

Ssangyong Motor Company

SEPARATE FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011 AND
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011,
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying separate financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of September 30, 2012, and the related separate statements of comprehensive income (loss) for the three and nine months ended September 30, 2012 and September 30, 2011, and the related separate statement of changes in shareholders' equity and cash flows for the nine months ended September 30, 2012 and September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying separate financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent accountants' responsibility

Our responsibility is to express a conclusion on the accompanying 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 financial statements of the Company are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1034, *Interim Financial Reporting*.

Other matters

We audited the separate statement of financial position as of December 31, 2011, and the related separate statements of comprehensive income (loss), changes in shareholders' equity and cash flows (not presented in the accompanying separate financial statements) for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed our opinion in our independent auditors' report dated on March 14, 2012. The separate statement of financial position as of December 31, 2011, presented as comparative purposes in the accompanying financial statements, does not differ, in all material respects, with the audited separate statement of financial position as of December 31, 2011.

Emphasis of matter

As explained in Note 2, in pursuant to the Enforcement Decree of the Financial Investment Services and *Capital Market Act No. 20947, Article 23*, the Company is not required to submit consolidated interim financial statements even if it has subsidiaries which are subject to consolidation in accordance with K-IFRS and may submit separate semi-annual and quarterly financial statements only by a fiscal year starting from January 1, 2012. Therefore, the Company may only present the separate interim financial statements in accordance with K-IFRS 1027 “Consolidated and Separate Financial Statements”. This applies only to interim periods and not to the annual financial statements, thus a company with subsidiaries may prepare both consolidated financial statements and separate financial statements for its annual report.



November 2, 2012

Notice to Readers

This report is effective as of November 2, 2012, the accountants’ review report date. Certain subsequent events or circumstances may have occurred between the accountants’ review report date and the time the accountant’s review report is read. Such events or circumstances could significantly affect the accompanying separate interim financial statements and may result in modifications to the accountants’ review report.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

	Korean Won		Indian - Rupee	
	<u>September 30, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2012</u>	<u>December 31, 2011</u>
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 3 and 32)	₩ 162,642,406	₩ 202,509,810	Rs. 7,400,228	Rs. 9,214,196
Trade and other receivables, net (Notes 5, 31 and 32)	182,725,505	175,943,763	8,314,010	8,005,441
Derivatives assets	12,967,682	193,301	590,030	8,795
Inventories, net (Notes 6 and 9)	268,589,176	258,859,471	12,220,808	11,778,106
Other current assets (Note 8)	<u>12,207,071</u>	<u>16,175,012</u>	<u>555,422</u>	<u>735,963</u>
Total current assets	<u>639,131,840</u>	<u>653,681,357</u>	<u>29,080,498</u>	<u>29,742,501</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 3 and 32)	6,000	6,000	273	273
Non-current available-for-sale financial assets (Notes 4 and 32)	560,000	560,000	25,480	25,480
Non-current other receivables, net (Notes 5, 31 and 32)	30,018,626	37,593,793	1,365,847	1,710,518
Property, plant and equipment, net (Notes 9 and 11)	1,052,940,658	1,038,426,146	47,908,800	47,248,390
Intangible assets (Note 10)	54,402,542	64,396,704	2,475,316	2,930,050
Investments in subsidiaries (Note 7)	4,720,009	4,456,554	214,760	202,773
Other non-current assets (Note 8)	<u>356,769</u>	<u>569,242</u>	<u>16,233</u>	<u>25,901</u>
Total non-current assets	<u>1,143,004,604</u>	<u>1,146,008,439</u>	<u>52,006,709</u>	<u>52,143,385</u>
TOTAL ASSETS	<u>1,782,136,444</u>	<u>1,799,689,796</u>	<u>81,087,207</u>	<u>81,885,886</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Notes 17 and 32)	452,384,402	384,521,594	20,583,490	17,495,733
Short-term borrowings (Notes 9, 11, 17 and 32)	30,000,000	40,567,689	1,365,000	1,845,830
Provision for product warranties (Note 14)	46,834,876	47,093,611	2,130,987	2,142,759
Other current liabilities borrowings (Notes 13, 15 and 32)	<u>48,913,311</u>	<u>45,518,171</u>	<u>2,225,555</u>	<u>2,071,077</u>
Total current liabilities	<u>₩ 578,132,589</u>	<u>₩ 517,701,065</u>	<u>Rs. 26,305,032</u>	<u>Rs. 23,555,399</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011(CONTINUED)

	Korean Won		Indian - Rupee	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debentures (Notes 11 and 32)	₩ 95,404,765	₩ 95,404,765	Rs. 4,340,917	Rs. 4,340,917
Other non-current payables (Notes 15 and 32)	46,210,070	2,150,548	2,102,558	97,850
Retirement benefit obligation (Note 16)	117,451,985	184,985,910	5,344,065	8,416,859
Other long-term employee benefits obligation	12,371,559	11,315,781	562,906	514,867
Provision for long-term product warranties (Note 14)	<u>71,973,330</u>	<u>74,914,225</u>	<u>3,274,787</u>	<u>3,408,597</u>
Total non-current liabilities	<u>343,411,709</u>	<u>368,771,229</u>	<u>15,625,233</u>	<u>16,779,090</u>
TOTAL LIABILITIES	<u><u>921,544,298</u></u>	<u><u>886,472,294</u></u>	<u><u>41,930,265</u></u>	<u><u>40,334,489</u></u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 18)	613,373,205	609,809,205	27,908,481	27,746,319
Other capital surplus (Notes 18 and 19)	125,828,844	125,496,967	5,725,212	5,710,112
Other capital adjustments (Notes 20 and 24)	9,600,800	193,310	436,836	8,796
Retained earnings (Note 21)	<u>111,789,297</u>	<u>177,718,020</u>	<u>5,086,413</u>	<u>8,086,170</u>
TOTAL SHAREHOLDERS' EQUITY	<u>860,592,146</u>	<u>913,217,502</u>	<u>39,156,942</u>	<u>41,551,397</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,782,136,444</u>	<u>₩ 1,799,689,796</u>	<u>Rs. 81,087,207</u>	<u>Rs. 81,885,886</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011

	Korean Won			
	Three months ended <u>September 30, 2012</u>	Nine months ended <u>September 30, 2012</u>	Three months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2011</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 30 and 31)	₩ 696,543,569	₩ 2,052,419,658	₩ 747,056,882	₩ 2,096,228,335
COST OF SALES (Notes 23 and 31)	<u>611,901,060</u>	<u>1,804,577,592</u>	<u>659,509,904</u>	<u>1,854,233,778</u>
GROSS PROFIT	84,642,509	247,842,066	87,546,978	241,994,557
SELLING AND ADMINISTRATIVE EXPENSES (Notes 23 and 25)	103,040,055	314,991,841	121,717,963	346,908,565
OTHER OPERATING INCOME (Note 26)	11,596,982	24,599,492	19,386,767	38,189,937
OTHER OPERATING EXPENSES (Note 26)	<u>8,648,840</u>	<u>26,657,215</u>	<u>15,848,017</u>	<u>39,203,670</u>
OPERATING LOSS	(15,449,404)	(69,207,498)	(30,632,235)	(105,927,741)
FINANCIAL INCOME (Note 27)	5,433,173	15,139,515	1,946,160	53,427,639
FINANCIAL COST (Note 27)	<u>3,413,969</u>	<u>11,857,107</u>	<u>6,729,596</u>	<u>15,185,981</u>
LOSS BEFORE INCOME TAX	₩ (13,430,200)	₩ (65,925,090)	₩ (35,415,671)	₩ (67,686,083)
INCOME TAX EXPENSE (Note 22)	-	-	-	-
NET LOSS	(13,430,200)	(65,925,090)	(35,415,671)	(67,686,083)
OTHER COMPREHENSIVE LOSS (Notes 20 and 24)	<u>17,677,619</u>	<u>9,403,857</u>	<u>(15,421)</u>	<u>(43,841)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ 4,247,419</u>	<u>₩ (56,521,233)</u>	<u>₩ (35,431,092)</u>	<u>₩ (67,729,924)</u>
LOSS PER SHARE (Note 28) Basic and diluted loss per share	₩ (110)	₩ (594)	₩ (291)	₩ (619)

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011 (CONTINUED)

	Indian-Rupee			
	Three months ended September 30, 2012 (In thousands, except per share amounts)	Nine months ended September 30, 2012 (In thousands, except per share amounts)	Three months ended September 30, 2011 (In thousands, except per share amounts)	Nine months ended September 30, 2011 (In thousands, except per share amounts)
SALES (Notes 30 and 31)	Rs. 31,692,732	Rs. 93,385,094	Rs. 33,991,088	Rs. 95,378,389
COST OF SALES (Notes 23 and 31)	<u>27,841,499</u>	<u>82,108,279</u>	<u>30,007,701</u>	<u>84,367,637</u>
GROSS PROFIT	3,851,233	11,276,815	3,983,387	11,010,752
SELLING AND ADMINISTRATIVE EXPENSES (Notes 23 and 25)	4,688,322	14,332,129	5,538,167	15,784,340
OTHER OPERATING INCOME (Note 26)	527,663	1,119,277	882,098	1,737,642
OTHER OPERATING EXPENSES (Note 26)	<u>393,522</u>	<u>1,212,904</u>	<u>721,085</u>	<u>1,783,767</u>
OPERATING LOSS	(702,948)	(3,148,941)	(1,393,767)	(4,819,713)
FINANCIAL INCOME (Note 27)	247,209	688,848	88,550	2,430,958
FINANCIAL COST (Note 27)	<u>155,336</u>	<u>539,499</u>	<u>306,197</u>	<u>690,962</u>
LOSS BEFORE INCOME TAX	Rs. (611,075)	Rs. (2,999,592)	Rs. (1,611,414)	Rs. (3,079,717)
INCOME TAX EXPENSE (Note 22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	(611,075)	(2,999,592)	(1,611,414)	(3,079,717)
OTHER COMPREHENSIVE LOSS (Notes 20 and 24)	<u>804,331</u>	<u>427,876</u>	<u>(702)</u>	<u>(1,995)</u>
TOTAL COMPREHENSIVE LOSS	<u>Rs. 193,256</u>	<u>Rs. (2,571,716)</u>	<u>Rs. (1,612,116)</u>	<u>Rs. (3,081,712)</u>
LOSS PER SHARE (Note 28)				
Basic and diluted loss per share	Rs. (5)	Rs. (25)	Rs. (13)	Rs. (28)

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011

	Korean Won							Retained earnings (accumulated) deficit)	Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus Consideration for conversion rights	Debt to be swapped for equity	Other capital adjustments			
Unreviewed balance at January 1, 2011	₩ 182,688,005	₩ 4,170,771	₩ 805,577,535	₩29,474,043	₩ 1,009,430	₩ -	₩ (404,029,300)	₩ 618,890,484	
Net loss	-	-	-	-	-	-	(67,686,083)	(67,686,083)	
Actuarial losses	-	-	-	-	-	-	(43,841)	(43,841)	
Capital increase with consideration	427,095,235	-	-	-	-	-	-	427,095,235	
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	-	
Reserve for deficit recovery	-	-	(685,225,954)	(29,474,043)	-	-	714,699,997	-	
Stock issuance cost	-	(8,850)	-	-	-	-	-	(8,850)	
Balance at September 30, 2011	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,581</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ -</u>	<u>₩ 242,940,773</u>	<u>₩ 978,246,945</u>	
Balance at January 1, 2012	₩ 609,809,205	₩ 4,213,878	₩ 120,351,580	₩ -	₩ 931,508	₩ 193,310	₩ 177,718,020	₩ 913,217,501	
Net loss	-	-	-	-	-	-	(65,925,090)	(65,925,090)	
Actuarial losses	-	-	-	-	-	-	(3,633)	(3,633)	
Capital increase with consideration	3,564,000	353,517	-	-	-	-	-	3,917,517	
Stock issuance cost	-	(21,639)	-	-	-	-	-	(21,639)	
Fair value gains on cash- flow hedges	-	-	-	-	-	9,407,490	-	9,407,490	
Balance at September 30, 2012,	<u>₩ 613,373,205</u>	<u>₩ 4,545,756</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ 9,600,800</u>	<u>₩ 111,789,297</u>	<u>₩ 860,592,146</u>	

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SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011 (CONTINUED)

	Indian Rupee							Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus Consideration for conversion rights	Debt to be swapped for equity	Other capital adjustments			
	(In thousands)								
Unreviewed balance at January 1, 2011	Rs. 8,312,304	Rs. 189,770	Rs. 36,653,778	Rs. 1,341,069	Rs. 45,929	Rs. -	Rs. (18,383,333)	Rs. 28,159,517	
Net loss	-	-	-	-	-	-	(3,079,717)	(3,079,717)	
Actuarial losses	-	-	-	-	-	-	(1,995)	(1,995)	
Capital increase with consideration	19,432,833	-	-	-	-	-	-	19,432,833	
Conversion of debt to equity	1,181	2,364	-	-	(3,545)	-	-	-	
Reserve for deficit recovery	-	-	(31,177,781)	(1,341,069)	-	-	32,518,850	-	
Stock issuance cost	-	(403)	-	-	-	-	-	(403)	
Balance at September 30, 2011	<u>Rs. 27,746,318</u>	<u>Rs. 191,731</u>	<u>Rs. 5,475,997</u>	<u>Rs. -</u>	<u>Rs. 42,384</u>	<u>Rs. -</u>	<u>Rs. 11,053,805</u>	<u>Rs. 44,510,235</u>	
Balance at January 1, 2012	Rs. 27,746,319	Rs. 191,731	Rs. 5,475,997	Rs. -	Rs. 42,384	Rs. 8,796	Rs. 8,086,170	Rs. 41,551,397	
Net loss	-	-	-	-	-	-	(2,999,592)	(2,999,592)	
Actuarial losses	-	-	-	-	-	-	(165)	(165)	
Capital increase with consideration	162,162	16,085	-	-	-	-	-	178,247	
Stock issuance cost	-	(985)	-	-	-	-	-	(985)	
Fair value gains on cash-flow hedges	-	-	-	-	-	428,040	-	428,040	
Balance at September 30, 2012	<u>Rs. 27,908,481</u>	<u>Rs. 206,831</u>	<u>Rs. 5,475,997</u>	<u>Rs. -</u>	<u>Rs. 42,384</u>	<u>Rs. 436,836</u>	<u>Rs. 5,086,413</u>	<u>Rs. 39,156,942</u>	

