

SSANGYONG MOTOR COMPANY

**SEPARATE FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2016, AND DECEMBER 31, 2015,
AND FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2016 AND 2015**

ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SSANGYONG MOTOR COMPANY

Independent Accountants' Review Report

English Translation of Independent Accountants' Review Report Originally Issued in Korean on September 14, 2016

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

We have reviewed the accompanying separate interim financial statement of Ssangyong Motor Company (the "Company"). The separate financial statements consist of the separate statement of financial position as of September 30, 2016, and the related separate statement of comprehensive income for the three and nine months ended September 30, 2016 and 2015, separate statement of changes in shareholders' equity and separate statement of cash flows, all expressed in Korean won, for the nine months ended September 30, 2016 and 2015, 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 separate 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 statement of the Company are not presently fairly, in all material respects, in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1034, *Interim Financial Reporting*.

Other matters

We have given an opinion on the comparative separate statement of financial position as of December 31, 2015, and the related separate statement of income, retained earnings and cash flows for the year then ended on March 8, 2016, as fairly stated. There is no difference in terms of importance between comparative purposed financial position on December 31, 2015, and current financial position.

Deloitte Anjin LLC

September 14, 2016

Notice to Readers

This report is effective as of September 14, 2016, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2016, AND DECEMBER 31, 2015

	Korean won		Indian rupee	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 33)	₩ 79,137,746	₩ 192,773,290	Rs. 4,803,661	Rs. 11,701,339
Trade and other receivables, net (Notes 7, 32 and 33)	202,562,648	161,044,205	12,295,553	9,775,383
Derivative assets (Notes 25 and 33)	2,452,595	1,707,695	148,873	103,657
Inventories, net (Notes 8 and 24)	222,461,157	243,631,536	13,503,392	14,788,434
Other current assets (Note 10)	17,921,942	6,537,137	1,087,862	396,804
Total current assets	<u>524,536,088</u>	<u>605,693,863</u>	<u>31,839,341</u>	<u>36,765,617</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 33)	6,000	6,000	364	364
Non-current AFS financial assets (Notes 6 and 33)	560,000	560,000	33,992	33,992
Non-current other receivables, net (Notes 7 and 33)	43,999,412	50,222,268	2,670,764	3,048,492
Property, plant and equipment, net (Notes 11 and 13)	1,187,431,902	1,187,781,726	72,077,116	72,098,351
Intangible assets (Note 12)	214,489,885	186,944,585	13,019,536	11,347,536
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	353,824	353,824
Investments in joint ventures (Note 9)	10,200,000	10,200,000	619,140	619,140
Other non-current assets (Note 10)	352,819	352,985	21,416	21,426
Total non-current assets	<u>1,462,869,074</u>	<u>1,441,896,620</u>	<u>88,796,152</u>	<u>87,523,125</u>
TOTAL ASSETS	<u>₩ 1,987,405,162</u>	<u>₩ 2,047,590,483</u>	<u>Rs. 120,635,493</u>	<u>Rs. 124,288,742</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 18, 32 and 33)	₩ 534,900,138	₩ 637,482,214	Rs. 32,468,438	Rs. 38,695,170
Short-term borrowings (Notes 13, 18 and 34)	166,362,384	153,224,546	10,098,197	9,300,730
Derivative liabilities (Notes 25 and 33)	29,941	24,074	1,817	1,461
Provision for product warranties (Note 15)	52,039,451	56,861,222	3,158,795	3,451,476
Long-term employee benefits obligation	673,294	1,960,779	40,869	119,019
Other current liabilities (Note 16)	28,751,790	28,855,529	1,745,234	1,751,531
Total current liabilities	<u>782,756,998</u>	<u>878,408,364</u>	<u>47,513,350</u>	<u>53,319,387</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF SEPTEMBER 30, 2016, AND DECEMBER 31, 2015

	Korean won		Indian rupee	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Long-term borrowing (Notes 13, 18 and 33)	₩ 22,500,000	₩ 37,500,000	Rs. 1,365,750	Rs. 2,276,250
Other non-current payables (Note 33)	7,106,748	12,612,614	431,380	765,586
Retirement benefit obligation (Note 17)	310,342,954	292,005,725	18,837,817	17,724,748
Other long-term employee benefits obligation	15,338,021	14,321,821	931,018	869,335
Provision for long-term product warranties (Note 15)	87,394,512	86,932,757	5,304,847	5,276,818
Total non-current liabilities	<u>442,682,235</u>	<u>443,372,917</u>	<u>26,870,812</u>	<u>26,912,737</u>
TOTAL LIABILITIES	<u>1,225,439,233</u>	<u>1,321,781,281</u>	<u>74,384,162</u>	<u>80,232,124</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 19)	686,100,480	686,100,480	41,646,299	41,646,299
Other capital surplus (Note 20)	131,678,360	131,678,360	7,992,876	7,992,876
Other capital adjustments (Notes 21 and 25)	742,834	227,340	45,090	13,800
Retained earnings (accumulated deficit) (Note 22)	<u>(56,555,745)</u>	<u>(92,196,978)</u>	<u>(3,432,934)</u>	<u>(5,596,357)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>761,965,929</u>	<u>725,809,202</u>	<u>46,251,331</u>	<u>44,056,618</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,987,405,162</u>	<u>₩ 2,047,590,483</u>	<u>Rs. 120,635,493</u>	<u>Rs. 124,288,742</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Korean won			
	Three months ended September 30, 2016 (In thousands, except per share amounts)	Nine months ended September 30, 2016 (In thousands, except per share amounts)	Three months ended September 30, 2015 (In thousands, except per share amounts)	Nine months ended September 30, 2015 (In thousands, except per share amounts)
SALES (Notes 31 and 32)	₩ 850,028,781	₩ 2,624,561,377	₩ 818,071,844	₩ 2,410,631,250
COST OF SALES (Notes 24 and 32)	<u>727,025,005</u>	<u>2,195,568,589</u>	<u>686,133,874</u>	<u>2,059,123,787</u>
GROSS PROFIT	123,003,776	428,992,788	131,937,970	351,507,463
SELLING AND ADMINISTRATIVE EXPENSES (Notes 24 and 26)	<u>130,330,676</u>	<u>408,552,172</u>	<u>135,348,818</u>	<u>408,544,600</u>
OPERATING INCOME (LOSS)	(7,326,900)	20,440,616	(3,410,848)	(57,037,137)
NON-OPERATING INCOME (Note 27)	26,683,396	40,958,705	6,625,143	23,442,029
NON-OPERATING EXPENSES (Note 27)	9,720,956	29,765,656	5,853,109	19,141,498
FINANCIAL INCOME (Note 28)	7,514,902	18,121,904	978,037	12,607,523
FINANCIAL COST (Note 28)	(62,919)	14,103,867	25,405,025	40,001,130
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	17,213,361	35,651,702	(27,065,802)	(80,130,213)
INCOME TAX EXPENSE (Note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	17,213,361	35,651,702	(27,065,802)	(80,130,213)
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)	<u>(865,156)</u>	<u>505,025</u>	<u>(6,553,247)</u>	<u>(4,743,345)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ 16,348,205</u>	<u>₩ 36,156,727</u>	<u>₩ (33,619,049)</u>	<u>₩ (84,873,558)</u>
INCOME (LOSS) PER SHARE (Note 29): Basic and diluted income (loss) per share	<u>₩ 125</u>	<u>₩ 260</u>	<u>₩ (197)</u>	<u>₩ (584)</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Indian rupee			
	Three months ended September 30, 2016 (In thousands, except per share amounts)	Nine months ended September 30, 2016 (In thousands, except per share amounts)	Three months ended September 30, 2015 (In thousands, except per share amounts)	Nine months ended September 30, 2015 (In thousands, except per share amounts)
SALES (Notes 31 and 32)	Rs. 51,596,747	Rs. 159,310,876	Rs. 49,656,961	Rs. 146,325,317
COST OF SALES (Notes 24 and 32)	<u>44,130,418</u>	<u>133,271,014</u>	<u>41,648,326</u>	<u>124,988,814</u>
GROSS PROFIT	7,466,329	26,039,862	8,008,635	21,336,503
SELLING AND ADMINISTRATIVE EXPENSES (Notes 24 and 26)	<u>7,911,072</u>	<u>24,799,117</u>	<u>8,215,673</u>	<u>24,798,657</u>
OPERATING INCOME (LOSS)	(444,743)	1,240,745	(207,038)	(3,462,154)
NON-OPERATING INCOME (Note 27)	1,619,682	2,486,193	402,146	1,422,931
NON-OPERATING EXPENSES (Note 27)	590,062	1,806,775	355,284	1,161,889
FINANCIAL INCOME (Note 28)	456,154	1,100,000	59,367	765,277
FINANCIAL COST (Note 28)	<u>(3,819)</u>	<u>856,105</u>	<u>1,542,085</u>	<u>2,428,069</u>
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	1,044,850	2,164,058	(1,642,894)	(4,863,904)
INCOME TAX EXPENSE (Note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	1,044,850	2,164,058	(1,642,894)	(4,863,904)
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)	<u>(52,515)</u>	<u>30,655</u>	<u>(397,782)</u>	<u>(287,921)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>Rs. 992,335</u>	<u>Rs. 2,194,713</u>	<u>Rs. (2,040,676)</u>	<u>Rs. (5,151,825)</u>
INCOME (LOSS) PER SHARE (Note 29):				
Basic and diluted income (loss) per share	<u>Rs. 8</u>	<u>Rs. 16</u>	<u>Rs. (12)</u>	<u>Rs. (35)</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Korean won in thousands						
	Capital stock	Paid-up capital in excess of par value	Gain on capital reduction	Other capital surplus	Treasury stock	Gain on disposal of treasury stocks	Retained earnings (accumulated deficit)
Balance at January 1, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ (1,189,820)	₩ -	₩ (18,220,064)
Net loss	-	-	-	-	-	-	₩ 783,096,518
Actuarial loss	-	-	-	-	-	-	(80,130,213)
Disposal of treasury shares	-	-	-	-	-	-	(15,635)
Gains on valuation of derivatives	-	-	-	-	1,189,820	1,105,138	-
Balance at September 30, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ (4,727,710)	₩ 2,294,958
Balance at January 1, 2016	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ (18,895,010)	₩ (98,365,912)
Net income	-	-	-	-	-	₩ 227,340	₩ (92,196,978)
Actuarial loss	-	-	-	-	-	-	₩ 35,651,702
Gain on valuation of derivatives	-	-	-	-	-	-	(10,469)
Balance at September 30, 2016	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ 742,834	₩ (56,555,745)
						₩ 515,494	₩ 761,965,929

