

Ssangyong Motor Company

SEPARATE FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER
30, 2011
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of Ssangyong Motor Company:

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the statements of financial position as of September 30, 2011, the statements of loss and comprehensive loss for the three months and nine months ended September 30, 2011, the statements of changes in shareholders' equity and cash flows for the nine months ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying separate interim financial statements 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.

Independent accountants' responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review.

We conducted our review in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements of the Company are not presently fairly, in all material respects, in accordance with Company's accounting policies as discussed in Note 2 in the accompanying financial statements, relevant to interim financial reporting.



November 11, 2011

Notice to Readers

This report is effective as of November 11, 2011, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the report is read. Such events or circumstances could significantly affect the accompanying separate interim financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

	Korean Won		Indian- Rupee	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 5, 6 and 36)	₩ 164,812,690	₩ 80,566,165	Rs. 6,592,508	Rs. 3,222,647
Trade and other receivables, net (Notes 8 and 36)	230,744,108	186,354,055	9,229,764	7,454,162
Inventories, net (Notes 9 and 14)	237,845,511	215,524,140	9,513,820	8,620,966
Other current assets (Note 11)	40,637,059	83,401,025	1,625,482	3,336,041
Assets held for sale (Notes 12 and 13)	<u>671,960</u>	<u>671,961</u>	<u>26,878</u>	<u>26,878</u>
Total current assets	<u>674,711,328</u>	<u>566,517,346</u>	<u>26,988,452</u>	<u>22,660,694</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 6 and 36)	6,000	6,000	240	240
Non-current available-for-sale financial assets (Notes 7 and 36)	560,000	560,000	22,400	22,400
Non-current other receivables, net (Note 8 and 36)	37,823,680	37,908,069	1,512,947	1,516,323
Property, plant and equipment, net (Notes 13, 14 and 16)	1,035,814,365	1,030,034,942	41,432,575	41,201,398
Intangible assets (Note 15)	69,729,199	89,171,132	2,789,168	3,566,845
Investments in subsidiaries (Note 10)	4,456,554	3,666,291	178,262	146,652
Other non-current assets (Note 11)	<u>518,843</u>	<u>923,350</u>	<u>20,754</u>	<u>36,934</u>
Total non-current assets	<u>1,148,908,641</u>	<u>1,162,269,784</u>	<u>45,956,346</u>	<u>46,490,792</u>
TOTAL ASSETS	<u>1,823,619,969</u>	<u>1,728,787,130</u>	<u>72,944,798</u>	<u>69,151,486</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Financial liabilities at fair value through profit or loss (Notes 28 and 36)	3,380,274	-	135,211	-
Trade and other payables (Notes 22 and 36)	404,508,899	361,104,115	16,180,356	14,444,165
Short-term borrowings (Notes 16 and 36)	2,426,186	-	97,047	-
Current portion of long-term borrowings (Notes 16 and 36)	-	356,920,833	-	14,276,833
Provision for product warranties (Note 19)	43,120,461	34,090,864	1,724,818	1,363,635
Other current liabilities (Notes 18, 20 and 36)	<u>48,747,738</u>	<u>153,965,893</u>	<u>1,949,910</u>	<u>6,158,636</u>
Total current liabilities	<u>₩ 502,183,558</u>	<u>₩ 906,081,705</u>	<u>Rs. 20,087,342</u>	<u>Rs. 36,243,269</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

	Korean Won		Indian- Rupee	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debentures (Notes 16 and 36)	₩ 95,404,765	₩ -	Rs. 3,816,191	Rs. -
Other non-current payables (Notes 18 and 36)	2,349,037	2,247,782	93,960	89,911
Retirement benefit obligation (Note 21)	163,874,613	148,678,035	6,554,985	5,947,121
Other long-term employee benefits obligation	10,716,241	9,714,738	428,650	388,590
Provision for long-term product warranties (Note 19)	<u>70,844,809</u>	<u>43,174,385</u>	<u>2,833,792</u>	<u>1,726,976</u>
Total non-current liabilities	<u>343,189,465</u>	<u>203,814,940</u>	<u>13,727,578</u>	<u>8,152,598</u>
TOTAL LIABILITIES	<u>845,373,023</u>	<u>1,109,896,645</u>	<u>33,814,920</u>	<u>44,395,867</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 23)	609,809,205	182,688,005	24,392,368	7,307,520
Other capital surplus (Note 24)	125,496,967	840,231,779	5,019,879	33,609,271
Retained earnings (accumulated deficit) (Note 24)	<u>242,940,774</u>	<u>(404,029,299)</u>	<u>9,717,631</u>	<u>(16,161,172)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>978,246,946</u>	<u>618,890,485</u>	<u>39,129,878</u>	<u>24,755,619</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,823,619,969</u>	<u>₩ 1,728,787,130</u>	<u>Rs. 72,944,798</u>	<u>Rs. 69,151,486</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Korean Won			
	Three months ended <u>September 30, 2011</u> (In thousands, except per share amounts)	Nine months ended <u>September 30, 2011</u> (In thousands, except per share amounts)	Three months ended <u>September 30, 2010</u> (In thousands, except per share amounts)	Nine months ended <u>September 30, 2010</u> (In thousands, except per share amounts)
SALES (Notes 34 and 35)	₩ 747,056,882	₩ 2,096,228,335	₩ 526,319,604	₩ 1,469,886,617
COST OF SALES (Note 35)	<u>659,509,904</u>	<u>1,854,233,778</u>	<u>465,865,404</u>	<u>1,272,278,423</u>
GROSS PROFIT	87,546,978	241,994,557	60,454,200	197,608,194
SELLING AND ADMINISTRATIVE EXPENSES (Note 29)	121,717,963	346,908,565	91,428,656	259,206,644
OTHER OPERATING INCOME (Note 30)	19,386,767	38,189,937	136,753,085	168,550,484
OTHER OPERATING EXPENSES (Note 30)	<u>15,848,017</u>	<u>39,203,670</u>	<u>31,678,044</u>	<u>80,990,210</u>
OPERATING INCOME(LOSS) (Note 26)	(30,632,235)	(105,927,741)	74,100,585	25,961,824
FINANCIAL INCOME (Note 31)	1,946,160	53,427,639	180,881	12,816,202
FINANCIAL COST (Note 31)	<u>6,729,596</u>	<u>15,185,981</u>	<u>24,226,936</u>	<u>54,655,895</u>
INCOME(LOSS) BEFORE INCOME TAX	₩ (35,415,671)	₩ (67,686,083)	₩ 50,054,530	₩ (15,877,869)
INCOME TAX EXPENSE (Note 25)	-	-	-	-
NET INCOME(LOSS)	(35,415,671)	(67,686,083)	50,054,530	(15,877,869)
OTHER COMPREHENSIVE LOSS	<u>(15,421)</u>	<u>(43,841)</u>	<u>(9,968)</u>	<u>(27,253)</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u>₩ (35,431,092)</u>	<u>₩ (67,729,924)</u>	<u>₩ 50,044,562</u>	<u>₩ (15,905,122)</u>
INCOME(LOSS) PER SHARE (Note 32)				
Basic and diluted income(loss) per share	₩ (291)	₩ (619)	₩ 1,386	₩ (440)

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Indian-Rupee			
	Three months ended September 30, 2011 (In thousands, except per share amounts)	Nine months ended September 30, 2011 (In thousands, except per share amounts)	Three months ended September 30, 2010 (In thousands, except per share amounts)	Nine months ended September 30, 2010 (In thousands, except per share amounts)
SALES (Notes 34 and 35)	Rs. 29,882,275	Rs. 83,849,133	Rs. 21,052,784	Rs. 58,795,465
COST OF SALES (Note 35)	<u>26,380,396</u>	<u>74,169,351</u>	<u>18,634,616</u>	<u>50,891,137</u>
GROSS PROFIT	3,501,879	9,679,782	2,418,168	7,904,328
SELLING AND ADMINISTRATIVE EXPENSES (Note 29)	4,868,718	13,876,342	3,657,146	10,368,266
OTHER OPERATING INCOME: (Note 30)	775,471	1,527,597	5,470,123	6,742,019
OTHER OPERATING EXPENSES (Note 30)	<u>633,921</u>	<u>1,568,147</u>	<u>1,267,122</u>	<u>3,239,608</u>
OPERATING INCOME(LOSS) (Note 26)	(1,225,289)	(4,237,110)	2,964,023	1,038,473
FINANCIAL INCOME (Note 31)	77,846	2,137,106	7,235	512,648
FINANCIAL COST (Note 31)	<u>269,184</u>	<u>607,439</u>	<u>969,077</u>	<u>2,186,236</u>
INCOME(LOSS) BEFORE INCOME TAX	Rs. (1,416,627)	Rs. (2,707,443)	Rs. 2,002,181	Rs. (635,115)
INCOME TAX EXPENSE (Note 25)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	(1,416,627)	(2,707,443)	2,002,181	(635,115)
OTHER COMPREHENSIVE LOSS	<u>(617)</u>	<u>(1,754)</u>	<u>(399)</u>	<u>(1,090)</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u>Rs. (1,417,244)</u>	<u>Rs. (2,709,197)</u>	<u>Rs. 2,001,782</u>	<u>Rs. (636,205)</u>
INCOME(LOSS) PER SHARE (Note 32)				
Basic and diluted income(loss) per share	Rs. (12)	Rs. (25)	Rs. 55	Rs. (18)

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Korean Won							
	Capital stock	Other Capital Surplus				Debt to be swapped for equity	Retained earnings (accumulated deficit)	Total
		Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights (In thousands)				
Unreviewed balance at January 1, 2010	₩ 542,052,155	₩ 2,594	₩ 444,128,160	₩ 29,474,043	₩ 7,146,185	₩ (355,455,670)	₩ 667,347,467	
Net loss	-	-	-	-	-	(15,877,869)	(15,877,869)	
Actuarial losses	-	-	-	-	-	(27,253)	(27,253)	
Capital decrease without consideration	(361,449,375)	-	361,449,375	-	-	-	-	
Conversion of debt to equity	2,085,225	4,170,771	-	-	(6,154,130)	-	101,866	
Stock issuance costs	-	(2,594)	-	-	-	-	(2,594)	
Unreviewed balance at September 30, 2010	<u>₩ 182,688,005</u>	<u>₩ 4,170,771</u>	<u>₩ 805,577,535</u>	<u>₩ 29,474,043</u>	<u>₩ 992,055</u>	<u>₩ (371,360,792)</u>	<u>₩ 651,541,617</u>	
Unreviewed balance at January 1, 2011	182,688,005	4,170,771	805,577,535	29,474,043	1,009,430	(404,029,299)	618,890,485	
Net loss	-	-	-	-	-	(67,686,083)	(67,686,083)	
Actuarial losses	-	-	-	-	-	(43,841)	(43,841)	
Capital increase with consideration	427,095,235	-	-	-	-	-	427,095,235	
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	
Deficit recovery	-	-	(685,225,954)	(29,474,043)	-	714,699,997	-	
Stock issuance costs	-	(8,850)	-	-	-	-	(8,850)	
Balance at September 30, 2011,	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,581</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ 242,940,774</u>	<u>₩ 978,246,946</u>	

	Indian-Rupee							
	Capital stock	Other Capital Surplus				Debt to be swapped for equity	Retained earnings (accumulated deficit)	Total
		Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights (In thousands)				
Unreviewed balance at January 1, 2010	Rs. 21,682,086	Rs. 104	Rs. 17,765,126	Rs. 1,178,962	Rs. 285,847	Rs. (14,218,227)	Rs. 26,693,898	
Net loss	-	-	-	-	-	(635,115)	(635,115)	
Actuarial losses	-	-	-	-	-	(1,090)	(1,090)	
Capital decrease without consideration	(14,457,975)	-	14,457,975	-	-	-	-	
Conversion of debt to equity	83,409	166,831	-	-	(246,165)	-	4,075	
Stock issuance costs	-	(104)	-	-	-	-	(104)	
Unreviewed balance at September 30, 2010	<u>Rs. 7,307,520</u>	<u>Rs. 166,831</u>	<u>Rs. 32,223,101</u>	<u>Rs. 1,178,962</u>	<u>Rs. 39,682</u>	<u>Rs. (14,854,432)</u>	<u>Rs. 26,061,664</u>	
Unreviewed balance at January 1, 2011	7,307,520	166,831	32,223,101	1,178,962	40,377	(16,161,172)	24,755,619	
Net loss	-	-	-	-	-	(2,707,443)	(2,707,443)	
Actuarial losses	-	-	-	-	-	(1,754)	(1,754)	
Capital increase with consideration	17,083,809	-	-	-	-	-	17,083,809	
Conversion of debt to equity	1,039	2,078	-	-	(3,117)	-	-	
Deficit recovery	-	-	(27,409,038)	(1,178,962)	-	28,588,000	-	
Stock issuance costs	-	(354)	-	-	-	-	(354)	
Balance at September 30, 2011	<u>Rs. 24,392,368</u>	<u>Rs. 168,555</u>	<u>Rs. 4,814,063</u>	<u>Rs. -</u>	<u>Rs. 37,260</u>	<u>Rs. 9,717,631</u>	<u>Rs. 39,129,877</u>	

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Korean Won		Indian-Rupee	
	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (67,686,083)	₩ (15,877,869)	Rs. (2,707,443)	Rs. (635,115)
Adjustment (Note 33)	83,485,405	91,220,742	3,339,416	3,648,830
Changes in net working capital (Note 33)	<u>156,062,264</u>	<u>(24,607,172)</u>	<u>6,242,490</u>	<u>(984,287)</u>
	171,861,586	50,735,701	6,874,463	2,029,428
Interests received	2,655,134	438,680	106,205	17,547
Interests paid	(5,284,454)	(3,283,505)	(211,378)	(131,340)
Dividend income received	<u>11,000</u>	<u>11,000</u>	<u>440</u>	<u>440</u>
Net cash provided by operating activities	<u>169,243,266</u>	<u>47,901,876</u>	<u>6,769,730</u>	<u>1,916,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in other receivables	1,714,862	5,037,451	68,594	201,498
Disposal of property, plant and equipment	7,156,391	163,475,432	286,256	6,539,017
Decrease in other assets	<u>70,204</u>	<u>42,387,349</u>	<u>2,808</u>	<u>1,695,494</u>
	8,941,457	210,900,232	357,658	8,436,009
Cash outflows from investing activities:				
Increase in other receivables	570,000	11,165,394	22,800	446,616
Acquisition of property, plant and equipment	77,115,877	102,578,867	3,084,636	4,103,156
Acquisition of intangible assets	<u>5,832,324</u>	<u>22,368,596</u>	<u>233,293</u>	<u>894,744</u>
Increase in other assets	<u>1,845,262</u>	-	<u>73,810</u>	-
	<u>(85,363,464)</u>	<u>(136,112,857)</u>	<u>(3,414,539)</u>	<u>(5,444,514)</u>
Net cash provided by(used in) in investing activities	<u>(76,422,007)</u>	<u>74,787,375</u>	<u>(3,056,881)</u>	<u>2,991,495</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	2,296,725	-	91,869	-
Issuance of debentures	95,404,765	-	3,816,191	-
Capital increase with consideration	374,763,556	-	14,990,542	-
Government subsidies received	-	<u>660,143</u>	-	<u>26,406</u>
	<u>472,465,046</u>	<u>660,143</u>	<u>18,898,602</u>	<u>26,406</u>

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SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>Korean Won</u>		<u>Indian-Rupee</u>	
	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>
	(In thousands)		(In thousands)	
Cash outflows from financing activities:				
Redemption of borrowings	₩ 310,934,562	₩ 47,458,333	Rs. 12,437,382	Rs. 1,898,333
Redemption of troubled debts	170,294,152	660,000	6,811,766	26,400
Stock issuance cost	<u>8,850</u>	<u>2,620</u>	<u>354</u>	<u>105</u>
	<u>(481,237,564)</u>	<u>(48,120,953)</u>	<u>(19,249,502)</u>	<u>(1,924,838)</u>
Net cash used in financing activities	<u>(8,772,518)</u>	<u>(47,460,810)</u>	<u>(350,900)</u>	<u>(1,898,432)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>197,784</u>	<u>-</u>	<u>7,912</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,246,525	75,228,441	3,369,861	3,009,138
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>80,566,165</u>	<u>14,734,811</u>	<u>3,222,647</u>	<u>589,392</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 164,812,690</u>	<u>₩ 89,963,252</u>	<u>Rs. 6,592,508</u>	<u>Rs. 3,598,530</u>

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

1. GENERAL:

These separate financial statements are prepared in accordance with Korean International Financial Reporting Standards (K-IFRS) 1027 “*Consolidated and Separate Financial Statements.*”

(1) Company overview and recent changes in business environment

Ssangyong Motor Company (“the Company”) was incorporated on December 6, 1962, and listed its stocks on the Korea Stock Exchange in May, 1975. The Company is headquartered in Chilgeo-dong, Pyungtaek and its factories are located in Pyungtaek, Kyeonggi-do and Changwon, Kyeongsangnam-do. The Company manufactures and distributes motor vehicles and parts.

