043)	\$ (41,853)	\$ (7,509)	\$ 725,657

¹ Others consist of the reclassification of property, plant and equipment, the gain (loss) on foreign exchange translation due to the property, plant and equipment in overseas operations and reclassification of assets held for sale.

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	2013					Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others ¹	
Land	₩ 133,799	₩ 8,893	₩ -	₩ -	₩ (140)	₩ 142,552
Buildings	168,570	55	(306)	(6,598)	1,568	163,289
Structures	3,861	65	-	(413)	23	3,536
Machinery	55,894	17,716	(1,843)	(14,475)	(1,839)	55,453
Ships	17,738	3,206	(781)	(7,273)	13,863	26,753
Vehicles	20,797	8,754	(518)	(8,908)	(441)	19,684
Tools	4,457	1,526	(530)	(1,577)	(223)	3,653
Equipment	17,662	6,304	(627)	(8,278)	(490)	14,571
Construction- in- progress	275,051	20,443	-	-	(26,842)	268,652
Total	₩ 697,829	₩ 66,962	₩ (4,605)	₩ (47,522)	₩ (14,521)	₩ 698,143

(in thousands of
US dollars (Note 4))

	2013					Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others ¹	
Land	\$ 121,724	\$ 8,090	\$ -	\$ -	\$ (127)	\$ 129,687
Buildings	153,357	50	(278)	(6,003)	1,426	148,552
Structures	3,513	59	-	(376)	21	3,217
Machinery	50,850	16,117	(1,677)	(13,168)	(1,673)	50,449
Ships	16,137	2,917	(711)	(6,616)	12,612	24,339
Vehicles	18,920	7,964	(471)	(8,104)	(401)	17,908
Tools	4,055	1,388	(482)	(1,435)	(203)	3,323
Equipment	16,068	5,735	(570)	(7,531)	(446)	13,256
Construction- in- progress	250,227	18,599	-	-	(24,420)	244,406
Total	\$ 634,851	\$ 60,919	\$ (4,189)	\$ (43,233)	\$ (13,211)	\$ 635,137

¹ Others consist of the reclassification of property, plant and equipment, the gain (loss) on foreign exchange translation due to the property, plant and equipment in overseas operations and reclassification of assets held for sale.

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17. Intangible assets

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014				
	Usage rights	Membership rights	Software	Goodwill	Total
Beginning balance	₩ 58,973	₩ 33,624	₩ 17,243	₩ 542	₩ 110,382
Acquisition (disposal)	-	260	3,138	-	3,398
Others ¹	946	10,000	3	-	10,949
Amortization	(2,786)	-	(6,752)	-	(9,538)
Ending balance	₩ 57,133	₩ 43,884	₩ 13,632	₩ 542	₩ 115,191

(in thousands of US dollars (Note 4))

	2014				
	Usage rights	Membership rights	Software	Goodwill	Total
Beginning balance	\$ 53,650	\$ 30,590	\$ 15,687	\$ 493	\$ 100,420
Acquisition (disposal)	-	236	2,855	-	3,091
Others ¹	861	9,097	3	-	9,961
Amortization	(2,535)	-	(6,142)	-	(8,677)
Ending balance	\$ 51,976	\$ 39,923	\$ 12,403	\$ 493	\$ 104,795

¹ Other increase or decrease consists of membership received as a payment in substitute, and acquisitions arising from subrogation of trade receivables.

(in millions of Korean won)

	2013				
	Usage rights	Membership rights	Software	Goodwill	Total
Beginning balance	₩ 64,619	₩ 28,691	₩ 19,775	₩ 542	₩ 113,627
Acquisition (disposal)	-	566	3,807	-	4,373
Others ¹	(2,888)	4,367	(28)	-	1,451
Amortization	(2,758)	-	(6,311)	-	(9,069)
Ending balance	₩ 58,973	₩ 33,624	₩ 17,243	₩ 542	₩ 110,382

(in thousands of US dollars (Note 4))

	2013				
	Usage rights	Membership rights	Software	Goodwill	Total
Beginning balance	\$ 58,787	\$ 26,102	\$ 17,990	\$ 493	\$ 103,372
Acquisition (disposal)	-	515	3,463	-	3,978
Others ¹	(2,627)	3,973	(25)	-	1,321
Amortization	(2,509)	-	(5,742)	-	(8,251)
Ending balance	\$ 53,651	\$ 30,590	\$ 15,686	\$ 493	\$ 100,420

¹ Other increase or decrease consists of transfer of usage rights to inventories, acquisitions arising from subrogation of trade receivables, and increase (decrease) from translation of intangible assets of foreign subsidiaries.

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18. Investment property

Changes in investment property for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		
	Rental property	Other property	Total
Beginning balance	₩ 164,746	₩ 25,627	₩ 190,373
Reclassification ¹	-	-	-
Disposal	(9,580)	-	(9,580)
Depreciation	(2,333)	-	(2,333)
Ending balance	₩ 152,833	₩ 25,627	₩ 178,460

(in thousands of US dollars (Note 4))

	2014		
	Rental property	Other property	Total
Beginning balance	\$ 149,878	\$ 23,314	\$ 173,192
Reclassification ¹	-	-	-
Disposal	(8,715)	-	(8,715)
Depreciation	(2,123)	-	(2,123)
Ending balance	\$ 139,040	\$ 23,314	\$ 162,354

(in millions of Korean won)

	2013		
	Rental property	Other property	Total
Beginning balance	₩ 161,720	₩ 28,154	₩ 189,874
Reclassification ¹	5,438	-	5,438
Disposal	-	(2,527)	(2,527)
Depreciation	(2,412)	-	(2,412)
Ending balance	₩ 164,746	₩ 25,627	₩ 190,373

(in thousands of US dollars (Note 4))

	2013		
	Rental property	Other property	Total
Beginning balance	\$ 147,125	\$ 25,613	\$ 172,738
Reclassification ¹	4,947	-	4,947
Disposal	-	(2,299)	(2,299)
Depreciation	(2,194)	-	(2,194)
Ending balance	\$ 149,878	\$ 23,314	\$ 173,192

¹ Reclassification represents increased amount due to payment and transfer in the form of accounts receivable.

There is no significant difference between the fair value and the book value of the investment property as of December 31, 2014 and 2013.

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19. Other payables and advances received

Other payables and advances received as of December 31, 2014 and 2013, are as follows:

		2014		2013		2014		2013	
		₩		₩		\$		\$	
<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>									
Current									
Other payables	Non-trade payables	₩	567,332	₩	564,338	\$	516,132	\$	513,408
	Accrued expenses		557,113		481,142		506,835		437,721
	Total	₩	1,124,445	₩	1,045,480	\$	1,022,967	\$	951,129
Advances received	Advances from construction contracts ¹	₩	648,449	₩	1,052,514	\$	589,928	\$	957,527
	Advances from sales of real estate ¹		152,224		186,003		138,487		169,217
	Other advances received		29,304		26,710		26,659		24,299
	Unearned sales		198		104		180		95
	Total	₩	830,175	₩	1,265,331	\$	755,254	\$	1,151,138
Non-current									
Other payables	Non-trade payables ²	₩	250	₩	610	\$	227	\$	555
Advances received	Advances from construction contracts		923,005		462,892		839,706		421,117
	Other advances received		245		245		223		223
	Total	₩	923,250	₩	463,137	\$	839,929	\$	421,340

¹ Due to customers for contract work of ₩ 552,059 million, equivalent to US \$ 502,237 thousand (2013: ₩ 924,498 million, equivalent to US \$ 841,064 thousand) is included.

² Non-trade payables include the common shareholders' equity in subsidiaries representing put options (puttable financial instrument) of ₩ 250 million (equivalent to US \$ 227 thousand).

20. Financial instruments liabilities

Financial instruments liabilities as of December 31, 2014 and 2013, are as follows:

		2014		2013		2014		2013	
		₩		₩		\$		\$	
<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>									
Current									
Short-term borrowings		₩	968,761	₩	1,085,126	\$	881,333	\$	987,196
Current portion of long-term borrowings and debentures			495,576		512,512		450,852		466,259
Financial guarantee liabilities			53,600		63,000		48,763		57,314
Derivatives liabilities			51,953		4,744		47,263		4,317
	Total		1,569,890		1,665,382		1,428,211		1,515,086
Non-current									
Long-term borrowings			421,336		462,109		383,311		420,405
Debentures			800,000		950,000		727,802		864,265
Financial guarantee liabilities			30,780		32,139		28,002		29,239
Derivatives liabilities			67,435		11,278		61,350		10,259
	Total		1,319,551		1,455,526		1,200,465		1,324,168
Total		₩	2,889,441	₩	3,120,908	\$	2,628,676	\$	2,839,254

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Short-term borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	Interest rates (%)				
		2014	2013	2014	2013
Short-term borrowings in Korean won					
The Export-Import Bank of Korea	3.08~4.25	₩ 403,651	₩ 332,643	\$ 367,223	\$ 302,623
Korea Development Bank	3.89~4.50	270,000	215,900	245,633	196,416
Hana Bank	3.89~5.27	149,000	109,500	135,553	99,618
NH Nonghyup Bank	3.45~5.45	51,100	120,000	46,488	109,170
Korea Construction Financial Cooperative	1.65	50,230	50,230	45,697	45,697
Woori Bank	3.68~4.97	3,144	200,500	2,860	182,405
Shinhan Capital Co., Ltd.	6.20	4,750	-	4,321	-
KT Capital Corporation	6.20	4,750	-	4,321	-
Korea Specialty Contractor Financial Cooperative	2.56	300	300	273	273
Standard Chartered Bank Korea Ltd	-	-	50,000	-	45,488
DKG Holdings	-	-	1,117	-	1,015
Others ¹	-	5,958	-	5,421	-
Short-term borrowings in foreign currencies					
The Export-Import Bank of Korea	1.7%+EUR Libor	19,379	-	17,631	-
Hana Bank	0.55~0.64	6,499	-	5,912	-
Shinhan Bank	-	-	4,936	-	4,491
Total		₩ 968,761	₩ 1,085,126	\$ 881,333	\$ 987,196

¹ Trade receivables with the redemption rights are recognized as borrowings as significant risks and rewards are not considered to have been transferred (Note 23).

