

**DAEWOO ENGINEERING &  
CONSTRUCTION CO., LTD. and Subsidiaries**  
Consolidated Financial Statements  
December 31, 2012 and 2011

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Index**  
**December 31, 2012 and 2011**

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## Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and its subsidiaries as of December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea.

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 consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

*Sammil PricewaterhouseCoopers*

Seoul, Korea  
March 19, 2013

This report is effective as of March 19, 2013, 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, 2012 and 2011**

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

	Notes	2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6, 10, 36	₩ 388,440	₩ 713,827	\$ 362,656	\$ 666,443
Financial instrument assets	10, 11, 12, 23, 36	37,015	42,767	34,558	39,928
Trade receivables	7, 8, 10, 34, 36	2,671,793	2,593,441	2,494,438	2,421,287
Other receivables	7, 10, 34, 36	882,046	764,941	823,495	714,164
Advance payments	34	580,555	382,171	542,018	356,802
Prepaid expenses		335,766	354,697	313,478	331,152
Inventories	9, 23	1,426,787	1,015,597	1,332,076	948,181
Assets held for sale	13, 23	394,304	329,171	368,130	307,321
		<u>6,716,706</u>	<u>6,196,612</u>	<u>6,270,849</u>	<u>5,785,278</u>
<b>Non-current assets</b>					
Investments in associates	14, 23, 34	96,290	103,524	89,898	96,652
Financial instrument assets	10, 12, 23, 36	2,051	164,875	1,915	153,930
Investments in securities	10, 11, 23, 34, 36	717,286	732,321	669,672	683,709
Other receivables	7, 8, 10, 34, 36	750,980	645,445	701,130	602,600
Prepaid expenses		31,335	41,089	29,254	38,361
Investment property	17, 23	189,874	192,238	177,270	179,477
Property, plant and equipment	15, 23	697,829	773,858	651,507	722,489
Intangible assets	16, 23	113,627	105,101	106,084	98,124
Deferred income tax assets	32	543,341	513,516	507,274	479,429
		<u>3,142,613</u>	<u>3,271,967</u>	<u>2,934,004</u>	<u>3,054,771</u>
<b>Total assets</b>		<u>₩ 9,859,319</u>	<u>₩ 9,468,579</u>	<u>\$ 9,204,853</u>	<u>\$ 8,840,049</u>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2012 and 2011**

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

	Notes	2012	2011	2012	2011
<b>Liabilities</b>					
<b>Current liabilities</b>					
Financial instrument liabilities	10, 12, 19, 36	₩ 1,380,132	₩ 955,585	\$ 1,288,518	\$ 892,153
Trade payables	10, 34, 36	467,643	687,978	436,601	642,310
Other payables	10, 18, 34, 36	898,399	795,623	838,763	742,809
Advances received	8, 18, 34	1,175,821	1,056,548	1,097,770	986,414
Withholdings	34	129,783	109,637	121,167	102,358
Guarantee deposits received	10, 34	45,591	39,710	42,565	37,074
Income tax payable	31	59,491	41,615	55,542	38,853
		<u>4,156,860</u>	<u>3,686,696</u>	<u>3,880,926</u>	<u>3,441,971</u>
<b>Non-current liabilities</b>					
Financial instruments liabilities	10, 12, 19, 36	1,473,239	1,347,752	1,375,445	1,258,288
Other payables	8,10,18	5,451	5,584	5,089	5,213
Advances received	8,18	433,732	723,155	404,941	675,152
Provisions	21	144,370	117,323	134,787	109,535
Guarantee deposits received	10, 34	48,266	45,158	45,062	42,160
Defined benefit liabilities	20	170,163	130,721	158,868	122,044
Deferred income tax liabilities	32	16,258	-	15,179	-
		<u>2,291,479</u>	<u>2,369,693</u>	<u>2,139,371</u>	<u>2,212,392</u>
<b>Total liabilities</b>		<u>6,448,339</u>	<u>6,056,389</u>	<u>6,020,297</u>	<u>5,654,363</u>
<b>Equity attributable to owners of the Parent Company</b>					
Capital stock	24	2,078,113	2,078,113	1,940,167	1,940,167
Capital surplus	24	548,200	548,200	511,810	511,810
Other components of equity	25	(99,203)	(99,203)	(92,618)	(92,618)
Accumulated other comprehensive income	25	(59,051)	84,611	(55,131)	78,994
Retained earnings	26	885,419	732,396	826,645	683,779
		<u>3,353,478</u>	<u>3,344,117</u>	<u>3,130,873</u>	<u>3,122,132</u>
<b>Non-controlling interest</b>		<u>57,502</u>	<u>68,073</u>	<u>53,683</u>	<u>63,554</u>
<b>Total equity</b>		<u>3,410,980</u>	<u>3,412,190</u>	<u>3,184,556</u>	<u>3,185,686</u>
<b>Total liabilities and equity</b>		<u>₩ 9,859,319</u>	<u>₩ 9,468,579</u>	<u>\$ 9,204,853</u>	<u>\$ 8,840,049</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, 2012 and 2011**

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

	Notes	2012		2011					
<b>Sales</b>	5, 8, 34	₩	8,223,433	₩	7,019,592	\$	7,677,559	\$	6,553,629
<b>Cost of sales</b>	8, 28, 34		<u>7,403,857</u>		<u>6,336,765</u>		<u>6,912,386</u>		<u>5,916,128</u>
<b>Gross profit</b>			819,576		682,827		765,173		637,501
Selling and administrative expenses	28, 29, 34		<u>473,889</u>		<u>385,272</u>		<u>442,432</u>		<u>359,698</u>
<b>Operating income</b>	2, 5		<u>345,687</u>		<u>297,555</u>		<u>322,741</u>		<u>277,803</u>
Income from associates	14		234		2,413		218		2,253
Other income	30, 34		344,037		395,408		321,200		369,161
Other expenses	30, 34		<u>367,923</u>		<u>351,510</u>		<u>343,500</u>		<u>328,177</u>
Financial income	31, 34		41,596		62,118		38,835		57,995
Financial costs	31, 34		<u>135,683</u>		<u>195,967</u>		<u>126,676</u>		<u>182,959</u>
Profit before income tax			227,948		210,017		212,818		196,076
Income tax expense	32		<u>54,919</u>		<u>36,463</u>		<u>51,273</u>		<u>34,043</u>
<b>Profit for the year</b>		₩	<u>173,029</u>	₩	<u>173,554</u>	\$	<u>161,545</u>	\$	<u>162,033</u>
<b>Profit (loss) for the period attributable to:</b>									
Equity holders of the Parent Company			176,902		177,074		165,159		165,320
Non-controlling interest			(3,873)		(3,520)		(3,614)		(3,287)
<b>Earnings per share attributable to the equity holders of the Parent Company during the period</b>	27								
Basic earnings per share		₩	431	₩	431	\$	0.40	\$	0.40
Diluted earnings per share			430		430		0.40		0.40

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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 Comprehensive Income**  
**Years Ended December 31, 2012 and 2011**

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

	Notes	2012	2011	2012	2011
<b>Profit for the year</b>		₩ 173,029	₩ 173,554	\$ 161,545	\$ 162,034
<b>Other comprehensive income (loss)</b>					
Gain (loss) on valuation of available-for-sale financial assets	10, 11, 25	21,202	(79,611)	19,795	(74,325)
Loss on overseas operations translation	25	(148,892)	(18,027)	(139,008)	(16,830)
Actuarial loss on defined benefit liability	20	(23,879)	(20,106)	(22,294)	(18,771)
Other comprehensive income (loss) from associates	25	(13,030)	1,966	(12,165)	1,835
<b>Total comprehensive income for the year</b>		₩ 8,430	₩ 57,776	\$ 7,873	\$ 53,943
<b>Comprehensive income (loss) for the year attributable to:</b>					
Equity holders of the Parent Company		₩ 18,437	₩ 60,889	\$ 17,213	\$ 56,847
Non-controlling interest		(10,007)	(3,113)	(9,342)	(2,904)

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**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2012 and 2011**

(in millions of Korean won)

		Attributable to equity holders of the Parent Company												
				Other	Accumulated									
Notes	Capital	Capital	Components	other	Retained	Non-controlling								
	stock	surplus	of Equity	comprehensive	earnings	interest	Total							
<b>Balance as of January 1, 2011</b>	₩	2,078,113	₩	548,291	₩	(109,827)	₩	180,691	₩	586,081	₩	70,535	₩	3,353,884
<b>Comprehensive income (loss)</b>														
Profit (loss) for the year		-	-	-	-	-	-	177,074	-	(3,520)	-	-	-	173,554
Loss on valuation of available-for-sale financial assets	10,25	-	-	-	-	(79,611)	-	-	-	-	-	-	-	(79,611)
Gain (loss) on overseas operations translation	25	-	-	-	-	(18,435)	-	-	-	408	-	-	-	(18,027)
Actuarial loss on defined benefit liability	20	-	-	-	-	-	-	(20,106)	-	-	-	-	-	(20,106)
Other comprehensive income of associates		-	-	-	-	1,966	-	-	-	-	-	-	-	1,966
<b>Total comprehensive income (loss)</b>		-	-	-	-	(96,080)	-	156,968	-	(3,112)	-	-	-	57,776
<b>Transactions with equity holders of the Parent Company :</b>														
Increase in paid-in capital of the Subsidiaries		-	-	-	-	-	-	-	-	650	-	-	-	650
Transfer from loss on disposal of treasury stock to retained earnings	25	-	-	10,653	-	-	-	(10,653)	-	-	-	-	-	-
Others		-	(91)	(29)	-	-	-	-	-	-	-	-	-	(120)
<b>Total transactions with equity holders of the Parent Company</b>		-	(91)	10,624	-	-	-	(10,653)	-	650	-	-	-	530
<b>Balance as of December 31, 2011</b>	₩	2,078,113	₩	548,200	₩	(99,203)	₩	84,611	₩	732,396	₩	68,073	₩	3,412,190
<b>Balance as of January 1, 2012</b>	₩	2,078,113	₩	548,200	₩	(99,203)	₩	84,611	₩	732,396	₩	68,073	₩	3,412,190
<b>Comprehensive income (loss)</b>														
Profit (loss) for the year		-	-	-	-	-	-	176,902	-	(3,873)	-	-	-	173,029
Gain on valuation of available-for-sale financial assets	10,25	-	-	-	-	21,202	-	-	-	-	-	-	-	21,202
Loss on overseas operations translation	25	-	-	-	-	(142,758)	-	-	-	(6,134)	-	-	-	(148,892)
Actuarial loss on defined benefit liability	20	-	-	-	-	-	-	(23,879)	-	-	-	-	-	(23,879)
Other comprehensive loss of associates		-	-	-	-	(13,030)	-	-	-	-	-	-	-	(13,030)
<b>Total comprehensive income (loss)</b>		-	-	-	-	(134,586)	-	153,023	-	(10,007)	-	-	-	8,430
<b>Transactions with equity holders of the Parent Company :</b>														
Increase in paid-in capital of the Subsidiaries		-	-	-	-	-	-	-	-	1,693	-	-	-	1,693
Changes in scope of subsidiaries		-	-	-	-	(9,076)	-	-	-	(2,257)	-	-	-	(11,333)
<b>Total transactions with equity holders of the Parent Company</b>		-	-	-	-	(9,076)	-	-	-	(564)	-	-	-	(9,640)
<b>Balance as of December 31, 2012</b>	₩	2,078,113	₩	548,200	₩	(99,203)	₩	(59,051)	₩	885,419	₩	57,502	₩	3,410,980

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2012 and 2011**

(in thousands of US dollars (Note 4))

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		
<b>Balance as of January 1, 2011</b>	\$ 1,940,167	\$ 511,895	\$ (102,537)	\$ 168,697	\$ 547,177	\$ 65,853	\$ 3,131,252	
<b>Comprehensive income (loss)</b>								
Profit for the year	-	-	-	-	165,320	(3,286)	162,034	
Loss on valuation of available-for-sale financial assets	10,25	-	-	(74,326)	-	-	(74,326)	
Gain (loss) on overseas operations translation	25	-	-	(17,211)	-	380	(16,831)	
Actuarial loss on defined benefit liability	20	-	-	-	(18,772)	-	(18,772)	
Other comprehensive income of associates	-	-	-	1,834	-	-	1,834	
<b>Total comprehensive income (loss)</b>	-	-	-	(89,703)	146,548	(2,906)	53,939	
<b>Transactions with equity holders of the Parent Company :</b>								
Increase in paid-in capital of the Subsidiaries	-	-	-	-	-	607	607	
Transfer from loss on disposal of treasury stock to retained earnings	25	-	9,946	-	(9,946)	-	-	
Others	-	(85)	(27)	-	-	-	(112)	
<b>Total transactions with equity holders of the Parent Company</b>	-	(85)	9,919	-	(9,946)	607	495	
<b>Balance as of December 31, 2011</b>	\$ 1,940,167	\$ 511,810	\$ (92,618)	\$ 78,994	\$ 683,779	\$ 63,554	\$ 3,185,686	
<b>Balance as of January 1, 2012</b>	\$ 1,940,167	\$ 511,810	\$ (92,618)	\$ 78,994	\$ 683,779	\$ 63,554	\$ 3,185,686	
<b>Comprehensive income (loss)</b>								
Profit (loss) for the year	-	-	-	-	165,159	(3,616)	161,543	
Gain on valuation of available-for-sale financial assets	10,25	-	-	19,795	-	-	19,795	
Loss on overseas operations translation	25	-	-	(133,282)	-	(5,727)	(139,009)	
Actuarial loss on defined benefit liability	20	-	-	-	(22,294)	-	(22,294)	
Other comprehensive loss of associates	-	-	-	(12,165)	-	-	(12,165)	
<b>Total comprehensive income (loss)</b>	-	-	-	(125,652)	142,865	(9,343)	7,870	
<b>Transactions with equity holders of the Parent Company :</b>								
Increase in paid-in capital of the Subsidiaries	-	-	-	-	-	1,581	1,581	
Changes in scope of subsidiaries	-	-	-	(8,474)	-	(2,107)	(10,581)	
<b>Total transactions with equity holders of the Parent Company</b>	-	-	-	(8,474)	-	(526)	(9,000)	
<b>Balance as of December 31, 2012</b>	\$ 1,940,167	\$ 511,810	\$ (92,618)	\$ (55,132)	\$ 826,644	\$ 53,685	\$ 3,184,556	

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**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

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

	Notes	2012		2011	
		₩	₩	\$	\$
<b>Cash flows from operating activities</b>					
Cash generated from operations	35	(1,034,731)	(27,574)	(966,045)	(25,744)
Interest received		43,101	56,262	40,240	52,527
Interest paid		(103,647)	(144,426)	(96,767)	(134,839)
Income tax paid		(56,542)	(2,269)	(52,789)	(2,118)
Dividends received		9,011	11,633	8,413	10,861
<b>Net cash used in operating activities</b>		<b>(1,142,808)</b>	<b>(106,374)</b>	<b>(1,066,948)</b>	<b>(99,313)</b>
<b>Cash flows from investing activities</b>					
Decrease in current financial instrument assets		22,774	33,202	21,262	30,998
Increase in current financial instrument liabilities (derivatives)		87,216	15,047	81,427	14,048
Decrease in current other receivables		186,225	98,449	173,863	91,914
Disposal of assets held for sale		228,142	1,183,328	212,998	1,104,778
Decrease in investments in securities		190,197	151,829	177,572	141,751
Disposal of investments in associates		7,149	202	6,674	189
Decrease in non-current financial instrument assets		162,541	-	151,751	-
Decrease in non-current other receivables		88,428	163,869	82,558	152,991
Disposal of investment property		-	12,009	-	11,212
Disposal of property, plant and equipment		7,058	3,765	6,589	3,515
Net cashflow by acquisition of subsidiaries		-	14,042	-	13,110
Increase in current financial instrument assets		(23,797)	(26,792)	(22,217)	(25,014)
Decrease in current financial instrument liabilities (derivatives)		(277,289)	(7,797)	(258,882)	(7,279)
Increase in current other receivables		(162,831)	(264,721)	(152,022)	(247,149)
Acquisition of investments in securities		(203,821)	(84,739)	(190,291)	(79,114)
Acquisition of investments in associates		(4,946)	(2,754)	(4,618)	(2,571)
Increase in non-current financial instrument assets		-	(42,457)	-	(39,639)
Increase in non-current other receivables		(164,231)	(157,031)	(153,329)	(146,607)
Acquisition of investment property		-	(1,265)	-	(1,181)
Acquisition of property, plant and equipment		(62,725)	(99,481)	(58,561)	(92,877)
Acquisition of intangible assets		(13,527)	(9,117)	(12,629)	(8,512)
<b>Net cash provided by investing activities</b>		<b>66,563</b>	<b>979,588</b>	<b>62,145</b>	<b>914,563</b>
<b>Cash flows from financing activities</b>					
Increase in current financial instrument liabilities		1,585,230	1,355,935	1,480,002	1,265,928
Increase in non-current financial instrument liabilities		762,101	574,092	711,512	535,984
Decrease in current financial instrument liabilities		(1,595,738)	(2,231,741)	(1,489,812)	(2,083,597)
Decrease in non-current financial instrument liabilities		-	(339,702)	-	(317,152)
Others		-	(91)	-	-
<b>Net cash provided by (used in) financing activities</b>		<b>751,593</b>	<b>(641,507)</b>	<b>701,702</b>	<b>(598,837)</b>
<b>Exchange loss on cash and cash equivalents</b>		<b>(735)</b>	<b>(19)</b>	<b>(686)</b>	<b>(18)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(325,387)</b>	<b>231,688</b>	<b>(303,787)</b>	<b>216,395</b>
Cash and cash equivalents at the beginning of year	6	713,827	482,139	666,443	450,048
<b>Cash and cash equivalents at the end of year</b>	6	<b>₩ 388,440</b>	<b>₩ 713,827</b>	<b>\$ 362,656</b>	<b>\$ 666,443</b>

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**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**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 and subsequently became a Kumho Asiana Group company on December 15, 2006. However, KDB Value VI LLC, which is a subsidiary of Korea Development Bank has become the major shareholder of the Parent Company, and the Parent Company was separated from the Kumho Asiana Group on January 6, 2011.

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, 2012 and 2011, are as follows:

	Number of shares		Percentage of ownership (%)	
	2012	2011	2012	2011
KDB Value VI LLC	210,931,209	210,931,209	50.75	50.75
KDB Life Insurance Co., Ltd.	3,250,105	3,250,105	0.78	0.78
Kumho Industrial Co., Ltd.	-	51,042,007	-	12.28
SEBT Investment LLC	51,042,007	-	12.28	-
Kumho Tire Co., Inc.	18,277,029	18,277,029	4.40	4.40
Kumho Petrochemical Co., LTD.	14,621,622	14,621,622	3.52	3.52
Asiana Airlines Inc.	9,138,514	9,138,514	2.20	2.20
Others	108,362,152	108,362,152	26.07	26.07
<b>Total</b>	<b>415,622,638</b>	<b>415,622,638</b>	<b>100.00</b>	<b>100.00</b>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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**General information of the subsidiaries**

The Parent Company's consolidated subsidiaries as of December 31, 2012 and 2011, are as follows:

	Location	Type of business	Ratio of ownership (%)		Year end
			2012	2011	
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
Dogok-dong PFV Co., Ltd. <sup>1</sup>	Korea	Real estate	0.9	0.9	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. <sup>1</sup>	Korea	Real estate	49	49	December 31
Gangdong Project Financing Investment Co.,Ltd.	Korea	Real estate	85	85	December 31
DW AMERICA DEVELT INC. <sup>2</sup>	U.S.A.	Real estate	100	100	December 31
GUILIN DW HOTEL CO.,LTD. <sup>3</sup>	China	Hotel	-	90	December 31
Daewoo Tripoli Investment & Development Co. <sup>2</sup>	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

<sup>1</sup> Although the Parent Company owns less than majority of ownership, the Parent Company is considered holding more than 50% of rights and risks on the entity's residual benefits because the entity operates for the needs of the Parent Company according to a business contract between them. Therefore, this entity is classified as the consolidated subsidiary

<sup>2</sup> The Group prepared its consolidated financial statements based on the un-reviewed financial statements of consolidated subsidiaries and reviewed the reliability of these financial statements.

<sup>3</sup> During current year, this entity was excluded from the consolidation, as it was sold to third party.

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The financial information of consolidated subsidiaries as of and for the years ended December 31, 2012 and 2011, is as follows:

(in millions of Korean won)

	<b>2012</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net Profit (loss)</b>	<b>Comprehensive Income (loss)</b>
DW Steel Tech Co., Ltd.	84,256	38,539	45,717	109,141	886	811
Daewoo Songdo Hotel Co., Ltd.	176,774	128,997	47,777	27,457	(9,825)	(9,980)
Prugio Service Co., Ltd.	8,526	5,406	3,120	38,821	603	115
Dogok-dong PFV Co., Ltd.	225,656	272,020	(46,364)	-	(10,087)	(10,087)
Korea Infrastructure Management Co., Ltd.	4,327	621	3,706	8,871	999	979
Foodream Ltd.	4,460	4,787	(327)	7,752	(277)	-360
Busan Hi Tech Industrial Complex Co., Ltd.	108,619	111,189	(2,570)	-	(2,173)	(2,183)
Gangdong Project Financing Investment Co.,Ltd.	67,732	64,248	3,484	948	(702)	(702)
DW AMERICA DEVEL'TINC.	5,882	14,379	(8,497)	-	(41)	(222)
Daewoo Tripoli Investment & Development Co., Ltd	180,880	35,459	145,421	-	(6,180)	(21,332)
SAIPAN LAULAU DEVELOPMENT,INC.	72,403	21,934	50,469	7,614	(5,483)	(9,526)
THT DEVELOPMENT CO.,LTD	115,536	21,897	93,639	-	(1,615)	(8,870)

(in thousands of US dollars  
(Note 4))

	<b>2012</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net Profit (loss)</b>	<b>Comprehensive Income (loss)</b>
DW Steel Tech Co., Ltd.	\$ 78,663	\$ 35,981	\$ 42,682	\$ 101,896	\$ 827	\$ 757
Daewoo Songdo Hotel Co., Ltd.	165,040	120,434	44,606	25,634	(9,173)	(9,318)
Prugio Service Co., Ltd.	7,960	5,047	2,913	36,244	563	107
Dogok-dong PFV Co., Ltd.	210,677	253,963	(43,286)	-	(9,417)	(9,417)
Korea Infrastructure Management Co., Ltd.	4,040	580	3,460	8,282	933	914
Foodream Ltd.	4,164	4,469	(305)	7,237	(259)	(336)
Busan Hi Tech Industrial Complex Co., Ltd.	101,409	103,808	(2,399)	-	(2,029)	(2,038)
Gangdong Project Financing Investment Co.,Ltd.	63,236	59,983	3,253	885	(655)	(655)
DW AMERICA DEVEL'TINC.	5,492	13,425	(7,933)	-	(38)	207
Daewoo Tripoli Investment & Development Co., Ltd	168,873	33,105	135,768	-	(5,770)	(19,916)
SAIPAN LAULAU DEVELOPMENT,INC.	67,597	20,478	47,119	7,109	(5,119)	(8,894)
THT DEVELOPMENT CO.,LTD	107,867	20,443	87,423	-	(1,508)	(8,281)

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(in millions of Korean won)

	<b>2011</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net Profit (loss)</b>	<b>Comprehensive Income (loss)</b>
DW Steel Tech Co., Ltd.	112,017	67,112	44,905	128,552	2,556	2,469
Daewoo Songdo Hotel Co., Ltd.	182,028	124,271	57,757	24,017	(11,871)	(11,944)
Prugio Service Co., Ltd.	8,827	5,620	3,207	31,942	292	435
Dogok-dong PFV Co., Ltd.	186,404	222,680	(36,276)	-	(18,587)	(18,587)
Korea Infrastructure Management Co., Ltd.	3,358	631	2,727	8,522	1,686	1,663
Foodream Ltd.	1,017	984	33	829	(467)	(467)
Busan Hi Tech Industrial Complex Co., Ltd.	78,894	79,280	(386)	-	(1,386)	(1,386)
Gangdong Project Financing Investment Co.,Ltd.	46,147	41,961	4,186	-	(785)	(785)
DW AMERICA DEVEL'T INC.	6,106	14,825	(8,719)	-	(5,698)	(5,302)
GUILIN DW HOTEL CO.,LTD.	50,214	23,152	27,062	13,401	49	(1,393)
Daewoo Tripoli Investment & Development Co.,Ltd	189,878	27,358	162,520	-	(8,087)	(17,743)
SAIPAN LAULAU DEVELOPMENT,INC.	81,546	22,221	59,325	6,799	(4,315)	(3,191)
THT DEVELOPMENT CO.,LTD	126,112	23,603	102,509	-	(115)	2,217

(in thousands of US dollars  
(Note 4))

	<b>2011</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net Profit (loss)</b>	<b>Comprehensive Income (loss)</b>
DW Steel Tech Co., Ltd.	\$ 104,581	\$ 62,657	\$ 41,924	\$ 120,019	\$ 2,386	\$ 2,305
Daewoo Songdo Hotel Co., Ltd.	169,945	116,022	53,923	22,423	(11,083)	(11,151)
Prugio Service Co., Ltd.	8,241	5,247	2,994	29,822	273	406
Dogok-dong PFV Co., Ltd.	174,030	207,898	(33,868)	-	(17,353)	(17,353)
Korea Infrastructure Management Co., Ltd.	3,135	589	2,546	7,956	1,574	1,553
Foodream Ltd.	949	919	31	774	(436)	(436)
Busan Hi Tech Industrial Complex Co., Ltd.	73,657	74,017	(360)	-	(1,294)	(1,294)
Gangdong Project Financing Investment Co.,Ltd.	43,084	39,176	3,908	-	(733)	(733)
DW AMERICA DEVEL'T INC.	5,701	13,841	(8,140)	-	(5,320)	(4,950)
GUILIN DW HOTEL CO.,LTD.	46,881	21,615	25,266	12,511	46	(1,301)
Daewoo Tripoli Investment & Development Co.,Ltd	177,274	25,542	151,732	-	(7,550)	(16,565)
SAIPAN LAULAU DEVELOPMENT,INC.	76,133	20,746	55,387	6,348	(4,029)	(2,979)
THT DEVELOPMENT CO.,LTD	117,741	22,036	95,704	-	(107)	2,070

No subsidiary was newly included in the consolidation for the year ended December 31, 2012. .  
 GUILIN DW HOTEL CO.,LTD was excluded from the consolidation as it was sold to third party.

# DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

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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 Group's consolidated financial statements for the annual period beginning on January 1, 2011, 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 changed its accounting policy to present the operating income after deducting cost of sales, and selling and administrative expenses from revenue, in accordance with the amendment of Korean IFRS 1001, Presentation of Financial Statements.

The Group applies the accounting policy retroactively in accordance with the amended standards and the comparative consolidated statement of the income is restated by reflecting adjustments resulting from the retrospective application. As a result of the changes in the accounting policy, other income and expenses of 246,943 million, equivalent to US \$ 230,551 thousand, and 292,246 million, equivalent to US \$ 272,847 thousand, respectively, for the year ended December 31, 2012 (2011: 314,012, equivalent to US \$ 302,504 thousand and 289,707 million, equivalent to US \$ 270,476 thousand, respectively), which include gain on disposal of property, plant and equipment, gain on disposal of investments in securities, gain on disposal of assets held for sale and others, classified as operating income under the previous standard, were excluded from operating income. Consequently, operating income for the years ended December 31, 2012

## **DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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and 2011, was higher by 45,303 million, equivalent to US \$ 42,296 thousand, and lower by 24,305 million, equivalent to US \$ 22,692 thousand, respectively, as compared to the amounts under the previous standard. However, there is no material impact on net income and earnings per share for the years ended December 31, 2012 and 2011.

#### *(b) New standards and interpretations not yet adopted*

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012, and not early adopted by the Group are as follows:

#### - Amendment of Korean IFRS 1001, Presentation of Financial Statements

Korean-IFRS 1001, Presentation of Financial Statements, requires other comprehensive income items to be presented into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The Group expects that the application of this amendment would not have a material impact on its consolidated financial statements.

#### - Amendments to Korean IFRS 1019, Employee Benefits

According to the amendments to Korean IFRS 1019, Employee Benefits, the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense (income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities (assets). This amendment will be effective for annual periods beginning on or after January 1, 2013, and the Group is assessing the impact of application of the amended Korean IFRS 1019 on its consolidated financial statements.

#### - Enactment of Korean IFRS 1113, Fair Value Measurement

Korean IFRS 1113, Fair Value Measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRSs. This amendment will be effective for annual periods beginning on or after January 1, 2013, and the Group expects that the application of this enactment would not have a material impact on its consolidated financial statements.

#### - Enactment of Korean IFRS 1110, Consolidated Financial Statements

Korean IFRS 1110, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the

# **DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**

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ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Group is reviewing the impact of this standard.

#### - Enactment of Korean IFRS 1111, Joint Arrangements

Korean IFRS 1111, Joint Arrangements, aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement and account for their interest in the joint venture using the equity method. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Group is reviewing the impact of this standard.

#### - Enactment of Korean IFRS 1112, Disclosures of Interests in Other Entities

Korean IFRS 1112, Disclosures of Interests in Other Entities, provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Group is reviewing the impact of this standard.

### **Consolidation**

The Group has prepared the consolidated financial statements in accordance with Korean IFRS1027, Consolidated and Separate Financial Statements.

#### *(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent Company controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies and others. Subsidiaries are fully consolidated from the date on which control is transferred to the parent Company. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the parent Company. The consideration transferred includes the fair value of

# DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries

## Notes to Consolidated Financial Statements

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any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with Korean IFRS 1039, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. 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.

Intercompany transactions, balances, income and expenses on transactions between the Group companies are eliminated. Unrealized losses are also eliminated after recognizing impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income (except for revaluation surplus) are reclassified to profit or loss (revaluation surplus is reclassified to retained earnings).

#### *(d) Associates*

Associates are all entities over which the Group has significant influence but not control, generally

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accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'impairment losses on investments in associates' as part of other expenses in the statement of income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the statements income.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). 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.

**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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the statement of income within 'other income and expenses, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

*(c) Translation into the presentation currency*

The results and financial position of the foreign branches and all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

The exchange differences arising from the translation of the net investment in foreign operations and borrowings or other currency instruments designated as hedges of such investments are taken to other comprehensive income. When the Parent Company disposes of the foreign operations or ceases to control the subsidiary, exchange differences that were recorded in other comprehensive income are recognized in the statements of income as part of the 'other income and expenses'.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are presented in functional currency of the foreign entity and translated at the closing rate.

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#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in banks, and other short-term highly liquid investments with original maturities of less than three months.

#### Financial instruments

##### *(a) Classification*

The Group classifies its financial assets in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and the nature of the instruments. Management determines the classification of its financial instruments at initial recognition.

##### i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives that are not subject to hedge accounting and financial instruments having embedded derivatives are also included in this category. Financial assets and liabilities at fair value through profit or loss of the Group is classified as financial instrument asset and financial instrument liabilities.

##### ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'financial instrument assets', 'trade receivables' and 'other financial assets'.

##### iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless maturities are less than 12 months or management intends to dispose of them within 12 months after the end of the reporting period.

##### iv) Financial liabilities measured at amortized cost

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantees contracts and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'financial instrument liabilities', 'trade payables' and 'other payables' in the statement of financial position. In case when a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognized as asset and the consideration received is recognized as financial liabilities. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

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*(b) Recognition and Measurement*

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. 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.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the statement of income within 'other income and expenses' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are reported in the statement of income as 'other income and expenses'.

Interest on available-for-sale calculated using the effective interest method is recognized in the statement of income as part of 'financial income'. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of 'other income' when the Group's right to receive dividend payments is established.

*(c) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

*(d) Derecognition*

Financial assets are derecognized when the contractual rights to receive cash from the investments have expired or have been transferred, and the Group has substantially transferred all risks and rewards of ownership or when the risk and rewards of ownership of transferred assets have not been substantially retained or transferred and the Group has not retained control over these assets.

**Impairment of financial assets**

*(a) Assets carried at amortized cost*

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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss

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include:

- Significant financial difficulty of the issuer or obligor;
- Delinquency in interest or principal payments for more than three months;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will undergo bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
  - (i) adverse changes in the payment status of borrowers in the portfolio
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the statement of income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the Group may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of income.

*(b) Assets classified as available-for-sale*

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. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as

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available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of income.

**Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in 'other income and expenses'.

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes and movement on the hedging reserve in other comprehensive income are disclosed in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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.

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.

**Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts.

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**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. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

**Assets (or disposal group) held for sale**

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. They are stated at the lower of carrying amount and fair value less costs to sell.

**Property, plant and equipment**

All property, plant and equipment are stated at historical cost or deemed cost less depreciation and accumulated impairment loss. Historical cost or deemed cost include expenditures directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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	6 years
Machinery	4 - 5 years
Vehicles	4 years
Tools	4 years
Furniture and fixtures	4 years
Other	2 - 6 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income and expenses' in the statements of income.

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**Intangible assets**

*(a) Goodwill*

Goodwill is measured as explained in Note 2.2(1) and goodwill arising from the acquisition of subsidiaries, associates and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

*(b) Usage rights and software*

Intangible assets are shown at historical cost. Usage rights excluding trademark rights and software have a finite useful life and are carried at cost less accumulated amortisation. Intangible asset are amortized using the straight-line method over the following estimated useful lives when the asset is available for use.

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

*(c) Membership rights and trademark rights*

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**

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

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Land held for investment is not depreciated. Investment property, except for land, is depreciated using the straight-line method over their estimated useful lives of 40 years.

The depreciation method, the residual value and the useful life of an asset are reviewed at least at each financial year end and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income and expenses' in the statements of income.

The fair value of investment property disclosed in Note 17 reflects market conditions at the end of the reporting period, with adjustment that reflects specific asset's characteristics, condition and location. The book value for financial reporting purpose is determined based on the evaluation of the investment property by an independent valuer, who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in loss in the period in which they are incurred.

#### **Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. At each reporting date, 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 its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill or intangible assets with an indefinite useful life that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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#### **Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument.

Financial guarantees 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 'Provisions'.

- 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.

#### **Borrowings (Financial instrument liabilities)**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statements of income over the period of the borrowings using the effective interest method.

The Group recognizes borrowing as current liabilities unless it has an unconditional right to delay its settlement for at least 12 months after the reporting date.

#### **Current and deferred income tax**

The tax expense for the period consists of current and deferred tax. Tax is recognized 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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 income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable

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profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 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.

### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. Provisions shall not be recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognized as an interest expense.

Provision for construction warranty is accrued for the estimated costs of future warranty claims over the warranty periods based on historical experience. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as litigation and other in the consolidated financial statement.

### **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 the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit liability 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 that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they

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arise. Past service costs are recognized immediately in the statements of income, while costs are amortized over the vesting period.

#### **Share capital**

All common shares are classified as shareholders' equity.

Where any Group company purchases the Parent Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity attributable to Parent the Company's equity holders.

#### **Construction contracts**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets in accordance with Korean IFRS 1011, Construction Contracts.

Contract costs shall be recognized as an expense in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue shall be recognized only to the extent of contract costs incurred that it is probable will be recoverable. When the outcome of a construction contract can be estimated reliably, contract revenue shall be recognized as income by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included in the contract revenue if a contractor and a customer may agree on the variations or claims and can be estimated reliably.

When any expected excess of total contract costs over total contract revenue for the contract, expected losses on the construction contract shall be recognized as an expense immediately.

The Group recognizes revenue and expenses by reference to the stage of completion of a contract. The stage of completion of a contract is applied each construction contract and determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Payments made to subcontractors in advance of work performed under the subcontract excludes when the stage of completion is determined. The payments are represented inventories, advance payments or other assets on the financial statements.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which the costs incurred, plus recognized profits and less recognized losses, exceed progress billings.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed the costs incurred plus recognized profits and less recognized losses.

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**Revenue recognition (except for construction contracts)**

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, after eliminating transactions within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, 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 estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*(a) Sales of goods*

Sales of goods are recognized when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Meanwhile, the Group recognizes revenue and expenses in relation to sales of apartment houses by reference to the stage of completion of a contract by Korean Accounting Institute Inquiry Reply '2011-I-KQA'. This accounting treatment is in effect only under the Korean IFRS.

*(b) 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 hotel and resort business, revenue such as charge for rooms, food, drinks and service is recognized in the period the service is rendered.

*(c) 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.

*(d) Dividend income*

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

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (less incentive received from the lessor) are charged to the statements of income on a straight-line basis over the period of the lease.

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#### **Dividend distribution**

Dividend distribution to the shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

#### **Approval of issuance of the consolidated financial statements**

The issuance of the December 31, 2012 consolidated financial statements of the Company was approved by the Board of Directors on March 14, 2013.

### **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.

#### **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. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### **Provisions**

The Group recognizes provisions for construction warranties and litigation as of the reporting date as described in Note 2.21. The amounts are estimated based on historical data.

#### **Defined benefit liability**

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these

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assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 20.

**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. 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: 1,071.1, the exchange rate in effect on December 31, 2012. 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 2011 U.S. dollar amounts, which were previously expressed at US \$ 1: 1,153.3, the rate in effect on December 31, 2011, have been restated to reflect the exchange rate in effect on December 31, 2012.

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**5. Segment information**

Since the plant segment was divided into power plant segment and oil & gas plant segment during the year ended December 31, 2012, the Group has six major operation segments: civil works, architectural construction, housing, power plant, oil & gas plant and others. The segments of the Group are strategic business divisions providing different products and services.

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

<b>Segment</b>	<b>Business</b>
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 plant	Energy-related plant construction such as nuclear power plant, thermal power plant and IPP (EPCC).
Oil & gas plant	Petrochemical plant construction such as oil & gas, refinery and LNG (EPCC).
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, 2012 and 2011, is as follows:

*(in millions of Korean won)*

	2012						Total
	Civil works	Architectural construction	Housing	Power plant	Oil & Gas Plant	Others	
Sales	1,359,567	1,640,784	1,478,612	1,834,311	1,825,228	84,931	8,223,433
Operating income (loss)	19,821	43,257	59,649	108,292	124,959	(10,291)	345,687
- Depreciation	11,872	1,921	377	4,338	11,017	16,084	45,609
- Amortization	215	165	203	73	67	4,880	5,603

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

	2012						Total
	Civil works	Architectural construction	Housing	Power plant	Oil & Gas Plant	Others	
Sales	\$ 1,269,318	\$ 1,531,868	\$ 1,380,461	\$ 1,712,549	\$ 1,704,069	\$ 79,294	\$ 7,677,559
Operating income (loss)	18,505	40,386	55,689	101,104	116,664	(9,607)	322,741
- Depreciation	11,084	1,793	352	4,050	10,286	15,016	42,581
- Amortization	201	154	190	68	63	4,555	5,231

*(in millions of Korean won)*

	2011						Total
	Civil works	Architectural construction	Housing	Power plant	Oil & Gas Plant	Others	
Sales	1,812,111	1,309,462	1,293,421	858,026	1,676,849	69,723	7,019,592
Operating income (loss)	24,043	76,704	96,762	(22,959)	175,105	(52,100)	297,555
- Depreciation	14,238	2,716	311	4,055	12,219	20,573	54,112
- Amortization	99	82	95	39	36	4,940	5,231

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

	2011						Total
	Civil works	Architectural construction	Housing	Power plant	Oil & Gas Plant	Others	
Sales	\$ 1,691,822	\$ 1,222,539	\$ 1,207,563	\$ 801,070	\$ 1,565,539	\$ 65,096	\$ 6,553,629
Operating income (loss)	22,447	71,612	90,339	(21,435)	163,481	(48,641)	277,803
- Depreciation	13,293	2,536	290	3,786	11,408	19,207	50,520
- Amortization	92	77	89	36	34	4,612	4,940

Since the plant segment was divided into power plant segment and oil & gas plant segment during the year ended December 31, 2012, segment information by each business segment for the year ended December 31, 2011, was restated based on business segments as of December 31, 2012.

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

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Sales by geographic areas for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Korea	4,768,249	4,495,999	\$ 4,451,731	\$ 4,197,553
Middle East	1,852,826	915,811	1,729,835	855,019
Asia	291,502	204,411	272,152	190,842
Africa	1,310,856	1,400,794	1,223,841	1,307,809
Others	-	2,577	-	2,406
<b>Total</b>	<b>8,223,433</b>	<b>7,019,592</b>	<b>\$ 7,677,559</b>	<b>\$ 6,553,629</b>

There is no external customer attributing to more than 10% of sales for the years ended December 31, 2012 and 2011.

Details of sales for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Construction contracts revenue	7,792,848	6,778,338	\$ 7,275,556	\$ 6,328,390
Sales of real estate	325,452	107,424	303,848	100,293
Other revenue	105,133	133,830	98,155	124,946
<b>Total</b>	<b>8,223,433</b>	<b>7,019,592</b>	<b>\$ 7,677,559</b>	<b>\$ 6,553,629</b>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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**6. Cash and cash equivalents**

Cash and cash equivalents as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Cash	1,913	5,647	\$ 1,787	\$ 5,272
Cash equivalents	386,527	708,180	360,869	661,171
<b>Total</b>	<b>388,440</b>	<b>713,827</b>	<b>\$ 362,656</b>	<b>\$ 666,443</b>

The Group's cash and cash equivalents on the statements of financial position are the same as the cash and cash equivalents in the statements of cash flows.

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**7. Trade and other receivables**

Trade and other receivables, net of allowance for doubtful accounts, as of December 31, 2012, and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			2011		
	Original amount <sup>1</sup>	Less : allowance for doubtful accounts	Carrying amount	Original amount <sup>1</sup>	Less : allowance for doubtful accounts	Carrying amount
<b>Current</b>						
Trade receivables	2,999,336	327,543	2,671,793	2,901,972	308,531	2,593,441
Other receivables						
Non-trade receivables	1,095,078	311,741	783,337	907,213	280,509	626,704
Accrued income	18,008	811	17,197	43,808	25,044	18,764
Loans	169,222	87,710	81,512	203,015	83,542	119,473
	<u>1,282,308</u>	<u>400,262</u>	<u>882,046</u>	<u>1,154,036</u>	<u>389,095</u>	<u>764,941</u>
<b>Total</b>	<u>4,281,644</u>	<u>727,805</u>	<u>3,553,839</u>	<u>4,056,008</u>	<u>697,626</u>	<u>3,358,382</u>
<b>Non-current</b>						
Other receivables						
Long-term non-trade receivables	271,281	51,985	219,296	270,706	55,690	215,016
Long-term loans	513,041	98,798	414,243	419,750	105,509	314,241
Long-term accrued income	78	-	78	3,009	-	3,009
Deposits	117,715	352	117,363	113,226	47	113,179
<b>Total</b>	<u>902,115</u>	<u>151,135</u>	<u>750,980</u>	<u>806,691</u>	<u>161,246</u>	<u>645,445</u>
<i>(in thousands of US dollars (Note 4))</i>						
		2012			2011	
		Less :			Less :	
	Original amount <sup>1</sup>	allowance for doubtful accounts	Carrying amount	Original amount <sup>1</sup>	allowance for doubtful accounts	Carrying amount
<b>Current</b>						
Trade receivables	\$ 2,800,239	\$ 305,801	\$ 2,494,438	\$ 2,709,338	\$ 288,051	\$ 2,421,287
Other receivables						
Non-trade receivables	1,022,386	291,047	731,339	846,992	261,888	585,104
Accrued income	16,813	756	16,055	40,900	23,382	17,518
Loans	157,989	81,888	76,101	189,539	77,997	111,542
	<u>1,197,188</u>	<u>373,691</u>	<u>823,495</u>	<u>1,077,431</u>	<u>363,267</u>	<u>714,164</u>
<b>Total</b>	<u>\$ 3,997,427</u>	<u>\$ 679,492</u>	<u>\$ 3,317,933</u>	<u>\$ 3,786,769</u>	<u>\$ 651,318</u>	<u>\$ 3,135,451</u>
<b>Non-current</b>						
Other receivables						
Long-term non-trade receivables	\$ 253,273	\$ 48,534	\$ 204,739	\$ 252,736	\$ 51,993	\$ 200,743
Long-term loans	478,985	92,240	386,745	391,887	98,505	293,382
Long-term accrued income	73	-	73	2,809	-	2,809
Deposits	109,901	329	109,573	105,711	44	105,666
<b>Total</b>	<u>\$ 842,232</u>	<u>\$ 141,103</u>	<u>\$ 701,130</u>	<u>\$ 753,143</u>	<u>\$ 150,542</u>	<u>\$ 602,600</u>

<sup>1</sup> Net of present value discount.

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The aging analyses of trade and other receivables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			2011		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term <sup>2</sup>		Short-term	Long-term <sup>2</sup>
Up to 1 year	2,097,441	693,253	76,126	1,858,202	542,207	104,446
1 year to 2 years	283,882	74,889	151,713	406,360	130,255	149,019
Over 2 years	149,903	91,105	272,783	87,999	46,987	211,337
Impaired Present value discount	468,110	423,061	302,780	549,411	434,587	252,333
	-	-	(19,002)	-	-	(23,670)
<b>Total</b>	<b>2,999,336</b>	<b>1,282,308</b>	<b>784,400</b>	<b>2,901,972</b>	<b>1,154,036</b>	<b>693,465</b>

<i>(in thousands of US dollars (Note 4))</i>	2012			2011		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term <sup>2</sup>		Short-term	Long-term <sup>2</sup>
Up to 1 year	\$ 1,958,212	\$ 647,235	\$ 71,073	\$ 1,734,854	\$ 506,215	\$ 97,513
1 year to 2 years	265,038	69,918	141,642	379,386	121,609	139,127
Over 2 years	139,952	85,057	254,676	82,158	43,868	197,309
Impaired Present value discount	437,037	394,978	282,681	512,940	405,739	235,583
	-	-	(17,741)	-	-	(22,099)
<b>Total</b>	<b>\$ 2,800,239</b>	<b>\$ 1,197,188</b>	<b>\$ 732,331</b>	<b>\$ 2,709,338</b>	<b>\$ 1,077,431</b>	<b>\$ 647,433</b>

<sup>2</sup> Deposits are excluded.

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Changes in the bad debts allowance for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012			2011		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term		Short-term	Long-term
<b>Beginning balance</b>	308,531	389,095	161,246	270,264	315,902	162,616
Additions	88,668	91,762	2,609	50,352	34,212	9,002
Reversals	(12,722)	(19,456)	(8,571)	(19,729)	(13,487)	(1,891)
Write-off	(32,297)	(43,420)	(500)	(290)	(4,357)	-
Others <sup>3</sup>	(24,637)	(17,719)	(3,649)	7,934	56,825	(8,481)
<b>Ending balance</b>	<u>327,543</u>	<u>400,262</u>	<u>151,135</u>	<u>308,531</u>	<u>389,095</u>	<u>161,246</u>

<sup>3</sup> Others consist of the decrease of receivables and the gain (loss) on foreign exchange translation.

(in thousands of US dollars (Note4))

	2012			2011		
	Trade receivables	Other receivables		Trade receivables	Other receivables	
		Short-term	Long-term		Short-term	Long-term
<b>Beginning balance</b>	\$ 288,051	\$ 363,267	\$ 150,542	\$ 252,324	\$ 294,932	\$ 151,821
Additions	82,782	85,671	2,436	47,010	31,941	8,404
Reversals	(11,878)	(18,165)	(8,002)	(18,419)	(12,592)	(1,765)
Write-off	(30,153)	(40,538)	(467)	(271)	(4,068)	-
Others <sup>3</sup>	(23,001)	(16,544)	(3,406)	7,407	53,054	(7,918)
<b>Ending balance</b>	<u>\$ 305,801</u>	<u>\$ 373,691</u>	<u>\$ 141,103</u>	<u>\$ 288,051</u>	<u>\$ 363,267</u>	<u>\$ 150,542</u>

<sup>3</sup> Others consist of reclassification from financial guarantee liabilities, the recovery of written off receivables and the gain (loss) on foreign exchange translation.

The fair values of trade and other receivables are equal to their book values.

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**8. Construction Contracts**

The Group's contract balances and the related sales recognized for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>Beginning</b>	<b>Net contract increase<sup>1</sup></b>	<b>Sales recognized<sup>2,3</sup></b>	<b>Ending</b>
Civil works	7,163,065	1,406,313	1,352,509	7,216,869
Architectural works	5,819,601	2,749,986	1,637,265	6,932,322
Housing	18,022,465	1,563,003	1,448,975	18,136,493
Power plant	3,895,692	1,187,085	1,834,140	3,248,637
Oil & Gas Plant	2,452,553	2,303,997	1,825,228	2,931,322
<b>Total</b>	<b>37,353,376</b>	<b>9,210,384</b>	<b>8,098,117</b>	<b>38,465,643</b>

<i>(in thousands of US dollars (Note 4))</i>	<b>Beginning</b>	<b>Net contract increase<sup>1</sup></b>	<b>Sales recognized<sup>2,3</sup></b>	<b>Ending</b>
Civil works	\$ 6,687,578	\$ 1,312,961	\$ 1,262,729	\$ 6,737,810
Architectural works	5,433,294	2,567,441	1,528,583	6,472,152
Housing	16,826,127	1,459,250	1,352,792	16,932,585
Power plant	3,637,095	1,108,286	1,712,389	3,032,992
Oil & Gas Plant	2,289,752	2,151,057	1,704,069	2,736,740
<b>Total</b>	<b>\$ 34,873,846</b>	<b>\$ 8,598,995</b>	<b>\$ 7,560,562</b>	<b>\$ 35,912,279</b>

<sup>1</sup> Total increase and decrease in the contracts amount to ₩ 12,996,099 million (equivalent to US \$ 12,133,413 thousand) and ₩ 3,785,715 million (equivalent to US \$ 3,534,418 thousand), respectively, for the year ended December 31, 2012.

<sup>2</sup> The above sales recognized include sales of real estate of ₩ 305,269 million (equivalent to US \$ 285,006 thousand).

<sup>3</sup> The sales include sales of real estate of ₩ 20,183 million (equivalent to US \$ 18,842 thousand) and other sales of ₩ 105,133 million (equivalent to US \$ 98,155 thousand), other than the above sales recognized.