On February 6, 2009, Seoul Central District Court (the “Court”) made a decision on a corporate reorganization for the Company and on December 17, 2009 approved the relevant reorganization plan. Subsequently, in the creditors’ meeting held on January 28, 2011, an amended reorganization plan in accordance with the merger and acquisition agreement with Mahindra & Mahindra Ltd. executed on November 23, 2010, was passed, and received the formal consent from the Court on January 31, 2011. In accordance with the amended plan, payments for the capital increase through third-party allotment of 427.1 billion won (17.084 billion rupee) and unguaranteed corporate bonds of 95.4 billion won (3.816 billion rupee) were made to the Company on February 8 and February 9, in 2011, respectively.

Furthermore, the Company repaid rehabilitation security rights and bonds upon the approval of the Court and submitted to the Court a request to terminate reorganization proceedings. The court receivership was terminated as the request for termination of reorganization proceedings was approved on March 14, 2011.

(2) Major shareholders

The Company’s shareholders as of September 30, 2011 are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	70.04
Others	36,542,794	29.96
	<u>121,961,841</u>	<u>100.00</u>

In accordance with the merger and acquisition agreement, Mahindra & Mahindra Ltd. acquired the Company’s shares issued through third-party allotment and became largest shareholder of the Company.

2. SIGNIFICANT ACCCOUNTING POLICIES:

(1) Basis of preparation

The Company has adopted the Korean International Financial Reporting Standards (“K-IFRS”) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 *First-time adoption of International Financial Reporting Standards*, the transition date to K-IFRS is January 1, 2010. The K-IFRS transition adjustments are stated in Note 4.

The Company did not prepare consolidated interim financial statements for the nine months ended September 30, 2011, in accordance with K-IFRS 1027 Consolidated and Separate Financial Statements.

There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end during 2011 or during 2012 which early-adoption is permitted during 2011. Accordingly, accounting policies that are used for the preparation of the interim separate financial statements may be different from the policies that are used for the preparation of the first annual financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

Major accounting policies used for the preparation of the interim financial statements are stated below. Unless stated otherwise, these accounting policies were applied consistently to the financial statements for the current period and comparative period.

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩ 25.00 to Rs. 1.00 at September 30, 2011), solely for the convenience of the reader. These convenience translations into Indian-Rupees should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

(2) Subsidiaries, affiliates and joint ventures

The Company meets the definition of a parent company in accordance with K-IFRS 1027 “*Consolidated and Separate Financial Statements*” and the Company’s subsidiaries are Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd. and Ssangyong European Parts Center B.V.

Investments in subsidiaries, joint ventures and affiliates are accounted for using the cost method, but on the date of transition to K-IFRS, the Company used carrying amount as deemed cost according to K-GAAP that were effective as of the transition date. Dividends obtained from subsidiaries, joint ventures and affiliates are recognized in current profit or loss when the right to receive dividends is established.

(3) Foreign currency translation

Functional and reporting currency

The Company measures items of its financial statements using the currency of the primary economic environment in which the Company operates (“functional currency”). The Company’s financial statements are expressed in Korean Won (‘Won’), which is the functional and reporting currency of the Company.

Translation of foreign currency transactions and ending balances

Foreign currency transactions are recorded in functional currency using the exchange rates at the date of transaction, and gains and losses arising from translation of foreign currency assets and liabilities by using the exchange rates prevailing at the date of statement of financial position are recognized in profit or loss.

(4) Statement of cash flow

The Company prepares its statement of cash flow using the indirect method and translates the cash flows denominated in foreign currency using the average exchange rate of the respective accounting period.

(5) Cash and cash equivalents

Cash and cash equivalents includes cash, savings and checking accounts, and short-term investment highly liquidated (maturities of three months or less from acquisition). Bank overdrafts are accounted for as short-term borrowings.

(6) Financial assets

1) Classification

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in near term. Derivatives to which hedge accounting is not applied are classified as held-for-trading under current assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are classified as current assets except of which maturities from the end of the reporting period exceed 12 months.

AFS financial assets

AFS financial assets are financial assets that are designated as AFS or are not classified as other types of financial assets. AFS financial assets are classified as non-current assets unless the Company has an intent to sell within 12 months from the end of the reporting period.

HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. HTM financial assets are classified as non-current assets unless management has intent to dispose of the investments within 12 months of the date of statement of financial position.

2) Recognition and measurement

All financial assets except financial assets at FVTPL are initially measured at fair value plus transaction costs at trading date. Financial assets at FVTPL are initially measured at fair value except for transaction costs, which are immediately recognized in profit or loss in the period occurred. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. AFS financial assets and financial assets at FVTPL are subsequently measured at fair value. Loans and receivables and HTM financial assets are measured at amortized cost using the effective interest rate method.

Gains and losses arising from changes in fair value of financial assets at FVTPL are recognized as other operating income (loss) in the period in which they occur and dividends from financial assets at FVTPL are recognized as other operating income when the Company's right to receive dividends is established.

Derivatives that are linked to and must be settled by delivery of equity instruments with no market price in an active market or unquoted equity instruments are measured at cost, and all other AFS financial assets are measured at fair value. Gains and losses arising from changes in fair value of an AFS financial asset are recognized in other comprehensive income (loss), and when the AFS financial asset is disposed of or is determined to be impaired, the cumulative gains or losses previously recognized in other comprehensive income (loss) is reclassified to other operating income in the statement of comprehensive income. Interest on AFS financial assets calculated using the effective interest method is recognized as financial income in the statement of comprehensive income. Dividends on AFS equity instruments are recognized as other operating income when the Company's right to receive the dividends is established.

3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in net amount when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4) Impairment of financial assets

Financial assets measured at amortized cost

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial assets is reduced by the impairment loss based on the fair value of the financial instruments using observable market prices.

If there are subsequent recoveries of the impairment loss related objectively to an event such as an improvement in the debtor's credit rating, the previously recognised impairment loss is reversed directly and recognized in profit or loss.

AFS financial assets

The Company assesses whether there are objective evidences of collective impairment of financial assets or financial liabilities at the end of each reporting period. For an equity investment that is classified as an AFS financial asset, a significant or prolonged decrease in fair value below its cost is considered as an objective evidence of impairment. When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is an objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS is not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(7) Trade receivables

Trade receivables are amounts owed by customers for goods sold and services rendered as part of the normal operations of the business. Trade receivables that are due within 1 year are classified as current assets and those that are not due within 1 year as non-current assets. Long-term trade receivables that are classified as non-current assets are measured at present value discounted at effective interest rate. Trade receivables are recognized at fair value and measured at amounts net of allowance for doubtful accounts. Allowance for trade receivables is estimated based on historical loss rate, customers' payment terms, transaction size and credit rating and current economic situation, and an impairment loss is recognized as an item of selling and administrative expenses in profit or loss.

When a trade receivable is deemed to be uncollectable, the amount of the trade receivable is deducted from the allowance, and in case the trade receivable previously deducted from the allowance is collected in a subsequent period, it is recognized in profit or loss as a deduction from selling and administrative expenses.

When the Company loses control over or becomes unable to continuously monitor a trade receivable, the Company regards it as a disposal of the trade receivable and makes an accounting treatment as such.

(8) Inventories

Inventories are stated at cost which is determined by using the moving average method, except for materials-in-transit for which costs are determined using individual specific identification method. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. The Company applies the lower of cost by group of inventories and loss on inventory valuation is charged to cost of sales and presented as a deduction from inventories.

(9) Property, plant, and equipment

Property, plant, and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the item, and subsequent costs are included in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

The Company depreciates its property, plant and equipment using the straight-line method over the estimated useful lives. Land is not depreciated, and the cost for the acquisition of a long-term construction asset including capitalized interest cost is depreciated over the estimated useful life of the relevant asset.

The estimated useful lives of the Company's assets as follows:

	<u>Estimated useful lives (years)</u>
Buildings	24~50
Structures	13~30
Machinery	10
Vehicles	6~10
Other	6~10

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

(10) Intangible assets

Capitalized development cost

Expenditures on development activities are capitalized only when the result of a development plan is aimed at a development of a new product or for enhancement of capacity, there is high technical and commercial feasibility and the resources attributable to the development can be reliably measured. Capitalized expenditures on development activities include costs of raw materials, direct labor and overhead that were reasonably allocated. Capitalized development-related expenditures are recognized net of accumulated amortization and impairment losses. Development cost is amortized over the estimated useful life using the straight-line method and the amortization expense is recognized in profit or loss. Expenditures related to development that do not satisfy the aforementioned criteria are recognized as an expense when occurred.

Membership

The Company does not amortize its membership as the useful life is estimated to be indefinite.

Other intangible assets

Patents, trademark rights and software for internal use are recognized at cost and amortized over the useful lives of 3 to 15 years using the straight-line method. When there is an indication of impairment, the Company assesses a carrying value of the asset, and in case the assessed value exceeds the recoverable amount, it reduces the carrying value of the asset to the recoverable amount.

(11) Impairment of non-financial assets

At the end of the reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the cash-generating units (CGU). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

(12) Non-current assets held-for-sale (disposable group)

The Company classifies non-current assets as “non-current assets held for sale” (or “disposable group”) if their carrying amounts will be recovered principally through sale transactions and it is highly probable that they will be sold. If a carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, the asset is measured at lower of its carrying value or fair value less costs to sell.

(13) Borrowings

Borrowings are initially recognized at fair value net of transaction costs and subsequently recognized at amortized cost. The difference between the amount of borrowings net of transaction costs and the repaid amount is amortized over the borrowing period using the straight-line method and the amortization expense is recognized in profit or loss. Moreover, if the Company has an unconditional right to defer repayment of borrowings for more than 12 months subsequent to the reporting period, it classifies the borrowings as non-current liabilities; otherwise, they are classified as current liabilities.

(14) Defined benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions and are recognized in other comprehensive income (loss) in the statements of comprehensive income in the period in which they occur. Actuarial gains and losses recognized in other comprehensive income (loss) are immediately recognized in retained earnings and not reclassified to profit or loss in a subsequent period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

(15) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The Company discloses contingent liabilities in the notes to the financial statements in any of the following cases;

- a) A possible obligation arises from past events but its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company
- b) A present obligation arises from past events but is not recognized because:
 - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii) the amount of the obligation cannot be measured with sufficient reliability.

(16) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The financial charge, except for the case that it is capitalized as part of the cost of that asset according to the Company's accounting for borrowing costs, is immediately expensed in the period in which it is incurred. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(17) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the Company's normal course of business, net of discounts, customer returns, rebates, related taxes and intercompany transactions.

The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and when the following criteria that are specific to each type of the Company's revenue are met. The Company estimates the amount of revenue based on the historical data including the type of its customers and transactions and individual transaction terms.

1) Sale of goods

The Company recognizes revenue from the sale of goods when the significant risks and rewards of ownership of the goods are transferred to the buyer. The revenue is recognized at an amount net of discounts and customer returns estimated based on historical experiences at a point of sale.

2) Interest income

Interest income is recognized using the effective interest rate method. In case impairment of receivables occurs, the Company reduces the book value of the receivables to the recoverable amount (present value of the estimated future cash flows discounted using the original effective interest rate) and recognizes the part increased due to the passage of time as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(18) Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the subsidies will be received.

Subsidies related to income are deferred and recognized in the statement of income in the period in which they may correspond to income or expenses that are related to the purpose of grant. Monetary government subsidies related to purchase of assets are presented as deferred income and the deferred income is recognized as income on a systematic basis over the useful life of the asset.

(19) Income tax expense and deferred income tax

The tax expense for the period comprises current and deferred tax.

1) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period

2) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

3) Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity respectively. Where current income tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(20) Derecognition of financial liabilities

In case terms of an existing financial liability (or part of an existing financial liability) substantially changes (due to a debtor's financial difficulty or other reasons), the Company derecognizes the original financial liability and recognizes a new financial liability. The difference between the carrying amount of (part of) the financial liability extinguished or transferred to a third party and the consideration given (non-cash assets or liabilities) is recognized in profit or loss. If the difference between the present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability exceeds 10%, the terms are regarded to have changed substantially. In that case, the amount of a net fee (fee paid less fee received) is included in the cash flows under the new terms, and an original effective interest rate is used to discount the cash flows. If an exchange of or a change in the terms of a debt instrument is not accounted for as an extinguishment of a financial liability, relevant

cost or fees occurred is adjusted in the carrying amount of the financial liability and are amortized over the remaining maturity of the adjusted liability.

(21) Earnings per share

Earnings per share is net income per share of common stock and is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding.

(22) Segment information

Segment information is presented in the same format as the reporting material presented to the Company's management. The Company's management is liable for the assessment of the resources to be allocated to the business segments and the performance results of the business segments.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The Company uses estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates, and the following estimates and assumptions have an inherent significant risk of potentially causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

(1) Provision for product warranties

The Company provides warranties for its products at recognition of sale and establishes a provision for product warranties at the end of each reporting period based on the best estimate of the expenses necessary to provide present and future warranty obligations.

(2) Retirement benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Other significant assumptions related to defined benefit obligation are partly based on the current market situation.

4. TRANSITION TO K-IFRS:

The Company has adopted K-IFRS from the annual reporting period starting after January 1, 2011, and as part of the first K-IFRS financial statements for the fiscal year 2011, the financial statements as of and for the nine months ended September 30, 2011 are prepared in accordance with IAS 34 "*Interim Financial Reporting*". The Company's past financial statements were prepared in accordance with generally accepted accounting standards in the Republic of Korea ("K-GAAP"), but the Company's separate financial statements for the fiscal year 2011 were prepared in accordance with K-IFRS. Therefore, the financial statements for the prior year that are comparatively presented are restated based on K-IFRS 1101 "*First-time adoption of International Financial Reporting Standard*", with a K-IFRS transition date set to January 1, 2010.

(1) Major differences in accounting policies

Major differences between the accounting policies that the Company has chosen to apply under K-IFRS and the policies under the previous accounting standards are as follows.

1) First-time adoption of K-IFRS

The Company has taken the following exemptions from full requirements of K-IFRS.

- a) Fair value as deemed cost: the Company revalued its land at fair value at the date of transition to K-IFRS and used it as a deemed cost, and the measurement of the fair value was performed by a third party independent valuation firm based on the recent market transactions.
- b) Cumulative translation differences: Cumulative translation differences for all foreign operations at the date of transition are deemed to be zero.
- c) The Company has applied carrying amounts in accordance with K-GAAP at the date of transition to K-IFRS as deemed costs for investments in subsidiaries, affiliates and joint ventures.

2) Debt adjustment

If there is a material change in the Company's debt terms irrespective of the Company's financial situation, the Company eliminates the existing debt and recognizes a new debt using the effective interest rate at the point of the change in terms.

3) Assets held for sale

The Company classifies its non-current assets as "non-current assets held for sale" (or "disposable group") if their carrying amounts will be recovered principally through sale transactions and it is highly probable that they will be sold. If a carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, the asset is measured at lower of its carrying value or fair value less costs to sell.

4) Employee benefits

Under the previous GAAP, the Company recognized accrued severance indemnities in the amount payable assuming all employees with more than one year of service were to resign at the end of a reporting period. Under K-IFRS, the Company recognizes defined benefit obligation based on actuarial methods of calculation.

