

Mando Corporation and Subsidiaries

**Consolidated Financial Statements
December 31, 2015 and 2014**

Mando Corporation and Subsidiaries

Index

December 31, 2015 and 2014

	Page(s)
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	3 - 4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity.....	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 – 72

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Mando Corporation

We have audited the accompanying consolidated financial statements of Mando Corporation (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for year ended December 31, 2015 and the four-month period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mando Corporation and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the year ended December 31, 2015 and the four-month period ended December 31, 2014, in accordance with the Korean IFRS.

Other Matter

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

Samil PricewaterhouseCoopers

March 10, 2016

Seoul, Korea

This audit report is effective as of March 10, 2016, 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.

Mando Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5,7	199,772,646	160,370,013
Trade receivables	5,7,8,34	1,242,210,314	999,266,024
Loans and other receivables	5,7,8,9,34	43,366,049	149,024,012
Derivative financial assets	4,5,7,11	4,579,060	22,844,565
Available-for-sale financial assets	5,7,10	7,500,000	2,000,000
Inventories	12	321,200,530	324,871,945
Other current assets	16	93,911,487	94,700,383
Current income tax assets		33,890,627	11,580,077
		<u>1,946,430,713</u>	<u>1,764,657,019</u>
Non-current assets			
Trade receivables	5,7,8	2,394,664	5,023,398
Loans and other receivables	5,7,8,9	47,006,315	51,881,622
Derivative financial assets	4,5,7,11	8,373,446	17,875,180
Available-for-sale financial assets	5,7,10	19,124,854	28,704,185
Investments in associates and joint ventures	13	53,323,169	27,446,167
Deferred income tax assets	22	105,061,985	87,884,864
Property, plant and equipment	14	1,784,196,568	1,710,367,460
Intangible assets	15	157,068,354	127,562,809
Other non-current assets	16	36,830,964	25,052,790
		<u>2,213,380,319</u>	<u>2,081,798,475</u>
Total assets		<u>4,159,811,032</u>	<u>3,846,455,494</u>

Mando Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	Notes	2015	2014
Liabilities			
Current liabilities			
Trade payables	4,5,7,34	963,002,008	891,223,432
Other payables	4,5,7,18,34	217,561,544	206,034,778
Short-term borrowings	4,5,7,17	192,363,679	360,123,602
Current portion of long-term borrowings and debentures	4,5,7,17	472,355,772	353,461,260
Derivative financial liabilities	4,5,7,11	9,561,732	19,552
Provisions	19	17,100,422	15,486,540
Current income tax liabilities		27,141,010	22,207,492
Other current liabilities	21	37,297,788	43,891,205
		<u>1,936,383,955</u>	<u>1,892,447,861</u>
Non-current liabilities			
Debentures	4,5,7,17	299,261,609	99,835,836
Long-term borrowings	4,5,7,17	273,367,085	503,615,948
Other payables	4,5,7,18	34,744,581	36,072,900
Derivative financial liabilities	4,5,7,11	2,361,679	3,571
Provisions	19	15,191,014	17,020,462
Net defined benefit liabilities	20	210,177,411	181,164,481
Deferred income tax liabilities	22	18,369,018	12,445,843
Other non-current liabilities	21	4,197,189	5,706,741
		<u>857,669,586</u>	<u>855,865,782</u>
Total liabilities		<u>2,794,053,541</u>	<u>2,748,313,643</u>
Equity attributable to equity holders of the Company			
Capital stock	1,23	46,957,120	46,957,120
Share premium	23	962,218,478	962,218,478
Other components of equity	24	199,316,631	441,458
Accumulated other comprehensive income	24	(17,769,447)	8,059,718
Retained earnings	25	131,220,921	40,134,406
		<u>1,321,943,703</u>	<u>1,057,811,180</u>
Non-controlling interest	1	43,813,788	40,330,671
Total equity		<u>1,365,757,491</u>	<u>1,098,141,851</u>
Total liabilities and equity		<u>4,159,811,032</u>	<u>3,846,455,494</u>

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

Mando Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Year ended December 31, 2015 and Four-month Period Ended December 31, 2014

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2015	2014
Net sales	6,26,34	5,299,190,814	1,721,436,297
Cost of sales	12,28,34	4,548,060,754	1,487,093,647
Gross profit		751,130,060	234,342,650
Selling and administrative expenses	27,28,34	485,485,452	155,081,268
Operating profit	6	265,644,608	79,261,382
Other income	29	42,287,980	30,732,341
Other expenses	29	52,460,034	22,768,507
Financial income	30	19,480,232	7,452,572
Financial expenses	30	65,898,215	28,582,276
Share of loss of associates and joint ventures	13	(7,864,192)	(5,977,428)
Profit before income tax		201,190,379	60,118,084
Income tax expense	22	71,616,533	12,224,836
Profit for the year/period		129,573,846	47,893,248
Other comprehensive income(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liability	20,22	(8,581,977)	(7,446,242)
Share of remeasurements for net defined benefit liability of associates and joint ventures	13,22	(46,422)	(53,055)
		(8,628,399)	(7,499,297)
Items that will be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets	22,24	(1,978,683)	(194,719)
Currency translation differences	22,24	7,353,679	48,757,984
Share of other comprehensive income(loss) of associates and joint ventures	22,24	(1,906,647)	(380,687)
Cash flow hedges	22,24	(28,896,825)	(62,347,266)
		(25,428,476)	(14,164,688)
		(34,056,875)	(21,663,985)
Total comprehensive income for the year/period		95,516,971	26,229,263
Profit for the period attributable to:			
Equity holders of the Company		125,795,045	47,533,232
Non-controlling interest		3,778,801	360,016
Total comprehensive income for the year/period attributable to:			
Equity holders of the Company		91,337,207	23,721,703
Non-controlling interest		4,179,764	2,507,560
Earnings per share attributable to equity holders of the Company during year/period (in won)			
Basic earnings per share	31	13,433	5,071

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

Mando Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Year ended December 31, 2015 and Four-month Period Ended December 31, 2014

(in thousands of Korean won)

	Attributable to equity holders of the Company						Total equity
	Capital stock	Share premium	Other components of equity	Accumulated other comprehensive income(loss)	Retained earnings	Non-controlling interest	
Balance at September 1, 2014 (the spin-off date)	46,957,120	962,218,478	5,674,340	24,472,421	-	37,823,111	1,077,145,470
Comprehensive income:							
Profit for the period	-	-	-	-	47,533,232	360,016	47,893,248
Available-for-sale financial assets	-	-	-	(194,719)	-	-	(194,719)
Cash flow hedges	-	-	-	(62,347,266)	-	-	(62,347,266)
Remeasurements of net defined benefit liability	-	-	-	-	(7,345,771)	(100,471)	(7,446,242)
Currency translation differences	-	-	-	46,509,969	-	2,248,015	48,757,984
Changes in other comprehensive income of associates and joint ventures	-	-	-	(380,687)	(53,055)	-	(433,742)
Transactions with equity holders:							
Acquisition of treasury shares	-	-	(5,232,882)	-	-	-	(5,232,882)
Balance at December 31, 2014	<u>46,957,120</u>	<u>962,218,478</u>	<u>441,458</u>	<u>8,059,718</u>	<u>40,134,406</u>	<u>40,330,671</u>	<u>1,098,141,851</u>
Balance at January 1, 2015	46,957,120	962,218,478	441,458	8,059,718	40,134,406	40,330,671	1,098,141,851
Comprehensive income:							
Profit for the year	-	-	-	-	125,795,045	3,778,801	129,573,846
Available-for-sale financial assets	-	-	-	(1,978,683)	-	-	(1,978,683)
Cash flow hedges	-	-	-	(28,896,825)	-	-	(28,896,825)
Remeasurements of net defined benefit liability	-	-	-	-	(8,582,251)	274	(8,581,977)
Currency translation differences	-	-	-	6,952,991	-	400,688	7,353,679
Changes in other comprehensive income of associates and joint ventures	-	-	-	(1,906,648)	(46,423)	-	(1,953,071)
Transactions with equity holders:							
Dividends	-	-	-	-	(18,729,856)	-	(18,729,856)
Issuance of hybrid securities	-	-	199,329,500	-	-	-	199,329,500
Distributions to the holders of hybrid securities	-	-	-	-	(7,350,000)	-	(7,350,000)
Changes in ownership interest in subsidiaries	-	-	(454,327)	-	-	(696,646)	(1,150,973)
Balance at December 31, 2015	<u>46,957,120</u>	<u>962,218,478</u>	<u>199,316,631</u>	<u>(17,769,447)</u>	<u>131,220,921</u>	<u>43,813,788</u>	<u>1,365,757,491</u>

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

Mando Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Year ended December 31, 2015 and Four-month Period Ended December 31, 2014

<i>(in thousands of Korean won)</i>	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	32	336,403,184	200,727,895
Interest received		6,803,913	4,129,871
Interest paid		(37,934,099)	(17,962,918)
Dividends received		656,730	576,594
Income tax paid		(88,291,958)	(20,375,046)
Net cash inflow from operating activities		<u>217,637,770</u>	<u>167,096,396</u>
Cash flows from investing activities			
Decreases(increase) in financial deposits		101,101,004	(20,269,509)
Increase in loans		(11,107,488)	(24,380,915)
Decrease in loans		19,667,452	4,934,590
Acquisition of available-for-sale financial assets		(31,069)	(11,769,505)
Proceeds from disposal of available-for-sale financial assets		1,500,000	1,566,601
Acquisition of investments of associates and others		(36,142,993)	-
Acquisition of property, plant and equipment		(269,962,185)	(130,713,583)
Proceeds from disposal of property, plant and equipment		4,803,787	3,360,378
Acquisition of intangible assets		(61,107,410)	(22,115,865)
Proceeds from disposal of intangible assets		14,094	-
Increase in other payables on acquisition of property, plant and equipment and intangible assets		2,615,726	9,897,339
Net cash outflow from investing activities		<u>(248,649,082)</u>	<u>(189,490,469)</u>
Cash flows from financing activities			
Increase in short-term borrowings, net		(174,916,880)	(7,145,981)
Settlement of derivatives		735,660	(507,884)
Repayments of current portion of long-term borrowings and debentures		(437,447,845)	(28,113,877)
Proceeds from debentures		299,172,600	-
Proceeds from long-term borrowings		211,494,143	43,493,133
Acquisition of treasury shares		-	(5,232,882)
Dividends paid		(18,729,856)	-
Issuance of hybrid securities		199,329,500	-
Distributions to the holders of hybrid securities		(7,350,000)	-
Changes in ownership interest in subsidiaries		(1,150,973)	-
Net cash inflow from financing activities		<u>71,136,349</u>	<u>2,492,509</u>
Exchange gains (losses) on cash and cash equivalents		<u>(722,404)</u>	<u>7,395,013</u>
Net increase (decrease) in cash and cash equivalents		39,402,633	(12,506,551)
Cash and cash equivalents at the beginning of year/period		160,370,013	172,876,564
Cash and cash equivalents at the end of year		<u>199,772,646</u>	<u>160,370,013</u>

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

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

1. General Information

Mando Corporation (the Company) is the parent company in accordance with the Korean IFRS 1110, *Consolidated Financial Statements*. The general information of Mando Corporation and its subsidiaries (collectively referred to as “the Group”) is as follows:

The Company was incorporated through a spin-off from Halla Holdings Corporation (formerly, Mando Corporation) with the capital stock amounting to ₩ 46,957,120 thousand on September 1, 2014 (the spin-off date). The Company listed its shares on the Korea Exchange on October 6, 2014.

The Company is headquartered in Pyoungtaek in Korea, while its plants and central research center are located in Pyoungtaek, Wonju, Iksan and Sunnam in Korea. The Company has domestic and overseas subsidiaries which manufacture, distribute and sell automotive parts.

Details of consolidated subsidiaries as of December 31, 2015, are as follows:

Subsidiary	Abbreviation ¹	Main business	Percentage of ownership (%)				Location	Closing month
			The Company	Subsidiaries	Non-controlling interest	Total		
Mando China Holdings Limited	MCH	Holding Company	100.0	-	-	100.0	Korea	December
Mando Suzhou Chassis System Co., Ltd.	MSC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Beijing) Automotive Chassis System Co., Ltd.	MBC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Tianjin) Automotive Parts Co., Ltd.	MTC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Harbin) Automotive Chassis System Co., Ltd.	MHC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Ningbo) Automotive Parts Co., Ltd.	MNC	Manufacturing and selling automotive parts business	-	65.0	35.0	100.0	China	December
Mando(Shenyang) Automotive Parts Co., Ltd.	MSYC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Beijing) R&D Center	MRC	R&D of technology for automotive parts	-	100.0	-	100.0	China	December
Mando(Beijing) Trading Co., Ltd.	MBTC	Selling automotive parts business	-	100.0	-	100.0	China	December
Mando Chongqing Chassis System Co., Ltd.	MCC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando Advanced Materials Co., Ltd.	MAM	Manufacturing and selling plastic material business	65.5	-	34.5	100.0	Korea	December
Tianjin Mando Advanced Materials Co., Ltd.	MAMT	Selling plastic material business	-	100.0	-	100.0	China	December
Mando America Corporation	MCA	Manufacturing and selling automotive parts business	100.0	-	-	100.0	USA	December
Mando Automotive India Limited	MAIL	Manufacturing and selling automotive parts business	71.0	-	29.0	100.0	India	March
Mando Softech India Private, Ltd.	MSI	R&D of technology for automotive parts	100.0	-	-	100.0	India	December
Mando Corporation Europe GmbH	MCE	Selling automotive parts business	100.0	-	-	100.0	Germany	December
Halla Das Lab Europe GmbH	HDLE	R&D of technology for automotive parts	-	100.0	-	100.0	Germany	December
Mando Corporation do Brasil Industry and Commercial Auto Parts Ltda.	MCB	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Brazil	December
Mando Corporation Poland	MCP	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Poland	December
Mando Corporation Mexico	MCM	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Mexico	December

¹ Abbreviations are used hereinafter.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

There was no subsidiary excluded from the scope of consolidation in 2015. Subsidiaries newly included in the consolidated financial statements are as follows:

Subsidiary	Reason
MCC	Newly established by MCH
MCM	Newly established by the Company

Summary of subsidiaries' financial information used in the preparation of consolidated financial statements is as follows:

	2015			
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Accumulated non-controlling interest
MCH and subsidiaries	1,312,539,676	582,895,582	729,644,094	33,669,755
MAM and subsidiary	32,727,444	25,650,988	7,076,456	2,442,085
MCE and subsidiary	41,740,734	24,695,022	17,045,712	-
MCA	523,749,746	398,589,267	125,160,479	-
MAIL	194,963,008	168,404,564	26,558,444	7,701,949
MSI	5,228,111	1,830,841	3,397,270	-
MCB	42,770,815	47,628,828	(4,858,013)	-
MCP	110,526,684	75,165,562	35,361,122	-
MCM	35,872,376	558,316	35,314,060	-