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Details of cumulative sales, income and others per segment as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	<b>2012</b>				
	<b>Cumulative sales</b>	<b>Cumulative cost</b>	<b>Cumulative income</b>	<b>Advances</b>	<b>Construction deposits<sup>1</sup></b>
Civil works	4,083,232	3,920,457	162,775	149,931	7,980
Architectural works	2,183,047	2,004,939	178,108	148,554	72,218
Housing	1,532,912	1,396,908	136,004	124,763	-
Power plant	4,792,836	4,450,258	342,578	117,887	23,274
Oil & Gas Plant	5,642,941	4,976,259	666,682	75,953	46,966
<b>Total</b>	<b>18,234,968</b>	<b>16,748,821</b>	<b>1,486,147</b>	<b>617,088</b>	<b>150,438</b>

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

	<b>2012</b>				
	<b>Cumulative sales</b>	<b>Cumulative cost</b>	<b>Cumulative income</b>	<b>Advances</b>	<b>Construction deposits<sup>1</sup></b>
Civil works	\$ 3,812,186	\$ 3,660,216	\$ 151,970	\$ 139,979	\$ 7,450
Architectural works	2,038,135	1,871,850	166,285	138,693	67,424
Housing	1,431,157	1,304,181	126,976	116,481	-
Power plant	4,474,686	4,154,848	319,838	110,062	21,729
Oil & Gas Plant	5,268,360	4,645,933	622,427	70,911	43,848
<b>Total</b>	<b>\$ 17,024,524</b>	<b>\$ 15,637,028</b>	<b>\$ 1,387,496</b>	<b>\$ 576,126</b>	<b>\$ 140,451</b>

*(in millions of Korean won)*

	<b>2011</b>				
	<b>Cumulative sales</b>	<b>Cumulative cost</b>	<b>Cumulative income</b>	<b>Advances</b>	<b>Construction deposits<sup>1</sup></b>
Civil works	5,570,319	5,464,825	105,494	114,635	8,592
Architectural works	1,427,445	1,322,745	104,700	160,850	48,152
Housing	1,179,772	1,097,616	82,156	48,333	-
Power plant	3,088,996	2,917,378	171,618	214,365	24,960
Oil & Gas Plant	4,387,308	3,944,545	442,763	165,729	31,942
<b>Total</b>	<b>15,653,840</b>	<b>14,747,109</b>	<b>906,731</b>	<b>703,912</b>	<b>113,646</b>

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

	<b>2011</b>				
	<b>Cumulative sales</b>	<b>Cumulative cost</b>	<b>Cumulative income</b>	<b>Advances</b>	<b>Construction deposits<sup>1</sup></b>
Civil works	\$ 5,200,559	\$ 5,102,068	\$ 98,491	\$ 107,025	\$ 8,022
Architectural works	1,332,692	1,234,941	97,751	150,173	44,956
Housing	1,101,458	1,024,756	76,702	45,125	-
Power plant	2,883,947	2,723,721	160,226	200,135	23,303
Oil & Gas Plant	4,096,077	3,682,705	413,372	154,728	29,822
<b>Total</b>	<b>\$ 14,614,733</b>	<b>\$ 13,768,191</b>	<b>\$ 846,542</b>	<b>\$ 657,186</b>	<b>\$ 106,103</b>

<sup>1</sup> 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, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	2012		2011	
	Due from customers <sup>1</sup>	Due to customers <sup>1</sup>	Due from customers <sup>1</sup>	Due to customers <sup>1</sup>
Civil works	298,469	134,750	299,408	152,929
Architectural works	161,855	50,657	265,385	70,260
Housing	375,344	92,140	366,153	66,825
Power plant	72,230	386,819	287,292	310,038
Oil & Gas Plant	394,770	94,716	133,859	150,642
<b>Total</b>	<b>1,302,668</b>	<b>759,082</b>	<b>1,352,097</b>	<b>750,694</b>

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

	2012		2011	
	Due from customers <sup>1</sup>	Due to customers <sup>1</sup>	Due from customers <sup>1</sup>	Due to customers <sup>1</sup>
Civil works	\$ 278,657	\$ 125,805	\$ 279,533	\$ 142,778
Architectural works	151,111	47,294	247,769	65,596
Housing	350,429	86,024	341,848	62,389
Power plant	67,435	361,142	268,221	289,458
Oil & Gas Plant	368,565	88,429	124,973	140,642
<b>Total</b>	<b>\$ 1,216,197</b>	<b>\$ 708,694</b>	<b>\$ 1,262,344</b>	<b>\$ 700,863</b>

<sup>1</sup> 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, 2012, and 2011, are as follows:

	<b>2012</b>			
	<b>Won (millions)</b>	<b>Share of the Group</b>		<b>Lead company</b>
		<b>U.S. dollars (thousands) (Note 4)</b>	<b>Percentage</b>	
Gimpo Pungmu City Development site	701,925	\$ 655,331	50.0%	the Group
Shinwolsung Nuclear Power Station site	561,367	524,103	51.0%	the Group
Sosa Wonsi Railroad Project site	471,445	440,150	34.3%	the Group
Guri-Pocheon highway site	404,988	378,105	35.0%	the Group
Algeria Boughzoul new town site	308,110	287,658	50.4%	the Group
Ahyeon redevelopment site III	281,044	262,388	48.8%	Samsung C&T
Wolsung Nuclear Environment Management Center First step site	262,861	245,412	55.0%	the Group
Ansan 37 block apartment construction site	246,580	230,212	90.0%	the Group
East Hongcheon-Yangyang highway site	242,951	226,824	50.0%	the Group
Garorim Tidal Power Plant site	211,059	197,049	27.0%	POSCO E&C
Suwon-Incheon Double Track subway site VI	174,755	163,155	80.0%	the Group
Samcheok green power plant I ,II site	169,837	158,563	50.0%	the Group
Wooi-Shinsul LRT site	146,633	136,899	20.1%	POSCO E&C
Honam express line site I - I	142,327	132,879	49.0%	SK E&C
Songdo 11-1 site reclaiming work site	139,320	130,072	60.0%	the Group
Double Track subway site linked from Ulsan to Pohang	134,647	125,709	49.0%	Daelim Industrial
Yeocheon industrial complex site	128,343	119,824	96.0%	the Group
Seoul metro 703 site	126,077	117,708	68.0%	the Group
New Bundang Line(Railroad) Double Track subway site	124,499	116,235	11.0%	Doosan E&C
Pyeongtak-Siheung highway site	119,675	111,731	17.0%	Hanhwa E&C
Yeongcheon-Sangju highway	115,380	107,721	61.0%	Daelim Industrial
East Hongcheon-Yangyang highway site	112,866	105,374	85.0%	the Group
Suwon-Gwangmyeong highway	110,969	103,603	11.3%	Korea Development
Gyewoongsang Busan highway site	107,392	100,263	80.0%	the Group
Sihwa industrial complexes site	107,056	99,950	40.0%	Hyundai E&C
Sam Cheok LNG Receiving Terminal site	105,315	98,324	20.0%	Doosan Heavy I&C
Yongin detour highway site	104,934	97,968	80.0%	the Group
Anseong Combined Sewer BTL	102,554	95,746	52.0%	the Group
Other 100 sites	5,001,775	4,669,756		
<b>Total</b>	<b>10,966,684</b>	<b>\$ 10,238,712</b>		

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	2011			
	Share of the Group			Lead company
	Won (millions)	U.S. dollars (thousands) (Note 4)	Percentage	
Shinwolsung Nuclear Power Station site	540,625	\$ 468,764	51.0%	
Song Do global high-rise residential building site	385,022	333,844	70.0%	the Group
Algeria Boughzoul new town site	310,905	269,579	50.0%	the Group
Songdo North East Asia Trade Tower (Songdo NEATT) site	273,469	237,119	70.0%	the Group
Pakistan Patrind hydro power site	267,734	232,146	80.0%	the Group
Gwangkyo New City Power Center Development Project Financing	252,265	218,733	22.7%	the Group
Wolsung Nuclear Environment Management Center First step site	249,725	216,531	55.0%	the Group
High-rise residential apartment sales broker officer site in Buwondong, kimhae	181,583	157,446	80.0%	the Group
Icheon-si site	176,065	152,662	50.0%	the Group
Songdo 11-1 site reclaiming work site	139,320	120,801	60.0%	the Group
PyeongTaek LNG Receiving Terminal site	134,094	116,270	51.0%	the Group
Haengbok city first village T/K construction site	133,746	115,968	55.0%	the Group
Double Track subway site II linked from Ulsan to Busan	132,392	114,794	49.0%	Daelim Industrial
Yeocheon industrial complex site II	128,109	111,080	96.0%	the Group
Seoul metro 703 site	127,000	110,119	68.0%	the Group
Gyeongchun Line(Railroad) site VIII	126,936	110,063	72.2%	the Group
New Bundang Line(Railroad) Double Track subway site	119,253	103,402	11.0%	Doosan E & C
Pyeongtak-Siheung highway site II	114,389	99,184	17.0%	Hanwha E & C
Gyeongbuk provincial government building site	111,090	96,324	50.0%	the Group
Yeongcheon-Sangju highway	110,450	95,769	7.5%	Daelim Industrial
Songdo street mall site	108,776	94,317	37.9%	the Group
Sihwa industrial complexes site I	108,371	93,966	40.0%	Hyundai E & C
Suwon-Gwangmyeong highway	107,042	92,814	11.3%	Korea Development
East Hongcheon-Yangyang highway site IX	106,300	92,170	85.0%	the Group
Gwargmyeong-Station Terminal Complex site	105,356	91,352	47.5%	the Group
Sam Cheok LNG Receiving Terminal site	102,258	88,666	20.0%	Doosan Heavy I&C
Gyewoongsang Busan highway site II	101,594	88,090	80.0%	the Group
Yongin detour highway site	100,002	86,709	80.0%	the Group
Other 139 sites	6,312,171	5,473,139		
<b>Total</b>	<b>11,166,042</b>	<b>\$ 9,681,821</b>		

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**9. Inventories**

Inventories as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land held for development	710,380	499,673	\$ 663,225	\$ 466,505
Finished housing	20,861	22,931	19,476	21,409
Valuation allowance	-	(139)	-	(130)
Merchandise	1,037	1,371	968	1,280
Valuation allowance	(64)	(69)	(60)	(64)
Raw materials	207,517	157,836	193,742	147,359
Supplies	5,309	6,555	4,957	6,120
Materials-in-transit	156,070	166,914	145,710	155,834
Temporary materials	42,174	37,118	39,374	34,654
Unfinished construction	284,796	123,407	265,891	115,214
Valuation allowance	(1,293)	-	(1,207)	-
<b>Total</b>	<u>1,426,787</u>	<u>1,015,597</u>	<u>\$ 1,332,076</u>	<u>\$ 948,181</u>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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**10. Financial instruments by category**

Categorizations of financial assets as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012				Total
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale	
<b>Current</b>					
Cash and cash equivalents	-	388,440	-	-	388,440
Financial instrument assets	-	28,550	6,113	2,352	37,015
Trade receivables <sup>1</sup>	-	1,379,182	-	-	1,379,182
Other receivables	-	882,046	-	-	882,046
	-	2,678,218	6,113	2,352	2,686,683
<b>Non-current</b>					
Financial instrument assets	-	2,051	-	-	2,051
Investment in securities	-	-	-	717,286	717,286
Other receivables	-	750,980	-	-	750,980
	-	753,031	-	717,286	1,470,317
<b>Total</b>	-	3,431,249	6,113	719,638	4,157,000

(in thousands of US dollars (Note 4))

	2012				Total
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale	
<b>Current</b>					
Cash and cash equivalents	\$ -	\$ 362,656	\$ -	\$ -	\$ 362,656
Financial instrument assets	-	26,655	5,707	2,196	34,558
Trade receivables <sup>1</sup>	-	1,287,631	-	-	1,287,631
Other receivables	-	823,495	-	-	823,495
	-	2,500,437	5,707	2,196	2,508,340
<b>Non-current</b>					
Financial instrument assets	-	1,915	-	-	1,915
Investment in securities	-	-	-	669,672	669,672
Other receivables	-	701,130	-	-	701,130
	-	703,045	-	669,672	1,372,717
<b>Total</b>	\$ -	\$ 3,203,482	\$ 5,707	\$ 671,868	\$ 3,881,057

<sup>1</sup> As of December 31, 2012, the gross amount due from customers for contract work included in the trade receivables amounting to 1,302,668 million (equivalent to US \$ 1,216,197 thousand) has been excluded. The gross amount due from customers for contract work less allowance for doubtful accounts is 1,292,611 million (equivalent to US \$ 1,206,807 thousand).

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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(in millions of Korean won)

	2011				Total
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale	
<b>Current</b>					
Cash and cash equivalents	-	713,827	-	-	713,827
Financial instrument assets	-	27,528	1,891	13,348	42,767
Trade receivables <sup>1</sup>	-	1,256,453	-	-	1,256,453
Other receivables	-	764,941	-	-	764,941
	-	2,762,749	1,891	13,348	2,777,988
<b>Non-current</b>					
Financial instrument assets	-	164,592	283	-	164,875
Investment in securities	-	-	-	732,321	732,321
Other receivables	-	645,445	-	-	645,445
	-	810,037	283	732,321	1,542,641
<b>Total</b>	-	3,572,786	2,174	745,669	4,320,629

(in thousands of US dollars (Note 4))

	2011				Total
	Assets at fair value through profit or loss	Loans and receivables	Derivative instruments used for hedging purposes	Assets classified as available-for-sale	
<b>Current</b>					
Cash and cash equivalents	\$ -	\$ 666,443	\$ -	\$ -	\$ 666,443
Financial instrument assets	-	25,701	1,765	12,462	39,928
Trade receivables <sup>1</sup>	-	1,173,049	-	-	1,173,049
Other receivables	-	714,164	-	-	714,164
	-	2,579,357	1,765	12,462	2,593,584
<b>Non-current</b>					
Financial instrument assets	-	153,666	264	-	153,930
Investment in securities	-	-	-	683,709	683,709
Other receivables	-	602,600	-	-	602,600
	-	756,266	264	683,709	1,440,239
<b>Total</b>	\$ -	\$ 3,335,623	\$ 2,029	\$ 696,171	\$ 4,033,823

<sup>2</sup> As of December 31, 2011, the gross amount due from customers for contract work included in the trade receivables amounting to 1,352,097 million (equivalent to US \$ 1,262,344 thousand) has been excluded. The amount due from customers for contract work less allowance for doubtful accounts is 1,336,988 million (equivalent to US \$ 1,248,238 thousand).

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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Categorizations of financial liabilities as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	<b>2012</b>			
	<b>Liabilities at fair value through profit or loss</b>	<b>Other financial liabilities</b>	<b>Derivative instruments used for hedging purposes</b>	<b>Total</b>
<b>Current</b>				
Financial instrument liabilities	38	1,373,981	6,113	1,380,132
Trade payables	-	467,643	-	467,643
Other payables	-	898,399	-	898,399
Guarantee deposits received	-	45,591	-	45,591
	<u>38</u>	<u>2,785,614</u>	<u>6,113</u>	<u>2,791,765</u>
<b>Non-current</b>				
Financial instrument liabilities	-	1,473,239	-	1,473,239
Other payables	-	5,451	-	5,451
Guarantee deposits received	-	48,266	-	48,266
	<u>-</u>	<u>1,526,956</u>	<u>-</u>	<u>1,526,956</u>
<b>Total</b>	<u>38</u>	<u>4,312,570</u>	<u>6,113</u>	<u>4,318,721</u>

(in thousands of US dollars (Note 4))

	<b>2012</b>			
	<b>Liabilities at fair value through profit or loss</b>	<b>Other financial liabilities</b>	<b>Derivative instruments used for hedging purposes</b>	<b>Total</b>
<b>Current</b>				
Financial instrument liabilities	\$ 35	\$ 1,282,776	\$ 5,707	\$ 1,288,518
Trade payables	-	436,601	-	436,601
Other payables	-	838,763	-	838,763
Guarantee deposits received	-	42,565	-	42,565
	<u>35</u>	<u>2,600,705</u>	<u>5,707</u>	<u>2,606,447</u>
<b>Non-current</b>				
Financial instrument liabilities	-	1,375,445	-	1,375,445
Other payables	-	5,089	-	5,089
Guarantee deposits received	-	45,062	-	45,062
	<u>-</u>	<u>1,425,596</u>	<u>-</u>	<u>1,425,596</u>
<b>Total</b>	<u>\$ 35</u>	<u>\$ 4,026,301</u>	<u>\$ 5,707</u>	<u>\$ 4,032,043</u>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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(in millions of Korean won)

	2011			
	Liabilities at fair value through profit or loss	Other financial liabilities	Derivative instruments used for hedging purposes	Total
<b>Current</b>				
Financial instrument liabilities	198,033	755,661	1,891	955,585
Trade payables	-	687,978	-	687,978
Other payables	-	795,623	-	795,623
Guarantee deposits received	-	39,710	-	39,710
	<u>198,033</u>	<u>2,278,972</u>	<u>1,891</u>	<u>2,478,896</u>
<b>Non-current</b>				
Financial instrument liabilities	38	1,347,431	283	1,347,752
Other payables	-	5,584	-	5,584
Guarantee deposits received	-	45,158	-	45,158
	<u>38</u>	<u>1,398,173</u>	<u>283</u>	<u>1,398,494</u>
<b>Total</b>	<u>198,071</u>	<u>3,677,145</u>	<u>2,174</u>	<u>3,877,390</u>

(in thousands of US dollars (Note 4))

	2011			
	Liabilities at fair value through profit or loss	Other financial liabilities	Derivative instruments used for hedging purposes	Total
<b>Current</b>				
Financial instrument liabilities	\$ 184,887	\$ 705,501	\$ 1,765	\$ 892,153
Trade payables	-	642,310	-	642,310
Other payables	-	742,809	-	742,809
Guarantee deposits received	-	37,074	-	37,074
	<u>184,887</u>	<u>2,127,694</u>	<u>1,765</u>	<u>2,314,346</u>
<b>Non-current</b>				
Financial instrument liabilities	35	1,257,989	264	1,258,288
Other payables	-	5,213	-	5,213
Guarantee deposits received	-	42,160	-	42,160
	<u>35</u>	<u>1,305,362</u>	<u>264</u>	<u>1,305,661</u>
<b>Total</b>	<u>\$ 184,922</u>	<u>\$ 3,433,056</u>	<u>\$ 2,029</u>	<u>\$ 3,620,007</u>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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Gain and loss of financial instruments by category for years ended December 31, 2012 and 2011, are as follows:

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

	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
<b>Available-for-sale financial assets</b>				
Gain (loss) on valuation (Other comprehensive income(loss))	21,202	(79,611)	\$ 19,795	\$ (74,326)
Interest income	1,958	1,587	1,828	1,482
Dividend income	568	797	530	744
Gain (loss) on disposal of investment in securities, net	36,662	98,827	34,228	92,267
Impairment losses on investments in securities	(44,095)	(44,355)	(41,168)	(41,411)
<b>Trade and other receivables</b>				
Interest income	39,638	60,531	37,007	56,513
Gain (loss) on foreign currency translation, net	(9,602)	5,588	(8,965)	5,217
Bad debts expense, net	(137,240)	(56,743)	(128,130)	(52,976)
<b>Assets and liabilities at fair value through profit or loss</b>				
Loss on valuation of derivatives	-	(33,225)	-	(31,020)
Gain on valuation of derivatives	17,909	15,104	16,720	14,101
Loss on transactions of derivatives	(335)	(8,026)	(313)	(7,492)
<b>Derivative instruments used for hedging purposes</b>				
Gain on valuation of derivatives	339	-	316	-
Loss on valuation of derivatives	(6,057)	(2,174)	(5,655)	(2,030)
Gain on transactions of derivatives	58	-	54	-
Loss on transactions of derivatives	(7,780)	-	(7,264)	-
Gain on valuation of firm commitment	13,838	2,174	12,919	2,030
Loss on valuation of firm commitment	(453)	-	(423)	-
<b>Other financial liabilities</b>				
Interest expense	129,379	174,560	120,790	162,973
Gain (loss) on foreign currency translation, net	21,739	(10,760)	20,296	(10,046)

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**11. Available-for-sale financial assets**

Available-for-sale financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Government and municipal bonds <sup>1</sup>	10,015	57,885	\$ 9,350	\$ 54,043
Debt securities	4,701	7,846	4,389	7,325
Equity securities	<u>704,922</u>	<u>679,938</u>	<u>658,129</u>	<u>634,803</u>
	719,638	745,669	671,868	696,171
Less : Current portion	<u>2,352</u>	<u>13,348</u>	<u>2,196</u>	<u>12,462</u>
<b>Non-current portion</b>	<u><b>717,286</b></u>	<u><b>732,321</b></u>	<u><b>\$ 669,672</b></u>	<u><b>\$ 683,709</b></u>

<sup>1</sup>Of 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, 2012 and 2011, are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note 4))</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Beginning balance</b>	745,669	732,989	\$ 696,171	\$ 684,333
Additions	203,821	84,739	190,291	79,114
Disposals	(206,610)	(64,912)	(192,895)	(60,603)
Reclassification	(7,119)	141,580	(6,646)	132,182
Evaluation	18,491	(24,332)	17,264	(22,717)
Net gain (loss) transfer from equity	9,481	(80,040)	8,851	(74,727)
Impairment	<u>(44,095)</u>	<u>(44,355)</u>	<u>(41,168)</u>	<u>(41,411)</u>
<b>Ending balance</b>	<u><b>719,638</b></u>	<u><b>745,669</b></u>	<u><b>\$ 671,868</b></u>	<u><b>\$ 696,171</b></u>

**DAEWOO ENGINEERING & CONSTRUCTION CO., LTD. and Subsidiaries**  
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Equity securities as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012			2011	
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
<b>Marketable equity securities</b>					
Korean Express Co., Ltd	1,215,291	5.33	126,390	122,137	91,147
SUNGJEE CONSTRUCTION CO.,LTD	347	-	5	2	5
BYUCKSAN E&C Co., Ltd <sup>1</sup>	221,328	1.93	7,746	1,107	-
DONGYANG ENGINEERING & CONSTRUCTION CORP. <sup>1</sup>	5,746	-	29	16	-
<b>Subtotal</b>			<b>134,170</b>	<b>123,262</b>	<b>91,152</b>
<b>Unmarketable equity securities</b>					
Hyundai I Park Mall Co., Ltd. <sup>2</sup>	320,000	0.88	1,600	1	1
Jeju International Convention Center Co., Ltd. <sup>2</sup>	1,089,522	3.27	4,788	4,788	4,788
Shinchon Station Building Co., Ltd. <sup>2</sup>	183,000	17.94	915	915	915
GK Marine Load Co., Ltd. <sup>2,3</sup>	37,366,000	43.45	186,830	186,830	186,830
Ulsan New Port Container Terminal Co., Ltd. <sup>2</sup>	1,542,300	14.55	7,712	7,712	7,712
Eulsukdo Bridge <sup>2</sup>	3,156,000	15.00	15,780	15,780	15,780
Kyongsoo Highway Co., Ltd. <sup>2</sup>	3,400,320	10.30	17,002	17,002	17,002
The Third Kyongin Highway Co., Ltd. <sup>4</sup>	-	-	-	-	24,727
Shinbundang Railroad Co., Ltd. <sup>2</sup>	4,122,000	10.00	20,610	20,610	20,610
Login Gim Hae Lespo Town Ltd. <sup>2</sup>	80,000	5.00	400	400	400
Green Kimhae Enviro Co., Ltd. <sup>2</sup>	100,775	5.00	504	504	504
Chungjung Sangju Co., Ltd. <sup>2</sup>	70,552	4.00	353	353	353
Green Asan Enviro Co., Ltd. <sup>2</sup>	69,390	3.70	347	347	347
Green Yeosu Enviro Co., Ltd. <sup>2</sup>	84,567	9.00	423	423	423
Green Dangjin Enviro Co., Ltd. <sup>2</sup>	27,505	2.80	138	138	138
Green Jeju Enviro Co., Ltd. <sup>2</sup>	30,626	3.00	153	153	175
Green Gunsan Enviro Co., Ltd. <sup>2</sup>	59,842	3.50	299	299	299
Green Ansong Enviro Co., Ltd. <sup>2,3</sup>	1,514,624	64.00	7,573	7,573	7,573
Green Jangryang Enviro Co., Ltd. <sup>2</sup>	194,280	15.00	971	971	971
Wooi-Shinsul LRT Co., Ltd. <sup>2,3</sup>	1,880,706	22.28	9,404	9,404	3,397
Yeongcheon-Sangju Expressway Co., Ltd. <sup>2</sup>	1,434,750	8.76	7,174	7,174	296
Second Seohaean Expressway Co., Ltd. <sup>2</sup>	932,200	3.84	4,661	4,661	4,661
Garorim Tidal Power Plant Co., Ltd. <sup>2</sup>	1,105,731	13.77	5,529	5,529	5,529
Yonsei International Student Residence Hall Management Co., Ltd. <sup>2</sup>	5,600	1.01	28	28	28
Seoul Northern Highway Co., Ltd. <sup>2,3</sup>	7,008,400	35.00	35,042	35,042	1,204
Seoul-Moonsan Highway Co., Ltd. <sup>2</sup>	166,887	15.82	834	834	690
Gayah Railroad Co., Ltd. <sup>2</sup>	305,490	3.43	1,527	1,527	1,527
Green Han River Town Co., Ltd. <sup>2</sup>	9,116	0.40	46	46	42
Erail Co., Ltd. <sup>2,3</sup>	1,044,488	22.89	5,222	5,222	5,222
Green Jecheon Enviro Co., Ltd. <sup>2,3</sup>	328,071	20.78	1,640	1,640	1,640
Eunpyeong Saegil Co., Ltd. <sup>2,3</sup>	221,680	32.60	1,108	1,108	945
Ocean Culture Co., Ltd. <sup>2</sup>	442,431	6.02	2,212	2,212	232
Ganghwa Tidal Power Plant Co., Ltd. <sup>2,3</sup>	4,600	46.00	23	23	23

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(in millions of Korean won)

	2012				2011
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
Chonmasan tunnel Co., Ltd. <sup>2,3</sup>	1,103,000	50.00	5,515	5,515	1,034
The Green Town Co., Ltd. <sup>2</sup>	117,920	12.40	590	590	590
New Seoul Railroad Co., Ltd. <sup>2,3</sup>	202,922	22.20	659	659	2
Gyeonggi rail Co., Ltd. <sup>2</sup>	495,000	11.00	2,475	2,475	2,475
BUGOK ENVIRONMENT CO. LTD. <sup>2,3</sup>	201,400	100.00	1,007	1,007	1,007
Wonju Green Co. Ltd. <sup>2</sup>	226,376	14.36	1,132	1,132	10
P-WATERS CO. Ltd. <sup>2</sup>	72,288	7.15	361	361	200
EIGHTCITY <sup>2,3</sup>	300,000	23.80	1,500	1,500	1,500
Ulsan clean environment Co., Ltd. <sup>2,3</sup>	376,752	24.00	1,884	1,884	-
Neulpureun Paju-Yangju Co., Ltd. <sup>2</sup>	41,687	3.80	208	208	-
Neulpureun Goyang Co., Ltd. <sup>2</sup>	39,250	11.00	196	196	-
Korea Housing Guarantee <sup>5</sup>	2,527,445	0.39	53,901	21,008	20,328
Techno Village Co., Ltd. <sup>2</sup>	56,000	3.38	280	280	280
Daewoo Motor Co., Ltd. <sup>2</sup>	150,795	0.17	-	-	-
Kiwoom Investment Co., Ltd. <sup>2</sup>	51,000	0.57	255	255	255
Smart City Asset Management Co., Ltd. <sup>2</sup>	10,200	17.00	51	51	51
Smart City Co., Ltd. <sup>2</sup>	1,819,625	19.23	9,098	9,098	9,098
Neo Trans Co., Ltd. <sup>2</sup>	2,858	14.29	14	14	14
Hanryuwood Co., Ltd. <sup>2</sup>	280,000	7.00	2,800	1	1
M.Ciety Development Co., Ltd. <sup>2</sup>	448,800	4.33	2,244	2,244	2,244
M.Ciety Co., Ltd. <sup>2</sup>	2,640	4.40	13	13	13
Gwangmyeong-Station Terminal Complex Co., Ltd. <sup>2</sup>	98,000	16.33	490	490	490
Arena Park Development Inc. <sup>2</sup>	442,200	10.05	2,211	2,211	2,211
A Park Development Inc. <sup>2</sup>	6,030	10.05	30	30	30
Posco Engineering Co.,Ltd. (and Daewoo Engineering Co.,Ltd.) <sup>5</sup>	325,517	3.26	25,380	19,188	25,395
Bichae-Nuri Development Co., Ltd. <sup>2</sup>	657,800	11.50	3,289	3,289	3,289
Bichae-Nuri Co.,Ltd. <sup>2</sup>	11,500	11.50	58	58	58
Chung-Ju Technopolis Co., Ltd. <sup>2</sup>	150,000	15.00	1,500	1,500	1,500
Pyeongtaek, South Korea and China Tech Valley Co.,Ltd. <sup>2</sup>	191,000	19.10	955	955	955
Chun-An Hermeca Development Co., Ltd. <sup>2,6</sup>	1,500,000	15.00	7,500	-	7,500
Flossom Co., Ltd. <sup>2</sup>	429,000	5.00	2,145	2,145	2,145
Econhill Development Asset Management Co., Ltd. <sup>2</sup>	5,832,992	16.82	29,165	29,165	29,165
Seoul Lite Tower Co., Ltd. <sup>2,7</sup>	5,148,983	10.64	25,745	17,317	25,745
Seoul Lite Tower Asset Management Co., Ltd. <sup>2</sup>	14,500	14.50	73	73	73
SHINSUNG Engineering & Construction Co., Ltd. <sup>1,2</sup>	2,642	0.02	13	13	13
KYUNGHEEUniv. Development Co., Ltd. <sup>2</sup>	170	17.00	2	2	2
Gimpo golden valley4 PFV co.,Ltd. <sup>2</sup>	100,000	10.00	500	500	500
RAINTREEPM CO. Ltd. <sup>2</sup>	20,000	3.57	100	100	100
C&WOOBANG CORP. <sup>2</sup>	989	-	5	5	5
KDS Hydro Pte.Ltd. <sup>8</sup>	-	-	-	-	6,189
Gyeongsan knowledge industry development Co., Ltd. <sup>2,3</sup>	200,000	80.00	1,000	1,000	-