(2) Changes in scope of consolidation

Changes in the Company's subsidiaries that are subject to consolidation as a result of K-IFRS adoption are as follows:

<u>Classification</u>	<u>Detail</u>	<u>Names of Subsidiaries</u>
Increase in consolidation scope	Corporations with the total asset of less than 10 billion won (0.4 billion rupee) at the end of the prior fiscal year were excluded from consolidation in accordance with the Act on External Audit of Stock Companies. Under K-IFRS, they are subject to consolidation.	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd., Ssangyong European Parts Center B.V

(3) Transition effects on the Company's financial position, result of operation and cash flows

1) Adjustments to the Company's financial position as of January 1, 2010 (date of transition) (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	₩ 1,388,474	₩ 1,087,853	₩ 300,621
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695
Fair value of liabilities for debt adjustment	-	(74,494)	74,494
Classification and measurement of non-current assets held for sale	(1,945)	-	(1,945)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(5,696)	5,696
Adjustment on valuation of provision for product warranties	-	(4,362)	4,362
Others	14,187	(8,237)	22,424
	<u>273,937</u>	<u>(92,789)</u>	<u>366,726</u>
K-IFRS	<u>₩ 1,662,411</u>	<u>₩ 995,064</u>	<u>₩ 667,347</u>

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	Rs. 55,539	Rs. 43,514	Rs. 12,025
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468
Fair value of liabilities for debt adjustment	-	(2,980)	2,980
Classification and measurement of non-current assets held for sale	(78)	-	(78)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(228)	228
Adjustment on valuation of provision for product warranties	-	(174)	174
Others	567	(330)	897
	<u>10,957</u>	<u>(3,712)</u>	<u>14,669</u>
K-IFRS	<u>Rs. 66,496</u>	<u>Rs. 39,802</u>	<u>Rs. 26,694</u>

2) Adjustments to financial position as of and interim result of operation for the period ended September 30, 2010 (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net income(loss)	Total comprehensive income(loss)
Accounting standards prior to K-IFRS	₩ 1,486,056	₩ 1,163,859	₩ 322,197	₩ 21,482	₩ 21,476
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value of liabilities for debt adjustment	-	(105,259)	105,259	(23,064)	(23,064)
Classification and measurement of non-current assets held for sale	39	-	39	1,984	1,984
Actuarial valuation of defined benefit obligation and accumulated	-	(21,991)	21,991	8,365	8,338

<u>Classification</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' Equity</u>	<u>Net income(loss)</u>	<u>Total comprehensive income(loss)</u>
compensated absences					
Adjustment on valuation of provision for product warranties	-	3,423	(3,423)	(7,784)	(7,784)
Others	(9,978)	46,238	(56,216)	(16,861)	(16,855)
	<u>251,756</u>	<u>(77,589)</u>	<u>329,345</u>	<u>(37,360)</u>	<u>(37,381)</u>
K-IFRS	<u>₩ 1,737,812</u>	<u>₩ 1,086,270</u>	<u>₩ 651,542</u>	<u>₩ (15,878)</u>	<u>₩ (15,905)</u>

(Unit: Indian-Rupee in millions)

<u>Classification</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' Equity</u>	<u>Net income(loss)</u>	<u>Total comprehensive Income(loss)</u>
Accounting standards prior to K-IFRS	Rs. 59,442	Rs. 46,554	Rs. 12,888	Rs. 859	Rs. 859
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value of liabilities for debt adjustment	-	(4,210)	4,210	(923)	(923)
Classification and measurement of non-current assets held for sale	2	-	2	79	79
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	880	(880)	335	334
Adjustment on valuation of provision for product warranties	-	137	(137)	(311)	(311)
Others	(400)	1,849	(2,249)	(674)	(674)
	<u>10,070</u>	<u>(3,104)</u>	<u>13,174</u>	<u>(1,494)</u>	<u>(1,495)</u>
K-IFRS	<u>Rs. 69,512</u>	<u>Rs. 43,450</u>	<u>Rs. 26,062</u>	<u>Rs. (635)</u>	<u>Rs. (636)</u>

3) Adjustments to financial position as of and result of operation for the year ended December 31, 2010 (Unit: Korean Won in millions)

<u>Classification</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' Equity</u>	<u>Net income(loss)</u>	<u>Total comprehensive Income(loss)</u>
Accounting standards prior to K-IFRS	₩ 1,475,260	₩ 1,166,374	₩ 308,886	₩ 8,115	₩ 8,148
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value of liabilities for debt adjustment	-	(63,089)	63,089	(11,405)	(11,405)
Classification and measurement of non-current assets held for sale	11	-	11	1,956	1,956
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	10,804	(10,804)	5,804	(16,541)
Adjustment on valuation of provision for product warranties	-	4,125	(4,125)	(8,486)	(8,486)
Others	(8,179)	(8,318)	139	(22,212)	(22,245)
	<u>253,527</u>	<u>(56,478)</u>	<u>310,005</u>	<u>(34,343)</u>	<u>(56,721)</u>
K-IFRS	<u>₩ 1,728,787</u>	<u>₩ 1,109,896</u>	<u>₩ 618,891</u>	<u>₩ (26,228)</u>	<u>₩ (48,573)</u>

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net income(loss)	Total comprehensive Income(loss)
	Rs.	Rs.	Rs.	Rs.	Rs.
Accounting standards prior to K-IFRS	59,010	46,655	12,355	325	326
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value of liabilities for debt adjustment	-	(2,524)	2,524	(456)	(456)
Classification and measurement of non-current assets held for sale	-	-	-	78	78
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	432	(432)	232	(662)
Adjustment on valuation of provision for product warranties	-	165	(165)	(339)	(339)
Others	(327)	(333)	6	(888)	(890)
	<u>10,141</u>	<u>(2,260)</u>	<u>12,401</u>	<u>(1,373)</u>	<u>(2,269)</u>
K-IFRS	<u>Rs. 69,151</u>	<u>Rs. 44,395</u>	<u>Rs. 24,756</u>	<u>Rs. (1,048)</u>	<u>Rs. (1,943)</u>

4) Adjustments to cash flows for the year ended December 31, 2010

Interest income, interest expense, dividend income and income tax expense that were not separately presented in accordance with K-GAAP have been presented as separate items in the statement of cash flows in accordance with K-IFRS, and the cash flows for the relevant income (expense) and assets (liabilities) have been adjusted accordingly. There are no material differences between the statements of cash flows under K-GAAP and K-IFRS other than the aforementioned differences.

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand and in banks and highly liquid short-term financial instruments that may be easily converted into cash and whose risk of value fluctuation is not material.

6. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	Financial institution	September 30, 2011	December 31, 2010	Notes
Cash and cash equivalents	National Federation of Fisheries Cooperatives	₩ -	₩ 260,000	Corporate card limit
	Korea Development Bank	-	52,306,433	M&A performance deposit
	Shinhan Bank and others	447,134	832,324	Government subsidies and others
	Woori Bank and others	16,403,561	-	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	<u>6,000</u>	<u>6,000</u>	Overdraft deposit
		<u>₩ 16,856,695</u>	<u>₩ 53,404,757</u>	

(Unit: Indian-Rupee in thousands):

	<u>Financial institution</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives	Rs. -	Rs. 10,400	Corporate card limit
	Korea Development Bank	-	2,092,257	M&A performance deposit
	Shinhan Bank and others	17,885	33,293	Government subsidies and others
	Woori Bank and others	656,142	-	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others			Overdraft deposit
		<u>240</u>	<u>240</u>	
		<u>Rs. 674,267</u>	<u>Rs. 2,136,190</u>	

7. LONG-TERM AVAILABLE-FOR-SALE FINANCIAL ASSETS:

The Company's long-term available-for-sale financial assets as of September 30, 2011 are as follows
(Unit: Korean Won in thousands):

<u>Classification</u>	<u>Ownership (%)</u>	<u>September 30, 2011</u>			<u>December 31, 2010</u>
		<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Book value</u>	<u>Book value</u>
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 672,338	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	<u>60,000</u>	<u>291,946</u>	<u>60,000</u>	<u>60,000</u>
		<u>₩ 560,000</u>	<u>₩ 964,284</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

<u>Classification</u>	<u>Ownership (%)</u>	<u>September 30, 2011</u>			<u>December 31, 2010</u>
		<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Book value</u>	<u>Book value</u>
Kihyup Technology Banking Corporation (*)	1.72	Rs. 20,000	Rs. 26,894	Rs. 20,000	Rs. 20,000
Korea Management Consultants Association (*)	1.50	<u>2,400</u>	<u>11,678</u>	<u>2,400</u>	<u>Rs. 2,400</u>
		<u>Rs. 22,400</u>	<u>Rs. 38,572</u>	<u>Rs. 22,400</u>	<u>Rs. 22,400</u>

(*) Because the market prices from an active market are not available and the fair values cannot be reliably measured, AFS financial assets are measured at their acquisition costs.

8. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from September 30, 2011 and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

(1) Details of current portion of trade and other receivables as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

<u>Financial liabilities</u>	<u>September 30, 2011</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 193,402,959	₩ 23,779,243	₩ 2,505,218	₩ 37,834,376
Receivables due from affiliated parties	15,050,144	331,435	-	-
Less: Allowance for doubtful accounts	<u>(2,285,443)</u>	<u>(2,037,565)</u>	<u>(1,884)</u>	<u>(10,696)</u>
	<u>₩ 206,167,660</u>	<u>₩ 22,073,114</u>	<u>₩ 2,503,334</u>	<u>₩ 37,823,680</u>

<u>Financial liabilities</u>	<u>December 31, 2010</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 155,347,828	₩ 19,000,379	₩ 2,231,590	₩ 37,997,387
Receivables due from affiliated parties	14,194,364	-	-	-
Less: Allowance for doubtful accounts	<u>(2,348,682)</u>	<u>(2,057,840)</u>	<u>(13,584)</u>	<u>(89,318)</u>
	<u>₩ 167,193,510</u>	<u>₩ 16,942,539</u>	<u>₩ 2,218,006</u>	<u>₩ 37,908,069</u>

(Unit: Indian-Rupee in thousands):

<u>Financial liabilities</u>	<u>September 30, 2011</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 7,736,118	Rs. 951,170	Rs. 100,209	Rs. 1,513,375
Receivables due from affiliated parties	602,006	13,257	-	-
Less: Allowance for doubtful accounts	<u>(91,418)</u>	<u>(81,502)</u>	<u>(74)</u>	<u>(428)</u>
	<u>Rs. 8,246,706</u>	<u>Rs. 882,925</u>	<u>Rs. 100,133</u>	<u>Rs. 1,512,947</u>

<u>Financial liabilities</u>	<u>December 31, 2010</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 6,213,913	Rs. 760,015	Rs. 89,263	Rs. 1,519,895
Receivables due from affiliated parties	567,775	-	-	-
Less: Allowance for doubtful accounts	<u>(93,947)</u>	<u>(82,314)</u>	<u>(543)</u>	<u>(3,573)</u>
	<u>Rs. 6,687,741</u>	<u>Rs. 677,701</u>	<u>Rs. 88,720</u>	<u>Rs. 1,516,322</u>

(2) Credit risk and allowance for doubtful accounts

The above trade and non-trade receivables and other receivables are classified as loans and receivables and measured at amortized cost.

If a credit risk occurs with respect to a dealership sale, which is a major type of the Company's sales, the respective dealership bears all of the risk; the Company manages credit risk on product sales using two management indexes, agreed liability rate and agreed excess rate, and when the management index exceeds the agreed rate, it imposes a release restriction on the respective dealership and transfers a credit risk arising from product sales.

The Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 90 days. Based on the past experience, receivables that are overdue for more than 1 year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than 1 year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

Some of the trade receivables that are overdue for more than 90 days are not included in the above trade receivables (refer to the aging analysis below); the Company did not reserve an allowance for the aforementioned receivables since their credit ratings did not change materially and they are expected to be collected. The Company has no collaterals pledged or credit enforcement provided for the aforementioned receivables and does not have a legal right to offset those receivables with the debt of the transacting parties.

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of September 30, 2011 and December 31, 2010 is as follows (Unit: Korean Won in thousands):

Classification	September 30, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,300	₩ 5,429,500	₩ -	₩ 5,431,800
Non-trade receivables	21,257	15,535	165,153	201,945
	<u>₩ 23,557</u>	<u>₩ 5,445,035</u>	<u>₩ 165,153</u>	<u>₩ 5,633,745</u>

Classification	December 31, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 6,900	₩ 8,156,817	₩ -	₩ 8,163,717
Non-trade receivables	573,948	155,400	181,069	910,417
	<u>₩ 580,848</u>	<u>₩ 8,312,217</u>	<u>₩ 181,069</u>	<u>₩ 9,074,134</u>

(Unit: Indian-Rupee in thousands):

Classification	September 30, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 92	Rs. 217,180	Rs. -	Rs. 217,272
Non-trade receivables	850	621	6,606	8,078
	<u>Rs. 942</u>	<u>Rs. 217,801</u>	<u>Rs. 6,606</u>	<u>Rs. 225,350</u>

Classification	December 31, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 276	Rs. 326,273	Rs. -	Rs. 326,549
Non-trade receivables	22,958	6,216	7,243	36,417
	<u>Rs. 23,234</u>	<u>Rs. 332,489</u>	<u>Rs. 7,243</u>	<u>Rs. 362,966</u>

(3) Changes in allowance for trade and other receivables for the nine months ended September 30, 2011 and the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

Classification	Nine months ended September 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,348,682	₩ 2,057,840	₩ 13,584	₩ 89,318
Bad debt expense	3,059	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	(66,298)	(20,275)	(11,700)	(78,622)
Ending balance	<u>₩ 2,285,443</u>	<u>₩ 2,037,565</u>	<u>₩ 1,884</u>	<u>₩ 10,696</u>

(*) Difference due to the reversal of allowance for advance payments in the statement of income

Classification	Year ended December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,112,369	₩ 3,528,838	₩ 23,462	₩ 169,997
Bad debt expense	1,445,619	438,617	-	-
Write-offs	-	(980,611)	-	-
Reversal of allowance	(1,209,306)	(929,004)	(9,878)	(80,679)
Ending balance	<u>₩ 2,348,682</u>	<u>₩ 2,057,840</u>	<u>₩ 13,584</u>	<u>₩ 89,318</u>

(Unit: Indian-Rupee in thousands):

Classification	Nine months ended September 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 93,947	Rs. 82,314	Rs. 543	Rs. 3,573
Bad debt expense	122	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	(2,652)	(811)	(468)	(3,145)
Ending balance	<u>Rs. 91,418</u>	<u>Rs. 81,503</u>	<u>Rs. 75</u>	<u>Rs. 428</u>

(*) Difference due to the reversal of allowance for advance payments in the statement of income

Classification	Year ended December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 84,495	Rs. 141,154	Rs. 938	Rs. 6,800
Bad debt expense	57,825	17,545	-	-
Write-offs	-	(39,224)	-	-
Reversal of allowance	(48,372)	(37,160)	(395)	(3,227)
Ending balance	<u>Rs. 93,948</u>	<u>Rs. 82,315</u>	<u>Rs. 543</u>	<u>Rs. 3,573</u>

The Company estimates allowances for doubtful accounts through individual analysis, and an allowance for the receivables that are not subject to separate individual analysis is estimated based on the historical collection rates. For troubled receivables (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.), the Company assesses collectability of each receivable through an individual analysis and reserves 100% allowance. For the receivables that are not subject to individual analysis, the allowance is estimated by applying the average loss rate for the past 3 years to the remaining balance of the receivables at the end of a reporting period; the 3-year average loss rate is calculated by dividing the amount of actual loss occurred in the past 3 years by the average balance of the receivables.

9. INVENTORIES:

The Company presents inventory costs using lower of cost or market method when the market price of the inventory falls below the acquisition cost. When the market price exceeds the carrying amount of inventory, the inventory may be recovered up to the amount of the original acquisition cost. For the nine months ended September 30, 2011, loss on valuation of inventories amounting to ₩ 98,665 thousand (Rs. 3,947 thousand) was recovered and added back to cost of goods sold.

