

Ssangyong Motor Company

NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated statement of financial position of Ssangyong Motor Company (the "Company") as of March 31, 2011, and the related statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the three months ended March 31, 2011, all expressed in Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews. The comparative statement of financial position as of December 31, 2010 and the comparative statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the three months ended March 31, 2010 were not reviewed.

We conducted our review in accordance with standards for review of interim financial statements in the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. 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.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards (K-IFRS).

The Company's non-consolidated statement of financial position as of December 31, 2010, which were prepared in accordance with accounting principles generally accepted in the Republic of Korea (K-GAAP) (not K-IFRS) but are not included in this review report, were audited by Ernst & Young Han Young Company in accordance with auditing standards generally accepted in the Republic of Korea, and an unqualified opinion was made upon for the audit report dated February 18, 2011. In addition, the non-consolidated statements of operations, changes in equity and cash flows for the three months ended March 31, 2010, which were prepared in accordance with K-GAAP (not K-IFRS) but are not included in this review report, were reviewed by Ernst & Young Han Young Company (E&Y) in accordance with standards for review of interim financial statements in the Republic of Korea, and an opinion that nothing was identified that caused E&Y to believe that the financial statements referred to above were not presented fairly, in all material respects, in accordance with K-GAAP.



April 19, 2011

Notice to Readers

This report is effective as of April 19, 2011, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

	Korean Won		Indo- Rupee	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 5, 6, 7 and 27)	₩ 72,122,306	₩ 80,566,165	Rs. 2,884,892	Rs. 3,222,647
Trade and other receivables, net (Notes 5, 9 and 27)	179,967,953	186,354,055	7,198,718	7,454,162
Inventories, net (Notes 10 and 15)	223,053,721	215,524,140	8,922,148	8,620,966
Other current assets (Note 12)	68,615,884	83,401,025	2,744,636	3,336,041
Assets held for sale (Notes 13 and 14)	<u>671,961</u>	<u>671,961</u>	<u>26,878</u>	<u>26,878</u>
Total current assets	<u>544,431,825</u>	<u>566,517,346</u>	<u>21,777,273</u>	<u>22,660,694</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 7)	6,000	6,000	240	240
Non-current available-for-sale financial assets (Notes 5 and 8)	560,000	560,000	22,400	22,400
Non-current other receivables, net (Note 5)	36,668,371	37,908,069	1,466,735	1,516,323
Property, plant and equipment, net (Notes 14, 15 and 17)	1,020,841,544	1,030,034,942	40,833,662	41,201,398
Intangible assets (Note 16)	81,934,613	89,171,132	3,277,385	3,566,845
Investments in subsidiaries (Note 11)	3,666,291	3,666,291	146,651	146,651
Other non-current assets (Note 12)	<u>707,685</u>	<u>923,350</u>	<u>28,307</u>	<u>36,934</u>
Total non-current assets	<u>1,144,384,504</u>	<u>1,162,269,784</u>	<u>45,775,380</u>	<u>46,490,791</u>
TOTAL ASSETS	<u><u>1,688,816,329</u></u>	<u><u>1,728,787,130</u></u>	<u><u>67,552,653</u></u>	<u><u>69,151,485</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Notes 5, 19, 23, 27 and 36)	240,486,774	361,104,115	9,619,471	14,444,165
Short-term borrowings (Notes 5, 17 and 36)	4,169,000	-	166,760	-
Current portion of long-term borrowings (Notes 5 and 27)	-	310,934,562	-	12,437,382
Provision for product warranties (Note 20)	36,707,301	34,090,864	1,468,292	1,363,635
Other current liabilities (Note 21)	<u>47,311,993</u>	<u>152,911,547</u>	<u>1,892,480</u>	<u>6,116,462</u>
Total current liabilities	<u>₩ 328,675,068</u>	<u>₩859,041,088</u>	<u>Rs.13,147,003</u>	<u>Rs.34,361,644</u>

(Continued)

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

	Korean Won		Indo- Rupee	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debentures (Notes 5, 17 and 36)	₩ 95,404,765	₩ -	Rs. 3,816,190	Rs. -
Other non-current payables (Notes 5, 27 and 36)	2,263,398	2,247,782	90,536	89,911
Retirement benefit obligation (Note 22)	154,707,228	148,678,035	6,188,289	5,947,121
Other long-term employee benefits obligation	11,102,918	10,769,084	444,117	430,763
Provision for long-term product warranties (Note 20)	48,090,548	43,174,385	1,923,622	1,726,976
Total non-current liabilities	311,568,857	204,869,286	12,462,754	8,194,771
TOTAL LIABILITIES	640,243,925	1,063,910,373	25,609,757	42,556,415
SHAREHOLDERS' EQUITY:				
Capital stock (Notes 18 and 24)	609,809,205	182,688,005	24,392,368	7,307,520,
Other capital surplus (Note 25)	125,496,967	840,231,779	5,019,879	33,609,271
Retained earnings (accumulated deficit) (Note 25)	313,266,232	(358,043,027)	12,530,649	(14,321,721)
TOTAL SHAREHOLDERS' EQUITY	1,048,572,404	664,876,757	41,942,896	26,595,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩ 1,688,816,329	₩ 1,728,787,130	Rs. 67,552,653	Rs. 69,151,485

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean Won		Indo- Rupee	
	<u>Three months ended</u>	<u>Three months ended</u>	<u>Three months ended</u>	<u>Three months ended</u>
	<u>March 31, 2011</u>	<u>March 31, 2010</u>	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 34 and 35)	₩ 620,525,157	₩ 405,567,601	Rs. 24,821,006	Rs. 16,222,704
COST OF SALES (Notes 10 and 35)	<u>(554,668,720)</u>	<u>(347,930,937)</u>	<u>(22,186,749)</u>	<u>(13,917,237)</u>
GROSS PROFIT	65,856,437	57,636,664	2,634,257	2,305,467
SELLING AND ADMINISTRATIVE EXPENSES (Note 29)	<u>(107,490,559)</u>	<u>(77,468,441)</u>	<u>(4,299,622)</u>	<u>(3,098,738)</u>
OTHER OPERATING INCOME (EXPENSES): (Notes 30)				
Fee income	-	3,594,867	-	143,795
Loss on foreign currency transactions, net	(981,502)	(733,118)	(39,260)	(29,325)
Gain (Loss) on foreign currency translation, net	(704,342)	1,606,133	(28,174)	64,245
Reversal of allowance for doubtful accounts	689,884	659,164	27,595	26,367
Loss on disposal of trade receivables, net	(4,388,354)	(2,193,276)	(175,534)	(87,731)
Gain on disposal of property, plant and equipment, net	2,957,134	3,959,158	118,285	158,366
Impairment loss on property, plant and equipment, net	-	(5,015,874)	-	(200,635)
Impairment loss on intangible assets	(2,459)	-	(98)	-
Gain on disposal of investment assets, net	(3,133)	(120,712)	(125)	(4,828)
Product warranty reserve	1,185,048	1,425,604	47,402	57,024
Others, net	<u>988,250</u>	<u>(13,318,630)</u>	<u>39,530</u>	<u>-532,745</u>
	<u>(259,474)</u>	<u>(10,136,684)</u>	<u>(10,379)</u>	<u>(405,467)</u>
OPERATING LOSS	<u>(41,893,596)</u>	<u>(32,848,255)</u>	<u>(1,675,744)</u>	<u>(1,313,930)</u>
FINANCIAL REVENUES (Note 31)	5,482,258	16,076,847	219,290	643,073
FINANCIAL EXPENSES (Note 31)	<u>(6,965,807)</u>	<u>(21,394,383)</u>	<u>(278,632)</u>	<u>(855,775)</u>
LOSS BEFORE INCOME TAX	₩ (43,377,145)	₩ (38,165,791)	Rs. (1,735,086)	Rs. (1,526,632)

(Continued)

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	<u>Korean Won</u>		<u>Indo- Rupee</u>	
	<u>Three months ended</u> <u>March 31, 2011</u>	<u>Three months ended</u> <u>March 31, 2010</u>	<u>Three months ended</u> <u>March 31, 2011</u>	<u>Three months ended</u> <u>March 31, 2010</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
INCOME TAX EXPENSE (Note 26)	₩ _____ -	₩ _____ -	Rs. _____ -	Rs. _____ -
NET LOSS	_____ (43,377,145)	_____ (38,165,791)	_____ (1,735,086)	_____ (1,526,632)
OTHER COMPREHENSIVE LOSS	_____ (13,593)	_____ (8,083)	_____ (544)	_____ (323)
TOTAL COMPREHENSIVE LOSS	<u>₩ (43,390,738)</u>	<u>₩ (38,173,874)</u>	<u>Rs. (1,735,630)</u>	<u>Rs. (1,526,955)</u>
EARNINGS PER SHARE (Note 32) Basic and diluted loss per share	<u>₩ (513)</u>	<u>₩ (1,057)</u>	<u>Rs. (21)</u>	<u>Rs. (42)</u>