	2014			
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Accumulated non-controlling interest
MCH and subsidiaries	1,163,608,453	505,736,638	657,871,815	30,881,540
MAM and subsidiary	33,390,536	26,434,102	6,956,434	2,849,356
MCE and subsidiary	30,178,063	13,297,259	16,880,804	197,557
MCA	467,717,055	366,895,600	100,821,455	-
MAIL	174,380,363	152,303,751	22,076,612	6,402,217
MSI	4,032,602	1,248,988	2,783,614	-
MCB	57,772,676	37,961,534	19,811,142	-
MCP	84,569,386	45,548,292	39,021,094	-

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015				
	Sales	Profit(loss)	Total comprehensive income(loss)	Attribution to non-controlling interest	
				Profit (loss)	Total comprehensive income(loss)
MCH and subsidiaries	1,428,788,144	123,742,707	128,772,279	2,510,521	2,788,214
MAM and subsidiary	53,606,580	152,958	120,023	43,566	44,389
MCE and subsidiary	38,882,977	1,569,491	909,045	31,380	47,429
MCA	1,024,057,343	20,445,618	29,057,723	-	-
MAIL	344,407,577	4,114,948	4,481,832	1,193,335	1,299,731
MSI	6,534,297	567,423	613,656	-	-
MCB	34,761,191	(22,123,619)	(24,669,155)	-	-
MCP	88,575,637	(2,192,907)	(3,659,972)	-	-
MCM	-	1,246,237	(1,044,340)	-	-

<i>(in thousands of Korean won)</i>	2014(Four months)				
	Sales	Profit(loss)	Total comprehensive income(loss)	Attribution to non-controlling interest	
				Profit (loss)	Total comprehensive income(loss)
MCH and subsidiaries	482,029,189	48,984,237	90,066,690	643,992	2,669,149
MAM and subsidiary	17,542,917	356,774	81,392	144,984	33,338
MCE and subsidiary	13,751,732	331,071	342,292	(12,928)	(12,734)
MCA	334,481,044	2,931,051	11,971,317	-	-
MAIL	105,693,842	(1,434,594)	(628,253)	(416,032)	(182,193)
MSI	1,822,508	(121,977)	(35,065)	-	-
MCB	14,213,347	(6,116,893)	(8,007,016)	-	-
MCP	18,720,775	(1,333,400)	(1,783,046)	-	-

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.

2.1 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

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

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

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following enacted and amended standards for the annual period beginning on January 1, 2015, and this application does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1019, *Employee Benefits*

Korean IFRS 1019, *Employee Benefits*, allows a practical expedient for companies that operate defined benefit plans and when contributions are made by employees or third parties.

- Annual Improvements to Korean IFRS 2010-2012 Cycle

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

Korean IFRS 1102, *Share-based payment*, clarifies the definition of a 'vesting conditions', 'performance condition', and 'service condition'.

- Amendment to Korean IFRS 1103, *Business Combination*

Korean IFRS 1103, *Business Combination*, clarifies the classification and measurement of contingent consideration in the business combination.

- Amendment to Korean IFRS 1108, *Operating Segments*

Korean IFRS 1108, *Operating Segments*, requires disclosures of the judgments made by management in aggregating operating segments and a reconciliation of the reportable segments' assets to the entity's assets.

- Amendment to Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*, clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- Amendment to Korean IFRS 1024, *Related Party Disclosures*

Korean IFRS 1024, *Related Party Disclosures*, includes, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

- Annual Improvements to Korean IFRS 2011-2013 Cycle:

- Amendment to Korean IFRS 1103, *Business Combination*

Korean IFRS 1103, *Business Combination*, clarifies that Korean IFRS 1103 does not apply to the accounting for the formation of any joint arrangement.

- Amendment to Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, clarifies that the portfolio exception, which allows an entity to measure the fair value of a group of financial instruments on a net basis, applies to all contracts (including non-financial contracts) within the scope of Korean IFRS 1039.

- Amendment to Korean IFRS 1040, *Investment property*

Korean IFRS 1040, *Investment property*, clarifies that Korean IFRS 1040 and Korean IFRS 1103 are not mutually exclusive.

(b) New and amended standards not yet adopted by the Group

Amendments issued but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*

- Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities: Exemption for consolidation of investee*

- Korean IFRS 1111, *Joint Arrangements*

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

- Annual Improvements to Korean IFRS 2012-2014 Cycle

Furthermore, new standards and amendments issued, but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below:

- Korean IFRS 1109, *Financial Instruments*

The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*.

Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, *Revenue*, Korean IFRS 1011, *Construction Contracts*, and related Interpretations.

Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

2.2 Consolidation

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

(a) Subsidiaries

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

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

subsidiary and ceases when the Company loses control of the subsidiary.

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

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

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

In transactions with non-controlling interests that do not result in loss of control, the Group recognizes directly in equity attributable to owners of the parent any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

If the Group loses control of a subsidiary, any investment retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss.

(b) Associates

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

(c) Joint Arrangements

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for the investment using the equity method.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each entity within the Group 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 Company’s functional currency.

(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 or from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses related to borrowings, cash and cash equivalents are presented in ‘financial income and expenses’ in the statement of comprehensive income. All other foreign exchange gains and losses are presented in ‘other income and expenses’ in the statement of comprehensive income.

(c) Translation to presentation currency

The results and financial position of all entities within the Group 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 are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income are translated at the average exchange rates;
- equity is translated at the historical exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

2.4 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets.

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

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

(b) Impairment

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

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

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over one year; or the disappearance of an active market for that financial asset due to financial difficulties. A significant or prolonged decline in the fair value of an available-for-sale equity instrument from its cost is also objective evidence of impairment.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

the Group has retained substantially all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the statement of financial position.

2.5 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of comprehensive income as 'other income (expenses)'.

The Group applies cash flow hedge accounting to the foreign currency forward for hedging foreign exchange fluctuation risks on forecast sales denominated in foreign currency. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and the ineffective portion is recognized in 'other income (expenses)'. Amounts of changes in fair value of derivatives accumulated in other comprehensive income are recognized as 'sales' for the periods when forecast transactions affect profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is recognized as 'other income (expenses)' immediately.

2.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the average method, except for inventory-in-transit which is determined using the specific identification method.

2.7 Property, Plant and Equipment

Property, plant and equipment are presented at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditures directly attributable to the asset acquisition.

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:

	Estimated Useful Lives
Buildings and structures	20 ~ 40 years
Machinery	5 ~ 12 years
Vehicles	3 ~ 6 years
Tools	3 ~ 10 years
Furniture and fixtures	3 ~ 10 years

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

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

2.8 Borrowing Costs

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

2.9 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to them.

Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the expenses related to the purpose of the government grants.

2.10 Intangible Assets

Goodwill is measured as explained in Note 2.2.(a) and carried at its cost less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Development costs, internally generated intangible assets, are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership 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 assets are expected to be utilized. Intangible assets with definite useful life are amortized using the straight-line method over their estimated useful lives, as follows:

	Estimated Useful Lives
Development costs	5 years
Industrial property rights and facility usage rights	5,10,15 years
Software	3 ~ 10 years

2.11 Impairment of Non-Financial Assets

Goodwill or intangible assets with indefinite useful lives are tested annually for impairment. Assets that are subject to amortization are assessed at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the assets are tested for impairment. An impairment loss is recognized as the amount by which the carrying amount of an

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss recognized in prior periods for non-financial assets other than goodwill is reviewed for possible reversal at the end of each reporting period.

2.12 Financial Liabilities

(a) Classification and measurement

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

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

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

(b) Derecognition

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

2.13 Provisions

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

A warranty provision is accrued for the estimated costs of future warranty claims over 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 a provision for litigation and others in the financial statement.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

2.14 Current and Deferred Income Tax

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

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

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

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

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

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

2.15 Employee Benefits

(a) Post-employment benefits

The Group entities operate various retirement benefit plans; both defined contribution and defined benefit plans.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service.

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

The remeasurements of the net defined benefit liability are recognized in other comprehensive income. If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Share-based payments

Equity-settled share-based payments granted to employees are estimated at the grant date fair value of equity instruments and recognized as employee benefit expenses over the vesting period. The number of equity instruments expected to vest is remeasured considering non-market vesting conditions at the end of the reporting period, and any changes from the original measurement recognized in the profit for the year and equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

(c) Other long-term employee benefits

Certain Group companies provide long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent qualified actuaries.

(d) Labor welfare fund

A portion of the fund which is available for employee benefits based on the statutory regulation or fund article is recognized as assets.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

2.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of service in the ordinary course of the Group's activities. It is stated as net of value-added tax, returns and discounts, after elimination of intercompany sales within the Group.

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

(a) Sales of goods

The Group mainly manufactures and sells automotive components. 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.

(b) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with such a transaction is recognized by reference to the stage of performance of the services.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a receivable is 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) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) Dividend income

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

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

2.17 Lease

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

Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.18 Greenhouse Gas Emissions Rights (Allowances) and Obligations

With Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances, allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The allowances and emissions obligations are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.19 Segment Reporting

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

3. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as historical experience and events reasonably predictable in the foreseeable future within the present circumstance. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Estimated impairment of goodwill

The recoverable amounts of cash-generating units calculated to test impairment of goodwill have been determined based on value-in-use calculations.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

3.2 Income taxes

The Group's income taxes are calculated 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.

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

3.3 Fair value of derivatives and other 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 judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.4 Net defined benefit liability

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

3.5 Provisions for product warranty

The Group generally provides warranty for products or merchandises over the periods from one year to five years. Management determines provisions for future warranty claims with consideration to the recent trend of changes and historical data.

4. Financial Risk Management

4.1 Financial Risk Factors

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 policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (the Company's treasury department) under policies approved by the board of directors. The Company's treasury department identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

4.1.1 *Market risk*

(a) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar ("USD"), Chinese yuan ("CNY") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies that are not the Group entities' functional currencies. The Group uses foreign currency forward contracts to hedge the foreign exchange risk (Note 11).

If the exchange rate of the Group entities' functional currencies against each foreign currency had changed by 10% with all other variables held constant, the effects on profit before income tax would have been as follows:

<i>(in thousands of Korean won)</i>	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
USD	(4,661,729)	4,661,729	(4,169,691)	4,169,691
CNY	2,360,540	(2,360,540)	2,166,535	(2,166,535)
EUR	(2,299,356)	2,299,356	(3,553,840)	3,553,840

The above effects were analyzed on the significant monetary assets and liabilities including cash and cash equivalents, trade accounts receivable, other receivables, trade accounts payable, other payables, borrowings and others, denominated in currencies that are not the Group entities' functional currencies.

(b) *Price risk*

The Group is exposed to price risk of equity securities held by the Group, which are classified on the consolidated statement of financial position as available-for-sale financial assets. Most of the Group's marketable equity securities are publicly traded in the KRX KOSPI Market of the Korea Exchange and included in KOSPI equity index.

The table below summarizes the impact of changes of KOSPI equity index on the Group's profit before income tax and other comprehensive income (before income tax) for the year ended December 31, 2015 and the four-month period ended December 31, 2014. The analysis is based on the assumption that KOSPI equity index had increased and decreased by 5% with all other variables held constant and all the Group's marketable equity securities moved according to the historical correlation with KOSPI equity index.

<i>(in thousands of Korean won)</i>	2015		2014	
	5% increase	5% decrease	5% increase	5% decrease
Other comprehensive income (loss)	211,027	(211,027)	246,532	(246,532)

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

(c) Interest rate risk

The Group's interest rate risk mainly arises from borrowings with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

To mitigate interest rate risk, the Group manages interest rate risk proactively by: minimizing external borrowings by using cash pooling system (internal cash sharing); reducing borrowings with high interest rates; maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates; and monitoring weekly and monthly interest rate trends in domestic and international markets.

If interest rates had changed by 100bp with all other variables held constant, the effects on interest expenses related to borrowings with variable interest rates are as follows:

<i>(in thousands of Korean won)</i>	2015		2014(Four months)	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	4,127,553	(4,127,553)	1,415,837	(1,415,837)

4.1.2 Credit risk

The Group's credit risk arises from cash and cash equivalents, derivative financial instruments and financial deposits with banks and financial institutions, as well as credit exposures to trade receivables and loans and other receivables.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers relating trade receivables, loans and other receivables are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. The Group sets the individual risk limits based on internal or external ratings within the limits previously set by the management. The utilization of credit limits is regularly monitored.

If necessary, the Group requires customers to take guarantee insurance policy or to be guaranteed by bank in order to avoid credit risk. In accordance with the Group's credit risk management policy, the credit quality of trade receivables and loans and other receivables that are neither past due nor impaired as of the end of reporting period can be measured using the historical experience about customers' financial difficulties, if possible, external ratings (Note 8).

4.1.3 Liquidity risk

In order to manage liquidity risk, the Group forecasts its cash flows from operating, investing and financing activities by setting up an annual or monthly cash flow forecast and internal financial ratio target. The Group also maintains sufficient liquidity in advance so that the Group does not breach borrowing limits or covenants on any of its borrowings. The Group operates cash pooling system

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

to manage liquidity risk in Chinese subsidiaries.

At the end of the reporting period, the Group manages the reasonably possible liquidity risk using a variety of financing agreements with banks (Note 33). In addition, the Company is able to source funds any time in financial markets because it has good investment credit grade (AA- Stable) from Korea Ratings Corporation and Nice Investors Service Co., Ltd., respectively.

The details of the Group's liquidity risk analysis are as follows:

	2015			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<i>(in thousands of Korean won)</i>				
Trade payables	963,002,008	-	-	-
Other payables	217,572,237	4,413,270	2,312,249	-
Debentures	112,047,000	7,637,000	305,727,750	-
Short-term and long-term borrowings	581,260,188	103,132,277	148,158,786	37,572,116
Net settled derivatives for trading purposes	155,000	-	-	-
Outflow of gross settled derivatives for trading purposes	18,913,997	-	-	-
Inflow of gross settled derivatives for trading purposes	(19,067,883)	-	-	-
Outflow of gross settled derivatives for hedging purposes	505,089,296	336,975,778	5,863,024	-
Inflow of gross settled derivatives for hedging purposes	(500,452,920)	(343,016,430)	(5,967,500)	-
Financial guarantee contracts	16,822,963	-	-	-
	2014			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<i>(in thousands of Korean won)</i>				
Trade payables	891,223,432	-	-	-
Other payables	208,546,597	3,135,392	2,430,076	-
Debentures	209,105,000	104,410,000	-	-
Short-term and long-term borrowings	515,884,406	390,579,326	126,845,196	26,607,208
Outflow of gross settled derivatives for trading purposes	23,505,656	-	-	-
Inflow of gross settled derivatives for trading purposes	(23,236,780)	-	-	-
Outflow of gross settled derivatives for hedging purposes	531,821,237	335,356,350	33,187,440	-
Inflow of gross settled derivatives for hedging purposes	(554,129,750)	(349,815,570)	(37,014,080)	-
Financial guarantee contracts	18,978,584	-	-	-

The gross settled derivatives are presented as the sum of undiscounted contractual cash inflow and the related cash outflow.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

4.2 Capital Risk Management

The Group's objectives when managing capital 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.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group's objective of capital risk management is to maintain a sound debt-to-equity ratio consistent with others in the industry and is improving its investment credit rating to AA rated by Korea Investors Service. The Group monitors the debt-to-equity ratios monthly basis and takes required action plan to improve the capital structure.