Details of the inventories as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	September 30, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 43,993,776	₩ (1,732,215)	₩ 42,261,561	₩ 53,416,906	₩ (4,541,155)	₩ 48,875,751
Finished goods	61,860,863	(2,124,577)	59,736,286	21,257,058	(408,446)	20,848,612
Work-in- process	23,319,282	(713,325)	22,605,957	25,046,329	(487,031)	24,559,298
Raw materials	55,217,080	(5,981,143)	49,235,937	69,967,784	(5,213,293)	64,754,491
Sub-materials	8,111,109	-	8,111,109	4,574,168	-	4,574,168
Supplies	4,630,168	-	4,630,168	4,715,649	-	4,715,649
Goods in transit	51,264,493	-	51,264,493	47,196,171	-	47,196,171
Total	₩ 248,396,771	₩ (10,551,260)	₩ 237,845,511	₩ 226,174,065	₩ (10,649,925)	₩ 215,524,140

(Unit: Indian-Rupee in thousands):

	September 30, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 1,759,751	Rs. (69,289)	Rs. 1,690,462	Rs. 2,136,676	Rs. (181,646)	Rs. 1,955,030
Finished goods	2,474,435	(84,983)	2,389,451	850,282	(16,338)	833,944
Work-in- process	932,771	(28,533)	904,238	1,001,853	(19,481)	982,372
Raw materials	2,208,683	(239,246)	1,969,437	2,798,712	(208,532)	2,590,180
Sub-materials	324,444	-	324,444	182,967	-	182,967
Supplies	185,207	-	185,207	188,626	-	188,626
Goods in transit	2,050,580	-	2,050,580	1,887,847	-	1,887,847
Total	Rs. 9,935,871	Rs. (422,051)	Rs. 9,513,819	Rs. 9,046,963	Rs. (425,997)	Rs. 8,620,966

10. INVESTMENTS IN SUBSIDIARIES:

(1) Detail of investments in subsidiaries

Details of investment in securities accounted for using equity method as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands)

Name of subsidiary	Location	Ownership %	September 30, 2011	
			Acquisition cost	Book value (*1)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	₩ 1,618,803	₩ 2,854,568
Ssangyong Motor (Shanghai) Co., Ltd. (*2)	China	86.57	1,025,962	1,601,986
Ssangyong European Parts Center B.V.	Netherland	100.00	835,695	-
			₩ 3,480,460	₩ 4,456,554

(Unit: Indian-Rupee in thousands)

<u>Name of subsidiary</u>	<u>Location</u>	<u>Ownership %</u>	<u>September 30, 2011</u>	
			<u>Acquisition cost</u>	<u>Book value (*1)</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	Rs. 64,752	Rs. 114,183
Ssangyong Motor (Shanghai) Co., Ltd.(*2)	China	86.57	41,038	64,079
Ssangyong European Parts Center B.V.	Netherland	100.00	33,428	-
			<u>Rs. 139,218</u>	<u>Rs. 178,262</u>

(*1) Book value accounted for under K-GAAP was used as a deemed cost at the date of transition.

(*2) The Company and Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. participated in paid-in capital increase of Ssangyong Motor (Shanghai) Co., Ltd., as a result, the Company's shareholding ratio has been decreased from 100% to 86.57%.

Due to accumulated loss, the Company discontinued applying the equity method on Ssangyong European Parts Center B.V. whose book value was zero, and the unrecognized accumulated change in equity in the amount of ₩ 9,405,534 thousand (Rs. 376,221 thousand).

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the nine months ended September 30, 2011 is as follows (Unit: Korean Won in thousands):

<u>Companies</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Operating revenues</u>	<u>Net income(loss)</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 4,131,923	₩1,703,705	₩ 2,383,803	₩ 54,810
Ssangyong Motor (Shanghai) Co., Ltd	2,303,658	332,626	2,507,554	170,325
Ssangyong European Parts Center B.V.	9,908,579	15,740,511	13,021,685	(264,510)

(Unit: Indian-Rupee in thousands):

<u>Companies</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Operating revenues</u>	<u>Net income(loss)</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 165,277	Rs. 68,148	Rs. 95,352	Rs. 2,192
Ssangyong Motor (Shanghai) Co., Ltd	92,146	13,305	100,302	6,813
Ssangyong European Parts Center B.V.	396,343	629,620	520,867	(10,580)

(3) Summarized statement of financial position with the application of equity method (Unit: Korean Won in thousands)

<u>Account</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Current assets	₩ 674,711,328	₩ 566,517,346
Non-current assets	1,148,425,268	1,162,448,646
Total assets	<u>1,823,136,596</u>	<u>1,728,965,992</u>
Current liabilities	502,183,558	859,041,088
Non-current liabilities	343,189,465	204,869,285
Total liabilities	<u>845,373,023</u>	<u>1,063,910,373</u>
Total shareholders' equity	<u>977,763,573</u>	<u>665,055,619</u>
Total liabilities and shareholders' equity	<u>₩ 1,823,136,596</u>	<u>₩ 1,728,965,992</u>

(Unit: Indian-Rupee in thousands)

Account	September 30, 2011	December 31, 2010
Current assets	Rs. 26,988,453	Rs. 22,660,694
Non-current assets	45,937,011	46,497,946
Total assets	<u>72,925,464</u>	<u>69,158,640</u>
Current liabilities	20,087,342	34,361,644
Non-current liabilities	13,727,579	8,194,771
Total liabilities	<u>33,814,921</u>	<u>42,556,415</u>
Total shareholders' equity	<u>39,110,543</u>	<u>26,602,225</u>
Total liabilities and shareholders' equity	<u>Rs. 72,925,464</u>	<u>Rs. 69,158,640</u>

(4) Summarized statement of comprehensive loss with application of equity method (Unit: Korean Won in thousands)

Account	September 30, 2011	September 30, 2010
Operating income(loss)	₩ (106,868,106)	₩ 25,961,824
Financial income	53,427,639	12,816,202
Financial cost	(15,185,981)	(54,655,895)
Loss on valuation of investment using the equity method of accounting	<u>(230,176)</u>	<u>(262,641)</u>
Loss before income tax	(68,396,272)	(15,615,228)
Income taxes	-	-
Net loss	(68,396,272)	(15,615,228)
Other comprehensive loss	<u>(43,841)</u>	<u>(27,253)</u>
Total other comprehensive loss	<u>₩ (68,440,113)</u>	<u>₩ (15,642,481)</u>

(Unit: Indian-Rupee in thousands)

Account	September 30, 2011	September 30, 2010
Operating income	Rs. (4,274,724)	Rs. 1,038,473
Financial income	2,137,106	512,648
Financial cost	(607,439)	(2,186,236)
Loss on valuation of investment using the equity method of accounting	<u>(9,207)</u>	<u>(10,506)</u>
Loss before income tax	(2,735,851)	(624,609)
Income taxes	-	-
Net loss	(2,735,851)	(624,609)
Other comprehensive loss	<u>(1,754)</u>	<u>(1,090)</u>
Total other comprehensive loss	<u>Rs. (2,737,605)</u>	<u>Rs. (625,699)</u>

11. OTHER ASSETS:

The carrying values of the Company's other assets as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands) :

Account	September 30, 2011	December 31, 2010
Other current assets		
Advance payments	₩ 36,163,846	₩ 81,047,681
Less: Allowance for doubtful accounts	(326,608)	(727,690)
Prepaid expenses	4,423,439	3,022,480
Other current assets	<u>376,382</u>	<u>58,554</u>
	<u>40,637,059</u>	<u>83,401,025</u>
Other non-current assets		
Long-term prepaid expenses	285,490	519,072
Other non-current assets	<u>233,352</u>	<u>404,279</u>
	<u>518,842</u>	<u>923,351</u>

(Unit: Indian-Rupee in thousands):

<u>Account</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Other current assets		
Advance payments	Rs. 1,446,554	Rs. 3,241,907
Less: Allowance for doubtful accounts	(13,064)	(29,108)
Prepaid expenses	176,938	120,900
Other current assets	<u>15,055</u>	<u>2,342</u>
	<u>1,625,482</u>	<u>3,336,041</u>
Other non-current assets		
Long-term prepaid expenses	11,420	20,763
Other non-current assets	<u>9,334</u>	<u>16,171</u>
	<u>20,754</u>	<u>36,934</u>

12. ASSETS HELD FOR SALE:

The Assets held for sale as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands) :

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Land held for sale	₩ 468,532	₩ 468,532
Buildings held for sale	<u>203,429</u>	<u>203,429</u>
	<u>₩ 671,961</u>	<u>₩ 671,9</u>

(Unit: Indian-Rupee in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Land held for sale	Rs. 18,741	Rs. 18,741
Buildings held for sale	<u>8,137</u>	<u>8,137</u>
	<u>Rs. 26,878</u>	<u>Rs. 26,878</u>

Above amounts are measured by lower amounts of carrying amounts and fair value.

13. OFFICIALLY ANNOUNCED PRICE OF LAND:

Officially announced prices of the Company's land are as follows (Unit: Korean Won in thousands):

<u>Location</u>	<u>Account</u>	<u>Area (m²)</u>	<u>Carrying amount</u>	<u>Officially announced land price</u>
Pyungteak, Kyeonggi-do		1,123,895	₩ 383,946,347	₩ 348,212,047
Changwon,	Land			
Kyeongsangnam-do		119,468	85,275,553	46,394,427
Kangreung, Kangwon-do	Assets held for sale	<u>2,969</u>	<u>468,532</u>	<u>408,331</u>
		<u>1,246,332</u>	<u>₩ 469,690,432</u>	<u>₩ 395,014,805</u>

(Unit: Indian-Rupee in thousands):

<u>Location</u>	<u>Account</u>	<u>Area (m²)</u>	<u>Carrying amount</u>	<u>Officially announced land price</u>
Pyungteak, Kyeonggi-do		1,123,895	Rs. 15,357,854	Rs. 13,928,482
Changwon,	Land			
Kyeongsangnam-do		119,468	3,411,022	1,855,777
Kangreung, Kangwon-do	Assets held for sale	<u>2,969</u>	<u>18,741</u>	<u>16,333</u>
		<u>1,246,332</u>	<u>Rs. 18,787,617</u>	<u>Rs. 15,800,592</u>

14. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	<u>September 30, 2011</u>				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	₩ 469,221,900	₩ -	₩ -	₩ -	₩ 469,221,900
Buildings	520,157,083	1,839,649	165,208,748	158,362,289	194,746,397
Structures	105,739,195	220,206	57,865,835	29,927,289	17,725,865
Machinery	1,211,301,048	1,142,489	979,491,097	100,217,588	130,449,874
Vehicles	11,536,869	3	7,216,012	1,656,648	2,664,206
Tools and molds	732,512,510	90,717	385,807,609	164,422,696	182,191,488
Equipment	52,238,511	67,564	37,653,338	6,074,756	8,442,853
Construction in progress	30,314,683	-	-	-	30,314,683
Machinery in transit	57,099	-	-	-	57,099
	<u>₩ 3,133,078,898</u>	<u>₩ 3,360,628</u>	<u>₩ 1,633,242,639</u>	<u>₩ 460,661,266</u>	<u>₩ 1,035,814,365</u>

	<u>December 31, 2010</u>				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	₩ 472,348,135	₩ -	₩ -	₩ -	₩ 472,348,135
Buildings	519,340,266	1,876,262	159,139,342	158,362,289	199,962,373
Structures	10,544,400	235,189	57,048,578	29,935,519	18,225,114
Machinery	1,202,644,051	1,255,959	959,555,703	100,224,599	141,607,790
Vehicles	11,192,675	962	7,956,951	1,799,442	1,435,320
Tools and molds	690,788,668	111,214	352,710,189	164,424,847	173,542,418
Equipment	52,078,370	208,758	39,119,171	6,250,604	6,499,837
Construction in progress	16,413,955	-	-	-	16,413,955
	<u>₩ 3,070,250,520</u>	<u>₩ 3,688,344</u>	<u>₩ 1,575,529,934</u>	<u>₩ 460,997,300</u>	<u>₩ 1,030,034,942</u>

(Unit: Indian-Rupee in thousands):

	<u>September 30, 2011</u>				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	Rs. 18,768,876	Rs. -	Rs. -	Rs. -	Rs. 18,768,876
Buildings	20,806,283	73,586	6,608,350	6,334,492	7,789,856
Structures	4,229,568	8,808	2,314,633	1,197,092	709,035
Machinery	48,452,042	45,700	39,179,644	4,008,704	5,217,995
Vehicles	461,475	-	288,640	66,266	106,568
Tools and molds	29,300,500	3,629	15,432,304	6,576,908	7,287,660
Equipment	2,089,540	2,703	1,506,134	242,990	337,714
Construction in progress	1,212,587	-	-	-	1,212,587
Machinery in transit	2,284	-	-	-	2,284
	<u>Rs. 125,323,155</u>	<u>Rs. 134,426</u>	<u>Rs. 65,329,705</u>	<u>Rs. 18,426,452</u>	<u>Rs. 41,432,575</u>

	<u>December 31, 2010</u>				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	Rs. 18,893,925	Rs. -	Rs. -	Rs. -	Rs. 18,893,925
Buildings	20,773,611	75,050	6,365,574	6,334,492	7,998,495
Structures	4,217,776	9,408	2,281,943	1,197,421	729,005
Machinery	48,105,762	50,238	38,382,228	4,008,984	5,664,312
Vehicles	447,707	38	318,278	71,978	57,413
Tools and molds	27,631,547	4,449	14,108,408	6,576,994	6,941,697
Equipment	2,083,135	8,350	1,564,767	250,024	259,993
Construction in progress	656,558	-	-	-	656,558
	<u>Rs. 122,810,021</u>	<u>Rs. 147,533</u>	<u>Rs. 63,021,198</u>	<u>Rs. 18,439,893</u>	<u>Rs. 41,201,398</u>

(2) Changes in the carrying amounts of property, plant and equipment for the nine months ended September 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

Nine months ended September 30, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	₩ 472,348,135	₩ -	₩ 3,126,235	₩ -	₩ -	₩ 469,221,900
Buildings	199,962,373	1,230,381	609,864	514,111	6,350,604	194,746,397
Structures	18,225,114	1,013,339	426,036	14,336	1,100,888	17,725,865
Machinery	141,607,790	3,627,780	9,892	8,887,045	23,662,849	130,449,874
Vehicles	1,435,320	1,718,505	14,248	929	476,300	2,664,206
Tools and molds	173,542,418	21,376,977	230,000	21,484,478	33,982,385	182,191,488
Equipment	6,499,837	3,415,507	26,174	146,480	1,592,797	8,442,853
Construction in progress	16,413,955	41,559,591	-	(27,658,863)	-	30,314,683
Machinery in transit	-	3,173,797	-	(3,116,698)	-	57,099
	<u>₩ 1,030,034,942</u>	<u>₩ 77,115,877</u>	<u>₩ 4,442,449</u>	<u>₩ 271,818</u>	<u>₩ 67,165,823</u>	<u>₩ 1,035,814,365</u>

(*) Depreciation in the statement of cash flows excluded government subsidies amounting to ₩338,177 thousand (Rs. 13,527 thousand) and included depreciation of other investment assets amounting to ₩133,586 thousand (Rs. 5,343 thousand).

Year ended December 31, 2010						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	₩ 461,677,086	₩ -	₩ -	₩ 10,671,049	₩ -	₩ 472,348,135
Buildings	182,232,937	6,408,816	-	19,137,627	7,817,007	199,962,373
Structures	18,487,354	583,405	-	635,858	1,481,503	18,225,114
Machinery	102,282,897	11,798,145	738,030	55,551,230	27,286,452	141,607,790
Vehicles	1,422,949	429,381	45,838	136,974	508,146	1,435,320
Tools and molds	98,833,283	30,030,649	61,501	78,053,159	33,313,172	173,542,418
Equipment	5,336,181	2,824,323	33,404	117,185	1,744,448	6,499,837
Construction in progress	111,973,529	60,825,126	-	(156,384,700)	-	16,413,955
	<u>₩ 982,246,216</u>	<u>₩ 112,899,845</u>	<u>₩ 878,773</u>	<u>₩ 7,918,382</u>	<u>₩ 72,150,728</u>	<u>₩ 1,030,034,942</u>

(Unit: Indian-Rupee in thousands):

Nine months ended September 30, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 18,893,925	Rs. -	Rs. 125,049	Rs. -	Rs. -	Rs. 18,768,876
Buildings	7,998,495	49,215	24,395	20,565	254,024	7,789,856
Structures	729,005	40,534	17,041	573	44,036	709,035
Machinery	5,664,312	145,111	396	355,482	946,514	5,217,995
Vehicles	57,413	68,740	570	37	19,052	106,568
Tools and molds	6,941,697	855,079	9,200	859,379	1,359,295	7,287,660
Equipment	259,993	136,620	1,047	5,860	63,712	337,714
Construction in progress	656,558	1,662,384	-	(1,106,355)	-	1,212,587
Machinery in transit	-	126,952	-	(124,668)	-	2,284
	<u>Rs. 41,201,398</u>	<u>Rs. 3,084,635</u>	<u>Rs. 177,698</u>	<u>Rs. 10,873</u>	<u>Rs. 2,686,633</u>	<u>Rs. 41,432,575</u>

(*) Depreciation in the statement of cash flows excluded government subsidies amounting to ₩338,177 thousand (Rs. 13,527 thousand) and included depreciation of other investment assets amounting to ₩133,586 thousand (Rs. 5,343 thousand).