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Long-term borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Interest rates (%)	2014		2013	
		Current	Non-current	Current	Non-current
Long-term borrowings in Korean won					
The Export-Import bank of Korea	-	₩ -	₩ -	₩ -	₩ 280,000
Korea Trade Insurance Corporation	-	4,017	-	4,017	4,017
Korea Housing Guarantee	1.00	3,151	28,360	3,151	28,360
CP	3.44	-	50,000	-	50,000
Woori Bank	4.17	-	112,162	-	-
NH Nonghyup Bank	4.94	400	200	50,400	600
Hana Bank	-	-	-	49,000	-
Long-term borrowings in foreign currencies					
AKA Bank	0.76	11,954	25,777	12,389	41,111
KDB Singapore	3.23~3.57	225,336	-	242,719	-
NBAD	3.23	-	49,464	-	-
KIAMCO	7.80	-	70,100	-	-
Korea Development Bank	3.85~5.11	-	88,767	-	63,848
Others	5.25~7.00	1,687	12	1,869	78
		246,545	424,842	363,545	468,014
Less : Discounts on present value		(969)	(3,506)	(1,033)	(5,905)
Total		₩ 245,576	₩ 421,336	₩ 362,512	₩ 462,109

<i>(in thousands of US dollars (Note 4))</i>	Interest rates (%)	2014		2013	
		Current	Non-current	Current	Non-current
Long-term borrowings in Korean won					
The Export-Import bank of Korea	-	\$ -	\$ -	\$ -	\$ 254,731
Korea Trade Insurance Corporation	-	3,654	-	3,654	3,654
Korea Housing Guarantee	1.00	2,867	25,801	2,867	25,801
CP	3.44	-	45,487	-	45,487
Woori Bank	4.17	-	102,039	-	-
NH Nonghyup Bank	4.94	364	182	45,852	546
Hana Bank	-	-	-	44,578	-
Long-term borrowings in foreign currencies					
AKA Bank	0.76	10,875	23,451	11,271	37,401
KDB Singapore	3.23~3.57	205,000	-	220,814	-
NBAD	3.23	-	45,000	-	-
KIAMCO	7.80	-	63,774	-	-
Korea Development Bank	3.85~5.11	-	80,756	-	58,086
Others	5.25~7.00	1,535	11	1,700	71
		224,295	386,501	330,736	425,777
Less : Discounts on present value		(881)	(3,190)	(940)	(5,372)
Total		\$ 223,414	\$ 383,311	\$ 329,796	\$ 420,405

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Debentures as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Interest rates (%)	2014		2013	
		Current	Non-current	Current	Non-current
28 th public bond	-	₩ -	₩ -	₩ 150,000	₩ -
29-1 st public bond	4.30	150,000	-	-	150,000
29-2 nd public bond	5.10	-	100,000	-	100,000
30-1 st public bond	3.84	100,000	-	-	100,000
30-2 nd public bond	4.11	-	150,000	-	150,000
31 st public bond	3.56	-	250,000	-	250,000
32 nd public bond	3.96	-	200,000	-	200,000
33 rd private bond	4.30	-	100,000	-	-
Total		₩ 250,000	₩ 800,000	₩ 150,000	₩ 950,000

<i>(in thousands of US dollars (Note 4))</i>	Interest rates (%)	2014		2013	
		Current	Non-current	Current	Non-current
28 th public bond	-	\$ -	\$ -	\$ 136,463	\$ -
29-1 st public bond	4.30	136,463	-	-	136,463
29-2 nd public bond	5.10	-	90,975	-	90,975
30-1 st public bond	3.84	90,975	-	-	90,975
30-2 nd public bond	4.11	-	136,463	-	136,463
31 st public bond	3.56	-	227,438	-	227,438
32 nd public bond	3.96	-	181,951	-	181,951
33 rd private bond	4.30	-	90,975	-	-
Total		\$ 227,438	\$ 727,802	\$ 136,463	\$ 864,265

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21. Net defined benefit liability

The Group operates defined benefit plan for employees who have qualifications. Actuarial valuation on plan assets and defined benefit obligations were performed by Mirae Asset Life Insurance Co., Ltd., an independent actuary. The present value and current service cost were measured using the projected unit credit method.

Net defined benefit liability recognized in the statements of financial position as of December 31, 2014 and 2013, is as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	2014	2013	2014	2013
Present value of funded defined benefit obligations	₩ 369,794	₩ 308,024	\$ 336,421	\$ 280,226
Present value of unfunded defined benefit obligations	2,923	3,324	2,659	3,024
	<u>372,717</u>	<u>311,348</u>	<u>339,080</u>	<u>283,250</u>
Fair value of plan assets ¹	<u>(174,688)</u>	<u>(146,690)</u>	<u>(158,923)</u>	<u>(133,452)</u>
Liability in the statement of financial position	<u>₩ 198,029</u>	<u>₩ 164,658</u>	<u>\$ 180,157</u>	<u>\$ 149,798</u>

¹ The contributions to the National Pension Fund of ₩ 2,531 million (equivalent to US \$ 2,303 thousand) are included in the fair value of plan assets as of December 31, 2014 (2013: ₩ 2,608 million, equivalent to US \$ 2,373 thousand).

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Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Beginning balance	₩	311,348	₩	305,452
Current service cost		43,126		43,594
Interest expense		15,457		13,915
Remeasurements:				
Actuarial gains and losses arising from changes in financial assumptions		29,520		(12,768)
Actuarial gains and losses arising from experience adjustments		6,929		(7,032)
Actuarial gains and losses arising from retirement age adjustments		-		(23)
Payments from plans:				
Benefit payments		(33,663)		(31,741)
Others ¹		-		(49)
Ending balance	₩	372,717	₩	311,348
			\$	283,250
			\$	277,886

¹ Consists of transfers to assets held for sale.

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Beginning balance	₩	146,690	₩	135,289
Interest income		6,899		5,820
Remeasurements:				
Return on plan assets		(2,854)		(1,143)
Contributions:				
Employers		31,825		17,350
Payments from plans:				
Benefits paid		(7,659)		(10,476)
Contribution to national pension plan		(213)		(150)
Ending balance	₩	174,688	₩	146,690
			\$	133,452
			\$	123,080

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The principal actuarial assumptions used are as follows:

The Group determined the estimate of discount rate and others for assessing the present value of the defined benefit obligations by the reference to the market yields on high quality corporate bonds whose currency and term are consistent with the currency and estimated term of the post-employment benefit obligations.

	<u>2014</u>	<u>2013</u>
Discount rate	4.14%	5.13%
Inflation rate	4.75%	4.75%

Retirement pension mortality rate from 2012, announced by the Insurance Development Institute to the Insurance Business Act, was used.

The sensitivity analysis for changes in key actuarial assumptions is as follows:

	<u>Effect on defined benefit obligation</u>	
	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Discount rate	8.16% decrease	9.56% increase
Inflation rate	9.68% increase	8.49% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Plan assets as of December 31, 2014 and 2013, consist of:

(in millions of Korean won and thousands of US dollars (Note 4))

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	₩ 42,251	₩ 700	\$ 38,438	\$ 637
Fixed deposits	114,389	130,924	104,066	119,108
Debt securities	7,086	5,481	6,447	4,986
Equity securities	60	703	55	640
Contribution to national pension plan	2,531	2,608	2,303	2,373
Others	8,371	6,274	7,616	5,708
Total	<u>₩ 174,688</u>	<u>₩ 146,690</u>	<u>\$ 158,923</u>	<u>\$ 133,452</u>

Expected contributions to post-employment benefit plans for the year ending December 31, 2015, are ₩ 33,601 million (equivalent to US \$ 30,569 thousand).

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The weighted average duration of the defined benefit obligations is 10.93 years, and expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	₩ 41,603	₩ 25,028	₩ 77,071	₩ 1,327,952	₩ 1,471,654

<i>(in thousands of US dollars (Note 4))</i>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	\$ 37,848	\$ 22,769	\$ 70,116	\$ 1,208,108	\$ 1,338,841

22. Provisions

Provisions consist of provisions for construction warranty, provisions for contingent liabilities related with lawsuits and others.

Changes in provisions for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<u>2014</u>			<u>2013</u>		
	<u>Provisions for construction warranty</u>	<u>Provisions for contingent liabilities</u>	<u>Total</u>	<u>Provisions for construction warranty</u>	<u>Provisions for contingent liabilities</u>	<u>Total</u>
Beginning balance	₩ 52,127	₩ 485,295	₩ 537,422	₩ 48,630	₩ 95,740	₩ 144,370
Provision	30,255	186,020	216,275	25,085	467,242	492,327
Reversal	(2,216)	(8,147)	(10,363)	(6,088)	(6,376)	(12,464)
Payment	(14,699)	(156,218)	(170,917)	(15,500)	(71,311)	(86,811)
Ending balance	<u>₩ 65,467</u>	<u>₩ 506,950</u>	<u>₩ 572,417</u>	<u>₩ 52,127</u>	<u>₩ 485,295</u>	<u>₩ 537,422</u>

<i>(in thousands of U.S. dollars (Note 4))</i>	<u>2014</u>			<u>2013</u>		
	<u>Provisions for construction warranty</u>	<u>Provisions for contingent liabilities</u>	<u>Total</u>	<u>Provisions for construction warranty</u>	<u>Provisions for contingent liabilities</u>	<u>Total</u>
Beginning balance	\$ 47,423	\$ 441,498	\$ 488,921	\$ 44,241	\$ 87,100	\$ 131,341
Provision	27,525	169,232	196,757	22,821	425,075	447,896
Reversal	(2,016)	(7,412)	(9,428)	(5,538)	(5,801)	(11,339)
Payment	(13,373)	(142,119)	(155,492)	(14,101)	(64,876)	(78,977)
Ending balance	<u>\$ 59,559</u>	<u>\$ 461,199</u>	<u>\$ 520,758</u>	<u>\$ 47,423</u>	<u>\$ 441,498</u>	<u>\$ 488,921</u>

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23. Commitments and contingencies

As of December 31, 2014, the Group provided eight blank promissory notes, 30 blank checks and three notes in the aggregate amount of ₩ 1,500 million (equivalent to US \$ 1,365 thousand) as collaterals for its borrowings, guarantees for construction performance and warranties, and guarantees on capital commitments.