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Indian rupee in thousands						
	Other capital surplus			Gain on disposal of treasury stocks	Retained earnings (accumulated deficit)		Total
	Capital stock	Paid-up capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Other capital adjustments	
Balance at January 1, 2015	Rs. 41,646,299	Rs. 695,180	Rs. 7,174,072	Rs. 56,543	Rs. (72,222)	Rs. (1,105,958)	Rs. 47,533,959
Net loss	-	-	-	-	-	(4,863,904)	(4,863,904)
Actuarial loss	-	-	-	-	-	(949)	(949)
Disposal of treasury shares	-	-	-	-	67,081	-	139,303
Gains on valuation of derivatives	-	-	-	-	-	(286,972)	(286,972)
Balance at September 30, 2015	<u>Rs. 41,646,299</u>	<u>Rs. 695,180</u>	<u>Rs. 7,174,072</u>	<u>Rs. 56,543</u>	<u>Rs. -</u>	<u>Rs. (5,970,811)</u>	<u>Rs. 42,521,437</u>
Balance at January 1, 2016	Rs. 41,646,299	Rs. 695,180	Rs. 7,174,072	Rs. 56,543	Rs. -	Rs. 13,800	Rs. 44,056,618
Net income	-	-	-	-	-	2,164,058	2,164,058
Actuarial loss	-	-	-	-	-	(635)	(635)
Gain on valuation of derivatives	-	-	-	-	-	31,290	31,290
Balance at September 30, 2016	<u>Rs. 41,646,299</u>	<u>Rs. 695,180</u>	<u>Rs. 7,174,072</u>	<u>Rs. 56,543</u>	<u>Rs. -</u>	<u>Rs. (3,432,934)</u>	<u>Rs. 46,251,331</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Korean won		Indian rupee	
	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ 35,651,702	₩ (80,130,213)	Rs. 2,164,058	Rs. (4,863,904)
Adjustments (Note 30)	167,599,660	161,533,896	10,173,299	9,805,107
Changes in net working capital (Note 30)	<u>(160,040,004)</u>	<u>(82,656,776)</u>	<u>(9,714,427)</u>	<u>(5,017,265)</u>
	43,211,358	(1,253,093)	2,622,930	(76,062)
Interests received	1,970,846	2,349,557	119,630	142,618
Interests paid	(2,807,077)	(2,430,768)	(170,390)	(147,548)
Dividend income received	<u>11,000</u>	<u>480,229</u>	<u>668</u>	<u>29,150</u>
Net cash (used in) provided by operating activities	<u>42,386,127</u>	<u>(854,075)</u>	<u>2,572,838</u>	<u>(51,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	2,288,870	6,002,200	138,934	364,333
Disposal of property, plant and equipment	790,920	696,697	48,009	42,290
Decrease in other assets	<u>279</u>	<u>113,159</u>	<u>17</u>	<u>6,868</u>
	3,080,069	6,812,056	186,960	413,491
Cash outflows for investing activities:				
Increase in other receivables	5,220,000	5,976,061	316,854	362,746
Acquisition of property, plant and equipment	100,100,526	96,543,397	6,076,102	5,860,184
Acquisition of intangible assets	<u>54,231,780</u>	<u>46,480,371</u>	<u>3,291,869</u>	<u>2,821,359</u>
	159,552,306	148,999,829	9,684,825	9,044,289
Net cash used in investing activities	<u>(156,472,237)</u>	<u>(142,187,773)</u>	<u>(9,497,865)</u>	<u>(8,630,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	12,950,566	82,570,177	786,099	5,012,010
Increase in government grants	-	42,228	-	2,563
Paid-up capital increase	<u>-</u>	<u>2,294,957</u>	<u>-</u>	<u>139,304</u>
	<u>12,950,566</u>	<u>84,907,362</u>	<u>786,099</u>	<u>5,153,877</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Korean won		Indian rupee	
	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ 12,500,000	₩ 2,500,000	Rs. 758,750	Rs. 151,750
	12,500,000	2,500,000	758,750	151,750
Net cash provided by financing activities	<u>450,566</u>	<u>82,407,362</u>	<u>27,349</u>	<u>5,002,127</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(113,635,544)	(60,634,486)	(6,897,678)	(3,680,513)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>192,773,290</u>	<u>149,091,232</u>	<u>11,701,339</u>	<u>9,049,838</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>₩ 79,137,746</u>	<u>₩ 88,456,746</u>	<u>Rs. 4,803,661</u>	<u>Rs. 5,369,325</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016, AND DECEMBER 31, 2015,
AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

1. GENERAL:

(1) Company overview and recent changes in business environment

Ssangyong Motor Company (the "Company") was incorporated on December 6, 1962, in the Republic of Korea and listed its stocks on the Korea Stock Exchange in May 1975. The Company's headquarters is at Dongsak-ro, Pyungtaek, and its factories are located in Pyungtaek, Kyeonggi-do, and Changwon, Kyeongsangnam-do, Republic of Korea. The Company manufactures and distributes motor vehicles and parts.

(2) Major shareholders

The Company's shareholders as of September 30, 2016, are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	99,964,502	72.85
Others	37,255,594	27.15
	<u>137,220,096</u>	<u>100</u>

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company summarizes interim separate financial statements; its period belongs to annual financial report; it adopts Korean International Financial Reporting Standards ("K-IFRS") 1034, *Interim Financial Reporting*. The Company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027, *Separate Financial Statements*. The audited separate financial statements as of and for the year ended December 31, 2015, are used to understand the interim separate financial statements.

The accounting policy is identified with the audited separate financial statements as of and for the year ended December 31, 2015, except for the accounting policy explained as follows:

The Indian rupee amounts presented in these separate financial statements were computed by translating the Korean won into Indian rupees based on the Bank of Korea Basic Rate (₩1 to Rs. 0.06070 at September 30, 2016), 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.

1) Amendments to K-IFRS and new interpretations that are mandatorily effective for the current year:

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1016 – Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1027 – Separate Financial Statements

The following amendments discuss accounting for investment in subsidiaries, related parties and joint ventures at cost basis, as well as allowing application of K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, methods and application of equity method accounting under K-IFRS 1028, *Investment in Associates and Joint Ventures*. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1038 – Intangible Assets

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets; this presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1110 – Consolidated Financial Statements, K-IFRS 1112 – Disclosure of interests in other entities and K-IFRS – 1028 Investment in associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1111– Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 *Business Combinations*. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

Annual Improvements to K-IFRS 2012-2014 Cycle

The annual improvements include amendments to a number of K-IFRS. The amendments introduce specific guidance in K-IFRS 1105 - Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 - Financial Instruments: Disclosures, K-IFRS 1019 - Employee Benefits and K-IFRS 1034 - Interim Financial Reporting. The application of these amendments has no impact on the disclosure in the Company's separate financial statements.

2) New and revised K-IFRS issued, but not yet effective

Amendments to K-IFRS 1109 – Financial Instruments

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses and broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and the change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1115 – Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduce a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018 - Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115 - Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers and K-IFRS 2031 - Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

The Company does not anticipate that the amendments referred to above will have a significant effect on the Company's separate financial statements and disclosures.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the preparation of the Company's interim separate financial statements, management is required to apply accounting policies and make judgments, estimation and assumptions affecting the carrying amounts of assets, liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimates. The management's significant judgments about the application of the Company's accounting policies and the main resources of the uncertainty are consistent with those of the annual separate financial statements for the year ended December 31, 2015.

4. 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.

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	Financial institution	September 30, 2016	December 31, 2015	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 665,315	₩ 567,340	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank	746,104	957,689	
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 1,417,419</u>	<u>₩ 1,531,029</u>	

(Unit: Indian rupee in thousands)

	Financial institution	September 30, 2016	December 31, 2015	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 40,385	Rs. 34,439	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank	45,289	58,132	
Long-term financial instruments	Shinhan Bank and others	364	364	Overdraft deposit
		<u>Rs. 86,038</u>	<u>Rs. 92,935</u>	

6. AVAILABLE-FOR-SALE (“AFS”) FINANCIAL ASSETS:

The Company’s long-term AFS financial assets as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Ownership (%)	September 30, 2016		December 31, 2015	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 685,246	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	603,782	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,289,028</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian rupee in thousands)

Classification	Ownership (%)	September 30, 2016		December 31, 2015	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 30,350	Rs. 41,594	Rs. 30,350	Rs. 30,350
Korea Management Consultants Association (*)	1.50	3,642	36,650	3,642	3,642
		<u>Rs. 33,992</u>	<u>Rs. 78,244</u>	<u>Rs. 33,992</u>	<u>Rs. 33,992</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.

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within one year from September 30, 2016, and because the present value of 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, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Financial assets	September 30, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 182,896,862	₩ 12,270,565	₩ 7,565,338	₩ 44,092,937
Less: Allowance for doubtful accounts	(98,635)	(5,223)	(66,259)	(93,525)
	<u>₩ 182,798,227</u>	<u>₩ 12,265,342</u>	<u>₩ 7,499,079</u>	<u>₩ 43,999,412</u>

Financial assets	December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 151,800,114	₩ 6,718,300	₩ 2,581,171	₩ 50,381,524
Less: Allowance for doubtful accounts	(44,462)	(2,252)	(8,666)	(159,256)
	<u>₩ 151,755,652</u>	<u>₩ 6,716,048</u>	<u>₩ 2,572,505</u>	<u>₩ 50,222,268</u>

(Unit: Indian rupee in thousands)

Financial assets	September 30, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 11,101,840	Rs. 744,823	Rs. 459,216	Rs. 2,676,441
Less: Allowance for doubtful accounts	(5,987)	(317)	(4,022)	(5,677)
	<u>Rs. 11,095,853</u>	<u>Rs. 744,506</u>	<u>Rs. 455,194</u>	<u>Rs. 2,670,764</u>

Financial assets	December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 9,214,267	Rs. 407,801	Rs. 156,676	Rs. 3,058,159
Less: Allowance for doubtful accounts	(2,699)	(137)	(525)	(9,667)
	<u>Rs. 9,211,568</u>	<u>Rs. 407,664</u>	<u>Rs. 156,151</u>	<u>Rs. 3,048,492</u>

(2) Credit risk and allowance for doubtful accounts

The above-mentioned 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 75 days. Based on the past experience, receivables that are overdue for more than one 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 one 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-mentioned trade receivables (refer to the aging analysis below); the Company did not reserve an allowance for the aforementioned receivables as 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.

1) Aging analysis of the trade and non-trade receivables that are overdue, but are not impaired as of September 30, 2016, and December 31, 2015, is as follows:

(Unit: Korean won in thousands)

Classification	September 30, 2016			
	3–6 months	6–12 months	More than 1 year	Total
Trade receivables	₩ 369	₩ 5,820,458	₩ 1,266,474	₩ 7,087,301
Non-trade receivables	4,752,506	17,049	4,240,023	9,009,578
Other long-term receivables	2,970,604	-	103,250	3,073,854
	<u>₩ 7,723,479</u>	<u>₩ 5,837,507</u>	<u>₩ 5,609,747</u>	<u>₩ 19,170,733</u>

Classification	December 31, 2015			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₹ 502,783	₹ 316,971	₹ 467,374	₹ 1,287,128
Non-trade receivables	285,124	470,299	4,125,784	4,881,207
Other long-term receivables	2,894,991	4,843,854	103,250	7,842,095
	<u>₹ 3,682,898</u>	<u>₹ 5,631,124</u>	<u>₹ 4,696,408</u>	<u>₹ 14,010,430</u>

(Unit: Indian rupee in thousands)

Classification	September 30, 2016			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₹ 22	₹ 353,302	₹ 76,875	₹ 430,199
Non-trade receivables	288,477	1,035	257,369	546,881
Other long-term receivables	180,316	-	6,267	186,583
	<u>₹ 468,815</u>	<u>₹ 354,337</u>	<u>₹ 340,511</u>	<u>₹ 1,163,663</u>

Classification	December 31, 2015			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₹ 30,519	₹ 19,240	₹ 28,370	₹ 78,129
Non-trade receivables	17,307	28,547	250,435	296,289
Other long-term receivables	175,726	294,022	6,267	476,015
	<u>₹ 223,552</u>	<u>₹ 341,809</u>	<u>₹ 285,072</u>	<u>₹ 850,433</u>

- 2) Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue, but are impaired as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Classification	September 30, 2016			
	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₩ -	₩ -	₩ 44,607	₩ 44,607

Classification	December 31, 2015			
	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₩ -	₩ -	₩ 47,349	₩ 47,349

(Unit: Indian rupee in thousands)

Classification	September 30, 2016			
	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₹ -	₹ -	₹ 2,708	₹ 2,708

Classification	December 31, 2015			
	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₹ -	₹ -	₹ 2,874	₹ 2,874

- 3) Changes in allowance for trade and other receivables for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Nine months ended September 30, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 44,462	₩ 2,252	₩ 8,666	₩ 159,256
Bad debt expense	54,173	2,971	57,593	(65,731)
Ending balance	<u>₩ 98,635</u>	<u>₩ 5,223</u>	<u>₩ 66,259</u>	<u>₩ 93,525</u>

Classification	Nine months ended September 30, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 87,169	₹ 393,336	₹ 11,054	₹ 149,638
Bad debt expense	77,875	(20,964)	5,851	12,734
Write-offs	-	(368,681)	-	-
Ending balance	<u>₹ 165,044</u>	<u>₹ 3,691</u>	<u>₹ 16,905</u>	<u>₹ 162,372</u>

(Unit: Indian rupee in thousands)

Classification	Nine months ended September 30, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 2,699	₹ 137	₹ 526	₹ 9,667
Bad debt expense	3,288	180	3,496	(3,990)
Ending balance	<u>₹ 5,987</u>	<u>₹ 317</u>	<u>₹ 4,022</u>	<u>₹ 5,677</u>

Classification	Nine months ended September 30, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 5,291	₹ 23,875	₹ 671	₹ 9,083
Bad debt expense	4,727	(1,273)	355	773
Write-offs	-	(22,379)	-	-
Ending balance	<u>₹ 10,018</u>	<u>₹ 223</u>	<u>₹ 1,026</u>	<u>₹ 9,856</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 collectibility 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 three years to the remaining balance of the receivables at the end of a reporting period; the three-year average loss rate is calculated by dividing the amount of actual loss that occurred in the past three years by the average balance of the receivables.