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(in millions of Korean won)

	2012				2011
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
Songsan Industrial complex <sup>2</sup>	32,300	19.00	380	380	-
Yulchon 2 Industrial Complex Development Inc. <sup>2,3</sup>	320,000	40.00	1,600	1,600	-
HYUNJIN CO.LTD <sup>2</sup>	2,909	-	15	15	-
Miraesamsong Project Co., Ltd <sup>2,3</sup>	100,000	10.00	500	500	-
Miraesamsong asset management co., Ltd <sup>2</sup>	398	20.00	2	2	-
Incheon Art Center <sup>2</sup>	78,000	19.50	390	390	-
Korea Construction Financial Cooperative <sup>9</sup>	45,862	1.21	46,746	63,300	62,372
Information and Communication Financial cooperative <sup>2</sup>	1,171	0.03	1,030	1,030	1,030
Electronic Contractors' Financial Cooperative <sup>2</sup>	300	-	50	50	50
Information and Communication Financial Cooperative <sup>2</sup>	520	-	66	66	66
Engineering Financial Cooperative <sup>2</sup>	115	-	10	10	10
Korea Electric Engineers Association <sup>2</sup>	200	-	20	20	20
Deinse anonymous association <sup>2</sup>	-	-	6,303	6,303	6,303
GM Daewoo Auto & Technology Co., Ltd. <sup>2</sup>	-	-	249	249	503
Potato Ltd. <sup>10</sup>	-	-	290	-	300
KB Sosa Wonsi Railroad Project Private Special Assets <sup>2</sup>	-	100.00	5,162	5,162	4,621
Eugene Green Housing 1st Private Real-estate Trust, <sup>11</sup>	-	100.00	24,154	4,910	16,547
Eugene Green Housing 2nd Private Real-estate Trust, <sup>11</sup>	-	100.00	39,500	4,554	6,676
Meritiz Happy Housing Private Real-estate Trust 1st <sup>11</sup>	-	100.00	66,096	14,117	18,325
Meritiz Happy Housing Private Real-estate Trust 2nd <sup>11</sup>	-	100.00	15,023	1,848	3,029
KB Housing 1st Private Real-estate Trust <sup>11</sup>	-	100.00	30,455	-	10
KIAMCO Road Investment Fund I <sup>2</sup>	-	100.00	11,373	11,373	9,473
<b>Subtotal</b>			<b>774,606</b>	<b>581,660</b>	<b>588,786</b>
<b>Total</b>			<b>908,776</b>	<b>704,922</b>	<b>679,938</b>

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	2012				2011
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
<b>Marketable equity securities</b>					
Korean Express Co., Ltd	1,215,291	5.33	\$ 118,000	\$ 114,029	\$ 85,096
SUNGJEE CONSTRUCTION CO.,LTD	347	-	5	2	5
BYUCKSAN E&C Co., Ltd <sup>1</sup>	221,328	1.93	7,232	1,034	-
DONGYANG ENGINEERING & CONSTRUCTION CORP. <sup>1</sup>	5,746	-	27	15	-
<b>Subtotal</b>			<u>125,264</u>	<u>115,080</u>	<u>85,101</u>
<b>Unmarketable equity securities</b>					
Hyundai I Park Mall Co., Ltd. <sup>2</sup>	320,000	0.88	1,494	1	1
Jeju International Convention Center Co., Ltd. <sup>2</sup>	1,089,522	3.27	4,470	4,470	4,470
Shinchon Station Building Co., Ltd. <sup>2</sup>	183,000	17.94	854	854	854
GK Marine Load Co., Ltd. <sup>2,3</sup>	37,366,000	43.45	174,428	174,428	174,428
Ulsan New Port Container Terminal Co., Ltd. <sup>2</sup>	1,542,300	14.55	7,200	7,200	7,200
Eulsukdo Bridge <sup>2</sup>	3,156,000	15.00	14,733	14,733	14,733
Kyongsoo Highway Co., Ltd. <sup>2</sup>	3,400,320	10.30	15,873	15,873	15,873
The Third Kyongin Highway Co., Ltd. <sup>4</sup>	-	-	-	-	23,086
Shinbundang Railroad Co., Ltd. <sup>2</sup>	4,122,000	10.00	19,242	19,242	19,242
Login Gim Hae Lespo Town Ltd. <sup>2</sup>	80,000	5.00	373	373	373
Green Kimhae Enviro Co., Ltd. <sup>2</sup>	100,775	5.00	471	471	471
Chungjung Sangju Co., Ltd. <sup>2</sup>	70,552	4.00	330	330	330
Green Asan Enviro Co., Ltd. <sup>2</sup>	69,390	3.70	324	324	324
Green Yeosu Enviro Co., Ltd. <sup>2</sup>	84,567	9.00	395	395	395
Green Dangjin Enviro Co., Ltd. <sup>2</sup>	27,505	2.80	129	129	129
Green Jeju Enviro Co., Ltd. <sup>2</sup>	30,626	3.00	143	143	163
Green Gunsan Enviro Co., Ltd. <sup>2</sup>	59,842	3.50	279	279	279
Green Ansung Enviro Co., Ltd. <sup>2,3</sup>	1,514,624	64.00	7,070	7,070	7,070
Green Jangryang Enviro Co., Ltd. <sup>2</sup>	194,280	15.00	907	907	907
Wooi-Shinsul LRT Co., Ltd. <sup>2,3</sup>	1,880,706	22.28	8,780	8,780	3,172
Yeongcheon-Sangju Expressway Co., Ltd. <sup>2</sup>	1,434,750	8.76	6,698	6,698	276
Second Seohaean Expressway Co., Ltd. <sup>2</sup>	932,200	3.84	4,352	4,352	4,352
Garorim Tidal Power Plant Co., Ltd. <sup>2</sup>	1,105,731	13.77	5,162	5,162	5,162
Yonsei International Student Residence Hall Management Co., Ltd. <sup>2</sup>	5,600	1.01	26	26	26
Seoul Northern Highway Co., Ltd. <sup>2,3</sup>	7,008,400	35.00	32,716	32,716	1,124
Seoul-Moonsan Highway Co., Ltd. <sup>2</sup>	166,887	15.82	779	779	644
Gayah Railroad Co., Ltd. <sup>2</sup>	305,490	3.43	1,426	1,426	1,426
Green Han River Town Co., Ltd. <sup>2</sup>	9,116	0.40	43	43	39
Erail Co., Ltd. <sup>2,3</sup>	1,044,488	22.89	4,875	4,875	4,875
Green Jecheon Enviro Co., Ltd. <sup>2,3</sup>	328,071	20.78	1,531	1,531	1,531
Eunpyeong Saegil Co., Ltd. <sup>2,3</sup>	221,680	32.60	1,034	1,034	882
Ocean Culture Co., Ltd. <sup>2</sup>	442,431	6.02	2,065	2,065	217
Ganghwa Tidal Power Plant Co., Ltd. <sup>2,3</sup>	4,600	46.00	21	21	21
Chonmasan tunnel Co., Ltd. <sup>2,3</sup>	1,103,000	50.00	5,149	5,149	965
The Green Town Co., Ltd. <sup>2</sup>	117,920	12.40	551	551	551

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	2012				2011
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
New Seoul Railroad Co., Ltd. <sup>2,3</sup>	202,922	22.20	615	615	2
Gyeonggi rail Co., Ltd <sup>2</sup>	495,000	11.00	2,311	2,311	2,311
BUGOK ENVIRONMENT CO. LTD. <sup>2,3</sup>	201,400	100.00	940	940	940
Wonju Green Co. Ltd <sup>2</sup>	226,376	14.36	1,057	1,057	9
P-WATERS CO. Ltd <sup>2</sup>	72,288	7.15	337	337	187
EIGHTCITY <sup>2,3</sup>	300,000	23.80	1,400	1,400	1,400
Ulsan clean environment Co., Ltd <sup>2,3</sup>	376,752	24.00	1,759	1,759	-
Neulpureun Paju-Yangju Co., Ltd <sup>2</sup>	41,687	3.80	194	194	-
Neulpureun Goyang Co., Ltd <sup>2</sup>	39,250	11.00	183	183	-
Korea Housing Guarantee <sup>5</sup>	2,527,445	0.39	50,323	19,613	18,979
Techno Village Co., Ltd. <sup>2</sup>	56,000	3.38	261	261	261
Daewoo Motor Co., Ltd. <sup>2</sup>	150,795	0.17	-	-	-
Kiwoom Investment Co., Ltd. <sup>2</sup>	51,000	0.57	238	238	238
Smart City Asset Management Co., Ltd <sup>2</sup>	10,200	17.00	48	48	48
Smart City Co., Ltd. <sup>2</sup>	1,819,625	19.23	8,494	8,494	8,494
Neo Trans Co., Ltd. <sup>2</sup>	2,858	14.29	13	13	13
Hanryuwood Co., Ltd. <sup>2</sup>	280,000	7.00	2,614	1	1
M.Ciety Development Co., Ltd. <sup>2</sup>	448,800	4.33	2,095	2,095	2,095
M.Ciety Co., Ltd. <sup>2</sup>	2,640	4.40	12	12	12
Gwangmyeong-Station Terminal Complex Co., Ltd. <sup>2</sup>	98,000	16.33	457	457	457
Arena Park Development Inc. <sup>2</sup>	442,200	10.05	2,064	2,064	2,064
A Park Development Inc. <sup>2</sup>	6,030	10.05	28	28	28
Posco Engineering Co.,Ltd. ( and Daewoo Engineering Co.,Ltd.) <sup>5</sup>	325,517	3.26	23,695	17,914	23,709
Bichae-Nuri Development Co., Ltd. <sup>2</sup>	657,800	11.50	3,071	3,071	3,071
Bichae-Nuri Co.,Ltd. <sup>2</sup>	11,500	11.50	54	54	54
Chung-Ju Technopolis Co., Ltd. <sup>2</sup>	150,000	15.00	1,400	1,400	1,400
Pyeongtaek, South Korea and China Tech Valley Co.,Ltd. <sup>2</sup>	191,000	19.10	892	892	892
Chun-An Hermeca Development Co., Ltd. <sup>2,6</sup>	1,500,000	15.00	7,002	-	7,002
Flossom Co., Ltd. <sup>2</sup>	429,000	5.00	2,003	2,003	2,003
Econhill Development Asset Management Co., Ltd. <sup>2</sup>	5,832,992	16.82	27,229	27,229	27,229
Seoul Lite Tower Co., Ltd. <sup>2,7</sup>	5,148,983	10.64	24,036	16,167	24,036
Seoul Lite Tower Asset Management Co., Ltd. <sup>2</sup>	14,500	14.50	68	68	68
SHINSUNG Engineering & Construction Co., Ltd. <sup>1,2</sup>	2,642	0.02	12	12	12
KYUNGHEE Univ. Development Co., Ltd. <sup>2</sup>	170	17.00	2	2	2
Gimpo golden valley4 PFV co.,Ltd. <sup>2</sup>	100,000	10.00	467	467	467
RAINTREEPM CO. Ltd <sup>2</sup>	20,000	3.57	93	93	93
C&WOOBANG CORP <sup>2</sup>	989	-	5	5	5
KDS Hydro Pte.Ltd. <sup>8</sup>	-	-	-	-	5,778
Gyeongsan knowledge industry development Co., Ltd <sup>2,3</sup>	200,000	80.00	934	934	-
Songsan Industrial complex <sup>2</sup>	32,300	19.00	355	355	-
Yulchon 2 Industrial Complex Development Inc. <sup>2,3</sup>	320,000	40.00	1,494	1,494	-

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	2012				2011
	Number of shares	Ratio of ownership (%)	Acquisition Cost	Book Value	Book Value
HYUNJIN CO.LTD <sup>2</sup>	2,909	-	14	14	-
Miraesamsong Project Co., Ltd <sup>2,3</sup>	100,000	10.00	467	467	-
Miraesamsong asset management co., Ltd <sup>2</sup>	398	20.00	2	2	-
Incheon Art Center <sup>2</sup>	78,000	19.50	364	364	-
Korea Construction Financial Cooperative <sup>9</sup>	45,862	1.21	43,643	59,098	58,232
Information and Communication Financial cooperative <sup>2</sup>	1,171	0.03	962	962	962
Electronic Contractors' Financial Cooperative <sup>2</sup>	300	-	47	47	47
Information and Communication Financial Cooperative <sup>2</sup>	520	-	62	62	62
Engineering Financial Cooperative <sup>2</sup>	115	-	9	9	9
Korea Electric Engineers Association <sup>2</sup>	200	-	19	19	19
Deinse anonymous association <sup>2</sup>	-	-	5,885	5,885	5,885
GM Daewoo Auto & Technology Co., Ltd. <sup>2</sup>	-	-	232	232	470
Potato Ltd. <sup>10</sup>	-	-	271	-	280
KB Sosa Wonsi Railroad Project Private Special Assets <sup>2</sup>	-	100.00	4,819	4,819	4,314
Eugene Green Housing 1st Private Real-estate Trust, <sup>11</sup>	-	100.00	22,551	4,584	15,449
Eugene Green Housing 2nd Private Real-estate Trust, <sup>11</sup>	-	100.00	36,878	4,252	6,233
Meritiz Happy Housing Private Real-estate Trust 1st <sup>11</sup>	-	100.00	61,709	13,180	17,109
Meritiz Happy Housing Private Real-estate Trust 2nd <sup>11</sup>	-	100.00	14,026	1,725	2,828
KB Housing 1st Private Real-estate Trust <sup>11</sup>	-	100.00	28,432	-	9
KIAMCO Road Investment Fund I <sup>2</sup>	-	100.00	10,617	10,618	8,843
<b>Subtotal</b>			<u>723,187</u>	<u>543,049</u>	<u>549,702</u>
<b>Total</b>			<u>\$ 848,451</u>	<u>\$ 658,129</u>	<u>\$ 634,803</u>

<sup>1</sup> These are acquired by the debt for equity swap according to recovery and resolution plan during the current year. The difference between recoverable value and acquisition costs amounting to 6,668 million (equivalent to US \$ 6,225 thousand) is recorded as impairment loss on investments in securities.

<sup>2</sup> The unmarketable equity securities that do not have readily determinable fair values are stated at cost (Note 36.3(3)). However, the unmarketable equity securities, whose net offset value declined significantly and are not expected to recover, are stated at collectable amount. The net asset value is calculated based on unaudited financial statements as of December 31, 2012, or the latest financial statements of investees which reflect paid-in capital increase and other significant subsequent events.

<sup>3</sup> The ownership interest in an investee company established in accordance with Private Investment Law on Social Overhead Infrastructure is not classified as a subsidiary or associate. Instead, it is treated as available-for-sale financial asset because the Group cannot exercise significant influence on investee's finance or operation.

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

<sup>5</sup> 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.

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<sup>6</sup> During current year, as this project is completed by termination the difference between acquisition cost and recoverable amount is recognized as impairment losses on investments in securities amounting to 7,500 million (equivalent to US \$ 7,002 thousand).

<sup>7</sup> During current year, as this project is completed by termination the difference between acquisition cost and recoverable amount is recognized as impairment losses on investments in securities amounting to 8,428 million (equivalent to US \$ 7,869 thousand).

<sup>8</sup> As the Group has acquired additional 8,748 million (equivalent to US \$ 8,167 thousand) during the current year, the Company has 20% equity ratio with voting right and significant influence. Accordingly, this entity was reclassified as investments in associates (Note 14).

<sup>9</sup> The amount per share evaluated by Construction Guarantee Cooperative is accounted for as fair value.

<sup>10</sup> During this year, this entity was liquidated.

<sup>11</sup> It is a private real-estate trust contributed 100% by the Group. The difference between acquisition cost and recoverable amount is recognized as impairment losses on investments in securities amounting to 20,014 million, equivalent to US \$ 18,685 thousand (2011: ₩ 45,355 million, equivalent to US \$ 42,344 thousand)

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Debt securities as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

		2012		2011
	Maturity	Nominal Value	Book Value	Book Value
<b>Short-term debt securities</b>				
<b>Government bonds</b>				
National housing bonds and others	Up to 1 year	2,366	2,351	13,348
<b>Corporate bonds</b>				
Jushinbo NH 1st Securitization Specialty Co., Ltd. <sup>1</sup>	Up to 1 year	1,196	1	-
<b>Sub total</b>		<u>3,562</u>	<u>2,352</u>	<u>13,348</u>
<b>Long-term debt securities</b>				
<b>Government bonds</b>				
National housing bonds and others	1 year to 5 years	7,872	7,661	41,688
National housing bonds and others	5 year to 10 years	3	3	2,849
<b>Corporate bonds</b>				
Jushinbo NH 1st Securitization Specialty Co., Ltd. <sup>1</sup>	1 year to 5 years	-	-	1,197
Jushinbo 2009 1st Securitization Specialty Co., Ltd. <sup>2</sup>	1 year to 5 years	-	-	1,949
Shinbo Chaeon 1st Securitization Specialty Co., Ltd. <sup>3</sup>	1 year to 5 years	1,500	1,500	1,500
SACC Co., Ltd. <sup>3</sup>	1 year to 5 years	200	200	200
Woori Bank subordinated bonds <sup>3</sup>	1 year to 5 years	3,000	3,000	3,000
<b>Sub total</b>		<u>12,575</u>	<u>12,364</u>	<u>52,383</u>
<b>Total</b>		<u>16,137</u>	<u>14,716</u>	<u>65,731</u>

(in thousands of US dollars (Note 4))

		2012		2011
	Maturity	Nominal Value	Book Value	Book Value
<b>Short-term debt securities</b>				
<b>Government bonds</b>				
National housing bonds and others	Up to 1 year	\$ 2,209	\$ 2,195	\$ 12,462
<b>Corporate bonds</b>				
Jushinbo NH 1st Securitization Specialty Co., Ltd. <sup>1</sup>	Up to 1 year	1,117	1	-
<b>Sub total</b>		<u>3,326</u>	<u>2,196</u>	<u>12,462</u>
<b>Long-term debt securities</b>				
<b>Government bonds</b>				
National housing bonds and others	1 year to 5 years	7,349	7,152	38,921
National housing bonds and others	5 year to 10 years	3	3	2,660
<b>Corporate bonds</b>				
Jushinbo NH 1st Securitization Specialty Co., Ltd. <sup>1</sup>	1 year to 5 years	-	-	1,118
Jushinbo 2009 1st Securitization Specialty Co., Ltd. <sup>2</sup>	1 year to 5 years	-	-	1,820
Shinbo Chaeon 1st Securitization Specialty Co., Ltd. <sup>3</sup>	1 year to 5 years	1,400	1,400	1,400
SACC Co., Ltd. <sup>3</sup>	1 year to 5 years	187	187	187
Woori Bank subordinated bonds <sup>3</sup>	1 year to 5 years	2,801	2,801	2,800
<b>Sub total</b>		<u>11,740</u>	<u>11,543</u>	<u>48,906</u>
<b>Total</b>		<u>\$ 15,066</u>	<u>\$ 13,739</u>	<u>\$ 61,368</u>

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<sup>1</sup> During the current year, the subordinated debt reclassified to current assets and the difference between face amount and recoverable value amounting to 1,195 million (equivalent to US \$ 1,116 thousand) is recognized as impairment loss on investment in securities.

<sup>2</sup> Redeemed in 2012.

<sup>3</sup> The above debt securities, which are subordinated bonds, are stated at cost because they do not have readily determinable fair value. The Group did not recognize the interest income on these bonds because its collection is uncertain.

The maximum amount exposed to credit risk as of December 31, 2012, is the book value of available-for-sale financial assets.

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**12. Derivative instruments**

Changes in derivative instrument for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Korean won)

	2012				December 31, 2012
	January 1, 2012	Gain(loss) on valuation	Termination of contracts	Effect of hedging Risk	
Trading purpose					
Put option related to Korea express co., ltd. <sup>1</sup>	(197,907)	-	197,907	-	-
Call option related to the Exchangeable bond <sup>2</sup>	(38)	-	-	-	(38)
Forward foreign currency contracts <sup>3</sup>	(126)	-	126	-	-
	<u>(198,071)</u>	<u>-</u>	<u>198,033</u>	<u>-</u>	<u>(38)</u>
Fair value hedge purpose					
Forward foreign currency contracts assets <sup>3</sup>	-	339	(283)	-	56
Forward foreign currency contracts liabilities <sup>3</sup>	(2,174)	(6,057)	2,174	-	(6,057)
Firm commitment contracts assets <sup>3</sup>	2,174	13,838	-	(9,955)	6,057
Firm commitment contracts liabilities <sup>3</sup>	-	(453)	-	397	(56)
<b>Total</b>	<u>(198,071)</u>	<u>7,667</u>	<u>199,924</u>	<u>(9,558)</u>	<u>(38)</u>

(in thousands of US dollars  
(Note 4))

	2012				December 31, 2012
	January 1, 2012	Gain(loss) on valuation	Termination of contracts	Effect of hedging Risk	
Trading purpose					
Put option related to Korea express co., ltd. <sup>1</sup>	\$ (184,770)	\$ -	\$ 184,770	\$ -	\$ -
Call option related to the Exchangeable bond <sup>2</sup>	(35)	-	-	-	(35)
Forward foreign currency contracts <sup>3</sup>	(117)	-	117	-	-
	<u>(184,922)</u>	<u>-</u>	<u>184,887</u>	<u>-</u>	<u>(35)</u>
Fair value hedge purpose					
Forward foreign currency contracts assets <sup>3</sup>	-	316	(264)	-	52
Forward foreign currency contracts liabilities <sup>3</sup>	(2,030)	(5,655)	2,030	-	(5,655)
Firm commitment contracts assets <sup>3</sup>	2,030	12,919	-	(9,294)	5,655
Firm commitment contracts liabilities <sup>3</sup>	-	(423)	-	371	(52)
<b>Total</b>	<u>\$ (184,922)</u>	<u>\$ 7,158</u>	<u>\$ 186,653</u>	<u>\$ (8,924)</u>	<u>\$ (35)</u>

<sup>1</sup> On March 8, 2008, the Group granted put options to financial investors that participated in the acquisition of Korea Express Co., Ltd. pursuant to the Shareholders' Agreement. As all put options were exercised during the year ended December 31, 2012, the financial instrument liability recognized on the statement of financial position as of December 31, 2011, was eliminated. The gain on transaction of derivatives amounting to 240 million (equivalent to US \$ 224 thousand) is recorded as other income in the statement of income for the year ended December 31, 2012.



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All derivative instruments of the Group, except for the forward foreign currency contracts used for hedging purposes, are financial instruments at fair value through profit or loss. And derivative assets (liabilities) are recorded as current and non-current financial instrument assets (liabilities).

**13. Assets held for sale**

Assets held for sale as of December 31, 2012 and 2011, are as follows:

*(In millions of Korean won and thousands of us dollars (note 4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Property	394,305	309,869	\$ 368,130	\$ 289,300
Securities	-	19,302	-	18,021
<b>Total</b>	<u>394,305</u>	<u>329,171</u>	<u>\$ 368,130</u>	<u>\$ 307,321</u>

A part of property and all of securities were disposed of, and thus, recognized 90,927 million, equivalent to US \$ 84,891 thousand (2011: 88,094 million, equivalent to US \$ 82,246 thousand) of gain on disposal of assets held for sale and 22,703 million, equivalent to US \$ 21,196 thousand (2011: 14,355 million, equivalent to US \$ 13,402 thousand) of loss on disposal of assets held for sale as other income and expenses, respectively (Note 30).

Cumulative income and loss directly recognized in other comprehensive income related to assets held for sale as of December 31, 2012 and 2011, are as follows:

*(In millions of Korean won and Thousands of us dollars (Note 4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Share of other comprehensive income from investments in associates	-	5,473	\$ -	\$ 4,743

In relation to the recovery and reduction of fair value against book value of assets held-for-sale for the year ended December 31, 2012, impairment losses on assets held-for-sale of 9,301 million, equivalent to US \$ 8,684 thousand (2011: 18,247 million, equivalent to US \$ 17,036 thousand) and reversal of impairment losses on assets held-for-sale of 5,460 million, equivalent to US \$ 5,098 thousand (2011: 67,906 million equivalent to US \$ 63,398 thousand) are recorded as other income and expenses, respectively (Note 30).