Details of major litigations that the Group is involved in as a defendant as of December 31, 2014, are as follows : (in millions of Korean won)

Plaintiff	defendants	Details	Amount
Seoul Metro	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 5 others	Compensation for damages	₩ 47,718
Gwak Yeonggyu and 352 others	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 3 others	Compensation for damages	44,953
Gang Munsu and 368 others	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD.	charges of unjustified gains restitution	41,761
Dongbu Pusan Container Terminal Co., Ltd.	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 2 others	Compensation for damages	33,233
YOUNGLIM ENC CO., LTD.	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD.	Collection of trade receivables	29,794
Gyeonggi Urban innovation Corporation	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 16 others	Transfer of stock and shareholders name	29,312
Seoul	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 11 others	Compensation for damages	27,273
Gang Byeongyong and 146 others	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 1 others	Compensation for damages	21,959
Yeosu Gwangyang Port Authority	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and 1 others	Compensation for damages	20,033
Songdo Five Project Financing Vehicle Co., Ltd. and 5 others	DAEWOO ENGINEERING & CONSTRUCTION CO., LTD.	Compensation for damages	18,369

There are also a number of other legal actions in the ordinary course of business, disputes, and investigations. The timing and the amount of outflow of economic benefits is uncertain, management recognized provisions at the best estimation for any material impact on the Group's financial position arising from the lawsuits. The final liability of the Group is subject to change from the estimated amount depending on the outcome of the case.

As of December 31, 2014, the Group entered into an agreement to open an import letter of credit agreement with the Korea Development Bank, Woori Bank and Korea Exchange Bank up to USD 570,900 thousand, ₩ 5,000 million, equivalent to US \$ 4,549 thousand (2013: USD 624,700 thousand and ₩ 5,000 million, equivalent to US \$ 4,549 thousand), respectively, other than the agreements related to financial liabilities explained in Note 20. In addition, the Group entered into a

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bank overdraft agreement, bill discounting agreement and revolving credit facility agreement with Woori Bank up to ₩ 678,000 million (2013: ₩ 676,000 million). Also, the Group entered into structured finance loan and cooperative loan agreements with the Export-Import Bank of Korea of up to ₩ 1,135,978 million (2013: ₩ 1,821,536 million).

In relation to the PF loans of Sewoon Regeneration Promotion 6-3 area relative to their city environment restructuring plan, the Group has agreed to purchase land from Kukje Trust Co., Ltd. in the event of default of debtor, Sewoon Nineteen Co., Ltd., for the contract price of ₩ 80,000 million (equivalent to US \$ 72,780 thousand) for the land.

The Group granted put options that give financial investors who participated in the Second Seohaean Expressway project and a few other projects the right to sell the shares amounting to ₩ 63,737 million (equivalent to US \$ 57,985 thousand).

The bond issued by Kumho Industrial Co., Ltd. owned by CJ Korea Express Co., Ltd., is provided with the right to sell 49.5% of unredeemed portion to the Group at the price of 74% of the principal.

As of December 31, 2014, the discounted receivables that are not yet due amounting to ₩ 5,958 million (equivalent to US \$ 5,420 thousand), are recognized as borrowings since the Group considers that significant risks and rewards have not been transferred.

In relation to the construction of general industrial complex in Dangjin Songsan 2-2 Industrial Estate, the Group entered into a purchase agreement that requires the Group to purchase the land or beneficial interest in trust up to ₩ 58,000 million (equivalent to US \$ 52,766 thousand) in the event Goldring Songsan Co., Ltd., the trust beneficiary, exercises the right to complete the sale.

The Group entered into a contract with Sheraton Overseas Management Corporation ("SOMC") for the development of a hotel and the introduction of management skills on February 5, 2008. As the Group has a contract with SOMC for the hotel management in trust, SOMC will manage Sheraton-Incheon Hotel for 15 years from the opening dates, and the Group will pay fees stipulated in the contract. The Group paid ₩ 1,094 million, equivalent to US \$ 995 thousand (2013: ₩ 896 million, equivalent to US \$ 815 thousand) for the year ended December 31, 2014. The Group recognized the fees as cost of sales.

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24. Pledged assets and payment guarantees

Restricted financial instruments assets as of December 31, 2014, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>		2014		
Short-term	₩ 115,902	\$ 105,442		Guarantee for borrowings and others
Long-term	4,349	3,957		Guarantee for borrowings and others
Total	₩ 120,251	\$ 109,399		

The Group has pledged its land, buildings, building usage right, inventories, assets held for sale, investments in securities and others, aggregating to ₩ 915,835 million (equivalent to US \$ 833,183 thousand) in book value as of December 31, 2014, as collateral for its short-term borrowings, long-term debts and others.

The payment guarantees that the Group provided for developers' debts as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>		2014		2013	
ABS	₩ -	₩ 30,000	\$ -	\$ 27,293	
ABCP/ ABSTB	1,486,152	1,430,061	1,352,031	1,301,002	
Other loan	240,499	511,150	218,794	465,019	
Total	₩ 1,726,651	₩ 1,971,211	\$ 1,570,825	\$ 1,793,314	

¹ The Group provided payment guarantees to related companies, Skyland Co., Ltd. and others, amounting to ₩ 318,505 million (equivalent to US \$ 289,761 thousand) (Note 35).

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Major guarantees for the developers' debts that the Group provided as of December 31, 2014, are as follows:

Business Unit	Won (millions)	US dollars (thousands) (Note 4)	Period	Type
Seoul	₩ 265,000	\$ 241,084	2013.04~2015.10	ABCP
Gyeonggi Province ¹	211,505	192,417	2014.08~2016.10	Loan/ABSTB
Seoul	208,349	189,546	2013.07~2016.10	Loan/ABCP/ABSTB
Seoul	170,807	155,392	2012.09~2015.09	Loan/ABCP/ABSTB
South Chungcheong Province	145,000	131,914	2014.10~2018.04	Loan/ABCP/ABSTB
Seoul	107,000	97,344	2014.02~2015.02	Loan/ABCP/ABSTB
Gyeonggi Province	91,436	83,184	2014.10~2017.04	Loan/ABSTB
Incheon	71,960	65,466	2010.07~2016.06	Loan/ABCP
Seoul	68,500	62,318	2014.04~2016.10	Loan/ABSTB
Incheon	58,670	53,375	2012.12~2015.02	Loan

¹The above guarantee amount is the amount attributable to the Group's share, and excludes ₩209,548 million (equivalent to US \$ 190,637 thousand) (joint and several liability of the Group) which includes assumption of liability resulting from the court receivership processes of the joint construction company.

In addition to guarantees provided to related companies, the Group is jointly and severally liable for the guarantees of ₩ 406,911 million, equivalent to US \$ 370,188 thousand to associations.

The Group has been provided with construction contract performance and other guarantees of ₩ 14,305,896 million (equivalent to US \$ 13,014,825 thousand) by the Construction Financial Cooperative and others. In relation to the guarantee provided, the letter of guarantee issued by Korea Trade Insurance Company and others are offered as collateral.

The Group has provided performance guarantees of ₩ 6,090,729 million (equivalent to US \$ 5,541,056 thousand) in connection with contract performance, sale-in-lot guarantee and warranty for domestic construction contracts. . If the Group does not complete the guaranteed constructions for various project such as Songsan Industrial complex and others, the Group provides conditional assumption of obligations.

The Group is jointly and severally liable for the guarantees of ₩ 3,454,579 million (equivalent to US \$ 3,142,812 thousand) in connection with the sale-in lot instalment payments and is also jointly and severally liable for the guarantees of ₩ 36,512 million (equivalent to US \$ 33,217 thousand) for moving expenses of housing-project members.

In regard to the business in WIRYE GREEN PARK PRUGIO PJ, the Group is jointly and severally liable for the guarantees of ₩ 97,291 million (equivalent US \$ 88,511 thousand) in remaining land cost to be paid by Won Industry, the business operator.

In addition to the guarantees provided to related companies, the Group has provided supplemental

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funding agreement of ₩ 444,802 million (equivalent to US \$ 404,660 thousand) to Shinbundang Railroad Co., Ltd. and others. Also, the Group has supplemental funding duty for the deficit of project expenses of Erail Co., Ltd. and other SOC companies.

The Group and other construction companies have provided performance guarantees on their construction projects on a reciprocal basis. The Group has provided guarantees to other construction companies of up to ₩ 1,352,776 million (equivalent to US \$ 1,230,691 thousand) as of December 31, 2014. Also, the Group has been provided with guarantees by other construction companies of up to ₩ 2,323,833 million (equivalent to US \$ 2,114,113 thousand) as of December 31, 2014.

The Group has agreed to supplement the related operating expenses of Eugene Green Housing 2st Private Real-estate Trust, KB Housing 1st Private Real-estate Trust, Meritz Happy Housing Private Real-estate Trust 1st and Meritz Happy Housing Private Real-estate Trust 2nd through investments or purchasing beneficiary certificates.