8. INVENTORIES:

Details of inventories as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	September 30, 2016	December 31, 2015
Merchandises	₩ 36,540,113	₩ 38,356,970
Finished goods	55,421,202	56,174,620
Work in process	29,356,116	29,360,159
Raw materials	41,666,172	45,354,455
Submaterials	463,748	454,283
Supplies	3,570,450	3,740,522
Goods in transit	55,443,356	70,190,527
Total	<u>₩ 222,461,157</u>	<u>₩ 243,631,536</u>

(Unit: Indian rupee in thousands)

	September 30, 2016	December 31, 2015
Merchandises	₹ 2,217,985	₹ 2,328,268
Finished goods	3,364,067	3,409,799
Work in process	1,781,916	1,782,162
Raw materials	2,529,137	2,753,015
Submaterials	28,150	27,575
Supplies	216,726	227,050
Goods in transit	3,365,411	4,260,565
Total	<u>₹ 13,503,392</u>	<u>₹ 14,788,434</u>

The Company uses the “lower of cost or market method” in the separate statement of financial position in case inventories’ market value decreases under the acquisition cost. On the other hand, reversal of loss on valuation of inventories, which was deducted to “cost of sales” during the current period due to the application of “lower of cost or market method,” amounted to ₩29,841 thousand (Rs. 1,811 thousand).

9. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE:

- (1) Details of investment in subsidiaries and joint venture as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Company	Location	Ownership percentage	Closing month	September 30, 2016		December 31, 2015
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	₩ 5,338,097	₩ 5,829,056	₩ 5,829,056
	Ssangyong European Parts Center B.V.	Netherlands	100	December	835,695	-	-
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51	December	6,173,792	5,829,056	5,829,056
					10,200,000	10,200,000	10,200,000
					<u>₩ 16,373,792</u>	<u>₩ 16,029,056</u>	<u>₩ 16,029,056</u>

(Unit: Indian rupee in thousands)

Classification	Company	Location	Ownership percentage	Closing month	September 30, 2016		December 31, 2015
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	Rs. 324,022	Rs. 353,824	Rs. 353,824
	Ssangyong European Parts Center B.V.	Netherlands	100	December	50,727	-	-
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51	December	374,749	353,824	353,824
					619,140	619,140	619,140
					<u>Rs. 993,889</u>	<u>Rs. 972,964</u>	<u>Rs. 972,964</u>

(*) SY Auto Capital Co., Ltd. is a joint arrangement whereby the Group and KB Capital Co., Ltd., which have joint control of the arrangement, have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement and the results, and assets and liabilities of joint venture are incorporated in these separate financial statements.

- (2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries and joint venture as of and for the nine months ended September 30, 2016, is as follows:

(Unit: Korean won in thousands)

Classification	Company	Assets	Liabilities	Sales	Net income (loss)
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	₩ 3,220,601	₩ 750,316	₩ 134,007	₩ (577,025)
	Ssangyong European Parts Center B.V.	10,178,031	12,422,646	12,890,377	1,376,294
Joint venture	SY Auto Capital Co., Ltd.	60,485,849	35,228,425	2,902,964	5,908,056

(Unit: Indian rupee in thousands)

Classification	Company	Assets	Liabilities	Sales	Net income (loss)
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 195,490	Rs. 45,544	Rs. 8,134	Rs. (35,025)
	Ssangyong European Parts Center B.V.	617,806	754,055	782,446	83,541
Joint venture	SY Auto Capital Co., Ltd.	3,671,491	2,138,365	176,210	358,619

10. OTHER ASSETS:

Carrying amounts of other assets as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Account	September 30, 2016	December 31, 2015
Other current assets:		
Advance payments	₩ 2,020,663	₩ 1,077,125
Less: Allowance for doubtful accounts	(2,751)	(663)
Prepaid expenses	15,647,777	5,043,884
Income tax refundable	256,253	416,791
	<u>₩ 17,921,942</u>	<u>₩ 6,537,137</u>
Other non-current assets		
Other non-current assets	352,819	352,985
	<u>₩ 352,819</u>	<u>₩ 352,985</u>

(Unit: Indian rupee in thousands)

Account	September 30, 2016	December 31, 2015
Other current assets		
Advance payments	Rs. 122,654	Rs. 65,381
Less: Allowance for doubtful accounts	(167)	(40)
Prepaid expenses	949,820	306,164
Income tax refundable	15,555	25,299
	<u>Rs. 1,087,862</u>	<u>Rs. 396,804</u>
Other non-current assets		
Other non-current assets	21,416	21,426
	<u>Rs. 21,416</u>	<u>Rs. 21,426</u>

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	September 30, 2016				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,062,781	₩ -	₩ -	₩ -	₩ 475,062,781
Buildings	537,413,530	1,568,407	204,230,190	148,366,786	183,248,147
Structures	107,250,042	120,542	61,999,609	28,913,882	16,216,009
Machinery	1,309,877,700	335,824	1,035,279,619	96,895,193	177,367,064
Vehicles	8,081,919	-	6,209,072	747,187	1,125,660
Tools and molds	1,068,651,693	1,842	668,035,676	159,738,301	240,875,874
Equipment	67,758,645	1,491	44,023,996	3,688,318	20,044,840
Construction in progress	73,491,051	-	-	-	73,491,051
Machinery in transit	476	-	-	-	476
	<u>₩ 3,647,587,837</u>	<u>₩ 2,028,106</u>	<u>₩ 2,019,778,162</u>	<u>₩ 438,349,667</u>	<u>₩ 1,187,431,902</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 475,531,313	₹ -	₹ -	₹ -	₹ 475,531,313
Buildings	536,914,323	1,603,429	196,449,216	148,366,786	190,494,892
Structures	106,552,738	135,809	60,736,919	28,913,882	16,766,128
Machinery	1,312,354,742	453,057	1,027,789,268	98,337,509	185,774,908
Vehicles	8,732,094	-	6,455,442	896,350	1,380,302
Tools and molds	1,028,887,149	6,657	615,699,092	160,933,311	252,248,089
Equipment	67,272,687	6,874	40,414,354	4,056,990	22,794,469
Construction in progress	40,866,774	-	-	-	40,866,774
Machinery in transit	1,924,851	-	-	-	1,924,851
	<u>₹ 3,579,036,671</u>	<u>₹ 2,205,826</u>	<u>₹ 1,947,544,291</u>	<u>₹ 441,504,828</u>	<u>₹ 1,187,781,726</u>

(Unit: Indian rupee in thousands)

September 30, 2016					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 28,836,311	₹ -	₹ -	₹ -	₹ 28,836,311
Buildings	32,621,001	95,202	12,396,772	9,005,864	11,123,163
Structures	6,510,078	7,317	3,763,377	1,755,073	984,311
Machinery	79,509,576	20,385	62,841,473	5,881,538	10,766,180
Vehicles	490,572	-	376,891	45,353	68,328
Tools and molds	64,867,158	112	40,549,766	9,696,114	14,621,166
Equipment	4,112,950	91	2,672,257	223,881	1,216,721
Construction in progress	4,460,907	-	-	-	4,460,907
Machinery in transit	29	-	-	-	29
	<u>₹ 221,408,582</u>	<u>₹ 123,107</u>	<u>₹ 122,600,536</u>	<u>₹ 26,607,823</u>	<u>₹ 72,077,116</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 28,864,751	₹ -	₹ -	₹ -	₹ 28,864,751
Buildings	32,590,699	97,328	11,924,467	9,005,864	11,563,040
Structures	6,467,751	8,244	3,686,731	1,755,072	1,017,704
Machinery	79,659,933	27,501	62,386,809	5,969,086	11,276,537
Vehicles	530,038	-	391,845	54,409	83,784
Tools and molds	62,453,450	404	37,372,935	9,768,652	15,311,459
Equipment	4,083,452	417	2,453,151	246,260	1,383,624
Construction in progress	2,480,613	-	-	-	2,480,613
Machinery in transit	116,839	-	-	-	116,839
	<u>₹ 217,247,525</u>	<u>₹ 133,894</u>	<u>₹ 118,215,938</u>	<u>₹ 26,799,342</u>	<u>₹ 72,098,351</u>

(2) Changes in the carrying amounts of property, plant and equipment for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Nine months ended September 30, 2016						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹ 475,531,313	₹ -	₹ 468,532	₹ -	₹ -	₹ 475,062,781
Buildings	190,494,892	109,725	151,728	664,157	7,868,899	183,248,147
Structures	16,766,128	568,399	47,999	230,037	1,300,556	16,216,009
Machinery	185,774,908	40,897	25,664	13,352,099	21,775,176	177,367,064
Vehicles	1,380,302	57,494	6,914	84,506	389,728	1,125,660
Tools and molds	252,248,089	3,578,201	13,189	39,858,742	54,795,969	240,875,874
Equipment	22,794,469	1,828,299	15,021	621,755	5,184,662	20,044,840
Construction in progress	40,866,774	83,421,288	-	(50,797,011)	-	73,491,051
Machinery in transit	1,924,851	1,223,377	-	(3,147,752)	-	476
	<u>₹ 1,187,781,726</u>	<u>₹ 90,827,680</u>	<u>₹ 729,047</u>	<u>₹ 866,533</u>	<u>₹ 91,314,990</u>	<u>₹ 1,187,431,902</u>

Nine months ended September 30, 2015						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹ 475,531,313	₹ -	₹ -	₹ -	₹ -	₹ 475,531,313
Buildings	194,648,005	138,021	1,242	2,790,532	7,633,201	189,942,115
Structures	16,955,549	394,604	-	867,882	1,270,486	16,947,549
Machinery	148,061,878	2,388,694	2,511	48,450,049	22,015,069	176,883,041
Vehicles	1,587,353	30,328	5,345	97,040	418,042	1,291,334
Tools and molds	178,424,106	21,553,665	5,817	115,009,698	51,957,122	263,024,530
Equipment	24,525,850	2,537,218	3,188	235,459	4,930,603	22,364,736
Construction in progress	131,569,206	69,036,715	-	(164,736,690)	-	35,869,231
Machinery in transit	2,355,375	464,152	-	(2,289,898)	-	529,629
	<u>₹ 1,173,658,635</u>	<u>₹ 96,543,397</u>	<u>₹ 18,103</u>	<u>₹ 424,072</u>	<u>₹ 88,224,523</u>	<u>₹ 1,182,383,478</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is ₹822,878 thousand (2015: ₹543,833 thousand) during this period.

(**) Depreciation cost of suspended assets amounting to ₹11,357 thousand (2015: ₹14,216 thousand) is excluded from the depreciation cost in the separate statement of cash flows.