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean Won			
	Capital stock	Other capital surplus	Retained earnings (accumulated deficit)	Total
	(In thousands)			
Unreviewed balance at January 1, 2010	₩ 542,052,155	₩ 480,750,982	₩ (301,626,727)	₩ 721,176,410
Net loss	-	-	(38,165,791)	(38,165,791)
Actuarial losses	-	-	(8,083)	(8,083)
Capital decrease without consideration	(361,449,375)	361,449,375	-	-
Conversion of debt to equity	-	(2,620)	-	(2,620)
Unreviewed balance at March 31, 2010	<u>₩ 180,602,780</u>	<u>₩ 842,197,737</u>	<u>₩ (339,800,601)</u>	<u>₩ 682,999,916</u>
Unreviewed balance at January 1, 2011	182,688,005	840,231,779	(358,043,027)	664,876,757
Net loss	-	-	(43,377,145)	(43,377,145)
Actuarial losses	-	-	(13,593)	(13,593)
Capital increase with consideration	427,095,235	-	-	427,095,235
Capital increase without consideration	25,965	(25,965)	-	-
Deficit recovery	-	(714,699,998)	714,699,998	-
Stock issuance costs	-	(8,849)	-	(8,850)
Balance at March 31, 2011,	<u>₩ 609,809,205</u>	<u>₩ 125,496,967</u>	<u>₩ 313,266,232</u>	<u>₩ 1,048,572,403</u>

	Indo-Rupee			
	Capital stock	Other capital surplus	Retained earnings (accumulated deficit)	Total
	(In thousands)			
Unreviewed balance at January 1, 2010	Rs. 21,682,086	Rs. 19,230,039	Rs. (12,065,069)	Rs. 28,847,056
Net loss	-	-	(1,526,632)	(1,526,632)
Actuarial losses	-	-	(323)	(323)
Capital decrease without consideration	(14,457,975)	14,457,975	-	-
Conversion of debt to equity	-	(105)	-	(105)
Unreviewed balance at March 31, 2010	<u>Rs. 7,224,111</u>	<u>Rs. 33,687,909</u>	<u>Rs. (13,592,024)</u>	<u>Rs. 27,319,997</u>
Unreviewed balance at January 1, 2011	7,307,520	33,609,271	(14,321,721)	26,595,070
Net loss	-	-	(1,735,086)	(1,735,086)
Actuarial losses	-	-	(544)	(544)
Capital increase with consideration	17,083,809	-	-	17,083,809
Capital increase without consideration	1,039	(1,039)	-	-
Deficit recovery	-	(28,588,000)	28,588,000	-
Stock issuance costs	-	(354)	-	(354)
Balance at March 31, 2011,	<u>Rs. 24,392,368</u>	<u>Rs. 5,019,879</u>	<u>Rs. 12,530,649</u>	<u>Rs. 41,942,896</u>

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean Won		Indo- Rupee	
	Three months ended	Three months ended	Three month ended	Three months ended
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	₩ (43,377,145)	₩ (38,165,791)	Rs. (1,735,086)	Rs. (1,526,632)
Adjustment	43,601,881	60,107,236	1,744,075	2,404,289
Changes in net working capital	<u>10,459,460</u>	<u>(3,828,355)</u>	<u>418,378</u>	<u>(153,134)</u>
	10,684,196	18,113,090	427,368	724,524
Receipt of interests	1,093,540	90,527	43,742	3,621
Payment of interests	(1,138,693)	(7,140,298)	(45,548)	(285,612)
Dividend income	6,000	11,000	240	440
Payment of income tax expense	<u>-</u>	<u>2,796</u>	<u>-</u>	<u>112</u>
Net cash provided by operating activities	<u>10,645,043</u>	<u>11,077,115</u>	<u>425,802</u>	<u>443,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in financial institution deposits	-	777,743	-	31,110
Decrease in other receivables	479,280	785,114	19,171	31,405
Disposal of other financial assets	10,100	-	404	-
Disposal of property, plant and equipment	6,599,402	12,133,993	263,976	485,360
Decrease in other assets	<u>1,115</u>	<u>4,128</u>	<u>45</u>	<u>165</u>
	7,089,897	13,700,978	283,596	548,039
Cash outflows from investing activities:				
Increase in financial institution deposits	-	1,417,237	-	56,689
Acquisition of other financial assets	10,090	-	404	-
Acquisition of property, plant and equipment	15,769,785	22,639,019	630,791	905,561
Acquisition of intangible assets	<u>2,835,424</u>	<u>7,340,821</u>	<u>113,417</u>	<u>293,633</u>
	<u>(18,615,299)</u>	<u>(31,397,077)</u>	<u>(744,612)</u>	<u>(1,255,883)</u>
Net cash used in investing activities	<u>(11,525,402)</u>	<u>(17,696,099)</u>	<u>(461,016)</u>	<u>(707,844)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash inflows from financing activities:				
Proceeds from borrowings	4,169,000	86,517,913	166,760	3,460,717
Issuance of debentures	95,404,765	-	3,816,191	-
Capital increase with consideration	374,763,556	-	14,990,542	-

(Continued)

SSANGYONG MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean Won		Indo- Rupee	
	Three months ended March 31, 2011	Three months ended March 31, 2010	Three months ended March 31, 2011	Three months Ended March 31, 2010
	(In thousands)		(In thousands)	
Increase in government subsidies	₩ -	₩ 1,918,380	Rs -	Rs 76,735
	<u>474,337,321</u>	<u>88,436,293</u>	<u>18,973,493</u>	<u>3,537,452</u>
Cash outflows from financing activities:				
Redemption of borrowings	310,934,562	80,690,473	12,437,382	3,227,619
Redemption of troubled debts	170,294,152	--	6,811,766	-
Payment for stock issuance costs	8,850	--	354	-
	<u>(481,237,564)</u>	<u>(80,690,473)</u>	<u>(19,249,503)</u>	<u>(3,227,619)</u>
Net cash provided by (used in) financing activities	<u>(6,900,244)</u>	<u>7,745,820</u>	<u>(276,010)</u>	<u>309,833</u>
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	<u>(663,256)</u>	<u>1,606,132</u>	<u>(26,530)</u>	<u>64,245</u>
Net increase (decrease) in cash and cash equivalents	(8,443,859)	2,732,968	(337,754)	109,319
CASH AND CASH EQUIVALENTS, AT BEGINNIG OF THE PERIOD	<u>80,566,165</u>	<u>13,185,375</u>	<u>3,222,647</u>	<u>527,415</u>
CASH AND CASH EQUIVALENTS, AT ENDNIG OF THE PERIOD	<u>₩ 72,122,306</u>	<u>₩ 15,918,343</u>	<u>Rs. 2,884,892</u>	<u>Rs. 636,734</u>

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

1. GENERAL:

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

The Company is headquartered in Seoul, Korea, and has set up telecommunication networks all over the country to provide landline and wireless services.

Seoul Central District Court (the “Court”) made a decision on the commencement of a corporate reorganization for business normalization on February 6, 2009 and approved the corporate reorganization plan on December 17, 2009. Meanwhile, in the creditors’ meeting held on January 28, 2011, an amended plan was approved in accordance with an investment contract into which was entered on November 23, 2010 for the merger and acquisition with Mahindra & Mahindra Ltd., and upon the formal consent received from the Court on January 31, 2011 on the amended plan, payments for the capital increase by third-party allotment (17.084 billion rupee) and unguaranteed corporate bonds (3.816 billion rupee) were made to the Company on February 8 and February 9 in 2011 respectively.

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

As of March 31, 2011, the Company’s shareholders are as follows:

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

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

2. SIGNIFICANT ACCCOUNTING POLICIES:

(1) Basis of preparation

The Company has adopted the Korean International Financial Reporting Standards (“K-IFRS”) from January 1, 2010, which is determined as the transition date of the Company into K-IFRS.

Unless stated otherwise in the notes to the financial statements, the Company’s accompanying financial statements were prepared based on historical cost.

With respect to the shareholders’ equity as of January 1, March 31 and December 31, 2010 that were stated in accordance with the accounting principles prior to K-IFRS and the comprehensive income for the periods ended March 31 and December 31, 2010, the adjustments resulting from the conversion to K-IFRS are stated in the Note 4 in accordance with K-IFRS 1101 “*First-time Adoption of IFRSs*”.

The Company's interim financial statements for the three months ended March 31, 2011 were prepared in accordance with K-IFRS 1034 "*Interim Financial Reporting*". The interim financial statements were prepared in accordance with the K-IFRS that are effective as of March 31, 2011. However, there may be K-IFRS and interpretations that are implemented after January 1, 2011 or that are able to adopted early in 2011 even if announced additionally after 2012. Accordingly, accounting policies that used for the preparation of the interim financial statements may be different from the policies that used for the preparation of the first annual financial statements in accordance with K-IFRS. Currently, enactment and amendment of the K-IFRS are in progress, and the financial information presented in the interim financial statements may be changed accordingly.