Year ended December 31, 2010

	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 18,467,083	Rs. -	Rs. -	Rs. 426,842	Rs. -	Rs. 18,893,925
Buildings	7,289,317	256,353	-	765,505	312,680	7,998,495
Structures	739,495	23,336	-	25,434	59,260	729,005
Machinery	4,091,316	471,926	29,521	2,222,049	1,091,458	5,664,312
Vehicles	56,919	17,175	1,834	5,479	20,326	57,413
Tools and molds	3,953,331	1,201,226	2,460	3,122,127	1,332,527	6,941,697
Equipment	213,447	112,973	1,336	4,687	69,778	259,993
Construction in progress	4,478,941	2,433,005	-	(6,255,388)	-	656,558
	<u>Rs. 39,289,849</u>	<u>Rs. 4,515,994</u>	<u>Rs. 35,151</u>	<u>Rs. 316,735</u>	<u>Rs. 2,886,029</u>	<u>Rs. 41,201,398</u>

(3) Insured assets

The Company's assets are insured as follows (Unit: Korean Won in thousands):

Type	Sum insured	Insured period	Insurer	Assets insured
Product liability insurance	USD 2,247,670,396	2011.01.01~2012.01.01	LIG Insurance Co., Ltd.	Products
Property insurance	₩ 2,349,846,090 (Rs. 93,993,844)	2010.12.21~2011.12.20	Meritz Fire and Marine Insurance	Property, plant and equipment and inventories

In addition to the above insurances, the Company has subscribed to liability and comprehensive insurance for its vehicles and workers' compensation, health insurance and unemployment insurance for its employees. It has also subscribed to liability insurance for reparation of gas accident, auto insurance, other accident and casualty insurances and cargo insurance.

(4) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of September 30, 2011 are as follows (Won in thousands):

Assets pledged as collaterals	Details	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do 150-3	195 billion Korean Won
Buildings	(factory site) and others	(7.8 billion rupee)
Machinery	Pyeongtaek plant production facilities	

15. INTANGIBLE ASSETS:

(1) Details of intangible assets as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	September 30, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 180,163,558	₩ -	₩ 115,910,677	₩ -	₩ 64,252,881
Patents	1,658,269	-	903,266	4,011	750,992
Other intangible assets	10,082,785	300,965	5,056,494	-	4,725,326
	<u>₩ 191,904,612</u>	<u>₩ 300,965</u>	<u>₩ 121,870,437</u>	<u>₩ 4,011</u>	<u>₩ 69,729,199</u>

December 31, 2010					
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Development cost	₩ 176,173,786	₩ -	₩ 92,130,327	₩ -	₩ 84,043,459
Patents	1,982,591	-	1,345,825	33,197	603,569
Other intangible assets	11,346,668	515,086	6,307,478	-	4,524,104
	<u>₩ 189,503,045</u>	<u>₩ 515,086</u>	<u>₩ 99,783,630</u>	<u>₩ 33,197</u>	<u>₩ 89,171,132</u>

(Unit: Indian-Rupee in thousands):

September 30, 2011					
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Development cost	Rs. 7,206,542	Rs. -	Rs. 4,636,427	Rs. -	Rs. 2,570,115
Patents	66,331	-	36,131	160	30,040
Other intangible assets	403,311	12,039	202,260	-	189,013
	<u>Rs. 7,676,184</u>	<u>Rs. 12,039</u>	<u>Rs. 4,874,817</u>	<u>Rs. 160</u>	<u>Rs. 2,789,168</u>

December 31, 2010					
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Accumulated Depreciation</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Development cost	Rs. 7,046,951	Rs. -	Rs. 3,685,213	Rs. -	Rs. 3,361,738
Patents	79,304	-	53,833	1,328	24,143
Other intangible assets	453,866	20,603	252,299	-	180,964
	<u>Rs. 7,580,121</u>	<u>Rs. 20,603</u>	<u>Rs. 3,991,345</u>	<u>Rs. 1,328</u>	<u>Rs. 3,566,845</u>

(2) Changes in intangible assets for the nine months ended September 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

Nine months ended September 30, 2011					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	₩ 84,043,459	₩ 4,154,772	₩ 23,945,350	₩ -	₩ 64,252,881
Patents	603,569	319,622	168,188	4,011	750,992
Other intangible assets	4,524,104	1,357,930	1,156,707	-	4,725,326
	<u>₩ 89,171,132</u>	<u>₩ 5,832,324</u>	<u>₩ 25,270,245</u>	<u>₩ 4,011</u>	<u>₩ 69,729,199</u>

Year ended December 31, 2010						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending Balance</u>
Development cost	₩ 99,657,678	₩ 23,805,472	₩ -	₩ 39,419,691	₩ -	₩ 84,043,459
Patents	737,651	175,423	-	276,286	33,219	603,569
Other intangible assets	2,422,890	1,653,539	2,466,797	2,019,122	-	4,524,104
	<u>₩ 102,818,219</u>	<u>₩ 25,634,434</u>	<u>₩ 2,466,797</u>	<u>₩ 41,715,099</u>	<u>₩ 33,219</u>	<u>₩ 89,171,132</u>

(Unit: Indian-Rupee in thousands):

Nine months ended September 30, 2011					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	Rs. 3,361,738	Rs. 166,191	Rs. 957,814	Rs. -	Rs. 2,570,115
Patents	24,143	12,785	6,728	160	30,040
Other intangible assets	180,964	54,317	46,268	-	189,013
	<u>Rs. 3,566,845</u>	<u>Rs. 233,293</u>	<u>Rs. 1,010,810</u>	<u>Rs. 160</u>	<u>Rs. 2,789,168</u>

Year ended December 31, 2010

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	Rs. 3,986,307	Rs. 952,219	Rs. -	Rs. 1,576,788	Rs. -	Rs. 3,361,738
Patents	29,506	7,017	-	11,051	1,329	24,143
Other intangible assets	96,916	66,142	98,671	80,765	-	180,964
	<u>Rs. 4,112,729</u>	<u>Rs. 1,025,378</u>	<u>Rs. 98,671</u>	<u>Rs. 1,668,604</u>	<u>Rs. 1,329</u>	<u>Rs. 3,566,845</u>

(3) Amortization of the Company's intangible assets for the nine months ended September 30, 2011 and 2010 is as follows.

<u>Account</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Cost of goods manufactured	₩ 23,939,239	₩ 20,606,297	Rs. 957,570	Rs. 824,252
Selling and administrative expenses	1,331,006	1,797,895	53,240	71,916
	<u>₩ 25,270,245</u>	<u>₩ 22,404,192</u>	<u>Rs. 1,010,810</u>	<u>Rs. 896,168</u>

16. BORROWINGS:

(1) The Company's Short-term borrowings as of September 30, 2011 and December 31, 2010 consist of the following (Unit: Korean Won in thousands):

<u>Creditor</u>	<u>Type</u>	<u>Interest rate (%)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
		EUR: 3.45		
		USD: 2.25		
Korea Development Bank	BANKER'S USANCE	JPY: 2.14	₩ 2,426,186	₩ -

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>kind</u>	<u>Interest rate (%)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
		EUR: 3.45		
		USD: 2.25		
Korea Development Bank	BANKER'S USANCE	JPY: 2.14	Rs. 97,047	Rs. -

(2) The Company's bonds and borrowings as of September 30, 2011 consist of the following (Unit: Korean Won in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	₩ 95,404,765	₩ -
Current portion of long-term debt	-	-	3.25~7.00	-	356,920,8
				- 33	

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	Rs. 3,816,191	Rs. -
Current portion of long-term debt	-	-	3.25~7.00	-	14,276,833

(3) The Company provided the following collaterals in relation to its borrowings:

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (7.8 billion rupee)

17. DEBT RESTRUCTURING:

The Company completed its debt restructuring, in accordance with the Court approval of the Company's reorganization plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩359,364,150 thousand (Rs. 14,374,566 thousand) and ₩61,970,945 thousand (Rs. 2,478,838 thousand) as of December 31, 2010 and 2009, respectively. In addition, the Company recognized a gain on exemption of debts amounting to ₩510,504 thousand (Rs. 20,420 thousand) and ₩367,077,983 thousand (Rs. 14,683,119 thousand) for the year ended December 31, 2010 and 2009, respectively.

The restructured debt either was or will be repaid during the nine months ended September 30, 2011 according to the revised corporate reorganization plan approved on January 28, 2011, and the Company recognized ₩49,047,989 thousand (Rs. 1,961,920 thousand) as a gain on exemption of debts for the nine months ended September 30, 2011.

18. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of September 30, 2011 and December 31, 2010 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Other current financial liabilities:				
Accrued expenses	₩ 17,409,055	₩ 71,648,056	Rs. 696,362	Rs. 2,865,922
Other long-term financial liabilities:				
Other long-term payables	2,340,767	2,247,782	93,631	89,911
Withholdings	8,270	-	331	-
	<u>₩ 2,349,037</u>	<u>₩ 2,247,782</u>	<u>Rs. 93,961</u>	<u>Rs. 89,911</u>
	<u>19,758,092</u>	<u>73,895,838</u>	<u>790,324</u>	<u>2,955,834</u>

19. PROVISION FOR PRODUCT WARRANTIES:

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Sep. 30, 2011	₩ 77,265,249	₩ 67,947,663	₩ 31,247,642	₩ 113,965,270	₩ 43,120,461	₩ 70,844,809
Dec. 31, 2010	63,906,539	75,402,818	62,044,108	77,265,249	34,090,864	43,174,385

(Unit: Indian-Rupee in thousands)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Sep. 30, 2011	Rs. 3,090,610	Rs. 2,717,907	Rs. 1,249,906	Rs. 4,558,611	Rs. 1,724,818	Rs. 2,833,792
Dec. 31, 2010	2,556,262	3,016,113	2,481,765	3,090,610	1,363,635	1,726,975

20. OTHER LIABILITIES:

Carrying amounts of the Company's other liabilities as of September 30, 2011 and December 31, 2010 are as follows:

Classification	Korean Won in thousands		Indian-Rupee in thousands	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Advances from customers	₩ 6,545,587	₩ 6,615,597	Rs. 261,823	Rs. 264,624
Deposits received	468,247	52,907,186	18,730	2,116,287
Withholdings	19,597,981	21,740,708	783,919	869,629
Income in advance	4,087,888	-	163,516	-
	<u>₩ 30,699,703</u>	<u>₩ 81,263,491</u>	<u>Rs. 1,227,988</u>	<u>Rs. 3,250,540</u>

21. RETIREMENT BENEFIT OBLIGATION:

(1) Details of defined benefit plan recognized on the statements of operations for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>
Current service cost	₩ 14,678,765	₩ 12,170,020
Interest cost	6,406,166	5,264,876
Expected return on plan assets	(120,728)	(120,728)
	<u>₩ 20,964,203</u>	<u>₩ 17,314,168</u>

(Unit: Indian-Rupee in thousands):

	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>
Current service cost	Rs. 587,151	Rs. 486,801
Interest cost	256,247	210,595
Expected return on plan assets	(4,829)	(4,829)
	<u>Rs. 838,568</u>	<u>Rs. 692,567</u>

(2) Expenses related to defined benefit plan for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>
Cost of goods manufactured	₩ 15,026,726	₩ 10,654,876
Selling and administrative expenses	5,937,477	6,659,292
	<u>₩ 20,964,203</u>	<u>₩ 17,314,168</u>

(Unit: Indian-Rupee in thousands):

	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2010</u>
Cost of goods manufactured	Rs. 601,069	Rs. 426,195
Selling and administrative expenses	237,499	266,372
	<u>Rs. 838,568</u>	<u>Rs. 692,567</u>

(3) Changes in the Company's defined benefit obligation for the nine months ended September 30, 2011 and for the year ended 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended <u>September 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	₩ 151,897,559	₩ 110,109,584
Current service cost	14,678,765	16,226,694
Interest cost	6,406,166	7,019,834
Actuarial gains	-	22,239,441
Wages paid	(5,811,466)	(3,607,753)
Other	<u>(131,904)</u>	<u>(90,241)</u>
Ending balance	<u>₩ 167,039,120</u>	<u>₩ 151,897,559</u>

(Unit: Indian-Rupee in thousands):

	Nine months ended <u>September 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	Rs. 6,075,902	Rs. 4,404,383
Current service cost	587,151	649,068
Interest cost	256,247	280,793
Actuarial gains	-	889,578
Wages paid	(232,459)	(144,310)
Other	<u>(5,276)</u>	<u>(3,610)</u>
Ending balance	<u>Rs. 6,681,565</u>	<u>Rs. 6,075,902</u>

(4) Changes in the fair value of plan assets for the nine months ended September 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended <u>September 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	₩ 3,219,524	₩ 3,174,969
Expected return on plan assets	120,728	160,971
Actuarial losses	(43,841)	(26,175)
Wages paid	<u>(131,904)</u>	<u>(90,241)</u>
Ending balance	<u>₩ 3,164,507</u>	<u>₩ 3,219,524</u>

(Unit: Indian-Rupee in thousands):

	Nine months ended <u>September 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	Rs. 128,781	Rs. 126,999
Expected return on plan assets	4,829	6,439
Actuarial losses	(1,754)	(1,047)
Wages paid	<u>(5,276)</u>	<u>(3,610)</u>
Ending balance	<u>Rs. 126,580</u>	<u>Rs. 128,781</u>

(5) Actuarial assumptions used as of September 31, 2011 and December 31, 2010 are as follows:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Discount rate (%)	5.70	5.70
Expected return on plan assets (%)	3.80	3.80
Expected rate of salary increase (%)	5.40	5.30

The expected rate of return on plan assets was derived from weighted average market values of each plan asset. A long-term historical rate of return, current market situation, and strategic asset allocation are equally considered for the calculation of the expected rate of return.

(6) The actual return on plan assets for the nine months ended September 30, 2011 and 2010 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Actual return on plan assets	₩ 76,887	₩ 93,475	Rs. 3,075	Rs. 3,739

(7) Company's plan assets as of September 30, 2011 and December 31, 2010 are composed of as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Others	₩ 3,164,507	₩ 3,219,524	Rs. 126,580	Rs. 128,781

22. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of September 30, 2011.

- (1) The Company carries product liability insurance for all products it sells domestically.
- (2) The Company transferred its trade receivables to a capital company. As a result, the Company recognized a loss on disposal of trade receivables amounting to ₩12,406,946 thousand (Rs. 496,278 thousand) and ₩9,777,363 thousand (Rs. 391,095 thousand) for the nine months ended September 30, 2011 and 2010, respectively.
- (3) Pending litigations

As of September 30, 2011, the Company has five pending litigations as a plaintiff with claims amounting to ₩15,240 million (Rs. 610 million) and twenty-nine pending litigations as a defendant with claims amounting to ₩13,677 million (Rs. 547 million). Details of significant pending litigations as of September 30, 2011 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean Won in thousands)	(Indian-Rupee in thousands)			
Prohibition of air pollution emission	₩ 10,000	Rs. 400	Kwon, joonghee Daewoo Bundang Service and 9 others	The Company	3rd trial pending
Compensation for damages	1,060,000	42,400		The Company	2nd trial pending
Compensation for damages	200,000	8,000	Daewoo Suwon Service and 9 others	The Company	2nd trial pending
Debt non-existence confirmation	959,090	38,364	Telstar Hommel	The Company	1st trial pending
Objection to confirmation trial	1,560,000	62,400	SK E&C Co., Ltd. Sung-Ho Lee and 247 others	The Company	1st trial pending
Wages	4,464,000	178,560	Suk-joo Noh and 155 others	The Company	1st trial pending
Void dismissal	3,120,016	124,801		The Company	1st trial pending
Compensation for damages				Labor Union, Kap Deuk Jung and others	
	5,000,000	200,000	The Company	Federation of Korean Metal Workers'	1st trial pending
Compensation for damages	10,000,000	400,000	The Company	Trade Union Central Labor Council	1st trial pending
Unfair dismissal remedies	240,000	9,600	The Company		2nd trial pending

(*) For the above pending litigations, the Company recognized other payables amounting to ₩1,628,956 thousand (Rs. 65,158 thousand) that are expected to be a probable loss and can be reasonably estimated as of September 30, 2011.