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**14. Investments in associates**

Investments in associates as of December 31, 2012 and 2011 are as follows:

*(in millions of Korean won)*

	Country	Ratio of ownership (%)	Book value	
			2012	2011
<b>Investment securities applying the equity method</b>				
BEIJING LUFTHANSA CENTER CO.,Ltd	China	25.00	22,902	25,162
Daewoo Power India Ltd.	India	50.00	1,494	1,775
GULF ENG.CONST. & CONTRACT <sup>1</sup>	Libya	49.00	20,746	25,862
Wootoo Housing 3 <sup>rd</sup> Restructuring REITs Corp <sup>2</sup>	Korea	100.00	34,606	38,467
Wootoo Shinyoung Housing 1 <sup>st</sup> Restructuring REITs Corp <sup>3</sup>	Korea	-	-	7,448
Hanam Marbling City Development Co. LTD.	Korea	44.00	1,351	2,200
KDS Hydro Pte. Ltd. <sup>4</sup>	Singapore	20.00	11,382	-
Ansan Laketown PFV Co., Ltd <sup>5</sup>	Korea	47.40	993	-
			<u>93,474</u>	<u>100,914</u>
<b>Investment securities not applying the equity method <sup>6</sup></b>				
Skyland Asset Management Co.,Ltd.	Korea	25.00	13	13
Chung-Ju Technopolis Assets Management Co., Ltd	Korea	35.00	105	105
Chun-An Hermeca Development Asset Management Co., Ltd	Korea	28.40	142	142
Econhill Development Asset Management Co., Ltd.	Korea	29.35	147	147
SACC Co., Ltd.	Korea	27.27	300	300
Skyland Co.,Ltd.	Korea	25.00	1	1
Sewoon Nineteen Co., Ltd.	Korea	33.00	1	1
Myeong-dong City and Residential	Korea	44.00	1	1
Hanam Marbling City Co. LTD.	Korea	44.00	44	44
Keryonggreenvill. Co., Ltd <sup>5</sup>	Korea	32.00	64	-
Ansan Laketown Co., Ltd <sup>5</sup>	Korea	47.40	142	-
Daewoo Arabia Ltd. <sup>2</sup>	Saudi Arabia	60.00	-	-
Daewoo Nigeria Ltd <sup>2</sup>	Nigeria	90.00	1	1
Daewoo-Hannel Corp <sup>2</sup>	Vietnam	60.00	-	-
Daewoo E&C Iran <sup>2</sup>	Iran	100.00	-	-
DW CONSTRUCTION PHILIPPINE INC.	Philippines	40.00	1	1
UNION DW ENG & CON LTD.	Thailand	49.00	-	-
BNT Development SPA	Algeria	25.00	1,295	1,295
MEGAWORLD-DW CO.	Philippines	40.00	1	1
Vietnam Bason city 21	Vietnam	40.00	48	48
Daewoo E&C LLC <sup>2</sup>	Oman	70.00	510	510
			<u>2,816</u>	<u>2,610</u>
<b>Total</b>			<u>96,290</u>	<u>103,524</u>

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(in thousands of US Dollars (Note4))

	Country	Ratio of ownership (%)	Book value	
			2012	2011
<b>Investment securities applying the equity method</b>				
BEIJING LUFTHANSA CENTER CO.,Ltd	China	25.00	\$ 21,382	\$ 23,492
Daewoo Power India Ltd.	India	50.00	1,395	1,657
GULF ENG.CONST. & CONTRACT <sup>1</sup>	Libya	49.00	19,369	24,145
Wootoo Housing 3 <sup>rd</sup> Restructuring REITs Corp <sup>2</sup>	Korea	100.00	32,309	35,914
Wootoo Shinyoung Housing 1 <sup>st</sup> Restructuring REITs Corp <sup>3</sup>	Korea	-	-	6,954
Hanam Marbling City Development Co. LTD.	Korea	44.00	1,261	2,053
KDS Hydro Pte. Ltd. <sup>4</sup>	Singapore	20.00	10,626	-
Ansan Laketown PFV Co., Ltd <sup>5</sup>	Korea	47.40	927	-
			<u>\$ 87,269</u>	<u>\$ 94,215</u>
<b>Investment securities not applying the equity method <sup>6</sup></b>				
Skyland Asset Management Co.,Ltd.	Korea	25.00	12	12
Chung-Ju Technopolis Assets Management Co., Ltd	Korea	35.00	98	98
Chun-An Hermeca Development Asset Management Co., Ltd	Korea	28.40	133	133
Econhill Development Asset Management Co., Ltd.	Korea	29.35	137	137
SACC Co., Ltd.	Korea	27.27	280	280
Skyland Co.,Ltd.	Korea	25.00	1	1
Sewoon Nineteen Co., Ltd.	Korea	33.00	1	1
Myeong-dong City and Residential	Korea	44.00	1	1
Hanam Marbling City Co. LTD.	Korea	44.00	41	41
Keryonggreenvill. Co., Ltd <sup>5</sup>	Korea	32.00	60	-
Ansan Laketown Co., Ltd <sup>5</sup>	Korea	47.40	133	-
Daewoo Arabia Ltd. <sup>2</sup>	Saudi Arabia	60.00	-	-
Daewoo Nigeria Ltd <sup>2</sup>	Nigeria	90.00	1	1
Daewoo-Hannel Corp <sup>2</sup>	Vietnam	60.00	-	-
Daewoo E&C Iran <sup>2</sup>	Iran	100.00	-	-
DW CONSTRUCTION PHILIPPINE INC.	Philippines	40.00	1	1
UNION DW ENG & CON LTD.	Thailand	49.00	-	-
BNT Development SPA	Algeria	25.00	1,209	1,209
MEGAWORLD-DW CO.	Philippine	40.00	1	1
Vietnam Bason city 21	Vietnam	40.00	45	45
Daewoo E&C LLC <sup>2</sup>	Oman	70.00	475	476
			<u>2,629</u>	<u>2,437</u>
<b>Total</b>			<u>\$ 89,898</u>	<u>\$ 96,652</u>

<sup>1</sup> Due to the civil war in Libya, the financial statements as of December 31, 2012, are not obtainable. Therefore, the Group used the most recent available financial statements after reviewing and reflecting any significant transactions and events.

<sup>2</sup> Though the Group has over 50% ownership, the Group does not have the substantial control, this entity is considered as investments in associates.

<sup>3</sup> During current year, this entity was liquidated.

<sup>4</sup> This financial asset is reclassified as investments in associates from available-for-sale as the Group has significant influence after acquiring additional 8,748 million equivalent to US \$ 8,167 thousand) during the current year (Note 10).

<sup>5</sup> During current year, a total of 4,946 million was newly invested in the establishment of this investee.

<sup>6</sup> 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 the current period or the most recent available financial statement.

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Changes in the investments in associates for the years ended December 31, 2012 and 2011, are as follows:

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

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Beginning balance</b>	103,524	156,462	\$ 96,652	\$ 146,076
Acquisition	4,946	2,754	4,618	2,571
Share of profit	234	2,413	219	2,253
Impairment	(3,861)	(21,213)	(3,605)	(19,805)
Share of other comprehensive income (loss)	(7,600)	2,569	(7,096)	2,398
Dividends	(8,443)	(10,836)	(7,883)	(10,117)
Disposal	(7,448)	(144)	(6,954)	(134)
Reclassification	14,938	(28,481)	13,947	(26,590)
<b>Ending balance</b>	<u>96,290</u>	<u>103,524</u>	<u>\$ 89,898</u>	<u>\$ 96,652</u>

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Details of changes in carrying amount of equity method investments for the year ended December 31, 2012, is as follows:

(in millions of Korean won)

	Beginning	Acquisition (Disposal)	Share of profit of associates	Share of other compre- hensive income of associates	Dividends	Impairment	Ending
<b>Investment securities applying the equity method</b>							
BEIJING LUFTHANSA CENTER CO.,Ltd <sup>1</sup>	25,162	-	7,477	(1,294)	(8,443)	-	22,902
Daewoo Power India Ltd. <sup>1</sup>	1,775	-	(106)	(175)	-	-	1,494
GULF ENG.CONST. & CONTRACT <sup>1</sup>	25,862	-	(2,831)	(2,285)	-	-	20,746
Wootoo Housing 3rd Restructuring REITs Corp <sup>1</sup>	38,467	-	-	-	-	(3,861)	34,606
Wootoo Shinyoung Housing 1st Restructuring REITs Corp	7,448	(7,448)	-	-	-	-	-
Hanam Marbling City Development Co. LTD. <sup>1</sup>	2,200	-	(849)	-	-	-	1,351
KDS Hydro Pte. Ltd. <sup>1</sup>	-	14,938	277	(3,833)	-	-	11,382
Ansan Laketown PFV Co., Ltd	-	4,740	(3,734)	(13)	-	-	993
	<u>100,914</u>	<u>12,230</u>	<u>234</u>	<u>(7,600)</u>	<u>(8,443)</u>	<u>(3,861)</u>	<u>93,474</u>
<b>Investment securities not applying the equity method</b>							
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.	147	-	-	-	-	-	147
SACC Co., Ltd.	300	-	-	-	-	-	300
Skyland Co.,Ltd.	1	-	-	-	-	-	1
Sewoon Nineteen Co., Ltd. Myeong-dong City and Residential	1	-	-	-	-	-	1
Hanam Marbling City Co. LTD.	44	-	-	-	-	-	44
Keryonggreenvill. Co., Ltd	-	64	-	-	-	-	64
Ansan Laketown Co., Ltd	-	142	-	-	-	-	142
Daewoo Nigeria Ltd Daewoo ENG &CON.(M) SDN BHD	1	-	-	-	-	-	1
DW CONSTRUCTION PHILIPPINE INC.	1	-	-	-	-	-	1
BNT Development SPA	1,295	-	-	-	-	-	1,295
MEGAWORLD-DW CO.	1	-	-	-	-	-	1
Vietnam Bason city 21	48	-	-	-	-	-	48
Daewoo E&C LLC	510	-	-	-	-	-	510
	<u>2,610</u>	<u>206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816</u>
<b>Total</b>	<u>103,524</u>	<u>12,436</u>	<u>234</u>	<u>(7,600)</u>	<u>(8,443)</u>	<u>(3,861)</u>	<u>96,290</u>

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(in thousands of US dollars (Note 4))

	Beginning	Acquisition (Disposal)	Share of profit of associates	Share of other compre- hensive income of associates	Dividends	Impairment	Ending
<b>Investment securities applying the equity method</b>							
BEIJING LUFTHANSA CENTER CO. <sup>1</sup>	\$ 23,492	\$ -	\$ 6,981	\$ (1,208)	\$ (7,883)	\$ -	\$ 21,382
Daewoo Power India Ltd. <sup>1</sup>	1,657	-	(99)	(163)	-	-	1,395
GULF ENG.CONST. & CONTRACT <sup>1</sup>	24,145	-	(2,643)	(2,133)	-	-	19,369
Wootoo Housing 3rd Restructuring REITs Corp <sup>1</sup>	35,914	-	-	-	-	(3,605)	32,309
Wootoo Shinyoung Housing 1st Restructuring REITs Corp	6,954	(6,954)	-	-	-	-	-
Hanam Marbling City Development Co. LTD. <sup>1</sup>	2,054	-	(793)	-	-	-	1,261
KDS Hydro Pte. Ltd. <sup>1</sup>	-	13,948	258	(3,580)	-	-	10,626
Ansan Laketown PFV Co., Ltd	-	4,425	(3,486)	(12)	-	-	927
	<u>94,216</u>	<u>11,419</u>	<u>218</u>	<u>(7,096)</u>	<u>(7,883)</u>	<u>(3,605)</u>	<u>87,269</u>
<b>Investment securities not applying the equity method</b>							
Skyland Asset Management Co.,Ltd.	12	-	-	-	-	-	12
Chung-Ju Technopolis Assets Management Co., Ltd	98	-	-	-	-	-	98
Chun-An Hermeca Development Asset Management Co., Ltd	133	-	-	-	-	-	133
Econhill Development Asset Management Co., Ltd.	137	-	-	-	-	-	137
SACC Co., Ltd.	280	-	-	-	-	-	280
Skyland Co.,Ltd.	1	-	-	-	-	-	1
Sewoon Nineteen Co., Ltd.	1	-	-	-	-	-	1
Myeong-dong City and Residential	1	-	-	-	-	-	1
Hanam Marbling City Co. LTD.	41	-	-	-	-	-	41
Keryonggreenvill. Co., Ltd	-	60	-	-	-	-	60
Ansan Laketown Co., Ltd	-	133	-	-	-	-	133
Daewoo Nigeria Ltd	1	-	-	-	-	-	1
Daewoo ENG &CON.(M) SDN BHD	-	-	-	-	-	-	-
DW CONSTRUCTION PHILIPPINE INC.	1	-	-	-	-	-	1
BNT Development SPA	1,209	-	-	-	-	-	1,209
MEGAWORLD-DW CO.	1	-	-	-	-	-	1
Vietnam Bason city 21	45	-	-	-	-	-	45
Daewoo E&C LLC	475	-	-	-	-	-	475
	<u>2,437</u>	<u>193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,630</u>
<b>Total</b>	<u>\$ 96,652</u>	<u>\$ 11,612</u>	<u>\$ 218</u>	<u>\$ (7,096)</u>	<u>\$ (7,883)</u>	<u>\$ (3,605)</u>	<u>\$ 89,898</u>

<sup>1</sup> Equity method is applied using financial statements with provisional settlement of accounts due to difficulty of obtaining financial statements either audited or reviewed by external auditor. The Group verified the reliability of these financial statements.

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The financial information of investees as of and for the year ended December 31, 2012, is as follows:

*(in millions of Korean won)*

	<b>2012</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net profit (loss)</b>	<b>comprehensive income (loss)</b>
BEIJING LUFTHANSA CENTER CO.,Ltd	114,104	22,496	100,696	29,907	24,730
DW POWER(INDIA) LTD.	3,099	111	-	(212)	(561)
GULF ENG.CONST. & CONTRACT	67,113	24,774	-	(5,778)	(10,440)
Hanam Marbling City Co. LTD.	3,077	6	-	(1,930)	(1,930)
KDS Hydro Pte. Ltd.	132,680	75,772	-	1,385	(2,795)
Ansan Laketown PFV Co., Ltd	193,930	191,835	9,822	(7,877)	(7,877)

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

	<b>2012</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net profit (loss)</b>	<b>comprehensive income (loss)</b>
BEIJING LUFTHANSA CENTER CO.,Ltd	\$ 106,530	\$ 21,003	\$ 94,012	\$ 27,922	\$ 23,088
DW POWER(INDIA) LTD.	2,893	104	-	(198)	(524)
GULF ENG.CONST. & CONTRACT	62,658	23,129	-	(5,394)	(9,747)
Hanam Marbling City Co. LTD.	2,873	6	-	(1,802)	(1,802)
KDS Hydro Pte. Ltd.	123,873	70,742	-	1,293	(2,609)
Ansan Laketown PFV Co., Ltd	181,057	179,101	9,170	(7,354)	(7,354)

The financial information of investees as of and for the year ended December 31, 2011, is as follows:

*(in millions of Korean won)*

	<b>2011</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net profit (loss)</b>	<b>comprehensive income (loss)</b>
BEIJING LUFTHANSA CENTER CO.,Ltd	124,629	23,980	101,365	29,442	33,850
DW POWER(INDIA) LTD.	3,939	390	-	(488)	(1,118)
GULF ENG.CONST. & CONTRACT	80,102	27,323	-	(9,596)	(3,793)
Wootoo Housing 3rd Restructuring REITs Corp	114,068	32,040	100,219	-	-

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

	<b>2011</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net profit (loss)</b>	<b>comprehensive income (loss)</b>
BEIJING LUFTHANSA CENTER CO.,Ltd	\$ 116,356	\$ 22,388	\$ 94,636	\$ 27,488	\$ 31,603
DW POWER(INDIA) LTD.	3,678	364	-	(456)	(1,044)
GULF ENG.CONST. & CONTRACT	74,785	25,509	-	(8,959)	(3,541)
Wootoo Housing 3rd Restructuring REITs Corp	106,496	29,913	93,566	-	-

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

(in millions of Korean won)

	2012			Remarks
	Net asset before adjustments <sup>1</sup>	Adjustments <sup>1</sup>	Net asset after adjustments <sup>1</sup>	
DW POWER(INDIA) LTD.	9,915	(8,421)	1,494	Charging the capitalized initial cost of business to the current expense
Wootoo Housing 3rd Restructuring REITs Corp	39,126	(4,520)	34,606	Losses on valuation of inventories

(in thousands of US dollars (Note 4))

	2012			Remarks
	Net asset before adjustments <sup>1</sup>	Adjustments <sup>1</sup>	Net asset after adjustments <sup>1</sup>	
DW POWER(INDIA) LTD.	\$ 9,257	\$ (7,862)	\$ 1,395	Charging the capitalized initial cost of business to the current expense
Wootoo Housing 3rd Restructuring REITs Corp	36,529	(4,220)	32,309	Losses on valuation of inventories

(in millions of Korean won)

	2011			Remarks
	Net asset before adjustments <sup>1</sup>	Adjustments <sup>1</sup>	Net asset after adjustments <sup>1</sup>	
DW POWER(INDIA) LTD.	5,560	(3,785)	1,775	Charging the capitalized initial cost of business to the current expense
Wootoo Housing 3rd Restructuring REITs Corp	49,524	(11,057)	38,467	Losses on valuation of inventories

(in thousands of US dollars (Note 4))

	2011			Remarks
	Net asset before adjustments <sup>1</sup>	Adjustments <sup>1</sup>	Net asset after adjustments <sup>1</sup>	
DW POWER(INDIA) LTD.	\$ 5,191	\$ (3,534)	\$ 1,657	Charging the capitalized initial cost of business to the current expense
Wootoo Housing 3rd Restructuring REITs Corp	46,237	(10,323)	35,914	Losses on valuation of inventories

<sup>1</sup> 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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**15. Property, plant and equipment**

Changes in property, plant and equipment for the years ended December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	2012						Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others <sup>1</sup>	Changes in scope of subsidiaries	
Land	131,965	1,834	-	-	-	-	133,799
Buildings	208,919	1,520	(6)	(6,717)	(3,236)	(31,910)	168,570
Structures	9,972	404	-	(592)	(267)	(5,656)	3,861
Machinery	67,390	9,826	(1,509)	(14,331)	(3,532)	(1,950)	55,894
Ships	23,604	2,777	(936)	(6,366)	(1,341)	-	17,738
Vehicles	23,360	7,235	(139)	(8,267)	(1,365)	(27)	20,797
Tools	3,274	2,029	(255)	(1,633)	1,042	-	4,457
Equipment	24,108	8,175	(4,843)	(5,339)	(561)	(3,878)	17,662
Construction-in-progress	281,266	28,925	-	-	(34,718)	(422)	275,051
<b>Total</b>	<b>773,858</b>	<b>62,725</b>	<b>(7,688)</b>	<b>(43,245)</b>	<b>(43,978)</b>	<b>(43,843)</b>	<b>697,829</b>

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

	2012						Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others <sup>1</sup>	Changes in scope of subsidiaries	
Land	\$ 123,205	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ 124,917
Buildings	195,051	1,419	(6)	(6,271)	(3,021)	(29,792)	157,380
Structures	9,310	377	-	(553)	(249)	(5,280)	3,605
Machinery	62,917	9,174	(1,409)	(13,379)	(3,298)	(1,821)	52,184
Ships	22,037	2,593	(874)	(5,943)	(1,252)	-	16,561
Vehicles	21,809	6,755	(130)	(7,718)	(1,275)	(25)	19,416
Tools	3,057	1,894	(238)	(1,525)	973	-	4,161
Equipment	22,508	7,632	(4,521)	(4,985)	(523)	(3,621)	16,490
Construction-in-progress	262,595	27,005	-	-	(32,413)	(394)	256,793
<b>Total</b>	<b>\$ 722,489</b>	<b>\$ 58,561</b>	<b>\$ (7,178)</b>	<b>\$ (40,374)</b>	<b>\$ (41,058)</b>	<b>\$ (40,933)</b>	<b>\$ 651,507</b>

<sup>1</sup> Others consist of the reclassification of property, plant and equipment and the gain (loss) on foreign exchange translation due to the property, plant and equipment in overseas operations.

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(in millions of  
Korean won)

	2011						Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others <sup>1</sup>	Changes in scope of subsidiaries	
Land	133,974	-	-	-	(2,009)	-	131,965
Buildings	205,694	1,080	(132)	(7,240)	9,517	-	208,919
Structures	10,766	-	-	(794)	-	-	9,972
Machinery	66,168	43,937	(574)	(19,363)	(22,778)	-	67,390
Ships	28,762	1,670	(449)	(5,879)	(500)	-	23,604
Vehicles	19,897	32,181	(122)	(9,568)	(19,057)	29	23,360
Tools	2,281	2,893	(143)	(898)	(859)	-	3,274
Equipment	26,990	8,767	(504)	(7,981)	(3,186)	22	24,108
Construction- in- progress	168,265	8,953	-	-	12,551	91,497	281,266
<b>Total</b>	<b>662,797</b>	<b>99,481</b>	<b>(1,924)</b>	<b>(51,723)</b>	<b>(26,321)</b>	<b>91,548</b>	<b>773,858</b>

(in thousands of  
US dollars  
(Note 4))

	2011						Balance as of Dec 31
	Balance as of Jan 1	Acquisition	Disposal	Depreciation	Others <sup>1</sup>	Changes in scope of subsidiaries	
Land	\$ 125,081	\$ -	\$ -	\$ -	\$ (1,876)	\$ -	\$ 123,205
Buildings	192,040	1,008	(123)	(6,759)	8,885	-	195,051
Structures	10,051	-	-	(741)	-	-	9,310
Machinery	61,776	41,020	(536)	(18,078)	(21,265)	-	62,917
Ships	26,853	1,559	(419)	(5,489)	(467)	-	22,037
Vehicles	18,576	30,045	(114)	(8,933)	(17,792)	27	21,809
Tools	2,130	2,701	(134)	(838)	(802)	-	3,057
Equipment	25,198	8,185	(470)	(7,452)	(2,974)	21	22,508
Construction- in- progress	157,095	8,359	-	-	11,718	85,423	262,595
<b>Total</b>	<b>\$ 618,800</b>	<b>\$ 92,877</b>	<b>\$ (1,796)</b>	<b>\$ (48,290)</b>	<b>\$ (24,573)</b>	<b>\$ 85,471</b>	<b>\$ 722,489</b>

<sup>1</sup> Others consist of the reclassification of property, plant and equipment and the gain (loss) on foreign exchange translation due to the property, plant and equipment in overseas operations.

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**16. Intangible assets**

Changes in intangible assets for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012				
	Usage rights	Membership rights	Goodwill	Software	Total
<b>Beginning balance</b>	71,675	24,197	542	8,687	105,101
Acquisition (disposal)	-	-	-	13,527	13,527
Others <sup>1</sup>	(2,140)	4,494	-	-	2,354
Amortization	(3,164)	-	-	(2,439)	(5,603)
Changes in scope of subsidiaries	(1,752)	-	-	-	(1,752)
<b>Ending balance</b>	<b>64,619</b>	<b>28,691</b>	<b>542</b>	<b>19,775</b>	<b>113,627</b>

<i>(in thousands of US dollars (Note 4))</i>	2012				
	Usage rights	Membership rights	Goodwill	Software	Total
<b>Beginning balance</b>	\$ 66,917	\$ 22,591	\$ 506	\$ 8,110	\$ 98,124
Acquisition (disposal)	-	-	-	12,629	12,629
Others <sup>1</sup>	(1,998)	4,196	-	-	2,198
Amortization	(2,954)	-	-	(2,277)	(5,231)
Changes in scope of subsidiaries	(1,636)	-	-	-	(1,636)
<b>Ending balance</b>	<b>\$ 60,329</b>	<b>\$ 26,787</b>	<b>\$ 506</b>	<b>\$ 18,462</b>	<b>\$ 106,084</b>

<sup>1</sup> Other increase or decrease consists of reclassification of usage rights, acquisition of subrogation of trade receivables and gain (loss) on foreign exchange translation due to the intangible assets in overseas subsidiaries.

<i>(in millions of Korean won)</i>	2011				
	Usage rights	Membership rights	Goodwill	Software	Total
<b>Beginning balance</b>	73,865	22,105	-	3,123	99,093
Acquisition (disposal)	108	2,092	-	6,917	9,117
Others <sup>1</sup>	1,640	-	-	-	1,640
Amortization	(3,938)	-	-	(1,353)	(5,291)
Changes in scope of subsidiaries	-	-	542	-	542
<b>Ending balance</b>	<b>71,675</b>	<b>24,197</b>	<b>542</b>	<b>8,687</b>	<b>105,101</b>

<i>(in thousands of US dollars (Note 4))</i>	2011				
	Usage rights	Membership rights	Goodwill	Software	Total
<b>Beginning balance</b>	\$ 68,962	\$ 20,638	\$ -	\$ 2,915	\$ 92,515
Acquisition (disposal)	101	1,953	-	6,458	8,512
Others <sup>1</sup>	1,531	-	-	-	1,531
Amortization	(3,677)	-	-	(1,263)	(4,940)
Changes in scope of subsidiaries	-	-	506	-	506
<b>Ending balance</b>	<b>\$ 66,917</b>	<b>\$ 22,591</b>	<b>\$ 506</b>	<b>\$ 8,110</b>	<b>\$ 98,124</b>

<sup>1</sup> Others consist of the gain (loss) on foreign exchange translation due to the intangible assets in

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overseas subsidiaries.

**17. Investment property**

Changes in investment property for the years ended December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	2012		
	Rental property	Other property	Total
<b>Beginning balance</b>	164,084	28,154	192,238
Acquisition	-	-	-
Disposal	-	-	-
Depreciation	(2,364)	-	(2,364)
Reclassification <sup>1</sup>	-	-	-
<b>Ending balance</b>	<b>161,720</b>	<b>28,154</b>	<b>189,874</b>

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

	2012		
	Rental property	Other property	Total
<b>Beginning balance</b>	\$ 153,192	\$ 26,285	\$ 179,477
Acquisition	-	-	-
Disposal	-	-	-
Depreciation	(2,207)	-	(2,207)
Reclassification <sup>1</sup>	-	-	-
<b>Ending balance</b>	<b>\$ 150,985</b>	<b>\$ 26,285</b>	<b>\$ 177,270</b>

*(in millions of Korean won)*

	2011		
	Rental property	Other property	Total
<b>Beginning balance</b>	178,525	180,534	359,059
Acquisition	-	1,265	1,265
Disposal	(12,052)	-	(12,052)
Depreciation	(2,389)	-	(2,389)
Impairment	-	-	-
Reclassification <sup>1</sup>	-	(153,645)	(153,645)
<b>Ending balance</b>	<b>164,084</b>	<b>28,154</b>	<b>192,238</b>

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

	2011		
	Rental property	Other property	Total
<b>Beginning balance</b>	\$ 166,674	\$ 168,550	\$ 335,224
Acquisition	-	1,181	1,181
Disposal	(11,252)	-	(11,252)
Depreciation	(2,230)	-	(2,230)
Impairment	-	-	-
Reclassification <sup>1</sup>	-	(143,446)	(143,446)
<b>Ending balance</b>	<b>\$ 153,192</b>	<b>\$ 26,285</b>	<b>\$ 179,477</b>

<sup>1</sup> Reclassified to assets held for sale and inventories (Note 35).