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

(2) Subsidiaries, affiliates and joint ventures

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

In accordance with K-IFRS 1027, the Company's financial statements are separate financial statements. Investments in subsidiaries, joint ventures and affiliates are accounted for using the cost method, but on the date of transition to K-IFRS, the Company used carrying amount as deemed cost according to K-GAAP that were effective as of the transition date. Dividends obtained from subsidiaries, joint ventures and affiliates are recognized in current financial revenues when the right to receive dividends is established.

(3) Foreign currency translation

Functional and reporting currency

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

Transactions in foreign currency and translation of ending balances

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

(4) Statement of cash flow

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

(5) Cash and cash equivalents

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

(6) Financial assets

1) Classification

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

Financial assets at FVTPL

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

Loans and receivables

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

AFS financial assets

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

HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. HTM investments are classified as non-current assets when maturities exceed 12 months; otherwise, they are classified as current assets.

2) Recognition and measurement

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

Gains or losses arising from changes in fair value of financial assets at FVTPL are recognized as financial revenues or expenses in the period in which they occur and dividends from financial assets at FVTPL are recognized as financial revenues when the Company's right to receive dividends is established.

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

3) Offsetting of financial instruments

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

4) Impairment of financial assets

Financial assets measured at amortized cost

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

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

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

AFS financial assets

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

(7) Trade receivables

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

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

(8) Inventories

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

The Company applies the lower of cost by group of inventories and loss on inventory valuation is charged to cost of sales and presented as a deduction from inventories.

(9) Property, plant, and equipment

Property, plant, and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase. Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of an asset can be measured reliably. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to property, plant and equipment. The interest incurred on borrowings in connection with the acquisition of property and plant and equipment are charged to current operation.

The Company does not depreciate land and some tangible assets, and depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The change is accounted for as a change in an accounting estimate.

(10) Intangible assets

Capitalized development cost

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

Membership

The Company does not amortize its membership as the useful lives are estimated to be indefinite.

Other intangible assets

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

(11) Impairment of non-financial assets

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

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

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

(13) Borrowings

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

(14) Defined benefit obligation

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

(15) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

(16) Lease

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

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

(17) Revenue recognition

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

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

1) Sale of goods

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

2) Interest income

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

(18) Government Subsidies

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

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

(19) Income tax expense and deferred income tax

The interim period income tax expense is calculated using the tax rate that would be applicable to expected total annual earnings.

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

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

(20) Troubled debt restructuring

In case the Company's debt is adjusted to relieve part or all of the Company's obligations as a result of the Court approval of the corporate reorganization plan, the Company adjusts the book value of the relevant debt to its present value if the difference between the book value and the present value of the debt is material and recognizes the difference as a gain from debt adjustment. The difference between the book value and the present value is recorded as a deduction from the book value, accrued using the effective interest rate method and recognized as an interest expense.

(21) Earnings per share

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

(22) Segment information

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

3. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS:

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

to the carrying amounts of assets and liabilities within the next financial year.

(1) Provision for product warranties

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

(2) Retirement benefit obligation

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

4. TRANSITION TO K-IFRS:

The Company has adopted K-IFRS from the annual reporting period starting after January 1, 2011, and as part of the first K-IFRS financial statements for the fiscal year 2011, the financial statements as of and for the three months ended March 31, 2011 are prepared in accordance with IAS 34. The Company's past financial statements were prepared in accordance with generally accepted accounting standards in the Republic of Korea ("K-GAAP"), but the Company's non-consolidated financial statements for the fiscal year 2011 are prepared in accordance with K-IFRS. Therefore, the financial statements for the prior year that are comparatively presented are restated based on K-IFRS 1101 *First-time adoption of International Financial Reporting Standard*, with a K-IFRS transition date set to January 1, 2010.

(1) Major differences in accounting policies

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

1) First-time adoption of K-IFRS

In connection with the opening IFRS statement of financial position based on K-IFRS, it is possible for the Company to choose and apply more than one exemptions from retrospective application of K-IFRS 1101. The Company's exemptions from retrospective application on K-IFRS are as follows:

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

2) Debt adjustment

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

3) Assets held for sale

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

4) Employee benefits

According to K-GAAP, at the end of a reporting period a benefit obligation is calculated and recognized, based on an assumption that all employees who have worked over a year will retire as of the reporting period end. However, according to K-IFRS, retirement benefit amount is appropriated as defined benefit obligation by actuarial assessment using the projected unit credit method.

(2) Changes in scope of consolidation

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

Classification	Details	Subsidiaries
Increase	Corporations with the total asset of less than 10 billion won at the end of the year which is just prior to the business year were excluded according to the 1.3 and 2.1 of the Act on External Audit of Stock Companies, but are included as corporations subject to consolidation under K-IFRS.	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd., Ssangyong European Parts Center B.V

(3) Effects on the Company’s financial position, result of operation and cash flows

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

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	₩ 1,388,474	₩ 1,087,853	₩ 300,621
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695
Fair value measurement of liabilities for debt adjustment	-	(128,323)	128,323
Classification and measurement of non-current assets held for sale	(1,945)	-	(1,945)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(5,696)	5,696
Adjustment on valuation of provision for product warranties	-	(4,362)	4,362
Others	14,187	(8,237)	22,424
	<u>273,937</u>	<u>(146,618)</u>	<u>420,555</u>
K-IFRS	<u>₩ 1,662,411</u>	<u>₩ 941,235</u>	<u>₩ 721,176</u>

(Unit: Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	Rs. 55,539	Rs. 43,514	Rs. 12,025
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468
Fair value measurement of liabilities for debt adjustment	-	(5,133)	5,133
Classification and measurement of non-current assets held for sale	(78)	-	(78)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(228)	228
Adjustment on valuation of provision for product warranties	-	(174)	174
Others	567	(329)	897
	10,957	(5,865)	16,822
K-IFRS	Rs. 66,496	Rs. 37,649	Rs. 28,847

2) Adjustments to financial position as of and interim result of operation for the period ended March 31, 2010
(Unit: Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	₩ 1,401,159	₩ 1,126,428	₩ 274,731	₩ (25,771)	₩ (25,888)
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value measurement of liabilities for debt adjustment	-	(123,536)	123,536	(4,787)	(4,787)
Classification and measurement of non-current assets held for sale	(1,945)	-	(1,945)	230	230
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(5,638)	5,638	(606)	(615)
Adjustment on valuation of provision for product warranties	-	(3,150)	3,150	(1,211)	(1,211)
Others	7,811	(8,382)	16,193	(6,020)	(5,902)
	<u>267,561</u>	<u>(140,706)</u>	<u>408,267</u>	<u>(12,394)</u>	<u>(12,285)</u>
K-IFRS	<u>₩ 1,668,720</u>	<u>₩ 985,722</u>	<u>₩ 682,998</u>	<u>₩ (38,165)</u>	<u>₩ (38,173)</u>

(Unit: Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	Rs. 56,046	Rs. 45,057	Rs. 10,989	Rs. (1,031)	Rs. (1,036)
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value measurement of liabilities for debt adjustment	-	(4,941)	4,941	(191)	(191)
Classification and measurement of non-current assets held for sale	(78)	-	(78)	9	9
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(226)	226	(24)	(25)
Adjustment on valuation of provision for product warranties	-	(126)	126	(48)	(48)
Others	312	(335)	648	(241)	(236)
	<u>10,702</u>	<u>(5,628)</u>	<u>16,331</u>	<u>(496)</u>	<u>(491)</u>
K-IFRS	<u>Rs. 66,749</u>	<u>Rs. 39,429</u>	<u>Rs. 27,320</u>	<u>Rs. (1,527)</u>	<u>Rs. (1,527)</u>

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

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	₩ 1,475,260	₩ 1,166,374	₩ 308,886	₩ 8,115	₩ 8,148
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value measurement of liabilities for debt adjustment	-	(109,075)	109,075	(19,248)	(19,248)
Classification and measurement of non-current assets held for sale	11	-	11	1,956	1,956
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	10,845	(10,845)	5,804	(16,541)
Adjustment on valuation of provision for product warranties	-	4,125	(4,125)	(8,486)	(8,486)
Others	(8,179)	(8,359)	180	(22,212)	(22,245)
	<u>253,527</u>	<u>(102,464)</u>	<u>355,991</u>	<u>(42,186)</u>	<u>(64,564)</u>
K-IFRS	<u>₩ 1,728,787</u>	<u>₩ 1,063,910</u>	<u>₩ 664,877</u>	<u>₩ (34,071)</u>	<u>₩ (56,416)</u>

(Unit: Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	Rs. 59,010	Rs. 46,655	Rs. 12,355	Rs. 325	Rs. 326
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value measurement of liabilities for debt adjustment	-	(4,363)	4,363	(770)	(770)
Classification and measurement of non-current assets held for sale	0.44	-	0.44	78	78
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	434	(434)	232	(662)
Adjustment on valuation of provision for product warranties	-	165	(165)	(339)	(339)
Others	(327)	(334)	7	(888)	(890)
	<u>10,141</u>	<u>(4,099)</u>	<u>14,240</u>	<u>(1,687)</u>	<u>(2,583)</u>
K-IFRS	<u>Rs. 69,151</u>	<u>Rs. 42,556</u>	<u>Rs. 26,595</u>	<u>Rs. (1,363)</u>	<u>Rs. (2,257)</u>