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011

	Korean Won		Indian-Rupee	
	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (65,925,090)	₩ (67,686,083)	Rs. (2,999,592)	Rs. (3,079,717)
Adjustment (Note 29)	137,298,437	83,485,405	6,247,079	3,798,586
Changes in net working capital (Note 29)	2,999,987	156,062,264	136,499	7,100,833
	74,373,334	171,861,586	3,383,986	7,819,702
Interests received	4,852,301	2,655,134	220,780	120,809
Interests paid	(6,519,195)	(5,284,454)	(296,623)	(240,443)
Dividend income received	83,682	11,000	3,808	501
Net cash provided by operating activities	72,790,122	169,243,266	3,311,951	7,700,569
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	2,924,268	1,714,862	133,054	78,026
Disposal of property, plant and equipment	209,645	7,156,391	9,539	325,616
Decrease in other assets	13,665	70,204	622	3,194
	3,147,578	8,941,457	143,215	406,836
Cash outflows from investing activities:				
Increase in other receivables	1,395,000	570,000	63,473	25,935
Acquisition of property, plant and equipment	91,353,398	77,115,877	4,156,580	3,508,772
Acquisition of intangible assets	16,080,341	5,832,324	731,656	265,371
Acquisition of investments in subsidiaries	263,455	-	11,987	-
Increase in other assets	-	1,845,263	-	83,959
	(109,092,194)	(85,363,464)	(4,963,696)	(3,884,037)
Net cash used in investing activities	(105,944,616)	(76,422,007)	(4,820,481)	(3,477,201)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	-	2,296,725	-	104,501
Issuance of debentures	-	95,404,765	-	4,340,917
Capital increase with consideration	3,917,517	374,763,556	178,247	17,051,742
	3,917,517	472,465,046	178,247	21,497,160

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SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011 (CONTINUED)

	<u>Korean Won</u>		<u>Indian-Rupee</u>	
	Nine months ended <u>September 30, 2012</u>	Nine months ended <u>September 30, 2011</u>	Nine months ended <u>September 30, 2012</u>	Nine months ended <u>September 30, 2011</u>
	(In thousands)		(In thousands)	
Cash outflows from financing activities:				
Redemption of borrowings	₩ 10,567,689	₩ 310,934,562	Rs. 480,830	Rs. 14,147,523
Redemption of troubled debts	-	170,294,152	-	7,748,384
Stock issuance cost	<u>21,639</u>	<u>8,850</u>	<u>985</u>	<u>403</u>
	<u>(10,589,328)</u>	<u>(481,237,564)</u>	<u>(481,815)</u>	<u>(21,896,310)</u>
Net cash used in financing activities	<u>(6,671,811)</u>	<u>(8,772,518)</u>	<u>(303,568)</u>	<u>(399,150)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(41,099)</u>	<u>197,784</u>	<u>(1,869)</u>	<u>8,999</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,867,404)	84,246,525	(1,813,967)	3,833,217
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>202,509,810</u>	<u>80,566,165</u>	<u>9,214,196</u>	<u>3,665,761</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 162,642,406</u>	<u>₩ 164,812,690</u>	<u>Rs. 7,400,229</u>	<u>Rs. 7,498,978</u>

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011

1. GENERAL:

(1) Company overview and recent changes in business environment

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

On February 6, 2009, Seoul Central District Court (the “Court”) made a decision on a corporate reorganization for the Company and on December 17, 2009 approved the relevant reorganization plan. Subsequently, in the creditors’ meeting held on January 28, 2011, an amended reorganization plan, in accordance with the merger and acquisition agreement with Mahindra & Mahindra Ltd. executed on November 23, 2010, was passed, and received the formal consent from the Court on January 31, 2011. In accordance with the amended plan, payments for the capital increase through third-party allotment of 427.1 billion Won (19.433 billion Rupee) and unguaranteed corporate bonds of 95.4 billion Won(4.34 billion Rupee) were made to the Company on February 8 and February 9 in 2011, respectively.

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

(2) Major shareholders

As of September 30, 2012, the Company’s shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of Ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	69.63
Others	37,255,594	30.37
	<u>122,674,641</u>	<u>100.00</u>

In accordance with the investment contract for the merger and acquisition, Mahindra & Mahindra Ltd. has acquired shares of the Company through the third-party allotment and become the largest shareholder of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company’s summarized separate interim financial statements, which period belongs to annual financial report, have been prepared in compliance with Korean International Financial Reporting Standards (“K-IFRS”) 1034. The audited statements of financial position as of December 31, 2011 are used as a comparative period in order to understand the interim statements of financial position.

The accounting policies applied by the Company are consistent with those followed in the preparation of the Company’s audited financial statements for the year ended December 31, 2011 and are described in these ones, except for the accounting policies explained below:

(1) Changes in accounting policies due to the adoption of new and revised K-IFRSs are as follows:

K-IFRS 1107 “Financial Instruments”: Disclosures – Transfers of Financial Assets

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any effect on the interim financial statements as of and for the period ended September 30, 2012.

Amendments to K-IFRS 1012 “Deferred Tax” – Recovery of Underlying Assets

The amendments to K-IFRS 1012 provide an exception to the general principles in K-IFRS 1012 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Investment property measured using the revaluation model under K-IFRS 1040 “Investment Property” or a non-depreciable asset measured using the revaluation model in K-IFRS 1016 “Property, Plant and Equipment”, are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. These amendments do not have any effect on the interim financial statements as of and for the period ended September 30, 2012.

(2) The Company has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

K-IFRS 1019 (as revised in 2011) “Employee Benefits”

The amendments to K-IFRS 1019 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions.

K-IFRS 1113 “Fair Value Measurement”

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won amounts into Indian Rupee ones based on the Bank of Korea Basic Rate (~~₩~~ 21.98 to Rs. 1.00 at September 30, 2012), solely for the convenience of the reader. These convenience translations into Indian Rupee 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 at any other rate of exchange.

3. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	Financial institution	September 30, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 903,795	₩ 1,249,811	Government subsidies and others
	Woori Bank and others	14,786,115	14,415,666	Pledge and doubted debt recovery
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 15,695,910</u>	<u>₩ 15,671,477</u>	

(Unit: Rupee in thousands)

	Financial institution	September 30, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 41,123	Rs. 56,866	Government subsidies and others
	Woori Bank and others	672,768	655,913	Pledge and doubted debt recovery
Long-term financial instruments	Shinhan Bank and others	273	273	Overdraft deposit
		<u>Rs. 714,164</u>	<u>Rs. 713,052</u>	

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

The Company's long-term available-for-sale ("AFS") financial assets as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification	Ownership (%)	September 30, 2012			December 31, 2011
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 656,031	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	351,402	60,000	60,000
		<u>₩ 560,000</u>	<u>₩1,007,433</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Rupee in thousands)

Classification	Ownership (%)	September 30, 2012			December 31, 2011
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 22,750	Rs. 29,849	Rs. 22,750	Rs. 22,750
Korea Management Consultants Association (*)	1.50	2,730	15,989	2,730	2,730
		<u>Rs. 25,480</u>	<u>Rs. 45,838</u>	<u>Rs. 25,480</u>	<u>Rs. 25,480</u>

(*) Since 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.

5. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from September 30, 2012 and because the present value discount effect is not material, the fair value of the aforementioned receivables is consistent with the book value.

(1) Details of current portion of trade and other receivables as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Financial liabilities	September 30, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 145,859,518	₩ 18,925,246	₩ 15,812,727	₩ 30,254,287
Receivables due from affiliated parties	12,615,847	5,421,367	-	-
Less: Allowance for doubtful accounts	(1,245,906)	(1,694,255)	(1,357)	(235,661)
	₩ 157,229,459	₩ 22,652,358	₩ 15,811,370	₩ 30,018,626

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 135,269,027	₩ 27,087,061	₩ 2,834,567	₩ 37,996,784
Receivables due from affiliated parties	9,390,769	4,770,122	-	232
Less: Allowance for doubtful accounts	(1,193,267)	(2,019,821)	(1,394)	(403,223)
	₩ 143,466,529	₩ 29,837,362	₩ 2,833,173	₩ 37,593,793

(Unit: Rupee in thousands)

Financial liabilities	September 30, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,636,608	Rs. 861,099	Rs. 719,479	Rs. 1,376,570
Receivables due from affiliated parties	574,021	246,672	-	-
Less: Allowance for doubtful accounts	(56,689)	(77,089)	(62)	(10,723)
	Rs. 7,153,940	Rs. 1,030,682	Rs. 719,417	Rs. 1,365,847

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,154,741	Rs. 1,232,461	Rs. 128,972	Rs. 1,728,854
Receivables due from affiliated parties	427,280	217,041	-	11
Less: Allowance for doubtful accounts	(54,294)	(91,902)	(63)	(18,347)
	Rs. 6,527,727	Rs. 1,357,600	Rs. 128,909	Rs. 1,710,518

(2) Credit risk and allowance for doubtful accounts

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

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

The Company's trade receivables are usually collected within 30 days, but some of the notes receivable are collected within 75 days. The Company estimates an allowance for the receivables that are overdue for more than 90 days through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

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

- 1) Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification	September 30, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,120,472	₩ 4,849,232	₩ 1,023,408	₩ 7,993,112
Non-trade receivables	220,619	455,678	4,742,426	5,418,723
Other long-term receivables	-	103,250	-	103,250
	<u>₩ 2,341,091</u>	<u>₩ 5,408,160</u>	<u>₩ 5,765,834</u>	<u>₩ 13,515,085</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,568,793	₩ 4,444,478	₩ 20,660	₩ 7,033,931
Non-trade receivables	218,450	22,279	4,535,946	4,776,675
	<u>₩ 2,787,243</u>	<u>₩ 4,466,757</u>	<u>₩ 4,556,606</u>	<u>₩ 11,810,606</u>

(Unit: Rupee in thousands)

Classification	September 30, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 96,482	Rs. 220,640	Rs. 46,565	Rs. 363,687
Non-trade receivables	10,038	20,733	215,780	246,551
Other long-term receivables	-	4,698	-	4,698
	<u>Rs. 106,520</u>	<u>Rs. 246,071</u>	<u>Rs. 262,345</u>	<u>Rs. 614,936</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 116,880	Rs. 202,224	Rs. 940	Rs. 320,044
Non-trade receivables	9,939	1,014	206,385	217,338
	<u>Rs. 126,819</u>	<u>Rs. 203,238</u>	<u>Rs. 207,325</u>	<u>Rs. 537,382</u>

- 2) Aging analysis of the impaired trade and non-trade receivables as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification	September 30, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ -	₩ -
Non-trade receivables	-	-	1,680,898	1,680,898
Other long-term receivables	-	44,250	-	44,250
	<u>₩ -</u>	<u>₩ 44,250</u>	<u>₩ 1,680,898</u>	<u>₩ 1,725,148</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ 12,293	₩ 12,293
Non-trade receivables	-	-	2,011,543	2,011,543
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,023,836</u>	<u>₩ 2,023,836</u>

(Unit: Rupee in thousands)

Classification	September 30, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. -	Rs. -
Non-trade receivables	-	-	76,481	76,481
Other long-term receivables	-	2,013	-	2,013
	<u>Rs. -</u>	<u>Rs. 2,013</u>	<u>Rs. 76,481</u>	<u>Rs. 78,494</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. 559	Rs. 559
Non-trade receivables	-	-	91,525	91,525
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 92,084</u>	<u>Rs. 92,084</u>

3) Changes in allowance for trade and other receivables for the nine months ended September 30, 2012 and the year ended December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification	Nine months ended September 30, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 1,193,267	₩ 2,019,821	₩ 1,394	₩ 403,223
Bad debt expense	52,639	-	-	44,353
Write-offs	-	-	-	-
Reversal of allowance (*)	-	(325,566)	(37)	(211,915)
Ending balance	<u>₩ 1,245,906</u>	<u>₩ 1,694,255</u>	<u>₩ 1,357</u>	<u>₩ 235,661</u>

(*) The difference with the amount in the statements of comprehensive income (loss) for the nine months ended September 30, 2012 is due to the reversal of allowance on advance payments.