The Group has been provided with payment guarantees by Korea Development Bank and Engineering Financial Cooperative amounting to ₩ 578,968million (equivalent to US \$ 526,718 thousand), in relation to a land sale agreement of business in BYULNAE PRUGIO PJ and Hanam-Misa 2nd Prugio PJ.

The Group entered into a land sale and development agreement with New Songdo International City Development (“NSIC”). In accordance with the contract, the Group provided the preferred beneficiary right of the land and building with a book value of ₩ 152,870 million (equivalent to US \$ 139,074 thousand) to Hana Bank and Nonghyup Bank as collateral for its borrowings of ₩ 108,500 million (equivalent to US \$ 96,708 thousand).

The Group has been provided with payment guarantees of ₩ 1,500 million (equivalent to US \$ 1,365 thousand) by Korea Development Bank.

25. Capital stock and Capital surplus

The Parent Company is authorized to issue 700 million shares with the par value per share of ₩ 5,000. As of December 31, 2014, the Group has issued 415,622,638 shares of common stock.

Capital surplus as of December 31, 2014 and 2013, is paid-in capital in excess of par value.

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26. Other component of equity and Accumulated other comprehensive income

Other components of equity as of December 31, 2014 and 2013, consist of:

(in millions of Korean won and thousands of US dollars (Note 4))

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Treasury stock ¹	₩ (101,723)	₩ (101,723)	\$ (92,543)	\$ (92,543)
Debt to be swapped for equity ²	2,549	2,549	2,319	2,319
Others	-	(115)	-	(104)
Total	<u>₩ (99,174)</u>	<u>₩ (99,289)</u>	<u>\$ (90,224)</u>	<u>\$ (90,328)</u>

¹ As of December 31, 2014, the Group holds 4,736,918 treasury shares acquired at prevailing market price for stock price stabilization and the disposition of losses resulting from capital reduction.

² In 2000 and 2001, the Group agreed to the conversion of its debt into equity in accordance with the Corporate Workout Plan with the Creditors' Association. The conversion required the condonation of interest liability until equity conversion or the issuance of mandatory convertible bonds. Accordingly, the debt to be swapped for equity that is scheduled to be converted into the Group's common stock is recorded as a capital adjustment. As of December 31, 2014, the debt to be swapped for equity amounts to ₩ 2,549 million (equivalent to US \$ 2,319 thousand) and there have been no changes in debt to be swapped for equity for the year ended December 31, 2014. The number of issuable stocks is 509,868 shares.

Changes in the accumulated other comprehensive income after tax effect for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	<u>2014</u>			
	<u>Beginning</u>	<u>Increase (Decrease)</u>	<u>Reclassification to profit or loss</u>	<u>Ending</u>
Gain (loss) on valuation of available-for-sale financial assets	₩ 19,692	₩ (520)	₩ 3,620	₩ 22,792
Gain (loss) on overseas operations translation	(139,984)	(50,046)	-	(190,030)
Other comprehensive gain (loss) of associates	7,689	4,582	-	12,271
Total	<u>₩ (112,603)</u>	<u>₩ (45,984)</u>	<u>₩ 3,620</u>	<u>₩ (154,967)</u>

(in thousands of US dollars (Note 4))

	<u>2014</u>			
	<u>Beginning</u>	<u>Increase (Decrease)</u>	<u>Reclassification to profit or loss</u>	<u>Ending</u>
Gain (loss) on valuation of available-for-sale financial assets	\$ 17,915	\$ (473)	\$ 3,293	\$ 20,735
Gain (loss) on overseas operations translation	(127,351)	(45,529)	-	(172,880)
Other comprehensive gain (loss) of associates	6,995	4,168	-	11,163
Total	<u>\$ (102,441)</u>	<u>\$ (41,834)</u>	<u>\$ 3,293</u>	<u>\$ (140,982)</u>

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(in millions of Korean won)

	2013			
	Beginning	Increase (Decrease)	Reclassification to profit or loss	Ending
Gain (loss) on valuation of available-for-sale financial assets	₩ 19,880	₩ (201)	₩ 13	₩ 19,692
Gain (loss) on overseas operations translation	(93,075)	(46,909)	-	(139,984)
Other comprehensive gain (loss) of associates	14,143	(6,454)	-	7,689
Total	₩ (59,052)	₩ (53,564)	₩ 13	₩ (112,603)

(in thousands of US dollars
(Note 4))

	2013			
	Beginning	Increase (Decrease)	Reclassification to profit or loss	Ending
Gain (loss) on valuation of available-for-sale financial assets	\$ 18,086	\$ (183)	\$ 12	\$ 17,915
Gain (loss) on overseas operations translation	(84,675)	(42,676)	-	(127,351)
Other comprehensive gain (loss) of associates	12,866	(5,871)	-	6,995
Total	\$ (53,723)	\$ (48,730)	\$ 12	\$ (102,441)

27. Retained earnings

Retained earnings as of December 31, 2014, and 2013, consist of:

(in millions of Korean won and
thousands of US dollars (Note 4))

	2014	2013	2014	2013
Legal reserves ¹	₩ 60,501	₩ 60,351	\$ 55,041	\$ 54,904
Discretionary reserves ²	49,300	48,300	44,851	43,941
Unappropriated retained earnings	147,018	73,169	133,750	66,566
Total	₩ 256,819	₩ 181,820	\$ 233,642	\$ 165,411

¹ The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

² The Group appropriates a certain portion of its retained earnings as reserves for financial structure improvement, and research and human resource development which are provided in order to obtain tax benefits under the Special Tax Treatment Control Law.

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28. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Parent Company and held as treasury shares (Note 25).

Basic earnings (loss) per share for the years ended December 31, 2014 and 2013, is as follows:

(in Korean won and US dollars (Note 4))

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit (loss) attributable to equity holders of the Parent Company	₩ 104,802,976,063	₩ (717,807,063,289)	\$ 95,344,774,439	\$ (653,026,804,302)
Weighted average number of ordinary shares in issue	410,885,720	410,885,720	410,885,720	410,885,720
Basic earnings (loss) per share	255	(1,747)	232	(1,589)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings (loss) per share for the years ended December 31, 2014 and 2013, is as follows:

(in Korean won and US dollars (Note 4))

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit (loss) used to determine diluted earnings per share	₩104,802,976,063	₩ (717,807,063,289)	\$ 95,344,774,439	\$ (653,026,804,302)
Weighted average number of Ordinary shares for diluted earnings per share	411,395,588	410,885,720	411,395,588	410,885,720
Diluted earnings (loss) per share	255	(1,747)	232	(1,589)

¹ Diluted earnings per share is equal to basic earnings per share since there is no dilutive effect of diluted potential stocks due to net loss.

The diluted potential stocks as of December 31, 2014, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	<u>Face value</u>		<u>Issuable common stock</u>	<u>Note</u>
Debt to be swapped for equity	₩ 2,549	\$ 2,319	509,868	Par value of ₩ 5,000 per share

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29. Expenses by nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses in the statements of income for the years ended December 31, 2014 and 2013, consist of:

(in millions of Korean won)

	2014			2013		
	Cost of sales	Selling and administrative expenses	Total	Cost of sales	Selling and administrative expenses	Total
Changes in finished housing	₩ 64,090	₩ -	₩ 64,090	₩ (33,937)	₩ -	₩ (33,937)
Purchase of raw materials and land held for development	3,095,848	-	3,095,848	2,555,096	-	2,555,096
Labor cost	609,123	159,599	768,722	585,143	171,732	756,875
Outsourcing	3,753,243	-	3,753,243	3,612,790	7	3,612,797
Consulting fees	487,867	37,715	525,582	443,869	40,637	484,506
Other employee welfare	109,380	38,751	148,131	111,444	45,607	157,051
Rent	122,956	28,877	151,833	92,740	30,499	123,239
Commissions	194,175	37,551	231,726	155,211	34,720	189,931
Advertising	24,692	5,929	30,621	22,799	7,553	30,352
Development	790	12,683	13,473	-	16,120	16,120
Depreciation	41,097	16,779	57,876	37,896	21,107	59,003
Insurance premium	60,822	4,870	65,692	53,049	5,878	58,927
Taxes and dues	59,209	8,768	67,977	55,740	7,181	62,921
Others	608,093	(14,857)	593,236	750,354	203,625	953,979
Total	₩ 9,231,385	₩ 336,665	₩ 9,568,050	₩ 8,442,194	₩ 584,666	₩ 9,026,860

*(in thousands of US dollars
(Note 4))*

	2014			2013		
	Cost of sales	Selling and administrative expenses	Total	Cost of sales	Selling and administrative expenses	Total
Changes in finished housing	\$ 58,306	\$ -	\$ 58,306	\$ (30,874)	\$ -	\$ (30,874)
Purchase of raw materials and land held for development	2,816,456	-	2,816,456	2,324,505	-	2,324,505
Labor cost	554,151	145,196	699,347	532,335	156,233	688,568
Outsourcing	3,414,522	-	3,414,522	3,286,745	6	3,286,751
Consulting fees	443,838	34,311	478,149	403,811	36,970	440,781
Other employee welfare	99,509	35,254	134,763	101,386	41,491	142,877
Rent	111,860	26,271	138,131	84,370	27,747	112,117
Commissions	176,651	34,162	210,813	141,204	31,587	172,791
Advertising	22,464	5,394	27,858	20,741	6,871	27,612
Development	719	11,538	12,257	-	14,665	14,665
Depreciation	37,388	15,265	52,653	34,476	19,203	53,679
Insurance premium	55,333	4,430	59,763	48,261	5,348	53,609
Taxes and dues	53,866	7,977	61,843	50,710	6,533	57,243
Others	553,213	(13,516)	539,697	682,637	185,247	867,884
Total	\$ 8,398,276	\$ 306,282	\$ 8,704,558	\$ 7,680,307	\$ 531,901	\$ 8,212,208