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

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

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The Company's financial assets by category as of March 31, 2011 and December 31, 2010 are as follows
(Unit: Won in thousands):

(March 31, 2011)

<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Book value</u>	<u>Fair value</u>
Cash and cash equivalents	₩ 72,122,306	₩ -	₩ 72,122,306	₩ 72,122,306
Long-term available-for-sale (AFS) financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	157,654,848	-	157,654,848	157,654,848
Other receivables	22,313,105	-	22,313,105	22,313,105
Other long-term receivables	36,668,371	-	36,668,371	36,668,371
	<u>₩ 288,764,630</u>	<u>₩ 560,000</u>	<u>₩ 289,324,630</u>	<u>₩ 289,324,630</u>

(December 31, 2010)

<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Book value</u>	<u>Fair value</u>
Cash and cash equivalents	₩ 80,566,165	₩ -	₩ 80,566,165	₩ 80,566,165
Long-term available-for-sale (AFS) financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	167,193,510	-	167,193,510	167,193,510
Other receivables	19,160,545	-	19,160,545	19,160,545
Other long-term receivables	37,908,069	-	37,908,069	37,908,069
	<u>₩ 304,834,289</u>	<u>₩ 560,000</u>	<u>₩ 305,394,289</u>	<u>₩ 305,394,289</u>

(Unit: Rupee in thousands):

(March 31, 2011)

<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Book value</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 2,884,892	Rs. -	Rs. 2,884,892	Rs. 2,884,892
Long-term available-for-sale (AFS) financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240
Trade receivables	6,306,194	-	6,306,194	6,306,194
Other receivables	892,525	-	892,525	892,525
Other long-term receivables	1,466,735	-	1,466,735	1,466,735
	<u>Rs. 11,550,585</u>	<u>Rs. 22,400</u>	<u>Rs. 11,572,985</u>	<u>Rs. 11,572,985</u>

(December 31, 2010)

<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Book value</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 3,222,647	Rs. -	Rs. 3,222,647	Rs. 3,222,647
Long-term available-for-sale (AFS) financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240
Trade receivables	6,687,740	-	6,687,740	6,687,740
Other receivables	766,422	-	766,422	766,422
Other long-term receivables	1,516,323	-	1,516,323	1,516,323
	<u>Rs. 12,193,372</u>	<u>Rs. 22,400</u>	<u>Rs. 12,215,772</u>	<u>Rs. 12,215,772</u>

(2) The Company's financial liabilities by category as of March 31, 2011 and December 31, 2010 are as follows
(Unit: Won in thousands):

<u>Financial liabilities</u>	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
Trade payables	₩ 171,707,816	₩ 171,707,816	₩ 162,820,193	₩ 162,820,193
Other payables	68,778,958	68,778,958	198,283,922	198,283,922
Short-term borrowings	4,169,000	4,169,000	-	-
Current portion of long-term borrowings	-	-	310,934,562	310,934,562
Debentures	95,404,765	95,404,765	-	-
Other financial liabilities	20,220,979	20,220,979	71,648,056	71,648,056
Other non-current payables	<u>2,263,398</u>	<u>2,263,398</u>	<u>2,247,782</u>	<u>2,247,782</u>
	<u>₩ 362,544,916</u>	<u>₩ 362,544,916</u>	<u>₩ 745,934,515</u>	<u>₩ 745,934,515</u>

(Unit: Rupee in thousands):

<u>Financial liabilities</u>	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
Trade payables	Rs. 6,868,313	Rs. 6,868,313	Rs. 6,512,808	Rs. 6,512,808
Other payables	2,751,158	2,751,158	7,931,357	7,931,357
Short-term borrowings	166,760	166,760	-	-
Current portion of long-term borrowings	-	-	12,437,382	12,437,382
Debentures	3,816,191	3,816,191	-	-
Other financial liabilities	808,839	808,839	2,865,922	2,865,922
Other non-current payables	<u>90,536</u>	<u>90,536</u>	<u>89,911</u>	<u>89,911</u>
	<u>Rs. 14,501,797</u>	<u>Rs. 14,501,797</u>	<u>Rs. 29,837,381</u>	<u>Rs. 29,837,381</u>

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand and in banks and short-term financial instruments with original maturities of less than ninety days, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

7. RESTRICTED FINANCIAL ASSETS:

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

	<u>Financial institution</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives	₩ 260,000	₩ 260,000	Corporate card limit M&A performance deposit Government subsidies and others
	Korea Development Bank	-	52,306,433	
	Shinhan Bank and others	648,401	832,324	
		<u>6,000</u>	<u>6,000</u>	
Long-term financial instruments	Shinhan Bank and others	<u>₩ 914,401</u>	<u>₩ 53,404,757</u>	Overdraft deposit

(Unit: Rupee in thousands):

	Financial institution	March 31, 2011		December 31, 2010		Notes
Cash and cash equivalents	National Federation of Fisheries Cooperatives	Rs.	10,400	Rs.	10,400	Corporate card limit M&A performance deposit Government subsidies and others
	Korea Development Bank		-		2,092,257	
	Shinhan Bank and others		25,936		33,293	
Long-term financial instruments	Shinhan Bank and others		240		240	Overdraft deposit
		<u>Rs.</u>	<u>36,576</u>	<u>Rs.</u>	<u>2,136,190</u>	

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

The Company's long-term available-for-sale financial assets as of March 31, 2011 are as follows

(Unit: Won in thousands):

Classification	Ownership %	March 31, 2011			December 31, 2010
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 645,224	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	<u>60,000</u>	<u>221,969</u>	<u>₩ 60,000</u>	<u>₩ 60,000</u>
		<u>₩ 560,000</u>	<u>₩ 867,193</u>	<u>₩ 560,000</u>	<u>₩ 560,000</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.

(Unit: Rupee in thousands):

Classification	Ownership %	March 31, 2011			December 31, 2010
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 20,000	Rs. 25,809	Rs. 20,000	Rs. 20,000
Korea Management Consultants Association (*)	1.50	<u>2,400</u>	<u>8,879</u>	<u>2,400</u>	<u>Rs. 2,400</u>
		<u>Rs. 22,400</u>	<u>Rs. 34,688</u>	<u>Rs. 22,400</u>	<u>Rs. 22,400</u>

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

9. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from March 31, 2011 and because the present value discount effect is not material, the fair value of the aforementioned receivables is consistent with the book value.

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

Financial liabilities	March 31, 2011		December 31, 2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables - general	₩ 144,933,797	₩ 21,647,648	₩ 155,347,828	₩ 19,000,379
Receivables due from affiliated parties	14,596,329	-	14,194,364	-
Less: Allowance for doubtful accounts	<u>(1,875,278)</u>	<u>(2,017,806)</u>	<u>(2,348,682)</u>	<u>(2,057,840)</u>
	<u>₩ 157,654,848</u>	<u>₩ 19,629,842</u>	<u>₩ 167,193,510</u>	<u>₩ 16,942,539</u>

(Unit: Rupee in thousands):

Financial liabilities	March 31, 2011		December 31, 2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables - general	Rs. 5,797,352	Rs. 865,906	Rs. 6,213,913	Rs. 760,015
Receivables due from affiliated parties	583,853	-	567,775	-
Less: Allowance for doubtful accounts	<u>(75,011)</u>	<u>(80,712)</u>	<u>(93,947)</u>	<u>(82,314)</u>
	<u>Rs. 6,306,194</u>	<u>Rs. 785,194</u>	<u>Rs. 6,687,740</u>	<u>Rs. 677,702</u>

(2) Changes in allowance for trade and other receivables for the three months ended March 31, 2011 and the year ended December 31, 2010 are as follows (Unit: Won in thousands):

Classification	Three months ended March 31, 2011		Year ended December 31, 2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 2,348,682	₩ 2,057,840	₩ 2,112,369	₩ 3,528,838
Bad debt expense	-	-	1,445,619	438,617
Write-offs	-	-	-	(980,611)
Reversal of allowance (*)	<u>473,404</u>	<u>40,034</u>	<u>(1,209,306)</u>	<u>(929,004)</u>
Ending balance	<u>₩ 1,875,278</u>	<u>₩ 2,017,806</u>	<u>₩ 2,348,682</u>	<u>₩ 2,057,840</u>

(*) Differs from the amount of reversal in the statement of income due to the reversal of allowance in relation to short-term loans, advance payments and long-term loans.

(Unit: Rupee in thousands):

Classification	Three months ended March 31, 2011		Year ended December 31, 2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	Rs. 93,947	Rs. 82,314	Rs. 84,495	Rs. 141,154
Bad debt expense	-	-	57,825	17,545
Write-offs	-	-	-	(39,224)
Reversal of allowance (*)	<u>18,936</u>	<u>1,601</u>	<u>(48,372)</u>	<u>(37,160)</u>

Classification	Three months ended March 31, 2011		Year ended December 31, 2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Ending balance	<u>Rs. 75,011</u>	<u>Rs. 80,712</u>	<u>Rs. 93,947</u>	<u>Rs. 82,314</u>

(*) Differs from the amount of reversal in the statement of income due to the reversal of allowance in relation to short-term loans, advance payments and long-term loans.