23. CAPITAL STOCK:

As of September 30, 2011, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

<u>Classification</u>	<u>Number of authorized shares</u>	<u>Par value</u>	<u>Capital stock</u>
September 30, 2011	121,961,841	₩ 5,000	₩ 609,809,205
December 31, 2010	36,537,601	₩ 5,000	₩ 182,688,005

(Unit: Rupee in thousands except par value):

<u>Classification</u>	<u>Number of authorized shares</u>	<u>Par value</u>	<u>Capital stock</u>
September 30, 2011	121,961,841	Rs. 200	Rs. 24,392,368
December 31, 2010	36,537,601	Rs. 200	Rs. 7,307,520

24. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Detail of the Company's other capital surplus and retained earnings as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

<u>Classification</u>		<u>September 30, 2011</u>	<u>December 31, 2010</u>
Retained Earnings	Unappropriated retained earnings	₩ 242,940,774	₩ (404,029,299)
Other Capital Surplus	Paid-in capital in excess of par value	4,213,878	4,170,771
	Gain on retirement of capital stock	120,351,580	805,577,535
	Consideration for conversion rights	-	29,474,043
	Debt converted to equity	931,508	1,009,430
		₩ 125,496,966	₩ 840,231,779

(Unit: Indian-Rupee in thousands):

<u>Classification</u>		<u>September 30, 2011</u>	<u>December 31, 2010</u>
Retained Earnings	Unappropriated retained earnings	Rs. 9,717,631	Rs. (16,161,172)
Other Capital Surplus	Paid-in capital in excess of par value	168,555	166,831
	Gain on retirement of capital stock	4,814,063	32,223,101
	Consideration for conversion rights	-	1,178,962
	Debt converted to equity	37,260	40,377
		Rs. 5,019,879	Rs. 33,609,271

25. INCOME TAX:

- (1) Composition of income tax expense for the nine months ended September 30, 2011 and 2010 are as follows
(Unit: Korean Won in thousands):

	<u>Nine months ended September 30, 2011</u>	<u>Nine months ended September 30, 2010</u>
Current income tax payable	₩ -	₩ -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>₩ -</u>	<u>₩ -</u>

(Unit: Indian-Rupee in thousands):

	<u>Nine months ended September 30, 2011</u>	<u>Nine months ended September 30, 2010</u>
Current income tax payable	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>Rs. -</u>	<u>Rs. -</u>

- (2) Changes in temporary differences and deferred income tax assets (Unit: Korean Won in thousands):

The changes in temporary differences and deferred income tax assets for the nine months ended September 30, 2011 are as follows (Unit: Korean Won in thousands):

<u>Description</u>	<u>Beginning balance</u>	<u>Decrease</u>	<u>Increase</u>	<u>Ending balance</u>
(Temporary differences)				
Allowance for doubtful accounts	₩ 2,231,955	₩ 2,231,955	₩ 1,712,022	₩ 1,712,022
Government subsidies	5,571,451	1,857,574	586,004	4,299,881
Provision for product warranties	73,140,516	73,140,516	116,566,839	116,566,839
Accrued severance indemnities	143,924,301	-	11,543,020	155,467,321
Loss on revaluation of property, plant and equipment	248,611,207	38,698,589	42,208	209,954,826
Development cost	69,737,763	5,978,935	13,671,837	77,430,665
Depreciation	11,495,655	1,950,246	24,490,212	34,035,621
Other payables	13,253,584	13,253,584	13,769,720	13,769,720
Accrued expenses	24,914,129	24,914,129	16,432,279	16,432,279
Investments in subsidiaries	2,684,828	-	-	2,684,828
Gain (loss) on foreign currency translation	(26,400,145)	(23,543,110)	-	(2,857,035)
Present value discount	(132,649,348)	(188,790,777)	-	56,141,429
Land	-	-	(261,695,316)	(261,695,316)
Other long-term employee benefit	-	-	10,769,084	10,769,084
Others	108,085	(43,300)	(937,107)	(785,722)
Deficit carried over	<u>1,139,661,753</u>	-	53,849,443	<u>1,193,511,196</u>
Total	1,576,285,734			1,627,437,638
Not recognized as deferred tax assets	<u>1,576,285,734</u>			<u>1,627,437,638</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	19,091,682	-	935,280	20,026,962
Not recognized as deferred tax assets	<u>19,091,682</u>			<u>20,026,962</u>

Description	Beginning balance	Decrease	Increase	Ending balance
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>W</u> -			<u>W</u> -

(Unit: Indian-Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. 89,278	Rs. 89,278	Rs. 68,481	Rs. 68,481
Government subsidies	222,858	74,303	23,440	171,995
Provision for product warranties	2,925,621	2,925,621	4,662,674	4,662,674
Accrued severance indemnities	5,756,972	-	461,721	6,218,693
Loss on revaluation of property, plant and equipment	9,944,448	1,547,944	1,688	8,398,193
Development cost	2,789,511	239,157	546,873	3,097,227
Depreciation	459,826	78,010	979,608	1,361,425
Other payables	530,143	530,143	550,789	550,789
Accrued expenses	996,565	996,565	657,291	657,291
Investments in subsidiaries	107,393	-	-	107,393
Gain (loss) on foreign currency translation	(1,056,006)	(941,724)	-	(114,281)
Present value discount	(5,305,974)	(7,551,631)		2,245,657
Land	-	-	(10,467,813)	(10,467,813)
Other long-term employee benefit	-	-	430,763	430,763
Others	4,323	(1,732)	(37,484)	(31,429)
Deficit carried over	<u>45,586,470</u>	-	2,153,978	<u>47,740,448</u>
	63,051,429			65,097,506
Not recognized as deferred tax assets	<u>63,051,429</u>			<u>65,097,506</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	763,667	-	37,411	801,078
Not recognized as deferred tax assets	<u>763,667</u>			<u>801,078</u>
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>Rs.</u> -			<u>Rs.</u> -

The Company did not recognize deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward since it could not estimate the income tax effect resulting from future taxable income.

26. OPERATING LOSS

Items that were classified as non-operating income (expenses) under the previous GAAP but are classified as other operating income (expenses) under K-IFRS and the amounts of those items for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Fee income	₩ 1,279,612	₩ 1,284,472	₩ -	₩ 3,651,492
Gain(loss) on disposal of property, plant and equipment	(409,425)	2,742,285	85,539,652	91,031,826
Loss on disposal of trade receivables	(3,976,607)	(12,406,946)	(3,804,908)	(9,777,363)
Gain (loss) on foreign currency transactions	2,580,456	787,951	(1,729,455)	(8,106)
Donations	(6,000)	(79,500)	-	(70,325)

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Fee income	Rs. 51,184	Rs. 51,379	Rs. -	Rs. 146,060
Gain(loss) on disposal of property, plant and equipment	(16,377)	109,691	3,421,586	3,641,273
Loss on disposal of trade receivables	(159,064)	(496,278)	(152,196)	(391,095)
Gain (loss) on foreign currency transactions	103,218	31,518	(69,178)	(324)
Donations	(240)	(3,180)	-	(2,813)

(*) Among foreign exchange gains (losses), gains or losses arising from borrowings in foreign currency are recognized in non-operating income under K-IFRS.

27. EXPENSES BY CATEGORY:

Details of expenses classified by category for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended September 30, 2011				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	₩ (38,887,674)	₩ -	₩ -	₩ -	₩ (38,887,674)
Work-in-process	1,953,341	-	-	-	1,953,341
Merchandise goods	6,614,190	-	-	-	6,614,190
Raw materials used	-	1,376,894,025	-	-	1,376,894,025
Purchase of merchandise goods	-	155,725,447	-	-	155,725,447
Employee benefits	-	127,470,813	-	30,642,251	158,113,064
Depreciation	-	61,493,004	-	2,374,505	63,867,509
Amortization	-	23,939,239	-	1,331,006	25,270,245
Service fees	-	1,279,922	-	8,151,714	9,431,636
Ordinary development cost	-	71,117,476	-	12,753,143	83,870,619
Warranty expenses	-	-	77,212,812	-	77,212,812
Sales commission	-	-	69,747,453	-	69,747,453
Export expenses	-	-	65,515,103	-	65,515,103
Other	-	66,633,995	40,856,901	38,323,677	145,814,573
	<u>₩ (30,320,143)</u>	<u>₩ 1,884,553,921</u>	<u>₩ 253,332,269</u>	<u>₩ 93,576,296</u>	<u>₩ 2,201,142,343</u>

Nine months ended September 30, 2010					
Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total	
Changes in inventories					
Manufactured goods	₹ (3,765,762)	₹ -	₹ -	₹ -	₹ (3,765,762)
Work-in-process	1,172,898	-	-	-	1,172,898
Merchandise goods	9,727,760	-	-	-	9,727,760
Raw materials used	-	869,340,166	-	-	869,340,166
Purchase of merchandise goods	-	152,044,722	-	-	152,044,722
Employee benefits	-	94,848,029	-	22,301,887	117,149,916
Depreciation	-	43,385,042	-	2,035,292	45,420,334
Amortization	-	20,606,296	-	1,797,895	22,404,191
Service fees	-	495,896	-	3,808,903	4,304,799
Ordinary development cost	-	36,743,526	-	12,628,887	49,372,413
Warranty expenses	-	-	54,758,131	-	54,758,131
Sales commission	-	-	55,288,106	-	55,288,106
Export expenses	-	-	44,510,836	-	44,510,836
Other	-	47,679,851	28,554,995	33,521,712	109,756,558
	<u>₹ 7,134,896</u>	<u>₹ 1,265,143,528</u>	<u>₹ 183,112,068</u>	<u>₹ 76,094,576</u>	<u>₹ 1,531,485,068</u>

(Unit: Indian-Rupee in thousands):

Nine months ended September 30, 2011					
Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total	
Changes in inventories					
Manufactured goods	Rs. (1,555,507)	Rs. -	Rs. -	Rs. -	Rs. (1,555,507)
Work-in-process	78,134	-	-	-	78,134
Merchandise goods	264,568	-	-	-	264,568
Raw materials used	-	55,075,761	-	-	55,075,761
Purchase of merchandise goods	-	6,229,018	-	-	6,229,018
Employee benefits	-	5,098,833	-	1,225,690	6,324,523
Depreciation	-	2,459,720	-	94,980	2,554,700
Amortization	-	957,570	-	53,240	1,010,810
Service fees	-	51,197	-	326,069	377,265
Ordinary development cost	-	2,844,699	-	510,126	3,354,825
Warranty expenses	-	-	3,088,512	-	3,088,512
Sales commission	-	-	2,789,898	-	2,789,898
Export expenses	-	-	2,620,604	-	2,620,604
Other	-	2,665,360	1,634,276	1,532,947	5,832,583
	<u>Rs. (1,212,806)</u>	<u>Rs. 75,382,157</u>	<u>Rs. 10,133,291</u>	<u>Rs. 3,743,052</u>	<u>Rs. 88,045,694</u>

Nine months ended September 30, 2010					
Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total	
Changes in inventories					
Manufactured goods	Rs. (150,630)	Rs. -	Rs. -	Rs. -	Rs. (150,630)
Work-in-process	46,916	-	-	-	46,916
Merchandise goods	389,110	-	-	-	389,110
Raw materials used	-	34,773,607	-	-	34,773,607
Purchase of merchandise goods	-	6,081,789	-	-	6,081,789
Employee benefits	-	3,793,921	-	892,075	4,685,997
Depreciation	-	1,735,402	-	81,412	1,816,813

Nine months ended September 30, 2010					
	<u>Changes in inventories</u>	<u>Cost of goods manufactured (sold)</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Amortization	-	824,252	-	71,916	896,168
Service fees	-	19,836	-	152,356	172,192
Ordinary development cost	-	1,469,741	-	505,155	1,974,897
Warranty expenses	-	-	2,190,325	-	2,190,325
Sales commission	-	-	2,211,524	-	2,211,524
Export expenses	-	-	1,780,433	-	1,780,433
Other	-	1,907,194	1,142,200	1,340,868	4,390,262
	<u>Rs. 285,396</u>	<u>Rs. 50,605,741</u>	<u>Rs. 7,324,483</u>	<u>Rs. 3,043,783</u>	<u>Rs. 61,259,403</u>

28. Derivatives

Derivatives as of September 30, 2011 are as follows (Unit: Korean Won in thousands):

<u>Purposes</u>	<u>Contract balance</u>	<u>Loss on valuation of derivative liabilities for trading</u>
Trading	USD 78,000,000	₩ 3,380,274 (Rs. 135,211)

Foreign currency forward contracts which are classified as financial liabilities at fair value through profit or loss is ₩3,380,274 thousand (Rs. 135,211 thousand).

29. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
Warranty expenses	₩ 31,223,921	₩ 77,212,812	₩ 23,557,572	₩ 54,758,131
Sales commissions	24,156,962	69,747,453	17,955,573	55,288,106
Sales promotional expenses	4,568,273	15,330,930	2,695,724	9,821,869
Packaging expenses	886,310	2,583,668	723,962	2,368,735
Advertising expenses	5,695,446	18,443,728	4,138,267	13,266,499
Freight expenses	1,470,146	4,498,575	1,036,710	3,097,892
Export expenses	22,429,304	65,515,103	17,411,073	44,510,836
	<u>₩ 90,430,362</u>	<u>₩ 253,332,269</u>	<u>₩ 67,518,881</u>	<u>₩183,112,068</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
Warranty expense	Rs. 1,248,957	Rs. 3,088,512	Rs. 942,303	Rs. 2,190,325
Sales commissions	966,278	2,789,898	718,223	2,211,524
Sales promotional expenses	182,731	613,237	107,829	392,875
Packaging expenses	35,452	103,347	28,958	94,749
Advertising expenses	227,818	737,749	165,531	530,660
Freight expenses	58,806	179,943	41,468	123,916
Export expenses	897,172	2,620,604	696,443	1,780,433
	<u>Rs. 3,617,214</u>	<u>Rs. 10,133,291</u>	<u>Rs. 2,700,755</u>	<u>Rs. 7,324,483</u>

(2) Administrative expenses for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 8,839,215	₩ 27,696,045	₩ 6,898,290	₩ 20,455,727
Post-employment benefits	985,270	2,946,205	591,298	1,846,160
Employee benefits	2,605,147	6,034,480	1,628,235	4,071,629
Travel expenses	213,840	748,255	190,815	576,015
Communication expenses	252,229	704,021	183,118	565,697
Electricity expenses	98,907	328,969	122,117	1,081,561
Utility expenses	29,679	171,848	37,960	189,681
Taxes and dues	975,052	2,042,411	1,493,728	2,679,724
Rent expense	3,148,709	9,771,957	2,195,480	6,321,444
Repair expenses	359,147	709,380	457,006	792,888
Insurance	42,168	117,982	41,062	130,406
Entertainment expenses	79,026	158,615	30,291	118,948
Vehicles	241,959	719,211	204,580	600,325
Overseas marketing expenses	69,625	198,345	86,512	233,020
Training	342,487	670,489	274,631	551,457
Printing	94,401	312,782	91,758	234,079
Supplies	77,251	254,601	109,057	295,286
Service fees	1,997,536	8,151,714	1,306,290	3,808,903
Outsourcing expense	3,649,536	10,977,946	3,505,406	10,914,378
Computing expense	1,323,254	3,723,387	1,097,533	3,637,333
Depreciation	866,304	2,374,505	803,581	2,035,292
Bad debt expense	-	3,059	-	-
R&D expenses	4,318,399	12,753,143	1,761,055	12,628,887
Amortization	405,255	1,331,006	597,984	1,797,895
Other administrative expenses	273,205	675,940	201,988	527,840
	<u>₩ 31,287,601</u>	<u>₩ 93,576,296</u>	<u>₩ 23,909,776</u>	<u>₩ 76,094,576</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Salaries	Rs. 353,569	Rs. 1,107,842	Rs. 275,932	Rs. 818,229
Post-employment benefits	39,411	117,848	23,652	73,846
Employee benefits	104,206	241,379	65,129	162,865
Travel expenses	8,554	29,930	7,633	23,041
Communication expenses	10,089	28,161	7,325	22,628
Electricity expenses	3,956	13,159	4,885	43,262
Utility expenses	1,187	6,874	1,518	7,587
Taxes and dues	39,002	81,696	59,749	107,189
Rent expense	125,948	390,878	87,819	252,858
Repair expenses	14,366	28,375	18,280	31,716
Insurance	1,687	4,719	1,642	5,216
Entertainment expenses	3,161	6,345	1,212	4,758
Vehicles	9,678	28,768	8,183	24,013
Overseas marketing expenses	2,785	7,934	3,460	9,321
Training	13,699	26,820	10,985	22,058
Printing	3,776	12,511	3,670	9,363
Supplies	3,090	10,184	4,362	11,811
Service fees	79,901	326,069	52,252	152,356
Outsourcing expense	145,981	439,118	140,216	436,575
Computing expense	52,930	148,935	43,901	145,493
Depreciation	34,652	94,980	32,143	81,412