Debt-to-equity ratios of the Group are as follows:

<i>(in thousands of Korean won, except for ratios)</i>	2015	2014
Total liabilities (A)	2,794,053,541	2,748,313,644
Total equity (B)	1,365,757,491	1,098,141,851
Debt-to-equity ratio (A/B)	204.6%	250.3%

Debt-to-equity ratio decreased due to issuance of hybrid securities during the year ended December 31, 2015.

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Book values and fair values of financial assets and liabilities by category are as follows:

<i>(in thousands of Korean won)</i>	2015		2014	
	Book value	Fair value	Book value	Fair value
Current				
Cash and cash equivalents	199,772,646	199,772,646	160,370,013	160,370,013
Trade receivables	1,242,210,314	1,242,210,314	999,266,024	999,266,024
Loans and other receivables	43,366,049	43,366,049	149,024,012	149,024,012
Derivative financial assets	4,579,060	4,579,060	22,844,565	22,844,565
Available-for-sale financial assets	7,500,000	7,500,000	2,000,000	2,000,000
	<u>1,497,428,069</u>	<u>1,497,428,069</u>	<u>1,333,504,614</u>	<u>1,333,504,614</u>
Non-current				
Trade receivables	2,394,664	2,311,557	5,023,398	4,936,688
Loans and other receivables	47,006,315	46,517,824	51,881,622	50,961,015
Derivative financial assets	8,373,446	8,373,446	17,875,180	17,875,180
Available-for-sale financial assets	19,118,254	19,118,254	28,697,585	28,697,585
	<u>76,892,679</u>	<u>76,321,081</u>	<u>103,477,785</u>	<u>102,470,468</u>
	<u>1,574,320,748</u>	<u>1,573,749,150</u>	<u>1,436,982,399</u>	<u>1,435,975,082</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015		2014	
	Book value	Fair value	Book value	Fair value
Current				
Trade payables	963,002,008	963,002,008	891,223,432	891,223,432
Other payables	217,561,544	217,561,544	206,034,778	206,034,778
Short-term borrowings	192,363,679	192,363,679	360,123,602	360,123,602
Current portion of long-term borrowings and debentures	472,355,772	472,402,801	353,461,259	353,576,200
Derivative financial liabilities	9,561,732	9,561,731	19,552	19,552
	<u>1,854,844,735</u>	<u>1,854,891,763</u>	<u>1,810,862,623</u>	<u>1,810,977,564</u>
Non-current				
Debentures and long-term borrowings	572,628,694	573,727,901	603,451,785	604,906,092
Other payables	34,744,581	34,666,916	36,072,900	35,941,390
Derivative financial liabilities	2,361,679	2,361,679	3,571	3,571
	<u>609,734,954</u>	<u>610,756,496</u>	<u>639,528,256</u>	<u>640,851,053</u>
	<u>2,464,579,689</u>	<u>2,465,648,259</u>	<u>2,450,390,879</u>	<u>2,451,828,617</u>

The book value of current financial assets and liabilities is measured at a reasonable approximation of fair value. Non-marketable available-for-sale equity securities amounting to ₩6,600 thousand(2014: ₩6,600 thousand) are measured at cost because the related future cash flows cannot be reasonably assessed, therefore, these equity securities are excluded from the fair value disclosure.

5.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All the Group's financial assets and liabilities measured at fair value are recurring fair value measurements. The fair value hierarchy of the financial assets and liabilities measured at the fair value or their fair values are disclosed are categorized as follows:

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Equity instruments classified as available-for-sale	8,829,600	-	-	8,829,600
Debt instruments classified as available-for-sale	-	17,788,654	-	17,788,654
Derivative assets used for hedging purposes	-	12,940,162	-	12,940,162
Derivative liabilities used for hedging purposes	-	11,554,001	-	11,554,001
Derivative assets held for trading	-	12,344	-	12,344
Derivative liabilities held for trading	-	369,409	-	369,409
Disclosed fair value				
Trade receivables	-	-	1,244,521,871	1,244,521,871
Other receivables	-	-	89,883,873	89,883,873
Trade payables	-	-	963,002,008	963,002,008
Other payables	-	-	252,228,460	252,228,460
Debentures and borrowings	-	-	1,238,494,381	1,238,494,381
2014				
<i>(in thousands of Korean won)</i>	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Equity instruments classified as available-for-sale	11,440,000	-	-	11,440,000
Debt instruments classified as available-for-sale	-	19,257,585	-	19,257,585
Derivative assets used for hedging purposes	-	40,432,551	-	40,432,551
Derivative assets held for trading	-	287,194	-	287,194
Derivative liabilities held for trading	-	19,552	-	19,552
Embedded derivative liabilities	-	-	3,571	3,571
Disclosed fair value				
Trade receivables	-	-	1,004,202,712	1,004,202,712
Other receivables	-	-	199,985,027	199,985,027
Trade payables	-	-	891,223,432	891,223,432
Other payables	-	-	241,976,168	241,976,168
Debentures and borrowings	-	-	1,318,605,894	1,318,605,894

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period. For the year ended December 31, 2015, there are no transfers between levels of the fair value hierarchy.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

5.3 Valuation Technique and the Inputs

The financial instruments of which the fair value measurements are categorized within Level 2 consist of investment in the available-for-sale debt instruments, beneficiary certificates, convertible preferred shares and derivatives of foreign currency forward contracts.

The fair value of the available-for-sale debt instruments is measured at the present value using the observable market interest rate for the debt instruments with similar risk and maturity. The fair value of the convertible preferred shares is measured using the valuation technique such as the present value and market approach. The fair value of derivative financial instruments is measured at the present value using the forward exchange rates and market interest rates at the end of the reporting period. The disclosed fair values categorized within Level 2 and 3 are measured at the present value using discount rates such as the weighted-average interest rates of borrowings and others.

The fair value measurement of financial instrument categorized within Level 3 is the embedded derivative instrument related to the conversion right in the convertible redeemable preferred shares issued by MAM (Note 11). The fair value of this conversion right is measured using the binomial model considering the volatility of similar listed entities' share price.

6. Operating Segment Information

Management has determined the operating segments based on the information reviewed by the board of directors that are used to make strategic decisions. The board of directors reviews the business performance by geographic perspective segregated into Korea, China, USA and other areas.

The board of directors assesses the performance of the operating segments based on operating profit or loss which are measured in a manner consistent with that in the consolidated statements of comprehensive income.

The information for profit or loss and non-current assets by geographic area is as follows:

<i>(in thousands of Korean won)</i>	2015				
	Korea	China	USA	Other	Total
Total segment sales	3,143,115,178	1,437,202,383	1,024,057,343	512,679,934	6,117,054,838
Inter-segment sales	(678,990,883)	(84,554,699)	(22,559,122)	(31,759,320)	(817,864,024)
Sales to external customers	2,464,124,295	1,352,647,684	1,001,498,221	480,920,614	5,299,190,814
Operating profit	65,409,514	171,999,383	32,763,166	4,700,079	274,872,142
Depreciation and amortization	125,971,771	55,281,525	23,574,014	19,873,881	224,701,191

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014(Four months)				
	Korea	China	USA	Other	Total
Total segment sales	1,063,958,853	484,507,431	334,481,044	154,169,539	2,037,116,867
Inter-segment sales	(266,754,990)	(30,790,278)	(7,120,429)	(11,014,873)	(315,680,570)
Sales to external customers	797,203,863	453,717,153	327,360,615	143,154,666	1,721,436,297
Operating profit	13,081,502	66,096,327	5,903,425	2,298,105	87,379,359
Depreciation and amortization	40,496,570	18,088,556	7,205,143	6,066,980	71,857,249

(in thousands of Korean won)

Non-current assets¹	2015	2014
Korea	1,197,049,821	1,148,995,403
China	355,635,219	327,445,473
USA	256,975,663	228,239,949
Other	184,927,387	160,695,611
	1,994,588,090	1,865,376,436

¹ Financial instruments and deferred income tax assets are excluded.

Information for total assets and liabilities for each reportable segment is not disclosed because such information is not regularly provided to the board of directors.

Sales between segments are accounted for as they are carried out at arm's length. The sales are measured in a manner consistent with that in the statement of comprehensive income.

Reconciliation of operating profit for the reportable segments to operating profit in the statements of comprehensive income is as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Operating profit for reportable segments	274,872,142	87,379,359
Consolidation adjustments including unrealized gains or losses and eliminations of intercompany transactions	(9,227,534)	(8,117,977)
Operating profit in the statement of comprehensive income	265,644,608	79,261,382

Sales from external customers are derived from the manufacture and sales of automotive components, rendering of services, and royalty income in exchange for the use of the Group's technology. The breakdown of sales to external customers is presented in Note 26.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Details of external customers, who contribute more than 10% of the Group revenue, are as follows:

<i>(in thousands of Korean won)</i>	2015		2014(Four months)	
	Sales	Ratio	Sales	Ratio
Customer group A	1,231,283,127	23%	427,108,307	25%
Customer group B	1,100,601,555	21%	357,404,976	21%
Customer group C	1,158,664,149	22%	362,548,506	21%

The Group's operating segment is identical to the reportable segment as the Group is considered as one operating segment.

7. Financial Instruments by Category

Details of financial assets by category are as follows:

<i>(in thousands of Korean won)</i>	2015				
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss ¹	Other financial assets ²	Total
Current					
Cash and cash equivalents	199,772,646	-	-	-	199,772,646
Trade receivables	1,242,210,314	-	-	-	1,242,210,314
Loans and other receivables	43,366,049	-	-	-	43,366,049
Derivative financial assets	-	-	12,344	4,566,716	4,579,060
Available-for-sale financial assets	-	7,500,000	-	-	7,500,000
	<u>1,485,349,009</u>	<u>7,500,000</u>	<u>12,344</u>	<u>4,566,716</u>	<u>1,497,428,069</u>
Non-current					
Trade receivables	2,394,664	-	-	-	2,394,664
Loans and other receivables	47,006,315	-	-	-	47,006,315
Derivative financial assets	-	-	-	8,373,446	8,373,446
Available-for-sale financial assets	-	19,124,854	-	-	19,124,854
	<u>49,400,979</u>	<u>19,124,854</u>	<u>-</u>	<u>8,373,446</u>	<u>76,899,279</u>
	<u>1,534,749,988</u>	<u>26,624,854</u>	<u>12,344</u>	<u>12,940,162</u>	<u>1,574,327,348</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014				Total
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss ¹	Other financial assets ²	
Current					
Cash and cash equivalents	160,370,013	-	-	-	160,370,013
Trade receivables	999,266,024	-	-	-	999,266,024
Loans and other receivables	149,024,012	-	-	-	149,024,012
Derivative financial assets	-	-	287,194	22,557,371	22,844,565
Available-for-sale financial assets	-	2,000,000	-	-	2,000,000
	<u>1,308,660,049</u>	<u>2,000,000</u>	<u>287,194</u>	<u>22,557,371</u>	<u>1,333,504,614</u>
Non-current					
Trade receivables	5,023,398	-	-	-	5,023,398
Loans and other receivables	51,881,622	-	-	-	51,881,622
Derivative financial assets	-	-	-	17,875,180	17,875,180
Available-for-sale financial assets	-	28,704,185	-	-	28,704,185
	<u>56,905,020</u>	<u>28,704,185</u>	<u>-</u>	<u>17,875,180</u>	<u>103,484,385</u>
	<u>1,365,565,069</u>	<u>30,704,185</u>	<u>287,194</u>	<u>40,432,551</u>	<u>1,436,988,999</u>

¹ Financial assets at fair value through profit or loss include derivatives held for trading.

² Other financial assets include derivatives designated as hedged items.

Details of financial liabilities by category are as follows:

<i>(in thousands of Korean won)</i>	2015			Total
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit ¹	Other financial liabilities ²	
Current				
Trade payables	963,002,008	-	-	963,002,008
Other payables	217,561,544	-	-	217,561,544
Short-term borrowings	192,363,679	-	-	192,363,679
Current portion of long-term borrowings and debentures	472,355,772	-	-	472,355,772
Derivative financial liabilities	-	369,409	9,192,323	9,561,732
	<u>1,845,283,003</u>	<u>369,409</u>	<u>9,192,323</u>	<u>1,854,844,735</u>
Non-current				
Debentures and long-term borrowings	572,628,694	-	-	572,628,694
Other payables	34,744,581	-	-	34,744,581
Derivative financial liabilities	-	-	2,361,679	2,361,679
	<u>607,373,275</u>	<u>-</u>	<u>2,361,679</u>	<u>609,734,954</u>
	<u>2,452,656,278</u>	<u>369,409</u>	<u>11,554,002</u>	<u>2,464,579,689</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

	2014			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit ¹	Other financial liabilities ²	Total
<i>(in thousands of Korean won)</i>				
Current				
Trade payables	891,223,432	-	-	891,223,432
Other payables	206,034,778	-	-	206,034,778
Short-term borrowings	360,123,602	-	-	360,123,602
Current portion of long-term borrowings and debentures	353,461,259	-	-	353,461,259
Derivative financial liabilities	-	19,552	-	19,552
	<u>1,810,843,071</u>	<u>19,552</u>	<u>-</u>	<u>1,810,862,623</u>
Non-current				
Debentures and long-term borrowings	603,451,785	-	-	603,451,785
Other payables	36,072,900	-	-	36,072,900
Derivative financial liabilities	-	3,571	-	3,571
	<u>639,524,685</u>	<u>3,571</u>	<u>-</u>	<u>639,528,256</u>
	<u>2,450,367,756</u>	<u>23,123</u>	<u>-</u>	<u>2,450,390,879</u>

¹ Financial assets at fair value through profit or loss include derivatives held for trading.

² Other financial liabilities include derivatives designated as hedged items.