Classification	Year ended December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,348,682	₩ 2,057,840	₩ 13,584	₩ 89,318
Bad debt expense	-	3,059	470	398,681
Write-offs	-	(3,059)	-	(583)
Reversal of allowance	(1,155,415)	(38,019)	(12,660)	(84,193)
Ending balance	<u>₩ 1,193,267</u>	<u>₩ 2,019,821</u>	<u>₩ 1,394</u>	<u>₩ 403,223</u>

(Unit: Rupee in thousands)

Classification	Nine months ended September 30, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 54,294	Rs. 91,902	Rs. 64	Rs. 18,347
Bad debt expense	2,395	-	-	2,018
Write-offs	-	-	-	-
Reversal of allowance (*)	-	(14,813)	(2)	(9,642)
Ending balance	<u>Rs. 56,689</u>	<u>Rs. 77,089</u>	<u>Rs. 62</u>	<u>Rs. 10,723</u>

(*) The difference with the amount in the statement of comprehensive income (loss) for the nine months ended September 30, 2012 is due to the reversal of allowance on advance payments.

Classification	Year ended December 31, 2011			
	Trad receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Beginning balance	Rs. 106,865	Rs. 93,632	Rs. 618	Rs. 4,064
Bad debt expense	-	139	21	18,140
Write-offs	-	(139)	-	(26)
Reversal of allowance	(52,571)	(1,730)	(576)	(3,831)
Ending balance	Rs. 54,294	Rs. 91,902	Rs. 63	Rs. 18,347

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

6. INVENTORIES:

Details of the inventories as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 45,084,541	₩ (354,065)	₩ 44,730,476	₩ 47,095,880	₩ (1,635,192)	₩ 45,460,688
Finished goods	58,733,813	(5,441,286)	53,292,527	40,715,388	(2,519,949)	38,195,439
Work-in- process	27,411,626	(2,495,036)	24,916,590	27,910,491	(1,411,191)	26,499,300
Raw materials	99,513,032	(6,765,906)	92,747,126	73,442,261	(6,769,758)	66,672,503
Sub-materials	5,521,538	-	5,521,538	7,253,748	-	7,253,748
Supplies	4,623,372	(2,212)	4,621,160	4,609,418	(2,212)	4,607,206
Goods in transit	42,759,759	-	42,759,759	70,170,587	-	70,170,587
Total	₩283,647,681	₩(15,058,505)	₩268,589,176	₩271,197,773	₩(12,338,302)	₩258,859,471

(Unit: Rupee in thousands)

	September 30, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,051,347	Rs. (16,110)	Rs. 2,035,237	Rs. 2,142,863	Rs. (74,401)	Rs. 2,068,462
Finished goods	2,672,388	(247,578)	2,424,810	1,852,550	(114,658)	1,737,892
Work-in- process	1,247,229	(113,524)	1,133,705	1,269,927	(64,209)	1,205,718
Raw materials	4,527,843	(307,849)	4,219,994	3,341,623	(308,024)	3,033,599
Sub-materials	251,230	-	251,230	330,046	-	330,046
Supplies	210,363	(100)	210,263	209,729	(102)	209,627
Goods in transit	1,945,569	-	1,945,569	3,192,762	-	3,192,762
Total	Rs. 12,905,969	Rs. (685,161)	Rs. 12,220,808	Rs. 12,339,500	Rs. (561,394)	Rs. 11,778,106

The Company is using the “lower of cost or market method” in its balance sheet in case that the inventories’ market value decreases under the acquisition cost. On the other hand, the reversal of inventories reserves, in accordance with the aforementioned accounting method, is recorded as a reduction of “cost of sales”; this reversal of inventories reserves amounts to ₩8,597,066 thousand (Rs. 391,167 thousand) for the nine-month period ended September 30, 2012.

7. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries as of September 30, 2012 are as follows:

(Unit: Won in thousands)

Name of subsidiary	Location	Ownership (%)	September 30, 2012		December 31, 2011
			Acquisition cost	Book value	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	₩1,618,803	₩ 2,939,632	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	1,289,417	1,780,377	1,516,922
Ssangyong European Parts Center B.V.	Netherland	100	835,695	-	-
			<u>₩3,743,915</u>	<u>₩ 4,720,009</u>	<u>₩ 4,456,554</u>

(Unit: Rupee in thousands)

Name of subsidiary	Location	Ownership (%)	September 30, 2012		December 31, 2011
			Acquisition cost	Book value	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	Rs. 73,656	Rs. 133,753	Rs. 133,753
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	58,668	81,007	69,020
Ssangyong European Parts Center B.V.	Netherland	100	38,024	-	-
			<u>Rs. 170,348</u>	<u>Rs. 214,760</u>	<u>Rs. 202,773</u>

(2) Summarized financial information for subsidiaries

The summarized financial information for the Company’s subsidiaries as of and for the nine months ended September 30, 2012 is as follows:

(Unit: Won in thousands)

Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 3,883,288	₩ 1,769,273	₩ 3,065,271	₩ (110,566)
Ssangyong Motor (Shanghai) Co., Ltd (*)	2,156,051	450,929	1,042,987	(1,106,264)
Ssangyong European Parts Center B.V.	9,729,015	13,961,718	10,579,841	429,750

(Unit: Rupee in thousands)

Companies	Assets		Liabilities		Operating revenues	Net income (loss)		
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs.	176,690	Rs.	80,502	Rs.	139,470	Rs.	(5,031)
Ssangyong Motor (Shanghai) Co., Ltd (*)		98,100		20,517		47,456		(50,335)
Ssangyong European Parts Center B.V.		442,670		635,258		481,383		19,554

(*) The Company has acquired the Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. stocks held by Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. as of September 30, 2012.

(3) Summarized statements of financial position with application of equity method

The summarized statements of financial position of the Company with application of equity method as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Account	September 30, 2012	December 31, 2011
Current assets	₩ 636,778,077	₩ 653,681,356
Non-current assets	1,137,750,343	1,146,910,433
Total assets	1,774,528,420	1,800,591,789
Current liabilities	585,409,755	517,701,065
Non-current liabilities	343,411,709	368,771,229
Total liabilities	928,821,464	886,472,294
Total shareholders' equity	845,706,956	914,119,495
Total liabilities and shareholders' equity	₩ 1,774,528,420	₩ 1,800,591,789

(Unit: Rupee in thousands)

Account	September 30, 2012	December 31, 2011
Current assets	Rs. 28,973,403	Rs. 29,742,502
Non-current assets	51,767,640	52,184,424
Total assets	80,741,043	81,926,926
Current liabilities	26,636,144	23,555,398
Non-current liabilities	15,625,233	16,779,091
Total liabilities	42,261,377	40,334,489
Total shareholders' equity	38,479,666	41,592,437
Total liabilities and shareholders' equity	Rs. 80,741,043	Rs. 81,926,926

(4) Summarized statements of comprehensive income with application of equity method

The summarized statements of comprehensive income of the Company with application of equity method for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

Account	Nine month ended September 30, 2012	Nine month ended September 30, 2011
Operating income	₩ (75,947,805)	₩ (106,868,106)
Financial revenues	14,756,552	53,427,639
Financial expenses	11,857,106	15,185,981
Loss on valuation of investments using equity method	(1,211,198)	230,176
Loss before income tax	(74,259,557)	(68,396,272)
Income taxes	-	-
Net loss	(74,259,557)	(68,396,272)
Other comprehensive loss	9,600,736	(43,841)
Total other comprehensive loss	₩ (64,658,821)	₩ (68,440,113)

(Unit: Rupee in thousands)

Account	Nine month ended September 30, 2012	Nine month ended September 30, 2011
Operating income	Rs. (3,455,625)	Rs. (4,862,499)
Financial revenues	671,423	2,430,958
Financial expenses	539,498	690,962
Loss on valuation of investments using equity method	(55,110)	10,473
Loss before income tax	(3,378,810)	(3,112,030)
Income taxes	-	-
Net loss	(3,378,810)	(3,112,030)
Other comprehensive loss	436,833	(1,995)
Total other comprehensive loss	Rs. (2,941,977)	Rs. (3,114,025)

The Company discontinued applying the equity method on Ssangyong European Parts Center B.V., since the net book value of investments in this subsidiary was valued at zero due to accumulated loss; this was used as deemed cost on transition date. Meanwhile, the unrecognized accumulated change in equity would have amounted to ₩ 6,412,840 thousand (Rs. 291,784 thousand) assuming that equity method had been applied until September 30, 2012.

8. OTHER ASSETS:

The carrying values of the other assets of the Company as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Account	September 30, 2012	December 31, 2011
Other current assets		
Advance payments	₩ 6,332,572	₩ 12,946,343
(-) Allowance for doubtful accounts	(55,331)	(72,869)
Prepaid expenses	5,280,732	2,748,375
Income tax refundable	649,098	553,163
Total	₩ 12,207,071	₩ 16,175,012
Other non-current assets		
Long-term prepaid expenses	-	207,628
Other non-current assets	356,769	361,614
Total	₩ 356,769	₩ 569,242

(Unit: Rupee in thousands)

Account	September 30, 2012	December 31, 2011
Other current assets		
Advance payments	Rs. 288,132	Rs. 589,059
(-) Allowance for doubtful accounts	(2,518)	(3,316)
Prepaid expenses	240,273	125,051
Income tax refundable	29,535	25,169
Total	Rs. 555,422	Rs. 735,963
Other non-current assets		
Long-term prepaid expenses	-	9,447
Other non-current assets	16,233	16,454
Total	Rs. 16,233	Rs. 25,901

9. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

Details of carrying amounts of property, plant and equipment as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	517,056,446	1,793,342	164,899,926	148,652,850	201,710,328
Structures	106,089,715	200,229	59,107,201	29,842,521	16,939,764
Machinery	1,217,319,417	1,034,714	1,001,667,235	99,768,952	114,848,516
Vehicles	10,874,972	3	7,119,218	1,509,359	2,246,392
Tools and molds	800,063,678	71,064	436,648,719	164,092,341	199,251,554
Equipment	53,389,288	57,533	32,558,204	5,463,851	15,309,700
Construction in progress	32,989,702	-	-	-	32,989,702
	<u>₩3,207,427,920</u>	<u>₩ 3,156,885</u>	<u>₩1,702,000,503</u>	<u>₩449,329,874</u>	<u>₩1,052,940,658</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	506,326,230	1,828,072	158,258,412	148,713,692	197,526,054
Structures	105,540,140	215,212	58,002,840	29,850,469	17,471,619
Machinery	1,210,350,462	1,127,864	981,024,609	100,089,697	128,108,292
Vehicles	11,389,549	3	7,315,731	1,581,432	2,492,383
Tools and molds	742,363,803	85,803	397,546,435	164,184,360	180,547,205
Equipment	49,653,310	46,417	33,027,963	5,779,001	10,799,929
Construction in progress	31,748,336	-	-	-	31,748,336
Machinery in transit	87,626	-	-	-	87,626
	<u>₩3,127,104,158</u>	<u>₩ 3,303,371</u>	<u>₩1,635,175,990</u>	<u>₩450,198,651</u>	<u>₩ 1,038,426,146</u>

(Unit: Rupee in thousands)

	September 30, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net carrying amount
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	23,526,068	81,596	7,502,947	6,763,705	9,177,820
Structures	4,827,082	9,110	2,689,378	1,357,835	770,759
Machinery	55,388,033	47,080	45,575,859	4,539,487	5,225,607
Vehicles	494,811	-	323,925	68,675	102,211
Tools and molds	36,402,897	3,232	19,867,517	7,466,202	9,065,946
Equipment	2,429,214	2,619	1,481,398	248,605	696,592
Construction in progress	1,501,031	-	-	-	1,501,031
	<u>Rs. 145,937,970</u>	<u>Rs. 143,637</u>	<u>Rs. 77,441,024</u>	<u>Rs. 20,444,509</u>	<u>Rs. 47,908,800</u>

December 31, 2011

	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net carrying amount
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	23,037,843	83,177	7,200,758	6,766,473	8,987,435
Structures	4,802,076	9,792	2,639,129	1,358,196	794,959
Machinery	55,070,946	51,318	44,636,620	4,554,081	5,828,927
Vehicles	518,224	-	332,866	71,955	113,403
Tools and molds	33,777,553	3,904	18,088,363	7,470,388	8,214,898
Equipment	2,259,226	2,112	1,502,771	262,945	491,398
Construction in progress	1,444,549	-	-	-	1,444,549
Machinery in transit	3,987	-	-	-	3,987
	<u>Rs. 142,283,238</u>	<u>Rs. 150,303</u>	<u>Rs. 74,400,507</u>	<u>Rs. 20,484,038</u>	<u>Rs. 47,248,390</u>

(2) Changes in the carrying amounts of property, plant and equipment for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(**)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,054	4,968,922	-	5,857,486	6,642,134	201,710,328
Structures	17,471,619	599,740	859	(1,681)	1,129,055	16,939,764
Machinery(*)	128,108,292	4,025,080	25,107	7,525,778	24,785,527	114,848,516
Vehicles	2,492,383	184,628	4,017	(1,834)	424,768	2,246,392
Tools and molds	180,547,203	23,589,451	16,160	36,281,039	41,149,979	199,251,554
Equipment(*)	10,799,929	7,047,779	94,300	(20,429)	2,423,279	15,309,700
Construction in progress	31,748,336	49,072,135	-	(47,830,769)	-	32,989,702
Machinery in transit	87,626	1,854,288	-	(1,941,914)	-	-
	<u>₩ 1,038,426,144</u>	<u>₩ 91,342,023</u>	<u>₩ 140,443</u>	<u>₩ (132,324)</u>	<u>₩ 76,554,742</u>	<u>₩ 1,052,940,658</u>

(*) Machinery and equipment include government subsidies, amounting to ₩10,500 thousand and ₩875 thousand.

(**) Depreciation expenses on assets not in use amount to ₩49,815 thousand and have been excluded from depreciation expenses' adjustment in the statement of cash flows.

