

SSANGYONG MOTOR COMPANY

SEPARATE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014, AND DECEMBER 31, 2013,
AND FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2014 AND 2013,
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of June 30, 2014, and the related separate statement of comprehensive income (loss), separate statement of changes in shareholders' equity and separate statement of cash flows, all expressed in Korean won, for the three and six months ended June 30, 2014 and 2013, respectively, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Independent accountants' responsibility

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

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

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements of the Company are not presently fairly, in all material respects, in accordance with Korean International Financial Reporting Standards (K-IFRS) 1034 – *Interim Financial Reporting*.

Other matters

We have given an opinion on the comparative separate statement of financial position as of December 31, 2013, and the related separate statements of operations, retained earnings, and cash flows on March 17, 2014, as fairly stated. There is no difference in terms of importance between the comparative purpose financial position on December 31, 2013, and the current financial position.

Our audits also comprehended the translation of Korean won amounts into Indian rupee amounts and, in our opinion, such translation has been made in conformity with the basis in Note [2]. Such Indian rupee amounts are presented solely for the convenience of readers outside of Korea.



August 28, 2014

Notice to Readers

This report is effective as of August 28, 2014, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the report is read. Such events or circumstances could significantly affect the accompanying separate interim financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014, AND DECEMBER 31, 2013

	Korean won		Indian rupee	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 33)	₩ 153,393,995	₩ 359,712,082	Rs. 9,065,585	Rs. 21,258,984
Trade and other receivables, net (Notes 7, 32 and 33)	208,337,573	234,067,459	12,312,751	13,833,387
Derivative assets (Notes 25 and 33)	8,750,200	28,984,560	517,137	1,712,988
Inventories, net (Notes 8 and 24)	290,539,781	277,070,948	17,170,901	16,374,893
Other current assets (Note 10)	9,717,991	7,145,375	574,333	422,292
Total current assets	<u>670,739,540</u>	<u>906,980,424</u>	<u>39,640,707</u>	<u>53,602,544</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 33)	6,000	6,000	355	355
Non-current available-for-sale financial assets (Notes 7 and 33)	560,000	560,000	33,096	33,096
Non-current other receivables, net (Notes 6 and 33)	42,465,893	36,564,470	2,509,734	2,160,960
Property, plant and equipment, net (Note 11)	1,107,474,830	1,084,035,359	65,451,762	64,066,490
Intangible assets (Note 12)	114,046,035	89,480,141	6,740,121	5,288,276
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	344,497	344,497
Other non-current assets (Note 10)	354,545	357,350	20,954	21,119
Total non-current assets	<u>1,270,736,359</u>	<u>1,216,832,376</u>	<u>75,100,519</u>	<u>71,914,793</u>
TOTAL ASSETS	<u>1,941,475,899</u>	<u>2,123,812,800</u>	<u>114,741,226</u>	<u>125,517,337</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 32 and 33)	634,614,292	723,397,173	37,505,705	42,752,773
Short-term borrowings (Notes 13, 18 and 33)	56,052,175	51,608,036	3,312,684	3,050,035
Current long-term borrowings (Notes 13 and 33)	-	95,404,765	-	5,638,422
Provision for product warranties (Note 15)	55,208,998	48,780,982	3,262,852	2,882,956
Long-term employee benefits obligation	533,710	1,648,815	31,542	97,445
Other current liabilities (Note 16)	19,548,880	26,718,121	1,155,338	1,579,041
Total current liabilities	<u>765,958,055</u>	<u>947,557,892</u>	<u>45,268,121</u>	<u>56,000,672</u>

(Continued)

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2014, AND DECEMBER 31, 2013

	Korean won		Indian rupee	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Other non-current payables(Note 33)	₩ 7,902,110	₩ 20,223,465	Rs. 467,015	Rs. 1,195,207
Retirement benefit obligation (Note 17)	222,305,815	174,656,118	13,138,274	10,322,177
Other long-term employee benefits obligation	15,413,507	14,632,801	910,938	864,799
Provision for long-term product warranties (Note 15)	76,640,472	76,698,999	4,529,452	4,532,910
Total non-current liabilities	<u>322,261,904</u>	<u>286,211,383</u>	<u>19,045,679</u>	<u>16,915,093</u>
TOTAL LIABILITIES	<u>1,088,219,959</u>	<u>1,233,769,275</u>	<u>64,313,800</u>	<u>72,915,765</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 19)	686,100,480	686,100,480	40,548,538	40,548,538
Other capital surplus (Note 20)	129,383,402	129,383,402	7,646,559	7,646,559
Other capital adjustments(Notes 21 and 25)	8,043,400	26,833,680	475,365	1,585,870
Retained earnings (accumulated deficit) (Note 22)	29,728,658	47,725,963	1,756,964	2,820,605
TOTAL SHAREHOLDERS' EQUITY	<u>853,255,940</u>	<u>890,043,525</u>	<u>50,427,426</u>	<u>52,601,572</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,941,475,899</u>	<u>₩ 2,123,812,800</u>	<u>Rs. 114,741,226</u>	<u>Rs. 125,517,337</u>

(Concluded)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Korean won			
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31 and 32)	₩ 863,816,628	₩ 1,722,925,460	₩ 905,216,178	₩ 1,656,784,120
COST OF SALES (Notes 24 and 32)	<u>753,682,288</u>	<u>1,485,131,546</u>	<u>769,957,882</u>	<u>1,419,405,220</u>
GROSS PROFIT	110,134,340	237,793,914	135,258,296	237,378,900
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>124,753,365</u>	<u>254,697,822</u>	<u>131,211,656</u>	<u>250,708,643</u>
OPERATING INCOME (LOSS)	(14,619,025)	(16,903,908)	4,046,640	(13,329,743)
NON-OPERATING INCOME (Note 27)	7,721,080	15,281,940	11,698,611	25,252,508
NON-OPERATING EXPENSES (Note 27)	39,210,229	47,544,012	12,032,653	25,800,019
FINANCIAL INCOME (Note 28)	22,756,970	37,357,550	10,149,448	21,208,094
FINANCIAL COST (Note 28)	<u>4,084,503</u>	<u>6,173,347</u>	<u>6,290,491</u>	<u>9,517,664</u>
INCOME (LOSS) BEFORE INCOME TAX	(27,435,707)	(17,981,777)	7,571,555	(2,186,824)
INCOME TAX EXPENSE (Note 23)	=	=	=	=
NET INCOME (LOSS)	(27,435,707)	(17,981,777)	7,571,555	(2,186,824)
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(4,701,430)</u>	<u>(18,805,809)</u>	<u>(29,693,676)</u>	<u>(49,156,567)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ (32,137,137)</u>	<u>₩ (36,787,586)</u>	<u>₩ (22,122,121)</u>	<u>₩ (51,343,391)</u>
INCOME (LOSS) PER SHARE (Note 29) Basic and diluted loss per share	₩(200)	₩(131)	₩59	₩(17)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Indian rupee							
	Three months ended June 30, 2014		Six months ended June 30, 2014		Three months ended June 30, 2013		Six months ended June 30, 2013	
	(In thousands, except per share amounts)		(In thousands, except per share amounts)		(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31 and 32)	Rs.	51,051,563	Rs.	101,824,894	Rs.	53,498,276	Rs.	97,915,941
COST OF SALES (Notes 24 and 32)		<u>44,542,623</u>		<u>87,771,274</u>		<u>45,504,511</u>		<u>83,886,848</u>
GROSS PROFIT		6,508,940		14,053,620		7,993,765		14,029,093
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)		<u>7,372,924</u>		<u>15,052,641</u>		<u>7,754,609</u>		<u>14,816,881</u>
OPERATING INCOME (LOSS)		(863,984)		(999,021)		239,156		(787,788)
NON-OPERATING INCOME (Note 27)		456,316		903,163		691,388		1,492,423
NON-OPERATING EXPENSES (Note 27)		2,317,325		2,809,851		711,129		1,524,781
FINANCIAL INCOME (Note 28)		1,344,937		2,207,831		599,832		1,253,398
FINANCIAL COST (Note 28)		<u>241,394</u>		<u>364,845</u>		<u>371,768</u>		<u>562,493</u>
INCOME (LOSS) BEFORE INCOME TAX		(1,621,450)		(1,062,723)		447,479		(129,241)
INCOME TAX EXPENSE (Note 23)		=		=		=		=
NET INCOME (LOSS)		(1,621,450)		(1,062,723)		447,479		(129,241)
OTHER COMPREHENSIVE INCOME (LOSS)		<u>(277,855)</u>		<u>(1,111,423)</u>		<u>(1,754,896)</u>		<u>(2,905,153)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	Rs.	<u>(1,899,305)</u>	Rs.	<u>(2,174,146)</u>	Rs.	<u>(1,307,417)</u>	Rs.	<u>(3,034,394)</u>
INCOME (LOSS) PER SHARE (Note 29) Basic and diluted loss per share	Rs.	<u>(12)</u>	Rs.	<u>(8)</u>	Rs.	3	Rs.	<u>(1)</u>

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

Korean won in thousands

	Other capital surplus							Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital adjustments		
	(In thousands)								
Balance at January 1, 2013	₩ 613,373,205	₩ 4,545,757	₩ 120,351,580	₩ 931,508	₩ -	₩ (3,243,869)	₩ 18,999,750	₩ 52,754,371	₩ 807,712,302
Net loss	-	-	-	-	-	-	-	(2,186,824)	(2,186,824)
Actuarial losses	-	-	-	-	-	-	-	(9,397)	(9,397)
Paid-in capital increase	72,727,275	7,272,727	-	-	-	-	-	-	80,000,002
Costs of stock issuance	-	(365,771)	-	-	-	-	-	-	(365,771)
Increase in treasury stock	-	-	-	-	(108,530)	-	-	-	(108,530)
Loss on valuation of derivatives	-	-	-	-	-	-	(49,147,170)	-	(49,147,170)
Balance at June 30, 2013,	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ 931,508</u>	<u>₩ (108,530)</u>	<u>₩ (3,243,869)</u>	<u>₩ (30,147,420)</u>	<u>₩ 50,558,150</u>	<u>₩ 835,894,612</u>
Balance at January 1, 2014	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ (3,243,869)	₩ 26,833,680	₩ 47,725,963	₩ 890,043,525
Net loss	-	-	-	-	-	-	-	(17,981,777)	(17,981,777)
Actuarial losses	-	-	-	-	-	-	-	(15,528)	(15,528)
Gains on valuation of derivatives	-	-	-	-	-	-	(18,790,280)	-	(18,790,280)
Balance at June 30, 2014	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ 931,508</u>	<u>₩ (108,530)</u>	<u>₩ (3,243,869)</u>	<u>₩ 8,043,400</u>	<u>₩ 29,728,658</u>	<u>₩ 853,255,940</u>