Gains and losses before income tax arising from financial assets and liabilities are as follows:

	2015					
	Loans and receivables	Available- for-sale financial assets	Financial liabilities carried at amortized cost	Financial instruments at fair value through profit through profit (Held for trading)	Other financial instruments (Derivatives for hedge purposes)	Total
<i>(in thousands of Korean won)</i>						
Net Income						
Gain on exchange differences	34,571,266	-	13,556,165	-	-	48,127,431
Loss on exchange differences	(25,327,254)	-	(37,054,482)	-	-	(62,381,736)
Interest income	7,008,390	188,519	-	-	-	7,196,909
Interest expense	-	-	(38,597,610)	-	-	(38,597,610)
Bad debts expense	(27,308)	-	-	-	-	(27,308)
Dividends income	-	208,000	-	-	-	208,000
Loss on settlement of derivatives	-	-	-	(460,542)	-	(460,542)
Loss on valuation of derivatives	-	-	-	(357,185)	-	(357,185)
	<u>16,225,094</u>	<u>396,519</u>	<u>(62,095,927)</u>	<u>(817,727)</u>	<u>-</u>	<u>(46,292,041)</u>
Other Comprehensive Income						
Loss on valuation of available-for-sale financial assets	-	(2,610,400)	-	-	-	(2,610,400)
Cash flow hedge	-	-	-	-	(38,122,460)	(38,122,460)
	<u>-</u>	<u>(2,610,400)</u>	<u>-</u>	<u>-</u>	<u>(38,122,460)</u>	<u>(40,732,860)</u>
	<u>16,225,094</u>	<u>(2,213,881)</u>	<u>(62,095,927)</u>	<u>(817,727)</u>	<u>(38,122,460)</u>	<u>(87,024,901)</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014(Four months)					Total
	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Financial instruments at fair value through profit (Held for trading)	Other financial instruments (Derivatives for hedge purposes)	
Net Income						
Gain on exchange differences	3,978,525	-	90,509	-	-	4,069,034
Loss on exchange differences	(4,290,516)	-	(9,607,990)	-	-	(13,898,506)
Interest income	3,126,132	257,407	-	-	-	3,383,539
Interest expense	-	-	(14,683,771)	-	-	(14,683,771)
Bad debts expense	(50,866)	-	-	-	-	(50,866)
Loss on settlement of derivatives	-	-	-	(364,712)	-	(364,712)
Gain on valuation of derivatives	-	-	-	239,804	2,947,798	3,187,602
	<u>2,763,275</u>	<u>257,407</u>	<u>(24,201,252)</u>	<u>(124,908)</u>	<u>2,947,798</u>	<u>(18,357,680)</u>
Other Comprehensive Income						
Loss on valuation of available-for-sale financial assets	-	(255,988)	-	-	-	(255,988)
Cash flow hedge	-	-	-	-	(82,252,330)	(82,252,330)
	<u>-</u>	<u>(255,988)</u>	<u>-</u>	<u>-</u>	<u>(82,252,330)</u>	<u>(82,508,318)</u>
	<u>2,763,275</u>	<u>1,419</u>	<u>(24,201,252)</u>	<u>(124,908)</u>	<u>(79,304,532)</u>	<u>(100,865,998)</u>

8. Trade Receivables, and Loans and Other Receivables

Trade receivables, and loans and other receivables are as follows:

<i>(in thousands of Korean won)</i>	2015			2014		
	Gross amount	Allowance for doubtful accounts	Net book amount	Gross amount	Allowance for doubtful accounts	Net book amount
Current						
Trade receivables	1,244,127,768	(1,917,454)	1,242,210,314	1,001,234,333	(1,968,309)	999,266,024
Loans and other receivables						
Other receivables	17,761,065	(16,878)	17,744,187	18,564,823	(33,304)	18,531,519
Accrued income	409,417	-	409,417	345,970	-	345,970
Financial deposits	6,529,110	-	6,529,110	106,083,682	-	106,083,682
Loans	9,419,144	-	9,419,144	14,897,039	-	14,897,039
Guarantee deposits	9,264,191	-	9,264,191	9,165,802	-	9,165,802
	<u>1,287,510,695</u>	<u>(1,934,332)</u>	<u>1,285,576,363</u>	<u>1,150,291,649</u>	<u>(2,001,613)</u>	<u>1,148,290,036</u>
Non-current						
Trade receivables	2,394,664	-	2,394,664	5,023,398	-	5,023,398
Loans and other receivables						
Other receivables	1,963,333	-	1,963,333	3,203,333	-	3,203,333

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015			2014		
	Gross amount	Allowance for doubtful accounts	Net book amount	Gross amount	Allowance for doubtful accounts	Net book amount
Financial deposits	1,500	-	1,500	1,500	-	1,500
Loans	41,427,789	-	41,427,789	44,508,852	-	44,508,852
Guarantee deposits	3,613,693	-	3,613,693	4,167,937	-	4,167,937
	<u>49,400,979</u>	<u>-</u>	<u>49,400,979</u>	<u>56,905,020</u>	<u>-</u>	<u>56,905,020</u>
	<u>1,336,911,674</u>	<u>(1,934,332)</u>	<u>1,334,977,342</u>	<u>1,207,196,669</u>	<u>(2,001,613)</u>	<u>1,205,195,056</u>

The ageing analysis of trade receivables, and loans and other receivables are as follows:

<i>(in thousands of Korean won)</i>	Within due date	2015 Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Current									
Trade receivables	1,156,775,475	63,374,382	19,248,284	1,808,986	1,003,187	1,917,454	1,244,127,768	(1,917,454)	1,242,210,314
Loans and other receivables									
Other receivables	16,221,097	722,673	482,795	63,342	254,280	16,878	17,761,065	(16,878)	17,744,187
Accrued income	409,417	-	-	-	-	-	409,417	-	409,417
Financial deposits	6,529,110	-	-	-	-	-	6,529,110	-	6,529,110
Loans	9,419,144	-	-	-	-	-	9,419,144	-	9,419,144
Guarantee deposits	9,264,191	-	-	-	-	-	9,264,191	-	9,264,191
	<u>1,198,618,434</u>	<u>64,097,055</u>	<u>19,731,079</u>	<u>1,872,328</u>	<u>1,257,467</u>	<u>1,934,332</u>	<u>1,287,510,695</u>	<u>(1,934,332)</u>	<u>1,285,576,363</u>
Non-current									
Trade receivables	2,394,664	-	-	-	-	-	2,394,664	-	2,394,664
Loans and other receivables									
Other receivables	1,963,333	-	-	-	-	-	1,963,333	-	1,963,333
Financial deposits	1,500	-	-	-	-	-	1,500	-	1,500
Loans	41,427,789	-	-	-	-	-	41,427,789	-	41,427,789
Guarantee deposits	3,613,693	-	-	-	-	-	3,613,693	-	3,613,693
	<u>49,400,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,400,979</u>	<u>-</u>	<u>49,400,979</u>
	<u>1,248,019,413</u>	<u>64,097,055</u>	<u>19,731,079</u>	<u>1,872,328</u>	<u>1,257,467</u>	<u>1,934,332</u>	<u>1,336,911,674</u>	<u>(1,934,332)</u>	<u>1,334,977,342</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

2014									
<i>(in thousands of Korean won)</i>	Within due date	Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Current									
Trade receivables	971,262,843	23,054,947	2,696,653	2,113,092	138,489	1,968,309	1,001,234,333	(1,968,309)	999,266,024
Loans and other receivables									
Other receivables	16,965,770	760,493	571,263	44,538	189,455	33,304	18,564,823	(33,304)	18,531,519
Accrued income	345,970	-	-	-	-	-	345,970	-	345,970
Financial deposits	106,083,682	-	-	-	-	-	106,083,682	-	106,083,682
Loans	14,897,039	-	-	-	-	-	14,897,039	-	14,897,039
Guarantee deposits	9,165,802	-	-	-	-	-	9,165,802	-	9,165,802
	<u>1,118,721,106</u>	<u>23,815,440</u>	<u>3,267,916</u>	<u>2,157,630</u>	<u>327,944</u>	<u>2,001,613</u>	<u>1,150,291,649</u>	<u>(2,001,613)</u>	<u>1,148,290,036</u>
Non-current									
Trade receivables	5,023,398	-	-	-	-	-	5,023,398	-	5,023,398
Loans and other receivables									
Other receivables	3,203,333	-	-	-	-	-	3,203,333	-	3,203,333
Financial deposits	1,500	-	-	-	-	-	1,500	-	1,500
Loans	44,508,852	-	-	-	-	-	44,508,852	-	44,508,852
Guarantee deposits	4,167,937	-	-	-	-	-	4,167,937	-	4,167,937
	<u>56,905,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,905,020</u>	<u>-</u>	<u>56,905,020</u>
	<u>1,175,626,126</u>	<u>23,815,440</u>	<u>3,267,916</u>	<u>2,157,630</u>	<u>327,944</u>	<u>2,001,613</u>	<u>1,207,196,669</u>	<u>(2,001,613)</u>	<u>1,205,195,056</u>

The Group assesses whether a loss event such as borrower's financial difficulty exists for individual financial assets and recognizes allowance for doubtful accounts with the difference between the assets' carrying amount and recoverable amount based on such assessments. The Group recognizes allowance for doubtful accounts for the receivables within due and past due within twelve months based on historical experience, and for the receivables past due more than twelve months, based on the estimated future cash flows.

The maximum exposure to credit risk at the end of reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security regarding trade receivables and loans and other receivables.

Trade receivables of ₩64,350,687 thousand (2014: ₩33,250,012 thousand) are provided as collateral to numerous financial institutions in China for notes payables.

As of December 31, 2015, trade receivables from major customers comprise approximately 53% (2014: 59%) of unimpaired trade receivables. The external credit ratings of the major customers are AA+ Stable (rated by Korea Investors Service) or Ba1 (rated by Moody's) at the least. Other trade receivables are spread across various customers; therefore, the credit risk is not concentrated on a specific customer or a specific group of customers.

The Group transferred trade receivables to Deutsche Bank and others and derecognized the trade

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

receivables that are not yet matured amounting to ₩153,766,903 thousand (2014: ₩122,687,401 thousand) from the financial statements, by transferring substantially all the risks and rewards.

9. Restricted Financial Deposits

Details of restricted financial deposits are as follows:

(in thousands of Korean won)

Accounts	Banks	December 31, 2015	December 31, 2014	Remarks
Current	NH Bank and others	1,103,150	1,637,396	Government grants
	Shanghai Pudong Development Bank	5,425,961	9,015,547	Note issuance deposits
Non-current	KEB Hana Bank	1,500	1,500	Key money deposits
		<u>6,530,611</u>	<u>10,654,443</u>	

10. Available-for-Sale Financial Assets

Changes in available-for-sale financial assets are as follows:

<i>(in thousands of Korean won)</i>	2015						
	Beginning	Addition	Disposal	Transfer	Net gains (losses) transfer from equity	Net gains (losses) transfer to equity	Ending
Current							
Debentures	2,000,000	-	(1,500,000)	7,000,000	-	-	7,500,000
	<u>2,000,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Non-current							
Marketable equity securities	11,440,000	-	-	-	-	(2,610,400)	8,829,600
Non-marketable equity securities	6,600	-	-	-	-	-	6,600
Debentures	17,000,000	-	-	(7,000,000)	-	-	10,000,000
Other debt securities	257,585	31,069	-	-	-	-	288,654
	<u>28,704,185</u>	<u>31,069</u>	<u>-</u>	<u>(7,000,000)</u>	<u>-</u>	<u>(2,610,400)</u>	<u>19,124,854</u>
	<u>30,704,185</u>	<u>31,069</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>(2,610,400)</u>	<u>26,624,854</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014						Ending
	Beginning (the spin off date)	Addition	Disposal	Transfer	Net gains (losses) transfer from equity	Net gains (losses) transfer to equity	
Current							
Debentures	1,500,000	-	(1,500,000)	2,000,000	-	-	2,000,000
	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Non-current							
Marketable equity securities	-	11,693,180	-	-	-	(253,180)	11,440,000
Non-marketable equity securities	-	6,600	-	-	-	-	6,600
Beneficiary certificates	66,601	-	(69,409)	-	2,808	-	-
Debentures	19,000,000	-	-	(2,000,000)	-	-	17,000,000
Other debt securities	187,860	69,725	-	-	-	-	257,585
	<u>19,254,461</u>	<u>11,769,505</u>	<u>(69,409)</u>	<u>(2,000,000)</u>	<u>2,808</u>	<u>(253,180)</u>	<u>28,704,185</u>
	<u>20,754,461</u>	<u>11,769,505</u>	<u>(1,569,409)</u>	<u>-</u>	<u>2,808</u>	<u>(253,180)</u>	<u>30,704,185</u>

None of the available-for-sale financial assets are past due and the maximum exposure to credit risk is the carrying value of the investment in debentures and other debt securities classified as available-for-sale financial assets.

11. Derivative Financial Instruments

Details of forward foreign exchange contracts outstanding as of December 31, 2015, are as follows:

Contractor	Position	Contracted amount (in thousands)				Contracted exchange rates	Maturities
		Selling		Buying			
Cash flow hedges							
Australia and New Zealand Banking Group Limited, BBVA, Bank of America, CS Bank, KEB Hana Bank, Korea Development Bank, Standard Chartered Bank, Shinhan Bank, NH Bank, Woori Bank	Sell	USD	675,000	KRW	784,756,150	1,120.60~1,208.30	2016.01.28 ~ 2018.01.31
Australia and New Zealand Banking Group Limited, Korea Development Bank, KEB Hana Bank, Shinhan Bank	Sell	EUR	42,000	KRW	64,680,700	1,534.11~1,548.87	2016.04.29 ~ 2017.12.29
Trading							
Standard Chartered Bank, HDFC	Buy	INR	1,080,946	USD	16,005	66.03~69.67	2016.01.05 ~ 2016.06.01

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Details of interest rate swap contracts as of December 31, 2015, are as follows:

Contractor	Interest rate (paid)	Interest rate (received)	Currency	Contracted amount (in thousands)	Maturities
Trading					
Woori Bank	3.23% (Fixed rate)	3M CD + 1.31% (Variable rate)	KRW	50,000,000	2016.12.05
Standard Chartered Bank	3.60% (Fixed rate)	USD LIBOR+1.75% (Variable rate)	USD	12,000	2020.12.02

The fair values of derivative financial instruments are as follows:

(in thousands of Korean won)	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	4,566,716	9,192,323	22,557,371	-
Trading	12,344	369,408	287,194	19,552
	<u>4,579,060</u>	<u>9,561,731</u>	<u>22,844,565</u>	<u>19,552</u>
Non-current				
Cash flow hedges	8,373,446	2,361,679	17,875,180	-
Embedded derivatives ¹	-	-	-	3,571
	<u>8,373,446</u>	<u>2,361,679</u>	<u>17,875,180</u>	<u>3,571</u>
	<u>12,952,506</u>	<u>11,923,410</u>	<u>40,719,745</u>	<u>23,123</u>

¹ Conversion rights of convertible redeemable preferred share issued by MAM are separately classified as embedded derivatives and measured at the fair value (Note 17).

In relation to cash flow hedges, a hedged highly probable forecasted transaction is expected to occur at various dates within the next 24 months, and there is no forecasted transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

The loss on valuation that was recognized in other comprehensive income is ₩16,489,019 thousand (four-month period, 2014: ₩53,097,151 thousand). The gain on valuation that was reclassified from other comprehensive income to profit or loss is recognized in 'sales' amounting to ₩21,633,441 thousand (four-month period, 2014: ₩29,155,179 thousand).