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

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

(Unit: Rupee in thousands)

Nine month ended September 30, 2012

	Beginning balance	Acquisition	Disposal	Other	Depreciation (**)	Ending balance
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	8,987,435	226,086	-	266,516	302,217	9,177,820
Structures	794,959	27,288	39	(77)	51,372	770,759
Machinery(*)	5,828,927	183,141	1,142	342,422	1,127,741	5,225,607
Vehicles	113,403	8,401	183	(83)	19,327	102,211
Tools and molds	8,214,898	1,073,320	735	1,650,787	1,872,324	9,065,946
Equipment(*)	491,397	320,674	4,291	(928)	110,260	696,592
Construction in progress	1,444,550	2,232,782	-	(2,176,301)	-	1,501,031
Machinery in transit	3,987	84,370	-	(88,357)	-	-
	<u>Rs. 47,248,390</u>	<u>Rs. 4,156,062</u>	<u>Rs. 6,390</u>	<u>Rs. (6,021)</u>	<u>Rs. 3,483,241</u>	<u>Rs. 47,908,800</u>

(*) Machinery and equipment include government subsidies, amounting to Rs. 478 thousand and Rs. 40 thousand.

(**) Depreciation expenses on assets not in use amount to Rs. 2,267 thousand and have been excluded from depreciation expenses' adjustment in the statement of cash flows.

Nine month ended September 30, 2011

	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 21,491,840	Rs. -	Rs. 142,244	Rs. -	Rs. -	Rs. 21,349,596
Buildings	9,098,288	55,982	27,749	23,392	288,952	8,860,961
Structures	829,243	46,107	19,385	652	50,090	806,527
Machinery	6,443,154	165,064	450	404,361	1,076,660	5,935,469
Vehicles	65,307	78,192	648	42	21,672	121,221
Tools and molds	7,896,180	972,652	10,465	977,545	1,546,199	8,289,713
Equipment	295,743	155,406	1,191	6,664	72,472	384,150
Construction in progress	746,835	1,890,961	-	(1,258,478)	-	1,379,318
Machinery in transit	-	144,408	-	(141,810)	-	2,598
	<u>Rs. 46,866,590</u>	<u>Rs. 3,508,772</u>	<u>Rs. 202,132</u>	<u>Rs. 12,368</u>	<u>Rs. 3,056,045</u>	<u>Rs. 47,129,553</u>

(*) Depreciation in the statement of cash flows excluded government subsidies amounting to Rs. 15,387 thousand and included depreciation of other investment assets amounting to Rs. 6,078 thousand.

(3) Insured asset

The Company's assets are insured as follows (Unit: Won and Rupee in thousands; US dollar):

Type	Sum insured	Insured period	Insurer	Assets insured
Product liability insurance	USD 2,165,955,461	2012.01.01~2013.01.01	LIG Insurance Co., Ltd.	Products
Property insurance	₩ (Rs) 2,580,164,238 117,397,473)	2011.12.20~2012.12.20	Dongbu Insurance Co., Ltd.	Property, plant and equipment and inventories

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

(4) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of September 30, 2012 are as follows:

(Unit: Won in thousands except maximum amount)

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 464,918,494	₩195 (billion)
Buildings and structures	150-3 (factory site) and others	185,532,660	
Machinery	Pyeongtaek plant production facilities	55,852,953	
Total		<u>₩ 706,304,107</u>	

(Unit: Rupee in thousands except maximum amount)

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 21,153,791	Rs 8.9 (billion)
Buildings and structures	150-3 (factory site) and others	8,441,736	
Machinery	Pyeongtaek plant production facilities	2,541,310	
Total		<u>Rs. 32,136,837</u>	

10. INTANGIBLE ASSETS:

(1) Details of intangible assets as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net book value
Development cost	₩ 195,812,414	₩ -	₩ 147,937,184	₩ -	₩ 47,875,230
Patents	1,950,166	670	1,249,176	24,230	676,090
Other intangible assets	12,623,423	140,914	6,631,287	-	5,851,222
Total	<u>₩ 210,386,003</u>	<u>₩ 141,584</u>	<u>₩ 155,817,647</u>	<u>₩ 24,230</u>	<u>₩ 54,402,542</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net book value
Development cost	₩ 181,940,629	₩ -	₩ 123,176,033	₩ -	₩ 58,764,596
Patents	1,753,170	-	1,041,499	10,562	701,109
Other intangible assets	10,611,863	251,773	5,429,091	-	4,930,999
Total	<u>₩ 194,305,662</u>	<u>₩ 251,773</u>	<u>₩ 129,646,623</u>	<u>₩ 10,562</u>	<u>₩ 64,396,704</u>

(Unit: Rupee in thousands)

	September 30, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated amortization and impairment loss	Net book value
Development cost	Rs. 8,909,465	Rs. -	Rs. 6,731,142	Rs. -	Rs. 2,178,323
Patents	88,733	30	56,839	1,102	30,762
Other intangible assets	574,365	6,412	301,722	-	266,231
Total	<u>Rs. 9,572,563</u>	<u>Rs. 6,442</u>	<u>Rs. 7,089,703</u>	<u>Rs. 1,102</u>	<u>Rs. 2,475,316</u>

December 31, 2011					
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated amortization and impairment loss	Net book value
Development cost	Rs. 8,278,299	Rs. -	Rs. 5,604,510	Rs. -	Rs. 2,673,789
Patents	79,769	-	47,388	481	31,900
Other intangible assets	482,840	11,456	247,023	-	224,361
	<u>Rs. 8,840,908</u>	<u>Rs. 11,456</u>	<u>Rs. 5,898,921</u>	<u>Rs. 481</u>	<u>Rs. 2,930,050</u>

(2) Changes in intangible assets for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

Nine months ended September 30, 2012					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 58,764,596	₩ 13,871,784	₩ 24,761,150	₩ -	₩ 47,875,230
Patents	701,109	196,315	207,666	13,668	676,090
Other intangible assets(*)	4,930,999	1,968,922	1,048,699	-	5,851,222
	<u>₩ 64,396,704</u>	<u>₩ 16,037,021</u>	<u>₩ 26,017,515</u>	<u>₩ 13,668</u>	<u>₩ 54,402,542</u>

(*) Other intangible assets include government subsidies, amounting to ₩43,320 thousand.

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

(Unit: Rupee in thousands)

Nine months ended September 30, 2012					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development costs	Rs. 2,673,790	Rs. 631,166	Rs. 1,126,633	Rs. -	Rs. 2,178,323
Patents	31,900	8,932	9,448	622	30,762
Other intangible assets(*)	224,360	89,586	47,715	-	266,231
	<u>Rs. 2,930,050</u>	<u>Rs. 729,684</u>	<u>Rs. 1,183,796</u>	<u>Rs. 622</u>	<u>Rs. 2,475,316</u>

(*) Other intangible assets include government subsidies, amounting to Rs. 1,971 thousand.

Nine months ended September 30, 2011					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,823,977	Rs. 189,042	Rs. 1,089,513	Rs. -	Rs. 2,923,506
Patents	27,462	14,543	7,652	183	34,170
Other intangible assets	205,847	61,786	52,631	-	215,002
	<u>Rs. 4,057,286</u>	<u>Rs. 265,371</u>	<u>Rs. 1,149,796</u>	<u>Rs. 183</u>	<u>Rs. 3,172,678</u>

- (3) Amortizations of the Company's intangible assets for the nine months ended September 30, 2012 and September 30, 2011 are as follows.

Account	Won in thousands		Rupee in thousands	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Cost of goods manufactured	₩ 24,488,650	₩ 23,939,239	Rs. 1,114,234	Rs. 1,089,235
Selling and administrative expenses	1,528,865	1,331,006	69,563	60,561
	₩ 26,017,515	₩ 25,270,245	Rs. 1,183,797	Rs. 1,149,796

11. BORROWINGS:

- (1) The Company's short-term borrowings as of September 30, 2012 and December 31, 2011 are consist of the following.

(Unit: Won in thousands)

Creditor	Type	Interest rate (%)	September 30, 2012	December 31, 2011
Korea Development Bank	Operating fund	CD + 3.50	₩ 30,000,000	₩ 30,000,000
Korea Development Bank	Banker's usance	EUR: 3.45 USD: 2.25 JPY: 2.14	-	10,567,689
			₩ 30,000,000	₩ 40,567,689

(Unit: Rupee in thousands)

Creditor	Type	Interest rate (%)	September 30, 2012	December 31, 2011
Korea Development Bank	Operating fund	CD + 3.50	Rs. 1,365,000	Rs. 1,365,000
Korea Development Bank	Banker's usance	EUR: 3.45 USD: 2.25 JPY: 2.14	-	480,830
			Rs. 1,365,000	Rs. 1,845,830

- (2) The Company's bonds and current portion of long-term borrowings as of September 30, 2012 and December 31, 2011 consist of the followings:

(Unit: Won in thousands)

Type	Issue date	Maturity date	Interest rate (%)	September 30, 2012	December 31, 2011
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	₩ 95,404,765	₩ 95,404,765

(Unit: Rupee in thousands)

Type	Issue date	Maturity date	Interest rate (%)	September 30, 2012	December 31, 2011
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	Rs. 4,340,917	Rs. 4,340,917

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

Creditor	Assets pledged as collaterals	Pledged date	Maximum credit amount
Korea Development Bank	Land, buildings and machinery	2009-08-13	₩195 billion (Rs.8.9 billion)

12. DEBT RESTRUCTURING

The Company completed its debt restructuring, in accordance with the Court approval of the Company's reorganizing plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩421,335,095 thousand (Rs. 19,170,747 thousand). In addition, the Company recognized a gain on exemption of debts amounting to ₩49,047,989 thousand (Rs. 2,231,683 thousand) on January 28, 2011, as a consequence of the approval of the debt reorganizing plan.

13. OTHER FINANCIAL LIABILITIES:

Carrying value of the Company's other financial liabilities as of September 30, 2012 and December 31, 2011 is as follows:

Classification	Won in thousands		Rupee in thousands	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Other long-term financial liabilities:	₩ 17,110,095	₩ 16,599,583	Rs. 778,509	Rs. 755,281

14. 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, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Sep. 30, 2012	₩122,007,836	₩ 45,906,001	₩49,105,631	₩118,808,206	₩ 46,834,876	₩ 71,973,330
Dec. 31, 2011	77,265,249	101,046,995	56,304,408	122,007,836	47,093,611	74,914,225

(Unit: Rupee in thousands)

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Sep. 30, 2012	Rs. 5,551,356	Rs. 2,088,725	Rs. 2,234,307	Rs. 5,405,774	Rs. 2,130,987	Rs. 3,274,787
Dec. 31, 2011	3,515,569	4,597,638	2,561,851	5,551,356	2,142,759	3,408,597

15. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying values of the Company's other liabilities as of September 30, 2012 and December 31, 2011 are as follows:

Classification	Won in thousands		Rupee in thousands	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Other liabilities				
Advances from customers	₩ 4,105,411	₩ 5,730,529	Rs. 186,796	Rs. 260,739
Deposits received	461,095	469,498	20,980	21,362
Withholdings	12,746,888	17,578,565	579,983	799,825
Income in advance	13,858,586	4,087,888	630,566	185,999
Total	31,171,980	27,866,480	1,418,325	1,267,925
Other long-term liabilities				
Withholdings	₩ 8,270	₩ 8,270	Rs. 376	Rs. 376

16. RETIREMENT BENEFIT OBLIGATION:

- (1) Defined benefit plans and related liabilities arising from the Company's financial statements configuration items as of September 30, 2012 and December 31, 2011 are as follows:

Classification	Won in thousands		Rupee in thousands	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Present value of defined benefit obligation	₩ 120,175,460	₩ 188,058,593	Rs. 5,467,983	Rs. 8,556,666
Fair value of plan assets	(2,723,475)	(3,072,683)	(123,918)	(139,807)
	<u>₩ 117,451,985</u>	<u>₩ 184,985,910</u>	<u>Rs. 5,344,065</u>	<u>Rs. 8,416,859</u>

- (2) Details of defined benefit plan recognized on the statements of operations for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Current service cost	₩ 17,292,380	₩ 14,678,765
Interest cost	6,013,088	6,406,166
Expected return on plan assets	(70,184)	(120,728)
Curtailement cost	(1,594,787)	-
	<u>₩ 21,640,497</u>	<u>₩ 20,964,203</u>

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Current service cost	Rs. 786,803	Rs. 667,884
Interest cost	273,596	291,480
Expected return on plan assets	(3,193)	(5,493)
Curtailement cost	(72,563)	-
	<u>Rs. 984,643</u>	<u>Rs. 953,871</u>

- (3) Expenses related to defined benefit plan for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September, 2011
Cost of goods manufactured	₩ 15,427,657	₩ 15,026,726
Selling and administrative expenses	6,212,840	5,937,477
	<u>₩ 21,640,497</u>	<u>₩ 20,964,203</u>

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September, 2011
Cost of goods manufactured	Rs. 701,959	Rs. 683,716
Selling and administrative expenses	282,684	270,155
	<u>Rs. 984,643</u>	<u>Rs. 953,871</u>

- (4) Changes in the Company's defined benefit obligation for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Beginning balance	₩ 188,058,593	₩ 151,897,559
Current service costs	17,292,380	14,678,765
Interest costs	6,013,088	6,406,166
Actuarial gains (losses)	-	-
Wages paid	(14,789,742)	(5,811,466)
Wages paid from scheme assets	(316,710)	(131,904)
Curtailment cost	(1,594,787)	-
Settlements	(74,487,362)	-
Ending balance	<u>₩ 120,175,460</u>	<u>₩ 167,039,120</u>