Indian rupee in thousands

	Other capital surplus							Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital adjustments		
	(In thousands)								
Balance at January 1, 2013	Rs. 36,250,356	Rs. 268,654	Rs. 7,112,778	Rs. 55,052	Rs. -	Rs. (191,713)	Rs. 1,122,885	Rs. 3,117,783	Rs. 47,735,795
Net loss	-	-	-	-	-	-	-	(129,241)	(129,241)
Actuarial losses	-	-	-	-	-	-	-	(555)	(555)
Paid-in capital increase	4,298,182	429,818	-	-	-	-	-	-	4,728,000
Costs of stock issuance	-	(21,617)	-	-	-	-	-	-	(21,617)
Increase in treasury stock	-	-	-	-	(6,413)	-	-	-	(6,413)
Loss on valuation of derivatives	-	-	-	-	-	-	(2,904,598)	-	(2,904,598)
Balance at June 30, 2013	<u>Rs. 40,548,538</u>	<u>Rs. 676,855</u>	<u>Rs. 7,112,778</u>	<u>Rs. 55,052</u>	<u>Rs. (6,413)</u>	<u>Rs. (191,713)</u>	<u>Rs. (1,781,713)</u>	<u>Rs. 2,987,987</u>	<u>Rs. 49,401,371</u>
Balance at January 1, 2014	Rs. 40,548,538	Rs. 676,855	Rs. 7,112,778	Rs. 55,052	Rs. (6,413)	Rs. (191,713)	Rs. 1,585,870	Rs. 2,820,605	Rs. 52,601,572
Net income	-	-	-	-	-	-	-	(1,062,723)	(1,062,723)
Actuarial losses	-	-	-	-	-	-	-	(918)	(918)
Loss on valuation of derivatives	-	-	-	-	-	-	(1,110,505)	-	(1,110,505)
Balance at June 30, 2014	<u>Rs. 40,548,538</u>	<u>Rs. 676,855</u>	<u>Rs. 7,112,778</u>	<u>Rs. 55,052</u>	<u>Rs. (6,413)</u>	<u>Rs. (191,713)</u>	<u>Rs. 475,365</u>	<u>Rs. 1,756,964</u>	<u>Rs. 50,427,426</u>

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Korean won		Indian rupee	
	Six month ended June 30, 2014	Six month ended June 30, 2013	Six month ended June 30, 2014	Six month ended June 30, 2013
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ (17,981,777)	₩ (2,186,824)	Rs. (1,062,723)	Rs. (129,241)
Adjustment (Note 30)	111,805,431	96,906,115	6,607,701	5,727,151
Changes in net working capital (Note 30)	(106,113,796)	145,726,460	(6,271,325)	8,612,434
	(12,290,142)	240,445,751	(726,347)	14,210,344
Interests received	4,178,488	2,704,839	246,949	159,856
Interests paid	(2,522,737)	(4,064,379)	(149,094)	(240,205)
Dividend income received	757,077	1,100,280	44,743	65,027
Net cash (used in) provided by operating activities	(9,877,314)	240,186,491	(583,749)	14,195,022
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	-	1,881,553	-	111,200
Disposal of property, plant and equipment	225,399	66,350	13,321	3,921
Decrease in other assets	1,525	-	90	-
	226,924	1,947,903	13,411	115,121
Cash outflows for investing activities:				
Increase in other receivables	1,669,320	3,030,000	98,657	179,073
Acquisition of property, plant and equipment	74,791,522	51,235,971	4,420,179	3,028,046
Acquisition of intangible assets	30,178,257	18,776,630	1,783,535	1,109,699
Investment in subsidiaries	-	4,048,680	-	239,277
	106,639,099	77,091,281	6,302,371	4,556,095
Net cash used in investing activities	(106,412,175)	(75,143,378)	(6,288,960)	(4,440,974)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	5,359,363	37,954,509	316,738	2,243,112
Increase in government grants	16,804	-	993	-
Paid-in capital increase	-	80,000,003	-	4,728,000
	5,376,167	117,954,512	317,731	6,971,112

(Continued)

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Korean won		Indian rupee	
	Six month ended	Six month ended	Six month ended	Six month ended
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ 95,404,765	₩ -	Rs. 5,638,421	Rs. -
Costs of stock issuance	-	365,771	-	21,617
	<u>95,404,765</u>	<u>365,771</u>	<u>5,638,421</u>	<u>21,617</u>
Net cash (used in) provided by financing activities	<u>(90,028,598)</u>	<u>117,588,741</u>	<u>(5,320,690)</u>	<u>6,949,495</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	13,888	-	821
NET INCREASE IN CASH AND CASH EQUIVALENTS	(206,318,087)	282,645,742	(12,193,399)	16,704,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>359,712,082</u>	<u>197,769,855</u>	<u>21,258,984</u>	<u>11,688,198</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>₩ 153,393,995</u>	<u>₩ 480,415,597</u>	<u>Rs. 9,065,585</u>	<u>Rs. 28,392,562</u>

(Concluded)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014, AND DECEMBER 31, 2013,
AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

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 of 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.

(2) Major shareholders

The Company’s shareholders as of June 30, 2014, are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
Mahindra & Mahindra Ltd.	99,964,502	72.85
Treasury stock	21,706	0.02
Others	37,233,888	27.13
	137,220,096	100.00

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company’s summarized interim financial statement, its period belongs to annual financial report, adopts Korean International Reporting Standards (“K-IFRS”) 1034 – *Interim Financial Reporting*. The Company’s financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027 – *Separate Financial Statements*. The audited financial statement, December 31, 2013, is used to understand the interim financial statement.

The accounting policy is identified with the audited financial statement of December 31, 2013, except for the accounting policy explained as follows.

1) First-time adoption of IFRSs and its description (change in accounting policy) as follows:

Amendments to K-IFRS 1032 – *Financial Instruments: Presentation*

The amendments to K-IFRS 1032 clarify existing application issue related to the offset of financial assets’ and financial liabilities’ requirements. The Company’s right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments do not have an impact on the interim financial statement.

Amendments to K-IFRS 1110, K-IFRS 1112 and K-IFRS 1027 – *Investment Entities*

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and K-IFRS 1027 to introduce new disclosure requirements for investment entities. The amendments do not have an impact on interim financial statement.

Amendments to K-IFRS 1039 – Financial Instruments: Recognition and Measurement

The amendments to K-IFRS 1039 allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendments do not have an impact on the interim financial statement.

Amendments to K-IFRS 2121 – Levies

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretation does not have an impact on the interim financial statement.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 related to recoverable amount disclosures for non-financial assets, and the amendments do not have an impact on the interim financial statement.

2) New and revised IFRSs issued but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to K-IFRS 1019 – Employee Benefits

The amendments to K-IFRS 1019 allow past service costs not earned are immediately recognized as expense in the early day when revision or reduction of the system occurs and when related restructuring cost or dismissal allowance is recognized. The amendments to K-IFRS 1019 are effective for annual periods beginning on July 1, 2014. The Company is in the process of evaluating the impact on the separate financial statements upon the adoption of amendments.

There are some other amendments made to K-IFRSs as part of the Annual Improvements, which have not resulted in material effects on the Company's separate financial statements.

The Indian rupee amounts presented in these financial statements were computed by translating the Korean won into Indian rupee based on the Bank of Korea Basic Rate (₩1 to Rs.0.0591 at June 30, 2014), 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 any other rate of exchange.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the preparation of the Company's interim separate financial statements, management is required to apply accounting policies and make judgments, estimation and assumptions affecting the carrying amounts of assets and liabilities and income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgments about the application of the Company's accounting policies and the main resources of the uncertainty are consistent with those of the annual separate financial statements for the year ended December 31, 2013.

4. CASH AND CASH EQUIVALENTS:

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

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	Financial institution	June 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 373,493	₩ 1,092,081	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	14,088,033	15,030,192	
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 14,467,526</u>	<u>₩ 16,128,273</u>	

(Unit: Indian rupee in thousands):

	Financial institution	June 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 22,073	Rs. 64,542	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	832,603	888,284	
Long-term financial instruments	Shinhan Bank and others	355	355	Overdraft deposit
		<u>Rs. 855,031</u>	<u>Rs. 953,181</u>	

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

The Company's long-term available-for-sale financial assets as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Classification	Ownership (%)	June 30, 2014		December 31, 2013	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 670,364	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	459,230	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,129,594</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian rupee in thousands):

Classification	Ownership (%)	June 30, 2014		December 31, 2013	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 29,550	Rs. 39,619	Rs. 29,550	Rs. 29,550
Korea Management Consultants Association (*)	1.50%	3,546	27,140	3,546	3,546
		<u>Rs. 33,096</u>	<u>Rs. 66,759</u>	<u>Rs. 33,096</u>	<u>Rs. 33,096</u>

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

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from June 30, 2014, and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

(1) Details of current portion of trade and other receivables as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

<u>Financial liabilities</u>	<u>June 30, 2014</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 177,998,318	₩ 29,095,073	₩ 1,936,640	₩ 42,712,255
Less: Allowance for doubtful accounts	(214,303)	(478,155)	-	(246,362)
	<u>₩ 177,784,015</u>	<u>₩ 28,616,918</u>	<u>₩ 1,936,640</u>	<u>₩ 42,465,893</u>