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

12. Inventories

Details of inventories are as follows:

<i>(in thousands of Korean won)</i>	Merchandise	Finished goods	Work-in-process	Raw materials	Stored goods	Inventory-in-transit	Total
December 31, 2015							
Cost	57,875,219	82,695,775	47,114,617	131,689,999	6,282,936	8,117,000	333,775,546
Valuation allowance	(460,596)	(8,177,082)	(740,899)	(2,346,427)	(850,012)	-	(12,575,016)
Net book amount	57,414,623	74,518,693	46,373,718	129,343,572	5,432,924	8,117,000	321,200,530
December 31, 2014							
Cost	43,056,273	117,370,768	49,603,307	103,975,436	4,140,628	18,149,696	336,296,108
Valuation allowance	(1,200,403)	(7,410,351)	(384,191)	(2,429,218)	-	-	(11,424,163)
Net book amount	41,855,870	109,960,417	49,219,116	101,546,218	4,140,628	18,149,696	324,871,945

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩4,505,557,848 thousand (four-month period, 2014: ₩1,472,909,799 thousand) and the valuation losses of inventories included in 'cost of sales' amounts to ₩1,122,917 thousand (four-month period, 2014: ₩2,183,235 thousand).

13. Investments in Associates and Joint Ventures

Details of associates over which the Group has significant influence and joint ventures are as follows:

	Investee	Closing Month	Abbreviation¹	Location	Percentage of ownership (%)	
					2015	2014
Associates	Autoventure Mando SDN. BHD	June	AVM	Malaysia	30.0	30.0
Associates	Halla-SV Private Equity Fund	December	HSF	Korea	40.0	-
Joint venture ²	Maysan Mando Otomotiv Parcalari Sanayi VE Ticaret	December	MMT	Turkey	50.0	50.0
Joint venture ²	Mando Brose Corporation	December	MBCO	Korea	50.0	50.0
Joint venture ²	KYB-Mando do Brazil Fabricante De Autopecas Ltda.	March	KMB	Brazil	50.0	50.0

¹ Abbreviations are used hereinafter.

² All joint arrangements in which the Group has joint control are structured through a separate entity and classified as joint ventures as the parties having joint control on the joint arrangements have rights on net assets of the arrangements.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Changes in investments in associates and joint ventures are as follows:

(in thousands of Korean won)

Investee	2015					
	Beginning	Acquisition	Dividends	Share of profit(loss)	Share of other comprehensive income(loss)	Ending
AVM	1,347,696	-	-	362,010	(198,545)	1,511,161
HSF	-	30,773,848	-	(248,631)	-	30,525,217
MMT	6,971,971	-	(448,730)	1,312,708	(1,222,240)	6,613,709
MBCO	16,436,970	-	-	(1,717,466)	(46,422)	14,673,082
KMB ¹	2,689,529	5,369,144	-	(7,572,812)	(485,861)	-
	<u>27,446,166</u>	<u>36,142,992</u>	<u>(448,730)</u>	<u>(7,864,191)</u>	<u>(1,953,068)</u>	<u>53,323,169</u>

¹ The Group has suspended the application of the equity method of accounting on the investment of KMB as its carrying amounts is reduced to zero. Unrecognized loss on equity method of the investment amount to ₩510,039 thousand.

(in thousands of Korean won)

Investee	2014				
	Beginning (the spin-off date)	Dividends	Share of profit(loss)	Share of other comprehensive income(loss)	Ending
AVM	1,827,008	(576,594)	133,377	(36,094)	1,347,697
MMT	7,621,997	-	(703,644)	53,618	6,971,971
MBCO	18,527,062	-	(2,037,037)	(53,055)	16,436,970
KMB	6,457,865	-	(3,370,125)	(398,211)	2,689,529
	<u>34,433,932</u>	<u>(576,594)</u>	<u>(5,977,429)</u>	<u>(433,742)</u>	<u>27,446,167</u>

Summary of condensed financial information of associates and joint ventures is as follows:

(in thousands of Korean won)

Investee	2015			2014		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
AVM	7,285,290	2,248,086	5,037,204	7,573,975	3,081,654	4,492,321
HSF	76,014,847	686,873	75,327,974	-	-	-
MMT	43,627,306	28,203,568	15,423,738	44,178,431	27,893,010	16,285,421
MBCO	74,377,213	45,031,049	29,346,164	65,194,830	32,320,890	32,873,940
KMB	37,859,630	39,444,581	(1,584,951)	51,767,702	46,951,809	4,815,893

(in thousands of Korean won)

Investee	2015			2014(Four months)		
	Sales	Profit(loss)	Total comprehensive income(loss)	Sales	Profit(loss)	Total comprehensive income(loss)
AVM	11,900,800	1,206,702	544,882	5,025,607	444,590	324,276
HSF	1,100,233	(621,578)	(621,578)	-	-	-
MMT	81,117,918	2,480,259	35,778	25,919,589	(325,077)	(217,841)
MBCO	48,399,373	(3,434,933)	(3,527,777)	9,829,662	(4,074,074)	(4,180,184)
KMB	35,051,072	(16,167,411)	(17,139,133)	14,037,266	(6,740,180)	(7,536,603)

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Details of adjustments from financial information of associates and joint ventures to the book value of investments in associates and joint ventures are as follows:

		2015					
<i>(in thousands of Korean won)</i>		Percentage of ownership (%)	Interests in net assets	Goodwill	Unrealized gain	Unrecognized accumulated loss	Book value
Investee	Net assets						
AVM	5,037,204	30%	1,511,161	-	-	-	1,511,161
HSF	75,327,974	40%	30,131,189	394,028	-	-	30,525,217
MMT	15,423,738	50%	7,711,869	-	(1,098,160)	-	6,613,709
MBCO	29,346,164	50%	14,673,082	-	-	-	14,673,082
KMB	(1,584,951)	50%	(792,476)	288,733	(6,296)	510,039	-

		2014					
<i>(in thousands of Korean won)</i>		Percentage of ownership (%)	Interests in net assets	Goodwill	Unrealized gain	Unrecognized accumulated loss	Book value
Investee	Net assets						
AVM	4,492,321	30%	1,347,697	-	-	-	1,347,697
MMT	16,285,421	50%	8,142,710	-	(1,170,739)	-	6,971,971
MBCO	32,873,940	50%	16,436,970	-	-	-	16,436,970
KMB	4,815,893	50%	2,407,947	288,733	(7,151)	-	2,689,529

14. Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

		2015						
<i>(in thousands of Korean won)</i>		Land	Buildings and structures	Machinery	Tools	Furniture & fixture and vehicles	Materials in transit and construction-in-progress	Total
At January 1		294,305,163	517,172,903	688,930,607	94,947,600	39,137,719	75,873,468	1,710,367,460
Acquisitions		3,114,051	7,674,910	42,021,360	32,514,781	7,498,751	177,188,725	270,012,578
Disposals / Retirement		-	(76,722)	(3,654,133)	(1,368,593)	(1,397,989)	(206,492)	(6,703,929)
Depreciation		-	(20,273,641)	(130,379,061)	(34,612,038)	(12,397,459)	-	(197,662,199)
Transfer		-	20,321,032	90,591,933	6,468,461	1,666,154	(119,047,580)	-
Exchange differences		(192,016)	3,356,938	6,259,621	464,998	201,314	(1,908,197)	8,182,658
At December 31		<u>297,227,198</u>	<u>528,175,420</u>	<u>693,770,327</u>	<u>98,415,209</u>	<u>34,708,490</u>	<u>131,899,924</u>	<u>1,784,196,568</u>
Acquisition cost		297,227,198	661,810,750	1,677,545,561	293,399,759	96,541,124	131,899,924	3,158,424,316
Accumulated depreciation and impairment loss		-	(133,635,330)	(983,775,234)	(194,984,550)	(61,832,634)	-	(1,374,227,748)

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014						
	Land	Buildings and structures	Machinery	Tools	Furniture & fixture and vehicles	Materials in transit and construction-in-progress	Total
At September 1 (the spin-off date)	287,239,618	509,907,294	641,002,796	79,331,931	37,118,784	54,852,260	1,609,452,683
Acquisitions	-	2,079,206	51,888,350	22,664,509	5,451,272	48,735,069	130,818,406
Disposals /							
Retirement	-	(1,143,431)	(2,082,417)	(901,724)	(94,371)	(120,131)	(4,342,074)
Depreciation	-	(6,566,202)	(42,899,282)	(10,587,107)	(4,326,579)	-	(64,379,170)
Transfer	6,871,748	1,539,373	16,539,445	2,992,423	327,870	(28,270,859)	-
Exchange differences	193,797	11,356,663	24,481,715	1,447,568	660,743	677,129	38,817,615
At December 31	294,305,163	517,172,903	688,930,607	94,947,600	39,137,719	75,873,468	1,710,367,460
Acquisition cost	294,305,163	630,010,072	1,559,501,748	266,642,026	94,322,737	75,873,468	2,920,655,214
Accumulated depreciation and impairment loss	-	(112,837,169)	(870,571,141)	(171,694,426)	(55,185,018)	-	(1,210,287,754)

Line items including depreciation in the statements of comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Cost of sales and others ¹	166,253,535	56,965,328
Selling and administrative expenses		
Depreciation	15,796,682	5,075,574
Research and development expenses	15,611,982	2,338,268
	197,662,199	64,379,170

¹ The amounts allocated to development costs and others are included.

A certain portion of land, building and machinery is pledged as collateral for borrowings (Note 17).

15. Intangible Assets

Changes in intangible assets are as follows:

<i>(in thousands of Korean won)</i>	2015					
	Goodwill	Development costs	Software	Membership	Other intangible assets	Total
At January 1	4,802,704	68,776,582	37,601,351	10,364,899	6,017,273	127,562,809
Acquisitions	-	49,399,362	9,668,650	-	2,039,398	61,107,410
Disposals	-	-	(151,949)	-	-	(151,949)
Amortization	-	(14,079,268)	(12,040,076)	-	(919,648)	(27,038,992)
Impairment loss	(2,098,455)	(2,433,482)	-	-	-	(4,531,937)
Exchange differences	(136,023)	47,640	198,089	8,766	2,541	121,013
At December 31	2,568,226	101,710,834	35,276,065	10,373,665	7,139,564	157,068,354
Acquisition cost	4,709,096	143,313,404	101,063,817	12,191,827	11,878,367	273,156,511
Accumulated amortization and impairment loss	(2,140,870)	(41,602,570)	(65,787,752)	(1,818,162)	(4,738,803)	(116,088,157)

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2014					
	Goodwill	Development costs	Software	Membership	Other intangible assets	Total
At September 1 (the spin-off date)	4,802,219	62,049,717	35,676,416	10,302,959	5,958,363	118,789,674
Acquisitions	-	16,594,974	5,201,652	-	319,239	22,115,865
Amortization	-	(3,268,663)	(3,932,676)	-	(276,740)	(7,478,079)
Impairment loss	-	(6,933,234)	-	-	-	(6,933,234)
Exchange differences	485	333,788	655,959	61,940	16,411	1,068,583
At December 31	4,802,704	68,776,582	37,601,351	10,364,899	6,017,273	127,562,809
Acquisition cost	4,802,704	103,870,888	92,737,776	12,183,061	9,832,221	223,426,650
Accumulated amortization and impairment loss	-	(35,094,306)	(55,136,425)	(1,818,162)	(3,814,948)	(95,863,841)

In 2015, the Group recognized the impairment loss of ₩2,433,482 thousand (2014: ₩6,933,234 thousand) for development costs as the recoverable amount determined based on value-in-use is significantly less than the carrying amount. The impairment loss is included in 'other expenses' in the statement of comprehensive income.

Line items including amortization in the statements of comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Cost of sales and others ¹	12,065,676	3,519,724
Selling and administrative expenses		
Amortization	10,516,962	2,713,151
Research and development expenses	4,456,354	1,245,204
	<u>27,038,992</u>	<u>7,478,079</u>

¹ The amounts allocated to development costs and others are included.

The aggregate amount of research and development expenditures recognized as expenses is ₩210,902,807 thousand (four-month period, 2014: ₩67,282,013 thousand).

The Group annually tests an impairment of goodwill. Goodwill is allocated to each cash-generating unit where the Group's management monitors, as follows:

<i>(in thousands of Korean won)</i>	2015	2014
MAM and subsidiary	2,136,731	2,136,731
MCE and subsidiary	-	2,234,478
MAIL	431,495	431,495
	<u>2,568,226</u>	<u>4,802,704</u>

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plan approved by management covering a five-year period. The sales growth rate used for the period is

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

determined based on historical performance and prediction of the market growth. The cash flow over five years is only estimated in the maximum range of long-term average growth rate in the industry where the cash-generating units are affiliated to. Also, the rate used in value-in-use calculation is rate before tax which reflects particular risk of the cash-generating unit. For the year ended December 31, 2015, impairment loss of ₩2,098,455 thousand, the difference between the recoverable amount and its carrying amount of goodwill in relation to MCE and its subsidiary, is recognized as other expenses in the statements of comprehensive income.