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30. Selling and administrative expenses

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

(in millions of Korean won and thousands of US dollars (Note 4))

	2014	2013	2014	2013
Salaries	₩ 138,319	₩ 150,237	\$ 125,836	\$ 136,678
Consulting fees	37,715	40,637	34,311	36,970
Welfare expenses	38,751	45,607	35,254	41,491
Rent	28,877	30,499	26,271	27,747
Development	12,683	16,120	11,538	14,665
Commissions	37,551	34,720	34,162	31,587
Pension costs	21,280	21,495	19,360	19,555
Insurance Premium	4,870	5,878	4,430	5,348
Advertising	5,929	7,553	5,394	6,871
Travel expenses	5,199	7,767	4,730	7,066
Bad debt expenses	20,272	183,651	18,443	167,077
Reversal of allowance for doubtful accounts	(58,528)	(11,426)	(53,246)	(10,395)
Others	43,747	51,928	39,799	47,241
Total	₩ 336,665	₩ 584,666	\$ 306,282	\$ 531,901

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31. Other income and expenses

Other income for years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Reversal of allowance for doubtful accounts	₩ 54,111	₩ 1,157	\$ 49,228	\$ 1,053
Gains on disposal of investments in securities	16,046	92,053	14,598	83,745
Gain on disposal of assets classified as held for sale	3,986	1,298	3,625	1,181
Gain on disposal of property, plant and equipment	1,693	3,970	1,540	3,612
Gains on disposal of intangible assets	403	672	367	611
Gains on disposal of investment property	972	-	884	-
Gains on disposal of investments in associates	456	4,164	415	3,788
Return of reserve for other contingent liabilities	8,147	6,376	7,412	5,801
Dividend income	1,685	342	1,533	311
Miscellaneous revenues	55,616	34,538	50,597	31,421
Gain on foreign currency transaction	63,058	26,805	57,367	24,386
Gain on foreign currency translation	82,697	15,110	75,234	13,746
Gain on valuation of derivatives	89,773	4,107	81,671	3,736
Gain on transactions of derivatives	17,278	106,041	15,719	96,471
Gain on valuation of firm commitment	43,479	31,739	39,555	28,875
Total	₩ 439,400	₩ 328,372	\$ 399,745	\$ 298,737

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Other expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
	₩	₩	\$	\$
Other bad debts expense	90,018	111,619	81,894	101,546
Loss on disposal of investments in securities	822	373	748	339
Loss on disposal of assets classified as held for sale	529	6,953	481	6,326
Loss on disposal of property, plant and equipment	904	3,317	822	3,018
Impairment losses on investment in securities	49,872	58,938	45,371	53,619
Impairment losses on assets classified as held for sale	4,305	6,106	3,916	5,555
Impairment losses on investments in associates	299	15,543	272	14,140
Transfer to reserve for contingent liabilities	186,020	467,242	169,232	425,075
Miscellaneous losses	31,806	67,897	28,935	61,768
Donations	2,364	3,376	2,151	3,071
Loss on disposal of investments in associates	-	890	-	810
Loss on foreign currency transaction	32,638	34,514	29,693	31,399
Loss on foreign currency translation	68,561	23,702	62,374	21,563
Loss on valuation of derivatives	39,145	11,914	35,612	10,839
Loss on transactions of derivatives	11,692	20,544	10,637	18,690
Loss on valuation of firm commitment	104,525	6,331	95,092	5,760
Others	4,304	6,643	3,916	6,043
Total	₩ 627,804	₩ 845,902	\$ 571,146	\$ 769,561

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32. Financial income and costs

Financial income for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Interest income on bank deposits	₩	12,399	₩	7,476
Interest income on available-for-sale financial assets		1,412		906
Interest income on trade and other receivables		14,493		24,980
Total	₩	28,304	₩	33,362

	2014		2013	
	\$	11,280	\$	6,801
		1,285		824
		13,185		22,726
Total	\$	25,750	\$	30,351

Financial costs for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Financial expenses	₩	118,234	₩	111,304
Others		5,211		8,415
Total	₩	123,445	₩	119,719

	2014		2013	
	\$	107,564	\$	101,259
		4,740		7,656
Total	\$	112,304	\$	108,915

During the year, the Group has capitalized borrowing costs amounting to ₩ 10,469 million, equivalent to US \$ 9,524 thousand (2013: ₩ 10,978 million, equivalent to US \$ 9,987 thousand) on qualifying assets, inventories. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.94% (2013: 4.10%~5.70%).

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33. Income tax

Income tax expense for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Current tax:				
Current tax on profits for the year	₩ 1,672	₩ 75,471	\$ 1,521	\$ 68,660
Adjustments in respect of prior years	2,980	18,506	2,711	16,836
Total current tax	(1,308)	56,965	(1,190)	51,824
Deferred tax				
Origination and reversal of temporary differences	52,401	(197,160)	47,675	(179,365)
Total deferred tax	52,401	(197,160)	47,675	(179,365)
Income tax expense	₩ 54,073	₩ (121,689)	\$ 49,196	\$ (110,705)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Profit(loss) before tax	₩ 156,185	₩ (839,723)	\$ 142,091	\$ (763,940)
Tax calculated based on applicable tax rate	37,796	(203,675)	34,388	(185,292)
Tax adjustment	16,277	81,986	14,808	74,587
Payment of income taxes (Income tax refund)	(2,116)	54,675	(1,925)	49,741
Income not subject to tax	(3,640)	(1,183)	(3,311)	(1,076)
Expenses not deductible for tax purposes	16,169	18,542	14,710	16,869
Unrecognized deferred income tax for temporary differences	580	10,070	528	9,161
Others	5,284	(118)	4,806	(108)
Income tax expense	₩ 54,073	₩ (121,689)	\$ 49,196	\$ (110,705)

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The income tax credited (charged) directly to equity as of December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014			2013		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Remeasurements of net defined benefit liabilities	₩ 95,103	₩ (22,551)	₩ 72,552	₩ 55,800	₩ (13,052)	₩ 42,748
Gain on valuation of financial assets available-for-sale	(30,038)	7,269	(22,769)	(25,949)	6,280	(19,669)
Other comprehensive income from associates	(11,149)	(1,122)	(12,271)	(13,995)	(148)	(14,143)
Total	₩ 53,916	₩ (16,404)	₩ 37,512	₩ 15,856	₩ (6,920)	₩ 8,936

(in thousands of US dollars (Note 4))

	2014			2013		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Remeasurements of net defined benefit liabilities	\$ 86,520	\$ (20,516)	\$ 66,004	\$ 50,764	\$ (11,874)	\$ 38,890
Gain on valuation of financial assets available-for-sale	(27,327)	6,613	(20,714)	(23,607)	5,713	(17,894)
Other comprehensive income from associates	(10,143)	(1,021)	(11,164)	(12,732)	(134)	(12,866)
Total	\$ 49,050	\$ (14,924)	\$ 34,126	\$ 14,425	\$ (6,295)	\$ 8,130

The gross balances of deferred tax assets and liabilities as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			2013		
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
Deferred tax assets	₩ 173,010	₩ 586,288	₩ 759,298	₩ 111,492	₩ 743,277	₩ 854,769
Deferred tax liabilities	(17,129)	(65,249)	(82,378)	(15,103)	(119,829)	(134,932)
Total	₩ 155,881	₩ 521,039	₩ 676,920	₩ 96,389	₩ 623,448	₩ 719,837

(in thousands of US dollars (Note 4))

	2014			2013		
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
Deferred tax assets	\$ 157,396	\$ 533,377	\$ 690,773	\$ 101,430	\$ 676,198	\$ 777,628
Deferred tax liabilities	(15,583)	(59,360)	(74,943)	(13,740)	(109,015)	(122,755)
Total	\$ 141,813	\$ 474,017	\$ 615,830	\$ 87,690	\$ 567,183	\$ 654,873

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

(in millions of Korean won)

	2014			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	₩ 28,998	₩ 314	₩ 9,499	₩ 38,811
Allowance for doubtful accounts	238,902	(8,802)	-	230,100
Accrued income	(4,543)	(766)	-	(5,309)
Financial guarantee liability and long-term provision	255,281	(28,097)	-	227,184
Present value discount	2,942	(255)	-	2,687
Property, plant and equipment	(9,160)	(1,090)	-	(10,250)
Intangible assets	487	(137)	-	350
Investments in securities	88,433	(31,578)	(15)	56,840
Impairment losses on investments in securities	9,467	(1,051)	-	8,416
Reserve established for tax purposes	(8,177)	2,530	-	(5,647)
Gain(loss) on foreign currency translation	709	(1,095)	-	(386)
Others	115,509	(26,582)	-	88,927
Tax loss carryforwards	989	44,208	-	45,197
Total	₩ 719,837	₩ (52,401)	₩ 9,484	₩ 676,920

(in thousands of US dollars (Note 4))

	2014			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	\$ 26,380	\$ 286	\$ 8,642	\$ 35,308
Allowance for doubtful accounts	217,342	(8,008)	-	209,334
Accrued income	(4,133)	(697)	-	(4,830)
Financial guarantee liability and long-term provision	232,243	(25,561)	-	206,682
Present value discount	2,676	(232)	-	2,444
Property, plant and equipment	(8,333)	(992)	-	(9,325)
Intangible assets	443	(125)	-	318
Investments in securities	80,452	(28,728)	(14)	51,710
Impairment losses on investments in securities	8,613	(956)	-	7,657
Reserve established for tax purposes	(7,439)	2,302	-	(5,137)
Gain(loss) on foreign currency translation	645	(996)	-	(351)
Others	105,085	(24,183)	-	80,902
Tax loss carryforwards	900	40,218	-	41,118
Total	\$ 654,874	\$ (47,672)	\$ 8,628	\$ 615,830