	2011		2010	
	Three months	Nine months	Three months	Nine months
Bad debt expense	-	122	-	-
R&D expenses	172,736	510,126	70,442	505,155
Amortization	16,210	53,240	23,919	71,916
Other administrative expenses	10,928	27,038	8,080	21,114
	<u>Rs. 1,251,502</u>	<u>Rs. 3,743,051</u>	<u>Rs. 956,389</u>	<u>Rs. 3,043,782</u>

30. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Fee income	₩ 1,279,612	₩ 1,284,472	₩ -	₩ 3,651,492
Gain on foreign currency transactions	7,840,554	11,852,192	2,874,424	9,812,371
Gain on foreign currency translation	1,205,798	2,223,417	-	1,920,433
Installment gain	-	-	-	23,573
Reversal of allowance for doubtful accounts	69,384	574,918	1,556,496	1,939,127
Gain on disposal of property, plant and equipment	80,979	3,336,469	88,671,154	94,265,606
Reversal of Impairment loss on property, plant and equipment	-	-	-	135,419
Gain on disposal of investment assets	2,660	2,660	23,568,160	24,738,171
Product warranty reserve	5,376,531	7,875,685	1,024,307	3,431,311
Others, net	3,531,249	11,040,124	19,058,544	28,632,981
	<u>₩ 19,386,767</u>	<u>₩ 38,189,937</u>	<u>₩ 136,753,085</u>	<u>₩ 168,550,484</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Fee income	Rs. 51,184	Rs. 51,379	Rs. -	Rs. 146,060
Gain on foreign currency transactions	313,622	474,088	114,977	392,495
Gain on foreign currency translation	48,232	88,937	-	76,817
Installment gain	-	-	-	943
Reversal of allowance for doubtful accounts	2,775	22,997	62,260	77,565
Gain on disposal of property, plant and equipment	3,239	133,459	3,546,846	3,770,624
Reversal of Impairment loss on property, plant and equipment	-	-	-	5,417
Gain on disposal of investment assets	106	106	942,726	989,527
Product warranty reserve	215,062	315,027	40,972	137,252
Others, net	141,251	441,604	762,342	1,145,319
	<u>Rs. 775,471</u>	<u>Rs. 1,527,597</u>	<u>Rs. 5,470,123</u>	<u>Rs. 6,742,019</u>

(2) Details of the Company's other operating expense for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Loss on foreign currency transactions	₩ 5,539,463	₩ 11,826,964	₩ 3,078,505	₩ 9,980,132
Loss on foreign currency translation	926,433	1,460,694	1,525,373	1,760,779
Non-operating assets and depreciation	3,674	11,190	6,099	19,176
Loss on disposal of property, plant and equipment	490,404	594,184	3,131,501	3,233,780

	2011		2010	
	Three months	Nine months	Three months	Nine months
Loss on disposal of investment assets	9	9	3,096	127,949
Loss on disposal of trade receivables	3,976,607	12,406,946	3,804,907	9,777,362
Impairment loss on property, plant and equipment	42,208	42,208	732,080	5,747,954
Impairment loss on intangible assets	785	4,011	-	-
Other bad debt expense	-	-	1,531,488	4,926,293
Others	4,868,434	12,857,464	17,864,995	45,416,785
	<u>₩ 15,848,017</u>	<u>₩ 39,203,670</u>	<u>₩ 31,678,044</u>	<u>₩ 80,990,210</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Loss on foreign currency transactions	Rs. 221,579	Rs. 473,079	Rs. 123,140	Rs. 399,205
Loss on foreign currency translation	37,057	58,428	61,015	70,431
Non-operating assets and depreciation	147	448	244	767
Loss on disposal of property, plant and equipment	19,616	23,767	1,252,260	129,351
Loss on disposal of investment assets	-	-	124	5,118
Loss on disposal of trade receivables	159,064	496,278	152,196	391,094
Impairment loss on property, plant and equipment	1,688	1,688	29,283	229,918
Impairment loss on intangible assets	31	160	-	-
Other bad debt expense	-	-	61,260	197,052
Others	194,739	514,299	714,600	1,816,672
	<u>Rs. 633,921</u>	<u>Rs. 1,568,147</u>	<u>Rs. 1,267,122</u>	<u>Rs. 3,239,608</u>

31. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Interest income	₩ 1,565,126	₩ 3,031,136	₩ 171,978	₩ 393,597
Dividend income	-	11,000	-	11,000
Gain on foreign currency translation	1,534	958,015	-	11,961,104
Gain on disposal of derivatives	379,500	379,500	-	-
Gain on debt exemption	-	49,047,989	8,904	450,501
	<u>₩ 1,946,160</u>	<u>₩ 53,427,640</u>	<u>₩ 180,882</u>	<u>₩ 12,816,202</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Interest income	Rs. 62,605	Rs. 121,245	Rs. 6,879	Rs. 15,744
Dividend income	-	440	-	440
Gain on foreign currency translation	61	38,321	-	478,444
Gain on disposal of derivatives	15,180	15,180	-	-
Gain on debt exemption	-	1,961,920	356	18,020
	<u>Rs. 77,846</u>	<u>Rs. 2,137,106</u>	<u>Rs. 7,235</u>	<u>Rs. 512,648</u>

(2) Details of the Company's financial cost for the nine months ended September 30, 2011 and 2010 are as follows
(Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Interest expense	₩ 1,783,826	₩ 8,247,764	₩ 17,418,159	₩ 45,432,589
Loss on foreign currency translation	130,996	2,123,443	6,808,777	9,223,306
Loss on disposal of derivatives	1,434,500	1,434,500	-	-
Loss on valuation of derivatives	3,380,274	3,380,274	-	-
	<u>₩ 6,729,596</u>	<u>₩ 15,185,981</u>	<u>₩ 24,226,936</u>	<u>₩ 54,655,895</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Interest expense	Rs. 71,353	Rs. 329,911	Rs. 696,726	Rs. 1,817,304
Loss on foreign currency translation	5,240	84,938	272,351	368,932
Loss on disposal of derivatives	57,380	57,380	-	-
Loss on valuation of derivatives	135,211	135,210	-	-
	<u>Rs. 269,184</u>	<u>Rs. 607,439</u>	<u>Rs. 969,077</u>	<u>Rs. 2,186,236</u>

(3) Details of the Company's financial net profit for the nine months ended September 30, 2011 and 2010 are as follows

(Unit: Korean Won in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Loan and receivables	₩ 79,733	₩ 246,564	₩ 92,851	₩ 290,795
Available-for-sale financial assets	-	11,000	-	11,000
Derivatives	(4,435,274)	(4,435,274)	-	-
Other financial liabilities	(427,895)	42,419,369	(24,138,905)	(42,141,488)
	<u>₩ (4,783,436)</u>	<u>₩ 38,241,659</u>	<u>₩(24,046,054)</u>	<u>₩ (41,839,693)</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Nine months	Three months	Nine months
Loan & receivables	Rs. 3,189	Rs. 9,863	Rs. 3,714	Rs. 11,632
Available-for-sale financial assets	-	440	-	440
Derivatives	(177,411)	(177,411)	-	-
Other financial liabilities	(17,115)	1,696,774	(965,556)	(1,685,660)
	<u>Rs. (191,337)</u>	<u>Rs. 1,529,666</u>	<u>Rs. (961,842)</u>	<u>Rs. (1,673,588)</u>

32. INCOME(LOSS) PER SHARE:

Basic income(loss) per share for the periods ended September 30, 2011 and 2010 is calculated as follows (Unit: Won in thousands, except for earnings per share):

	2011		2010	
	Three months	Nine months	Three months (*1)	Nine months (*1)
Net income(loss)	₩ (35,415,671)	₩ (67,686,083)	₩ 50,054,530	₩ (15,877,869)
Preferred stock dividends	-	-	-	-
Income(loss) contributed to common stocks	(35,415,671)	(67,686,083)	50,054,530	(15,877,869)
Number of common stocks outstanding	<u>121,539,603</u>	<u>109,336,882</u>	<u>36,120,556</u>	<u>36,120,556</u>
Basic and diluted income(loss) per share (*2)	<u>₩ (291)</u>	<u>₩ (619)</u>	<u>₩ 1,386</u>	<u>₩ (440)</u>

(Unit: Rupee in thousands, except for earnings per share):

	2011		2010	
	Three months	Nine months	Three months (*1)	Nine months (*1)
Net income(loss)	Rs. (1,416,627)	Rs. (2,707,443)	Rs. 2,002,181	Rs. (635,115)
Preferred stock dividends	-	-	-	-
Income(loss) contributed to common stocks	(1,416,627)	(2,707,443)	2,002,181	(635,115)
Number of common stocks outstanding	121,539,603	109,336,882	36,120,556	36,120,556
Basic and diluted income(loss) per share (*2)	Rs. (12)	Rs. (25)	Rs. 55	Rs. (18)

(*1) During the nine months ended September 30, 2010, the Company performed a 2nd equal reduction of capital in accordance with the reorganization plan, and as a result, the number of shares decreased from 108,410,431 shares to 36,120,556 shares. The Company calculated its weighted-average number of common stocks outstanding as 36,120,556 shares under the assumption that the change in the number of shares occurred at the beginning of the period.

(*2) Basic and diluted losses per share for the periods ended September 30, 2011 and 2010 are identical since there are no dilutive potential common shares.

33. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended	
	September 30, 2011	September 30, 2010
1. Cash flows from operating activities		
1) Net loss	₩ (67,686,083)	₩ (15,877,869)
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	3,584,137	10,091,138
Loss on disposal of trade receivables	12,406,946	9,777,363
Loss on disposal of derivatives	1,434,500	-
Loss on valuation of derivatives	3,380,274	-
Rent expense	233,582	25,954
Bad debt expense	3,059	4,926,293
Depreciation	66,961,232	50,298,950
Loss on disposal of investment assets	9	127,949
Loss on disposal of property, plant and equipment	594,814	3,233,780
Impairment loss on property, plant and equipment	42,208	5,747,954
Amortization	25,270,245	22,404,192
Impairment loss on intangible assets	4,011	-
Interest expense	8,247,764	45,432,589
Post-employment benefits	20,964,203	17,314,168
Depreciation expenses on assets not in use	11,190	-
Warranty expenses	-	54,976,682
Miscellaneous losses	-	2,795,469
	<u>143,138,174</u>	<u>227,152,481</u>
(2) Deduction of revenue		
Gain on foreign currency translation	3,181,433	13,880,956
Reversal of allowance for doubtful accounts	574,918	1,939,127
Reversal of loss on valuation of inventories	98,665	-

	Nine months ended	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Interest income	3,031,136	498,072
Gain on disposal of derivatives	379,500	-
Gain on disposal of investment assets	2,660	24,738,171
Gain on disposal of property, plant and equipment	3,336,468	94,265,606
Recovery of property, plant impairment loss account	-	135,419
Gain on debt exemption	49,047,989	450,501
Miscellaneous gains	-	23,886
	<u>(59,652,769)</u>	<u>(135,931,738)</u>
3) Changes in working capital		
Increase in trade receivables, net	(49,657,939)	(52,693,481)
Decrease (Increase) in other receivables, net	(4,980,920)	4,977,970
Increase in deposits	276,939	-
Decrease (Increase) in advanced payments	44,883,835	(39,836,533)
Decrease in prepaid expenses	(1,400,960)	(983,731)
Increase in income tax refundable	(302,827)	-
Decrease (Increase) in inventories	(22,222,705)	29,570,597
Increase in long security	(1,171,416)	-
Increase in non-current assets	-	(47,831)
Increase in trade payables	136,847,519	56,912,295
Increase in other payables	18,945,099	16,739,454
Increase (Decrease) in accrued charges	(1,843,183)	1,881,973
Increase in deposits received	(107,260)	-
Decrease in current other long term benefit	(1,384,398)	-
Increase (Decrease) in advances from customers	(70,010)	1,010,858
Decrease in withholdings	(2,134,457)	(5,959,406)
Increase in unearned revenue	3,952,734	-
Increase in other current liabilities	-	29,634,390
Increase (Decrease) in government subsidies	145,614	-
Decrease in short-term provision of product warranties	(31,247,642)	-
Increase (Decrease) in long-term other payables	3,427,509	(16,575,216)
Increase in other long term benefit	1,970,535	948,509
Payment of severance indemnities	(6,252,040)	(2,663,076)
Decrease in transfer from retirement pension	68,040	17,433
Decrease (Increase) in severance insurance deposits	131,904	(20,938)
Decrease in retirement pension deposits	240,630	-
Increase (Decrease) in long-term provision of product warranties	<u>67,947,663</u>	<u>(47,520,440)</u>
	<u>156,062,264</u>	<u>(24,607,173)</u>
2. Interest received	2,655,134	438,681
3. Interest paid	(5,284,454)	(3,283,505)
4. Dividends received	<u>11,000</u>	<u>11,000</u>
Net cash provided by operating activities	<u>₹ 169,243,267</u>	<u>₹ 47,901,877</u>

(Unit: Indian-Rupee in thousands):

	Nine months ended	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
1. Cash flows from operating activities		
1) Net loss	Rs. (2,707,443)	Rs.
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	143,365	403,646
Loss on disposal of trade receivables	496,278	391,095

	Nine months ended	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Loss on disposal of derivatives	57,380	-
Loss on valuation of derivatives	135,211	-
Rent expense	9,343	1,038
Bad debt expense	122	197,052
Depreciation	2,678,449	2,011,958
Loss on disposal of investment assets	-	5,118
Loss on disposal of property, plant and equipment	23,793	129,351
Impairment loss on property, plant and equipment	1,688	229,918
Amortization	1,010,810	896,168
Impairment loss on intangible assets	160	-
Interest expense	329,911	1,817,304
Post-employment benefits	838,568	692,567
Depreciation expenses on assets not in use	448	-
Warranty expenses	-	2,199,067
Miscellaneous losses	-	111,819
	<u>5,725,527</u>	<u>9,086,099</u>
 (2) Deduction of revenue		
Gain on foreign currency translation	127,257	555,238
Reversal of allowance for doubtful accounts	22,997	77,565
Reversal of loss on valuation of inventories	3,947	-
Interest income	121,245	19,923
Gain on disposal of derivatives	15,180	-
Gain on disposal of investment assets	106	989,527
Gain on disposal of property, plant and equipment	133,459	3,770,624
Reversal of impairment loss of property, plant and equipment	-	5,417
Gain on debt exemption	1,961,920	18,020
Miscellaneous gains	-	955
	<u>(2,386,111)</u>	<u>(5,437,270)</u>
 3) Changes in working capital		
Increase in trade receivables, net	(1,986,318)	(2,107,739)
Decrease (Increase) in other receivables, net	(199,237)	199,119
Increase in deposits	11,078	-
Decrease (Increase) in advanced payments	1,795,353	(1,593,461)
Decrease in prepaid expenses	(56,038)	(39,349)
Increase in income tax refundable	(12,113)	-
Decrease (Increase) in inventories	(888,908)	1,182,824
Increase in long security	(46,857)	-
Increase in non-current assets	-	(1,913)
Increase in trade payables	5,473,901	2,276,492
Increase in other payables	757,804	669,578
Increase (Decrease) in accrued charges	(73,727)	75,279
Increase in deposits received	(4,290)	-
Decrease in current other long term benefit	(55,376)	-
Increase (Decrease) in advances from customers	(2,800)	40,434
Decrease in withholdings	(85,378)	(238,376)
Increase in unearned revenue	158,109	-
Increase in other current liabilities	-	1,185,376
Increase (Decrease) in government subsidies	5,825	-
Decrease in short-term provision of product warranties	(1,249,906)	-
Increase (Decrease) in long-term other payables	137,100	(663,009)
Increase in other long term benefit	78,821	37,940
Payment of severance indemnities	(250,082)	(106,523)
Decrease in transfer from retirement pension	2,722	697
Decrease (Increase) in severance insurance deposits	5,276	(838)
Decrease in retirement pension deposits	9,625	-