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Beginning balance	Rs. 8,556,666	Rs. 6,911,339
Current service costs	786,803	667,884
Interest costs	273,596	291,481
Actuarial gains (losses)	-	-
Wages paid	(672,933)	(264,422)
Wages paid from scheme assets	(14,410)	(6,002)
Curtailment cost	(72,563)	-
Settlements	(3,389,176)	-
Ending balance	<u>Rs. 5,467,983</u>	<u>Rs. 7,600,280</u>

- (5) Changes in the fair value of plan assets for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Beginning balance	₩ 3,072,683	₩ 3,219,524
Expected return on plan assets	70,184	120,728
Actuarial gains (losses)	(3,633)	(43,841)
Wages paid	(316,710)	(131,904)
Settlements	(99,049)	-
Ending balance	<u>₩ 2,723,475</u>	<u>₩ 3,164,507</u>

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Beginning balance	Rs. 139,807	Rs. 146,488
Expected return on plan assets	3,193	5,494
Actuarial gains (losses)	(165)	(1,995)
Wages paid	(14,410)	(6,002)
Settlements	(4,507)	-
Ending balance	<u>Rs. 123,918</u>	<u>Rs. 143,985</u>

(6) Actuarial assumptions used as of September 30, 2012 and December 31, 2011 are as follows:

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Discount rate (%)	4.80	4.80
Expected return on plan assets (%)	3.08	3.08
Expected rate of salary increase (%)	5.32	5.32

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

(7) The actual return on plan assets for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

	<u>Won in thousands</u>		<u>Rupee in thousands</u>	
	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Actual return on plan assets	₩ 66,551	₩ 76,887	Rs. 3,028	Rs. 3,498

(8) Company's plan assets as of September 30, 2012 and December 31, 2011 are as follows:

	<u>Won in thousands</u>		<u>Rupee in thousands</u>	
	<u>September 30, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Other assets	₩ 2,723,475	₩ 3,072,683	Rs. 123,918	Rs. 139,807

17. CONTINGENCIES AND COMMITMENTS:

The major commitments and contingent liabilities as of September 30, 2012 are the followings.

- (1) The Company carries a product-liability insurance for all products sold in domestic region.
- (2) As of September 30, 2012, the company has been providing guarantees from WOORI BANK and others amounting to USD 14,458,000, EUR 14,688,000, JPY 142,130,000 related to import L/C. Detailed information is as follows:

<u>Guarantees provided by</u>	<u>Contract period</u>	<u>Contract price (USD)</u>	<u>Amount execution</u>		<u>Detail</u>
WOORIBANK	2012.08.23~2013.08.23	USD 40,000,000	USD 13,346,000	USD 1,112,000	Usance import credit limit
KDB	2012.07.27~2013.07.27	USD 65,000,000	EUR 14,688,000	JPY 142,130,000	Usance import credit limit

(3) The major loan arrangements with financial institutions as of September 30, 2012 are the followings:

(Unit: Won in thousands)

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Limit loans	₩ 50,000,000	₩ -
	Operating purpose loans	30,000,000	30,000,000
		<u>₩ 80,000,000</u>	<u>₩ 30,000,000</u>

(Unit: Rupee in thousands)

Financial institution	Classification	Limit	Exercise price
KDB	Limit loans	Rs 2,275,000	Rs -
	Operating purpose loans	1,365,000	1,365,000
		Rs 3,640,000	Rs 1,365,000

(4) As of September 30, 2012, the Company has three pending litigations as a plaintiff, with claims amounting to ₩15,080 million (Rs. 686 million), and twenty-three pending litigations as a defendant, with claims amounting to ₩12,475 million (Rs. 568 million). Details of significant pending litigations as of September 30, 2012 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Won in thousands)	(Rupee in thousands)			
Compensation for damages	₩ 10,000,000	RS 455,000	The Company	Federation of Korean Metal Workers' Trade Union	1st trial pending
Compensation for damages	5,000,000	227,500	The Company	Labor Union, Kap Deuk Jung and others	1st trial pending
Wages	4,464,000	203,112	Sung-Ho Lee and 255 others	The Company	1st trial pending
Void dismissal	3,020,015	137,411	Suk-joo Noh and 153 others	The Company	2nd trial pending (1st trial win)
Objection to confirmation trial	1,560,000	70,980	SK E&C Co., Ltd.	The Company	2nd trial lose (1st trial win)
Debt non-existence confirmation	959,090	43,639	Telstar Hommel	The Company	2nd trial pending (1st trial win)
Unfair dismissal Remedies	80,000	3,640	The Company	Central Labor Council	2nd trial pending (1st trial lose)
Void dismissal confirmation	220,001	10,010	Jong-shik Lee and 20 others	The Company	2nd trial pending (1st trial win)
Void dismissal confirmation	200,001	9,100	Sang-gyun Han and 9 others	The Company	1st trial pending
Void dismissal confirmation	40,000	1,820	Kyung-min Kim and another	The Company	2nd trial pending
Injunction for prohibition of disposal of shares	₩ 407,154	Rs. 18,526	MPRO Technology Co. Ltd.	The Company	1rd trial pending

The Company recognized other payables amounting to ₩2,660,717 thousand (Rs. 121,063 thousand) for the above pending litigations that are expected to be a probable loss and can be reasonably estimated as of September 30, 2012.

18. CAPITAL STOCK:

Details of capital stocks as of September 30, 2012 and December 31, 2011 are as follows:

Classification	Won in thousands except par value		Rupee in thousands except par value	
	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2011
Number of authorized shares	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Number of issued shares	122,674,641	121,961,841	122,674,641	121,961,841
Par value	5,000	5,000	228	228
Capital stock	₩ 613,373,205	₩ 609,809,205	Rs. 27,908,481	Rs. 27,746,319

- (1) As a plan for building co-employee-management culture, the Company decided at the board of directors meeting on May 2, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 644,550 shares for employees through the association. The Company exercised the paid-in capital increase on May 19, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩3,222,750 thousand (Rs. 146,635 thousand) and ₩328,852 thousand (Rs. 14,963 thousand) for the nine months ended September 30, 2012.
- (2) As a plan for supporting unpaid employee laid off, the Company decided at the board of directors meeting on July 25, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 68,250 shares for employees through the association. The Company exercised the paid-in capital increase on August 14, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩341,250 thousand (Rs. 15,527 thousand) and ₩3,026 thousand (Rs. 138 thousand) for the nine months ended September 30, 2012.

19. OTHER CAPITAL SURPLUS:

Details of the Company's other capital surplus and retained earnings as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification		September 30, 2012	December 31, 2011
Other Capital Surplus	Paid-in capital in excess of par value	₩ 4,545,756	₩ 4,213,879
	Gain on retirement of capital stock	120,351,580	120,351,580
	Debt converted to equity	931,508	931,508
		₩ 125,828,844	₩ 125,496,967

(Unit: Rupee in thousands)

Classification		September 30, 2012	December 31, 2011
Other Capital Surplus	Paid-in capital in excess of par value	Rs. 206,831	Rs. 191,731
	Gain on retirement of capital stock	5,475,997	5,475,997
	Debt converted to equity	42,384	42,384
		Rs. 5,725,212	Rs. 5,710,112

20. OTHER CAPITAL ADJUSTMENTS

- (1) Detail of the Company's other capital adjustments as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification		September 30, 2012	December 31, 2011
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ 9,600,800	₩ 193,310

(Unit: Rupee in thousands)

Classification		September 30, 2012	December 31, 2011
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. 436,836	Rs. 8,796

- (2) Changes in the Company's gains (losses) on valuation of derivatives for the nine months ended September 30, 2012 and the year ended December 31, 2011 are as follows:

	Won in thousands		Rupee in thousands	
	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2012	Year ended December 31, 2011
Beginning balance	₩ 193,310	₩ -	Rs. 8,796	Rs. -
Gains (losses) on valuation of derivatives	9,407,490	193,310	428,040	8,796
Ending balance	₩ 9,600,800	₩ 193,310	Rs. 436,836	Rs. 8,796

21. RETAINED EARNINGS

- (1) Details of the Company's retained earnings as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012	December 31, 2011
Retained earnings	₩ 117,789,297	₩ 177,718,020

(Unit: Rupee in thousands)

	September 30, 2012	December 31, 2011
Retained earnings	Rs. 5,086,413	Rs. 8,086,170

- (2) Changes in retained earnings for the nine months ended September 30, 2012 and the year ended December 31, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended	Year ended
	September 30, 2012	December 31, 2011
Beginning balance	₩ 177,718,020	₩ (404,029,299)
Loss on appropriated retained earnings	(65,925,090)	(112,438,814)
Actuarial losses	(3,633)	(20,513,864)
Appropriated retained earnings for deficit recovery	-	714,699,997
Ending balance	₩ 117,789,297	₩ 177,718,020

(Unit: Rupee in thousands)

	Nine months ended	Year ended
	September 30, 2012	December 31, 2011
Beginning balance	Rs. 8,086,170	Rs. (18,383,333)
Loss on appropriated Retained earnings	(2,999,592)	(5,115,966)
Actuarial losses	(165)	(933,381)
Appropriated retained earnings for deficit recovery	-	32,518,850
Ending balance	Rs. 5,086,413	Rs. 8,086,170

22. INCOME TAX:

- (1) The compositions of income tax expenses for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Current income tax payable	₩ -	₩ -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	₩ -	₩ -

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Current income tax payable	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	Rs. -	Rs. -

- (2) The changes in temporary differences and deferred income tax assets for the nine months ended September 30, 2012 are as follow:

(Unit: Won in thousands)

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowances for doubtful accounts	₩ (1,781,828)	₩ 1,535,377	₩ 4,463,466	₩ 1,146,261
Government subsidies	5,565,857	1,303,113	21,981	4,284,725
Provisions for product warranties	122,007,836	122,007,836	118,808,206	118,808,206
Accrued severance indemnities	180,520,441	-	12,334,594	192,855,035
Impairment loss on property, plant and equipment, net	131,688,428	32,597,687	73,619,050	172,709,791
Development costs	42,473,990	69,708,395	27,591,784	357,379
Depreciations	9,532,068	1,755,920	2,773,712	10,549,860
Other payables	13,838,928	13,838,928	93,555,891	93,555,891
Accrued expenses	15,552,941	15,552,941	15,955,203	15,955,203
Investments in subsidiaries	2,684,828	-	178,862	2,863,690
Gains (losses) on foreign currency translation	1,212,429	-	(19,318,719)	(18,106,290)
Present value discounts	(8,398,864)	-	(56,982,219)	(65,381,083)
Other long-term employee benefits	12,367,890	-	-	12,367,890
Land	(261,695,316)	-	988,077	(260,707,239)
Other	(628,420)	(272,810)	(517,535)	(873,145)
Deficit carried over	1,051,562,801	-	220,513,338	1,272,076,139
Total	₩ 1,316,504,009			₩ 1,552,462,313
Not recognized as deferred tax assets	1,316,504,009			1,552,462,313
Recognized as deferred tax assets	-			-

Description	Beginning balance	Decrease	Increase	Ending balance
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carried forward	20,026,962			20,026,962
Not recognized as deferred tax assets	20,026,962			20,026,962
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	-			-

(Unit: Rupee in thousands)

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowances for doubtful accounts	Rs. 81,073	Rs. 69,860	Rs. 203,088	Rs. 52,154
Government subsidies	253,246	59,292	1,000	194,954
Provisions for product warranties	5,551,357	5,551,357	5,405,773	5,405,773
Accrued severance indemnities	8,213,680	-	561,224	8,774,904
Impairment loss on property, plant and equipment, net	5,991,823	1,483,195	3,349,667	7,858,295
Development costs	1,932,567	3,171,732	1,255,426	16,261
Depreciations	433,709	79,894	126,204	480,019
Other payables	629,671	629,671	4,256,793	4,256,793
Accrued expenses	707,659	707,659	725,962	725,962
Investments in subsidiaries	122,160	-	8,138	130,298
Gains (losses) on foreign currency translation	55,166	-	(879,002)	(823,836)
Present value discounts	(382,148)	-	(2,592,691)	(2,974,839)
Other long-term employee benefits	562,739	-	-	562,739
Land	(11,907,137)	-	44,958	(11,862,179)
Other	(28,593)	(12,413)	(23,548)	(39,728)
Deficit carried over	47,846,107	-	10,033,358	57,879,465
Total	59,900,932	-	-	70,637,035
Not recognized as deferred tax assets	59,900,932			70,637,035
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carried forward	911,227			911,227
Not recognized as deferred tax assets	911,227			911,227
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-

Description	Beginning balance	Decrease	Increase	Ending balance
Total deferred income tax	-			-

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

23. EXPENSES BY CATEGORY:

Details of expenses classified by category for the nine month ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	₩ (15,097,089)	₩ -	₩ -	₩ -	₩ (15,097,089)
Work-in-process	1,582,709	-	-	-	1,582,709
Merchandise goods	730,214	-	-	-	730,214
Raw materials used	-	1,332,901,599	-	-	1,332,901,599
Purchase of merchandise goods	-	150,708,556	-	-	150,708,556
Employee benefits	-	126,241,181	-	32,116,921	158,358,102
Depreciations	-	69,513,969	-	3,454,244	72,968,213
Amortizations	-	24,488,650	-	1,528,865	26,017,515
Service fees	-	702,115	-	7,336,713	8,038,828
Ordinary development costs	-	67,848,152	-	9,651,876	77,500,028
Warranty expenses	-	-	36,259,517	-	36,259,517
Sales commissions	-	-	80,278,826	-	80,278,826
Export expenses	-	-	56,728,591	-	56,728,591
Others	-	44,957,536	44,006,322	43,629,966	132,593,824
	₩ (12,784,166)	₩ 1,817,361,758	₩ 217,273,256	₩ 97,718,585	₩ 2,119,569,433