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	2013			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	₩ 28,665	₩ 4,805	₩ (4,472)	₩ 28,998
Allowance for doubtful accounts	201,356	37,546	-	238,902
Accrued income	(4,243)	(300)	-	(4,543)
Financial guarantee liability and long-term provision	107,496	147,785	-	255,281
Present value discount	3,345	(403)	-	2,942
Property, plant and equipment	(7,687)	(1,473)	-	(9,160)
Intangible assets	2,999	(2,512)	-	487
Investments in securities	116,571	(28,204)	66	88,433
Impairment losses on investments in securities	10,465	(998)	-	9,467
Exchangeable bonds	19,768	(19,768)	-	-
Derivatives	9	(9)	-	-
Reserve established for tax purposes	(4,964)	(3,213)	-	(8,177)
Gain(loss) on foreign currency translation	698	11	-	709
Others	51,616	63,893	-	115,509
Tax loss carryforwards	989	-	-	989
Total	₩ 527,083	₩ 197,160	₩ (4,406)	₩ 719,837

(in thousands of US dollars (Note 4))

	2013			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	\$ 26,078	\$ 4,371	\$ (4,068)	\$ 26,381
Allowance for doubtful accounts	183,184	34,158	-	217,342
Accrued income	(3,860)	(273)	-	(4,133)
Financial guarantee liability and long-term provision	97,795	134,448	-	232,243
Present value discount	3,043	(367)	-	2,676
Property, plant and equipment	(6,993)	(1,340)	-	(8,333)
Intangible assets	2,728	(2,285)	-	443
Investments in securities	106,051	(25,659)	60	80,452
Impairment losses on investments in securities	9,521	(908)	-	8,613
Exchangeable bonds	17,984	(17,984)	-	-
Derivatives	8	(8)	-	-
Reserve established for tax purposes	(4,516)	(2,923)	-	(7,439)
Gain(loss) on foreign currency translation	635	10	-	645
Others	46,957	58,127	-	105,084
Tax loss carryforwards	900	-	-	900
Total	\$ 479,515	\$ 179,367	\$ (4,008)	\$ 654,874

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The Group did not recognize deferred income tax assets of ₩ 69,647 million, equivalent to US \$ 63,362 thousand (2013: ₩ 67,250 million, equivalent to US \$ 61,181 thousand) in respect of temporary differences of ₩ 16,855 million, equivalent to US \$ 15,334 thousand (2013: ₩ 16,275 million, equivalent to US \$ 14,806 thousand) arising on investments in subsidiaries and associates, whose sale is not probable.

Deferred taxes expected to reverse subsequent to December 31, 2015, have been measured using the effective rate 24.2% that will apply for future periods.

34. Operating lease

The Group renewed the operating lease as of the end of the current period for the building of Korea Exchange Bank with the trust bank of the Deutsche Office Real Estate Trust II, Kumho Asiana Building 1 from April 18, 2013 until December 31, 2018.

The Group has agreed on a five-year rental operating lease contract for Songdo IBS Building (the "rental subject") with the trust bank of the Hyundai Youfirst Private Real Estate Trust X II, Korea Standard Chartered Bank, from December 28, 2012. As the Group has the right of first refusal, the Group can pre-empt the rental subject within one year from 18 months after the contract date. If the Group does not exercise this right, the rental period is extended to seven years.

In accordance with the operating lease contract of the Kumho Asiana 1st Building and Songdo IBS Building, the minimum lease payments schedule as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Less than 1 year	₩	33,006	₩	32,966
Between 1~5 years		86,686		119,609
Total	₩	119,692	₩	152,575

	2014		2013	
	\$	30,027	\$	29,991
		78,863		108,814
	\$	108,890	\$	138,805

In accordance with the sublease contract of the Kumho Asiana 1st Building and Songdo IBS Building, the expected rental revenue schedule as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014		2013	
Less than 1 year	₩	1,478	₩	2,270
Between 1~5 years		2,363		5,634
Total	₩	3,841	₩	7,904

	2014		2013	
	\$	1,345	\$	2,065
		2,149		5,126
	\$	3,494	\$	7,191

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35. Related party transactions

Related parties as of December 31, 2014, are as follows:

<u>Relationship</u>	<u>Related parties</u>
Parent company and associates of the Group	Korea Development Bank and its subsidiaries(Daewoo Securities Co., Ltd., Korea Development Bank Capital, KDB Asset Management, KDB Infra, KDB Value PEF VI, KDB Value VI LLC, KDB Life Insurance Co., Ltd. and others)
Associates	Skyland Co., Ltd., Skyland Asset Management Co., Ltd., Chung-Ju Technopolis Assets Management Co., Ltd., Econhill Development Asset Management Co., Ltd., Sewoon Nineteen Co., Ltd., Myeong-dong City and Residential Environment Improvement Plans Co., Ltd., Ansan Laketown PFV Co., Ltd., Ansan Laketown Co., Ltd, Hanam Marbling City Development Co. Ltd., SACC Co., Ltd., Gyeongsan knowledge industry development Co., Ltd., Yulchon 2 Industrial Complex Development Inc., Seoul University Medicalhub Co., Ltd., Jinwi 3 Industrial Complex Development Inc., UNION DW ENG & CON LTD., MEGAWORLD-DW CO., BEIJING LUFTHANSA CENTER CO., GULF ENG.CONST. & CONTRACT, DW ARABIA LTD., DW NIGERIA LTD., DAEWOO-HANEL CORP, DAEWOO E & C IRAN, V-CITY 21 JOINT STOCK COMPANY, DW POWER(INDIA) LTD., KDS Hydro Pte. Ltd, Daewoo E&C LLC

Significant transactions, which occurred in the normal course of business with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	<u>Sales</u>		<u>Purchases</u>		<u>Sales</u>		<u>Purchases</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Parent company and associate of the Group								
Korea Development Bank	₩ 1,978	₩ 4,087	₩ 22,617	₩ 23,265	\$ 1,799	\$ 3,718	\$ 20,576	\$ 21,165
Daewoo Securities Co., Ltd.	63	1	5	22	57	1	5	20
KDB Life Insurance Co., Ltd.	-	-	5	-	-	-	5	-
Korea Development Bank Capital	-	-	4	-	-	-	4	-
Associates								
Skyland Co., Ltd.	58,536	2,516	-	-	53,253	2,289	-	-
Myeong-dong City and Residential Environment Improvement Plans Co., Ltd.	13,601	798	-	-	12,374	726	-	-
SACC Co., Ltd.	166	353	-	-	151	321	-	-
Econhill Development Asset Management Co., Ltd.	79	137	-	-	72	125	-	-
Ansan Laketown PFV Co., Ltd	89,902	43,869	-	-	81,789	39,910	-	-
Ansan Laketown Co., Ltd	317	359	-	-	288	327	-	-
Hanam Marbling City	125	125	-	-	114	114	-	-
Gyeongsan knowledge industry development Co., Ltd.	2,998	-	-	-	2,727	-	-	-
BEIJING LUFTHANSA CENTER CO.	7,080	7,608	-	-	6,441	6,921	-	-
V-CITY 21 JOINT STOCK COMPANY	3	-	-	-	3	-	-	-
Total	<u>₩ 174,848</u>	<u>₩ 59,853</u>	<u>₩ 22,631</u>	<u>₩ 23,287</u>	<u>\$ 159,068</u>	<u>\$ 54,451</u>	<u>\$ 20,589</u>	<u>\$ 21,185</u>

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Account balances with related parties as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	Receivables ¹		Payables	
	2014	2013	2014	2013
Parent company and associate of the Group				
Korea Development Bank	₩ 52,500	₩ 81,284	₩ 505,218	₩ 386,644
Associates				
Skyland Co., Ltd.	56,410	4,837	-	-
Econhill Development Asset Management Co., Ltd.	7	15	-	-
Myeong-dong City and Residential Environment Improvement Plans Co., Ltd.	3,988	2,196	8,865	-
SACC Co., Ltd.	2,127	1,961	-	-
Ansan Laketown PFV Co., Ltd.	10,923	4,247	7,380	-
Hanam Marbling City	172	31	-	-
Gyeongsan knowledge industry development Co., Ltd.	2,699	-	-	-
V-CITY 21 JOINT STOCK COMPANY	40	36	-	-
BEIJING LUFTHANSA CENTER CO., Ltd.	-	3	-	-
GULF ENG.CONST. & CONTRACT	3,872	3,923	-	-
Seoul University Medicalhub Co., Ltd.	-	-	1,430	-
Total	₩ 132,738	₩ 98,533	₩ 522,893	₩ 386,644

(in thousands of U.S. dollars (Note 4))

	Receivables ¹		Payables	
	2014	2013	2014	2013
Parent company and associate of the Group				
Korea Development Bank	\$ 47,762	\$ 73,948	\$ 459,623	\$ 351,750
Associates				
Skyland Co., Ltd.	51,319	4,400	-	-
Econhill Development Asset Management Co., Ltd.	6	14	-	-
Myeong-dong City and Residential Environment Improvement Plans Co., Ltd.	3,628	1,998	8,065	-
SACC Co., Ltd.	1,935	1,784	-	-
Ansan Laketown PFV Co., Ltd.	9,937	3,864	6,714	-
Hanam Marbling City	156	28	-	-
Gyeongsan knowledge industry development Co., Ltd.	2,455	-	-	-
V-CITY 21 JOINT STOCK COMPANY	36	33	-	-
BEIJING LUFTHANSA CENTER CO., Ltd.	-	3	-	-
GULF ENG.CONST. & CONTRACT	3,523	3,569	-	-
Seoul University Medicalhub Co., Ltd.	-	-	1,301	-
Total	\$ 120,759	\$ 89,641	\$ 475,703	\$ 351,750

¹ The Group established an allowance for bad debts amounting to ₩5,998 million, equivalent to US \$ 5,457 thousand (2013: ₩ 3,923 million) for the receivables of related parties as of December 31, 2014.