<u>Financial liabilities</u>	<u>December 31, 2013</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 199,783,257	₩ 31,995,276	₩ 2,988,666	₩ 36,805,929
Less: Allowance for doubtful accounts	(208,701)	(491,039)	-	(241,459)
	<u>₩ 199,574,556</u>	<u>₩ 31,504,237</u>	<u>₩ 2,988,666</u>	<u>₩ 36,564,470</u>

(Unit: Indian rupee in thousands):

<u>Financial liabilities</u>	<u>June 30, 2014</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 10,519,701	Rs. 1,719,519	Rs. 114,455	Rs. 2,524,294
Less: Allowance for doubtful accounts	(12,665)	(28,259)	-	(14,560)
	<u>Rs. 10,507,036</u>	<u>Rs. 1,691,260</u>	<u>Rs. 114,455</u>	<u>Rs. 2,509,734</u>

<u>Financial liabilities</u>	<u>December 31, 2013</u>			
	<u>Trade receivables</u>	<u>Non-trade receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 11,807,190	Rs. 1,890,921	Rs. 176,630	Rs. 2,175,230
Less: Allowance for doubtful accounts	(12,334)	(29,020)	-	(14,270)
	<u>Rs. 11,794,856</u>	<u>Rs. 1,861,901</u>	<u>Rs. 176,630</u>	<u>Rs. 2,160,960</u>

(2) Credit risk and allowance for doubtful accounts

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

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

The Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days. Based on the past experience, receivables that are overdue for more than one year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than one year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

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

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Classification	June 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₩ -	₩ 3,692,180	₩ 4,618,125	₩ 8,310,305
Non-trade receivables	3,137,262	5,959,441	9,139	9,105,842
Other long-term receivables	2,059,505	318,424	103,250	2,481,179
	<u>₩ 5,196,767</u>	<u>₩ 9,970,045</u>	<u>₩ 4,730,514</u>	<u>₩ 19,897,326</u>

Classification	December 31, 2013			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₩ 1,831,255	₩ 3,769,935	₩ 3,331,927	₩ 8,933,117
Non-trade receivables	3,692,761	102,000	2,322,844	6,117,605
Other long-term receivables	-	-	103,250	103,250
	<u>₩ 5,524,016</u>	<u>₩ 3,871,935</u>	<u>₩ 5,758,021</u>	<u>₩ 15,153,972</u>

(Unit: Indian rupee in thousands):

Classification	June 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. -	Rs. 218,208	Rs. 272,931	Rs. 491,139
Non-trade receivables	185,412	352,203	540	538,155
Other long-term receivables	121,717	18,819	6,102	146,638
	<u>Rs. 307,129</u>	<u>Rs. 589,230</u>	<u>Rs. 279,573</u>	<u>Rs. 1,175,932</u>

Classification	December 31, 2013			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 108,227	Rs. 222,803	Rs. 196,917	Rs. 527,947
Non-trade receivables	218,242	6,028	137,280	361,550
Other long-term receivables	-	-	6,102	6,102
	<u>Rs. 326,469</u>	<u>Rs. 228,831</u>	<u>Rs. 340,299</u>	<u>Rs. 895,599</u>

Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue but are impaired as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Classification	June 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 470,303	₩ 470,303
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 514,553</u>	<u>₩ 514,553</u>

Classification	December 31, 2013			
	3-6 months	6-12 months	More than 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 473,952	₩ 473,952
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 518,202</u>	<u>₩ 518,202</u>

(Unit: Indian rupee in thousands):

		June 30, 2014			
Classification	3-6 months	6-12 months	More than 1 year	Total	
Non-trade receivables	Rs. -	Rs. -	Rs. 27,795	Rs. 27,795	Rs. 27,795
Other long-term receivables	-	-	2,615	2,615	2,615
	Rs. _____	Rs. _____	Rs. 30,410	Rs. 30,410	Rs. 30,410

		December 31, 2013			
Classification	3-6 months	6-12 months	More than 1 year	Total	
Non-trade receivables	Rs. -	Rs. -	Rs. 28,011	Rs. 28,011	Rs. 28,011
Other long-term receivables	-	-	2,615	2,615	2,615
	Rs. _____	Rs. _____	Rs. 30,626	Rs. 30,626	Rs. 30,626

(3) Changes in allowance for trade and other receivables as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

		Six months ended June 30, 2014			
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables	
Beginning balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459	₩ 241,459
Bad debt expense (*)	5,602	(12,884)	-	4,903	4,903
Ending balance	₩ 214,303	₩ 478,155	₩ -	₩ 246,362	₩ 246,362

		Years ended December 31, 2013			
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables	
Beginning balance	₩ 1,061,540	₩ 965,595	₩ 330	₩ 169,932	₩ 169,932
Bad debt expense	(852,839)	-	-	71,341	71,341
Write-offs	-	(462,099)	-	-	-
Reversal of allowance	-	(12,457)	(16)	(128)	(128)
Transfer	-	-	(314)	314	314
Ending balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459	₩ 241,459

(Unit: Indian rupee in thousands):

		June 30, 2014			
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables	
Beginning balance	Rs. 12,334	Rs. 29,020	Rs. -	Rs. 14,270	Rs. 14,270
Bad debt expense	331	(761)	-	290	290
Ending balance	Rs. 12,665	Rs. 28,259	Rs. -	Rs. 14,560	Rs. 14,560

		December 31, 2013			
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables	
Beginning balance	Rs. 62,737	Rs. 57,067	Rs. 20	Rs. 10,043	Rs. 10,043
Bad debt expense	(50,403)	-	-	4,216	4,216
Write-offs	-	(27,311)	-	-	-
Reversal of allowance	-	(736)	(1)	(8)	(8)
Transfer	-	-	(19)	19	19
Ending balance	Rs. 12,334	Rs. 29,020	Rs. -	Rs. 14,270	Rs. 14,270

(*) Difference with other bad debt expense on PL is other bad debt expense of advance payments.

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 three years to the remaining balance of the receivables at the end of a reporting period; the three-year average loss rate is calculated by dividing the amount of actual loss occurred in the past three years by the average balance of the receivables.

8. INVENTORIES:

Details of inventories as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014		December 31, 2013	
Merchandises	₩	51,944,962	₩	52,685,259
Finished goods		71,138,531		47,989,259
Work in process		23,689,484		24,764,484
Raw materials		59,213,539		65,752,519
Submaterials		571,770		510,850
Supplies		4,103,830		4,233,041
Goods in transit		79,877,665		81,135,536
Total	₩	290,539,781	₩	277,070,948

(Unit: Indian rupee in thousands):

	June 30, 2014		December 31, 2013	
Merchandises	Rs.	3,069,947	Rs.	3,113,699
Finished goods		4,204,287		2,836,165
Work in process		1,400,049		1,463,581
Raw materials		3,499,520		3,885,974
Submaterials		33,792		30,192
Supplies		242,536		250,172
Goods in transit		4,720,770		4,795,110
Total	Rs.	17,170,901	Rs.	16,374,893

The Company uses the “lower of cost or market method” on the balance sheet in case inventories’ market value decreases under the acquisition cost. On the other hand, loss on valuation of inventories, which was added to “cost of sales” during the current period due to the application of “lower of cost or market method,” amounted to ₩237,004 thousand (Rs.14,007 thousand).

9. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries

Details of investments in subsidiaries accounted for using the equity method as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Name of subsidiary	Location	Ownership %	June 30, 2014		December 31, 2013	
			Acquisition cost	Book value	Book value	
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	₩5,338,097	₩ 5,829,056	₩	5,829,056
Ssangyong European Parts Center B.V.	Netherlands	100	835,695	-		-
			₩6,173,792	₩ 5,829,056	₩	5,829,056

(Unit: Indian rupee in thousands):

Name of subsidiary	Location	Ownership %	June 30, 2014		December 31, 2013
			Acquisition cost	Book value	Book value
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	Rs. 315,482	Rs. 344,497	Rs. 344,497
Ssangyong European Parts Center B.V.	Netherlands	100	49,390	-	-
			<u>Rs. 364,872</u>	<u>Rs. 344,497</u>	<u>Rs. 344,497</u>

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the year ended June 30, 2014, is as follows:

(Unit: Korean won in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd	₩ 6,898,046	₩ 1,401,489	₩ 2,797,114	₩ 430,190	₩ 297,643
Ssangyong European Parts Center B.V.	7,905,328	11,799,779	7,250,325	351,353	345,884

(Unit: Indian rupee in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd	Rs. 407,675	Rs. 82,828	Rs. 165,309	Rs. 25,424	Rs. 17,591
Ssangyong European Parts Center B.V.	467,205	697,367	428,494	20,765	20,442

10. OTHER ASSETS:

Carrying amounts of other assets as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Account	June 30, 2014	December 31, 2013
Other current assets		
Advance payments	₩ 2,495,065	₩ 2,035,601
Less: Allowance for doubtful accounts	(14,655)	(1,147)
Prepaid expenses	6,676,182	4,127,302
Income tax refundable	561,399	983,619
	<u>9,717,991</u>	<u>7,145,375</u>
Other non-current assets	₩ 354,545	₩ 357,350

(Unit: Indian rupee in thousands):

Account	June 30, 2014	December 31, 2013
Other current assets		
Advance payments	Rs. 147,458	Rs. 120,304
Less: Allowance for doubtful accounts	(866)	(68)
Prepaid expenses	394,562	243,924
Other current assets	33,179	58,132
	<u>574,333</u>	<u>422,292</u>
Other non-current assets	Rs. 20,954	Rs. 21,119

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,305,696	₩ -	₩ -	₩ -	₩ 475,305,696
Buildings	521,863,528	1,673,473	181,227,310	148,371,912	190,590,833
Structures	103,852,217	166,342	58,347,690	29,156,376	16,181,809
Machinery	1,224,756,649	683,843	1,036,598,806	99,302,486	88,171,514
Vehicles	9,541,769	-	6,636,124	1,228,616	1,677,029
Tools and molds	870,481,355	21,680	526,790,775	162,672,059	180,996,841
Equipment	63,262,791	20,886	36,195,245	4,820,556	22,226,104
Construction in progress	123,104,074	-	-	-	123,104,074
Machinery in transit	9,220,930	-	-	-	9,220,930
	<u>₩3,401,389,009</u>	<u>₩ 2,566,224</u>	<u>₩1,845,795,950</u>	<u>₩ 445,552,005</u>	<u>₩ 1,107,474,830</u>