(Unit: Indian rupee in thousands)

Nine months ended September 30, 2016						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹ 28,864,751	₹ -	₹ 28,440	₹ -	₹ -	₹ 28,836,311
Buildings	11,563,040	6,660	9,209	40,314	477,642	11,123,163
Structures	1,017,704	34,502	2,913	13,962	78,944	984,311
Machinery	11,276,537	2,482	1,557	810,471	1,321,753	10,766,180
Vehicles	83,784	3,490	419	5,129	23,656	68,328
Tools and molds	15,311,459	217,197	801	2,419,426	3,326,115	14,621,166
Equipment	1,383,624	110,978	911	37,739	314,709	1,216,721
Construction in progress	2,480,613	5,063,672	-	(3,083,378)	-	4,460,907
Machinery in transit	116,839	74,259	-	(191,069)	-	29
	<u>₹ 72,098,351</u>	<u>₹ 5,513,240</u>	<u>₹ 44,250</u>	<u>₹ 52,594</u>	<u>₹ 5,542,819</u>	<u>₹ 72,077,116</u>

Nine months ended September 30, 2015						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹ 28,864,751	₹ -	₹ -	₹ -	₹ -	₹ 28,864,751
Buildings	11,815,134	8,378	76	169,385	463,335	11,529,486
Structures	1,029,202	23,952	-	52,680	77,119	1,028,715
Machinery	8,987,356	144,994	152	2,940,918	1,336,315	10,736,801
Vehicles	96,352	1,841	324	5,890	25,375	78,384
Tools and molds	10,830,343	1,308,307	353	6,981,089	3,153,797	15,965,589
Equipment	1,488,719	154,009	194	14,292	299,288	1,357,538
Construction in progress	7,986,251	4,190,529	-	(9,999,517)	-	2,177,263
Machinery in transit	142,971	28,174	-	(138,997)	-	32,148
	<u>₹ 71,241,079</u>	<u>₹ 5,860,184</u>	<u>₹ 1,099</u>	<u>₹ 25,740</u>	<u>₹ 5,355,229</u>	<u>₹ 71,770,675</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is ₹. 49,949 thousand (2015: ₹. 33,011 thousand) during this period.

(**) Depreciation cost of suspended assets amounting to ₹. 688 thousand (2015: ₹. 863 thousand) is excluded from the depreciation cost in the separate statement of cash flows.

(3) The assets pledged as collateral for the Company's borrowings as of September 30, 2016, are as follows:

(Unit: Korean won in thousands)

Assets pledged as collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 366,132,440	
Buildings and structures	150-3 (factory site) and others	73,710,302	₩ 267,000,000
Machinery and others	Pyeongtaek plant production facilities	4,639,374	
		<u>₩ 444,482,116</u>	

(Unit: Indian rupee in thousands)

Assets pledged as collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 22,224,239	
Buildings and structures	150-3 (factory site) and others	4,474,215	Rs. 16,000,000
Machinery and others	Pyeongtaek plant production facilities	281,610	
		<u>Rs. 26,980,064</u>	

(4) Borrowing costs and capitalized interest, which are the capital for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Account	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Capitalized interest expenses (*)	₩ 2,188,635	₩ 1,652,355
Capitalization interest rate	3.68%	4.02%

(*) Borrowing costs that have been capitalized for the nine months ended September 30, 2016 and 2015, in development costs are ₩ 1,365,757 thousand (2015: ₩ 1,108,522 thousand).

(Unit: Indian rupee in thousands)

Account	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Capitalized interest expenses (*)	Rs. 132,850	Rs. 100,298
Capitalization interest rate	3.68%	4.02%

(*) Borrowing costs that have been capitalized for the nine months ended September 30, 2016 and 2015, in development costs are Rs. 82,901 thousand (2015: Rs. 67,287 thousand).

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	September 30, 2016				
	Acquisition cost	Government subsidies	Accumulated amortization	Accumulated impairment loss	Book value
Development cost	₩ 170,793,491	₩ -	₩ 61,408,973	₩ -	₩ 109,384,518
Patents	3,379,062	20,322	1,566,064	54,381	1,738,295
Other intangible assets	<u>126,146,920</u>	<u>43,518</u>	<u>22,160,225</u>	<u>576,105</u>	<u>103,367,072</u>
	<u>₩ 300,319,473</u>	<u>₩ 63,840</u>	<u>₩ 85,135,262</u>	<u>₩ 630,486</u>	<u>₩ 214,489,885</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Accumulated amortization	Accumulated impairment loss	Book value
Development cost	₩ 148,086,281	₩ -	₩ 38,550,140	₩ -	₩ 109,536,141
Patents	2,816,199	22,335	1,170,064	39,190	1,584,610
Other intangible assets	93,785,206	21,283	17,363,984	576,105	75,823,834
	<u>₩ 244,687,686</u>	<u>₩ 43,618</u>	<u>₩ 57,084,188</u>	<u>₩ 615,295</u>	<u>₩ 186,944,585</u>

(Unit: Indian rupee in thousands)

September 30, 2016					
	Acquisition cost	Government subsidies	Accumulated amortization	Accumulated impairment loss	Book value
Development cost	Rs. 10,367,165	Rs. -	Rs. 3,727,525	Rs. -	Rs. 6,639,640
Patents	205,109	1,234	95,060	3,300	105,515
Other intangible assets	7,657,118	2,642	1,345,126	34,969	6,274,381
	<u>Rs. 18,229,392</u>	<u>Rs. 3,876</u>	<u>Rs. 5,167,711</u>	<u>Rs. 38,269</u>	<u>Rs. 13,019,536</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Accumulated amortization	Accumulated impairment loss	Book value
Development cost	Rs. 8,988,837	Rs. -	Rs. 2,339,993	Rs. -	Rs. 6,648,844
Patents	170,943	1,356	71,024	2,378	96,185
Other intangible assets	5,692,762	1,291	1,053,995	34,969	4,602,507
	<u>Rs. 14,852,542</u>	<u>Rs. 2,647</u>	<u>Rs. 3,465,012</u>	<u>Rs. 37,347</u>	<u>Rs. 11,347,536</u>

(2) Changes in intangible assets for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Nine months ended September 30, 2016							
	Beginning balance	Acquisition	Transfer	Amortization	Impairment loss	Other (*)	Ending balance
Development cost	₩ 109,536,141	₩ -	₩ 22,707,210	₩ 22,858,833	₩ -	₩ -	₩ 109,384,518
Patents	1,584,610	562,863	-	393,987	15,191	-	1,738,295
Other intangible assets	75,823,834	53,668,917	(22,707,210)	4,784,226	-	1,365,757	103,367,072
	<u>₩ 186,944,585</u>	<u>₩ 54,231,780</u>	<u>₩ -</u>	<u>₩ 28,037,046</u>	<u>₩ 15,191</u>	<u>₩ 1,365,757</u>	<u>₩ 214,489,885</u>

(*) Of the current-year development costs, the amount that has flowed into the capital of the cost is ₩1,365,757 thousand, including difference of change in exchange rate.

Nine months ended September 30, 2015							
	Beginning balance	Acquisition(*)	Transfer	Amortization	Impairment loss	Other (**)	Ending balance
Development cost	₩ 14,223,033	₩ 1,881,970	₩ 118,722,633	₩ 18,562,046	₩ -	₩ 7,104	₩ 116,272,694
Patents	1,063,611	675,777	-	293,777	6,186	-	1,439,425
Other intangible assets	135,628,790	43,920,837	(118,722,633)	5,022,147	-	1,174,983	56,979,830
	<u>₩ 150,915,434</u>	<u>₩ 46,478,584</u>	<u>₩ -</u>	<u>₩ 23,877,970</u>	<u>₩ 6,186</u>	<u>₩ 1,182,087</u>	<u>₩ 174,691,949</u>

(*) Of the patents, the amount that pertains to government subsidies is ₩1,787 thousand, including difference of change in exchange rate.

(**) Of the current-year development costs and other intangible assets, the amount that has flowed into the capital of the cost is ₩1,108,522 thousand, including difference of change in exchange rate.

(Unit: Indian rupee in thousands)

	Nine months ended September 30, 2016						
	Beginning balance	Acquisition	Transfer	Amortization	Impairment loss	Other (*)	Ending balance
Development cost	Rs. 6,648,844	Rs. -	Rs. 1,378,328	Rs. 1,387,532	Rs. -	Rs. -	Rs. 6,639,640
Patents	96,185	34,166	-	23,915	921	-	105,515
Other intangible assets	4,602,507	3,257,703	(1,378,328)	290,402	-	82,901	6,274,381
	<u>Rs. 11,347,536</u>	<u>Rs. 3,291,869</u>	<u>Rs. -</u>	<u>Rs. 1,701,849</u>	<u>Rs. 921</u>	<u>Rs. 82,901</u>	<u>Rs. 13,019,536</u>

(*) Of the current-year development costs, the amount that has flowed into the capital of the cost is Rs. 82,901 thousand, including difference of change in exchange rate.

	Nine months ended September 30, 2015						
	Beginning balance	Acquisition (*)	Transfer	Amortization	Impairment loss	Other(**)	Ending balance
Development cost	Rs. 863,338	Rs. 114,236	Rs. 7,206,464	Rs. 1,126,716	Rs. -	Rs. 431	Rs. 7,057,753
Patents	64,561	41,020	-	17,832	376	-	87,373
Other intangible assets	8,232,668	2,665,995	(7,206,464)	304,845	-	71,322	3,458,676
	<u>Rs. 9,160,567</u>	<u>Rs. 2,821,251</u>	<u>Rs. -</u>	<u>Rs. 1,449,393</u>	<u>Rs. 376</u>	<u>Rs. 71,753</u>	<u>Rs. 10,603,802</u>

(*) Of the patents, the amount that pertains to government subsidies is Rs. 108 thousand, including difference of change in exchange rate.

(**) Of the current-year development costs and other intangible assets, the amount that has flowed into the capital of the cost is Rs. 67,287 thousand, including difference of change in exchange rate.

(3) Amortization of the intangible assets for the nine months ended September 30, 2016 and 2015, is as follows:

Account	Korean won in thousands		Indian rupee in thousands	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cost of goods manufactured	₩ 22,858,833	₩ 18,562,046	Rs. 1,387,531	Rs. 1,126,716
Selling and administrative expenses	5,178,213	5,315,924	314,318	322,677
	<u>₩ 28,037,046</u>	<u>₩ 23,877,970</u>	<u>Rs. 1,701,849</u>	<u>Rs. 1,449,393</u>

(4) Changes in volume and book value of emission rights for the nine months ended September 30, 2016, are as follows:

(Unit: tCo2/Korean won in thousands)

	2015		2016		2017		Total	
	Volume	Book value	Volume	Book value	Volume	Book value	Volume	Book value
Beginning balance	129,076	₩ -	127,422	₩ -	124,838	₩ -	381,336	₩ -
Allowance allocated free of charge	-	-	-	-	-	-	-	-
Ending balance	129,076	₩ -	127,422	₩ -	124,838	₩ -	381,336	₩ -

There are no pledged emission rights for the Company's borrowings as of September 30, 2016.

(5) Changes in emission liability for the nine months ended September 30, 2016, are as follows:

(Unit: Korean won in thousands)

Account	Beginning balance	Increase	Decrease	Ending balance
Emission liability	₩ 153,050	₩ 58,226	₩ -	₩ 211,276

(Unit: Indian rupee in thousands)

Account	Beginning balance	Increase	Decrease	Ending balance
Emission liability	Rs. 9,290	Rs. 3,534	Rs. -	Rs. 12,824

Estimated amount of greenhouse gas that is discharged during the year is 105,183 tCo2.