(3) The Company estimates allowance for doubtful accounts through individual assessments, and an allowance for the receivables that are not subject to individual assessment is estimated based on the historical collection rate.

10. INVENTORIES:

The Company presents inventory costs using lower of cost or market method when the market price of the inventory falls below the acquisition cost. When the market price exceeds the carrying amount of inventory, the inventory can be recovered up to the amount of the original acquisition cost. For the three months ended March 31, 2011, loss on valuation of inventories amounting to ₩2,895,675 thousand was recovered and added back to cost of goods sold.

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

	March 31, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 50,700,626	₩ (3,958,890)	₩ 46,741,736	₩ 53,416,906	₩ (4,541,155)	₩ 48,875,751
Finished goods	48,896,344	(3,228,774)	45,667,570	21,257,058	(408,446)	20,848,612
Work-in-process	28,112,176	(852,088)	27,260,088	25,046,329	(487,031)	24,559,298
Raw materials	51,879,167	(5,469,848)	46,409,319	69,967,784	(5,213,293)	64,754,491
Sub-materials	3,373,121	-	3,373,121	4,574,168	-	4,574,168
Supplies	4,773,748	-	4,773,748	4,715,649	-	4,715,649
Goods in transit	48,828,139	-	48,828,139	47,196,171	-	47,196,171
Total	<u>₩ 236,563,321</u>	<u>₩ (13,509,600)</u>	<u>₩ 223,053,721</u>	<u>₩ 226,174,065</u>	<u>₩ (10,649,925)</u>	<u>₩ 215,524,140</u>

(Unit: Rupee in thousands):

	March 31, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,028,025	Rs. (158,356)	Rs. 1,869,669	Rs. 2,136,676	Rs. (181,646)	Rs. 1,955,030
Finished goods	1,955,854	(129,151)	1,826,703	850,282	(16,338)	833,944
Work-in-process	1,124,487	(34,084)	1,090,404	1,001,853	(19,481)	982,372
Raw materials	2,075,167	(218,794)	1,856,373	2,798,711	(208,532)	2,590,180
Sub-materials	134,925	-	134,925	182,967	-	182,967
Supplies	190,950	-	190,950	188,626	-	188,626
Goods in transit	1,953,126	-	1,953,126	1,887,847	-	1,887,847
Total	<u>Rs. 9,462,533</u>	<u>Rs. (540,384)</u>	<u>Rs. 8,922,149</u>	<u>Rs. 9,046,963</u>	<u>Rs. (425,997)</u>	<u>Rs. 8,620,966</u>

11. EQUITY METHOD INVESTMENTS:

(1) Investments in subsidiaries

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

Name of subsidiary	Location	Ownership %	March 31, 2011	
			Acquisition cost	Book value (*)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.0	₩ 1,618,803	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.0	235,700	726,659
Ssangyong European Parts Center B.V.	Netherland	100.0	835,695	-
			<u>₩ 2,690,198</u>	<u>₩ 3,666,291</u>

(*) The Company discontinued applying the equity method on Ssangyong European Parts Center B.V. of which book value was valued at zero due to accumulated loss, and the unrecognized accumulated change in equity amounts to ₩7,832,400 thousand.

(Unit: Rupee in thousands)

Name of subsidiary	Location	Ownership %	March 31, 2011	
			Acquisition cost	Book value (*)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.0	Rs. 64,752	Rs. 117,585
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.0	9,428	29,066
Ssangyong European Parts Center B.V.	Netherland	100.0	33,428	-
			<u>Rs. 107,608</u>	<u>Rs. 146,651</u>

(*) The Company discontinued applying the equity method on Ssangyong European Parts Center B.V. of which book value was valued at zero due to accumulated loss, and the unrecognized accumulated change in equity amounts to Rs. 313,296 thousand.

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the three months ended March 31, 2011 is as follows (Won in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 3,332,512	₩ 381,171	₩ 430,923	₩ (33,047)
Ssangyong Motor (Shanghai) Co., Ltd	2,252,827	1,535,376	1,433,746	(81,037)
Ssangyong European Parts Center B.V.	9,962,041	15,360,243	4,687,415	94,027

(Rupee in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 133,300	Rs. 15,247	Rs. 17,237	Rs. (1,322)
Ssangyong Motor (Shanghai) Co., Ltd	90,113	61,415	57,350	(3,241)
Ssangyong European Parts Center B.V.	398,482	614,410	187,497	3,761

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

Account	Mar. 31, 2011	Dec. 31, 2010
Current assets	₩ 544,430,329	₩ 566,517,346
Non-current assets	<u>1,144,192,323</u>	<u>1,162,448,646</u>
Total assets	<u>1,688,622,652</u>	<u>1,728,965,992</u>
Current liabilities	328,675,068	859,041,088
Non-current liabilities	<u>311,384,323</u>	<u>204,869,285</u>
Total liabilities	<u>640,059,391</u>	<u>1,063,910,373</u>
Total shareholders' equity	<u>1,048,563,261</u>	<u>665,055,619</u>
Total liabilities and shareholders' equity	₩ <u>1,688,622,652</u>	₩ <u>1,728,965,992</u>

(Unit: Rupee in thousands)

Account	Mar. 31, 2011	Dec. 31, 2010
Current assets	Rs. 21,777,213	Rs. 22,660,694
Non-current assets	<u>45,767,693</u>	<u>46,497,946</u>
Total assets	<u>67,544,906</u>	<u>69,158,640</u>
Current liabilities	13,147,003	34,361,644
Non-current liabilities	<u>12,455,373</u>	<u>8,194,771</u>
Total liabilities	<u>25,602,376</u>	<u>42,556,415</u>
Total shareholders' equity	<u>41,942,530</u>	<u>26,602,225</u>
Total liabilities and shareholders' equity	Rs. <u>67,544,906</u>	Rs. <u>69,158,640</u>

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

Account	Mar. 31, 2011	Dec. 31, 2010
Operating income	₩ (41,710,558)	₩ (32,848,256)
Financial revenues	5,482,258	16,076,848
Financial expenses	6,965,807	21,394,383
Loss on valuation of investment using the equity method of accounting	<u>(112,031)</u>	<u>(9,188)</u>
Loss before income tax	<u>(43,306,138)</u>	<u>(38,174,979)</u>
Income taxes	-	-
Net loss	<u>(43,306,138)</u>	<u>(38,174,979)</u>
Other comprehensive loss	<u>(80,150)</u>	<u>(116,343)</u>
Total other comprehensive loss	₩ <u>(43,386,288)</u>	₩ <u>(38,291,322)</u>

(Unit: Rupee in thousands)

Account	Mar. 31, 2011	Dec. 31, 2010
Operating income	Rs. (1,668,422)	Rs. (1,313,930)
Financial revenues	219,290	643,074
Financial expenses	278,632	855,775
Loss on valuation of investment using the equity method of accounting	<u>(4,481)</u>	<u>(368)</u>
Loss before income tax	<u>(1,732,246)</u>	<u>(1,526,999)</u>
Income taxes	-	-
Net loss	<u>(1,732,246)</u>	<u>(1,526,999)</u>
Other comprehensive loss	<u>(3,206)</u>	<u>(4,654)</u>
Total other comprehensive loss	Rs. <u>(1,735,452)</u>	Rs. <u>(1,531,653)</u>

12. OTHER ASSETS:

The carrying values of the Company's other assets as of March 31, 2011 are as follows (Unit: Won in thousands) :

Account	Mar. 31, 2011	Dec. 31, 2010
Other current assets		
Advance payments	₩ 66,838,198	₩ 81,047,681
(-) Allowance for doubtful accounts	(641,034)	(727,690)
Prepaid expenses	2,205,464	3,022,480
Other current assets	213,256	58,554
	68,615,884	83,401,025
Other non-current assets	-	-
Long-term prepaid expenses	441,211	519,072
Other non-current assets	266,474	404,279
	707,685	923,351
	₩ 69,323,569	₩ 84,324,376

(Unit: Rupee in thousands):

Account	Mar. 31, 2011	Dec. 31, 2010
Other current assets		
Advance payments	Rs. 2,673,528	Rs. 3,241,907
(-) Allowance for doubtful accounts	(25,641)	(29,108)
Prepaid expenses	88,219	120,899
Other current assets	8,530	2,342
	2,744,635	3,336,041
Other non-current assets	-	-
Long-term prepaid expenses	17,648	20,763
Other non-current assets	10,659	16,171
	28,307	36,934
	Rs. 2,772,943	Rs. 3,372,975

13. ASSETS HELD FOR SALE:

The Company has decided to sell part of its land and buildings as of March 31, 2011 and recognized assets held for sale amounting to Rs. 26,878 thousand, which is the lower of the book value and the fair value net of costs to sell.