	December 31, 2013				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,305,570	₩ -	₩ -	₩ -	₩ 475,305,570
Buildings	520,204,787	1,696,822	176,446,878	148,371,912	193,689,175
Structures	103,715,045	176,520	57,532,368	29,156,376	16,849,781
Machinery	1,229,675,167	789,603	1,030,309,009	99,310,297	99,266,258
Vehicles	9,989,170	-	6,895,721	1,243,655	1,849,794
Tools and molds	873,276,231	31,508	507,905,818	163,823,074	201,515,831
Equipment	62,680,485	26,413	33,950,667	4,924,001	23,779,404
Construction in progress	70,917,106	-	-	-	70,917,106
Machinery in transit	862,440	-	-	-	862,440
	<u>₩3,346,626,001</u>	<u>₩ 2,720,866</u>	<u>₩1,813,040,461</u>	<u>₩ 446,829,315</u>	<u>₩ 1,084,035,359</u>

(Unit: Indian rupee in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 28,090,567	Rs. -	Rs. -	Rs. -	Rs. 28,090,567
Buildings	30,842,135	98,902	10,710,534	8,768,780	11,263,919
Structures	6,137,666	9,831	3,448,348	1,723,142	956,345
Machinery	72,383,118	40,415	61,262,989	5,868,777	5,210,937
Vehicles	563,919	-	392,195	72,611	99,113
Tools and molds	51,445,448	1,281	31,133,335	9,613,920	10,696,912
Equipment	3,738,831	1,234	2,139,139	284,897	1,313,561
Construction in progress	7,275,451	-	-	-	7,275,451
Machinery in transit	544,957	-	-	-	544,957
	<u>Rs. 201,022,092</u>	<u>Rs. 151,663</u>	<u>Rs. 109,086,540</u>	<u>Rs. 26,332,127</u>	<u>Rs. 65,451,762</u>

	December 31, 2013				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	28,090,559	-	-	-	28,090,559
Buildings	30,744,103	100,282	10,428,010	8,768,780	11,447,031
Structures	6,129,559	10,432	3,400,163	1,723,142	995,822
Machinery	72,673,802	46,666	60,891,262	5,869,239	5,866,635
Vehicles	590,360	-	407,537	73,500	109,323
Tools and molds	51,610,626	1,862	30,017,234	9,681,944	11,909,586
Equipment	3,704,418	1,561	2,006,484	291,008	1,405,365
Construction in progress	4,191,201	-	-	-	4,191,201
Machinery in transit	50,970	-	-	-	50,970
	<u>Rs. 197,785,598</u>	<u>Rs. 160,803</u>	<u>Rs. 107,150,690</u>	<u>Rs. 26,407,613</u>	<u>Rs. 64,066,492</u>

(2) Changes in the carrying amounts of property, plant and equipment for the six months ended June 30, 2014 and 2013, are as follows:

(Unit: Korean won in thousands):

	Six months ended June 30, 2014					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 475,305,570	₩ 126	₩ -	₩ -	₩ -	₩ 475,305,696
Buildings	193,689,175	5,303	-	1,653,438	4,757,083	190,590,833
Structures	16,849,781	101,086	-	36,086	805,144	16,181,809
Machinery	99,266,258	134,221	100,408	5,378,694	16,507,251	88,171,514
Vehicles	1,849,794	87,370	18	(4,729)	255,388	1,677,029
Tools and molds	201,515,831	1,159,700	2,446	4,363,509	26,039,753	180,996,841
Equipment	23,779,404	1,029,792	6,047	203,316	2,780,361	22,226,104
Construction in progress	70,917,106	62,324,060	97,167	(10,039,925)	-	123,104,074
Machinery in transit	862,440	9,949,864	-	(1,591,374)	-	9,220,930
	<u>₩ 1,084,035,359</u>	<u>₩ 74,791,522</u>	<u>₩ 206,086</u>	<u>₩ (985)</u>	<u>₩ 51,144,980</u>	<u>₩ 1,107,474,830</u>

(*) Depreciation cost of suspended assets' amount of ₩10,588 (Rs.626 thousand) in thousands is included from the depreciation cost.

	Six months ended June 30, 2013					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ 19,360	₩ -	₩ 5,795,530	₩ -	₩ 475,459,592
Buildings	200,432,599	1,252,223	129,642	98,001	4,666,987	196,986,194
Structures	17,632,819	90,000	10,350	-	790,411	16,922,058
Machinery	111,035,013	3,510,824	41,981	4,485,116	17,730,371	101,258,601
Vehicles	2,142,715	136,176	15,804	-	278,167	1,984,920
Tools and molds	196,280,439	17,366,649	28,210	25,549,911	31,530,833	207,637,956
Equipment	16,868,667	6,460,322	8,607	(17,434)	2,025,335	21,277,613
Construction in progress	37,322,042	22,305,308	109,568	(36,431,836)	-	23,085,946
Machinery in transit	-	1,183,728	-	(1,183,728)	-	-
	<u>₩ 1,051,358,996</u>	<u>₩ 52,324,590</u>	<u>₩ 344,162</u>	<u>₩ (1,704,440)</u>	<u>₩ 57,022,104</u>	<u>₩ 1,044,612,880</u>

(*) Depreciation cost of suspended assets' amount of ₩24,514 (Rs.1,449 thousand) in thousands is included from the depreciation cost.

(Unit: Indian rupee in thousands):

Six months ended June 30, 2014						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 28,090,559	Rs. 8	Rs. -	Rs. -	Rs. -	Rs. 28,090,567
Buildings	11,447,030	313	-	97,720	281,144	11,263,919
Structures	995,822	5,974	-	2,133	47,584	956,345
Machinery	5,866,636	7,932	5,934	317,882	975,579	5,210,937
Vehicles	109,323	5,164	1	(280)	15,093	99,113
Tools and molds	11,909,586	68,538	145	257,882	1,538,949	10,696,912
Equipment	1,405,363	60,861	357	12,013	164,319	1,313,561
Construction in progress	4,191,201	3,683,352	5,743	(593,359)	-	7,275,451
Machinery in transit	50,970	588,037	-	(94,050)	-	544,957
	<u>Rs. 64,066,490</u>	<u>Rs. 4,420,179</u>	<u>Rs. 12,180</u>	<u>Rs. (59)</u>	<u>Rs. 3,022,668</u>	<u>Rs. 65,451,762</u>

Six months ended June 30, 2013						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 27,756,002	Rs. 1,144	Rs. -	Rs. 342,516	Rs. -	Rs. 28,099,662
Buildings	11,845,567	74,006	7,662	5,792	275,819	11,641,884
Structures	1,042,100	5,319	612	-	46,713	1,000,094
Machinery	6,562,169	207,490	2,481	265,070	1,047,865	5,984,383
Vehicles	126,634	8,048	934	-	16,440	117,308
Tools and molds	11,600,174	1,026,369	1,667	1,510,000	1,863,472	12,271,404
Equipment	996,938	381,805	509	(1,030)	119,697	1,257,507
Construction in progress	2,205,733	1,318,244	6,475	(2,153,122)	-	1,364,380
Machinery in transit	-	69,958	-	(69,958)	-	-
	<u>Rs. 62,135,317</u>	<u>Rs. 3,092,383</u>	<u>Rs. 20,340</u>	<u>Rs. (100,732)</u>	<u>Rs. 3,370,006</u>	<u>Rs. 61,736,622</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of June 30, 2014, are as follows:

(Unit: Korean won in thousands):

Assets pledged as collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 281,318,706	195 billion
Buildings	150-3 (factory site) and others	60,514,494	Korean won
Machinery and others	Pyeongtaek plant production facilities	11,160,336	
		<u>₩ 352,993,536</u>	

(Unit: Indian rupee in thousands):

Assets pledged as collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 16,625,936	12 billion
Buildings	150-3 (factory site) and others	3,576,407	rupees
Machinery and others	Pyeongtaek plant production facilities	659,576	
		<u>Rs. 20,861,919</u>	

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,683	₩ -	₩ 11,784,495	₩ -	₩ 2,694,188
Patents	1,395,900	15,029	600,531	17,056	763,284
Other intangible assets	118,692,150	19,688	7,397,103	686,796	110,588,563
	<u>₩ 134,566,733</u>	<u>₩ 34,717</u>	<u>₩ 19,782,129</u>	<u>₩ 703,852</u>	<u>₩ 114,046,035</u>

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,684	₩ -	₩ 9,371,382	₩ -	₩ 5,107,302
Patents	1,217,210	5,802	475,150	-	736,258
Other intangible assets	88,692,583	21,609	4,347,597	686,796	83,636,581
	<u>₩ 104,388,477</u>	<u>₩ 27,411</u>	<u>₩ 14,194,129</u>	<u>₩ 686,796</u>	<u>₩ 89,480,141</u>

(Unit: Indian rupee in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 855,690	Rs. -	Rs. 696,464	Rs. -	Rs. 159,226
Patents	82,498	888	35,491	1,008	45,111
Other intangible assets	7,014,706	1,163	437,169	40,590	6,535,784
	<u>Rs. 7,952,894</u>	<u>Rs. 2,051</u>	<u>Rs. 1,169,124</u>	<u>Rs. 41,598</u>	<u>Rs. 6,740,121</u>

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 855,690	Rs. -	Rs. 553,849	Rs. -	Rs. 301,841
Patents	71,937	343	28,081	-	43,513
Other intangible assets	5,241,732	1,277	256,943	40,590	4,942,922
	<u>Rs. 6,169,359</u>	<u>Rs. 1,620</u>	<u>Rs. 838,873</u>	<u>Rs. 40,590</u>	<u>Rs. 5,288,276</u>

(2) Changes in intangible assets for the six months ended June 30, 2014 and 2013, are as follows:

(Unit: Korean won in thousands):

	Six months ended June 30, 2014				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 5,107,302	₩ -	₩ 2,413,114	₩ -	₩ 2,694,188
Patents	736,258	168,889	124,807	17,056	763,284
Other intangible assets (*)	83,636,581	29,992,564	3,040,582	-	110,588,563
	<u>₩ 89,480,141</u>	<u>₩ 30,161,453</u>	<u>₩ 5,578,503</u>	<u>₩ 17,056</u>	<u>₩ 114,046,035</u>

(*) Of the acquisition amount of other intangible assets, the amount obtained in government subsidy is ₩16,804 (Rs.993 thousand) in thousands.