13. BORROWINGS:

(1) The Company's short-term borrowings as of September 30, 2016, and December 31, 2015, consist of the following:

(Unit: Korean won in thousands)

Creditor	Type	Interest rate	September 30, 2016	December 31, 2015
Korea Development Bank ("KDB")	Operating fund	CD + 2.12%	₩ 30,000,000	₩ 30,000,000
Woori Bank (*)	Operating fund	CD + 2.0%	20,000,000	17,500,000
Besides Bank Of America ("BOA")	Banker's usance	0.17%–0.85%	116,362,384	105,724,546
			<u>₩ 166,362,384</u>	<u>₩ 153,224,546</u>

(Unit: Indian rupee in thousands)

Creditor	Type	Interest rate	September 30, 2016	December 31, 2015
KDB	Operating fund	CD + 2.12%	Rs. 1,821,000	Rs. 1,821,000
Woori Bank (*)	Operating fund	CD + 2.0%	1,214,000	1,062,250
Besides BOA	Banker's usance	0.17%–0.85%	7,063,197	6,417,480
			<u>Rs. 10,098,197</u>	<u>Rs. 9,300,730</u>

(*) Of the amount of long-term borrowings, the amount is within one-year arrival worth.

(2) The Company's long-term borrowings as of September 30, 2016, and December 31, 2015, consist of the following:

(Unit: Korean won in thousands)

Creditor	Type	Interest rate	September 30, 2016	December 31, 2015
Woori Bank	Operating fund	CD + 2.0%	₩ 42,500,000	₩ 55,000,000
Net: Within one-year arrival worth			(20,000,000)	(17,500,000)
			<u>₩ 22,500,000</u>	<u>₩ 37,500,000</u>

(Unit: Indian rupee in thousands)

Creditor	Type	Interest rate	September 30, 2016	December 31, 2015
Woori Bank	Operating fund	CD + 2.0%	Rs. 2,579,750	Rs. 3,338,500
Net: Within one-year arrival worth			(1,214,000)	(1,062,250)
			<u>Rs. 1,365,750</u>	<u>Rs. 2,276,250</u>

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

Creditor	Assets pledged as collateral	Pledged date	Maximum credit amount
KDB	Land, buildings structures and machinery	2009-08-13	₩ 195 billion (Rs. 12 billion)
Woori Bank	Land, buildings and machinery	2014-10-29	₩ 36 billion (Rs. 2 billion)
Woori Bank	Land, buildings and machinery	2015-08-07	₩ 36 billion (Rs. 2 billion)

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of other financial liabilities as of September 30, 2016, and December 31, 2015, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Other current financial liabilities:				
Accrued expenses	<u>₩ 35,254,563</u>	<u>₩ 32,484,211</u>	<u>Rs. 2,139,952</u>	<u>Rs. 1,971,792</u>

15. 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, 2016, and 2015, are as follows:

(Unit: Korean won in thousands)

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Sep 30, 2016	₩ 143,793,979	₩ 72,182,636	₩ 76,542,652	₩ 139,433,963	₩ 52,039,451	₩ 87,394,512
Sep 30, 2015	₩ 137,866,039	₩ 84,488,479	₩ 76,509,122	₩ 145,845,396	₩ 60,071,320	₩ 85,774,076

(Unit: Indian rupee in thousands)

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Sep 30, 2016	Rs. 8,728,295	Rs. 4,381,486	Rs. 4,646,139	Rs. 8,463,642	Rs. 3,158,795	Rs. 5,304,847
Sep 30, 2015	Rs. 8,368,469	Rs. 5,128,451	Rs. 4,644,104	Rs. 8,852,816	Rs. 3,646,329	Rs. 5,206,487

16. OTHER LIABILITIES:

Carrying amounts of other liabilities as of September 30, 2016, and December 31, 2015, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Advances from customers	₩ 4,500,547	₩ 2,572,498	Rs. 273,183	Rs. 156,151
Deposits received	620,834	733,742	37,685	44,538
Withholdings	23,630,409	25,549,289	1,434,366	1,550,842
	<u>₩ 28,751,790</u>	<u>₩ 28,855,529</u>	<u>Rs. 1,745,234</u>	<u>Rs. 1,751,531</u>

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the Company's separate financial statements' configuration items as of September 30, 2016, and December 31, 2015, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Present value of defined benefit obligation	₩ 311,548,458	₩ 293,343,081	Rs. 18,910,991	Rs. 17,805,925
Fair value of plan assets	(1,205,504)	(1,337,356)	(73,174)	(81,177)
	<u>₩ 310,342,954</u>	<u>₩ 292,005,725</u>	<u>Rs. 18,837,817</u>	<u>Rs. 17,724,748</u>

(2) Changes in the Company's defined benefit obligation ("DBO") for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	Nine months ended September 30, 2016		
	Present value of DBOs	Fair value of scheme assets	Total
	₩	₩	₩
Beginning balance	293,343,081	(1,337,356)	292,005,725
Net current service cost	30,632,604	-	30,632,604
Interest cost (income) on DBO	6,390,106	(29,079)	6,361,027
Subtotal	<u>₩ 330,365,791</u>	<u>₩ (1,366,435)</u>	<u>₩ 328,999,356</u>
Remeasurements			
Asset loss	-	10,469	10,469

	Nine months ended September 30, 2016		
	Present value of DBOs	Fair value of scheme assets	Total
Payments			
Benefit payment from plan assets	W (150,462)	W 150,462	W -
Benefit payment from Company	(18,666,871)	-	(18,666,871)
Ending balance	<u>W 311,548,458</u>	<u>W (1,205,504)</u>	<u>W 310,342,954</u>
	Nine months ended September 30, 2015		
	Present value of DBOs	Fair value of scheme assets	Total
Beginning balance	W 248,189,001	W (1,440,612)	W 246,748,389
Net current service cost	28,230,813	-	28,230,813
Interest cost (income) on DBO	6,300,733	(36,486)	6,264,247
Subtotal	<u>W 282,720,547</u>	<u>W (1,477,098)</u>	<u>W 281,243,449</u>
Remeasurements			
Asset loss	-	15,635	15,635
Payments			
Benefit payment from plan assets	(87,993)	87,993	-
Benefit payment from Company	(9,832,988)	-	(9,832,988)
Ending balance	<u>W 272,799,566</u>	<u>W (1,373,470)</u>	<u>W 271,426,096</u>

(Unit: Indian rupee in thousands)

	Nine months ended September 30, 2016		
	Present value of DBOs	Fair value of scheme assets	Total
Beginning balance	Rs. 17,805,925	Rs. (81,177)	Rs. 17,724,748
Net current service cost	1,859,399	-	1,859,399
Interest cost (income) on DBO	387,879	(1,765)	386,114
Subtotal	<u>Rs. 20,053,203</u>	<u>Rs. (82,942)</u>	<u>Rs. 19,970,261</u>
Remeasurements			
Asset loss	-	635	635
Payments			
Benefit payment from plan assets	(9,133)	9,133	-
Benefit payment from Company	(1,133,079)	-	(1,133,079)
Ending balance	<u>Rs. 18,910,991</u>	<u>Rs. (73,174)</u>	<u>Rs. 18,837,817</u>
	Nine months ended September 30, 2015		
	Present value of DBOs	Fair value of scheme assets	Total
Beginning balance	Rs. 15,065,072	Rs. (87,445)	Rs. 14,977,627
Net current service cost	1,713,610	-	1,713,610
Interest cost (income) on DBO	382,454	(2,215)	380,239
Subtotal	<u>Rs. 17,161,136</u>	<u>Rs. (89,660)</u>	<u>Rs. 17,071,476</u>
Remeasurements			
Asset loss	-	949	949
Payments			
Benefit payment from plan assets	(5,341)	5,341	-
Benefit payment from Company	(596,862)	-	(596,862)
Ending balance	<u>Rs. 16,558,933</u>	<u>Rs. (83,370)</u>	<u>Rs. 16,475,563</u>

(3) Actuarial assumptions used as of September 30, 2016, and December 31, 2015, are as follows:

	September 30, 2016	December 31, 2015
Discount rate (%)	2.92	2.92
Expected rate of salary increase (%)	4.92	4.92

18. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of September 30, 2016:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of September 30, 2016, the Company has been providing guarantees from KDB, etc., amounting to USD 232 million (amount execution USD 186 million) related to import L/C.
- (3) The following are the major loan arrangements with the financial institutions as of September 30, 2016:

(Unit: Korean won in thousands)

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	General loans	₩ 30,000,000	₩ 30,000,000
Woori Bank	General loans	17,500,000	17,500,000
Woori Bank	General loans	25,000,000	25,000,000
JP Morgan	Overdraft	50,000,000	-
BNP Paribas	Overdraft	30,000,000	-
Deutsche Bank	Overdraft	17,000,000	-
BOA	Overdraft	15,000,000	-
Total		<u>₩ 184,500,000</u>	<u>₩ 72,500,000</u>

(Unit: Indian rupee in thousands)

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	General loans	Rs. 1,821,000	Rs. 1,821,000
Woori Bank	General loans	1,062,250	1,062,250
Woori Bank	General loans	1,517,500	1,517,500
JP Morgan	Overdraft	3,035,000	-
BNP Paribas	Overdraft	1,821,000	-
Deutsche Bank	Overdraft	1,031,900	-
BOA	Overdraft	910,500	-
Total		<u>Rs. 11,199,150</u>	<u>Rs. 4,400,750</u>

- (4) As of September 30, 2016, the Company has provided payment guarantee of USD 23,445,779 from Standard Chartered Bank Korea Limited in connection with advance refund guarantee and performance bond.
- (5) Pending litigations

As of September 30, 2016, the Company has three pending litigations as a plaintiff with claims amounting to ₩2,435 million (Rs. 148 million) and 20 pending litigations as a defendant with claims amounting to ₩5,809 million (Rs. 353 million). The Company recognized other payables amounting to ₩11,678 million (Rs. 709 million) that are expected to be a probable loss and can be reasonably estimated as of September 30, 2016.

19. CAPITAL STOCK:

As of September 30, 2016, and December 31, 2015, the number of authorized shares is 3 billion shares. Details of capital stock are as follows:

(Unit: Korean won in thousands, except for par value)

<u>Classification</u>	<u>Number of shares authorized</u>	<u>Shares outstanding</u>	<u>Par value</u>	<u>Capital stock</u>
September 30, 2016	3,000,000,000	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2015	3,000,000,000	137,220,096	₩ 5,000	₩ 686,100,480

(Unit: Indian rupee in thousands, except for par value)

Classification	Number of shares authorized	Shares outstanding	Par value	Capital stock
September 30, 2016	3,000,000,000	137,220,096	Rs. 303.5	Rs. 41,646,299
December 31, 2015	3,000,000,000	137,220,096	Rs. 303.5	Rs. 41,646,299

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of September 30, 2016, and December 31, 2015, are as follows:

Other capital surplus	Paid-up capital in excess of par value	September 30, 2016		December 31, 2015	
		(Korean won in thousands)		(Indian rupee in thousands)	
		₩ 11,452,713	₩ 11,452,713	Rs. 695,180	Rs. 695,180
	Gain on capital reduction	118,189,001	118,189,001	7,174,072	7,174,072
	Debt to be swapped for equity	931,508	931,508	56,543	56,543
	Gain on disposal of treasury stocks	1,105,138	1,105,138	67,081	67,081
		<u>₩ 131,678,360</u>	<u>₩ 131,678,360</u>	<u>Rs. 7,992,876</u>	<u>Rs. 7,992,876</u>

21. OTHER CAPITAL ADJUSTMENTS:

(1) Details of the Company's other capital adjustments as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Classification	September 30, 2016	December 31, 2015
Other capital adjustments	₩ 742,834	₩ 227,340

(Unit: Indian rupee in thousands)

Classification	September 30, 2016	December 31, 2015
Other capital adjustments	Rs. 45,090	Rs. 13,800

(2) Changes in the Company's gains (losses) on valuation of derivatives as of and for the nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Beginning balance	₩ 227,340	₩ (14,167,300)	Rs. 13,800	Rs. (859,955)
Gains (losses) on valuation of derivatives	742,834	(17,783,260)	45,090	(1,079,444)
Reclassified to net income	(227,340)	13,055,550	(13,800)	792,472
Ending balance	<u>₩ 742,834</u>	<u>₩ (18,895,010)</u>	<u>Rs. 45,090</u>	<u>Rs. (1,146,927)</u>

22. DEFICIT:

(1) Details of deficit as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	September 30, 2016		December 31, 2015	
Deficit	₩	(56,555,745)	₩	(92,196,978)

(Unit: Indian rupee in thousands)

	September 30, 2016		December 31, 2015	
Deficit	Rs.	(3,432,934)	Rs.	(5,596,357)

(2) Changes in retained earnings (deficit) for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
Beginning balance	₩	(92,196,978)	₩	(18,220,064)
Net income (loss)		35,651,702		(80,130,213)
Actuarial losses		(10,469)		(15,635)
Ending balance	₩	(56,555,745)	₩	(98,365,912)

(Unit: Indian rupee in thousands)

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
Beginning balance	Rs.	(5,596,357)	Rs.	(1,105,958)
Net income (loss)		2,164,058		(4,863,904)
Actuarial losses		(635)		(949)
Ending balance	Rs.	(3,432,934)	Rs.	(5,970,811)

23. INCOME TAX:

The Company did not recognize deferred income tax assets and income tax because of deficit as of and for the nine months ended September 30, 2016.