16. Other Assets

Details of other assets are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Current		
Prepaid other taxes including VAT	63,494,662	71,873,077
Advance payments	17,918,741	13,868,780
Prepaid expenses	12,498,084	8,958,526
	<u>93,911,487</u>	<u>94,700,383</u>
Non-current		
Prepaid expenses	36,830,964	25,052,790
	<u>36,830,964</u>	<u>25,052,790</u>
	<u>130,742,451</u>	<u>119,753,173</u>

17. Debentures and Borrowings

Details of debentures are as follows:

<i>(in thousands of Korean won)</i>	Issuance date	Maturity date	Interest rate(%)	December 31, 2015		December 31, 2014	
				Current	Non-current	Current	Non-current
1st public debenture	2011.10.27	2016.10.27	4.41%	100,000,000	-	-	100,000,000
2nd public debenture	2012.09.12	2015.09.12	-	-	-	200,000,000	-
3rd public debenture	2015.08.31	2018.08.31	2.40%	-	200,000,000	-	-
1st Private placement debenture	2015.10.27	2018.10.27	2.84%	-	100,000,000	-	-
Less: Discount on debenture				(75,864)	(738,391)	(185,468)	(164,164)
				<u>99,924,136</u>	<u>299,261,609</u>	<u>199,814,532</u>	<u>99,835,836</u>

Details of short-term borrowings are as follows:

<i>(in thousands)</i>	Bank	Interest rate (%)	December 31, 2015	December 31, 2014
Trade financing and buyer's credit loan	Standard Chartered Bank and others	1.22~1.62	4,954,366	-
(Usance and others)	KEB Hana Bank	-	(EUR 3,920)	-
	Standard Chartered Bank and others	2.10~6.50	6,077,850	-
			(INR 347,998)	-
			-	70,000,000

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

	Citi Bank and others	0.82~9.25	64,357,090	100,370,714
			(USD 55,150)	(USD 91,366)
Commercial papers	Shinhan Bank	-	-	20,000,000
Working capital loans	Industrial Bank of Korea and others	2.86~4.14	21,250,000	104,850,000
	The Korea Development Bank and others	1.61~1.78	85,126,265	64,236,925
			(USD 73,000)	(USD 59,040)
	Citi Bank	1.20	10,382,714	665,963
			(EUR 8,100)	(EUR 500)
Loans secured by trade receivables	KEB Hana Bank	3.36	215,394	-
			<u>192,363,679</u>	<u>360,123,602</u>

Details of long-term borrowings are as follows:

<i>(in thousands)</i>	Bank	Interest rate (%)	December 31, 2015		December 31, 2014	
			Current	Non-current	Current	Non-current
Housing loans	Kookmin Bank	2.50	1,040,848	3,493,770	1,029,503	4,141,584
General loans	The Korea Development Bank and others	2.56~4.40	300,000,000	-	80,000,000	300,000,000
Foreign currency general loans	Standard Chartered Bank and others	1.32~2.54	40,785,600 (USD 34,800)	55,240,318 (USD 36,400) (EUR 9,824)	-	51,642,368 (USD 39,200) (EUR 6,400)
Working capital loans	The Korea Development Bank and others	3.13	4,183,942 (USD 3,610)	-	27,927,484 (USD 25,813)	3,905,690 (USD 3,610)
	Deutsche Bank and others	1.00~1.96	6,863,658 (EUR 5,357)	34,792,164 (EUR 27,143)	-	29,979,822 (EUR 22,500)
Facility loans	Woori Bank	4.83	666,660	1,222,210	-	-
	BBVA	1.20	-	12,805,300 (EUR 10,000)	-	-
	Comerica Bank and others	1.83~2.45	17,137,426 (USD 14,668)	151,929,157 (USD 129,747)	42,029,672 (USD 38,237)	114,271,124 (USD 103,964)
	Standard Chartered Bank	8.37	-	14,058,162 (INR 797,400)	-	-
Redeemable preferred share	KoFC-Korea Investment & Securities Pioneer Champ 2010-1 Venture Investment Fund and others	2.00	1,753,502	-	2,660,069	-
			<u>372,431,636</u>	<u>273,541,081</u>	<u>153,646,728</u>	<u>503,940,588</u>
Loss: Present value discounts			-	(173,996)	-	(324,640)
			<u>372,431,636</u>	<u>273,367,085</u>	<u>153,646,728</u>	<u>503,615,948</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Details of collaterals provided for borrowings are as follows:

December 31, 2015					
<i>(in thousands of Korean won)</i>	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and buildings	21,415,433	15,048,000	Housing loans	4,534,618	Kookmin Bank
Trade receivables	95,927,364	95,927,364	Facility loans	58,014,000	Comerica Bank
Machinery	99,678,723	96,557,598	Facility loans	77,273,602	BOA
		22,003,297	Facility loans	20,635,961	BBVA
Land and buildings	5,384,674	13,000,000	Short-term borrowings	8,700,000	KEB Hana Bank

December 31, 2014					
<i>(in thousands of Korean won)</i>	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and buildings	22,023,073	15,048,000	Housing loans	5,171,088	Kookmin Bank
Trade receivables	85,956,281	85,956,281	Facility loans	54,410,400	Comerica Bank
Property, plant and equipment and others	1	1	Facility loans	32,976,000	The Korea Development Bank
Machinery	63,144,135	63,144,135	Facility loans	54,631,849	BOA
Land and buildings	5,353,907	13,000,000	Short-term borrowings	11,650,000	KEB Hana Bank

¹Property, plant and equipment and others of MCA, a consolidated subsidiary, are provided as collateral.

MAM, the consolidated subsidiary, issued 357,143 convertible redeemable preferred shares with voting rights at ₩7,000 per share. These shares did not meet the conditions of equity investment; therefore, these preferred shares were initially recognized as financial liabilities at the fair value and subsequently measured at amortized cost using effective interest rate method.

As of December 31, 2015, the details of convertible redeemable preferred shares are as follows:

Conversion right

Conversion of the preferred shares to ordinary shares is possible after ten years from the issuance date. Also, if the investors of the preferred shares request conversion within ten years from the issuance date, conversion is possible from the requesting date. As of December 31, 2015 conversion price is ₩5,000 per share. However, if MAM lists its shares on the KOSPI or KOSDAQ market in Korea or any foreign stock markets, the conversion price will be readjusted to the lower of 70% of public offering price and the above conversion price.

Redemption right

The investors are able to request redemption after two years from the acquisition date of the preferred shares, unless MAM is liquidated or bankrupted.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Dividend

The preferred shares have the rights for preferential, participating, and cumulative dividend. The lowest dividend rate is the coupon rate of 2% until the investors request redemption. If the investors request redemption, it would be annual compound interest rate of 8% for the period from the day after investment pay-up date to the redemption date.

Special provision

If MAM is not able to complete initial public offering within a contractual period, the preferred shares will become mandatorily payable, which is the sum of issuance price of the preferred shares and the cumulative interest with annual interest rate of 8% for the period from the issuance date to the payment date. If the payment is completed, the preferred shares will be converted to the common shares and donated to MAM. Redemption right of the investors related to this special provision is restricted for a contractual period.

18. Other Payables

Details of other payables are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Current		
Other payables	192,345,235	183,544,120
Accrued expenses	25,213,809	22,488,158
Deposit received	2,500	2,500
	<u>217,561,544</u>	<u>206,034,778</u>
Non-current		
Other payables	5,457,276	6,746,977
Accrued expenses	28,464,220	28,400,794
Deposits received	823,085	925,129
	<u>34,744,581</u>	<u>36,072,900</u>
	<u>252,306,125</u>	<u>242,107,678</u>

19. Provisions

The Group accrues warranty reserve for the estimated costs of future service, repairs and recalls to provide a warranty relating to defects for a specified period of time after sale.

If the expected timing of any resulting outflows of economic benefits is within one year from the end of the reporting period, the amount is classified as current. If not, it is presented as non-current.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Changes in provisions are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
At January 1 (At september 1, spin-off date)	32,507,002	33,864,241
Additional provisions	22,034,180	4,654,175
Used amounts	(22,769,238)	(6,985,281)
Exchange differences	519,492	973,867
At December 31	32,291,436	32,507,002
Current	17,100,422	15,486,540
Non-current	15,191,014	17,020,462

20. Net Defined Benefit Liabilities

Net defined benefit liabilities recognized in the consolidated statements of financial position are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Present value of funded defined benefit obligations	262,155,121	209,786,021
Fair value of plan assets	(51,977,710)	(35,446,078)
Present value of unfunded defined benefit obligations	-	6,824,538
	210,177,411	181,164,481

Changes in the defined benefit obligations are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
At January 1 (At september 1, spin-off date)	216,610,559	201,136,426
Current service cost	34,891,559	9,823,269
Interest cost	7,821,348	2,644,907
Benefit payments	(8,274,054)	(6,639,360)
Remeasurements:		
Actuarial gains arising from changes in demographic assumptions	330,733	68,430
Actuarial gains and losses arising from changes in financial assumptions	8,207,432	9,447,809
Actuarial losses arising from experience adjustments	2,567,741	141,915
Exchange differences	(197)	(12,837)
At December 31	262,155,121	216,610,559

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Changes in the plan assets are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
At January 1 (At september 1, spin-off date)	35,446,078	35,477,803
Interest income	1,315,213	494,172
Employer contributions	19,584,121	251,695
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(225,550)	(163,897)
Benefit payments	(4,142,152)	(613,695)
At December 31	51,977,710	35,446,078

Plan assets consist of:

<i>(in thousands of Korean won)</i>	December 31, 2015		December 31, 2014	
	Amount	Ratio	Amount	Ratio
Debt instruments	32,901,455	63.30%	9,001,892	25.40%
Deposits	15,184,080	29.20%	25,692,924	72.50%
Others	3,892,175	7.50%	751,262	2.10%
	51,977,710	100.00%	35,446,078	100.00%

The principal actuarial assumptions used for the defined benefit obligations and plan assets are as follows:

	December 31, 2015	December 31, 2014
Discount rates	2.95 ~ 3.60	3.42 ~ 3.95
Expected rates of salary increases	5.00	5.00

The sensitivity of the defined benefit obligations as of December 31, 2015, to changes in the principal assumptions is as follows:

	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	1.00%	11.7% decrease	10.3% increase
Expected rates of salary increases	1.00%	10.2% increase	11.9% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statements of financial position.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The weighted average duration of the defined benefit obligations is 14.0 years. Expected maturity analysis of undiscounted retirement benefits as of December 31, 2015, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Retirement benefits	4,869,395	7,923,124	37,809,924	1,165,697,764	1,216,300,207

21. Other Liabilities

Details of other liabilities are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Current		
Withholdings	20,822,414	19,920,914
Advances from customers	16,188,485	23,192,834
Unearned income	286,889	777,456
	<u>37,297,788</u>	<u>43,891,204</u>
Non-current		
Unearned income	4,197,189	5,706,741
	<u>4,197,189</u>	<u>5,706,741</u>
	<u>41,494,977</u>	<u>49,597,945</u>

22. Current and Deferred Income Tax

Income tax expense consists of:

<i>(in thousands of Korean won)</i>	2015	2014
Current income tax	58,631,799	30,142,753
Adjustments in respect of prior years	12,292,609	-
Changes in total deferred income tax	(11,253,948)	(40,656,505)
Changes in deferred income tax recognized directly in equity	12,609,137	22,334,502
Exchange differences	(663,064)	404,086
Income tax expense	<u>71,616,533</u>	<u>12,224,836</u>

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 thousands of Korean won)</i>	2015	2014
Profit before income tax	200,180,789	60,118,084
Tax calculated at domestic tax rates applicable to profits in the respective countries	62,239,346	22,485,156
Adjustments:		
Income not subject to tax or	(6,327,319)	6,770,376

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

expenses not deductible for tax purposes		
Tax credits and tax exemption during the period	(12,926,764)	(16,682,092)
Tax effects due to dividends from subsidiaries	3,855,534	6,613,772
Tax effects on temporary differences associated with the investment in subsidiaries and others	(3,009,430)	(6,962,377)
Effect of tax investigation and others	15,305,468	-
Unrecognized temporary differences	12,479,698	-
Income tax expense	<u>71,616,533</u>	<u>12,224,835</u>
Effective tax rate	35.8%	20.3%

The analysis of deferred tax assets and liabilities are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Deferred income tax assets		
Deferred tax asset to be recovered within 1 year	18,665,563	13,555,048
Deferred tax asset to be recovered after more than 1 year	<u>134,077,487</u>	<u>129,408,697</u>
	<u>152,743,050</u>	<u>142,963,745</u>
Deferred income tax liabilities		
Deferred tax liability to be recovered within 1 year	(2,846,008)	(5,944,298)
Deferred tax liability to be recovered after more than 1 year	<u>(63,204,074)</u>	<u>(61,580,426)</u>
	<u>(66,050,082)</u>	<u>(67,524,724)</u>
	<u>86,692,968</u>	<u>75,439,021</u>

The income tax (charged) / credited directly to equity is as follows:

<i>(in thousands of Korean won)</i>	2015			2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Available-for-sale financial assets	(2,610,400)	631,717	(1,978,683)	(255,988)	61,269	(194,719)
Cash flow hedge	(38,122,460)	9,225,635	(28,896,825)	(82,252,330)	19,905,064	(62,347,266)
Currency translation differences	7,353,679	-	7,353,679	48,757,985	-	48,757,985
Changes in the equity of associates and joint ventures	(1,953,069)	-	(1,953,069)	(433,742)	-	(433,742)
Actuarial gains and losses	<u>(11,333,762)</u>	<u>2,751,785</u>	<u>(8,581,977)</u>	<u>(9,814,411)</u>	<u>2,368,169</u>	<u>(7,446,242)</u>
	<u>(46,666,012)</u>	<u>12,609,137</u>	<u>(34,056,875)</u>	<u>(43,998,486)</u>	<u>22,334,502</u>	<u>(21,663,984)</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Changes in total deferred income tax are as follows:

<i>(in thousands of Korean won)</i>	2015					
	Beginning	Profit(loss)	Changes in other comprehensive income			Ending
			Controlling interest	Non-controlling interest	Exchange differences	
Retirement benefit liabilities	38,368,141	5,296,404	2,750,865	919	-	46,416,329
Revaluation of land	(31,119,829)	-	-	-	-	(31,119,829)
Derivative financial instruments	(9,071,309)	(454,083)	9,225,635	-	-	(299,757)
Investment in subsidiaries and others	22,806,765	2,961,677	-	-	-	25,768,442
Employee benefits	7,469,346	(688,733)	-	-	-	6,780,613
Available-for-sale financial assets	61,269	-	631,717	-	-	692,986
Provisions	8,370,827	318,132	-	-	-	8,688,959
Development costs and patent right	-	118,772	-	-	-	118,772
Depreciation	(10,995,516)	(6,806,880)	-	-	-	(17,802,396)
Government grants	1,163,518	(128,774)	-	-	-	1,034,744
Accounts receivable on subsidiaries	965,215	33,104	-	-	-	998,319
Losses on valuation of inventories	4,499,776	(481,262)	-	-	-	4,018,514
Timing difference of revenue recognition	607,569	185,694	-	-	-	793,263
Impairment loss of property, plant and equipment and intangible assets	3,411,058	(776,758)	-	-	-	2,634,300
Accrued expenses	3,041,354	5,367,319	-	-	-	8,408,673
Tax credits carry forwards	33,849,043	(7,090,918)	-	-	-	26,758,125
Tax loss carryforwards	5,791,260	(2,246,722)	-	-	-	3,544,538
Others	(3,779,466)	3,700,903	-	-	(663,064)	(741,627)
	75,439,021	(692,125)	12,608,217	919	(663,064)	86,692,968

<i>(in thousands of Korean won)</i>	2014					
	Beginning (the spin-off date)	Profit(loss)	Changes in other comprehensive income			Ending
			Controlling interest	Non-controlling interest	Exchange differences	
Retirement benefit liabilities	33,784,089	2,215,882	2,339,831	28,338	-	38,368,140
Revaluation of land	(31,119,829)	-	-	-	-	(31,119,829)
Derivative financial instruments	(28,976,373)	-	19,905,064	-	-	(9,071,309)
Investment in subsidiaries and others	15,924,708	6,882,057	-	-	-	22,806,765
Employee benefits	7,676,474	(207,128)	-	-	-	7,469,346
Available-for-sale financial assets	(618)	618	61,269	-	-	61,269
Provisions	8,565,009	(194,182)	-	-	-	8,370,827

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Development costs and patent right	186,203	(186,203)	-	-	-	-
Depreciation	(9,314,531)	(1,680,985)	-	-	-	(10,995,516)
Government grants	1,404,363	(240,845)	-	-	-	1,163,518
Accounts receivable on subsidiaries	956,146	9,069	-	-	-	965,215
Losses on valuation of inventories	2,407,785	2,091,992	-	-	-	4,499,777
Timing difference of revenue recognition	1,036,895	(429,326)	-	-	-	607,569
Impairment loss of property, plant and equipment and intangible assets	2,150,066	1,260,991	-	-	-	3,411,057
Accrued expenses	5,894,112	(2,852,758)	-	-	-	3,041,354
Tax credits carry forwards	21,070,267	12,778,776	-	-	-	33,849,043
Tax loss carryforwards	5,612,714	178,451	-	-	95	5,791,260
Others	(2,474,964)	(1,708,492)	-	-	403,991	(3,779,465)
	<u>34,782,516</u>	<u>17,917,917</u>	<u>22,306,164</u>	<u>28,338</u>	<u>404,086</u>	<u>75,439,021</u>

Deferred income tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of tax loss carryforwards amounting to ₩88,454,059 thousand (2014: ₩64,625,231 thousand) that can be offset against future taxable income. The loss carryforwards occurred from certain subsidiaries and associates within the group and mature within 2020 to 2022.