14. OFFICIALLY ANNOUNCED PRICE OF LAND:

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

Location	Account	Area (m ²)	Carrying amount	Officially announced land price
Pyungteak, Kyeonggi-do	Land	1,124,986	₩ 384,138,706	₩ 343,750,140
Changwon, Kyeongsangnam-do		119,468	85,275,553	46,394,427
Kangreung, Kangwon-do	Assets held for sale	2,969	468,532	408,331
		1,247,423	₩ 469,882,791	₩ 390,552,898

(Unit: Rupee in thousands):

Location	Account	Area (m ²)	Carrying amount	Officially announced land price
Pyungteak, Kyeonggi-do	Land	1,124,986	Rs. 15,365,549	Rs. 13,750,006
Changwon, Kyeongsangnam-do		119,468	3,411,022	1,855,777
Kangreung, Kangwon-do	Assets held for sale	2,969	18,741	16,333
		<u>1,247,423</u>	<u>Rs. 18,795,312</u>	<u>Rs. 15,622,116</u>

15. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

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

(For the three months ended March 31, 2011)

	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	₩ 472,348,135	₩ -	₩ 2,933,876	₩ -	₩ -	₩ 469,414,259
Buildings	199,962,373	546,248	609,864	479,381	2,109,651	198,268,487
Structures	18,225,114	192,677	73,998	-	357,106	17,986,687
Machinery	141,607,790	655,998	165	1,222,307	7,481,969	136,003,961
Vehicles	1,435,320	119,757	41,177	36,767	135,692	1,414,975
Tools	173,542,418	378,801	12,979	1,738,501	10,785,710	164,861,031
Equipment	6,499,837	1,028,302	8,859	(443)	440,298	7,078,539
Construction in progress	16,413,955	12,786,018	-	(3,429,330)	-	25,770,643
Machinery in transit	-	61,985	-	(19,023)	-	42,962
	<u>₩1,030,034,942</u>	<u>₩ 15,769,786</u>	<u>₩ 3,680,918</u>	<u>₩ 28,160</u>	<u>₩ 21,310,426</u>	<u>₩ 1,020,841,544</u>

(For the year ended December 31, 2010)

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

(Unit: Rupee in thousands):

(For the three months ended March 31, 2011)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Other</u>	<u>Depreciation</u>	<u>Ending balance</u>
Land	Rs. 18,893,925	Rs. -	Rs. 117,355	Rs. -	Rs. -	Rs. 18,776,570
Buildings	7,998,495	21,850	24,395	19,175	84,386	7,930,739
Structures	729,005	7,707	2,960	-	14,284	719,467
Machinery	5,664,312	26,240	7	48,892	299,279	5,440,158
Vehicles	57,413	4,790	1,647	1,471	5,428	56,599
Tools	6,941,697	15,152	519	69,540	431,428	6,594,441
Equipment	259,993	41,132	354	(18)	17,612	283,142
Construction in progress	656,558	511,441	-	(137,173)	-	1,030,826
Machinery in transit	-	2,479	-	(761)	-	1,718
	<u>Rs. 41,201,398</u>	<u>Rs. 630,791</u>	<u>Rs. 147,237</u>	<u>Rs. 1,126</u>	<u>Rs. 852,417</u>	<u>Rs. 40,833,662</u>

(For the year ended December 31, 2010)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Other</u>	<u>Depreciation</u>	<u>Ending balance</u>
Land	Rs. 18,467,083	Rs. -	Rs. -	Rs. 426,842	Rs. -	Rs. 18,893,925
Buildings	7,289,317	256,353	-	765,505	312,680	7,998,495
Structures	739,495	23,336	-	25,434	59,260	729,005
Machinery	4,091,316	471,926	29,521	2,222,049	1,091,458	5,664,312
Vehicles	56,918	17,175	1,834	5,479	20,326	57,413
Tools and molds	3,953,331	1,201,226	2,460	3,122,126	1,332,527	6,941,697
Equipment	213,447	112,973	1,336	4,687	69,778	259,993
Construction in progress	4,478,941	2,433,005	-	(6,255,388)	-	656,558
	<u>Rs. 39,289,849</u>	<u>Rs. 4,515,994</u>	<u>Rs. 35,151</u>	<u>Rs. 316,735</u>	<u>Rs. 2,886,029</u>	<u>Rs. 41,201,398</u>

(2) Insured assets

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

<u>Type</u>	<u>Sum insured</u>	<u>Insured period</u>	<u>Insurer</u>	<u>Assets insured</u>
Product liability insurance	USD 2,247,670,396	2011.01.01~2012.01.01	LIG Insurance Co., Ltd.	Products
Property insurance	93,993,844	2010.12.21~2011.12.20	Meritz Fire and Marine Insurance	Property, plant and equipment and inventories

16. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the three months ended March 31, 2011 and for the year ended December 31, 2010 are as follows (Unit: Won in thousands):

(For the three months ended March 31, 2011)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	₩ 84,043,459	₩ 2,681,639	₩ 9,599,603	₩ -	₩ 77,125,495
Patents	603,569	63,785	56,129	2,459	608,766
Other intangible assets	<u>4,524,104</u>	<u>90,000</u>	<u>413,752</u>	<u>-</u>	<u>200,352</u>
	<u>₩ 89,171,132</u>	<u>₩ 2,835,424</u>	<u>₩ 10,069,484</u>	<u>₩ 2,459</u>	<u>₩ 81,934,613</u>

(For the year ended December 31, 2010)

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

(Unit: Rupee in thousands):

(For the three months ended March 31, 2011)

	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,361,738	Rs. 107,266	Rs. 383,984	Rs. -	Rs. 3,085,020
Patents	24,143	2,551	2,245	98	24,351
Other intangible assets	180,964	3,600	16,550	-	168,014
	<u>Rs. 3,566,845</u>	<u>Rs. 113,417</u>	<u>Rs. 402,779</u>	<u>Rs. 98</u>	<u>Rs. 3,277,385</u>

(For the year ended December 31, 2010)

	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,986,307	Rs. 952,219	Rs. -	Rs. 1,576,788	Rs. -	Rs. 3,361,738
Patents	29,506	7,017	-	11,051	1,329	24,143
Other intangible assets	96,916	66,142	98,672	80,765	-	180,964
	<u>Rs. 4,112,729</u>	<u>Rs. 1,025,377</u>	<u>Rs. 98,672</u>	<u>Rs. 1,668,604</u>	<u>Rs. 1,329</u>	<u>Rs. 3,566,845</u>

(2) Amortization of the Company's intangible assets for the three months ended March 31, 2011 and 2010 is as follows (Unit: Won in thousands):

Account	Mar. 31, 2011	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2010
Cost of goods manufactured	₩ 9,593,492	₩ 6,868,759	Rs. 383,740	Rs. 274,750
Selling and administrative expenses	475,992	605,564	19,039	24,223
	<u>₩ 10,069,484</u>	<u>₩ 7,474,323</u>	<u>Rs. 402,779</u>	<u>Rs. 298,973</u>

17. BORROWINGS:

(1) The Company's short-term borrowings as of March 31, 2011 consist of the following (Unit: Won in thousands):

Creditor	Type	Annual interest rate (%)	March 31, 2011	March 31, 2011
Korea Development Bank	Working capital	Overdraft rate+3.62%	₩ 4,169,000	Rs. 166,760

(2) The Company's bonds as of March 31, 2011 consist of the following (Unit: Won in thousands):

Type	Issue date	Maturity date	Interest rate (%)	March 31, 2011	March 31, 2011
Private non-guaranteed bonds	2011-02-09	2011-02-09	7.00	₩ 95,404,765	Rs. 3,816,191

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

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	78 billion rupee

18. DEBT RESTRUCTURING:

The Company completed restructuring of its debt in accordance with the Court approval of the Company's reorganization plan dated December 17, 2009, and as a result, the Company's capital decreased by Rs.14,374,566 thousand and Rs. 2,478,838 thousand as of December 31, 2010 and 2009, respectively. Debt restructured as of December 31, 2010 will be repaid or exempted during 2011 according to revised corporate reorganization plan approved on January 28, 2011, and the Company recognized Rs. 136,781 thousand as a gain on exemption of debts for the three months ended March 31, 2011.