There is no significant difference between the fair value and the book value of the investment property as of December 31, 2012 and 2011.

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**18. Other payables and advances received**

Other payables and advances received as of December 31, 2012 and 2011, are as follows:

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

		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Current</b>					
Other payables	Non-trade payables	678,470	598,566	\$ 633,433	\$ 558,833
	Accrued expenses	219,929	197,057	205,331	183,975
	<b>Total</b>	<u>898,399</u>	<u>795,623</u>	<u>838,764</u>	<u>742,808</u>
Advances received	Advances from construction contracts	910,194	954,446	849,775	891,090
	Unearned sales	287	236	268	220
	Advances from sales of real estate	219,319	38,320	204,761	35,776
	Other advances received	46,021	63,546	42,966	59,328
	<b>Total</b>	<u>1,175,821</u>	<u>1,056,548</u>	<u>\$ 1,097,770</u>	<u>\$ 986,414</u>
<b>Non-current</b>					
Other payables	Non-trade payables <sup>1</sup>	5,451	5,584	\$ 5,089	\$ 5,212
Advances received	Advances from construction contracts	246,657	461,840	230,284	431,183
	Other advances received	187,075	261,315	174,657	243,969
	<b>Total</b>	<u>433,732</u>	<u>723,155</u>	<u>\$ 404,941</u>	<u>\$ 675,152</u>

<sup>1</sup> Non-trade payables include the preferred shareholders' equity of subsidiaries for providing put options (puttable financial instrument) of 4,860 million (equivalent to US \$ 4,537 thousand).

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**19. Financial instruments liabilities**

Financial instruments liabilities as of December 31, 2012 and 2011, are as follows:

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

	2012	2011	2012	2011
<b>Current</b>				
Short-term borrowings	585,130	23,082	\$ 546,289	\$ 21,550
Current portion of long-term borrowings and debentures	441,547	674,268	412,237	629,510
Exchangeable bond <sup>1</sup>	289,501	-	270,284	-
Financial guarantee liabilities	57,803	58,311	53,966	54,441
Derivatives liabilities	6,151	199,924	5,742	186,652
	<u>1,380,132</u>	<u>955,585</u>	<u>1,288,518</u>	<u>892,153</u>
<b>Non-current</b>				
Long-term borrowings	785,017	579,066	732,907	540,627
Debentures	650,000	450,000	606,853	420,129
Exchangeable bonds <sup>1</sup>	-	269,025	-	251,167
Financial guarantee liabilities	38,222	49,340	35,685	46,065
Derivatives liabilities	-	321	-	300
	<u>1,473,239</u>	<u>1,347,752</u>	<u>1,375,445</u>	<u>1,258,288</u>
<b>Total</b>	<u>2,853,371</u>	<u>2,303,337</u>	<u>\$ 2,663,963</u>	<u>\$ 2,150,441</u>

<sup>1</sup> The amount is net of redemption premiums, discounts on present value and adjustments for exchange rights.

Short-term borrowings as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Korean won and thousands of US Dollars (Note4))</i>	<b>Interest rates (%)</b>	2012	2011	2012	2011
Korea Development Bank	4.57~4.89	202,500	10,000	\$ 189,058	\$ 9,336
NH Nonghyup Bank	4.56	200,000	3,700	186,724	3,454
Korea Construction Financial Cooperative	1.75~3.76	120,100	100	112,128	93
Hana Bank	4.56~7.16	59,630	4,060	55,672	3,790
Shinhan Bank	5.51	1,500	3,200	1,400	2,988
Woori Bank	5.75~7.42	1,000	500	934	467
Korea Specialty Contractor Financial Cooperative	2.56	400	400	373	373
Korea Exchange Bank	-	-	1,122	-	1,049
<b>Total</b>		<u>585,130</u>	<u>23,082</u>	<u>\$ 546,289</u>	<u>\$ 21,550</u>

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Long-term borrowings as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Korean won)</i>	Interest rates (%)	2012		2011	
		Current	Non-current	Current	Non-current
<b>Long-term borrowings in won</b>					
The Export-Import bank of Korea	4.30~4.81	125,872	183,012	-	-
NH Nonghyup Bank	4.94~6.58	1,000	86,500	-	80,000
Hana Bank	4.75	-	49,000	-	49,000
Korean Federation of Community Credit Cooperative	6.58	-	40,000	-	40,000
SC First Bank	7.00	-	40,000	-	40,000
Korea Development Bank	5.85	-	36,600	8,000	32,000
Korea Housing Guarantee	1.00	-	31,511	-	31,511
Lotte Non-Life Insurance co., Ltd.	6.58	-	20,000	-	20,000
Korea Trade Insurance Corporation	-	4,017	8,034	4,017	12,051
Woori Bank	-	-	-	1,250	8,125
KT Rental	-	-	-	6,539	4,051
Kyongnam Bank	-	-	-	9,165	18,335
<b>Long-term borrowings in foreign currencies</b>					
KDB Singapore	3.56~3.61	-	246,353	92,264	172,995
AKA Bank	1.38	11,445	52,031	11,510	66,965
The Agricultural Bank of China	7.76	-	-	-	16,973
Others	7.00	189	1,562	204	1,775
		142,523	794,603	132,949	593,781
Less : Discounts on present value		(976)	(9,586)	(981)	(14,715)
<b>Total</b>		<b>141,547</b>	<b>785,017</b>	<b>131,968</b>	<b>579,066</b>

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<i>(in thousands of US dollars (Note 4))</i>	<b>Interest rates (%)</b>	<b>2012</b>		<b>2011</b>	
		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>Long-term borrowings in won</b>					
The Export-Import bank of Korea	4.30-4.81	\$ 117,517	\$ 170,864	\$ -	\$ -
NH Nonghyup Bank	4.94-6.58	934	80,758	-	74,690
Hana Bank	4.75	-	45,747	-	45,747
Korean Federation of Community Credit Cooperative	6.58	-	37,345	-	37,345
SC First Bank	7.00	-	37,345	-	37,345
Korea Development Bank	5.85	-	34,170	7,469	29,876
Korea Housing Guarantee	1.00	-	29,419	-	29,419
Lotte Non-Life Insurance co., Ltd.	6.58	-	18,672	-	18,672
Korea Trade Insurance Corporation	-	3,750	7,501	3,750	11,251
Woori Bank	-	-	-	1,167	7,586
KT Rental	-	-	-	6,105	3,782
Kyongnam Bank	-	-	-	8,557	17,118
<b>Long-term borrowings in foreign currencies</b>					
KDB Singapore	3.56-3.61	-	230,000	86,139	161,512
AKA Bank	1.38	10,685	48,577	10,746	62,520
The Agricultural Bank of China	7.76	-	-	-	15,846
Others	7.00	176	1,459	191	1,657
		133,062	741,857	124,124	554,366
Less : Discounts on present value		(911)	(8,950)	(916)	(13,739)
<b>Total</b>		<b>\$ 132,151</b>	<b>\$ 732,907</b>	<b>\$ 123,208</b>	<b>\$ 540,627</b>

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Debentures as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	Interest rates (%)	2012		2011	
		Current	Non-current	Current	Non-current
15-2 <sup>nd</sup> private bond	-	-	-	142,300	-
16 <sup>th</sup> private bond	-	-	-	50,000	-
18-2 <sup>nd</sup> public bond	-	-	-	100,000	-
23 <sup>rd</sup> public bond	-	-	-	100,000	-
26 <sup>th</sup> public bond	-	-	-	150,000	-
27 <sup>th</sup> public bond	5.50	300,000	-	-	300,000
28 <sup>th</sup> public bond	5.20	-	150,000	-	150,000
29-1 <sup>st</sup> private bond	4.30	-	150,000	-	-
29-2 <sup>nd</sup> private bond	5.10	-	100,000	-	-
30-1 <sup>st</sup> private bond	3.84	-	100,000	-	-
30-2 <sup>nd</sup> private bond	4.11	-	150,000	-	-
<b>Total</b>		<b>300,000</b>	<b>650,000</b>	<b>542,300</b>	<b>450,000</b>

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

	Interest rates (%)	2012		2011	
		Current	Non-current	Current	Non-current
15-2 <sup>nd</sup> private bond	-	\$ -	\$ -	\$ 132,854	\$ -
16 <sup>th</sup> private bond	-	-	-	46,681	-
18-2 <sup>nd</sup> public bond	-	-	-	93,362	-
23 <sup>rd</sup> public bond	-	-	-	93,362	-
26 <sup>th</sup> public bond	-	-	-	140,043	-
27 <sup>th</sup> public bond	5.50	280,086	-	-	280,086
28 <sup>th</sup> public bond	5.20	-	140,043	-	140,043
29-1 <sup>st</sup> private bond	4.30	-	140,043	-	-
29-2 <sup>nd</sup> private bond	5.10	-	93,362	-	-
30-1 <sup>st</sup> private bond	3.84	-	93,362	-	-
30-2 <sup>nd</sup> private bond	4.11	-	140,043	-	-
<b>Total</b>		<b>\$ 280,086</b>	<b>\$ 606,853</b>	<b>\$ 506,302</b>	<b>\$ 420,129</b>

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Exchangeable bonds as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Interest rates (%)	2012		2011	
		Current	Non-current	Current	Non-current
13th exchangeable bond	9.00	207,815	-	-	207,815
Redemption premium of exchangeable bonds	-	87,044	-	-	87,044
Discounts on exchangeable bonds	-	(5,358)	-	-	(25,834)
<b>Total</b>		<b>289,501</b>	<b>-</b>	<b>-</b>	<b>269,025</b>

  

<i>(in thousands of US dollars (Note 4))</i>	Interest rates (%)	2012		2011	
		Current	Non-current	Current	Non-current
13th exchangeable bond	9.00	\$ 194,020	\$ -	\$ -	\$ 194,020
Redemption premium of exchangeable bonds	-	81,266	-	-	81,266
Discounts on exchangeable bonds	-	(5,002)	-	-	(24,119)
<b>Total</b>		<b>\$ 270,284</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 251,167</b>

The Group issued non-collateralized exchangeable bonds amounting to ₩ 546,000 million (equivalent to US \$ 509,756 thousand) on March 21, 2008, which may be exchanged into common stock of Korea Express Co., Ltd. held by the Group.

The number of common stock the Group is holding decreased due to the reduction of capital of Korea Express Co., Ltd. The exchangeable bonds amounting to ₩ 247,337 million (equivalent to US \$ 230,919 thousand) were early redeemed on May 14, 2009.

Due to the change in the largest shareholder of the Group, the Group and its associates no longer held more than 51% of the total outstanding voting capital stock of Korea Express Co., Ltd. The exchangeable bondholder, therefore, claimed early redemption. The exchangeable bonds amounting to 90,848 million (equivalent to US \$ 84,817 thousand) were early redeemed on February 22, 2011.

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Details of the exchangeable bonds as of December 31, 2012, are as follows:

Classification	Details
Name of bonds	13th non-collateralized exchangeable bonds
Purpose	Acquisition of investment securities
Issue date	March 21, 2008
Maturity date	March 21, 2013
Stated interest rate	2 %
Yield-to-Maturity <sup>1</sup>	9 %
Redemption of principal	Payment at maturity for the full principal amount, plus interest at an annual compounded rate of yield-to-maturity, less any and all stated interest payments multiplied by an annual compounded interest rate of 9%
Interest payments	December 31 of every year (the final interest payment shall be made upon maturity)
Exchange period	March 21, 2011 to February 21, 2013
Early redemption duty of a issuer	If the registered stocks of Korea Express Co., Ltd. are reduced by payment of cash, the Group must provide debenture holders with early payment amount computed under the terms of the debenture.
Early redemption right of claim of debenture holders	If certain events occur under the provisions of the debenture, debenture holders can demand early redemption from the issuer.

<sup>1</sup> Yield-to-maturity is calculated at a compounded annual interest rate of 9%.

Details of the exchange are as follows:

Classification	Details
Underlying assets	Korea Express Co., Ltd. common stock
Face value	207,815 million (equivalent to US \$ 194,020 thousand)
Exchange price per share	171,000 (equivalent to US \$ 160)
Number of shares subject to exchange	1,215,291 shares

Fair values of current borrowings are equal to its book values, since the effect of discount is not significant. Fair values of non-current borrowings as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Book value	Fair value <sup>1</sup>	Book value	Fair value <sup>1</sup>
Long-term borrowings	785,017	791,120	579,066	583,058
Debentures and exchangeable bonds	650,000	668,321	719,025	720,612
<b>Total</b>	<b>1,435,017</b>	<b>1,459,441</b>	<b>1,298,091</b>	<b>1,303,670</b>

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<i>(in thousands of US dollars (Note 4))</i>	2012		2011	
	Book value	Fair value <sup>1</sup>	Book value	Fair value <sup>1</sup>
Long-term borrowings	\$ 732,907	\$ 738,605	\$ 540,627	\$ 544,354
Debentures and exchangeable bonds	606,853	623,958	671,296	672,778
<b>Total</b>	<b>\$ 1,339,760</b>	<b>\$ 1,362,563</b>	<b>\$ 1,211,923</b>	<b>\$ 1,217,132</b>

<sup>1</sup> The fair value was assessed by discounting the future cash flows using the yield rate of the corporate bond which is equivalent to the Company's credit rating.

**20. 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 Korea Life Insurance Corporation, an independent actuary. The present value and current service cost were measured using the projected unit credit method.

Defined benefit liability recognized in the statements of financial position as of December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	2012	2011	2012	2011
Present value of funded defined benefit obligations	303,101	248,697	\$ 282,981	\$ 232,189
Present value of unfunded defined benefit obligations	2,351	2,183	2,195	2,038
	305,452	250,880	285,176	234,227
Fair value of plan assets	(135,289)	(120,159)	(126,308)	(112,183)
<b>Liability in the statement of financial position</b>	<b>170,163</b>	<b>130,721</b>	<b>\$ 158,868</b>	<b>\$ 122,044</b>

The amounts recognized in the statements of income for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	2012	2011	2012	2011
Current service cost	33,410	30,707	\$ 31,192	\$ 28,669
Interest cost	14,044	13,928	13,112	13,003
Expected return on plan assets	(4,409)	(3,889)	(4,116)	(3,631)
<b>Total, included in employee benefit expenses</b>	<b>43,045</b>	<b>40,746</b>	<b>\$ 40,188</b>	<b>\$ 38,041</b>

Actuarial gains and losses recognized as other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	2012	2011	2012	2011
Actuarial gains (losses) before tax	(31,373)	(26,507)	\$ (29,290)	\$ (24,747)
Income tax effect	7,494	6,401	6,996	5,975
<b>Actuarial gains (losses) after tax</b>	<b>(23,879)</b>	<b>(20,106)</b>	<b>\$ (22,294)</b>	<b>\$ (18,772)</b>

The amounts recognized in the statements of income for the years ended December 31, 2012 and

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2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Cost of sales	26,963	27,691	\$ 25,173	\$ 25,853
Selling and administrative expenses	16,082	13,055	15,015	12,188
<b>Total</b>	<b>43,045</b>	<b>40,746</b>	<b>\$ 40,188</b>	<b>\$ 38,041</b>

Cumulative actuarial gains and losses recognized as other comprehensive income as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Cumulative actuarial gains(losses) before tax	(74,479)	(43,106)	\$ (69,535)	\$ (40,245)
Income tax effect	17,523	10,029	16,360	9,364
<b>Cumulative actuarial gains (losses) after tax</b>	<b>(56,956)</b>	<b>(33,077)</b>	<b>\$ (53,175)</b>	<b>\$ (30,881)</b>

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Beginning balance</b>	250,880	224,581	\$ 234,226	\$ 209,673
Current service cost	33,410	30,707	31,192	28,669
Interest expense	14,044	13,928	13,112	13,003
Actuarial gains and losses	32,043	25,165	29,916	23,495
Benefits paid	(24,925)	(43,506)	(23,270)	(40,618)
Changes in scope of subsidiaries	-	5	-	5
<b>Ending balance</b>	<b>305,452</b>	<b>250,880</b>	<b>\$ 285,176</b>	<b>\$ 234,227</b>

Changes in the fair value of plan assets for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Beginning balance</b>	120,159	95,277	\$ 112,183	\$ 88,952
Expected return on plan assets	4,409	3,889	4,116	3,631
Actuarial gains and losses	670	(1,342)	626	(1,253)
Employer contributions	18,287	31,950	17,073	29,829
Benefits paid	(8,236)	(9,615)	(7,690)	(8,976)
<b>Ending balance</b>	<b>135,289</b>	<b>120,159</b>	<b>\$ 126,308</b>	<b>\$ 112,183</b>

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The principal actuarial assumptions used are as follows:

The Parent Company 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>2012</u>	<u>2011</u>
Discount rate	4.67%	5.75%
Inflation rate	2.50%	2.50%
Expected return on plan assets	3.85%	4.33%
Future salary increase (Including inflation)	4.83%	4.80%

Retirement pension mortality rate from October 2009, calculated and 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:

*(in millions of Korean won)*

	<u>2012</u>		<u>2011</u>	
	<u>Increase by 1%</u>	<u>Decrease by 1%</u>	<u>Increase by 1%</u>	<u>Decrease by 1%</u>
Discount rate:				
Increase (decrease) of defined benefit obligations	(21,514)	24,484	(17,262)	19,564
Salary growth rate				
Increase (decrease) of defined benefit obligations	24,771	(22,138)	20,016	(17,938)

*(in thousands of US Dollars (Note4))*

	<u>2012</u>		<u>2011</u>	
	<u>Increase by 1%</u>	<u>Decrease by 1%</u>	<u>Increase by 1%</u>	<u>Decrease by 1%</u>
Discount rate:				
Increase (decrease) of defined benefit obligations	\$ (20,086)	\$ 22,859	\$ (16,116)	\$ 18,265
Salary growth rate				
Increase (decrease) of defined benefit obligations	23,127	(20,668)	18,687	(16,747)

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Plan assets as of December 31, 2012 and 2011, consist of:

*(in millions of Korean won and in thousands of US Dollars (Note4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	2	1,467	\$ 2	\$ 1,370
Fixed deposits	112,325	108,552	104,869	101,346
Beneficiary certificates	537	-	501	-
Securities	3,620	4,088	3,380	3,817
Contribution to national pension plan	2,758	2,972	2,575	2,775
Others	16,047	3,080	14,981	2,875
<b>Total</b>	<u>135,289</u>	<u>120,159</u>	<u>\$ 126,308</u>	<u>\$ 112,183</u>

The actual return on plan assets was 5,079 million, equivalent to US \$ 4,742 thousand (2011: ₩ 2,547 million, equivalent to US \$ 2,378 thousand).

The amounts of experience adjustments on the defined benefit obligations and the plan assets are as follows:

*(in millions of Korean won and in thousands of US Dollars (Note4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Present value of defined benefit obligations	305,452	250,880	\$ 285,176	\$ 234,227
Fair value of plan assets	(135,289)	(120,159)	(126,308)	(112,183)
Deficit in the plan	170,163	130,721	158,868	122,044
Experience adjustments on plan liabilities	8,382	9,114	7,826	8,509
Experience adjustments on plan assets	670	(1,342)	626	(1,253)

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**21. 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, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			2011		
	Provisions for construction warranty	Provisions for contingent liabilities	Total	Provisions for construction warranty	Provisions for contingent liabilities	Total
<b>Beginning balance</b>	67,008	50,315	117,323	72,397	28,512	100,909
Provision	15,023	64,484	79,507	20,579	28,936	49,515
Reversal	(12,586)	(3,011)	(15,597)	(8,956)	(236)	(9,192)
Payment	(20,815)	(16,048)	(36,863)	(17,012)	(6,897)	(23,909)
<b>Ending balance</b>	<b>48,630</b>	<b>95,740</b>	<b>144,370</b>	<b>67,008</b>	<b>50,315</b>	<b>117,323</b>

<i>(in thousands of U.S. dollars (Note 4))</i>	2012			2011		
	Provisions for construction warranty	Provisions for contingent liabilities	Total	Provisions for construction warranty	Provisions for contingent liabilities	Total
<b>Beginning balance</b>	\$ 62,560	\$ 46,975	\$ 109,535	\$ 67,591	\$ 26,619	\$ 94,210
Provision	14,026	60,204	74,230	19,213	27,015	46,228
Reversal	(11,751)	(2,811)	(14,562)	(8,361)	(220)	(8,581)
Payment	(19,433)	(14,983)	(34,416)	(15,883)	(6,439)	(22,322)
<b>Ending balance</b>	<b>\$ 45,402</b>	<b>\$ 89,385</b>	<b>\$ 134,787</b>	<b>\$ 62,560</b>	<b>\$ 46,975</b>	<b>\$ 109,535</b>

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**22. Commitments and contingencies**

As of December 31, 2012, the Group provided eight blank promissory notes, eight blank checks and three notes in the aggregate amount of 1,500 million (equivalent to US \$ 1,400 thousand) as collaterals for its borrowings, guarantees for construction performance and warranties, and guarantees on capital commitments.

As of December 31, 2012, the Group has filed 79 lawsuits claiming 275,883 million (equivalent to US \$ 257,570 thousand) in total. In addition, the Group is involved as a defendant in 170 lawsuits related to damage claims, among other things, in the aggregate amount of 263,434 million (equivalent to US \$ 245,947 thousand) from the Group.

In connection with the lawsuit involving Dongbu Pusan Container Terminal and others, the Group recognized provisions for contingent liabilities as the court ruled in favor of the plaintiff. The Group is unable to predict the outcomes of all other litigations in a reasonable manner.

The Group's main contracts with financial institutions as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	2012		2011	
	Credit line	Used amount	Credit line	Used amount
Overdrafts	1,000	-	1,000	-
Loans	685,021	385,030	491,276	35,160
Credit loans	200,000	200,000	200,000	-
Bills discounted	214,370	-	231,190	11,942
Production loans	590,000	308,884	60,886	-
Loans on real estate	99,000	99,000	99,000	99,000
Loans for facilities	8,000	6,500	9,375	9,375
Loans for purchasing	6,000	-	9,500	3,700
Loans on trade receivables	-	-	18,000	-
Loans for project financing	40,000	36,600	40,000	32,000
Trade receivables discounted	5,000	-	155,000	27,867
Instalment financing	-	-	30,000	10,590
<b>Total</b>	<b>1,848,391</b>	<b>1,036,014</b>	<b>1,345,227</b>	<b>229,634</b>

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<i>(in thousands of U.S. dollars (Note 4))</i>	2012		2011	
	Credit line	Used amount	Credit line	Used amount
Overdrafts	\$ 934	\$ -	\$ 934	\$ -
Loans	639,548	359,471	458,665	32,826
Credit loans	186,724	186,724	186,724	-
Bills discounted	200,140	-	215,844	11,149
Production loans	550,836	288,380	56,844	-
Loans on real estate	92,428	92,428	92,428	92,428
Loans for facilities	7,469	6,069	8,753	8,753
Loans for purchasing	5,602	-	8,869	3,454
Loans on trade receivables	-	-	16,805	-
Loans for project financing	37,345	34,170	37,345	29,876
Trade receivables discounted	4,668	-	144,711	26,017
Instalment financing	-	-	28,009	9,887
<b>Total</b>	<b>\$ 1,725,694</b>	<b>\$ 967,242</b>	<b>\$ 1,255,931</b>	<b>\$ 214,390</b>

Letter of credit contracts as of December 31, 2012, amount to US \$ 750,611 thousand and 5,000 million, equivalent to US \$ 4,668 thousand (2011: US \$ 646,700 thousand and 5,000 million, equivalent to US \$ 4,668 thousand) with Woori Bank and the other financial institutions. Also, the Group has entered into comprehensive credit limit agreements with Korea Exchange Bank and the other financial institutions for US \$ 102,562 thousand (2011 : US \$ 119,200 thousand).

Related to the PF loans of Hapjeong Balanced Development Promotion 2nd areas, the Group has agreed to purchase land from Korea Trust Co., Ltd. in the event of default of debtors, Panacity Co., Ltd. and Iplan Partners, Inc., for the contract price of 76,000 million (equivalent to US \$ 70,955 thousand).

Related 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 \$ 74,690 thousand) for the land.

Related to the PF loans of the Gimpo Han River 2nd prugio, the Company has agreed to purchase land from Korean Assets Co., Ltd. in the event of default of debtor, Wesson Planning Co., Ltd., for the contract price of 200,000 million (equivalent to US \$ 186,724 thousand) for the land.

In relation to urban redevelopment Myeong-dong City and Residential, if the contract of building sales between the developer, Myongdong Urban Redevelopment Project Co., Ltd, and the trust bank of KTB confidence private real estate trust 31, Kookmin Bank Co., Ltd., is terminated, the Group must return the second payment of 160,000 million (USD 149,379 thousand). This obligation will be terminated when the construction starts.

The Group granted put options that give financial investors who participated in the Second Seohaean Expressway project and a few other projects the right of claim for sale of shares amounting to 28,706 million (equivalent to US \$ 26,800 thousand).

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As of December 31, 2012, the discounted receivables that are not yet due amounting to 3,448 million (equivalent to US \$ 3,219 thousand), are recognized as financial instrument liabilities.

Related to the bond amounting to 168,815 million (equivalent to US \$ 157,609 thousand) on Kumho Industrial Co., Ltd. and Kumho Tires Co., Inc. which is owned by Korea Express Co., Ltd., Korea Express Co., Ltd. is provided with the right to sell 49.5% of unredeemed part to the Group at the price for 74% of the principal in case the bond is not redeemed by January 31, 2015.