Deferred income tax liabilities of ₩30,103,089 thousand (2014: ₩20,209,404 thousand) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Such unremitted earnings amounted ₩377,998,077 thousand (2014: ₩253,663,783 thousand) as of December 31, 2015.

The Group did not recognize deferred income tax assets from some temporary differences on investments in subsidiaries amounting to ₩71,025,279 thousand (2014: ₩52,785,988 thousand) which will not reverse in the foreseeable future.

For the year ended December 31, 2015, the Company underwent a tax investigation for the fiscal years 2011 to 2013 by the Seoul Regional Tax Office. As a result, the Company was levied a total of ₩44,347,020 thousand for income taxes (including local income taxes) and paid the amount considering unused the tax credit carryforwards. The Company appealed against the decision for the amount of ₩28,305,303 thousand (including the tax credit effect of 7,534,820 thousand). The Company recognised the amount as current tax assets and deferred tax assets because the Company believes that it is probable to recover the amount (Note 33).

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

23. Capital Stock and Share Premium

There has been no change in capital stock and share premium attributable to owners of the Company for the year ended December 31, 2015. Details of the Company's capital stock are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Authorized shares to issue (in shares)	100,000,000	100,000,000
Issued shares (in shares)	9,391,424	9,391,424
Par value per share (in Korean won)	5,000	5,000
Capital stock	46,957,120	46,957,120
Share premium	962,218,478	962,218,478

24. Other Components of Equity and Accumulated Other Comprehensive Income

Details of other components of equity and accumulated other comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2015	December 31, 2014
Other components of equity		
Treasury shares	(5,232,882)	(5,232,882)
Others	5,220,013	5,674,340
Hybrid securities ¹	199,329,500	-
	<u>199,316,631</u>	<u>441,458</u>
Accumulated other comprehensive income		
Available-for-sale financial asset	(2,170,593)	(191,910)
Cash flow hedges	(483,382)	28,413,443
Currency translation differences	(6,145,024)	(13,098,015)
Other comprehensive income of associates and joint ventures	(8,970,448)	(7,063,800)
	<u>(17,769,447)</u>	<u>8,059,718</u>

¹ During the year ended December 31, 2015, the Company issued hybrid securities and classified the securities as equity because the Company has no contractual obligation to deliver its financial assets to the other parties under the contract.

	Details
Issuance price (in Korean won)	200 billion
Maturity	30 years (maturity can be extended)
Interest rates	4.90% (subject to rate adjustment after five years)

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The cash dividends of the Group for the financial year ended December 31, 2014, amounting to ₩ 18,729,856 thousand, were paid on April 2015. The cash dividends of the Group for the financial year ended December 31, 2015, amounting to ₩44,951,654 thousand, will be proposed at the general meeting of shareholders on March 18, 2016. These financial statements do not include the transfer of capital reserve and dividend payable.

26. Revenue Recognition by Type

Revenue recognized by type is as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Net sales		
Sales of goods	5,281,454,515	1,716,993,183
Rendering of services	15,536,059	3,804,783
Royalty income	2,200,240	638,331
	<u>5,299,190,814</u>	<u>1,721,436,297</u>

27. Selling and Administrative Expenses

Details of selling and administrative expenses are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Salaries and wages	118,783,673	39,136,079
Retirement benefits	11,842,372	2,538,974
Employee fringe benefits	24,733,741	9,333,466
Travel	5,050,262	1,915,011
Communication	2,063,047	661,925
Water, light, heating and others	2,202,683	700,826
Taxes and dues	10,155,582	3,576,617
Rent	5,403,927	1,666,555
Depreciation	15,796,682	5,075,574
Repair and maintenance	2,841,044	926,378
Insurance premium	1,329,867	242,471
Entertainment	2,063,478	741,334
Advertising	5,199,918	899,884
Overseas marketing	912,113	478,512
Packing expenses	21,575,129	7,056,718
Royalty expenses	6,567,905	781,269
Freight expenses	40,710,464	13,937,229
Research and development expenses	100,542,821	30,727,543
Commissions	65,942,132	24,328,581
Office supplies expenses	290,976	150,957
Supplies expenses	1,987,984	544,390
Publication	774,204	295,256
Training	3,229,403	1,090,389
Vehicles	1,556,707	580,972

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Warranty expenses	22,034,180	4,654,175
Bad debts expense	(10,882)	50,866
Amortization	10,516,962	2,713,151
Others	1,389,078	276,166
	<u>485,485,452</u>	<u>155,081,268</u>

28. Expenses by Nature

Expenses by nature for the cost of sales and selling and administrative expenses are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Materials consumed and purchase of merchandise, net	3,673,086,560	1,178,650,800
Changes in inventories	22,728,369	19,155,518
Employee benefit expenses	589,342,184	206,659,434
Depreciation and amortization	224,701,191	71,857,249
Employee fringe benefits	109,228,771	36,590,718
Commissions	127,026,456	46,288,521
Water, light, heating and others	55,038,720	17,816,565
Repair and maintenance	29,940,279	11,005,960
Others	202,453,676	54,150,150
	<u>5,033,546,206</u>	<u>1,642,174,915</u>

29. Other Income and Expenses

Details of other income and expenses are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Other income		
Exchange differences	35,844,109	23,899,728
Gain on settlement of derivatives	378,310	23,946
Gain on valuation of derivatives	12,350	3,205,571
Dividends income	208,000	-
Gain on disposal of property, plant and equipment	1,115,308	407,283
Others	4,729,903	3,195,813
	<u>42,287,980</u>	<u>30,732,341</u>
Other expenses		
Exchange differences	35,081,132	11,481,797
Loss on disposal of property, plant and equipment	3,015,450	1,388,979
Loss on disposal of intangible assets	4,531,937	6,933,234
Loss on settlement of derivatives	838,852	388,658
Loss on valuation of derivatives	369,535	17,969
Donations	2,195,086	1,198,859
Others	6,428,042	1,359,011
	<u>52,460,034</u>	<u>22,768,507</u>

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

30. Financial Income and Expenses

Details of financial income and expenses are as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Financial income		
Interest income	7,196,909	3,383,539
Exchange differences	12,283,322	4,069,033
	<u>19,480,231</u>	<u>7,452,572</u>
Financial expenses		
Interest expense	38,648,003	14,788,594
Less: capitalization of borrowing costs	(50,393)	(104,823)
Exchange differences	27,300,605	13,898,505
	<u>65,898,215</u>	<u>28,582,276</u>

31. Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Calculations of basic earnings per share are as follows:

	2015	2014(Four months)
Profit attributable to equity holders of the Company (in Korean won)	125,795,044,590	47,533,231,699
Weighted average number of ordinary shares in issue (in shares)	9,364,928	9,373,398
Basic earnings per share (in Korean won)	13,433	5,071

Calculations of weighted average number of ordinary shares in issue are as follows:

<i>(unit: shares)</i>	2015	2014(Four months)
Ordinary shares in issue	9,364,928	9,391,424
Purchase of treasury shares	-	(18,026)
Weighted average number of ordinary shares in issue	<u>9,364,928</u>	<u>9,373,398</u>

The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

32. Cash Generated from Operations

Cash generated from operations is as follows:

<i>(in thousands of Korean won)</i>	2015	2014(Four months)
Profit before income tax	201,190,379	60,118,084
Adjustments:		
Depreciation	197,662,199	64,379,170
Amortization	27,038,992	7,478,079
Retirement benefits	41,397,694	11,974,003
Bad debts expense	(27,308)	50,866
Warranty expenses	22,034,180	4,654,175
Losses on settlement of derivatives, net	460,542	364,712
Losses(gains) on valuation of derivatives, net	357,184	(3,187,602)
Losses on disposal of property, plant and equipment, net	1,900,142	981,695
Impairment loss on intangible assets	4,531,937	6,933,234
Exchange differences	16,198,938	7,339,792
Share of loss from associates and joint ventures	7,864,192	5,977,428
Dividend income	(208,000)	-
Interest income	(7,196,909)	(3,383,539)
Interest expenses	38,597,610	14,683,771
Other expenses	134,285	733,709
	<u>350,745,678</u>	<u>118,979,493</u>
Changes in working capital:		
Increase in trade accounts and notes receivable	(237,309,688)	(92,576,558)
Decrease (increase) in loans and other receivables	2,594,064	(10,630,720)
Decrease in inventories	3,671,415	20,314,296
Increase in other assets	(10,999,665)	(29,874,817)
Increase in trade accounts and notes payable	70,914,045	89,386,614
Increase in other payables	5,471,546	11,033,665
Payment of retirement benefit, net	(4,100,488)	(4,213,691)
Contribution to plan assets	(19,584,121)	(251,695)
Decrease in provisions	(22,769,238)	(6,985,281)
Increase (decrease) in other liabilities	(6,593,417)	28,028,985
Exchange differences on changes in working capital	3,172,674	17,399,520
	<u>(215,532,873)</u>	<u>21,630,318</u>
Cash generated from operations	<u>336,403,184</u>	<u>200,727,895</u>

Significant transactions not affecting cash flows are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
Balances of other payables on acquisition of property, plant and equipment at the end of the reporting period	59,105,173	56,446,935
Transfer to current portion of debentures	100,000,000	200,000,000

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The Company presented cash receipts and payments on a net basis for financial deposits and short-term borrowings with high turnover, large amounts and short maturities.

33. Contingencies and Commitments

Significant financing agreements of the Company are as follows:

<i>(in thousands)</i>		Maximum limit			
		December 31, 2015		December 31, 2014	
Agreements	Bank				
Loans secured by trade receivables	KEB Hana Bank	KRW	30,000,000	KRW	90,000,000
	Woori Bank	KRW	40,000,000	KRW	40,000,000
	NH Bank	-	-	KRW	5,000,000
	Standard Chartered Bank	-	-	KRW	10,000,000
Letters of credit	Korea Exchange Bank	USD	5,000	USD	9,000
Trade finance	Korea Exchange Bank	KRW	50,000,000	KRW	60,000,000
	Woori Bank	KRW	40,000,000	KRW	40,000,000
	Citibank	USD	40,000	USD	40,000
Bank overdraft	Woori Bank	KRW	15,000,000	KRW	15,000,000
	KEB Hana Bank	KRW	10,000,000	KRW	10,000,000
	NH Bank	KRW	30,000,000	KRW	30,000,000
	Australia and New Zealand Banking Group Limited	KRW	50,000,000	KRW	50,000,000
	BBVA	KRW	30,000,000	KRW	30,000,000
	Industrial Bank of Korea	KRW	30,000,000	KRW	30,000,000
	SMBC	KRW	30,000,000	KRW	-
Payment of trade payables	Korea Exchange Bank	KRW	110,000,000	KRW	140,000,000
	Woori Bank	KRW	40,000,000	KRW	40,000,000
	Kookmin Bank	KRW	10,000,000	KRW	10,000,000
	Industrial Bank of Korea	KRW	38,000,000	KRW	38,000,000
	NH Bank	KRW	5,000,000	-	-
Discount of commercial paper	Shinhan Bank				
		KRW	20,000,000	KRW	20,000,000
Receivables Purchase	Deutsche Bank	KRW	80,000,000	KRW	80,000,000
	ANZ Bank	KRW	60,000,000	-	-
	Standard Chartered Bank	KRW	10,000,000	-	-
Integrated loan	DBS Bank	USD	50,000	-	-

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Significant financing agreements of the consolidated subsidiaries are as follows:

<i>(in thousands)</i>		Maximum limit			
		December 31, 2015		December 31, 2014	
Subsidiaries	Financial institutions and agreements				
MSC	Citibank				
	Revolving loan	USD	10,000	USD	10,000
	Industrial and Commercial Bank				
	Revolving loan	CNY	250,000	CNY	250,000
	Bank of China				
	Revolving loan	CNY	200,000	CNY	200,000
MBC	Citibank				
	Revolving loan	USD	20,000	USD	20,000
MTC	Citibank				
	Revolving loan	USD	5,000	USD	5,000
	Standard Chartered Bank				
	Revolving loan	USD	4,830	USD	4,830
MCH	The Korea Development Bank				
	Revolving loan	KRW	5,000,000	KRW	5,000,000
		USD	20,000	USD	20,000
	KEB Hana Bank				
	Operating loans	USD	13,000	USD	19,000
MCA	Citibank				
	Revolving loan	USD	20,000	USD	20,000
	Bank of America				
	Revolving loan	USD	35,000	USD	35,000
	Facility loans	USD	100,000	USD	70,000
	Kookmin Bank				
	Revolving loan	USD	15,000	USD	15,000
	Comerica Bank				
	Facility loans	USD	49,500	USD	49,500
	BBVA				
	Revolving loan	USD	10,000	USD	10,000
	Facility loans	USD	20,000	-	-
	The Korea Development Bank				
Revolving loan	-	-	USD	30,000	
MAM	KEB Hana Bank				
	Trade financing	-	-	KRW	8,000,000
	Revolving loan	KRW	12,000,000	KRW	4,000,000
	Purchase settlement	KRW	1,000,000	KRW	2,000,000
	Letters of credit	USD	2,300	USD	4,900
	Receivable factoring	KRW	4,000,000	-	-
	Loans secured by trade receivables	KRW	1,000,000	-	-
	Woori Bank				
	Trade financing	KRW	5,500,000	KRW	6,000,000

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands)</i>		Maximum limit			
Subsidiaries	Financial institutions and agreements	December 31, 2015		December 31, 2014	
	Letters of credit	USD	1,600	USD	1,600
	Purchase settlement	KRW	2,000,000	KRW	3,000,000
	Receivable factoring	KRW	590,857	-	-
	Kookmin Bank				
	Loans secured by trade receivables	KRW	500,000	-	-
	The Korea Development Bank				
	Revolving loan	KRW	1,000,000	-	-
MCP	Citibank				
	Revolving loan	EUR	30,000	EUR	30,000
	Korea Export-Import Bank				
	Revolving loan	EUR	10,000	-	-
MAIL	KEB Hana Bank				
	Buyer's credit loan	USD	12,000	USD	12,000
	Standard Chartered Bank				
	Buyer's credit loan	USD	32,000	USD	32,000
	Shinhan Bank				
	Buyer's credit loan	USD	5,000	USD	5,000
	Housing Development Financing Corporation				
	Buyer's credit loan	USD	5,000	USD	5,000
	Payment of trade payables	INR	150,000	INR	150,000
	Citibank				
	Buyer's credit loan	USD	15,000	USD	15,000
	Korea Export-Import Bank				
	External Commercial Borrowings	-	-	USD	17,000
MCE	BBVA				
	Facility loans	EUR	10,000	-	-
MCB	Standard Chartered Bank				
	Buyer's credit loan	USD	10,000	USD	10,000
	Citibank				
	Buyer's credit loan	USD	10,000	USD	10,000
	Operating loans	USD	5,000	USD	5,000

The Company provides guarantees for KMB's unsecured borrowings amounting to EUR 13,138 thousand (2014: EUR 14,200 thousand).