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

(Unit: Rupee in thousands)

Nine months ended September 30, 2012					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. (686,920)	Rs. -	Rs. -	Rs. -	Rs. (686,920)
Work-in-process	72,013	-	-	-	72,013
Merchandise goods	33,225	-	-	-	33,225
Raw materials used	-	60,647,023	-	-	60,647,023
Purchase of merchandise goods	-	6,857,239	-	-	6,857,239
Employee benefits	-	5,743,974	-	1,461,320	7,205,294
Depreciations	-	3,162,886	-	157,168	3,320,054
Amortizations	-	1,114,234	-	69,563	1,183,797
Service fees	-	31,946	-	333,820	365,766
Ordinary development costs	-	3,087,091	-	439,160	3,526,251
Warranty expenses	-	-	1,649,808	-	1,649,808
Sales commissions	-	-	3,652,687	-	3,652,687
Export expenses	-	-	2,581,151	-	2,581,151
Others	-	2,045,568	2,002,287	1,985,165	6,033,020
	<u>Rs. (581,682)</u>	<u>Rs. 82,689,961</u>	<u>Rs. 9,885,933</u>	<u>Rs. 4,446,196</u>	<u>Rs. 96,440,408</u>

Nine months ended September 30, 2011					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. (1,769,389)	Rs. -	Rs. -	Rs. -	Rs. (1,769,389)
Work-in-process	88,877	-	-	-	88,877
Merchandise goods	300,946	-	-	-	300,946
Raw materials used	-	62,648,678	-	-	62,648,678
Purchase of merchandise goods	-	7,085,508	-	-	7,085,508
Employee benefits	-	5,799,922	-	1,394,222	7,194,144
Depreciations	-	2,797,932	-	108,040	2,905,972
Amortizations	-	1,089,235	-	60,561	1,149,796
Service fees	-	58,236	-	370,903	429,139
Ordinary development costs	-	3,235,845	-	580,268	3,816,113
Warranty expenses	-	-	3,513,183	-	3,513,183
Sales commissions	-	-	3,173,509	-	3,173,509
Export expenses	-	-	2,980,937	-	2,980,937
Others	-	3,031,847	1,858,989	1,743,728	6,634,564
	<u>Rs. (1,379,566)</u>	<u>Rs. 85,747,203</u>	<u>Rs. 11,526,618</u>	<u>Rs. 4,257,722</u>	<u>Rs. 100,151,977</u>

24. DERIVATIVES FINANCIAL INSTRUMENTS:

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument).

Cash flow risk aversion accounting treatment is applied on valuation of derivatives for ₩9,600,800 thousand (Rs. 436,836 thousand) recorded as other capitals components and also, ₩3,366,882 thousand (Rs. 153,193 thousand) was recognized as accumulated other comprehensive income for the nine month ended September 30, 2012.

25. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the periods ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Warranty expenses	₩ 10,922,792	₩ 36,259,517	₩ 31,223,921	₩ 77,212,812
Sales commissions	28,710,421	80,278,826	24,156,962	69,747,453
Sales promotional expenses	5,381,389	18,488,698	4,568,273	15,330,930
Packaging expenses	888,197	2,709,124	886,310	2,583,668
Freight expenses	2,033,713	6,184,178	1,470,146	4,498,575
Advertising expenses	4,041,148	16,624,322	5,695,446	18,443,728
Export expenses	18,798,124	56,728,591	22,429,304	65,515,103
	<u>₩ 70,775,784</u>	<u>₩ 217,273,256</u>	<u>₩ 90,430,362</u>	<u>₩ 253,332,269</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Warranty expenses	Rs. 496,987	Rs. 1,649,808	Rs. 1,420,688	Rs. 3,513,183
Sales commissions	1,306,324	3,652,687	1,099,142	3,173,509
Sales promotional expenses	244,853	841,236	207,856	697,557
Packaging expenses	40,413	123,265	40,327	117,557
Freight expenses	92,534	281,380	66,892	204,685
Advertising expenses	183,872	756,406	259,143	839,190
Export expenses	855,315	2,581,151	1,020,533	2,980,937
	<u>Rs. 3,220,298</u>	<u>Rs. 9,885,933</u>	<u>Rs. 4,114,581</u>	<u>Rs. 11,526,618</u>

(2) Administrative expenses for the periods ended September 30, 2012 and 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 9,778,863	₩ 28,707,761	₩ 8,839,215	₩ 27,696,045
Post-employment benefits	891,377	3,409,160	985,270	2,946,205
Employee benefits	2,628,189	8,081,350	2,605,147	6,034,480
Travel expenses	264,522	743,885	213,840	748,255
Communication expenses	250,622	748,838	252,229	704,021
Electricity expenses	120,223	383,058	98,907	328,969
Utility expenses	30,473	177,775	29,679	171,848
Taxes and dues	1,266,090	2,525,131	975,052	2,042,411
Rent expense	3,179,292	10,680,586	3,148,709	9,771,957
Repair expenses	231,362	618,837	359,147	709,380
Insurance	37,287	110,477	42,168	117,982
Entertainment expenses	123,869	284,825	79,026	158,615
Vehicles	201,950	583,927	241,959	719,211
Overseas marketing expenses	60,869	189,296	69,625	198,345
Training	308,510	822,071	342,487	670,489
Printing	55,477	205,686	94,401	312,782
Supplies	84,162	272,417	77,251	254,601
Conference expenses	29,455	115,402	-	-
Service fees	2,688,774	7,336,713	1,997,536	8,151,714
Litigation expenses	83,913	170,037	-	-
Outsourcing expense	3,703,263	12,379,200	3,649,536	10,977,946
Computing expense	1,235,912	3,817,417	1,323,254	3,723,387

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Depreciation	1,242,790	3,454,244	866,304	2,374,505
Miscellaneous expenses	317,464	667,112	-	-
R&D expenses	2,919,815	9,651,876	4,318,399	12,753,143
Amortization	529,748	1,528,865	405,255	1,331,006
Bad debt expense	-	52,639	-	3,059
Other administrative expenses	-	-	273,205	675,940
	<u>₹ 32,264,271</u>	<u>₹ 97,718,585</u>	<u>₹ 31,287,601</u>	<u>₹ 93,576,296</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Salaries	Rs. 444,938	Rs. 1,306,203	Rs. 402,184	Rs. 1,260,170
Post-employment benefits	40,558	155,117	44,830	134,052
Employee benefits	119,583	367,701	118,534	274,569
Travel expenses	12,036	33,847	9,730	34,046
Communication expenses	11,403	34,072	11,476	32,033
Electricity expenses	5,470	17,429	4,500	14,968
Utility expenses	1,387	8,089	1,350	7,819
Taxes and dues	57,607	114,893	44,365	92,930
Rent expense	144,658	485,967	143,266	444,624
Repair expenses	10,527	28,157	16,341	32,277
Insurance	1,697	5,027	1,919	5,368
Entertainment expenses	5,636	12,960	3,596	7,217
Vehicles	9,189	26,569	11,009	32,724
Overseas marketing expenses	2,770	8,613	3,168	9,025
Training	14,037	37,404	15,583	30,507
Printing	2,524	9,359	4,295	14,232
Supplies	3,829	12,395	3,515	11,584
Conference expenses	1,340	5,251	-	-
Service fees	122,339	333,820	90,888	370,903
Litigation expenses	3,818	7,737	-	-
Outsourcing expense	168,498	563,254	166,054	499,497
Computing expense	56,234	173,692	60,208	169,414
Depreciation	56,547	157,168	39,417	108,040
Miscellaneous expenses	14,445	30,354	-	-
R&D expenses	132,852	439,160	196,487	580,268
Amortization	24,104	69,563	18,439	60,561
Bad debt expense	-	2,395	-	139
Other administrative expenses	-	-	12,431	30,754
	<u>Rs. 1,468,026</u>	<u>Rs. 4,446,196</u>	<u>Rs. 1,423,585</u>	<u>Rs. 4,257,721</u>

26. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the periods ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Fee income	₩ 3,084,093	₩ 3,818,361	₩ 1,279,612	₩ 1,284,472
Gain on foreign currency transactions	1,680,712	5,743,124	7,840,554	11,852,192
Gain on foreign currency translations	71,099	393,590	1,205,798	2,223,417
Reversal of allowances for doubtful accounts	759,414	555,057	69,384	574,918
Gain on disposal of property, plant and equipment	70,189	197,369	80,979	3,336,469
Gain on disposal of investment assets	849	12,511	2,660	2,660
Product warranty reserve	1,144,927	3,677,830	5,376,531	7,875,685
Others, net	4,785,699	10,201,650	3,531,249	11,040,124
	<u>₩ 11,596,982</u>	<u>₩ 24,599,492</u>	<u>₩ 19,386,767</u>	<u>₩ 38,189,937</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Fee income	Rs. 140,326	Rs. 173,735	Rs. 58,222	Rs. 58,443
Gain on foreign currency transactions	76,472	261,312	356,745	539,275
Gain on foreign currency translations	3,235	17,908	54,864	101,165
Reversal of allowances for doubtful accounts	34,553	25,255	3,157	26,159
Gain on disposal of property, plant and equipment	3,194	8,980	3,685	151,809
Gain on disposal of investment assets	39	569	121	121
Product warranty reserve	52,094	167,341	244,632	358,344
Others, net	217,750	464,177	160,672	502,326
	<u>Rs. 527,663</u>	<u>Rs. 1,119,277</u>	<u>Rs. 882,098</u>	<u>Rs. 1,737,642</u>

2) Details of the Company's other operating expenses for the periods ended September 30, 2012 and 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Loss on foreign currency transactions	₩ 3,279,472	₩ 8,270,029	₩ 5,539,463	₩ 11,826,964
Loss on foreign currency translations	-	586,064	926,433	1,460,694
Depreciation on asset not in use	16,605	49,815	3,674	11,190
Loss on disposal of property, plant and equipment	47,076	128,167	490,404	594,184
Loss on disposal of investment assets	953	16,935	9	9
Loss on disposal of trade receivables	2,241,884	7,199,030	3,976,607	12,406,946
Impairment loss on investment assets	690	119,080	42,208	42,208
Impairment loss on intangible assets	4,609	13,668	785	4,011
Other bad debt expense	44,353	44,353	-	-
Others	3,013,198	10,230,074	4,868,434	12,857,464
	<u>₩ 8,648,840</u>	<u>₩ 26,657,215</u>	<u>₩ 15,848,017</u>	<u>₩ 39,203,670</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Loss on foreign currency transactions	Rs. 149,216	Rs. 376,286	Rs. 252,046	Rs. 538,127
Loss on foreign currency translations		26,666	42,153	66,462
Depreciation on asset not in use	756	2,267	167	509
Loss on disposal of property, plant and equipment	2,142	5832	22,313	27,035
Loss on disposal of investment assets	43	771	-	-
Loss on disposal of trade receivables	102,006	327,556	180,936	564,516
Impairment loss on investment assets	31	5,418	1,920	1,920
Impairment loss on intangible assets	210	622	36	183
Other bad debt expense	2,018	2,018	-	-
Others	137,100	465,468	221,514	585,015
	<u>Rs. 393,522</u>	<u>Rs. 1,212,904</u>	<u>Rs. 721,085</u>	<u>Rs. 1,783,767</u>

27. FINANCIAL REVENUES AND EXPENSES:

(1) Details of the Company's financial revenues for the periods ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Interest income	₩ 1,757,805	₩ 5,363,824	₩ 1,565,126	₩ 3,031,136
Dividend income	81,421	388,963	-	11,000
Gain on foreign currency transactions	121,044	1,457,167	-	-
Gain on foreign currency translations	54,362	37	1,534	958,014
Gain on disposal of derivatives	1,918,540	3,968,290	379,500	379,500
Gain on evaluation of derivatives	1,500,001	3,366,882	-	-
Gain on debt exemption	-	594,352	-	49,047,988
	<u>₩ 5,433,173</u>	<u>₩ 15,139,515</u>	<u>₩ 1,946,160</u>	<u>₩ 53,427,639</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Interest income	Rs. 79,980	Rs. 244,054	Rs. 71,213	Rs. 137,917
Dividend income	3705	17,698	-	501
Gain on foreign currency transactions	5507	66,301	-	-
Gain on foreign currency translations	2,473	2	70	43,590
Gain on disposal of derivatives	87,294	180,557	17,267	17,267
Gain on evaluation of derivatives	68,250	153,193	-	-
Gain on debt exemption	-	27,043	-	2,231,683
	<u>Rs. 247,209</u>	<u>Rs. 688,848</u>	<u>Rs. 88,550</u>	<u>Rs. 2,430,958</u>

(2) Details of the Company's financial costs for the periods ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Interest expense	₩ 2,324,788	₩ 6,952,499	₩ 1,783,826	₩ 8,247,764
Loss on foreign currency transactions	667,471	1,581,762	-	-
Loss on foreign currency translations	-	41,136	130,996	2,123,443
Loss on disposal of derivatives	421,710	3,281,710	1,434,500	1,434,500
Loss on evaluation of derivatives	-	-	3,380,274	3,380,274
	<u>₩ 3,413,969</u>	<u>₩ 11,857,107</u>	<u>₩ 6,729,596</u>	<u>₩ 15,185,981</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Interest expense	Rs. 105,778	Rs. 316,339	Rs. 81,164	Rs. 375,273
Loss on foreign currency transactions	30,370	71,971	-	-
Loss on foreign currency translation	-	1,872	5,961	96,617
Loss on disposal of derivatives	19,188	149,318	65,270	65,270
Loss on evaluation of derivatives	-	-	153,802	153,802
	<u>Rs. 155,336</u>	<u>Rs. 539,499</u>	<u>Rs. 306,197</u>	<u>Rs. 690,962</u>