Six months ended June 30, 2013					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	₩ 47,996,313	₩ 12,551,548	₩ 16,755,372	₩ -	₩ 43,792,489
Other intangible assets	658,066	193,824	116,258	18,252	717,380
	7,868,979	6,028,021	1,045,919	5,194	12,845,887
	₩ 56,523,358	₩ 18,773,393	₩ 17,917,549	₩ 23,446	₩ 57,355,756

(*) Of the acquisition amount of other intangible assets, the amount obtained in government subsidy is ₩3,237 (Rs.182 thousand) in thousands.

(Unit: Indian rupee in thousands):

Six months ended June 30, 2014					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	Rs. 301,842	Rs. -	Rs. 142,616	Rs. -	Rs. 159,226
Other intangible assets	43,513	9,981	7,375	1,008	45,111
	4,942,921	1,772,561	179,698	-	6,535,784
	Rs. 5,288,276	Rs. 1,782,542	Rs. 329,689	Rs. 1,008	Rs. 6,740,121

Six months ended June 30, 2013					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	Rs. 2,836,582	Rs. 741,796	Rs. 990,242	Rs. -	Rs. 2,588,136
Other intangible assets	38,892	11,455	6,871	1,079	42,397
	465,057	356,256	61,814	307	759,192
	Rs. 3,340,531	Rs. 1,109,507	Rs. 1,058,927	Rs. 1,386	Rs. 3,389,725

(3) Amortization of the intangible assets for the six months ended June 30, 2014 and 2013, is as follows:

Account	Korean won in thousands		Indian rupee in thousands	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cost of goods manufactured	₩ 2,231,447	₩ 16,573,705	Rs. 131,879	Rs. 979,506
Selling and administrative expenses	3,347,056	1,343,844	197,810	79,421
	₩ 5,578,503	₩ 17,917,549	Rs. 329,689	Rs. 1,058,927

13. BORROWINGS:

(1) The Company's short-term borrowings as of June 30, 2014, and December 31, 2013, consist of the following:

(Unit: Korean won in thousands):

Creditor	Type	Interest rate	June 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	₩ 30,000,000	₩ 30,000,000
Besides BOA	Banker's usance	0.98% ~ 1.50%	26,052,175	21,608,036
			₩ 56,052,175	₩ 51,608,036

(Unit: Indian rupee in thousands):

Creditor	Type	Interest rate	June 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	Rs. 1,773,000	Rs. 1,773,000

Besides BOA	Banker's usance	, 0.98% ~ 1.50%	<u>1,539,684</u>	<u>1,277,034</u>
			<u>Rs. 3,312,684</u>	<u>Rs. 3,050,034</u>

(2) The Company's bonds and current portion of long-term borrowings as of June 30, 2014, and December 31, 2013, consist of the following:

(Unit: Korean won in thousands):

Type	Issue date	Maturity date	Interest rate (%)	June 30, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2014-02-09	-	₩ -	₩ 95,404,765

(Unit: Indian rupee in thousands):

Type	Issue date	Maturity date	Interest rate (%)	June 30, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2014-02-09	-	Rs. -	Rs. 5,638,422

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

Creditor	Assets pledged as collateral	Pledged date	Maximum credit amount
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean won (12 billion rupees)

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of other financial liabilities as of June 30, 2014, and December 31, 2013, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Other current financial liabilities:				
Accrued expenses	₩ 17,472,472	₩ 20,352,993	Rs. 1,032,623	Rs. 1,202,862

15. PROVISION FOR PRODUCT WARRANTIES:

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Jun. 30, 2014	₩ 125,479,981	₩ 58,815,637	₩ 52,446,148	₩ 131,849,470	₩ 55,208,998	₩ 76,640,472
Dec. 31, 2013	₩ 118,598,929	₩ 82,634,200	₩ 75,753,148	₩ 125,479,981	₩ 48,780,982	₩ 76,698,999

(Unit: Indian rupee in thousands):

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Jun. 30, 2014	Rs. 7,415,867	Rs. 3,476,004	Rs. 3,099,567	Rs. 7,792,304	Rs. 3,262,852	Rs. 4,529,452
Dec. 31, 2013	Rs. 7,009,197	Rs. 4,883,681	Rs. 4,477,012	Rs. 7,415,866	Rs. 2,882,956	Rs. 4,532,910

16. OTHER LIABILITIES:

Carrying amounts of other liabilities as of June 30, 2014, and December 31, 2013, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Advances from customers	₩ 2,777,235	₩ 5,689,992	Rs. 164,135	Rs. 336,279
Deposits received	1,433,998	1,507,995	84,749	89,123
Withholdings	15,337,647	19,520,134	906,454	1,153,639
	₩ 19,548,880	₩ 26,718,121	Rs. 1,155,338	Rs. 1,579,041

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the Company's separate financial statements' configuration items as of June 30, 2014, and December 31, 2013, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 223,764,168	₩ 176,130,156	Rs. 13,224,462	Rs. 10,409,292
Fair value of plan assets	(1,458,353)	(1,474,038)	(86,188)	(87,115)
	₩ 222,305,815	₩ 174,656,118	Rs. 13,138,274	Rs. 10,322,177

(2) Changes in the Company's defined benefit obligation for the six months ended June 30, 2014 and 2013, are as follows (Unit: Korean won and Indian rupee in thousands):

	Six months ended June 30, 2014		Six months ended June 30, 2013	
Beginning balance	₩ 176,130,156	₩ 144,823,054	Rs. 10,409,292	Rs. 8,559,042
Current service cost	17,630,084	15,366,680	1,041,938	908,171
Interest cost	3,795,156	2,814,855	224,294	166,358
Previous service costs	29,217,170	-	1,726,735	-
Wages paid	(2,947,798)	(2,774,542)	(174,215)	(163,975)
Others	(60,600)	-	(3,582)	-
Ending balance	₩ 223,764,168	₩ 160,230,047	Rs. 13,224,462	Rs. 9,469,596

(3) Changes in the fair value of plan assets for the six months ended June 30, 2014 and 2013, are as follows (Unit: Korean won and Indian rupee in thousands):

	Six months ended June 30, 2014		Six months ended June 30, 2013	
Beginning balance	₩ 1,474,038	₩ 1,524,841	Rs. 87,116	Rs. 90,118
Expected return on plan assets	32,093	29,561	1,897	1,747
Actuarial losses	(15,530)	(9,397)	(918)	(555)
Wages paid	(32,248)	(45,722)	(1,907)	(2,702)
Ending balance	₩ 1,458,353	₩ 1,499,283	Rs. 86,188	Rs. 88,608

(4) Actuarial assumptions used as of June 30, 2014, and December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
Discount rate (%)	4.39	4.39
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.

18. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of June 30, 2014.

- (1) The Company carries product liability insurance for all products which it sells.
- (2) As of June 30, 2014, the Company has been providing guarantees from Korea Development Bank, etc., amounting to USD205 million (amount execution USD76 million) related to import L/C.
- (3) The following are the major loan arrangements with the financial institutions as of June 30, 2014.

(Unit: Korean won in thousands):

Financial institution	Classification	Limit	Exercise price
KDB	Operating purpose loans	₩ 30,000,000	₩ 30,000,000

(Unit: Indian rupee in thousands):

Financial institution	Classification	Limit	Exercise price
KDB	Operating purpose loans	Rs. 1,773,000	Rs. 1,773,000

- (4) Pending litigations

As of June 30, 2014, the Company has four pending litigations as a plaintiff with claims and 31 pending litigations as a defendant with claims. The Company recognized a contingent liability amounting to ₩39,884,532 thousand (Rs.2,357,176 thousand), which has a high probability of losing a lawsuit and a reliable estimate can be made as of June 30, 2014.

19. CAPITAL STOCK:

As of June 30, 2014, and December 31, 2013, the number of authorized shares is 3 billion shares. Details of capital stock are as follows:

(Unit: Won in thousands, except for par value):

Classification	Shares outstanding	Par value	Capital stock
June 30, 2014	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2013	137,220,096	₩ 5,000	₩ 686,100,480

(Unit: Rupee in thousands, except for par value):

Classification	Shares outstanding	Par value	Capital stock
June 30, 2014	137,220,096	Rs. 296	Rs. 40,548,538
December 31, 2013	137,220,096	Rs. 296	Rs. 40,548,538

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of June 30, 2014, and December 31, 2013, are as follows:

		June 30,	December 31,	June 30,	December 31,
		2014	2013	2014	2013
		(Korean won in thousands)		(Indian rupee in thousands)	
Other capital surplus	Paid-in capital in excess of par value	₩ 11,452,713	₩ 11,452,713	Rs. 676,855	Rs. 676,855
	Gain on retirement of capital stock	120,351,580	120,351,580	7,112,778	7,112,778
	Debt converted to equity	931,508	931,508	55,052	55,052
	Treasury stock	(108,530)	(108,530)	(6,413)	(6,413)
	Consideration for conversion rights	(3,243,869)	(3,243,869)	(191,713)	(191,713)
		<u>₩129,383,402</u>	<u>₩129,383,402</u>	<u>Rs. 7,646,559</u>	<u>Rs. 7,646,559</u>

21. OTHER CAPITAL ADJUSTMENTS:

(1) Detail of the Company's other capital adjustments as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Classification		June 30, 2014	December 31, 2013
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ 8,043,400	₩ 26,833,680