The Company has entered into technology license agreements with Hitachi and others. These agreements require the Company to pay royalty based on a certain percentage of the sales of the related products as defined in the agreements.

The Company receives running royalty from MMT and others under the technology licence agreements for manufacturing automotive parts.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

The Company is provided with a guarantee of ₩543,600 thousand (2014: ₩528,600 thousand) from Seoul Guarantee Insurance Co., Ltd. relating to the performance guarantee and others.

The Company is insured against indemnity relating to providing guarantees for KMB's unsecured borrowings with Korea Trade Insurance Corporation. The coverage amount of the insurance is principal and interest payments of KMB's unsecured borrowings guaranteed by the Company.

MAIL and MSI, the consolidated subsidiaries, are provided with a guarantee of INR 11,100 thousand (2014: INR 11,100 thousand) from Citibank relating to the payment of customs duty.

MCA, MSC, MBC, MHC, MTC, MRC, MNC, MSYC, MCE, MCC and MAIL, the consolidated subsidiaries, have long-term land use rights granted by their respective local governments.

As of December 31, 2015, the Group has a pending lawsuit filed by current employees amounting to ₩ 8,414,675 thousand for claiming additional payments of wages related to general wages. On January 13, 2016, after the reporting period end, the Group received a favourable judgement on the case.

The Company has a pending lawsuit filed by Gyeonggi-do amounting to ₩ 3,122,871 thousand for the claim of settlement payments related to the purchase of land. As of December 31, 2015, the outcome of the litigation and impact on its financial statements cannot be reliably estimated. There are a number of pending lawsuits other than above litigations as of December 31, 2015. However, it is not expected that any material liability will arise from these contingent liabilities other than the provisions recognized in the consolidated financial statements.

For the year ended December 31, 2015, the Company underwent a tax investigation for the fiscal years 2011 to 2013 by the Seoul Regional Tax Office. As a result, the Company was levied a total of ₩44,347,020 thousand for income taxes (including local income taxes) and paid the amount considering unused the tax credit carryforwards. The Company appealed against the decision for the amount of ₩28,305,303 thousand (including the tax credit effect of 7,534,820 thousand). The Company recognised the amount as current tax assets and deferred tax assets because the Company believes that it is probable to recover the amount (Note 22).

The Company was spun off from Halla Holdings Corporation (formerly, Mando Corporation) on September 1, 2014. In accordance with Article 530-9 (1) of the Korean Commercial Code, the Company has responsibility of joint liability guarantee with Halla Holdings Corporation for existing liabilities prior to spin-off.

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

34. Related Party Transactions

As of December 31, 2015, there are no parent company and ultimate parent company of the Group. Halla Holdings Corporation, which has significant influence over the Group, holds 30.25% of the equity shares of the Company. As of December 31, 2015 and 2014, Halla Corporation (formerly, Halla Engineering & Construction Corporation), which had significant influence over the Company, was excluded from related parties as it disposed of its interest in the Company.

Details of the Group's associates and joint ventures as of December 31, 2015 are disclosed in Note 13.

Details of other related parties are as follows:

December 31, 2015	December 31, 2014	Remark
Halla Meister Ltd. ¹	Halla Meister Ltd. ¹	Subsidiaries of Halla Holdings Corporation
Uriman, Inc. ²	Uriman, Inc. ²	
Meister Logistics Corporation America ²	Meister Logistics Corporation America ²	
Halla Meister Shanghai Trading Co., Ltd. ²	Halla Meister Shanghai Trading Co., Ltd. ²	
Halla Meister(Suzhou) Logistics Co., Ltd. ²	Halla Meister(Suzhou) Logistics Co., Ltd. ²	
WECO (formerly, Woori Engineering Co., Ltd.) ²	WECO (formerly, Woori Engineering Co., Ltd.) ²	
Autoreco Corporation ²	Autoreco Corporation ²	
Halla Meister Europe B.V. ²	Halla Meister Europe B.V. ²	
One Stop Parts Source ²	One Stop Parts Source ²	
One Stop Undercar, Inc. ²	One Stop Undercar, Inc. ²	
Halla Meister Global Transportation, LLC. ²	Halla Meister Global Transportation, LLC. ²	
Halla Stackpole Corporation	Halla Stackpole Corporation	
Halla Stackpole(Beijing) Automotive Co., Ltd.	Halla Stackpole(Beijing) Automotive Co., Ltd.	Subsidiary of Halla Stackpole Corporation
Mando-Hella Electronics Corp.	Mando-Hella Electronics Corp.	Joint ventures of Halla Holdings Corporation
Mando-Hella Electronics (Suzhou) Co., Ltd.	Mando-Hella Electronics (Suzhou) Co., Ltd.	Subsidiary of Mando-Hella Electronics Corp.
Halla Encom Corporation ³	Halla Encom Corporation ³	Subsidiaries of Halla Corporation
Halla Investment & Consulting Company ³	Halla Investment & Consulting Company ³	
Mokpo Newport Terminal Co., Ltd ³	Mokpo Newport Terminal Co., Ltd ³	
Halla Development Corporation ³	Halla Development Corporation ³	
Halla Ceragio Corporation ³	Halla Ceragio Corporation ³	
Halla Corporation America ³	Halla Corporation America ³	
Halla (Tianjin) Real Estate Development Co., Ltd. and others ³	Halla (Tianjin) Real Estate Development Co., Ltd. and others ³	
Dae Han Industry Corporation and others ³	Dae Han Industry Corporation and others ³	Subsidiary of Halla Encom Corporation
Hyundai Medis ³	Hyundai Medis ³	Subsidiary of Halla Investment & Consulting Company

Mando Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Pan Gyo Edu Park Ltd³

Other related party

¹ It was merged with Halla Holdings Corporation on July 1, 2015, and the transaction amount before the merger date was included in other related parties.

² As a result of merger between Halla Holdings Corporation and Halla Meister Ltd. in 2015, it became a subsidiary of Halla Holdings Corporation.

³The companies are excluded from related parties as of December 31, 2014. However, transactions with these related parties prior to the date of exclusion are included in the related party transactions.

Significant sales transactions with related parties are as follows:

<i>(in thousands of Korean won)</i>		2015			
		Sales of goods	Royalty income	Rendering of services	Others
Entity which exercises significant influence on the Group					
(Halla Holdings Corporation)		2,294,225	-	171,792	718,726
Associates and joint ventures	MBCO	-	-	70,996	10,524
	KMB	7,773,471	-	72,704	-
	MMT	2,284,069	474,270	257,925	455,202
	AVM	283,363	82,849	2,132	-
Other related parties	Halla Meister	2,399,473	-	189,542	649,021
	WECO	72,945	559,036	-	39,123
	MLCA	-	-	-	205,762
	HMTC	9,410,520	-	-	-
	HMLC	-	-	-	6,725
	Autoreco	159,463	-	-	222
	Uriman	11,530,009	-	-	-
	HSC and subsidiary	388,809	-	146,556	55,124
	MHE and subsidiary	667	-	333,645	286,098
		2014(Four months)			
<i>(in thousands of Korean won)</i>		Sales of goods	Royalty income	Rendering of services	Others
Entity which exercises significant influence on the Group					
(Halla Holdings Corporation)		-	-	-	5,875
Associates and joint ventures	MBCO	-	-	22,680	-
	KMB	1,213,157	-	69,819	-
	MMT	505,760	152,639	84,236	-
	AVM	54,247	19,570	-	576,594
Other related parties	Halla Corporation	-	-	355,465	775,114
	Halla Meister	2,260,634	-	52,098	445,387
	WECO	35,276	210,575	-	2,614
	HMTC	2,828,137	-	-	-
	HMLC	-	-	-	886

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>		2014(Four months)			
		Sales of goods	Royalty income	Rendering of services	Others
	Autoreco	44,301	-	-	12,974
	Uriman	1,190,036	-	-	-
	HSC and subsidiary	172,057	-	24,345	120,315
	MHE and subsidiary	-	-	75,328	358,252
	Others	743	-	54,975	163,397

Significant purchase transactions with related parties are as follows:

<i>(in thousands of Korean won)</i>		2015			
		Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
Entity which exercises significant influence on the Group					
	(Halla Holdings Corporation)	24,660,826	33,960,864	-	23,265,310
Associates and joint ventures	MBCO	36,468,712	69,199	-	-
	KMB	-	8,046	-	23,857
	AVM	-	-	-	41
Other related parties	Halla Meister	46,118,532	36,536,966	-	2,192,957
	WECO	6,656,738	-	-	-
	MLCA	15,561,817	5,115,706	36,450	190,173
	HMTC	-	-	-	30,830
	HMLC	-	35,662,888	-	-
	Uriman	88,154	148	-	12,351
	HME	384,774	-	-	-
	MHE and subsidiary	454,296,797	-	-	100,358

<i>(in thousands of Korean won)</i>		2014(Four months)			
		Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
Entity which exercises significant influence on the Group					
	(Halla Holdings Corporation)	-	-	-	6,820,623
Associates and joint ventures	MBCO	6,700,447	-	-	145,568
	Others	-	-	-	43,029
Other related parties	Halla Corporation	82,525	129,144	5,672,190	3,151,677
	Halla Meister	22,180,477	16,236,217	-	9,802,467
	WECO	846,778	-	-	-
	MLCA	3,970,316	2,112,181	-	-

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

		2014(Four months)			
		Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
<i>(in thousands of Korean won)</i>					
	HMTC	-	-	-	8,668
	HMLC	-	11,597,825	-	-
	Uriman	-	887	-	1,190
	HME	-	1,312	-	-
	HSC and subsidiary	20,354,329	-	-	11,496
	MHE and subsidiary	144,336,371	-	869,928	314,252
	Halla Investment & Consulting Company	-	393,000	-	-
	Halla Development Corporation	14,095	1,005,719	-	4,995
	Others	-	-	-	760

Significant financing transactions with related parties are as follows:

		2015			
		Acquisition of investment	Dividend paid	Interest income	Capital contribution
<i>(in thousands of Korean won)</i>					
Entity which exercises significant influence on the Group					
	(Halla Holdings Corporation)	11,162,000	5,210,300	-	-
Associates and joint ventures	KMB	-	-	-	5,369,144
	HSF	-	-	-	19,611,849

		2014(Four months)			
		Loans payment ¹	Dividend paid	Interest income	Capital contribution
<i>(in thousands of Korean won)</i>					
Other related parties	Halla Investment & Consulting Company	-	-	246,096	-
	Halla Meister	834,709	-	-	-

¹Loans were repaid in full in 2015.

The balances of receivables arising from significant transactions with related parties are as follows:

		December 31, 2015			December 31, 2014		
		Trade accounts and notes receivable	Loans	Other receivables	Trade accounts and notes receivable	Loans	Other receivables
<i>(in thousands of Korean won)</i>							
Entity which exercises significant influence on the Group							
	(Halla Holdings Corporation)	1,263,691	-	101,075	-	-	2,079
	MBCO	3,993	-	-	7,923	-	-
	MMT	2,274,380	-	-	1,257,686	-	-

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

		December 31, 2015			December 31, 2014		
		Trade accounts and notes receivable	Loans	Other receivables	Trade accounts and notes receivable	Loans	Other receivables
<i>(in thousands of Korean won)</i>							
Associates and joint ventures	AVM	54,551	-	-	51,204	-	15,624
	KMB	2,994,121	-	-	2,011,828	-	-
Other related parties	Halla Meister	-	-	-	1,265,087	834,709	154,780
	WECO	120,959	-	-	91,976	-	-
	MLCA	-	-	183,311	-	-	57,448
	HMLC	-	-	57,141	-	-	-
	HMTC	2,168,570	-	-	2,616,111	-	-
	Autoreco	1,564	-	1,351	17,924	-	2,967
	Uriman	724,198	-	-	236,012	-	-

The balances of payables arising from significant transactions with related parties are as follows:

		December 31, 2015		December 31, 2014	
		Trade accounts and notes payables	Other payables	Trade accounts and notes payables	Other payables
<i>(in thousands of Korean won)</i>					
Entity which exercises significant influence on the Group					
(Halla Holdings Corporation)		18,402,455	22,970,210	-	9,314,612
Associates and joint ventures	MBCO	12,247,543	691,966	4,768,140	497,781
	MMT	-	-	-	2,508
	AVM	-	1,132	-	1,062
	KMB	-	55,953	-	-
Other related parties	Halla Meister	-	-	13,831,045	17,474,477
	WECO	1,531,066	-	746,936	-
	MLCA	248,124	2,801,282	317,364	2,803,612
	HMLC	88,468	5,365,430	87,461	5,145,093
	Uriman	-	1,800	-	252
	HSC and subsidiary	23,205,487	94,249	20,732,851	100,598
	MHE and subsidiary	141,042,927	816,934	126,078,717	1,561,581

Details of guarantees provided by the Group for the financing activities of the related parties are disclosed in Note 33, and no collateral and guarantees are provided by the related parties.

As described in Note 33, in accordance with Article 530-9 (1) of the Korean Commercial Code, the Company has responsibility of joint liability guarantee with Halla Holdings Corporation for existing liabilities prior to spin-off.

Key management refers to the directors of the Company who have significant control and responsibilities on the Group's operations and business. Compensation for key management is as follows:

Mando Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	2015	2014
Short-term employee benefit	4,933,242	948,126
Retirement benefits	<u>1,079,253</u>	<u>270,675</u>
	<u>6,012,495</u>	<u>1,218,801</u>

Events after the Reporting Period

The issuance of the December 31, 2015 consolidated financial statements was approved by the Board of Directors on February 4, 2016.

As of December 31, 2015, the Group has a pending lawsuit filed by current employees amounting to ₩ 8,414,675 thousand for claiming additional payments of wages related to general wages. On January 13, 2016, after the reporting period end, the Group received a favourable judgement on the case (Note 33).