19. OTHER FINANCIAL LIABILITIES:

Carrying value of the Company's other financial liabilities as of March 31, 2011 and December 31, 2010 is as follows (Unit: Won in thousands, Rupee in thousands):

<u>Classification</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Current other financial liabilities:				
Accrued expenses	₩ 20,220,979	₩ 71,648,056	Rs. 808,839	Rs.2,865,922

20. 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 March 31, 2011 and December 31, 2010 are as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2011	₩ 77,265,249	₩ 69,031,315	₩ 61,498,716	₩ 84,797,848	₩ 36,707,301	₩ 48,090,547
Dec. 31, 2010	63,906,539	75,402,818	62,044,108	77,265,249	34,090,864	43,174,385
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2011	Rs. 3,090,610	Rs. 2,761,253	Rs. 2,459,949	Rs. 3,391,914	Rs. 1,468,292	Rs. 1,923,622
Dec. 31, 2010	2,556,262	3,016,113	2,481,764	3,090,610	1,363,635	1,726,975

21. OTHER LIABILITIES:

Carrying value of the Company's other liabilities as of March 31, 2011 and December 31, 2010 is as follows (Unit: Won in thousands, Rupee in thousands):

<u>Classification</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Advances from customers	₩ 7,360,768	₩ 6,615,597	Rs. 294,431	Rs. 264,624
Deposits received	530,080	52,907,186	21,203	2,116,288
Withholdings	<u>19,200,167</u>	<u>21,740,708</u>	<u>768,007</u>	<u>869,628</u>
	<u>27,091,015</u>	<u>81,263,491</u>	<u>1,083,641</u>	<u>3,250,540</u>

22. RETIREMENT BENEFIT OBLIGATION:

(1) As of March 31, 2011 and December 31, 2010, amounts recognized in the statements of financial position related to retirement benefit obligation are as follows (Unit: Won in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Present value of funded defined benefit obligation	₩ 3,226,998	₩ 31,988
Fair value of plan assets	<u>(3,226,998)</u>	<u>(25,363)</u>
	<u>-</u>	<u>6,625</u>
Present value of unfunded defined benefit obligation	154,707,228	148,678,035
Unrecognized actuarial gains and losses	<u>-</u>	<u>-</u>
	<u>₩ 154,707,228</u>	<u>₩ 148,678,035</u>

(Unit: Rupee in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Present value of funded defined benefit obligation	Rs. 129,080	Rs. 1,280
Fair value of plan assets	<u>(129,080)</u>	<u>(1,015)</u>
	<u>-</u>	<u>265</u>
Present value of unfunded defined benefit obligation	6,188,289	5,947,121
Unrecognized actuarial gains and losses	<u>-</u>	<u>-</u>
	<u>Rs. 6,188,289</u>	<u>Rs. 5,947,121</u>

(2) Details of defined benefit plan recognized on the statements of operations for the three months ended March 31, 2011 and 2010 are as follows:

	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2010</u>
Current service cost	₩ 4,892,922	₩ 4,056,674
Interest cost	2,135,389	1,754,959
Expected return on plan assets	<u>(40,243)</u>	<u>(40,243)</u>
	<u>₩ 6,988,068</u>	<u>₩ 5,771,390</u>

	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2010</u>
Current service cost	Rs. 195,717	Rs. 162,267
Interest cost	85,416	70,198
Expected return on plan assets	<u>(1,610)</u>	<u>(1,609)</u>
	<u>Rs. 279,523</u>	<u>Rs. 230,856</u>

- (3) Expenses related to defined benefit plan for the three months ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cost of goods manufactured	₩ 4,893,767	₩ 3,156,199
Selling and administrative expenses	2,094,301	2,615,191
	<u>₩ 6,988,068</u>	<u>₩ 5,771,390</u>

- (Unit: Rupee in thousands):

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cost of goods manufactured	Rs. 195,751	Rs. 126,248
Selling and administrative expenses	83,772	104,608
	<u>Rs. 279,523</u>	<u>Rs. 230,856</u>

- (4) Changes in the Company's defined benefit obligation for the period ended March 31, 2011 and 2010 are as follows (Unit: Won in thousands):

	Three months ended March 31, 2011	Year ended December 31, 2010
Beginning balance	₩ 151,897,559	₩ 110,109,584
Current service cost	4,892,922	16,226,694
Interest cost	2,135,389	7,019,834
Actuarial gains (losses)	-	22,239,441
Wages paid	(972,468)	(3,607,753)
Other	(19,176)	(90,241)
Ending balance	<u>₩ 157,934,226</u>	<u>₩ 151,897,559</u>

- (Unit: Rupee in thousands):

	Three months ended March 31, 2011	Year ended December 31, 2010
Beginning balance	Rs. 6,075,902	Rs. 4,404,383
Current service cost	195,717	649,068
Interest cost	85,416	280,793
Actuarial gains (losses)	-	889,578
Wages paid	(38,899)	(144,310)
Other	(767)	(3,610)
Ending balance	<u>Rs. 6,317,369</u>	<u>Rs. 6,075,902</u>

- (5) Changes in the fair value of plan assets for the period ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	Three months ended March 31, 2011	Year ended December 31, 2010
Beginning balance	₩ 3,219,524	₩ 3,174,969
Expected return on plan assets	40,243	160,971
Actuarial gains (losses)	(13,593)	(26,175)
Contributions	-	-
Wages paid	(19,176)	(90,241)
Others	-	-
Ending balance	<u>₩ 3,226,998</u>	<u>₩ 3,219,524</u>

(Unit: Rupee in thousands):

	Three months ended March 31, 2011	Year ended December 31, 2010
Beginning balance	Rs. 128,781	Rs. 126,999
Expected return on plan assets	1,610	6,439
Actuarial gains (losses)	(544)	(1,047)
Contributions	-	-
Wages paid	(767)	(3,610)
Others	-	-
Ending balance	<u>Rs. 129,080</u>	<u>Rs. 128,781</u>

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

	March 31, 2011	December 31, 2009
Discount rate (%)	5.70%	5.70%
Expected return on plan assets (%)	3.80%	3.80%
Expected rate of salary increase (%)	5.40%	5.30%

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

(7) The actual return on plan assets for the period ended March 31, 2011 and 2010 are as follows

(Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Actual return on plan assets	₩ 26,649	₩ 32,159

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Actual return on plan assets	Rs. 1,066	Rs. 1,286

Company's plan assets as of March 31, 2011 and December 31, 2010 are composed of as follows (Unit: Won in thousands):

	March 31, 2011	December 31, 2010
Others	₩ 3,226,998	₩ 3,219,524

(Unit: Rupee in thousands):

	March 31, 2011	December 31, 2010
Others	Rs. 129,080	Rs. 128,781

23. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of March 31, 2011.

- (1) The Company carries a product liability insurance for all products sold in domestic region.
- (2) The Company transferred its trade receivables to a capital company. As a result, the Company recognized a loss on disposal of trade receivables amounting to ₩4,388,354 thousand and ₩2,193,276 thousand for the period ended March 31, 2011 and 2010, respectively.
- (3) Pending litigations

As of March 31, 2011, the Company has 3 pending litigations as a plaintiff with claims amounting to ₩15,985 million and 33 pending litigations as a defendant with claims amounting to ₩12,196 million. Details of significant pending litigations as of March 31, 2011 are as follows (Unit: Won in thousands) :

Type of litigation	Claimed amount	Plaintiff	Defendant	Court	Remarks
Prohibition of air pollution emission	₩ 710,000	Kook, minsuk and others	The Company	Seoul High Court Pyungtaek	1st trial pending
Debt non-existence confirmation	959,090	Telstar Hommel	The Company	District Court Seoul Central	1st trial pending
Objection to confirmation trial	1,560,000	SK E&C Co., Ltd. Daewoo Bundang	The Company	District Court Sungnam	1st trial pending
Compensation for damages	2,792,258	Service and 9 others Sung-Ho Lee and 247 others	The Company	District Court Seoul Southern	1st trial pending
Wages	4,464,000		The Company	District Court	1st trial pending 1st trial won/2nd trial pending
Cancellation of imposition	985,000	The Company	Fair Trade Commission Labor Union, Kap Deuk Jung and others	Supreme Court of Korea Pyungtaek District Court	1st trial pending
Compensation for damages	5,000,000	The Company	Federation of Korean Metal Worker's Trade Unions	Pyungtaek District Court	1st trial pending
Compensation for damages	₩ 10,000,000	The Company		Pyungtaek District Court	1st trial pending

(*) For the above pending litigations as of March 31, 2011, the Company recognized other payables amounting to ₩1,628,956 thousand that are expected to be a probable loss and can be reasonably estimated.

(Unit: Rupee in thousands) :

Type of litigation	Claimed amount	Plaintiff	Defendant	Court	Remarks
Prohibition of air pollution emission	Rs. 28,400	Kook, minsuk and others	The Company	Seoul High Court Pyungtaek	1st trial pending
Debt non-existence confirmation	38,364	Telstar Hommel	The Company	District Court	1st trial pending

Type of litigation	Claimed amount	Plaintiff	Defendant	Court	Remarks
Objection to confirmation trial	62,400	SK E&C Co., Ltd. Daewoo	The Company	Seoul Central District Court	1st trial pending
Compensation for damages	111,690	Bundang Service and 9 others Sung-Ho Lee and 247 others	The Company	Sungnam District Court	1st trial pending
Wages	178,560		The Company	Seoul Southern District Court	1st trial pending 1st trial won/2nd trial pending
Cancellation of imposition	39,400	The Company	Fair Trade Commission Labor Union, Kap Deuk Jung and others	Supreme Court of Korea	1st trial pending
Compensation for damages	200,000	The Company	Federation of Korean Metal Worker's Trade Unions	Pyungtaek District Court	1st trial pending
Compensation for damages	Rs. 400,000	The Company		Pyungtaek District Court	1st trial pending

(*) For the above pending litigations as of March 31, 2011, the Company recognized other payables amounting to Rs. 65,158 thousand that are expected to be a probable loss and can be reasonably estimated.