(Unit: Indian rupee in thousands):

Classification		June 30, 2014	December 31, 2013
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. 475,365	Rs. 1,585,870

(2) Changes in the Company's gains (losses) on valuation of derivatives as of June 30, 2014, and December 31, 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Six months ended June 30, 2014	Year ended December 31, 2013	Six months ended June 30, 2014	Year ended December 31, 2013
Beginning balance	₩ 26,833,680	₩ 18,999,750	Rs. 1,585,870	Rs. 1,122,885
Gains (losses) on valuation of derivatives	5,241,900	26,833,680	309,796	1,585,870
Reclassified to net income	(24,032,180)	(18,999,750)	(1,420,301)	(1,122,885)
Ending balance	<u>₩ 8,043,400</u>	<u>₩ 26,833,680</u>	<u>Rs. 475,365</u>	<u>Rs. 1,585,870</u>

22. RETAINED EARNINGS:

(1) Details of retained earnings as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014	December 31, 2013
Retained earnings	₩ 29,728,658	₩ 47,725,963

(Unit: Indian rupee in thousands)

	June 30, 2014	December 31, 2013
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Retained earnings	Rs.	1,756,964	Rs.	2,820,605
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(2) Changes in retained earnings for the six months ended as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014		December 31, 2013	
Beginning balance	₩	47,725,963	₩	52,754,371
Loss on appropriated retained earnings		(17,981,777)		(3,778,045)
Actuarial losses		(15,529)		(1,250,363)
Ending balance	₩	29,728,657	₩	47,725,963

(Unit: Indian rupee in thousands):

	June 30, 2014		December 31, 2013	
Beginning balance	Rs.	2,820,605	Rs.	3,117,783
Loss on appropriated retained earnings		(1,062,723)		(223,282)
Actuarial losses		(918)		(73,896)
Ending balance	Rs.	1,756,964	Rs.	2,820,605

23. INCOME TAX:

As of June 30, 2014 and 2013, there are no deferred income tax assets and income tax the Company recognizes due to tax deficit.

24. EXPENSES BY CATEGORY:

Details of expenses classified by category for the six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Changes in inventories	₩ (21,333,974)	₩ (25,885,901)	Rs. (1,260,838)	Rs. (1,529,857)
Raw materials and merchandise goods used	1,259,550,891	1,217,583,261	74,439,458	71,959,171
Salaries	251,741,991	193,812,126	14,877,952	11,454,297
Depreciation	51,134,392	56,997,590	3,022,042	3,368,557
Amortization	5,578,503	17,917,549	329,689	1,058,927
Other	193,157,566	209,689,238	11,415,612	12,392,635
(*1)	₩1,739,829,369	₩1,670,113,863	Rs. 102,823,915	Rs. 98,703,730

(*1) The sum total selling and administrative expenses and cost of sales.

25. DERIVATIVE 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). Gain on valuation of derivatives for ₩8,043,400 thousand (Rs.475,365 thousand) applied to cash flow risk aversion accounting treatment is recognized as other capital components, and gain on valuation of derivatives for ₩668,800 thousand (Rs.39,526 thousand) which is an inefficient part is recognized as current income for the year ended June 30, 2014.

26. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Warranty expenses	₩ 12,640,269	₩ 35,849,961	₩ 19,878,705	₩ 34,518,748
Sales commissions	36,726,058	75,890,643	37,797,209	69,569,418
Advertising expenses	5,023,270	8,372,584	3,967,444	10,352,121
Export expenses	19,172,033	35,297,911	22,213,993	40,694,919
Others	9,284,134	16,705,296	8,257,799	19,760,177
	<u>₩ 82,845,764</u>	<u>₩ 172,116,395</u>	<u>₩ 92,115,150</u>	<u>₩ 174,895,383</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Warranty expenses	Rs. 747,040	Rs. 2,118,733	Rs. 1,174,831	Rs. 2,040,058
Sales commissions	2,170,510	4,485,137	2,233,815	4,111,553
Advertising expenses	296,875	494,820	234,476	611,810
Export expenses	1,133,067	2,086,107	1,312,847	2,405,070
Others	548,693	987,283	488,036	1,167,827
	<u>Rs. 4,896,185</u>	<u>Rs. 10,172,080</u>	<u>Rs. 5,444,005</u>	<u>Rs. 10,336,318</u>

(2) Administrative expenses for the three and six months ended June 30, 2014 and 2013 are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Salaries	₩ 12,201,251	₩ 23,814,540	₩ 11,036,289	₩ 21,876,290
Postemployment benefits	1,979,023	3,528,730	1,713,397	3,325,873
Employee benefits	3,249,697	5,696,435	2,383,425	5,246,083
Rent expense	2,595,110	5,183,753	2,552,113	5,022,563
Service fees	4,868,444	10,749,498	5,377,038	9,488,802
Depreciation	1,716,062	3,413,915	1,240,062	2,508,745
R&D expenses	4,311,650	10,935,535	5,270,301	10,605,495
Amortization	1,714,702	3,347,056	720,497	1,343,844
Bad debt expense	(162,042)	5,602	165,979	50,497
Other administrative expenses	9,433,704	15,906,363	8,637,405	16,345,067
	<u>₩ 41,907,601</u>	<u>₩ 82,581,427</u>	<u>₩ 39,096,506</u>	<u>₩ 75,813,259</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Salaries	Rs. 721,094	Rs. 1,407,439	Rs. 652,245	Rs. 1,292,889
Postemployment benefits	116,960	208,548	101,262	196,559
Employee benefits	192,057	336,659	140,860	310,044
Rent expense	153,371	306,360	150,830	296,833
Service fees	287,725	635,295	317,783	560,788
Depreciation	101,419	201,762	73,288	148,267
R&D expenses	254,819	646,290	311,475	626,785
Amortization	101,339	197,811	42,581	79,421
Bad debt expense	(9,577)	331	9,809	2,984
Other administrative expenses	557,532	940,066	510,471	965,993
	<u>Rs. 2,476,739</u>	<u>Rs. 4,880,561</u>	<u>Rs. 2,310,604</u>	<u>Rs. 4,480,563</u>

27. NON-OPERATING INCOME (EXPENSES):

- (1) Details of the Company's non-operating income for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Commission income	₩ 540,980	₩ 1,231,840	₩ 2,964,884	₩ 6,725,452
Gain on foreign currency transactions	2,252,784	4,503,037	3,839,929	7,325,013
Gain on foreign currency translation	(27,812)	349,014	529,808	1,042,061
Reversal of allowance for doubtful accounts	-	-	-	27,034
Gain on disposal of property, plant and equipment	50,506	69,526	31,267	35,455
Gain on disposal of investment assets	-	1,523	-	-
Others	4,904,622	9,127,000	4,332,723	10,097,493
	<u>₩ 7,721,080</u>	<u>₩ 15,281,940</u>	<u>₩ 11,698,611</u>	<u>₩ 25,252,508</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Commission income	Rs. 31,972	Rs. 72,802	Rs. 175,225	Rs. 397,474
Gain on foreign currency transactions	133,140	266,129	226,940	432,908
Gain on foreign currency translation	(1,644)	20,627	31,312	61,586
Reversal of allowance for doubtful accounts	-	-	-	1,598
Gain on disposal of property, plant and equipment	2,985	4,109	1,848	2,095
Gain on disposal of investment assets	-	90	-	-
Others	289,863	539,406	256,063	596,762
	<u>Rs. 456,316</u>	<u>Rs. 903,163</u>	<u>Rs. 691,388</u>	<u>Rs. 1,492,423</u>

(2) Details of the Company's non-operating expense for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Loss on foreign currency transactions	₩ 4,667,873	₩ 6,568,022	₩ 3,596,516	₩ 5,293,486
Loss on foreign currency translation	788,642	1,043,007	638,198	1,061,332
Other bad debt expense	(7,141)	5,527	50,438	21,297
Non-operating assets and depreciation	4,873	10,588	9,358	24,514
Loss on disposal of property, plant and equipment	23,808	50,212	158,698	203,700
Loss on disposal of investment assets	113	2,905	641	4,747
Loss on disposal of trade receivables	3,053,293	7,749,983	2,401,671	4,865,273
Impairment loss on investments	-	884	693,272	696,899
Impairment loss on intangible assets	10,017	17,056	12,837	23,446
Impairment loss on investment in subsidiaries	-	-	-	1,192,710
Others	30,668,751	32,095,828	4,471,024	12,412,615
	₩ 39,210,229	₩ 47,544,012	₩ 12,032,653	₩ 25,800,019

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Loss on foreign currency transactions	Rs. 275,871	Rs. 388,170	Rs. 212,554	Rs. 312,845
Loss on foreign currency translation	46,609	61,642	37,718	62,725
Other bad debt expense	(422)	327	2,981	1,259
Non-operating assets and depreciation	288	626	553	1,449
Loss on disposal of property, plant and equipment	1,407	2,968	9,379	12,039
Loss on disposal of investment assets	7	172	38	281
Loss on disposal of trade receivables	180,450	458,024	141,939	287,538
Impairment loss on investments	-	52	40,972	41,187
Impairment loss on intangible assets	592	1,008	759	1,386
Impairment loss on investment in subsidiaries	-	-	-	70,489
Others	1,812,523	1,896,862	264,236	733,583
	Rs. 2,317,325	Rs. 2,809,851	Rs. 711,129	Rs. 1,524,781

28. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest income	₩ 1,118,804	₩ 3,047,004	₩ 1,685,511	₩ 3,208,484
Dividend income	746,077	757,077	720,318	726,318
Gain on foreign currency transactions	866,303	2,059,931	1,638,867	2,564,576
Gain on foreign currency translation	858,993	916,883	121,075	192,227
Gain on disposal of derivatives	19,914,055	29,907,855	4,225,864	11,524,375
Gain on valuation of derivatives	(747,262)	668,800	1,757,813	2,992,114
	<u>₩ 22,756,970</u>	<u>₩ 37,357,550</u>	<u>₩ 10,149,448</u>	<u>₩ 21,208,094</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest income	Rs. 66,121	Rs. 180,078	Rs. 99,614	Rs. 189,621
Dividend income	44,093	44,743	42,571	42,925
Gain on foreign currency transactions	51,199	121,742	96,857	151,566
Gain on foreign currency translation	50,766	54,188	7,156	11,361
Gain on disposal of derivatives	1,176,921	1,767,554	249,749	681,091
Gain on valuation of derivatives	(44,163)	39,526	103,885	176,834
	<u>Rs. 1,344,937</u>	<u>Rs. 2,207,831</u>	<u>Rs. 599,832</u>	<u>Rs. 1,253,398</u>

(2) Details of the Company's financial cost for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest expense	₩ 451,239	₩ 1,641,628	₩ 2,232,036	₩ 4,323,139
Loss on foreign currency transactions	4,047,418	4,530,060	1,330,566	1,624,803
Loss on foreign currency translation	(394,204)	1,659	759,831	840,119
Loss on disposal of derivatives	-	-	1,805,498	2,564,298
Loss on valuation of derivatives	(19,950)	-	162,560	165,305
	<u>₩ 4,084,503</u>	<u>₩ 6,173,347</u>	<u>₩ 6,290,491</u>	<u>₩ 9,517,664</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest expense	Rs. 26,668	Rs. 97,020	Rs. 131,913	Rs. 255,498
Loss on foreign currency transactions	239,202	267,727	78,637	96,026
Loss on foreign currency translation	(23,297)	98	44,906	49,651
Loss on disposal of derivatives	-	-	106,705	151,550
Loss on valuation of derivatives	(1,179)	-	9,607	9,768
	<u>Rs. 241,394</u>	<u>Rs. 364,845</u>	<u>Rs. 371,768</u>	<u>Rs. 562,493</u>

(3) Details of the Company's financial net profit for the three and six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loan and receivables	₩ (1,220,453)	₩ (149,529)	₩ 89,704	₩ 168,084
Available-for-sale financial assets	746,077	757,077	-	6,000
Other financial liabilities	19,146,843	30,576,655	3,769,253	11,516,346
	<u>₩18,672,467</u>	<u>₩31,184,203</u>	<u>₩ 3,858,957</u>	<u>₩11,690,430</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loan and receivables	Rs. (72,128)	Rs. (8,837)	Rs. 5,301	Rs. 9,934
Available-for-sale financial assets	44,093	44,743	-	355
Other financial liabilities	1,131,578	1,807,080	222,763	680,616
	<u>Rs. 1,103,543</u>	<u>Rs. 1,842,986</u>	<u>Rs. 228,064</u>	<u>Rs. 690,905</u>

29. INCOME(LOSS) PER SHARE:

Basic income (loss) per share for the three and six months ended June 30, 2014 and 2013, is calculated as follows (Unit: Korean won and Indian rupee in thousands, except for earnings per share):

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Net income (loss)	₩ (27,435,707)	₩ (17,981,860)	₩ 7,571,555	₩ (2,186,824)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(27,435,707)	(17,981,860)	7,571,555	(2,186,824)
Number of common stocks outstanding	<u>137,198,390</u>	<u>137,198,390</u>	<u>129,047,257</u>	<u>125,878,553</u>
Basic and diluted income (loss) per share(*1)	<u>₩ (200)</u>	<u>₩ (131)</u>	<u>₩ 59</u>	<u>₩ (17)</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Net income (loss)	Rs. (1,621,451)	Rs. (1,062,728)	Rs. 447,479	Rs. (129,241)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(1,621,451)	(1,062,728)	447,479	(129,241)
Number of common stocks outstanding	<u>137,198,390</u>	<u>137,198,390</u>	<u>129,047,257</u>	<u>125,878,553</u>
Basic and diluted income (loss) per share(*1)	<u>Rs. (12)</u>	<u>Rs. (8)</u>	<u>Rs. 3</u>	<u>Rs. (1)</u>

(*1) Basic and diluted losses per share for the six months ended June 30, 2014 and 2013, are identical since there are no dilutive potential common shares.

The numbers of shares outstanding for the six months ended June 30, 2014 and 2013, are calculated as follows:

Six months ended June 30, 2014						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
Common stock	2014-01-01	2014-06-30	137,220,096	137,220,096	181/181	137,220,096
Treasury stock	2014-01-01	2014-06-30	(21,706)	(21,706)	181/181	(21,706)
Total						<u>137,198,390</u>

Six months ended June 30, 2013						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
Common stock	2013-01-01	2013-03-31	122,674,641	122,674,641	93/181	63,031,722
Treasury stock	2013-04-04	2013-05-21	(21,706)	122,652,935	48/181	32,526,745
Additional share	2013-05-22	2013-06-30	14,545,455	137,198,390	40/181	30,320,086
Total						<u>125,878,553</u>

30. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
1. Cash flows from operating activities	₩ (12,290,142)	₩ 240,445,751	Rs. (726,347)	Rs. 14,210,344
1) Net loss	(17,981,777)	(2,186,824)	(1,062,723)	(129,241)
2) Adjustments	111,805,431	96,906,115	6,607,701	5,727,151
(1) Addition of expenses	117,852,262	106,649,660	6,965,070	6,302,993
Loss on foreign currency translation	1,044,666	1,901,451	61,740	112,376
Loss on disposal of trade receivables	7,749,983	4,865,273	458,024	287,538
Loss on valuation of derivatives	-	165,305	-	9,768
Bad debt expense	5,602	50,496	331	2,984
Other bad debt expense	5,527	21,297	327	1,259
Depreciation	51,134,392	56,997,590	3,022,043	3,368,558
Loss on disposal of investment assets	2,905	4,747	172	281
Loss on disposal of property, plant and equipment	50,212	203,700	2,968	12,039
Impairment loss on investment assets	884	696,899	52	41,187
Amortization	5,578,503	17,917,549	329,689	1,058,927
Impairment loss on intangible assets	17,056	23,446	1,008	1,386
Impairment loss on investment in subsidiaries	-	1,192,710	-	70,489
Interest expense	1,641,628	4,323,139	97,020	255,498
Postemployment benefits	21,393,147	18,151,975	1,264,335	1,072,782
Depreciation expenses on assets not in use	10,588	24,514	626	1,449
Miscellaneous losses	29,217,169	109,569	1,726,735	6,472
(2) Deduction of revenue	(6,046,831)	(9,743,545)	(357,369)	(575,842)
Gain on foreign currency translation	1,265,897	1,234,288	74,816	72,946
Reversal of allowance for doubtful accounts	-	27,034	-	1,598
Reversal of loss on valuation of inventories	237,004	1,408,629	14,007	83,250
Interest income	3,047,004	3,208,484	180,078	189,621
Gain on dividends	757,077	726,318	44,743	42,925
Gain on valuation of derivatives	668,800	2,992,114	39,526	176,834
Gain on disposal of investment assets	1,523	-	90	-
Gain on disposal of property, plant and equipment	69,526	35,456	4,109	2,095
Miscellaneous gains	-	111,222	-	6,573
3) Changes in working capital	(106,113,796)	145,726,460	(6,271,325)	8,612,434
Decrease (increase) in trade receivables, net	13,348,060	(5,204,375)	788,870	(307,579)
Decrease (increase) in non-trade receivables, net	2,672,744	96,282	157,960	5,692
Increase in other assets	(2,586,125)	(294,331)	(152,840)	(17,395)
Decrease in derivatives	2,112,880	2,436,903	124,871	144,021
Increase in inventories	(13,231,828)	(30,682,417)	(782,001)	(1,813,331)
Increase in long security	(4,316,461)	(2,809,300)	(255,103)	(166,030)
Increase in trade payables	(58,476,849)	206,951,294	(3,455,982)	12,230,821
Decrease in accrued charges	(39,587,102)	(17,821,786)	(2,339,598)	(1,053,268)
Decrease in other payables	(1,999,412)	(1,555,012)	(118,165)	(91,901)

	Korean won in thousands		Indian rupee in thousands	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Decrease in other liabilities	(7,169,243)	(8,826,781)	(423,702)	(521,663)
Decrease in current other long-term benefit	(1,115,105)	1,285,100	(65,903)	75,949
Increase (decrease) in short-term provision of product warranties	6,428,016	6,366,545	379,896	376,263
Increase in long-term other payables	-	20,571	-	1,216
Increase in other long-term benefit	780,706	(1,507,412)	46,140	(89,088)
Payment of severance indemnities	(2,915,550)	(2,728,821)	(172,309)	(161,273)
Increase (decrease) in long-term provision of product warranties	(58,527)	-	(3,459)	-
2. Interest received	4,178,488	2,704,839	246,949	159,856
3. Interest paid	(2,522,737)	(4,064,379)	(149,094)	(240,205)
4. Dividends received	757,077	1,100,280	44,743	65,027
Net cash (used in) provided by operating activities	₩ (9,877,314)	₩ 240,186,491	Rs. (583,749)	Rs. 14,195,022

31. SEGMENT INFORMATION:

(1) The Company determined itself as a single reportable segment in light of nature of goods or service creating operating income and trait of assets providing service. Therefore, writing disclosure according to reportable segment's operating income, income before income tax and its assets and liabilities is omitted.