With regard to Gimpo Hangang Newcity site 1, Mapo office building site 2-10, Ulsan sinjung prugio site 1, Ujeong Innocity prugio site, Jeongja-dong officetel site 16-2 and Songdo OK Center site, the Group has agreed to the commitment that it use the construction cost paid since the commencement date of the loan to pay back the principal and interest of prior loans when the creditors— Epoch 1st (Private company), Epoch 2nd (Private company), Epoch 3rd (Private company), Epoch 4th (Private company), Epoch 5th (Private company), Epoch 6th (Private company)—request in the event of default of debtor. As of December, 2012, 121,660 million (equivalent to US \$ 113,584 thousand) of construction costs were received after the loan execution date.

As of December 31, 2012, the Group made the contract in relation with hotel development and operation. The details of contact are as follows:

(1) The Group entered into a contract with Sheraton Overseas Management Corporation ("SOMC") for the development of hotel and the introduction of management skill on February 5, 2008.

(2) 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 date and the Group will pay fees stipulated in the contract. The Group paid 758 million, equivalent to US \$ 708 thousand (2011: 604 million, equivalent to US \$ 564 thousand) for the year ended December 31, 2012. The Group recognized the fees as cost of sales.

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**23. Pledged assets and payment guarantees**

Restricted financial instruments assets as of December 31, 2012, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>		<b>2012</b>		
Short-term	20,500	\$ 19,139		Guarantee for borrowings and others
Long-term	1,851	1,728		Guarantee for borrowings and others
<b>Total</b>	<b>22,351</b>	<b>\$ 20,867</b>		

The Group has pledged its land, buildings, building usage right, inventories, investments in securities and others, aggregating to 710,085 million (equivalent to US \$ 662,942 thousand) in book value as of December 31, 2012, 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, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
ABS	30,000	-	\$ 28,009	\$ -	
ABCP	1,496,149	1,814,974	1,396,834	1,694,495	
PF Loan and others	690,440	1,186,002	644,608	1,107,275	
<b>Total</b>	<b>2,216,589</b>	<b>3,000,976</b>	<b>\$ 2,069,451</b>	<b>\$ 2,801,770</b>	

<sup>1</sup> The Group provided payment guarantees to related companies, Skyland Co., Ltd. and others, amounting to 422,000 million (equivalent to US \$ 393,987 thousand) (Note 34).

Major guarantees for the developers' debts that the Group provided as of December 31, 2012, are as follows:

<b>Business Unit</b>	<b>Won (millions)</b>	<b>U.S. dollars (thousands) (Note 4)</b>	<b>Period</b>	<b>Type</b>
Gyeonggi Province	370,000	\$ 345,439	2011.08~2014.08	Loan / ABCP/ABS
South Chungcheong Province	250,000	233,405	2012.05~2013.10	Loan / ABCP
Seoul	240,000	224,069	2012.03~2013.04	ABCP
Seoul	210,000	196,060	2012.02~2013.07	ABCP
Seoul	179,240	167,342	2012.09~2015.09	Loan / ABCP
Gyeonggi Province	96,500	90,094	2012.09~2015.02	ABCP
Incheon	86,800	81,038	2010.07~2016.06	Loan / ABCP
Gyeonggi Province	82,680	77,192	2012.07~2016.07	ABCP
Seoul	82,000	76,557	2012.11~2014.02	ABCP
Gyeonggi Province	75,000	70,021	2012.11~2013.11	ABCP

In addition to guarantees provided to related companies, the Group is jointly and severally liable for the guarantees of 801,742 million, equivalent to US \$ 748,522 thousand to associations.

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The Group has been provided with construction contract performance and other guarantees of 13,918,306 million (equivalent to US \$ 12,994,404 thousand) by 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 4,255,465 million (equivalent to US \$ 3,972,986 thousand) in connection with contract performance, sale-in-lot guarantee and warranty for domestic construction contracts.

The Group is jointly and severally liable for the guarantees of 2,346,187 million (equivalent to US \$ 2,190,446 thousand) in connection with the sale-in lot instalment payments and is also jointly and severally liable for the guarantees of 70,036 million (equivalent to US \$ 65,387 thousand) for moving expenses of housing-project members.

In addition to the guarantees provided to related companies, the Group has provided supplemental funding agreement of 474,592 million (equivalent to US \$ 443,088 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 6,250,593 million (equivalent to US \$ 5,835,676 thousand) as of December 31, 2012. Also, the Group has been provided guarantees by other construction companies of up to 5,436,626 million (equivalent to US \$ 5,075,741 thousand) as of December 31, 2012.

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, Meritiz Happy Housing Private Real-estate Trust 1st and Meritiz Happy Housing Private Real-estate Trust 2nd through investments or purchasing beneficiary certificates. And, the Group has provided payment guarantees of 53,000 million (equivalent to US \$ 49,482 thousand) related to the subordinated debt.

The Group has been provided with payment guarantees of 1,600 million (equivalent to US \$ 1,494 thousand) by Korea Development Bank and Shinhan Bank. Shinhan Bank is providing payment guarantee in relation to loans of 100 million (equivalent to US \$ 93 thousand).

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 ₩ 157,216 million (equivalent to US \$ 146,780 thousand) to Hana Bank and Nonghyup as collaterals for its borrowings of ₩ 108,630 million (equivalent to US \$ 101,419 thousand).

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**24. 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, 2012, the Group has issued 415,622,638 shares of common stock.

Capital surplus as of December 31, 2012 and 2011, is paid-in capital in excess of par value.

**25. Other component of equity and Accumulated other comprehensive income**

Other components of equity as of December 31, 2012 and 2011, consist of:

*(in millions of Korean won and  
in thousands of US Dollars  
(Note4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Treasury stock <sup>1</sup>	(101,723)	(101,723)	\$ (94,972)	\$ (94,972)
Debt to be Swapped for Equity <sup>2</sup>	2,549	2,549	2,380	2,380
Others	(29)	(29)	(26)	(26)
<b>Total</b>	<u>(99,203)</u>	<u>(99,203)</u>	<u>\$ (92,618)</u>	<u>\$ (92,618)</u>

<sup>1</sup> As of December 31, 2012, 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.

<sup>2</sup> 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, 2012, the debt to be swapped for equity amounts to 2,549 million (equivalent to US \$ 2,380 thousand) and there have been no changes in debt to be swapped for equity for the year ended December 31, 2012. The number of issuable stocks is 509,868 shares.

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Changes in the accumulated other comprehensive income after tax effect for the years ended December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	<b>2012</b>			
	<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Reclassification to profit or loss</b>	<b>Ending</b>
Gain (loss) on valuation of available-for-sale financial assets	(1,322)	14,015	7,187	19,880
Gain (loss) on overseas operations translation	58,760	(102,794)	(49,041)	(93,075)
Other comprehensive gain (loss) of associates	27,173	(7,557)	(5,473)	14,142
<b>Total</b>	<b>84,611</b>	<b>(96,336)</b>	<b>(47,327)</b>	<b>(59,051)</b>

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

	<b>2012</b>			
	<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Reclassification to profit or loss</b>	<b>Ending</b>
Gain (loss) on valuation of available-for-sale financial assets	\$ (1,234)	\$ 13,085	\$ 6,710	\$ 18,561
Gain (loss) on overseas operations translation	54,859	(95,970)	(45,785)	(86,896)
Other comprehensive gain (loss) of associates	25,369	(7,055)	(5,110)	13,204
<b>Total</b>	<b>\$ 78,994</b>	<b>\$ (89,940)</b>	<b>\$ (44,185)</b>	<b>\$ (55,131)</b>

*(in millions of Korean won)*

	<b>2011</b>			
	<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Reclassification to profit or loss</b>	<b>Ending</b>
Gain (loss) on valuation of available-for-sale financial assets	78,289	(17,180)	(62,431)	(1,322)
Gain (loss) on overseas operations translation	77,195	2,672	(21,107)	58,760
Other comprehensive gain (loss) of associates	25,207	1,966	-	27,173
<b>Total</b>	<b>180,691</b>	<b>(12,542)</b>	<b>(83,538)</b>	<b>84,611</b>

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

	<b>2011</b>			
	<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Reclassification to profit or loss</b>	<b>Ending</b>
Gain (loss) on valuation of available-for-sale financial assets	\$ 73,092	\$ (16,040)	\$ (58,287)	\$ (1,235)
Gain (loss) on overseas operations translation	72,071	2,495	(19,706)	54,860
Other comprehensive gain (loss) of associates	23,534	1,835	-	25,369
<b>Total</b>	<b>\$ 168,697</b>	<b>\$ (11,710)</b>	<b>\$ (77,993)</b>	<b>\$ 78,994</b>

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**26. Retained earnings**

Retained earnings as of December 31, 2012, and December 31, 2011, consist of:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Legal reserves <sup>1</sup>	60,351	60,331	\$ 56,345	\$ 56,326
Discretionary reserves <sup>2</sup>	47,300	41,967	44,160	39,181
Unappropriated retained earnings	<u>777,768</u>	<u>630,098</u>	<u>726,140</u>	<u>588,272</u>
<b>Total</b>	<b><u>885,419</u></b>	<b><u>732,396</u></b>	<b><u>\$ 826,645</u></b>	<b><u>\$ 683,779</u></b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Group's majority shareholders.

<sup>2</sup> 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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**27. 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 per share as of December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit attributable to equity holders of the Parent Company	176,902	177,074	\$ 165,159	\$ 165,320
Weighted average number of ordinary shares in issue	410,885,720	410,885,720	410,885,720	410,885,720
<b>Basic earnings per share</b>	<b>431</b>	<b>431</b>	<b>\$ 0.40</b>	<b>\$ 0.40</b>

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 per share as of December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit used to determine diluted earnings per share	176,902	177,074	\$ 165,159	\$ 165,320
Weighted average number of Ordinary shares for diluted earnings per share	411,395,588	411,395,588	411,395,588	411,395,588
<b>Diluted earnings per share</b>	<b>430</b>	<b>430</b>	<b>\$ 0.40</b>	<b>\$ 0.40</b>

The diluted potential stocks as of December 31, 2012, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	<u>Face value</u>	<u>Issuable common stock</u>	<u>Note</u>
Debt to be swapped for equity	2,549	\$ 2,380	509,868 Par value of ₩ 5,000 per share

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**28. 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, 2012 and 2011, consist of:

*(in millions of Korean won)*

	2012			2011		
	Cost of sales	Selling and administrative expenses	Total	Cost of sales	Selling and administrative expenses	Total
Changes in finished housing	(48,407)	-	(48,407)	(398,716)	-	(398,716)
Purchase of raw materials and land held for development	2,600,392	-	2,600,392	2,311,169	-	2,311,169
Labor cost	502,142	153,476	655,618	471,586	129,145	600,731
Outsourcing	3,231,659	-	3,231,659	3,012,472	-	3,012,472
Consulting fees	383,724	41,077	424,801	358,365	46,942	405,307
Other employee welfare	104,176	42,841	147,017	103,499	32,561	136,060
Rent	95,121	28,926	124,047	93,526	26,819	120,345
Commissions	129,999	37,805	167,804	123,718	31,742	155,460
Advertising	32,624	20,784	53,408	26,384	18,982	45,366
Development	-	17,223	17,223	-	19,217	19,217
Depreciation	33,507	17,705	51,212	43,895	15,508	59,403
Insurance premium	44,424	4,891	49,315	43,382	3,948	47,330
Taxes and dues	48,472	5,673	54,145	34,429	9,537	43,966
Others	246,024	103,488	349,512	113,056	50,871	163,927
<b>Total</b>	<b>7,403,857</b>	<b>473,889</b>	<b>7,877,746</b>	<b>6,336,765</b>	<b>385,272</b>	<b>6,722,037</b>

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

	2012			2011		
	Cost of sales	Selling and administrative expenses	Total	Cost of sales	Selling and administrative expenses	Total
Changes in finished housing	\$ (45,194)	\$ -	\$ (45,194)	\$ (372,249)	\$ -	\$ (372,249)
Purchase of raw materials and land held for development	2,427,777	-	2,427,777	2,157,753	-	2,157,753
Labor cost	468,810	143,288	612,098	440,282	120,572	560,854
Outsourcing	3,017,140	-	3,017,140	2,812,503	-	2,812,503
Consulting fees	358,252	38,350	396,602	334,577	43,826	378,403
Other employee welfare	97,261	39,997	137,258	96,629	30,400	127,029
Rent	88,807	27,006	115,813	87,318	25,039	112,357
Commissions	121,370	35,295	156,665	115,506	29,635	145,141
Advertising	30,458	19,404	49,862	24,633	17,722	42,355
Development	-	16,080	16,080	-	17,941	17,941
Depreciation	31,282	16,530	47,812	40,981	14,479	55,460
Insurance premium	41,475	4,566	46,041	40,502	3,686	44,188
Taxes and dues	45,254	5,296	50,550	32,144	8,904	41,048
Others	229,694	96,620	326,314	105,549	47,494	153,043
<b>Total</b>	<b>\$ 6,912,386</b>	<b>\$ 442,432</b>	<b>\$ 7,354,828</b>	<b>\$ 5,916,128</b>	<b>\$ 359,698</b>	<b>\$ 6,275,826</b>

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**29. Selling and administrative expenses**

Selling and administrative expenses for the years ended December 31, 2012 and 2011, are as follows:

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

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Salaries	137,394	116,090	\$ 128,274	\$ 108,384
Consulting fees	41,077	46,942	38,350	43,826
Welfare expenses	42,841	32,561	39,997	30,400
Rent	28,926	26,819	27,006	25,039
Development	17,223	19,217	16,080	17,941
Commissions	37,805	31,742	35,295	29,635
Pension costs	16,082	13,055	15,015	12,188
Insurance Premium	4,891	3,948	4,566	3,686
Advertising	20,784	18,982	19,404	17,722
Travel expenses	8,200	5,858	7,656	5,469
Bad debt expenses	88,668	50,352	82,782	47,010
Reversal of allowance for doubtful accounts	(12,722)	(19,729)	(11,878)	(18,419)
Others	42,720	39,435	39,885	36,817
<b>Total</b>	<u>473,889</u>	<u>385,272</u>	<u>\$ 442,432</u>	<u>\$ 359,698</u>

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**30. Other income and expenses**

Other income for years ended December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Reversal of allowance for doubtful accounts <sup>1</sup>	28,027	27,180	\$ 26,167	\$ 25,376
Gains on disposal of investments in securities <sup>1</sup>	37,901	98,827	35,385	92,267
Gain on disposal of assets classified as held for sale <sup>1</sup>	90,927	88,094	84,891	82,246
Reversal of impairment losses on assets held for sale <sup>1</sup>	5,460	67,906	5,098	63,398
Gain on disposal of property, plant and equipment <sup>1</sup>	1,184	3,035	1,105	2,834
Reversal of overseas operations translation credit <sup>1</sup>	49,040	21,107	45,786	19,706
Dividend income <sup>1</sup>	568	797	530	744
Miscellaneous revenues <sup>1</sup>	30,566	16,763	28,537	15,650
Others <sup>1</sup>	3,030	303	2,830	283
Gain on foreign currency transaction	33,898	33,224	31,648	31,019
Gain on foreign currency translation	31,292	20,894	29,215	19,507
Gain on valuation of derivatives	339	-	316	-
Gain on transactions of derivatives <sup>2</sup>	17,967	15,104	16,774	14,101
Others	13,838	2,174	12,918	2,030
<b>Total</b>	<b>344,037</b>	<b>395,408</b>	<b>\$ 321,200</b>	<b>\$ 369,161</b>

<sup>1</sup> These items were classified as other operating income in the previous year but is reclassified as other income in the current year (Note 2.1.1).

<sup>2</sup> A total of 240 million, equivalent to US \$ 224 thousand (2011: nil) was classified as other operating income in the previous year but is reclassified as other income in the current year (Note 2.1.1).

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Other expenses for the years ended December 31, 2012 and 2011, are as follows:

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

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Other bad debts expense <sup>1</sup>	123,164	43,389	\$ 114,988	\$ 40,509
Loss on disposal of investments in securities <sup>1</sup>	1,239	-	1,157	-
Loss on disposal of assets classified as held for sale <sup>1</sup>	22,703	14,355	21,196	13,402
Loss on disposal of property, plant and equipment <sup>1</sup>	1,814	1,155	1,694	1,078
Impairment losses on investment in securities <sup>1</sup>	44,095	44,355	41,168	41,411
Impairment losses on assets classified as held for sale <sup>1</sup>	9,301	18,247	8,684	17,036
Impairment losses on investments in associates	3,861	21,213	3,605	19,805
Transfer to reserve for contingent liabilities <sup>1</sup>	64,484	86,988	60,204	81,214
Miscellaneous losses <sup>1</sup>	7,262	22,166	6,779	20,693
Donations <sup>1</sup>	8,064	1,071	7,529	1,000
Others <sup>1</sup>	6,259	3,745	5,842	3,498
Loss on foreign currency transaction	38,000	24,171	35,478	22,567
Loss on foreign currency translation	23,052	27,230	21,522	25,422
Loss on valuation of derivatives <sup>2</sup>	6,057	35,399	5,655	33,049
Loss on transactions of derivatives	8,115	8,026	7,576	7,493
Loss on valuation of firm commitment	453	-	423	-
<b>Total</b>	<b>367,923</b>	<b>351,510</b>	<b>\$ 343,500</b>	<b>\$ 328,177</b>

<sup>1</sup> These items were classified as other operating expenses in the previous year but is reclassified as other expenses in the current year (note 2.1.1).

<sup>2</sup> No loss on valuation (2011: 33,023 million, equivalent to US \$ 30,831 thousand) was classified as other operating expenses in the third quarter of 2012, but is reclassified as other expenses in the current year (Note 2.1.1).

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**31. Financial income and costs**

Financial income for the years ended December 31, 2012 and 2011, is as follows:

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

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Interest income on bank deposits	11,884	15,193	\$ 11,095	\$ 14,184
Interest income on available-for-sale financial assets	1,958	1,587	1,828	1,482
Interest income on trade and other receivables	<u>27,754</u>	<u>45,338</u>	<u>25,912</u>	<u>42,329</u>
<b>Total</b>	<b><u>41,596</u></b>	<b><u>62,118</u></b>	<b><u>\$ 38,835</u></b>	<b><u>\$ 57,995</u></b>

Financial costs for the years ended December 31, 2012 and 2011, are as follows:

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

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Financial expenses	129,379	174,560	\$ 120,790	\$ 162,973
Others	<u>6,304</u>	<u>21,407</u>	<u>5,886</u>	<u>19,986</u>
<b>Total</b>	<b><u>135,683</u></b>	<b><u>195,967</u></b>	<b><u>\$ 126,676</u></b>	<b><u>\$ 182,959</u></b>

During the year, the Group has capitalized borrowing costs amounting to 3,993 million, equivalent to US \$ 3,728 thousand (2011: 1,096 million, equivalent to US \$ 1,023 thousand) on qualifying assets, inventories. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.75% (2011 : 6.04%).

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**32. Income tax**

Income tax expense for the years ended December 31, 2012 and 2011, consists of:

<i>(in millions of Korean won and in thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current tax:				
Current tax on profits for the year	66,890	39,018	\$ 62,450	\$ 36,428
Adjustments in respect of prior years	(919)	(4,482)	(858)	(4,184)
Total current tax	<u>65,971</u>	<u>34,536</u>	<u>61,592</u>	<u>32,244</u>
Deferred tax				
Origination and reversal of temporary differences	(11,052)	31,737	(10,319)	29,630
Impact of change in Korean tax rate	-	(29,810)	-	(27,831)
Total deferred tax	<u>(11,052)</u>	<u>1,927</u>	<u>(10,319)</u>	<u>1,799</u>
<b>Income tax expense</b>	<b><u>54,919</u></b>	<b><u>36,463</u></b>	<b><u>\$ 51,273</u></b>	<b><u>\$ 34,043</u></b>

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 in thousands of US Dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Profit(loss) before tax	<u>227,948</u>	<u>210,017</u>	<u>\$ 212,817</u>	<u>\$ 196,076</u>
Tax calculated based on applicable tax rate	54,702	50,798	\$ 51,071	\$ 47,426
Tax adjustment	217	(14,335)	203	(13,383)
Payment of income taxes (Income tax Refunds)	238	(4,444)	222	(4,149)
Income not subject to tax	(4,314)	(807)	(4,028)	(753)
Expenses not deductible for tax purposes	6,388	6,813	5,964	6,361
Unrecognized deferred income tax for temporary differences	3,883	13,908	3,625	12,985
Others (Re-measurement of deferred tax – change in the Korean tax rate)	<u>(5,978)</u>	<u>(29,805)</u>	<u>(5,581)</u>	<u>(27,827)</u>
Income tax expense	<b><u>54,919</u></b>	<b><u>36,463</u></b>	<b><u>\$ 51,273</u></b>	<b><u>\$ 34,043</u></b>

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The income tax credited (charged) directly to equity as of December 31, 2012 and 2011, is as follows:

*(in millions of Korean won)*

	2012			2011		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gains and losses	74,479	(17,523)	56,956	43,106	(10,029)	33,077
Gain on valuation of financial assets available-for-sale	(26,227)	6,347	(19,880)	(28,814)	1,641	(27,173)
Other comprehensive income from associates	(14,981)	(149)	(15,130)	1,744	(422)	1,322
<b>Total</b>	<b>33,271</b>	<b>(11,325)</b>	<b>21,946</b>	<b>16,036</b>	<b>(8,810)</b>	<b>7,226</b>

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

	2012			2011		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gains and losses	\$ 69,535	\$ (16,360)	\$ 53,175	\$ 40,245	\$ (9,364)	\$ 30,881
Gain on valuation of financial assets available-for-sale	(24,486)	5,926	(18,560)	(26,901)	1,532	(25,369)
Other comprehensive income from associates	(13,987)	(139)	(14,126)	1,629	(395)	1,234
<b>Total</b>	<b>\$ 31,062</b>	<b>\$ (10,573)</b>	<b>\$ 20,489</b>	<b>\$ 14,973</b>	<b>\$ (8,227)</b>	<b>\$ 6,746</b>

The gross balances of deferred tax assets and liabilities as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	2012			2011		
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
Deferred tax assets	251,204	393,767	644,971	211,713	432,240	643,953
Deferred tax liabilities	(6,096)	(111,792)	(117,888)	(19,068)	(111,369)	(130,437)
<b>Total</b>	<b>245,108</b>	<b>281,975</b>	<b>527,083</b>	<b>192,645</b>	<b>320,871</b>	<b>513,516</b>

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

	2012			2011		
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
Deferred tax assets	\$ 234,529	\$ 367,629	\$ 602,158	\$ 197,659	\$ 403,548	\$ 601,207
Deferred tax liabilities	(5,691)	(104,371)	(110,063)	(17,802)	(103,977)	(121,778)
<b>Total</b>	<b>\$ 228,838</b>	<b>\$ 263,258</b>	<b>\$ 492,095</b>	<b>\$ 179,857</b>	<b>\$ 299,571</b>	<b>\$ 479,429</b>

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Changes in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	19,908	1,263	7,494	28,665
Allowance for doubtful accounts	177,981	23,375	-	201,356
Accrued income	(11,233)	6,990	-	(4,243)
Financial guarantee liability and long-term provision	104,419	3,077	-	107,496
Present value discount	3,707	(362)	-	3,345
Property, plant and equipment	(10,150)	2,463	-	(7,687)
Intangible assets	3,384	(385)	-	2,999
Investments in securities	100,944	20,606	(4,979)	116,571
Impairment losses on investments in securities	20,651	(10,186)	-	10,465
Exchangeable bonds	14,813	4,955	-	19,768
Derivatives	47,933	(47,924)	-	9
Reserve established for tax purposes	(4,542)	(422)	-	(4,964)
Gain(loss) on foreign currency translation	930	(232)	-	698
Others	44,771	6,845	-	51,616
Tax loss carryforwards	-	989	-	989
<b>Total</b>	<b>513,516</b>	<b>11,052</b>	<b>2,515</b>	<b>527,083</b>

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

	2012			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	\$ 18,586	\$ 1,179	\$ 6,997	\$ 26,762
Allowance for doubtful accounts	166,167	21,823	-	187,990
Accrued income	(10,487)	6,526	-	(3,961)
Financial guarantee liability and long-term provision	97,488	2,873	-	100,361
Present value discount	3,461	(338)	-	3,123
Property, plant and equipment	(9,476)	2,300	-	(7,176)
Intangible assets	3,159	(359)	-	2,800
Investments in securities	94,243	19,238	(4,648)	108,833
Impairment losses on investments in securities	19,280	(9,510)	-	9,770
Exchangeable bonds	13,830	4,626	-	18,456
Derivatives	44,752	(44,743)	-	9
Reserve established for tax purposes	(4,241)	(394)	-	(4,635)
Gain(loss) on foreign currency translation	868	(218)	-	650
Others	41,798	6,392	-	48,190
Tax loss carryforwards	-	923	-	923
<b>Total</b>	<b>\$ 479,428</b>	<b>\$ 10,318</b>	<b>\$ 2,349</b>	<b>\$ 492,095</b>

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(in millions of Korean won)

	2011			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	14,415	(908)	6,401	19,908
Allowance for doubtful accounts	154,792	23,189	-	177,981
Accrued income	(10,490)	(743)	-	(11,233)
Financial guarantee liability and long-term provision	92,509	11,910	-	104,419
Present value discount	3,240	467	-	3,707
Property, plant and equipment	(9,005)	(1,145)	-	(10,150)
Intangible assets	3,767	(383)	-	3,384
Investments in securities	53,265	23,049	24,630	100,944
Impairment losses on investments in securities	33,769	(13,118)	-	20,651
Exchangeable bonds	12,725	2,088	-	14,813
Derivatives	36,223	11,710	-	47,933
Reserve established for tax purposes	(4,567)	25	-	(4,542)
Gain(loss) on foreign currency translation	9,633	(8,703)	-	930
Others	25,169	19,602	-	44,771
Tax loss carryforwards	68,967	(68,967)	-	-
<b>Total</b>	<b>484,412</b>	<b>(1,927)</b>	<b>31,031</b>	<b>513,516</b>

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

	2011			
	Beginning Balance	Increase (Decrease)		Ending Balance
		Profit for the year	Other comprehensive income	
Defined benefit liability	\$ 13,458	\$ (848)	\$ 5,976	\$ 18,586
Allowance for doubtful accounts	144,517	21,650	-	166,167
Accrued income	(9,794)	(694)	-	(10,488)
Financial guarantee liability and long-term provision	86,368	11,119	-	97,487
Present value discount	3,025	436	-	3,461
Property, plant and equipment	(8,407)	(1,069)	-	(9,476)
Intangible assets	3,517	(358)	-	3,159
Investments in securities	49,729	21,519	22,995	94,243
Impairment losses on investments in securities	31,527	(12,247)	-	19,280
Exchangeable bonds	11,880	1,949	-	13,829
Derivatives	33,819	10,933	-	44,752
Reserve established for tax purposes	(4,264)	23	-	(4,241)
Gain(loss) on foreign currency translation	8,994	(8,125)	-	869
Others	23,499	18,302	-	41,801
Tax loss carryforwards	64,389	(64,389)	-	-
<b>Total</b>	<b>\$ 452,257</b>	<b>\$ (1,799)</b>	<b>\$ 28,971</b>	<b>\$ 479,429</b>

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The Group did not recognize deferred income tax assets of 25,639 million, equivalent to US \$ 23,937 thousand (2011: 9,642 million, equivalent to US \$ 9,002 thousand) in respect of temporary differences of ₩ 6,205 million, equivalent to US \$ 5,793 thousand (2011: 2,333million, equivalent to US \$ 2,178 thousand) arising on investments in subsidiaries and associates which is not subject to sell as it is not probable.