(3) Details of the Company's financial net profit for the periods ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Loans & receivables	₩ 69,031	₩ 216,141	₩ 79,733	₩ 246,564
Available-for-sale financial assets	-	6,000	-	11,000
Derivatives	-	-	(4,435,274)	(4,435,274)
Other financial liabilities	1,950,173	3,060,268	(427,895)	42,419,369
	<u>₩ 2,019,204</u>	<u>₩ 3,282,409</u>	<u>₩ (4,783,436)</u>	<u>₩ 38,241,659</u>

(Unit: Rupee in thousands)

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Loans & receivables	Rs. 3,141	Rs. 9,834	Rs. 3,628	Rs. 11,219
Available-for-sale financial assets	-	273	-	501
Derivatives	-	-	(201,805)	(201,805)
Other financial liabilities	88,732	139,241	(19,470)	1,930,082
	<u>Rs. 91,873</u>	<u>Rs. 149,349</u>	<u>Rs. (217,647)</u>	<u>Rs. 1,739,996</u>

28. LOSS PER SHARE:

(1) Basic loss per share for the periods ended September 30, 2012 and 2011 is calculated as follows:

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

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Net loss	₩ (13,430,200)	₩ (65,925,090)	₩ (35,415,671)	₩ (67,686,083)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(13,430,200)	(65,925,090)	(35,415,671)	(67,686,083)
Number of common stocks outstanding	122,641,258	122,291,118	121,539,603	109,336,882
Basic and diluted loss per share	₩ (110)	₩ (539)	₩ (291)	₩ (619)

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

	Periods ended September 30, 2012		Periods ended September 30, 2011	
	Three months	Nine months	Three months	Nine months
Net loss	Rs. (611,075)	Rs. (2,999,592)	Rs. (1,611,414)	Rs. (3,079,717)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(611,075)	(2,999,592)	(1,611,414)	(3,079,717)
Number of common stocks outstanding	122,641,258	122,291,118	121,539,603	109,336,882
Basic and diluted loss per share	Rs. (5)	Rs. (25)	Rs. (13)	Rs. (28)

Basic and diluted losses per share for the periods ended September 31, 2012 and 2011 are identical since there are no dilutive potential common shares.

(2) The numbers of shares outstanding for the nine months ended September 30, 2012 and September 30, 2011 are calculated as follows:

		September 30, 2012				
		Time interval	Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2012-01-01	2012-05-18	121,961,841	121,961,841	139/274	61,871,153
Additional Share	2012-05-19	2012-08-14	644,550	122,606,391	88/274	39,377,235
Additional Share	2012-08-15	2012-09-30	68,250	122,674,641	47/274	21,042,730
Total						122,291,118

		September 30, 2011				
		Time interval	Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2011-01-01	2011-02-08	36,120,556	36,120,556	39/273	5,160,079
Additional Share	2011-02-09	2011-09-30	85,419,047	121,539,603	234/273	104,176,803
Total						109,336,882

29. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the nine months ended September, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
1. Cash flows from operating activities		
1) Net loss	₩ (65,925,090)	₩ (67,686,083)
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	627,200	3,584,137
Loss on disposal of trade receivables	7,199,030	12,406,946
Loss on disposal of derivatives	-	1,434,500
Loss on valuation of derivatives	-	3,380,274
Loss on valuation of inventories	8,597,066	-
Rent expense	207,630	233,583
Bad debt expense	52,639	3,059
Other bad debt expense	44,353	-
Depreciation	76,504,927	66,961,232
Loss on disposal of investment assets	16,935	9
Loss on disposal of property, plant and equipment	128,167	594,814
Impairment loss on investment assets	119,080	42,208
Amortization	26,017,515	25,270,245
Impairment loss on intangible assets	13,668	4,011
Interest expense	6,952,499	8,247,764
Post-employment benefits	21,640,498	20,964,202
Depreciation expenses on assets not in use	49,815	11,190
	<u>148,171,022</u>	<u>143,138,174</u>
(2) Deduction of revenue		
Gain on foreign currency translation	393,627	3,181,433
Reversal of allowance for doubtful accounts	555,057	574,918
Reversal of loss on valuation of inventories	-	98,665
Interest income	5,363,824	3,031,136
Dividends received	388,963	-
Gain on disposal of derivatives	-	379,500
Gain on evaluation of derivatives	3,366,882	-
Gain on disposal of investment assets	12,511	2,660
Gain on disposal of property, plant and equipment	197,369	3,336,468
Gain on debt exemption	594,352	49,047,989
	<u>(10,872,585)</u>	<u>(59,652,769)</u>
(3) Changes in net working capital		
Increase in trade receivables, net	(21,233,013)	(49,657,939)
Decrease (Increase) in other receivables, net	7,651,361	(4,980,920)
Decrease in deposits	-	276,939
Decrease in advanced payments	6,613,771	44,883,835
Increase in prepaid expenses	(2,532,357)	(1,400,960)
Increase in income tax refundable	(95,935)	(302,827)
Increase in inventories	(18,326,771)	(22,222,705)
Increase in long term other receivables	(147,500)	-

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Decrease (Increase) in long security	6,668,695	(1,171,416)
Increase in trade payables	55,623,765	136,847,519
Increase in other payables	56,876,179	18,945,099
Increase (Decrease) in accrued charges	402,262	(1,843,183)
Decrease in deposits received	(8,403)	(107,260)
Decrease in current other long term benefit	(420,875)	(1,384,398)
Decrease in advances from customers	(1,625,118)	(70,010)
Decrease in withholdings	(4,831,677)	(2,134,457)
Increase in unearned revenue	9,391,113	3,952,734
Increase in government subsidies	434,280	145,614
Decrease in short-term provision of product warranties	(3,199,631)	(31,247,642)
Increase (Decrease) in long-term other payables	(117,883)	3,427,509
Increase in other long term benefit	1,055,779	1,970,535
Payment of severance indemnities	(89,178,055)	(5,811,466)
Increase in long-term provision of product warranties	-	67,947,663
	<u>2,999,987</u>	<u>156,062,264</u>
2. Interest received	4,852,301	2,655,134
3. Interest paid	(6,519,195)	(5,284,454)
4. Dividends received	83,682	11,000
Net cash provided by operating activities	<u>W 72,790,122</u>	<u>W 169,243,266</u>

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
1. Cash flows from operating activities		
1) Net loss	Rs. (2,999,592)	Rs. (3,079,717)
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	28,537	163,078
Loss on disposal of trade receivables	327,556	564,516
Loss on disposal of derivatives	-	65,270
Loss on valuation of derivatives	-	153,802
Loss on valuation of inventories	391,167	-
Rent expense	9,445	10,629
Bad debt expense	2,395	139
Other bad debt expense	2,018	-
Depreciation	3,480,974	3,046,736
Loss on disposal of investment assets	771	-
Loss on disposal of property, plant and equipment	5,832	27,064
Impairment loss on investment assets	5,418	1,920
Amortization	1,183,797	1,149,796
Impairment loss on intangible assets	622	183
Interest expense	316,339	375,273
Post-employment benefits	984,643	953,871
Depreciation expenses on assets not in use	2,267	509
	<u>6,741,781</u>	<u>6,512,786</u>
(1) Deduction of revenue		
Gain on foreign currency translation	17,910	144,755
Reversal of allowance for doubtful accounts	25,255	26,159
Reversal of loss on valuation of inventories	-	4,489

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Interest income	244,054	137,917
Dividends received	17,698	-
Gain on disposal of derivatives	-	17,267
Gain on evaluation of derivatives	153,193	-
Gain on disposal of investment assets	569	121
Gain on disposal of property, plant and equipment	8,980	151,809
Gain on debt exemption	27,043	2,231,683
	<u>(494,702)</u>	<u>(2,714,200)</u>
(2) Changes in working capital		
Increase in trade receivables, net	(966,106)	(2,259,435)
Decrease (Increase) in other receivables, net	348,138	(226,632)
Decrease in deposits	-	12,601
Decrease in advanced payments	300,928	2,042,214
Increase in prepaid expenses	(115,222)	(63,744)
Increase in income tax refundable	(4,365)	(13,779)
Increase in inventories	(833,868)	(1,011,133)
Increase in long term other receivables	(6,711)	-
Decrease (Increase) in long security	303,426	(53,299)
Increase in trade payables	2,530,881	6,226,562
Increase in other payables	2,587,866	862,002
Increase (Decrease) in accrued charges	18,303	(83,865)
Decrease in deposits received	(382)	(4,880)
Decrease in current other long term benefit	(19,150)	(62,990)
Decrease in advances from customers	(73,943)	(3,185)
Decrease in withholdings	(219,841)	(97,118)
Increase in unearned revenue	427,296	179,849
Increase in government subsidies	19,760	6,625
Decrease in short-term provision of product warranties	(145,583)	(1,421,768)
Increase (Decrease) in long-term other payables	(5,364)	155,952
Increase in other long term benefit	48,038	89,659
Payment of severance indemnities	(4,057,602)	(264,422)
Increase in long-term provision of product warranties	-	3,091,619
	<u>136,499</u>	<u>7,100,833</u>
2. Interest received	220,780	120,809
3. Interest paid	(296,623)	(240,443)
4. Dividends received	3,808	501
Net cash provided by operating activities	<u>Rs. 3,311,951</u>	<u>Rs. 7,700,569</u>

30. SEGMENT INFORMATION:

- (1) The Company has determined a single reportable segment by considering nature and characteristics of an asset which provides service to generate revenue. Thus, the segment's operating income, income before income tax and its assets and liabilities have been omitted from disclosures.

- (2) Information for each sales region for the nine months ended September 30, 2012 and September 30, 2011 are as follow:

	Won in thousands		Rupee in thousands	
	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Republic of Korea	₩ 1,012,349,195	₩ 991,542,281	Rs. 46,061,888	Rs. 45,115,173
Europe	589,209,266	579,248,962	26,809,022	26,355,828
Asia Pacific	77,533,458	109,748,038	3,527,772	4,993,536
Others	373,327,739	415,689,053	16,986,412	18,913,852
	<u>₩ 2,052,419,658</u>	<u>₩ 2,096,228,334</u>	<u>Rs. 93,385,094</u>	<u>Rs. 95,378,389</u>

The sales of non-current assets are excluded from this table because they are mainly done on the domestic market.

- (3) The Company did not disclose information related to major customers because sales are generated through contracts with individuals or oversea agency.
- (4) Sales by model type of automobile for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

Model	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	Domestic	Export	Domestic	Export
CHAIRMAN H	₩ 45,862,532	₩ -	₩ 73,130,854	₩ -
CHAIRMAN W	89,540,005	5,185,235	161,106,988	1,478,193
ACTYON	-	29,357,667	442,241	56,116,391
ACTYON SPORTS	2,182	541,801	182,697,201	136,993,915
KORANDO C	228,809,115	411,265,902	166,603,852	469,368,497
KYRON C Sports	355,710,854	194,141,106	-	-
KYRON	22,671	208,596,297	2,421,069	233,050,636
REXTON	86,755,872	104,911,271	162,182,943	108,630,309
RODIUS	11,492,786	19,249,390	26,362,391	38,562,794
	<u>₩ 818,196,017</u>	<u>₩ 973,248,669</u>	<u>₩ 774,947,539</u>	<u>₩ 1,044,200,735</u>

(Unit: Rupee in thousands)

Model	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	Domestic	Export	Domestic	Export
CHAIRMAN H	Rs. 2,086,745	Rs. -	Rs. 3,327,454	Rs. -
CHAIRMAN W	4,074,070	235,928	7,330,368	67,258
ACTYON	-	1,335,774	20,122	2,553,296
ACTYON SPORTS	99	24,652	8,312,723	6,233,223
KORANDO C	10,410,815	18,712,599	7,580,475	21,356,267
KYRON C Sports	16,184,844	8,833,420	-	-
KYRON	1,032	9,491,132	110,159	10,603,804
REXTON	3,947,392	4,773,463	7,379,324	4,942,679
RODIUS	522,922	875,847	1,199,489	1,754,607
	<u>Rs. 37,227,919</u>	<u>Rs. 44,282,815</u>	<u>Rs. 35,260,114</u>	<u>Rs. 47,511,134</u>

31. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of September 30, 2012 are as follows:

	<u>Related parties</u>
Controlling company	Mahindra & Mahindra Ltd.
Subsidiary company	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Other affiliates company	Mahindra Vehicle Manufacturing Ltd. Mahindra&Mahindra South Africa Ltd.