(2) Information of each sales region for the six months ended June 30, 2014 and 2013, is as follows: follows (Unit: Korean won and Indian rupee in thousands):

Sales region	Six months ended June 30, 2014			
Republic of Korea	₩	972,216,814	Rs.	57,458,014
Europe		385,311,401		22,771,904
Asia Pacific		134,268,820		7,935,287
Others		231,128,425		13,659,689
	₩	1,722,925,460	Rs.	101,824,894

Sales region	Six months ended June 30, 2013			
Republic of Korea	₩	887,183,695	Rs.	52,432,556
Europe		423,372,480		25,021,314
Asia Pacific		113,841,172		6,728,013
Others		232,386,773		13,734,058
	₩	1,656,784,120	Rs.	97,915,941

(3) Information of each sales product and service for the six months ended June 30, 2014 and 2013, is as follows (Unit: Korean won and Indian rupee in thousands):

Sales	Six months ended June 30, 2014			
Automobile	₩	1,547,020,537	Rs.	91,428,914
Products		166,242,708		9,824,944
Others		9,662,215		571,036
	₩	1,722,925,460	Rs.	101,824,894

Sales	Six months ended June 30, 2013			
Automobile	₩	1,427,672,100	Rs.	84,375,421
Products		220,072,919		13,006,310
Others		9,039,101		534,210
	₩	1,656,784,120	Rs.	97,915,941

32. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of June 30, 2014, are as follows:

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

(2) Major transactions with related parties for the three and six months ended June 30, 2014 and 2013, are as follows:

(Unit: Korean won in thousands):

	<u>Six months ended June 30, 2014</u>		<u>Six months ended June 30, 2013</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	₩ 604,893	₩ 1,133,686	₩ 1,709,866	₩ 3,445,702
Transactions with subsidiaries	5,283,395	94,498	4,470,507	-
Transaction with other affiliates	6,768,178	49,642	55,670,524	-

(Unit: Indian rupee in thousands):

	<u>Three months ended June 30, 2014</u>		<u>Three months ended June 30, 2013</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	Rs. 35,749	Rs. 67,001	Rs. 101,053	Rs. 203,641
Transactions with subsidiaries	312,249	5,585	264,207	-
Transaction with other affiliates	399,999	2,934	3,290,128	-

(3) Outstanding receivables and payables from transactions with related parties as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 391,219	₩ 761,788
Payables and others	200,691	96,377,681
Receivables from and payables to subsidiaries:		
Receivables and others	13,117,312	12,977,768
Payables and others	927,256	943,407
Receivables from and payables to affiliates:		
Receivables and others	1,519,647	466,300
Payables and others	6,508	47,315

(Unit: Indian rupee in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 23,121	Rs. 45,022
Payables and others	11,861	5,695,921
Receivables from and payables to subsidiaries:		
Receivables and others	775,233	766,986
Payables and others	54,801	55,755
Receivables from and payables to affiliates:		
Receivables and others	89,811	27,558
Payables and others	385	2,796

The Company did not recognize allowance for the above-mentioned receivables, and no bad debt expense was recognized for the three months ended June 30, 2014.

Details of compensation for key executives for the six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Short-term employee benefits	₩ 451,999	₩ 340,976	Rs. 26,713	Rs. 20,152
Postemployment benefits	19,791	7,840	1,170	463

33. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary. There is no change in the overall capital risk management strategy of the Company compared to last year.

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

Debt-to-equity ratio as of June 30, 2014, and December 31, 2013, is as follows:

(Unit: Korean won in thousands):

	June 30, 2014	December 31, 2013
Debt (A)	₩ 1,088,219,959	₩ 1,233,769,275
Equity (B)	853,255,940	890,043,525
Debt ratio (A/ B)	127.54%	138.62%

(Unit: Indian rupee in thousands):

	June 30, 2014	December 31, 2013
Debt (A)	Rs. 64,313,800	Rs. 72,915,765
Equity (B)	50,427,426	52,601,572
Debt ratio (A/ B)	127.54%	138.62%

(2) Details of financial assets and liabilities by category as of June 30, 2014, and December 31, 2013, are as follows:

1) Financial assets

(Unit: Korean won in thousands):

<u>Financial assets</u>	June 30, 2014				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 153,393,995	₩ -	₩ -	₩ 153,393,995	₩ 153,393,995
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	250,803,446	-	-	250,803,446	250,803,446
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	8,750,200	8,750,200	8,750,200
	₩ 404,203,441	₩ 560,000	₩ 8,750,200	₩ 413,513,641	₩ 413,513,641

Financial assets	December 31, 2013				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 359,712,082	₩ -	₩ -	₩ 359,712,082	₩ 359,712,082
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	270,631,929	-	-	270,631,929	270,631,929
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	28,984,560	28,984,560	28,984,560
	<u>₩ 630,350,011</u>	<u>₩ 560,000</u>	<u>₩ 28,984,560</u>	<u>₩ 659,894,571</u>	<u>₩ 659,894,571</u>

(Unit: Indian rupee in thousands):

Financial assets	June 30, 2014				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 9,065,585	Rs. -	Rs. -	Rs. 9,065,585	Rs. 9,065,585
Long-term financial instruments	355	-	-	355	355
Trade receivables and other receivables	14,822,484	-	-	14,822,484	14,822,484
Long-term AFS financial assets	-	33,096	-	33,096	33,096
Derivative assets	-	-	517,137	517,137	517,137
	<u>Rs. 23,888,424</u>	<u>Rs. 33,096</u>	<u>Rs. 517,137</u>	<u>Rs. 24,438,657</u>	<u>Rs. 24,438,657</u>

Financial assets	December 31, 2013				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 21,258,984	Rs. -	Rs. -	Rs. 9,065,585	Rs. 9,065,585
Long-term financial instruments	355	-	-	355	355
Trade receivables and other receivables	15,994,347	-	-	14,822,480	14,822,480
Long-term AFS financial assets	-	33,096	-	33,096	33,096
Derivative assets	-	-	517,137	517,137	517,137
	<u>Rs. 37,253,686</u>	<u>Rs. 33,096</u>	<u>Rs. 517,137</u>	<u>Rs. 24,438,653</u>	<u>Rs. 24,438,653</u>

2) Financial liabilities

	Financial liabilities measured at amortized cost			
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(Korean won in thousands)		(Indian rupee in thousands)	
Trade payables and other payables	₩ 642,516,402	₩ 743,620,638	Rs. 37,972,720	Rs. 43,947,980
Debt	56,052,175	147,012,801	3,312,684	8,688,457
Total	<u>₩ 698,568,577</u>	<u>₩ 890,633,439</u>	<u>Rs. 41,285,404</u>	<u>Rs. 52,636,437</u>

(3) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% at the period-end of June 30, 2014.

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

(Unit: Korean won in thousands):

Currency	Korean won in thousands		Indian rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 9,443,190	₩ (9,443,190)	Rs. 558,093	Rs. (558,093)
EUR	2,217,737	(2,217,737)	131,068	(131,068)
JPY	(309,583)	309,583	(18,296)	18,296
Others	801,517	(801,517)	47,370	(47,370)
	₩ 12,152,861	₩ (12,152,861)	Rs. 718,235	Rs. (718,235)

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to 8,043,400 thousand won (Rs. 475,365 thousands), and this amount will be reclassified as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within twelve months at the latest starting from the end of current period.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease/increase ₩74,384 thousand (Rs.4,396 thousand) for the year ended June 30, 2014, due to floating rate debt's interest rate risk.

2) Credit risk

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

As of June 30, 2014, and December 31, 2013, the maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows. However, the value of acquired collaterals and the effects from other credit enhancement are not considered.

	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(Korean won in thousands)		(Indian rupee in thousands)	
Trade and other receivables	₩ 250,803,446	₩ 270,631,929	Rs. 14,822,484	Rs. 15,994,347

3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of June 30, 2014, and December 31, 2013, is as follows:

(Unit: Korean won in thousands):

	June 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	₩ 397,426,913	₩ -	₩ 397,426,913
Non-trade payables	219,714,907	-	219,714,907
Short-term borrowings	56,794,728	-	56,794,728
Other payables	17,472,472	-	17,472,472
Long-term other payables	-	7,902,109	7,902,109
	₩ 691,409,020	₩ 7,902,109	₩ 699,311,129

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	₩ 455,995,938	₩ -	₩ 455,995,938
Non-trade payables	247,048,242	-	247,048,242
Short-term borrowings	51,971,981	-	51,971,981
Other payables	20,352,993	-	20,352,993
Long-term other payables	-	20,223,465	20,223,465
Bonds	96,136,637	-	96,136,637
	₩ 871,505,791	₩ 20,223,465	₩ 891,729,256

(Unit: Indian rupee in thousands):

	June 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 23,487,931	Rs. -	Rs. 23,487,931
Non-trade payables	12,985,151	-	12,985,151
Short-term borrowings	3,356,568	-	3,356,568
Other payables	1,032,623	-	1,032,623
Long-term other payables	-	467,015	467,015
	Rs. 40,862,273	Rs. 467,015	Rs. 41,329,288

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 26,949,360	Rs. -	Rs. 26,949,360
Non-trade payables	14,600,551	-	14,600,551
Short-term borrowings	3,071,544	-	3,071,544
Other payables	1,202,862	-	1,202,862
Long-term other payables	-	1,195,207	1,195,207
Bonds	5,681,675	-	5,681,675
	Rs. 51,505,992	Rs. 1,195,207	Rs. 52,701,199

Funding arrangements as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

		June 30, 2014		December 31, 2013	
Borrowing limit commitments	Used	₩	30,000,000	₩	30,000,000
	Unused		-		-
Total		₩	30,000,000	₩	30,000,000

(Unit: Indian rupee in thousands):

		June 30, 2014		December 31, 2013	
Borrowing limit commitments	Used	Rs.	1,773,000	Rs.	1,773,000
	Unused		-		-
Total		Rs.	1,773,000	Rs.	1,773,000

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

Equity instruments and debt instruments measured at fair value where no active market exists are included in the separate financial statements. They are estimated by discounted cash flow method and others, but some of the applied assumptions are not grounded on observable market price and ratio.

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

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

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

Level 3 Inputs that are not based on observable market data

Fair values of financial instruments by hierarchy level as of June 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Type	June 30, 2014			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	₩ -	₩ 8,750,200	₩ -	₩ 8,750,200

Type	December 31, 2013			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	₩ -	₩ 28,984,560	₩ -	₩ 28,984,560

(Unit: Indian rupee in thousands):

Type	June 30, 2014						Fair value	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
Derivatives designated to hedge item	Rs.	-	Rs.	517,137	Rs.	-	Rs.	517,137

Type	December 31, 2013						Fair value	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
Derivatives designated to hedge item	Rs.	-	Rs.	1,712,987	Rs.	-	Rs.	1,712,987