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Payment guarantees that the Group provides to the related parties as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	<u>2014</u>	<u>2013</u>	<u>Provided by</u>	<u>Period</u>	<u>Remark</u>
Associates					
Skyland Co., Ltd. ²	₩ 211,505	₩ 400,000	Korea Development Bank Sewoon 63 3rd Co., Ltd. and others	2014.08.25~ 2016.10.25	Borrowings
Sewoon Nineteen Co., Ltd.	107,000	82,000		2014.02.20~ 2015.02.12	Borrowings
Total	<u>₩ 318,505</u>	<u>₩ 482,000</u>			

*(in thousands of U.S. dollars
(Note 4))*

	<u>2014</u>	<u>2013</u>	<u>Provided by</u>	<u>Period</u>	<u>Remark</u>
Associates					
Skyland Co., Ltd. ²	\$ 192,417	\$ 363,901	Korea Development Bank Sewoon 63 3rd Co., Ltd. and others	2014.08.25~ 2016.10.25	Borrowings
Sewoon Nineteen Co., Ltd.	97,344	74,600		2014.02.20~ 2015.02.12	Borrowings
Total	<u>\$ 289,761</u>	<u>\$ 438,501</u>			

¹ Besides the payment guarantees above, the Group provides reservation agreements of land sale and cash support agreements for the related parties (Note 24).

² The above guarantee amount is the amount attributable to the Group's share, and excludes ₩209,548 million (equivalent to US \$ 190,637 thousand) (joint and several liability of the Group) which includes assumption of liability resulting from the court receivership processes of the joint construction company (Note 24).

As of December 31, 2014, the Group provided investments in subsidiaries and associates as collateral for borrowings of the Group's subsidiaries and associates.

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Fund transactions with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean)

	Transaction	2014			
		Beginning	Increase	Decrease	Ending
Parent company and associate of the Group					
Korea Development Bank ¹	Debt	₩ 368,272	₩ 190,675	₩ 58,250	₩ 500,697
Associates					
Skyland Co., Ltd.		1,800	35,748	1,800	35,748
SACC Co., Ltd.	Loans	1,039	-	-	1,039
V-CITY 21 JOINT STOCK COMPANY		32	-	-	32
Total		₩ 371,143	₩ 226,423	₩ 60,050	₩ 537,516

(in thousands of U.S. dollars (Note 4))

	Transaction	2014			
		Beginning	Increase	Decrease	Ending
Parent company and associate of the Group					
Korea Development Bank ¹	Debt	\$ 335,036	\$ 173,467	\$ 52,993	\$ 455,510
Associates					
Skyland Co., Ltd.		1,638	32,522	1,638	32,522
SACC Co., Ltd.	Loans	945	-	-	945
V-CITY 21 JOINT STOCK COMPANY		29	-	-	29
Total		\$ 337,648	\$ 205,989	\$ 54,631	\$ 489,006

¹ The Group entered into a line of credit agreement for the borrowings amounting to ₩ 595,840 million.

(in millions of Korean)

	Transaction	2013			
		Beginning	Increase	Decrease	Ending
Parent company and associate of the Group					
Korea Development Bank ¹	Debt	₩ 305,688	₩ 63,848	₩ 1,264	₩ 368,272
Associates					
Skyland Co., Ltd.		1,800	-	-	1,800
SACC Co., Ltd.	Loans	1,039	-	-	1,039
V-CITY 21 JOINT STOCK COMPANY		32	-	-	32
Total		₩ 308,559	₩ 63,848	₩ 1,264	₩ 371,143

(in thousands of U.S. dollars (Note 4))

	Transaction	2013			
		Beginning	Increase	Decrease	Ending
Parent company and associate of the Group					
Korea Development Bank ¹	Debt	\$ 278,100	\$ 58,085	\$ 1,150	\$ 335,035
Associates					
Skyland Co., Ltd.		1,638	-	-	1,638
SACC Co., Ltd.	Loans	945	-	-	945
V-CITY 21 JOINT STOCK COMPANY		29	-	-	29
Total		\$ 280,712	\$ 58,085	\$ 1,150	\$ 337,647

¹ The Group entered into a line of credit agreement for the borrowings amounting to ₩597,840 million.

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As of December 31, 2014, the Group has provided a guarantee for construction performance to a related party, Daewoo Nigeria Ltd.

The Group has been provided with payment guarantees of ₩ 118,774 million by Korea Development Bank in relation to a land sale agreement of business in Byulnae Prugio PJ.

Key management refers to the registered directors and non-registered directors who have the authority and responsibilities for planning, operation and control of the business of the Group.

Compensation that was paid or will be paid to key management in return for employee services consists of :

(in millions of Korean won and thousands of US dollars (Note 4))

	2014	2013	2014	2013
Short-term salaries	₩ 6,145	₩ 6,845	\$ 5,590	\$ 6,227
Pension costs	1,211	1,563	1,102	1,422
Total	₩ 7,356	₩ 8,408	\$ 6,692	\$ 7,649

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36. Cash Generated from Operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the years ended December 31, 2014 and 2013, is as follows:

*(in millions of Korean won and
thousands of US dollars (Note 4))*

	2014	2013	2014	2013
Profit (loss) for the year	₩ 102,110	₩ (718,036)	\$ 92,895	\$ (653,235)
Adjustments				
Bad debts expense	20,272	183,651	18,444	167,074
Reversal of allowance for bad debt	(58,528)	(11,426)	(53,246)	(10,395)
Depreciation	48,338	49,934	43,976	45,428
Amortization	9,538	9,069	8,677	8,251
Other bad debts expense	90,018	111,619	81,894	101,546
Loss on disposal of trade receivables	82	122	75	111
Loss on disposal of investments in securities	822	373	748	339
Loss on disposal of investments in associates	-	890	-	810
Loss on disposal of assets held for sale	529	6,953	481	6,326
Loss on disposal of property, plant and equipment	904	3,317	822	3,018
Loss on disposal of intangible assets	30	1	27	1
Impairment losses on investments in securities	49,872	58,938	45,371	53,619
Impairment losses on assets held for sale	4,305	6,106	3,916	5,555
Impairment losses on investments in associates	299	15,543	272	14,140
Loss on foreign currency translation	68,561	23,702	62,374	21,563
Loss on valuation of derivatives	39,145	11,914	35,612	10,839
Loss on valuation of firm commitment	104,525	6,331	95,092	5,760
Loss on transactions of derivatives	11,692	20,544	10,637	18,690
Transfer to reserve for contingent liabilities	186,020	467,242	169,232	425,075
Transfer to reserve for construction warranty	30,255	25,085	27,525	22,821
Pension costs	51,685	51,689	47,021	47,024
Interest expenses	123,445	119,719	112,304	108,915
Income tax expenses	54,073	(121,689)	49,193	(110,707)
Reversal of overseas operations translation debit	-	41	-	37
Reversal of allowance for other doubtful accounts	(54,111)	(1,157)	(49,228)	(1,053)
Gain on disposal of investments in securities	(16,046)	(92,053)	(14,598)	(83,745)
Gain on disposal of investments in associates	(456)	(4,164)	(415)	(3,788)
Gain on disposal of assets held for sale	(3,985)	(1,298)	(3,625)	(1,181)
Gain on disposal of property, plant and equipment	(1,693)	(3,970)	(1,540)	(3,612)
Gain on disposal of intangible assets	(403)	(672)	(367)	(611)
Gain on disposal of investment property	(972)	-	(884)	-
Dividend income	(1,685)	(342)	(1,533)	(311)
Gain on foreign currency translation	(82,697)	(15,110)	(75,234)	(13,746)
Gain on valuation of derivatives	(89,773)	(4,107)	(81,671)	(3,736)
Gain on valuation of firm commitment	(43,479)	(31,739)	(39,555)	(28,875)
Gain on transactions of derivatives	(17,278)	(106,041)	(15,719)	(96,471)

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Return of reserve for other contingent liabilities	(8,147)	(6,376)	(7,412)	(5,801)
Return of reserve for construction warranty	(2,216)	(6,088)	(2,016)	(5,539)
Interest income	(28,304)	(33,362)	(25,750)	(30,351)
Gain on valuation of equity-method investments	(12,757)	(8,828)	(11,606)	(8,031)
	<u>471,880</u>	<u>724,361</u>	<u>429,294</u>	<u>658,989</u>
Changes in operating assets and liabilities				
Trade receivables	(183,413)	(901,187)	(166,860)	(819,858)
Other receivables	13,526	76,239	12,305	69,359
Advance payments	(362,912)	(274,100)	(330,160)	(249,363)
Prepaid expenses	38,470	16,469	34,998	14,983
Inventories	317,549	673,013	288,891	612,275
Long-term other receivables	(64,701)	(169,850)	(58,862)	(154,521)
Long-term prepaid expenses	(9,022)	-	(8,208)	-
Financial guarantee liabilities	(7,878)	-	(7,167)	-
Trade payables	(5,385)	18,876	(4,899)	17,172
Other payables	162,660	(160,620)	147,980	(146,124)
Advances received	(433,334)	243,126	(394,227)	221,184
Withholdings	18,369	(16,587)	16,711	(15,090)
Income received in advance	94	-	86	-
Guarantee deposits received	(250)	43,007	(227)	39,126
Defined benefit liabilities	(33,663)	(31,741)	(30,625)	(28,876)
Plan assets	(23,953)	(6,724)	(21,791)	(6,117)
Long-term other payables	(360)	(4,841)	(328)	(4,404)
Long-term advances received	448,459	179,478	407,987	163,281
Long-term provisions	(158,759)	(44,435)	(144,431)	(40,425)
Long-term guarantee deposits received	159,763	25,772	145,345	23,446
Overseas operations translation	(44,338)	(31,832)	(40,337)	(28,960)
	<u>(169,078)</u>	<u>(365,937)</u>	<u>(153,819)</u>	<u>(332,912)</u>
Cash generated from (used in) operations	<u>₩ 404,912</u>	<u>₩ (359,612)</u>	<u>\$ 368,370</u>	<u>\$ (327,158)</u>