24. EXPENSES BY CATEGORY:

Details of expenses classified by category for the nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Changes in inventories	₩ 2,574,319	₩ (14,114,013)	Rs. 156,261	Rs. (856,721)
Raw materials and merchandise goods used	1,763,009,862	1,652,054,844	107,014,699	100,279,729
Employee benefits	388,502,883	360,890,908	23,582,125	21,906,078
Depreciation	91,314,990	88,224,523	5,542,819	5,355,229
Amortization	28,037,046	23,877,970	1,701,849	1,449,393
Other	330,681,661	356,734,155	20,072,378	21,653,763
Total (*)	₩ 2,604,120,761	₩ 2,467,668,387	Rs. 158,070,131	Rs. 149,787,471

(*) It is the sum of cost of sales and selling and administrative expenses.

25. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company has a derivative contract with financial institutions, such as KDB, to minimize the risks of exchange rate fluctuations by fitting the amount and period of expected foreign currency transactions (hedged items). Of foreign currency forward contracts applied to cash flow risk aversion accounting treatment, gain of ₩742,834 thousand (Rs. 45,090 thousand), which is an efficient part, is recognized as other capital components, and gain of ₩19,370 thousand (Rs. 1,176 thousand), which is an inefficient part, is recognized as current income for the nine months ended September 30, 2016. Of financial assets at fair value through profit or loss, gain on valuation of foreign currency forward contracts of ₩1,645,657 thousand (Rs. 99,891 thousand), and loss on valuation of foreign currency forward contracts of ₩79,548 thousand (Rs. 4,829 thousand) are recognized as current income for the nine months ended September 30, 2016.

26. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2016
Warranty expenses	₩ 13,012,385	₩ 46,141,127	₩ 18,254,023	₩ 61,898,069
Sales commission	50,738,664	160,364,218	48,939,368	142,387,254
Advertising expenses	5,197,922	15,752,119	5,972,655	14,538,567
Export expenses	9,905,826	29,689,603	10,709,559	34,223,209
Others	8,691,606	26,632,526	8,693,325	28,078,179
	<u>₩ 87,546,403</u>	<u>₩ 278,579,593</u>	<u>₩ 92,568,930</u>	<u>₩ 281,125,278</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2016
Warranty expenses	Rs. 789,852	Rs. 2,800,766	Rs. 1,108,019	Rs. 3,757,213
Sales commission	3,079,837	9,734,108	2,970,620	8,642,906
Advertising expenses	315,514	956,154	362,540	882,491
Export expenses	601,284	1,802,159	650,070	2,077,349
Others	527,580	1,616,594	527,685	1,704,345
	<u>Rs. 5,314,067</u>	<u>Rs. 16,909,781</u>	<u>Rs. 5,618,934</u>	<u>Rs. 17,064,304</u>

(2) Administrative expenses for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Salaries	₩ 12,992,180	₩ 38,946,465	₩ 12,210,327	₩ 37,032,798
Postemployment benefits	1,828,091	6,147,553	1,831,392	5,884,553
Employee benefits	3,377,061	9,181,958	3,309,964	8,555,706
Rent expense	2,590,720	7,557,861	2,830,714	8,399,709
Service fees	5,749,183	18,512,432	6,445,394	19,521,338
Depreciation	2,831,120	8,540,091	2,923,973	8,682,323
R&D expenses	3,666,064	11,319,313	4,074,674	11,042,660
Amortization	1,408,954	5,178,213	1,824,925	5,315,924

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Bad debt expense	₩ 27,891	₩ 54,173	₩ 103,789	₩ 77,875
Other administrative expenses	8,313,008	24,534,519	7,224,736	22,906,436
	<u>₩ 42,784,272</u>	<u>₩ 129,972,578</u>	<u>₩ 42,779,888</u>	<u>₩ 127,419,322</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Salaries	Rs. 788,625	Rs. 2,364,050	Rs. 741,167	Rs. 2,247,891
Postemployment benefits	110,965	373,156	111,165	357,192
Employee benefits	204,988	557,345	200,915	519,331
Rent expense	157,257	458,762	171,824	509,862
Service fees	348,975	1,123,705	391,235	1,184,945
Depreciation	171,849	518,384	177,485	527,017
R&D expenses	222,530	687,082	247,333	670,289
Amortization	85,524	314,318	110,773	322,677
Bad debt expense	1,693	3,288	6,300	4,727
Other administrative expenses	504,599	1,489,246	438,542	1,390,422
	<u>Rs. 2,597,005</u>	<u>Rs. 7,889,336</u>	<u>Rs. 2,596,739</u>	<u>Rs. 7,734,353</u>

27. NON-OPERATING INCOME (EXPENSES):

- (1) Details of the Company's non-operating income for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Gain on foreign currency transactions	₩ 4,880,824	₩ 11,419,215	₩ 1,882,040	₩ 7,290,592
Gain on foreign currency translation	382,944	559,671	671,518	1,071,900
Gain on disposal of property, plant and equipment	135,881	157,248	99,626	690,364
Others	<u>21,283,747</u>	<u>28,822,571</u>	<u>3,971,959</u>	<u>14,389,173</u>
	<u>₩ 26,683,396</u>	<u>₩ 40,958,705</u>	<u>₩ 6,625,143</u>	<u>₩ 23,442,029</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Gain on foreign currency transactions	Rs. 296,266	Rs. 693,146	Rs. 114,240	Rs. 442,539
Gain on foreign currency translation	23,245	33,972	40,761	65,065
Gain on disposal of property, plant and equipment	8,248	9,545	6,047	41,905

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Others	1,291,923	1,749,530	241,098	873,422
	<u>Rs. 1,619,682</u>	<u>Rs. 2,486,193</u>	<u>Rs. 402,146</u>	<u>Rs. 1,422,931</u>

(2) Details of the Company's non-operating expense for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Loss on foreign currency transactions	₩ 5,058,493	₩ 11,462,687	₩ 3,571,189	₩ 7,659,189
Loss on foreign currency translation	350,527	1,505,105	(197,946)	649,009
Loss on disposal of property, plant and equipment	₩ 30,208	₩ 95,320	₩ 6,352	₩ 11,770
Loss on disposal of trade receivables	,029,868	5,433,171	2,096,277	6,686,131
Others	251,860	1,269,373	377,237	4,135,399
	<u>₩ 9,720,956</u>	<u>₩ 29,765,656</u>	<u>₩ 5,853,109</u>	<u>₩ 19,141,498</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Loss on foreign currency transactions	Rs. 307,051	Rs. 695,785	Rs. 216,771	Rs. 464,913
Loss on foreign currency translation	21,277	91,360	(12,015)	39,395
Loss on disposal of property, plant and equipment	1,834	5,786	386	714
Loss on disposal of trade receivables	244,613	936,793	127,244	405,848
Others	15,287	77,051	22,898	251,019
	<u>Rs. 590,062</u>	<u>Rs. 1,806,775</u>	<u>Rs. 355,284</u>	<u>Rs. 1,161,889</u>

28. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Interest income	₩ 574,276	₩ 1,851,040	₩ 786,134	₩ 2,441,756
Dividend income	-	11,000	(10,930)	480,229
Gain on foreign currency transactions	1,803,064	4,017,591	1,369,179	7,215,576
Gain on foreign currency translation	1,983,487	2,782,708	(367,800)	26,531
Gain on disposal of derivatives	4,485,682	7,794,538	236,003	1,157,153

	Korean won in thousands		Korean won in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Gain on valuation of derivatives	<u>(1,331,607)</u>	<u>1,665,027</u>	<u>(1,034,549)</u>	<u>1,286,278</u>
	<u>₩ 7,514,902</u>	<u>₩ 18,121,904</u>	<u>₩ 978,037</u>	<u>₩ 12,607,523</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Interest income	Rs. 34,858	Rs. 112,358	Rs. 47,718	Rs. 148,215
Dividend income	-	668	(663)	29,150
Gain on foreign currency transactions	109,446	243,868	83,109	437,986
Gain on foreign currency translation	120,398	168,910	(22,325)	1,610
Gain on disposal of derivatives	272,281	473,129	14,325	70,239
Gain on valuation of derivatives	<u>(80,829)</u>	<u>101,067</u>	<u>(62,797)</u>	<u>78,077</u>
	<u>Rs. 456,154</u>	<u>Rs. 1,100,000</u>	<u>Rs. 59,367</u>	<u>Rs. 765,277</u>

- (2) Details of the Company's financial cost for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Interest expense	₩ 211,937	₩ 584,143	₩ 398,770	₩ 958,061
Loss on foreign currency transactions	3,016,918	10,934,419	4,262,557	7,352,949
Loss on foreign currency translation	(3,647,661)	469,980	6,167,459	8,970,181
Loss on disposal of AFS Financial asset	-	-	10,089	10,089
Loss on disposal of derivatives	598,484	2,035,777	14,523,700	22,656,600
Loss on valuation of derivatives	<u>(242,597)</u>	<u>79,548</u>	<u>42,450</u>	<u>53,250</u>
	<u>₩ (62,919)</u>	<u>₩ 14,103,867</u>	<u>₩ 25,405,025</u>	<u>₩ 40,001,130</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
Interest expense	Rs. 12,865	Rs. 35,457	Rs. 24,205	Rs. 58,154
Loss on foreign currency transactions	183,127	663,719	258,737	446,324
Loss on foreign currency translation	(221,413)	28,528	374,365	544,490
Loss on disposal of AFS Financial asset	-	-	612	612
Loss on disposal of derivatives	36,328	123,572	881,589	1,375,257
Loss on valuation of derivatives	<u>(14,726)</u>	<u>4,829</u>	<u>2,577</u>	<u>3,232</u>
	<u>Rs. (3,819)</u>	<u>Rs. 856,105</u>	<u>Rs. 1,542,085</u>	<u>Rs. 2,428,069</u>

- (3) Details of the Company's financial net profit for the three and nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Loan and receivables	₩ 4,779,632	₩ (3,337,204)	₩ (9,041,273)	₩ (7,597,328)
AFS financial assets	-	11,000	(21,019)	470,140
Other financial liabilities	2,798,189	7,344,241	(15,364,696)	(20,266,419)
	<u>₩ 7,577,821</u>	<u>₩ 4,018,037</u>	<u>₩ (24,426,988)</u>	<u>₩ (27,393,607)</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Loan and receivables	Rs. 290,123	Rs. (202,568)	Rs. (548,805)	Rs. (461,157)
AFS financial assets	-	668	(1,276)	28,538
Other financial liabilities	169,850	445,795	(932,637)	(1,230,173)
	<u>Rs. 459,973</u>	<u>Rs. 243,895</u>	<u>Rs. (1,482,718)</u>	<u>Rs. (1,662,792)</u>

29. INCOME (LOSS) PER SHARE:

- (1) Basic income (loss) per share for the three and nine months ended September 30, 2016 and 2015, is calculated as follows:

(Unit: Korean won and Indian rupee in thousands, except for earnings per share)

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Net income (loss)	₩ 17,213,361	₩ 35,651,702	₩ (27,065,802)	₩ (80,130,213)
Income (loss) contributed to common stocks	17,213,361	35,651,702	(27,065,802)	(80,130,213)
Number of common stocks outstanding	<u>137,220,096</u>	<u>137,220,096</u>	<u>137,220,096</u>	<u>137,169,279</u>
Basic and diluted income (loss) per share (*)	<u>₩ 125</u>	<u>₩ 260</u>	<u>₩ (197)</u>	<u>₩ (584)</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Net income(loss)	Rs. 1,044,850	Rs. 2,164,058	Rs. (1,642,894)	Rs. (4,863,904)
Income (loss) contributed to common stocks	1,044,850	2,164,058	(1,642,894)	(4,863,904)
Number of common stocks outstanding	<u>137,220,096</u>	<u>137,220,096</u>	<u>137,220,096</u>	<u>137,169,279</u>
Basic and diluted income (loss) per share (*)	<u>Rs. 8</u>	<u>Rs. 16</u>	<u>Rs. (12)</u>	<u>Rs. (35)</u>

- (*) Basic income (loss) and diluted income (loss) per share for the nine months ended September 30, 2016 and 2015, are identical, as there are no dilutive potential common shares.