Deferred tax expected to reverse in the year to December 31, 2012, has been measured using the effective rate 24.2% that will apply for the period.

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**33. Operating lease**

As of December 31, 2012, the Group has a five-year operating lease contract with JR 1st Corporate Restructuring REITs Co., Ltd. (the lessor) for the Kumho Asiana 1st Building since January 1, 2009.

The Group holds pre-emptive rights, which allow the Group to buy the Kumho Asiana 1st Building at the price offered by a third party if the lessee intends to sell the property to a third party within three years from the contract date. And the Group holds the purchasing right that allows the Group to buy the Kumho Asiana 1st Building during the year immediately after four years from the contract date.

When the Group does not exercise its right to purchase, the lessee has the right to sell that allows the Group to buy the Kumho Asiana 1st Building during the year commencing when the right to purchase expires.

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, 2012 and 2011, are as follows:

*(in millions of Korean won  
and in thousands of US  
Dollars (Note4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	34,949	19,583	\$ 32,629	\$ 18,283
Between 1~2 years	14,560	20,269	13,594	18,924
Thereafter	45,987	-	42,934	-
<b>Total</b>	<b>95,496</b>	<b>39,852</b>	<b>\$ 89,157</b>	<b>\$ 37,207</b>

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, 2012 and 2011, are as follows:

*(in millions of Korean won and  
in thousands of US Dollars  
(Note4))*

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	2,394	2,035	\$ 2,235	\$ 1,900
Between 1~2 years	4,423	2,106	4,129	1,966
Thereafter	28,167	-	26,297	-
<b>Total</b>	<b>34,984</b>	<b>4,141</b>	<b>\$ 32,661</b>	<b>\$ 3,866</b>

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**34. Related party transactions**

Related parties as of December 31, 2012, are as follows:

Relationship	Related parties
Parent company and associates of the Group	Korea Development Bank, KDB Value PEF VI, KDB Value VI LLC, KDB Life Insurance Co., Ltd., Korea Finance Corporation, Korea Development Bank Capital, Daewoo Securities Co., Ltd.
Associates	Daewoo Arabia Ltd., Daewoo Nigeria Ltd., Daewoo-Hannel Corp., Daewoo E&C Iran, Skyland Co., Ltd., Sewoon Nineteen Co., Ltd., Wootoo Housing 3rd Restructuring REITs Corp., Wootoo Shinyoung Housing 1st Restructuring REITs Corp., Myeong-dong City and Residential Environment Improvement Plans Co., Ltd., MEGAWORLD-DW CO., BEIJING LUFTHANSA CENTER CO.,Ltd, GULF ENG.CONST. & CONTRACT, Skyland Asset Management Co., Ltd., Chung-Ju Technopolis Assets Management Co., Ltd., Chun-An Hermeca Development Asset Management Co., Ltd., Econhill Development Asset Management Co., Ltd., SACC Co., Ltd., Vietnam Bason City 21, DW CONSTRUCTION PHILIPPINE INC., UNION DW ENG & CON Ltd, BNT Development SPA, KDS Hydro Pte.Ltd., Daewoo Power India Ltd, Hanam Marbling City Co. Ltd., Hanam Marbling City Development Co. Ltd., Daewoo E&C LLC, Keryonggreenvill. Co., Ltd, KDS Hydro Pte. Ltd., Ansan Laketown Co., Ltd, Ansan Laketown PFV Co., Ltd

Significant transactions, which occurred in the normal course of business with related parties for the years ended December 31, 2012 and 2011, are as follows:

	Sales		Purchases		Sales		Purchases	
	2012	2011	2012	2011	2012	2011	2012	2011
<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>								
<b>Parent company and associate of the Group</b>								
Korea Development Bank	8,731	32	10,806	6,105	\$ 8,151	\$ 30	\$ 10,089	\$ 5,700
Daewoo Securities Co., Ltd.	-	-	303	74	-	-	283	69
<b>Associates</b>								
Skyland Co., Ltd.	135	143	-	-	126	134	-	-
Sewoon Nineteen Co., Ltd.	-	2	857	-	-	2	800	-
Wootoo Housing 3rd Restructuring REITs Corp.	3,186	3,793	-	-	2,975	3,541	-	-
Wootoo Shinyoung Housing 1st Restructuring REITs Corp.	16	477	-	-	15	445	-	-
SACC Co., Ltd.	295	187	-	-	275	174	-	-
Econhill Development Asset Management Co., Ltd.	-	291	-	-	-	271	-	-
Ansan Laketown PFV Co., Ltd	7,894	-	-	-	7,370	-	-	-
Hanam Marbling City	354	-	-	-	331	-	-	-
BEIJING LUFTHANSA CENTER CO.,Ltd	8,496	10,867	-	-	7,932	10,146	-	-
<b>Others</b>								
DAEHA CO., LTD <sup>1</sup>	73	140	-	-	68	131	-	-
<b>Total</b>	<b>29,180</b>	<b>15,932</b>	<b>11,966</b>	<b>6,179</b>	<b>\$ 27,243</b>	<b>\$ 14,874</b>	<b>\$ 11,172</b>	<b>\$ 5,769</b>

<sup>1</sup> In 2012, this entity was excluded from the related parties as it was sold to third party.

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Account balances with related parties as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won)*

	Receivables		Payables	
	2012	2011	2012	2011
<b>Parent company and associate of the Group</b>				
Korea Development Bank	-	-	469,301	302,233
<b>Associates</b>				
Skyland Co., Ltd.	2,321	2,186	-	-
Wootoo Housing 3rd Restructuring REITs Corp.	110	620	-	-
Wootoo Shinyoung Housing 1st Restructuring REITs Corp.	-	10	-	-
SACC Co., Ltd.	1,608	1,313	-	-
Econhill Development Asset Management Co., Ltd.	-	27	-	-
Ansan Laketown PFV Co., Ltd	5,212	-	1,606	-
Hanam Marbling City	34	-	-	-
BEIJING LUFTHANSA CENTER CO.,Ltd.	2	2	-	-
GULF ENG.CONST. & CONTRACT	3,999	4,247	-	-
<b>Total</b>	<b>13,286</b>	<b>8,405</b>	<b>470,907</b>	<b>302,233</b>

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

	Receivables		Payables	
	2012	2011	2012	2011
<b>Parent company and associate of the Group</b>				
Korea Development Bank	\$ -	\$ -	\$ 438,149	\$ 282,171
<b>Associates</b>				
Skyland Co., Ltd.	2,167	2,041	-	-
Wootoo Housing 3rd Restructuring REITs Corp.	103	579	-	-
Wootoo Shinyoung Housing 1st Restructuring REITs Corp.	-	9	-	-
SACC Co., Ltd.	1,501	1,226	-	-
Econhill Development Asset Management Co., Ltd.	-	25	-	-
Ansan Laketown PFV Co., Ltd	4,866	-	1,499	-
Hanam Marbling City	32	-	-	-
BEIJING LUFTHANSA CENTER CO.,Ltd.	2	2	-	-
GULF ENG.CONST. & CONTRACT	3,733	3,965	-	-
<b>Total</b>	<b>\$ 12,404</b>	<b>\$ 7,847</b>	<b>\$ 439,648</b>	<b>\$ 282,171</b>

Payment guarantees that the Group provides to the related parties as of December 31, 2012 and 2011, are as follows:

*(in millions of Korean won and in thousands of US Dollars (Note4))*

	2012	2011	2012	2011
	<b>Associates</b>			
Skyland Co., Ltd.	370,000	350,000	\$ 345,439	\$ 326,767
Sewoon Nineteen Co., Ltd.	82,000	72,000	76,557	67,221
<b>Other</b>				
DAEHA CO., LTD (*1) (USD 41,000)	-	47,285	-	44,146
<b>Total</b>	<b>452,000</b>	<b>469,285</b>	<b>\$ 421,996</b>	<b>\$ 438,134</b>

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<sup>1</sup> In 2012, this entity was eliminated from the related parties as it was sold to third party.

<sup>2</sup> Besides the payment guarantees above, the Group provides reservation agreements of land sale and cash support agreements for the related parties (Notes 22 and 23).

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 consist of :

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

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term salaries	8,167	5,144	\$ 7,625	\$ 4,803
Pension costs	1,424	601	1,329	561
<b>Total</b>	<u>9,591</u>	<u>5,745</u>	<u>\$ 8,954</u>	<u>\$ 5,364</u>

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**35. Cash Generated from Operations**

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won and in thousands of US Dollars (Note4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Profit (loss) for the year</b>	173,029	173,554	\$ 161,545	\$ 162,033
<b>Adjustments</b>				
Depreciation	45,609	54,112	42,581	50,520
Loss on disposal of intangible assets	-	1	-	1
Loss on foreign currency translation	23,052	27,230	21,522	25,422
Bad debts expense	88,668	50,352	82,782	47,010
Other bad debts expense	123,164	43,389	114,988	40,509
Amortization	5,603	5,291	5,231	4,940
Pension costs	43,045	40,746	40,188	38,041
Interest expenses	135,683	195,967	126,676	182,959
Income tax expenses	54,919	36,463	51,273	34,043
Loss on disposal of property, plant and equipment	1,814	1,155	1,694	1,078
Loss on valuation of derivatives	6,057	35,399	5,655	33,049
Loss on valuation of firm commitment	453	-	423	-
Loss on transactions of derivatives	8,115	8,026	7,576	7,493
Loss on disposal of assets held for sale	22,703	14,355	21,196	13,402
Loss on disposal of investment property	-	51	-	48
Loss on disposal of investments in securities	1,239	-	1,157	-
Loss on disposal of investments in associates	299	-	279	-
Impairment losses on investments in associates	3,861	21,213	3,605	19,805
Impairment losses on investments in securities	44,095	44,355	41,168	41,411
Impairment losses on assets held for sale	9,301	18,247	8,684	17,036
Transfer to reserve for contingent liabilities	64,484	86,988	60,204	81,214
Transfer to reserve for construction warranty	15,023	20,579	14,026	19,213
Reversal of overseas operations translation debit	1	-	1	-
Gain on foreign currency translation	(31,292)	(20,894)	(29,215)	(19,507)
Gain on valuation of derivatives	(339)	-	(316)	-
Gain on transactions of derivatives	(17,967)	(15,104)	(16,774)	(14,101)
Gain on valuation of firm commitment	(13,838)	(2,174)	(12,919)	(2,030)
Gain on disposal of property, plant and equipment	(1,184)	(3,035)	(1,105)	(2,834)
Return of reserve for construction warranty	(12,586)	(8,956)	(11,751)	(8,361)
Reversal of allowance for doubtful accounts	(12,722)	(19,729)	(11,878)	(18,419)
Reversal of allowance for other doubtful accounts	(28,027)	(27,180)	(26,167)	(25,376)
Gain on disposal of assets held for sale	(90,927)	(88,094)	(84,891)	(82,246)
Gain on disposal of intangible assets	(3)	-	(3)	-
Gain on disposal of investment property	-	(10)	-	(9)
Gain on disposal of investments in associates	-	(57)	-	(53)
Gain on disposal of investments in securities	(37,901)	(98,827)	(35,385)	(92,267)
Dividend income	(568)	(797)	(530)	(744)
Interest income	(41,596)	(62,118)	(38,835)	(57,995)
Reversal of impairment losses on assets held for sale	(5,460)	(67,906)	(5,098)	(63,398)
Reversal of overseas operations translation credit	(49,041)	(21,107)	(45,786)	(19,706)
Return of reserve for other contingent liabilities	(3,011)	(236)	(2,811)	(220)
Gain on valuation of equity-method investments	(234)	(2,413)	(218)	(2,253)
<b>Changes in operating assets and liabilities</b>	<b>(1,558,252)</b>	<b>(466,410)</b>	<b>(1,454,815)</b>	<b>(435,452)</b>
Trade receivables	(260,071)	(18,359)	(242,807)	(17,140)
Other receivables	(354,177)	(152,859)	(330,667)	(142,712)
Advance payments	(220,112)	(156,997)	(205,501)	(146,575)
Prepaid expenses	(9,751)	66,473	(9,104)	62,060
Inventories	(377,976)	(133,309)	(352,886)	(124,460)
Long-term receivables	(37,385)	5,760	(34,903)	5,378
Trade payables	(220,336)	(96,128)	(205,710)	(89,747)
Other payables	96,583	19,346	90,172	18,062
Advances received	119,254	254,239	111,336	237,363
Withholdings	20,146	25,355	18,807	23,671
Income received in advance	52	133	49	123
Guarantee deposits received	5,940	(52,183)	5,546	(48,719)
Defined benefit liabilities	(34,976)	(65,841)	(32,654)	(61,470)
Long-term other payables	(132)	604	(123)	564
Long-term advances received	(240,268)	(108,032)	(224,319)	(100,861)
Long-term provisions	(36,863)	(73,709)	(34,416)	(68,816)
Long-term guarantee deposits received	3,108	(9,377)	2,902	(8,756)
Overseas operations translation	(11,288)	28,474	(10,539)	26,583
<b>Cash used in operations</b>	<b>(1,034,731)</b>	<b>(27,574)</b>	<b>\$ (966,045)</b>	<b>\$ (25,744)</b>

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The principal non-cash transactions for the years ended December 31, 2012 and 2011, are as follows:

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	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Reclassification of current maturities of debentures	569,025	542,300	\$ 531,253	\$ 506,302
Trade receivables collected in kind	240,991	116,499	224,994	108,766
Reclassification of current maturities of borrowings	33,615	118,118	31,384	110,277
Reclassification from advance payments to Inventories	17,988	8,075	16,794	7,539
Reclassification from guarantee deposit of long-term loans	17,486	-	16,325	-
Reclassification from investment in securities of investment in associates	14,938	-	13,946	-
Reclassification of current maturities of investment in securities	14,100	13,405	13,164	12,515
Reclassification from firm commitment of inventories	9,558	-	8,924	-
Increase of non-trade receivables due to disposal of investment in securities	7,818	-	7,299	-
Increase of non-trade receivables due to disposal of investment on securities	3,545	-	3,310	-
Reclassification from financial guarantee liabilities of allowance for bad debts	-	72,998	-	68,152
Reclassification of current maturities of financial derivatives liabilities	283	197,907	264	184,770
Reclassification from construction in progress to buildings	426	-	398	-
Reclassification of investment property of inventories	-	127,887	-	119,398
Reclassification of investment property of held for sale	-	25,758	-	24,048
Reclassification from advance payments to investment in securities	-	9,000	-	8,403
Reclassification from assets held for sale to investment in securities	-	126,391	-	118,001
Reclassification of equity-method investments due to change in scope of subsidiaries	-	20,991	-	19,598

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**36. 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.

**36.1 Financial Risk Factors**

**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, 2012 and 2011, are as follows:

	2012			
	Assets		Liabilities	
	Foreign currency	Korean won equivalent (millions)	Foreign currency	Korean won equivalent (millions)
USD	277,910	297,671	323,277	346,262
EUR	4,878	6,908	57,135	80,918
LYD	8,257	7,040	3,625	3,090
CNY	-	-	2,713	466
	2011			
	Assets		Liabilities	
	Foreign currency	Korean won equivalent (millions)	Foreign currency	Korean won equivalent (millions)
USD	261,130	301,163	333,121	384,189
EUR	5,751	8,593	44,508	66,500
LYD	8,257	7,774	3,625	3,413
CNY	19,839	3,621	2,713	495

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As of December 31, 2012 and 2011, 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>	<b>2012</b>		<b>2011</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	(4,859)	4,859	(8,303)	8,303
EUR	(7,401)	7,401	(3,876)	3,876

<i>(in thousands of US dollars (Note 4))</i>	<b>2012</b>		<b>2011</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	\$ (4,536)	\$ 4,536	\$ (7,752)	\$ 7,752
EUR	(6,910)	6,910	(3,619)	3,619

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, 2012 and 2011, 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>	<b>2012</b>		<b>2011</b>	
	<b>10bp Increase</b>	<b>10bp Decrease</b>	<b>10bp Increase</b>	<b>10bp Decrease</b>
Interest expenses	843	(843)	661	(661)

<i>(in thousands of U.S dollars (Note 4))</i>	<b>2012</b>		<b>2011</b>	
	<b>10bp Increase</b>	<b>10bp Decrease</b>	<b>10bp Increase</b>	<b>10bp Decrease</b>
Interest expenses	\$ 787	\$ (787)	\$ 617	\$ (617)

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**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, 2012 and 2011, are as follows:

<i>(in millions of Korean won in thousands of U.S dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Current assets</b>				
Cash equivalents	386,527	708,180	\$ 360,869	\$ 661,171
Financial instruments assets	37,015	42,767	34,558	39,928
Trade receivables	2,671,793	2,593,441	2,494,438	2,421,287
Other receivables	882,046	764,941	823,495	714,164
<b>Non-current assets</b>				
Financial instruments assets	2,051	164,875	1,915	153,930
Investments in securities <sup>1</sup>	12,364	52,383	11,543	48,906
Long-term receivables	750,980	645,445	701,130	602,600

<sup>1</sup> 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 96,025 million (equivalent to US \$ 89,651 thousand) and 107,651 million (equivalent to US \$ 100,506 thousand) as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, the related maximum credit exposures amount to 4,102,624 million (equivalent to US \$ 3,830,290 thousand) and 4,921,731 million (equivalent to US \$ 4,595,025), respectively.

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 a contractual amount of the Group.

**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 base to manage liquidity risk proactively.

The tables below analyze 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. Cash flows in the tables below represent undiscounted amounts. Borrowings include interest.

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	2012					
	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	2,751,195	2,926,774	1,365,901	846,242	382,684	331,947
Financial guarantee liabilities	96,025	4,102,624	2,122,482	1,230,916	412,645	336,581
Trade payables	467,643	467,643	467,643	-	-	-
Other payables	898,399	898,399	898,399	-	-	-
	<u>4,213,262</u>	<u>8,395,440</u>	<u>4,854,425</u>	<u>2,077,158</u>	<u>795,329</u>	<u>668,528</u>

(in thousands of US dollars  
(Note4))

	2012					
	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	\$ 2,568,570	\$ 2,732,493	\$ 1,275,232	\$ 790,068	\$ 357,281	\$ 309,912
Financial guarantee liabilities	89,651	3,830,290	1,981,591	1,149,207	385,253	314,239
Trade payables	436,601	436,601	436,601	-	-	-
Other payables	838,763	838,763	838,763	-	-	-
	<u>\$ 3,933,585</u>	<u>\$ 7,838,147</u>	<u>\$ 4,532,187</u>	<u>\$ 1,939,275</u>	<u>\$ 742,534</u>	<u>\$ 624,151</u>

(in millions of Korean won)

	2011					
	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	1,995,441	2,144,771	803,069	607,098	637,155	97,449
Financial guarantee liabilities	107,651	4,921,731	2,800,512	715,942	947,339	457,938
Trade payables	687,978	687,978	687,978	-	-	-
Other payables	795,622	795,622	795,622	-	-	-
	<u>3,586,692</u>	<u>8,550,102</u>	<u>5,087,181</u>	<u>1,323,040</u>	<u>1,584,494</u>	<u>555,387</u>

(in thousands of US dollars  
(Note4))

	2011					
	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	\$ 1,862,983	\$ 2,002,400	\$ 749,761	\$ 566,799	\$ 594,860	\$ 90,980
Financial guarantee liabilities	100,508	4,595,025	2,614,612	668,419	884,454	427,540
Trade payables	642,312	642,312	642,312	-	-	-
Other payables	742,806	742,806	742,806	-	-	-
	<u>\$ 3,348,605</u>	<u>\$ 7,982,543</u>	<u>\$ 4,749,491</u>	<u>\$ 1,235,218</u>	<u>\$ 1,479,314</u>	<u>\$ 518,520</u>

Also, the Group provides reciprocal guarantees on contract performance, housing sales and maintenance for domestic construction companies (Note 23).

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**36.2 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/equity ratio. Gearing ratio and debt to equity ratio are as follows:

<i>(in millions of Korean won in thousands of U.S dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Total borrowings (a)	2,751,195	1,995,441	\$ 2,568,570	\$ 1,862,983
Less: cash and cash equivalents (b)	388,440	713,827	362,656	666,443
Net debts (c=a-b)	2,362,755	1,281,614	2,205,914	1,196,540
Total liabilities (d)	6,448,340	6,056,387	6,020,298	5,654,362
Total equity (e)	3,410,980	3,412,191	3,184,558	3,185,687
Total capital (f=c+e)	5,773,735	4,693,805	5,390,472	4,382,227
Gearing ratio (c/f)	40.9%	27.3%	40.9%	27.3%
Debt to equity ratio (d/e)	189.0%	177.5%	189.0%	177.5%

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**36.3 Fair value estimation**

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined 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).

The following tables present the Group's financial assets and liabilities that are measured at fair value as of December 31, 2012 and 2011:

*(in millions of Korean won)*

	2012			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments assets	-	6,113	-	6,113
<b>Available-for-sale financial assets</b>	-			
Equity securities	123,261	-	145,933	269,194
Debt securities	-	10,016	-	10,016
<b>Total</b>	<u>123,261</u>	<u>16,129</u>	<u>145,933</u>	<u>285,323</u>
<b>Liabilities</b>				
<b>Liabilities at fair value through profit or loss</b>				
Current derivative instruments liabilities	-	38	-	38
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments liabilities	-	6,113	-	6,113
<b>Total</b>	<u>-</u>	<u>6,151</u>	<u>-</u>	<u>6,151</u>

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

	2012			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments assets	\$ -	\$ 5,707	\$ -	\$ 5,707
<b>Available-for-sale financial assets</b>				
Equity securities	115,079	-	136,246	251,325
Debt securities	-	9,351	-	9,351
<b>Total</b>	<u>\$ 115,079</u>	<u>\$ 15,058</u>	<u>\$ 136,246</u>	<u>\$ 266,383</u>
<b>Liabilities</b>				
<b>Liabilities at fair value through profit or loss</b>				
Current derivative instruments liabilities	\$ -	\$ 35	\$ -	\$ 35
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments liabilities	-	5,708	-	5,708
<b>Total</b>	<u>\$ -</u>	<u>\$ 5,743</u>	<u>\$ -</u>	<u>\$ 5,743</u>

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	2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments assets	-	1,891	-	1,891
Non-current derivative instruments assets	-	283	-	283
<b>Available-for-sale financial assets</b>				
Equity securities	91,152	-	152,434	243,586
Debt securities	-	57,885	-	57,885
<b>Total</b>	<b>91,152</b>	<b>60,059</b>	<b>152,434</b>	<b>303,645</b>
<b>Liabilities</b>				
<b>Liabilities at fair value through profit or loss</b>				
Current derivative instruments liabilities	-	198,033	-	198,033
Non-current derivative instruments liabilities	-	38	-	38
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments liabilities	-	1,891	-	1,891
Non-current derivative instruments liabilities	-	283	-	283
<b>Total</b>	<b>-</b>	<b>200,245</b>	<b>-</b>	<b>200,245</b>

(in thousands of US dollars (Note 4))

	2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments assets	\$ -	\$ 1,765	\$ -	\$ 1,765
Non-current derivative instruments assets	-	264	-	264
<b>Available-for-sale financial assets</b>				
Equity securities	85,101	-	142,315	227,417
Debt securities	-	54,043	-	54,043
<b>Total</b>	<b>\$ 85,101</b>	<b>\$ 56,072</b>	<b>\$ 142,315</b>	<b>\$ 283,489</b>
<b>Liabilities</b>				
<b>Liabilities at fair value through profit or loss</b>				
Current derivative instruments liabilities	\$ -	\$ 184,887	\$ -	\$ 184,887
Non-current derivative instruments liabilities	-	35	-	35
<b>Derivative instruments used for hedging purposes</b>				
Current derivative instruments liabilities	-	1,765	-	1,765
Non-current derivative instruments liabilities	-	266	-	266
<b>Total</b>	<b>\$ -</b>	<b>\$ 186,953</b>	<b>\$ -</b>	<b>\$ 186,953</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in "Level 1" consist of publicly traded equity instrument classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various techniques and makes judgments based on

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current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Changes in the financial instrument included in level 3 for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won in thousands of U.S dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Beginning balance</b>	152,434	293,371	\$ 142,315	\$ 273,897
Acquisition	14,702	32,250	13,726	30,109
Disposal	(13,855)	(59,708)	(12,935)	(55,745)
Reclassification from using cost method	34,740	-	32,434	-
Reclassified profit(loss) from equity	-	(80,040)	-	(74,727)
Impairment	(37,427)	(44,355)	(34,943)	(41,411)
Other comprehensive income	(4,661)	10,916	(4,351)	10,190
<b>Ending balance</b>	<b>145,933</b>	<b>152,434</b>	<b>\$ 136,246</b>	<b>\$ 142,315</b>

Available-for-sale financial assets measured at cost in financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won in thousands of U.S dollars (Note 4))</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Investment in securities				
Equity securities	435,728	436,352	\$ 406,804	\$ 407,387
Debt securities	4,701	7,846	4,389	7,325

The Group measured subordinated debt securities using cost method since deviations of estimated cash flows are significant and its probability cannot be assessed reliably as cash flows are related to recovery of assets owned by debt securities issuer.

Also, 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 constructions.

The Group will not dispose of the debt and equity securities in 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 project.