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The principal non-cash transactions for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Reclassification of current maturities of borrowings	₩ 809,053	₩ 264,326	\$ 736,038	\$ 240,471
Reclassification from non-trade receivables to assets held for sale	269,487	-	245,166	-
Reclassification of current maturities of debentures	250,000	150,000	227,438	136,463
Reclassification from advance payments to inventories	95,739	334,655	87,099	304,453
Offsetting between advance payments and other payables	84,137	40,190	76,544	36,563
Reclassification from assets held for sale to non-trade receivables	31,883	-	29,006	-
Offsetting between construction receivables and other provisions	12,039	44,488	10,953	40,473
Reclassification from guarantee deposit of long-term loans	9,269	13,361	8,432	12,155
Reclassification from firm commitment to inventories	5,906	18,730	5,373	17,040
Reclassification from advance payments to property, plant and equipment	4,097	-	3,727	-
Reclassification from construction in progress to property, plant and equipment	2,529	13,890	2,301	12,636
Reclassification from assets (liabilities) in subsidiaries to assets held for sale	-	114,482	-	104,150
Payment in the form of construction receivables	-	122,838	-	111,752
Reclassification from real estate held for sale to inventories	-	38,728	-	35,233
Reclassification from trade payables to liabilities held for sale	-	33,976	-	30,910

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37. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

37.1 Financial Risk Factors

(a) Market Risk

1) Foreign exchange risk

Due to its multinational operations, the Group is exposed to foreign exchange risk arising from various currency exposures. The purpose of foreign exchange risk management is to maximize the Group's value by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Group's principal monetary assets and liabilities denominated in currencies other than its functional currency as of December 31, 2014 and 2013, are as follows:

	2014			
	Assets		Liabilities	
	Foreign currency	Korean won equivalent (millions)	Foreign currency	Korean won equivalent (millions)
USD	541,314	₩ 595,013	593,078	₩ 651,913
EUR	38,487	51,438	108,536	145,060
SGD	5,525	4,596	681	566
LYD	2,900	2,388	-	-
JPY	245,345	2,258	-	-
	2013			
	Assets		Liabilities	
	Foreign currency	Korean won equivalent (millions)	Foreign currency	Korean won equivalent (millions)
USD	429,893	₩ 472,874	466,386	₩ 502,142
EUR	23,828	35,050	71,034	107,124
SGD	325	271	681	567
LYD	3,625	3,052	-	-
JPY	869,437	8,731	732,339	7,464

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As of December 31, 2014 and 2013, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit before income tax would have been affected as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (5,689)	₩ 5,689	₩ (2,927)	₩ 2,927
EUR	(9,362)	9,362	(7,207)	7,207
JPY	226	(226)	127	(127)

<i>(in thousands of US dollars (Note 4))</i>	2014		2013	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	\$ (5,176)	\$ 5,176	\$ (2,663)	\$ 2,663
EUR	(8,517)	8,517	(6,557)	6,557
JPY	206	(206)	116	(116)

2) Interest rate risk

The Group is exposed to interest rate risk related with variable price of available-for-sale financial assets or cash flow of interest income and interest expenses arising from financial deposits and borrowings with variable interest rates through changes in market interest rate in the future.

As of December 31, 2014 and 2013, if interest rates fluctuate by 10bp with all other variables held constant, interest expenses would have been affected as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	10bp Increase	10bp Decrease	10bp Increase	10bp Decrease
Interest expenses	₩ 571	₩ (571)	₩ 904	₩ (904)

<i>(in thousands of US dollars (Note 4))</i>	2014		2013	
	10bp Increase	10bp Decrease	10bp Increase	10bp Decrease
Interest expenses	\$ 519	\$ (519)	\$ 822	\$ (822)

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(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group maintains business relationships with financial institutions with more than a certain level of credibility to manage credit risk exposure.

Book value of financial instruments represents the maximum degrees of credit exposures. The maximum degrees of credit exposures as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won and thousands of US dollars (Note 4))

	2014	2013	2014	2013
Current assets				
Cash equivalents	₩ 322,006	₩ 406,769	\$ 292,946	\$ 370,059
Financial instruments assets	196,564	124,540	178,825	113,301
Trade receivables	3,263,114	3,087,670	2,968,626	2,809,016
Other receivables	619,349	659,513	563,454	599,994
Non-current assets				
Financial instruments assets	73,184	13,946	66,579	12,687
Investments in securities ¹	32,233	19,654	29,324	17,880
Long-term receivables	969,635	858,965	882,128	781,446

¹ Among these investments in securities, only debt securities are subject to credit risk management.

In providing financial guarantees, the Group recognized financial guarantee liabilities amounting to ₩ 84,380 million (equivalent to US \$ 76,765 thousand) and ₩ 95,139 million (equivalent to US \$ 86,553 thousand) as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the related maximum credit exposures amount to ₩ 2,825,635 million (equivalent to US \$ 2,570,629 thousand) and ₩ 3,695,043 million (equivalent to US \$ 3,361,575 thousand), respectively.

The Group provides joint and several liability for the assumption of liability resulting from the court receivership processes of the joint construction company, and the maximum amount exposed to credit risk is ₩209,548 million (equivalent to US \$ 190,637 thousand).

Also, the Group provides reciprocal guarantees on contract performance, housing sales and maintenance for domestic construction companies, and its maximum exposure to credit risk is the contractual amount of the Group.

(c) Liquidity Risk

The Group is exposed to liquidity risk and may be unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively.

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The tables below analyse the Group's non-derivatives financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(in millions of
Korean won)

	2014					
	Book value	Cash flow	Residual contractual maturity			
			Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Borrowings	₩ 2,685,673	₩ 2,775,636	₩ 1,509,957	₩ 702,913	₩ 464,794	₩ 97,972
Financial guarantee liabilities	84,380	2,825,635	1,505,664	661,972	253,495	404,504
Trade payables	480,967	480,967	480,967	-	-	-
Other payables	1,124,445	1,124,445	1,124,445	-	-	-
	<u>₩ 4,375,465</u>	<u>₩ 7,206,683</u>	<u>₩ 4,621,033</u>	<u>₩ 1,364,885</u>	<u>₩ 718,289</u>	<u>₩ 502,476</u>

(in thousands of
US dollars (Note 4))

	2014					
	Book value	Cash flow	Residual contractual maturity			
			Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Borrowings	\$ 2,443,298	\$ 2,525,142	\$ 1,373,687	\$ 639,477	\$ 422,848	\$ 89,130
Financial guarantee liabilities	76,765	2,570,630	1,369,782	602,231	230,618	367,999
Trade payables	437,561	437,561	437,561	-	-	-
Other payables	1,022,967	1,022,967	1,022,967	-	-	-
	<u>\$ 3,980,591</u>	<u>\$ 6,556,300</u>	<u>\$ 4,203,997</u>	<u>\$ 1,241,708</u>	<u>\$ 653,466</u>	<u>\$ 457,129</u>

(in millions of
Korean won)

	2013					
	Book value	Cash flow	Residual contractual maturity			
			Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Borrowings	₩ 3,009,747	₩ 3,200,316	₩ 1,663,766	₩ 612,413	₩ 584,450	₩ 339,687
Financial guarantee liabilities	95,139	3,695,043	1,798,237	1,027,157	359,493	510,156
Trade payables	486,496	486,496	486,496	-	-	-
Other payables	1,045,480	1,045,480	1,045,480	-	-	-
	<u>₩ 4,636,862</u>	<u>₩ 8,427,335</u>	<u>₩ 4,993,979</u>	<u>₩ 1,639,570</u>	<u>₩ 943,943</u>	<u>₩ 849,843</u>

(in thousands of
US dollars (Note 4))

	2013					
	Book value	Cash flow	Residual contractual maturity			
			Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Borrowings	\$ 2,738,125	\$ 2,911,495	\$ 1,513,615	\$ 557,144	\$ 531,705	\$ 309,031
Financial guarantee liabilities	86,553	3,361,576	1,635,951	934,459	327,050	464,116
Trade payables	442,591	442,591	442,591	-	-	-
Other payables	951,129	951,128	951,128	-	-	-
	<u>\$ 4,218,398</u>	<u>\$ 7,666,790</u>	<u>\$ 4,543,285</u>	<u>\$ 1,491,603</u>	<u>\$ 858,755</u>	<u>\$ 773,147</u>

The above cash flows are undiscounted, and borrowings include the amount of the coupon.

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Also, the Group provides reciprocal guarantees on contract performance, housing sales and maintenance for domestic construction companies (Note 24).

37.2 Capital risk management

The Group's capital objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and debt-to-equity ratio. Gearing ratio and debt-to-equity ratio are as follows:

<i>(in millions of Korean won and thousands of US dollars (Note 4))</i>	2014	2013	2014	2013
Total borrowings (a)	₩ 2,685,673	₩ 3,009,747	\$ 2,443,298	\$ 2,738,125
Less: cash and cash equivalents (b)	325,690	409,596	296,298	372,631
Net debts (c=a-b)	2,359,983	2,600,151	2,147,000	2,365,494
Total liabilities (d)	7,534,623	7,468,718	6,854,640	6,794,686
Total equity (e)	2,725,595	2,653,595	2,479,618	2,414,114
Total capital (f=c+e)	5,085,578	5,253,746	4,626,618	4,779,608
Gearing ratio (c/f)	46.4%	49.5%	46.4%	49.5%
Debt-to-equity ratio (d/e)	276.4%	281.5%	276.4%	281.5%