- (2) The number of shares outstanding for the nine months ended September 30, 2016 and 2015, is calculated as follows:

Nine months ended September 30, 2016						
Common stock	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
		2016-01-01	2016-09-30	137,182,087	137,220,096	274/274
Nine months ended September 30, 2015						
Common stock	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
	2015-01-01	2015-09-30	137,220,096	137,220,096	273/273	137,220,096
Treasury stock	2015-01-01	2015-02-22	(237,964)	(237,964)	53/273	(46,198)
	2015-02-23	2015-02-23	(221,997)	(221,997)	1/273	(813)
	2015-02-24	2015-02-24	(191,997)	(191,997)	1/273	(703)
	2015-02-25	2015-02-25	(161,997)	(161,997)	1/273	(593)
	2015-02-26	2015-02-26	(121,997)	(121,997)	1/273	(447)
	2015-02-27	2015-03-01	(71,997)	(71,997)	3/273	(791)
	2015-03-02	2015-03-17	(21,706)	(21,706)	16/273	(1,272)
	Total					

30. CASH FLOWS FROM OPERATING ACTIVITIES:

Details of cash flows from operating activities for the nine months ended September 30, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
1. Net income (loss)	₩ 35,651,702	₩ (80,130,213)	Rs. 2,164,058	Rs. (4,863,904)
2. Adjustments	167,599,660	161,533,896	10,173,299	9,805,107
Postemployment benefits	36,993,631	34,495,060	2,245,513	2,093,849
Depreciation	91,303,633	88,210,307	5,542,131	5,354,366
Amortization	28,037,046	23,877,970	1,701,849	1,449,393
Loss on disposal of trade receivables	15,433,171	6,686,131	936,793	405,848
Gain/loss on foreign currency translation	(1,367,294)	8,520,759	(82,994)	517,210
Gain on disposal of property, plant and equipment	(61,928)	(678,594)	(3,759)	(41,191)
Interest income/expense	(1,266,897)	(1,483,695)	(76,901)	(90,061)
Gain on dividends	(11,000)	(480,229)	(668)	(29,150)
Loss on valuation of inventories	29,841	3,625,534	1,811	220,070
Others	(1,490,543)	(1,239,347)	(90,476)	(75,227)
3. Changes in working capital	(160,040,004)	(82,656,776)	(9,714,427)	(5,017,265)
Decrease (increase) in trade receivables, net	(47,612,381)	8,984,101	(2,890,072)	545,335
Decrease (increase) in non-trade receivables, net	(5,947,574)	10,662,293	(361,018)	647,201
Decrease (increase) in inventories	21,065,131	(17,624,635)	1,278,653	(1,069,815)
Increase in other assets	(5,732,333)	(9,840,114)	(347,953)	(597,295)
Decrease in trade payables	(59,794,030)	(4,846,109)	(3,629,498)	(294,159)
Decrease in other payables	(35,847,813)	(86,021,562)	(2,175,962)	(5,221,509)
Increase in accrued charges	2,804,652	4,927,553	170,242	299,102
Increase (decrease) in provision of product warranties	(4,360,015)	7,979,356	(264,653)	484,347

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Payment of severance indemnities	₩ (18,666,871)	₩ (9,832,988)	₩ (1,133,079)	₩ (596,862)
Decrease (increase) in other assets	(5,948,770)	12,955,329	(361,087)	786,390
Net cash (used in) provided by operating activities	<u>₩ 43,211,358</u>	<u>₩ (1,253,093)</u>	<u>Rs. 2,622,930</u>	<u>Rs. (76,062)</u>

31. SEGMENT INFORMATION:

- (1) The Company determined itself as a single reportable segment in light of nature of goods or service creating operating income and trait of assets providing service. Therefore, writing disclosure according to reportable segment's operating income, income before income tax and its assets and liabilities is omitted.
- (2) Information of each sales region for the nine months ended September 30, 2016 and 2015, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales region	Nine months ended September 30, 2016	
Republic of Korea	₩ 1,829,339,605	Rs. 111,040,914
Europe	409,169,243	24,836,573
Asia Pacific	212,829,999	12,918,781
Others	<u>173,222,530</u>	<u>10,514,608</u>
	<u>₩ 2,624,561,377</u>	<u>Rs. 159,310,876</u>

Sales region	Nine months ended September 30, 2015	
Republic of Korea	₩ 1,741,922,874	Rs. 105,734,718
Europe	336,381,772	20,418,374
Asia Pacific	130,285,327	7,908,319
Others	<u>202,041,277</u>	<u>12,263,906</u>
	<u>₩ 2,410,631,250</u>	<u>Rs. 146,325,317</u>

Non-current assets are not separately disclosed, as all are located in Korea, and main customer information is not disclosed as most of the Company sales are generated through contracting with individuals and foreign authorized agencies.

- (3) Information of each sales product and other parts, etc., for the nine months ended September 30, 2016 and 2015, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales	Nine months ended September 30, 2016	
Automobile	₩ 2,306,586,136	Rs. 140,009,778
Other parts, etc.	<u>317,975,241</u>	<u>19,301,098</u>
	<u>₩ 2,624,561,377</u>	<u>Rs. 159,310,876</u>

Sales	Nine months ended September 30, 2015	
Automobile	₩ 2,143,524,828	Rs. 130,111,957
Other parts, etc.	<u>267,106,422</u>	<u>16,213,360</u>
	<u>₩ 2,410,631,250</u>	<u>Rs. 146,325,317</u>

32. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of September 30, 2016, are as follows:

	Related parties
Controlling company	Mahindra & Mahindra Ltd.
Subsidiary companies	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Joint venture company	SY Auto Capital Co., Ltd.
Other affiliate companies	Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd.

(2) Major transactions with related parties for the nine months ended September 30, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Related party	Company	Description	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	₩ 43,504,834	₩ 1,583,765
		Other income	248,341	52,025
		Purchases	406,278	1,589,465
		Other expenses	91,747	151,410
Transactions with subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.	Sales	₩ 9,640,152	₩ 7,553,463
		Other income	-	469,229
		Other expenses	137	38
Transactions with joint venture company	SY Auto Capital Co., Ltd.	Other expenses	₩ 15,113,931	₩ -
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd.	Sales	₩ 189,502	₩ 5,628,707
		Other income	26,442	9,937
		Other expenses	60,334	208,891

(Unit: Indian rupee in thousands)

Related party	Company	Description	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	Rs. 2,640,743	Rs. 96,135
		Other income	15,074	3,158
		Purchases	24,661	96,481
		Other expenses	5,569	9,191
Transactions with subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.	Sales	Rs. 585,157	Rs. 458,495
		Other income	-	28,482
		Other expenses	8	2
Transactions with joint venture company	SY Auto Capital Co., Ltd.	Other expenses	Rs. 917,416	Rs. -
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd.	Sales	Rs. 11,503	Rs. 341,663
		Other income	1,605	603
		Other expenses	3,662	12,680

The bad debt expense recognized for the nine months ended September 30, 2016 and 2015, does not exist.

- (3) Outstanding receivables and payables from transactions with related parties as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
Receivables from and payables to controlling company:				
Trade receivables	₩	81,525	₩	89,823
Non-trade receivables		69,048		54,959
Trade payables		-		207,149
Non-trade payables		65,221		2,808
Receivables from and payables to subsidiaries:				
Trade receivables	₩	12,422,179	₩	12,200,938
Non-trade receivables		430,381		468,466
Non-trade payables		477,495		511,041
Receivables from and payables to joint ventures:				
Non-trade receivables	₩	-	₩	96,000
Non-trade payables		208,250		-
Receivables from and payables to affiliates:				
Trade receivables	₩	1,146	₩	20,769
Non-trade payables		30,727		89,314

(Unit: Indian rupee in thousands)

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
Receivables from and payables to controlling company:				
Trade receivables	Rs.	4,948	Rs.	5,452
Non-trade receivables		4,191		3,336
Trade payables		-		12,574
Non-trade payables		3,959		170
Receivables from and payables to subsidiaries:				
Trade receivables	Rs.	754,026	Rs.	740,597
Non-trade receivables		26,124		28,436
Non-trade payables		28,984		31,020
Receivables from and payables to joint ventures:				
Non-trade receivables	Rs.	-	Rs.	5,827
Non-trade payables		12,641		-
Receivables from and payables to affiliates:				
Trade receivables	Rs.	70	Rs.	1,261
Non-trade payables		1,865		5,421

The Company did not recognize allowance for the above-mentioned receivables, and no bad debt expense was recognized for the nine months ended September 30, 2016.

- (4) Loan and borrowing transactions with related parties for the nine months ended September 30, 2016 and 2015, does not exist.
- (5) Details of compensation for key executives for the nine months ended September 30, 2016 and 2015, are as follows:

	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Short-term employee benefits	₩	443,881	₩	551,718
Postemployment benefits		17,691	Rs.	26,944
			Rs.	1,074
				33,489
				1,390

33. 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. There is no change in the overall capital risk management strategy of the Company compared to last year.