(2) Major transactions with the related parties for the nine months ended September 30, 2012 and September 30, 2011 are as follow:

(Unit: Won in thousands)

	<u>Nine months ended September 30, 2012</u>		<u>Nine months ended September 30, 2011</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling	₩ 464,614	₩ 5,135,429	₩ 286,811	₩ 29,144
Transactions with subsidiaries	7,294,953	-	10,597,077	22,397
Transactions with other affiliates	17,796,344	13,872	-	-

(Unit: Rupee in thousands)

	<u>Nine months ended September 30, 2012</u>		<u>Nine months ended September 30, 2011</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling	Rs. 21,140	Rs. 233,662	Rs. 13,050	Rs. 1,326
Transactions with subsidiaries	331,920	-	482,167	1,019
Transactions with other affiliates	809,734	631	-	-

(3) Outstanding receivables and payables from transactions with related parties as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Receivables and payables to controlling company:		
Receivables and others	₩ 588,421	₩ 91,687
Payables and others	97,617,943	96,459,115
Receivables and payables to subsidiaries:		
Receivables and others	14,712,880	14,069,436
Payables and others	909,110	668,723
Receivables and payables to other affiliates:		
Receivables and others	2,735,913	-
Payables and others	1,000,042	-

(Unit: Rupee in thousands)

	September 30, 2012		December 31, 2011	
Receivables and payables to controlling company:				
Receivables and others	Rs.	26,773	Rs.	4,172
Payables and others		4,441,616		4,388,890
Receivables and payables to subsidiaries:				
Receivables and others		669,436		640,159
Payables and others		41,365		30,427
Receivables and payables to other affiliates:				
Receivables and others		124,484		-
Payables and others		45,502		-

The Company did not recognize allowances for the above receivables as of September 30, 2012 and no bad debt expenses were recognized for the nine months ended September 30, 2012.

- (5) Details of compensation costs for key executives for the nine months ended September 30, 2012 and September 30, 2011 are as follows:

(Unit: Won in thousands)

	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
Short-term employee benefits	₩	354,198	₩	465,000
Post-employment benefits		2,989		69,900

(Unit: Rupee in thousands)

	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
Short-term employee benefits	Rs.	16,116	Rs.	21,158
Post-employment benefits		136		3,180

32. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining a sound capital structure, and in order to achieve an optimum capital structure. The company's strategy did not change from 2011.

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the financial statements. Also, the Company is not subjected to externally-imposed capital requirement.

Debt to Equity ratio as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012	December 31, 2011
Debt (A)	921,544,298	886,472,294
Equity (B)	860,592,146	913,217,502
Debt ratio (A/ B)	107.08%	97.07%

(Unit: Rupee in thousands)

	September 30, 2012	December 31, 2011
Debt (A)	41,930,265	40,334,489
Equity (B)	39,156,942	41,551,397
Debt ratio (A/ B)	107.08%	97.07%

(2) Details of financial assets and liabilities by category as of September 30, 2012 and December 31, 2011 are as follows:

1) Financial assets

(Unit: Won in thousands)

Financial asset	September 30, 2012				
	Loans and receivables	AFS financial assets	Designated as hedged items	Total	Fair value
Cash and cash equivalents	₩ 162,642,406	₩ -	₩ -	₩ 162,642,406	₩ 162,642,406
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	212,744,131	-	12,967,682	225,711,813	225,711,813
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 375,392,537</u>	<u>₩ 560,000</u>	<u>₩ 12,967,682</u>	<u>₩ 388,920,219</u>	<u>₩ 388,920,219</u>

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated as hedged items	Total	Fair value
Cash and cash equivalents	₩ 202,509,810	₩ -	₩ -	₩ 202,509,810	₩ 202,509,810
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	213,537,547	-	193,310	213,730,857	213,730,857
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 416,053,357</u>	<u>₩ 560,000</u>	<u>₩ 193,310</u>	<u>₩ 416,806,667</u>	<u>₩ 416,806,667</u>

(Unit: Rupee in thousands)

Financial assets	September 30, 2012				
	Loans and receivables	AFS financial assets	Designated as hedged items	Total	Fair value
Cash and cash equivalents	Rs. 7,400,229	Rs. -	Rs. -	Rs. 7,400,229	Rs. 740,0229
Long-term financial instruments	273	-	-	273	273
Trade receivables and other receivables	9,679,858	-	590,030	10,269,888	10,269,888
Long-term AFS financial assets	-	25,480	-	25,480	25,480
	<u>Rs. 17,080,360</u>	<u>Rs. 25,480</u>	<u>Rs. 590,030</u>	<u>Rs. 17,695,870</u>	<u>Rs. 17,695,870</u>

Financial assets	September 30, 2012				
	Loans and receivables	AFS financial assets	Designated as hedged items	Total	Fair value
Cash and cash equivalents	Rs. 9,214,196	Rs. -	Rs. -	Rs. 9,214,196	Rs. 9,214,196
Long-term financial instruments	273	-	-	273	273
Trade receivables and other receivables	9,715,958	-	8,796	9,724,754	9,724,754
Long-term AFS financial assets	-	Rs. 25,480	-	25,480	25,480
	<u>Rs. 18,930,428</u>	<u>Rs. 25,480</u>	<u>Rs. 8,796</u>	<u>Rs. 18,964,703</u>	<u>Rs. 18,964,703</u>

2) Financial liabilities

(Unit: Won in thousands)

Financial liabilities	September 30, 2012			December 30, 2011		
	Financial liabilities at amortized cost	Derivatives designated as hedged items	Total	Financial liabilities at amortized cost	Derivatives designated as hedged items	Total
Accounts payable and other payables	₩ 522,436,603	₩ -	₩ 522,436,603	₩ 403,263,454	₩ -	₩ 403,263,454
Borrowings	125,404,765	-	125,404,765	135,972,454	-	135,972,454
Total	₩ 647,841,368	₩ -	₩ 647,841,368	₩ 539,235,908	₩ -	₩ 539,235,908

(Unit: Rupee in thousands)

Financial liabilities	September 30, 2012			December 30, 2011		
	Financial liabilities at amortized cost	Derivatives designated as hedged items	Total	Financial liabilities at amortized cost	Derivatives designated as hedged items	Total
Accounts payable and other payables	Rs. 23,770,865	Rs. -	Rs. 23,770,865	Rs. 18,348,487	Rs. -	Rs. 18,348,487
Borrowings	5,705,917	-	5,705,917	6,186,747	-	6,186,747
Total	Rs. 29,476,782	Rs. -	Rs. 29,476,782	Rs. 24,535,234	Rs. -	Rs. 24,535,234

(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 of and responding to each risk factors.

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

1) Market risk

a. Foreign currency risk

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

Details of the carrying amounts of foreign currency denominated monetary assets and monetary liabilities, held by the Company as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Currency	Financial assets		Financial liabilities	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
USD	₩ 99,035,786	₩ 52,740,827	₩ 10,600,589	₩ 11,298,102
EUR	23,343,879	23,535,845	14,039,182	27,538,450
JPY	276,261	250,167	6,330,028	5,203,875
Others	2,638,183	12,810,347	3,833,671	7,563,035
	₩ 125,294,109	₩ 89,337,186	₩ 34,803,470	₩ 51,603,462

(Unit: Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
USD	Rs. 4,506,128	Rs. 2,399,708	Rs. 482,327	Rs. 514,064
EUR	1,062,146	1,070,881	638,783	1,252,999
JPY	12,570	11,383	288,016	236,776
Others	120,037	582,871	174,432	344,118
	<u>Rs. 5,700,881</u>	<u>Rs. 4,064,843</u>	<u>Rs. 1,583,558</u>	<u>Rs. 2,347,957</u>

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes a foreign currency monetary item that is not paid, and it adjusts the translation assuming exchange rate changes by 10% as of September 30, 2012.

(Unit: Won in thousands)

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 9,903,579	₩ (9,903,579)	₩ (1,060,059)	₩ 1,060,059
EUR	2,334,388	(2,334,388)	(1,403,918)	1,403,918
JPY	27,626	(27,626)	(633,003)	633,003
Others	263,818	(263,818)	(383,367)	383,367
	<u>₩ 12,529,411</u>	<u>₩ (12,529,411)</u>	<u>₩ (3,480,347)</u>	<u>₩ 3,480,347</u>

(Unit: Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 450,613	Rs. (450,613)	Rs. (48,233)	Rs. 48,233
EUR	106,215	(106,215)	(63,878)	63,878
JPY	1,257	(1,257)	(28,802)	28,802
Others	12,004	(12,004)	(17,443)	17,443
	<u>Rs. 570,089</u>	<u>Rs. (570,089)</u>	<u>Rs. (158,356)</u>	<u>Rs. 158,356</u>

In order to avoid the risk of foreign exchange debt payments and foreign exchange receivables collected foreign exchange risk within the range of 30 to 50 percent, the Company's policy is to make a foreign exchange forward agreement. Also in order to manage sales transactions and purchase transactions to foreign exchange risk that are expected to occur within the next three months and that are within the range of 30 to 50 percent, the Company's policy is to make a foreign exchange forward agreement.

Details of non-payment forward contracts as of September 30, 2012 are as follows:

(Unit: Won in thousands)

Type	Average exchange rate contracted	Amount of foreign currency	Amount of contract	Fair value
Cash flow hedges				
USD purchase	~3 months	USD 182,000,000	₩ 208,757,990	₩ 4,715,830
	3~6 months	USD 120,000,000	138,889,550	3,781,331
	6~9 months	USD 119,000,000	138,565,800	4,101,655
	9~12 months	USD 20,000,000	23,039,200	368,866

(Unit: Rupee in thousands)

Type	Average exchange rate contracted	Amount of foreign currency	Amount of contract	Fair value
Cash flow hedges				
USD ~3 months	1,146.95 won	USD 182,000,000	Rs. 9,498,489	Rs. 214,570
purchase 3~6 months	1,157.41 won	USD 120,000,000	6,319,475	172,051
6~9 months	1,163.65 won	USD 119,000,000	6,304,744	186,625
9~12 months	1,151.96 won	USD 20,000,000	1,048,284	16,784

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to ₩9,600,800 thousand (Rs. 436,836 thousand). The transaction is expected to occur within the first one year after September 30, 2012, and this amount that is deferred in equity will be reclassified as current income.

b. Interest rate risk

Interest rate sensitivity analysis was performed based on interest rate risk exposure of non-derivatives as of September 30, 2012. Sensitivity analysis was conducted assuming that, in the case of floating rate, debt current balance was the same during the whole reporting period. When reporting interest rate risk to management internally, a 0.5% variation is used, representing management's assessment about reasonably accruable 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 or increase by ₩37,808 thousand (Rs. 1,720 thousand) for the nine months ended September 30, 2012 due to floating rate debt's interest rate risk.

2) Credit risk

The Company's trade receivables consist of a number of customers in various regions. The Company regularly assesses credit ratings of its customers and transaction parties also, and makes a credit guarantee with customers or transaction parties if needed.

3) Liquidity risk

In order to maintain adequate liquidity, the Company has managed liquidity risk through periodical estimates and adjustments of funds receipts and disbursements. The Company sells trade receivables to financial institutions that have maintained a certain level of credit ratings in order to achieve smooth application of funds.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of September 30, 2012, and December 31, 2011 are as follows:

(Unit: Won in thousands)

	September 30, 2012		
	Within a year	More than 1 year	Total
Trade payables	₩ 320,213,393	₩ -	₩ 320,213,393
Accrued expenses	132,171,010	-	132,171,010
Short-term borrowings	30,000,000	-	30,000,000
Other payables	17,110,095	-	17,110,095
Long-term other payables	-	46,201,800	46,201,800
Debt	6,678,334	97,819,943	104,498,277
Total	₩ 506,172,832	₩ 144,021,743	₩ 650,194,575

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	₹ 264,594,196	₹ -	₹ 264,594,196
Accrued expenses	119,927,398	-	119,927,398
Short-term borrowings	40,567,689	-	40,567,689
Other payables	16,599,583	-	16,599,583
Long-term other payables	-	2,142,277	2,142,277
Debt	6,678,334	103,196,154	109,874,488
Total	₹ 448,367,200	₹ 105,338,431	₹ 553,705,631

(Unit: Rupee in thousands)

	September 30, 2012		
	Within a year	More than 1 year	Total
Trade payables	₹ 14,569,709	₹ -	₹ 14,569,709
Accrued expenses	6,013,782	-	6,013,782
Short-term borrowings	1,365,000	-	1,365,000
Other payables	778,509	-	778,509
Long-term other payables	-	2,102,182	2,102,182
Debt	303,864	4,450,807	4,754,671
Total	₹ 23,030,864	₹ 6,552,989	₹ 29,583,853

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	₹ 12,039,036	₹ -	₹ 12,039,036
Accrued expenses	5,456,697	-	5,456,697
Short-term borrowings	1,845,830	-	1,845,830
Other payables	755,281	-	755,281
Long-term other payables	-	97,474	97,474
Debt	303,864	4,695,425	4,999,289
Total	₹ 20,400,708	₹ 4,792,899	₹ 25,193,607

Funding arrangements as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Borrowing limit commitments	Commitment	September 30, 2012	December 31, 2011
		₹ 80,000,000	₹ 80,000,000

(Unit: Rupee in thousands)

Borrowing limit commitments	Commitment	September 30, 2012	December 31, 2011
		₹ 3,640,000	₹ 3,640,000

(4) Fair value of financial instruments

Based on input variables used for fair value measurement, the Company rated financial instruments that were stated as fair value on the financial statements as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

The table above 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.

Fair values of financial instruments by hierarchy level as of September 30, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

<u>Type</u>	<u>September 30, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated as hedged items	₩ -	₩ 12,967,682	₩ -	₩ 12,967,682

<u>Type</u>	<u>December 31, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated as hedged items	₩ -	₩ 193,310	₩ -	₩ 193,310

(Unit: Rupee in thousands)

<u>Type</u>	<u>September 30, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated as hedged items	Rs. -	Rs. (590,030)	Rs. -	Rs. (590,030)

<u>Type</u>	<u>December 31, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated as hedged items	Rs. -	Rs. 8,796	Rs. -	Rs. 8,796