	Nine months ended	
	September 30, 2011	September 30, 2010
Increase (Decrease) in long-term provision of product warranties	2,717,907	(1,900,818)
	<u>6,242,491</u>	<u>(984,287)</u>
2. Interest received	106,205	17,547
3. Interest paid	(211,378)	(131,340)
4. Dividends received	440	440
Net cash provided by operating activities	<u>Rs. 6,769,731</u>	<u>Rs. 1,916,075</u>

34. SEGMENT INFORMATION:

(1) Information of each sales region for the nine months ended September 30, 2011 is as follows: follows (Unit: Korean Won in thousands, Indian-Rupee in thousands):

Sales region	Nine months ended September 30, 2011			
	Sales revenue			
Republic of Korea	₩	991,542,281	Rs.	39,661,691
Europe		579,248,962		23,169,958
Asia Pacific		109,748,038		4,389,922
Others		415,689,053		16,627,562
	₩	<u>2,096,228,334</u>	Rs.	<u>83,849,133</u>

Information of each sales region for the nine months ended September 30, 2010 is as follows (Unit: Korean Won in thousands, Indian-Rupee in thousands):

Sales region	Nine months ended September 30, 2010			
	Sales revenue			
Republic of Korea	₩	797,824,999	Rs.	31,913,000
Europe		229,719,513		9,188,781
Asia Pacific		77,757,116		3,110,285
Others		364,584,990		14,583,400
	₩	<u>1,469,886,618</u>	Rs.	<u>58,795,465</u>

(2) Sales revenue by type of automobile for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

Sales region	Nine months ended September 30, 2011			
	Domestic	Export	Total	
CHAIRMAN H	₩ 73,130,854	₩ -	₩ 73,130,854	
CHAIRMAN W	161,106,988	1,478,193	162,585,181	
ACTYON	442,241	56,116,391	56,558,632	
ACTYON SPORTS	182,697,201	136,993,915	319,691,116	
KORANDO C	166,603,852	469,368,497	635,972,349	
KYRON	2,421,069	233,050,636	235,471,705	
REXTON	162,182,943	108,630,309	270,813,252	
RODIUS	26,362,391	38,562,794	64,925,185	
	<u>₩ 774,947,539</u>	<u>₩ 1,044,200,735</u>	<u>₩ 1,819,148,274</u>	

Sales region	Nine months ended September 30, 2010			
	Domestic	Export	Total	
CHAIRMAN H	₩ 72,158,674	₩ -	₩ 72,158,674	
CHAIRMAN W	161,157,865	1,905,119	163,062,984	
ACTYON	23,398,705	77,983,677	101,382,382	
ACTYON	205,666,488	127,611,970	333,278,458	

Sales region	Nine months ended September 30, 2010		
	Domestic	Export	Total
SPORTS			
KORANDO C	-	20,671,461	20,671,461
KYRON	29,371,804	240,331,453	269,703,257
REXTON	76,195,568	96,953,590	173,149,158
RODIUS	22,577,351	40,693,173	63,270,524
	<u>₹ 590,526,455</u>	<u>₹ 606,150,443</u>	<u>₹ 1,196,676,898</u>

(Unit: Indian-Rupee in thousands):

Sales region	Nine months ended September 30, 2011		
	Domestic	Export	Total
CHAIRMAN H	Rs. 2,925,234	Rs. -	Rs. 2,925,234
CHAIRMAN W	6,444,279	59,128	6,503,407
ACTYON	17,690	2,244,655	2,262,345
ACTYON SPORTS	7,307,888	5,479,757	12,787,645
KORANDO C	6,664,154	18,774,740	25,438,894
KYRON	96,843	9,322,025	9,418,868
REXTON	6,487,318	4,345,212	10,832,530
RODIUS	1,054,496	1,542,511	2,597,007
	<u>Rs. 30,997,902</u>	<u>Rs. 41,768,028</u>	<u>Rs. 72,765,930</u>

Sales region	Nine months ended September 30, 2010		
	Domestic	Export	Total
CHAIRMAN H	Rs. 2,886,347	Rs. -	Rs. 2,886,347
CHAIRMAN W	6,446,314	76,205	6,522,519
ACTYON	935,948	3,119,347	4,055,295
ACTYON SPORTS	8,226,660	5,104,478	13,331,138
KORANDO C	-	826,858	826,858
KYRON	1,174,872	9,613,258	10,788,130
REXTON	3,047,823	3,878,143	6,925,966
RODIUS	903,094	1,627,727	2,530,821
	<u>Rs. 23,621,058</u>	<u>Rs. 24,246,016</u>	<u>Rs. 47,867,074</u>

35.RELATED PARTY TRANSACTIONS:

(1) The Company's controlling company is Mahindra & Mahindra Ltd. and the Company's subsidiaries are Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd. and Ssangyong European Parts Center B.V.

(2) Major transactions with the related parties for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	September 30, 2011		September 30, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	₩ 286,811	₩ 29,144	₩ -	₩ -
Transactions with subsidiaries	10,597,077	22,397	10,979,996	327,021

(Unit: Indian-Rupee in thousands):

	Nine months ended September 30, 2011		Nine months ended September 30, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	Rs. 11,472	Rs. 1,166	Rs. -	Rs. -
Transactions with subsidiaries	423,883	896	439,200	13,081

(3) Outstanding receivables and payables from transactions with related parties as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	September 30, 2011	December 31, 2010
Receivables from and payables to controlling company:		
Receivables and others	₩ 181,333	₩ -
Payables and others	95,434,685	-
Receivables from and payables to subsidiaries:		
Receivables and others	15,200,246	14,194,364
Payables and others	-	163,052

(Unit: Indian-Rupee in thousands):

	September 30, 2011	December 31, 2010
Receivables from and payables to controlling company:		
Receivables and others	Rs. 7,253	Rs. -
Payables and others	3,817,387	-
Receivables from and payables to subsidiaries:		
Receivables and others	608,010	567,775
Payables and others	-	6,522

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the nine months ended September 30, 2011.

(4) Details of compensation for key executives for the nine months ended September 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Nine months ended	
	September 30, 2011	September 30, 2010
Short-term employee benefits	₩ 465,000	₩ 371,233
Post-employment benefits	69,900	27,072

(Unit: Indian-Rupee in thousands):

	Nine months ended	
	September 30, 2011	September 30, 2010
Short-term employee benefits	Rs. 18,600	Rs. 14,849
Post-employment benefits	2,796	1,083

36. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as, debt to equity ratio and net borrowings to equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the financial statements. The Company is not subject to externally enforced capital regulation.

Debt ratio as of September 30, 2011 and December 31, 2010 is as follows (Unit: Korean Won in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Debt (A)	₩ 845,373,023	₩ 1,109,896,645
Equity (B)	<u>978,246,946</u>	<u>618,890,485</u>
Debt ratio (A/ B)	<u>86.42%</u>	<u>179.34%</u>

(Unit: Indian-Rupee in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Debt (A)	Rs. 33,814,921	Rs. 44,395,866
Equity (B)	<u>39,129,878</u>	<u>24,755,619</u>
Debt ratio (A/ B)	<u>86.42%</u>	<u>179.34%</u>

(2) Major accounting policies and methods (including recognition and measurement and revenue and expense recognition) for each category of financial assets, financial liabilities and equity are stated in detail in Note 2.

(3) Details of financial assets and liabilities by category as of September 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

1) Financial assets

<u>Financial asset</u>	<u>September 30, 2011</u>			
	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	₩164,812,690	₩ -	₩164,812,690	₩ 164,812,690
Long-term AFS financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	206,167,660	-	206,167,660	206,167,660
Non-trade receivables	22,073,114	-	22,073,114	22,073,114
Other receivables	2,503,334	-	2,503,334	2,503,334
Other long-term receivables	<u>37,823,680</u>	<u>-</u>	<u>37,823,680</u>	<u>37,823,680</u>
	<u>₩ 433,386,478</u>	<u>₩ 560,000</u>	<u>₩ 433,946,478</u>	<u>₩ 433,946,478</u>

<u>Financial asset</u>	<u>December 31, 2010</u>			
	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	₩ 80,566,165	₩ -	₩ 80,566,165	₩ 80,566,165
Long-term AFS financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	167,193,510	-	167,193,510	167,193,510
Non-trade receivables	16,942,539	-	16,942,539	16,942,539
Other receivables	2,218,006	-	2,218,006	2,218,006
Other long-term receivables	<u>37,908,069</u>	<u>-</u>	<u>37,908,069</u>	<u>37,908,069</u>
	<u>₩ 304,834,289</u>	<u>₩ 560,000</u>	<u>₩ 305,394,289</u>	<u>₩ 305,394,289</u>

(Unit: Indian-Rupee in thousands):

<u>Financial asset</u>	<u>September 30, 2011</u>			
	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 6,592,508	Rs. -	Rs. 6,592,508	Rs. 6,592,508
Long-term AFS financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240

September 30, 2011				
<u>Financial asset</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Trade receivables	8,246,706	-	8,246,706	8,246,706
Non-trade receivables	882,925	-	882,925	882,925
Other receivables	100,133	-	100,133	100,133
Other long-term receivables	1,512,947	-	1,512,947	1,512,947
	<u>Rs. 17,335,459</u>	<u>Rs. 22,400</u>	<u>Rs. 17,357,859</u>	<u>Rs. 17,357,859</u>

December 31, 2010				
<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 3,222,647	Rs. -	Rs. 3,222,647	Rs. 3,222,647
Long-term AFS financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240
Trade receivables	6,687,740	-	6,687,740	6,687,740
Non-trade receivables	677,702	-	677,702	677,702
Other receivables	88,720	-	88,720	88,720
Other long-term receivables	1,516,323	-	1,516,323	1,516,323
	<u>Rs. 12,193,372</u>	<u>Rs. 22,400</u>	<u>Rs. 12,215,772</u>	<u>Rs. 12,215,772</u>

2) Financial liabilities

<u>Financial liabilities</u>	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	Financial liabilities measured at		Financial liabilities measured at	
	<u>amortized cost</u>	<u>Fair value</u>	<u>amortized cost</u>	<u>Fair value</u>
Financial liabilities at FVTPL	W 3,380,274	W -	W -	W -
Trade payables	-	300,239,980	-	162,820,193
Non-trade payables	-	104,268,919	-	198,283,922
Short-term borrowings	-	2,426,186	-	-
Current portion of long-term debt	-	-	-	356,920,833
Bonds	-	95,404,765	-	-
Other payables	-	17,409,055	-	71,648,056
Other long-term payables	-	2,349,037	-	2,247,782
	<u>W 3,380,274</u>	<u>W 522,097,942</u>	<u>W -</u>	<u>W 791,920,786</u>

(Unit: Indian-Rupee in thousands):

<u>Financial Liabilities</u>	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	Financial liabilities measured at		Financial liabilities measured at	
	<u>amortized cost</u>	<u>Fair value</u>	<u>amortized cost</u>	<u>Fair value</u>
Financial liabilities at FVTPL	Rs. 135,211	Rs. -	Rs. -	Rs. -
Trade payables	-	12,009,599	-	6,512,808
Non-trade payables	-	4,170,757	-	7,931,357
Short-term borrowings	-	97,047	-	-
Current portion of long-term debt	-	-	-	14,276,833
Bonds	-	3,816,191	-	-

Financial Liabilities	September 30, 2011		December 31, 2010	
	Financial liabilities measured at amortized cost	Fair value	Financial liabilities measured at amortized cost	Fair value
Other payables	-	696,362	-	2,865,922
Other long-term payables	-	93,961	-	89,911
	<u>Rs. 135,211</u>	<u>Rs. 20,883,917</u>	<u>-</u>	<u>Rs. 31,676,831</u>

(4) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that perform close monitoring of and responding to each risk factors.

Financial assets that are subject to the financial risk management consist of cash and cash equivalents, AFS financial assets, trade receivables, other receivables and others; financial liabilities subject to the financial risk management consist of trade payables, other payables, borrowings, bonds and others.

1) Market risk

a. Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company assesses, manages and reports, on a regular basis, the foreign currency risk for its receivables and payables denominated in foreign currency.

The Company's sensitivity to a 5% increase and decrease in the Won (functional currency of the Company) against the major foreign currencies as of September 30, 2011 is as follows (Unit: Korean Won in thousands):

Currency	Financial assets		Financial liabilities	
	5% increase	5% decrease	5% increase	5% decrease
USD	₩ 5,244,574	₩ (5,244,574)	₩ (609,685)	₩ 609,685
EUR	1,323,599	(1,323,599)	(905,620)	905,620
JPY	11,109	(11,109)	(312,638)	312,638
Others	596,470	(596,470)	(223,254)	223,254
	<u>₩ 7,175,752</u>	<u>₩ (7,175,752)</u>	<u>₩ (2,051,197)</u>	<u>₩ 2,051,197</u>

(Unit: Indian-Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	5% increase	5% decrease	5% increase	5% decrease
USD	Rs. 209,783	Rs. (209,783)	Rs. (24,387)	Rs. 24,387
EUR	52,944	(52,944)	(36,225)	36,225
JPY	444	(444)	(12,506)	12,506
Others	23,859	(23,859)	(8,930)	8,930
	<u>Rs. 287,030</u>	<u>Rs. (287,030)</u>	<u>Rs. (82,048)</u>	<u>Rs. 82,048</u>

b. Interest rate risk

The Company is exposed to interest rate risk arising from changes in interest, values of financial statement items (financial assets and liabilities) and interest income (expense) related to investments and borrowings.

2) Credit risk

Credit risk arises from transactions in ordinary course of business and investment activities and when a customer or a transacting party fails to perform obligations defined by respective contract terms. In order to manage the aforementioned credit risk, the Company regularly assesses credit ratings of its customers and transacting parties based on their financial status and past experiences and establishes credit limit for each customer or transacting party.

There were no trade receivables or loans and receivables included in other financial assets that showed indication of impairment during the nine months ended September 30, 2011, and the Company believes that there is a low possibility of defaults as of September 30, 2011. Credit risk may also arise from cash and cash equivalents and bank and financial institution deposits. In order to reduce the risk, the Company transacts only with the financial institutions with high credit ratings.

3) Liquidity risk

The Company establishes short-term and long-term fund management plans; consequently, exposures to liquidity risk. The Company analyzes and reviews actual cash out flows and its budget to correspond the maturities of financial liabilities to those of financial assets. Management of the Company believes that the financial liabilities may be redeemed by cash flows arising from operating activities and financial assets. To manage risks arising from installment sales receivables, the Company has entered into a factoring agreement with Aju Capital Co., Ltd.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of September 30, 2011 is as follows (Unit: Korean Won in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 300,239,980	₩ -	₩ 300,239,980
Other payables	104,268,919	-	104,268,919
Short-term borrowings	2,426,186	-	2,426,186
Other payables	17,409,055	-	17,409,055
Financial liabilities at FVTPL	3,380,274	-	3,380,274
Bonds	1,669,583	109,874,488	111,544,071
Long-term other payables	2,349,037	-	2,349,037
	<u>₩ 431,743,034</u>	<u>₩ 109,874,488</u>	<u>₩ 541,617,522</u>

(Unit: Indian-Rupee in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	Rs. 12,009,599	Rs. -	Rs. 12,009,599
Other payables	4,170,757	-	4,170,757
Short-term borrowings	97,047	-	97,047
Other payables	696,362	-	696,362
Financial liabilities at FVTPL	135,212	-	135,212
Bonds	66,783	4,394,980	4,461,763
Long-term other payables	93,961	-	93,961
	<u>Rs. 17,269,721</u>	<u>Rs. 4,394,980</u>	<u>Rs. 21,664,701</u>

(5) Fair value of financial instruments

The fair value of the Company's actively-traded financial instruments (i.e. financial assets AFS and others) is based on the traded market-price as of the reporting period end. The fair value of the Company's financial assets is the amount which the asset could be exchanged for or the amount which a liability could be settled for.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2 or 3, based on the degree to which the fair value is observable.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
 Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
 Level 3 Inputs that are not based on observable market data.

1) Fair values of financial instruments by heirarchy level as of September 30, 2011, are as follows (Unit: Korean Won in thousands):

Type	September 30, 2011			Fair value
	Level 1	Level 2	Level 3	
Financial liabilities at FVTPL:				
Derivatives liabilities	₩ 3,380,274	₩ -	₩ -	₩ 3,380,274

(Unit: Indian-Rupee in thousands):

Type	September 30, 2011			Fair value
	Level 1	Level 2	Level 3	
Financial liabilities at FVTPL:				
Derivatives liabilities	Rs. 135,211	Rs. -	Rs. -	Rs. 135,211