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 separate financial statements. The Company is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of September 30, 2016, and December 31, 2015, is as follows:

(Unit: Korean won in thousands)

	September 30, 2016		December 31, 2015	
Debt (A)	₩	1,225,439,232	₩	1,321,781,280
Equity (B)		<u>761,965,930</u>		<u>725,809,203</u>
Debt ratio (A/B)		<u>160.83%</u>		<u>182.11%</u>

(Unit: Indian rupee in thousands)

	September 30, 2016		December 31, 2015	
Debt (A)	Rs.	74,384,162	Rs.	80,232,124
Equity (B)		<u>46,251,331</u>		<u>44,056,618</u>
Debt ratio (A/B)		<u>160.83%</u>		<u>182.11%</u>

(2) Details of financial assets and liabilities by category as of September 30, 2016, and December 31, 2015, are as follows:

1) Financial assets

(Unit: Korean won in thousands)

Financial assets	September 30, 2016					
	Loans and receivables	AFS financial assets	Financial asset at fair value through profit or loss	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 79,137,746	₩ -	₩ -	₩ -	₩ 79,137,746	₩ 79,137,746
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	246,562,060	-	-	-	246,562,060	246,562,060
AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	1,690,390	762,205	2,452,595	2,452,595
	<u>₩ 325,705,806</u>	<u>₩ 560,000</u>	<u>₩ 1,690,390</u>	<u>₩ 762,205</u>	<u>₩ 328,718,401</u>	<u>₩ 328,718,401</u>
Financial assets	December 31, 2015					
	Loans and receivables	AFS financial assets	Financial asset at fair value through profit or loss	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 192,773,290	₩ -	₩ -	₩ -	₩ 192,773,290	₩ 192,773,290
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	211,266,473	-	-	-	211,266,473	211,266,473
AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	1,429,088	278,607	1,707,695	1,707,695
	<u>₩ 404,045,763</u>	<u>₩ 560,000</u>	<u>₩ 1,429,088</u>	<u>₩ 278,607</u>	<u>₩ 406,313,458</u>	<u>₩ 406,313,458</u>

(Unit: Indian rupee in thousands)

September 30, 2016						
Financial assets	Loans and receivables	AFS financial assets	Financial asset at fair value through profit or loss	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 4,803,661	Rs. -	Rs. -	Rs. -	Rs. 4,803,661	Rs. 4,803,661
Long-term financial instruments	364	-	-	-	364	364
Trade receivables and other receivables	14,966,317	-	-	-	14,966,317	14,966,317
AFS financial assets	-	33,992	-	-	33,992	33,992
Derivative assets	-	-	102,607	46,266	148,873	148,873
	<u>Rs. 19,770,342</u>	<u>Rs. 33,992</u>	<u>Rs. 102,607</u>	<u>Rs. 46,266</u>	<u>Rs. 19,953,207</u>	<u>Rs. 19,953,207</u>

December 31, 2015						
Financial assets	Loans and receivables	AFS financial assets	Financial asset at fair value through profit or loss	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 11,701,339	Rs. -	Rs. -	Rs. -	Rs. 11,701,339	Rs. 11,701,339
Long-term financial instruments	364	-	-	-	364	364
Trade receivables and other receivables	12,823,875	-	-	-	12,823,875	12,823,875
AFS financial assets	-	33,992	-	-	33,992	33,992
Derivative assets	-	-	86,746	16,911	103,657	103,657
	<u>Rs. 24,525,578</u>	<u>Rs. 33,992</u>	<u>Rs. 86,746</u>	<u>Rs. 16,911</u>	<u>Rs. 24,663,227</u>	<u>Rs. 24,663,227</u>

2) Financial liabilities

(Unit: Korean won in thousands)

September 30, 2016					
Financial liabilities	Financial liability measured at amortized cost	Financial liability at fair value through profit or loss	Total	Fair value	
Trade payables and other payables	₩ 542,006,886	₩ -	₩ 542,006,886	₩ 542,006,886	
Debt	188,862,384	-	188,862,384	188,862,384	
Derivative liabilities	-	29,941	29,941	29,941	
	<u>₩ 730,869,270</u>	<u>₩ 29,941</u>	<u>₩ 730,899,211</u>	<u>₩ 730,899,211</u>	

December 31, 2015					
Financial liabilities	Financial liability measured at amortized cost	Financial liability at fair value through profit or loss	Total	Fair value	
Trade payables and other payables	₩ 650,094,828	₩ -	₩ 650,094,828	₩ 650,094,828	
Debt	190,724,546	-	190,724,546	190,724,546	
Derivative liabilities	-	24,074	24,074	24,074	
	<u>₩ 840,819,374</u>	<u>₩ 24,074</u>	<u>₩ 840,843,448</u>	<u>₩ 840,843,448</u>	

(Unit: Indian rupee in thousands)

September 30, 2016				
Financial liabilities	Financial liability measured at amortized cost	Financial liability at fair value through profit or loss	Total	Fair value
Trade payables and other payables	Rs. 32,899,818	Rs. -	Rs. 32,899,818	Rs. 32,899,818
Debt	11,463,947	-	11,463,947	11,463,947
Derivative liabilities	-	1,817	1,817	1,817
	<u>Rs. 44,363,765</u>	<u>Rs. 1,817</u>	<u>Rs. 44,365,582</u>	<u>Rs. 44,365,582</u>
December 31, 2015				
Financial liabilities	Financial liability measured at amortized cost	Financial liability at fair value through profit or loss	Total	Fair value
Trade payables and other payables	Rs. 39,460,756	Rs. -	Rs. 39,460,756	Rs. 39,460,756
Debt	11,576,980	-	11,576,980	11,576,980
Derivative liabilities	-	1,461	1,461	1,461
	<u>Rs. 51,037,736</u>	<u>Rs. 1,461</u>	<u>Rs. 51,039,197</u>	<u>Rs. 51,039,197</u>

(3) 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 performs close monitoring and responds to each risk factor.

Financial assets that are subjected 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 table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% at the period-end of September 30, 2016.

Current income will increase when floating exchange (“FX”) rate increases (weaker Korean won); likewise, current loss will increase, when FX rate decreases (stronger Korean won) with respect to the relevant currency as per following table.

(Unit: Korean won and Indian rupee in thousands)

Currency	Korean won in thousands		Indian rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 5,035,759	₩ (5,035,759)	Rs. 305,671	Rs. (305,671)
EUR	(712,622)	712,622	(43,256)	43,256
JPY	(9,455,877)	9,455,877	(573,972)	573,972
Others	383,903	(383,903)	23,303	(23,303)
	<u>₩ (4,748,837)</u>	<u>₩ 4,748,837</u>	<u>Rs. (288,254)</u>	<u>Rs. 288,254</u>

In order to minimize the risk of foreign exchange fluctuation, the Company has a policy of entering into foreign exchange forward agreement, which is accounted for as hedge accounting for future expected transactions.

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to ₩742,834 thousand (Rs. 45,090 thousand), and this amount will be reclassified as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months at the latest starting from the end of current period.

b. Interest rate risk

Sensitivity analysis was conducted assuming floating rate debt current balance is the same during the whole reporting period. When reporting interest rate risk to management internally, 0.5% variation is used, representing management's assessment about reasonably possible fluctuations of interest rates.

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease/increase by ₩272,173 thousand (Rs. 16,521 thousand) for the nine months ended September 30, 2016, due to floating rate debt's interest rate risk.

2) Credit risk

Credit risk arises from transactions in the 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.

As of September 30, 2016, and December 31, 2015, the maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows:

	<u>September 30, 2016</u> (Korean won in thousands)		<u>December 31, 2015</u> (Indian rupee in thousands)	
Trade and other receivables	₩	246,562,060	₩	211,266,473
			Rs.	14,966,317
			Rs.	12,823,875

3) Liquidity risk

The Company establishes short-term and long-term fund management plans; consequently, exposures to liquidity risk arise. The Company analyzes and reviews actual cash outflows 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 capital financial institutions.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of September 30, 2016, and December 31, 2015, is as follows:

(Unit: Korean won in thousands)

	<u>September 30, 2016</u>		
	<u>Within 1 year</u>	<u>More than one year</u>	<u>Total</u>
Trade payables	₩ 372,277,847	₩ -	₩ 372,277,847
Non-trade payables	127,367,728	-	127,367,728
Short-term borrowings (*)	167,001,001	-	167,001,001
Derivatives liabilities	29,941	-	29,941
Other payables	35,254,563	-	35,254,563
Long-term borrowings (*)	-	23,675,014	23,675,014
Long-term non-trade payables	-	7,106,748	7,106,748
	<u>₩ 701,931,080</u>	<u>₩ 30,781,762</u>	<u>₩ 732,712,842</u>

	<u>December 31, 2015</u>		
	<u>Within 1 year</u>	<u>More than one year</u>	<u>Total</u>
Trade payables	₩ 432,415,649	₩ -	₩ 432,415,649
Non-trade payables	172,582,355	-	172,582,355
Short-term borrowings (*)	154,713,544	-	154,713,544

	December 31, 2015		
	Within 1 year	More than one year	Total
Derivatives liabilities	₩ 24,074	₩ -	₩ 24,074
Other payables	32,484,211	-	32,484,211
Long-term borrowings (*)	-	40,037,205	40,037,205
Long-term non-trade payables	-	12,612,614	12,612,614
	<u>₩ 792,219,833</u>	<u>₩ 52,649,819</u>	<u>₩ 844,869,652</u>

(*) Including expected interest expenses.

(Unit: Indian rupee in thousands)

	September 30, 2016		
	Within 1 year	More than 1 year	Total
Trade payables	Rs. 22,597,264	Rs. -	Rs. 22,597,264
Non-trade payables	7,731,221	-	7,731,221
Short-term borrowings (*)	10,136,961	-	10,136,961
Derivatives liabilities	1,817	-	1,817
Other payables	2,139,953	-	2,139,953
Long-term borrowings (*)	-	1,437,073	1,437,073
Long-term non-trade payables	-	431,380	431,380
	<u>Rs. 42,607,216</u>	<u>Rs. 1,868,453</u>	<u>Rs. 44,475,669</u>

	December 31, 2015		
	Within 1 year	More than 1 year	Total
Trade payables	Rs. 26,247,630	Rs. -	Rs. 26,247,630
Non-trade payables	10,475,749	-	10,475,749
Short-term borrowings (*)	9,391,112	-	9,391,112
Derivatives liabilities	1,461	-	1,461
Other payables	1,971,792	-	1,971,792
Long-term borrowings (*)	-	2,430,258	2,430,258
Long-term non-trade payables	-	765,586	765,586
	<u>Rs. 48,087,744</u>	<u>Rs. 3,195,844</u>	<u>Rs. 51,283,588</u>

(*) Including expected interest expenses.

Funding arrangements as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

		September 30, 2016		December 31, 2015	
		Used	Unused	Used	Unused
Borrowing limit commitments	Used	₩ 72,500,000		₩ 85,000,000	
	Unused		112,000,000		112,000,000
	Total	<u>₩ 184,500,000</u>		<u>₩ 197,000,000</u>	

(Unit: Indian rupee in thousands)

		September 30, 2016		December 31, 2015	
		Used	Unused	Used	Unused
Borrowing limit commitments	Used	Rs. 4,400,750		Rs. 5,159,500	
	Unused		6,798,400		6,798,400
	Total	<u>Rs. 11,199,150</u>		<u>Rs. 11,957,900</u>	

(4) Fair value of financial instruments

- 1) The Company's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost on financial statements is not significant.
- 2) Valuation methods and assumptions applied in fair value measurement

The fair values of financial instruments (i.e., government bonds and unsecured corporate bonds) traded on active markets are determined with reference to quoted market prices. The Company uses the closing price as the quoted market price for its financial assets.

The fair values of derivatives where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Non-option derivatives are evaluated by discounted cash flow method using the yield curve available. Options are evaluated by option-pricing models. Foreign exchange forward contracts are determined using the yield curve derived from market interest rates with the same maturity of forward contracts. To measure interest rate swaps, the cash flows are estimated by the yield curve derived from market interest rate and discounted to calculate the present value of swaps.

Fair values of other financial assets and liabilities (except those stated above) are calculated by generally accepted valuation models based on discounted cash flow analysis.

- 3) 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
Level 3	Inputs that are not based on observable market data

Fair values of financial instruments by hierarchy level as of September 30, 2016, and December 31, 2015, are as follows:

(Unit: Korean won in thousands)

Type	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	₩ -	₩ 2,452,595	₩ -	₩ 2,452,595
Derivative liabilities	-	29,941	-	29,941

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	₩ -	₩ 1,707,695	₩ -	₩ 1,707,695
Derivative liabilities	-	24,074	-	24,074

(Unit: Indian rupee in thousands)

Type	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	Rs. -	Rs. 148,873	Rs. -	Rs. 148,873
Derivative liabilities	-	1,817	-	1,817

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	Rs. -	Rs. 103,657	Rs. -	Rs. 103,657
Derivative liabilities	-	1,461	-	1,461

- 4) The Company measures the foreign exchange forward contract (derivative assets: ₩2,452,595 thousand (Rs. 148,873 thousand), derivative liabilities: ₩29,941 thousand (Rs. 1,817 thousand)) based on the forward rate announced officially in the market as of September 30, 2016. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

As input factors used in measuring market value of foreign exchange forward are from observable exchange forward rate, the Company classified the fair value of the foreign exchange forward as Level 2.