24. CAPITAL STOCK:

As of March 31, 2011, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

Classification	Number of authorized shares	Par value	Capital stock
Mar. 31, 2011	121,961,841	₩ 5,000	₩ 609,809,205
Dec. 31, 2010	36,537,601	₩ 5,000	₩ 182,688,005

(Unit: Rupee in thousands except par value):

Classification	Number of authorized shares	Par value	Capital stock
Mar. 31, 2011	121,961,841	Rs. 200	Rs. 24,392,368
Dec. 31, 2010	36,537,601	Rs. 200	Rs. 307,520

25. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

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

Classification		March 31, 2011		December 31, 2010	
Retained Earnings	Unappropriated retained earnings	₩	313,266,232	₩	(358,043,028)
	Capital surplus		4,218,878		4,170,771
Other Capital Surplus	Gain on retirement of capital stock		120,351,580		805,577,535
	Consideration for conversion rights		-		29,474,043
	Debt converted to equity		931,508		1,009,430

(Unit: Won in thousands except par value):

Classification	Number of authorized shares	Par value		Capital stock	
Mar. 31, 2011	121,961,841	₩	5,000	₩	609,809,205
Dec. 31, 2010	36,537,601	₩	5,000	₩	182,688,005

(Unit: Rupee in thousands):

Classification		March 31, 2011		December 31, 2010	
Retained Earnings	Unappropriated retained earnings	Rs.	12,530,649	Rs.	(14,321,721)
	Capital surplus		168,755		166,831
Other Capital Surplus	Gain on retirement of capital stock		4,814,063		32,223,101
	Consideration for conversion rights		-		1,178,962
	Debt converted to equity		37,260.		40,377

(Unit: Rupee in thousands except par value):

Classification	Number of authorized shares	Par value		Capital stock	
Mar. 31, 2011	121,961,841	Rs.	200	Rs.	24,392,368
Dec. 31, 2010	36,537,601	Rs.	200	Rs.	307,520

26. INCOME TAX:

- (1) Composition of income tax expense for the three months ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2010</u>
Current income tax payable	₩ -	₩ -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>₩ -</u>	<u>₩ -</u>

(Unit: Rupee in thousands):

	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2010</u>
Current income tax payable	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>Rs. -</u>	<u>Rs. -</u>

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

The changes in temporary differences and deferred income tax assets for the three months ended March 31, 2011 are as follows (Unit: Won in thousands):

<u>Description</u>	<u>Beginning balance</u>	<u>Decrease</u>	<u>Increase</u>	<u>Ending balance</u>
(Temporary differences)				
Allowance for doubtful accounts	₩ 2,231,955	₩ 2,231,955	₩ 1,808,124	₩ 1,808,124
Government subsidies	5,571,451	1,251,458	505,173	4,825,166
Provision for product warranties	73,140,516	73,140,516	84,797,848	84,797,848
Accrued severance indemnities	143,924,301	-	3,529,903	147,454,204
Loss on revaluation of property, plant and equipment	248,611,207	29,196,908	-	219,414,299
Development cost	69,737,763	3,487,427	3,926,965	70,177,301
Depreciation	11,495,655	749,440	261,267	11,007,482
Other payables	13,253,584	13,253,584	7,200,388	7,200,388
Accrued expenses	24,914,129	24,914,129	19,282,787	19,282,787
Investments in subsidiaries	2,684,828	-	-	2,684,828
Gain (loss) on foreign currency translation	(26,400,145)	714,661	-	(27,114,806)
Present value discount	(132,649,348)	(2,155,539)	-	(130,493,809)
Others	108,085	15,938	(11,444)	80,703
Deficit carried over	<u>1,139,661,753</u>	<u>-</u>	<u>71,510,168</u>	<u>1,211,171,921</u>
	1,576,285,734	146,800,477	192,811,180	1,622,296,436
Not recognized as deferred tax assets	<u>1,576,285,734</u>			<u>1,622,296,436</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>
Deferred tax assets resulting from temporary differences	<u>-</u>			<u>-</u>

Description	Beginning balance	Decrease	Increase	Ending balance
Tax credit carry forwards	19,091,682			19,091,682
Not recognized as deferred tax assets	<u>19,091,682</u>			<u>19,091,682</u>
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>W</u> -			<u>W</u> -

(Unit: Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. 89,278	Rs. 89,278	Rs. 72,325	Rs. 72,325
Government subsidies	222,858	50,058	20,207	193,007
Provision for product warranties	2,925,621	2,925,621	3,391,914	3,391,914
Accrued severance indemnities	5,756,972	-	141,196	5,898,168
Loss on revaluation of property, plant and equipment	9,944,448	1,167,876	-	8,776,572
Development cost	2,789,511	139,497	157,079	2,807,092
Depreciation	459,826	29,978	10,451	440,299
Other payables	530,143	530,143	288,016	288,016
Accrued expenses	996,565	996,565	771,311	771,311
Investments in subsidiaries	107,393	-	-	107,393
Gain (loss) on foreign currency translation	(1,056,006)	28,586	-	(1,084,592)
Present value discount	(5,305,974)	(86,222)	-	(5,219,752)
Others	4,323	638	(458)	3,228
Deficit carried over	<u>45,586,470</u>	<u>-</u>	<u>2,860,407</u>	<u>48,446,877</u>
	63,051,429	5,872,019	7,712,447	64,891,857
Not recognized as deferred tax assets	<u>63,051,429</u>			<u>64,891,857</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	763,667			763,667
Not recognized as deferred tax assets	<u>763,667</u>			<u>763,667</u>
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>Rs.</u> -			<u>Rs.</u> -

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

27. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Details of monetary assets and liabilities in foreign currencies as of March 31, 2011 and December 31, 2010 are as follows (Unit: Won in thousands):

Account	March 31, 2011		December 31, 2010	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
Assets:				
Cash and cash equivalents	EUR 7,304,803	11,420,914	79,368	120,132
	JPY 5,517,359	73,485	8,069,312	112,735
	USD 34,658,064	38,373,408	693,642	789,989
Trade receivables	AUD 3,005,984	3,433,074	3,199,005	3,704,192
	EUR 16,500,570	25,798,311	29,445,374	44,568,519
	JPY 5,357,400	71,355	5,517,359	77,082
	USD 43,979,529	48,694,135	46,770,341	53,266,741
Other receivables	EUR 11,643	18,204	4,718	7,141
	JPY 153,000	2,038	-	-
	USD 513,596	568,653	513,596	584,934
Total	AUD 3,005,984	3,433,074	3,199,005	3,704,192
	EUR 23,817,017	37,237,429	29,529,460	44,695,792
	JPY 11,027,759	146,878	13,586,671	189,817
	USD 79,151,189	87,636,196	47,977,579	54,641,664
Liabilities:				
Trade payables	AUD 24,682	28,188	48,682	56,369
	EUR 525,943	822,302	2,459,103	3,722,099
	JPY 72,645,373	967,556	10,392,283	145,189
	USD 749,812	830,192	374,333	426,328
Other payables	AUD -	-	880	1,019
	CNY -	-	2,356,768	406,543
	DEM -	-	99,471	76,979
	EUR 1,969,207	3,078,816	7,329,749	11,094,308
	GBP 1,200	2,135	58,387	102,627
	JPY -	-	14,949,819	208,861
	USD 8,263,545	9,149,397	10,933,116	12,451,725
	Others -	-	-	449
Current portion of long-term debt	EUR -	-	72,350,459	109,509,654
	JPY -	-	11,513,589	160,854
	USD -	-	42,845	48,796
Long-term other payables	AUD 36,652	41,859	36,652	42,440
	DEM 493,996	394,895	611,999	473,620
	EUR 518,644	810,889	522,276	790,517
	GBP 184,742	328,706	184,742	324,725
	USD 132,791	147,027	133,029	151,506
	Others -	1,484	-	1,435
Accrued expenses (2010: long-term accrued expenses)	EUR -	-	6,254,978	9,467,534
Long-term accrued expenses	JPY -	-	892,834	12,474
	USD -	-	3,333	3,796

Account	March 31, 2011		December 31, 2010		
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent	
Total					
	AUD	61,333	70,047	86,214	99,828
	CNY	-	-	2,356,768	406,543
	DEM	493,996	394,895	711,470	550,599
	EUR	3,013,794	4,712,007	88,916,565	134,584,112
	GBP	185,942	330,841	243,129	427,352
	JPY	72,645,373	967,556	37,748,525	527,378
	USD	9,146,148	10,126,616	11,486,655	13,082,152
	Others	-	1,484	-	1,885

(Unit: Rupee in thousands):

Account	March 31, 2011		December 31, 2010		
	Foreign currencies	Rupee equivalent	Foreign currencies	Rupee equivalent	
Assets:					
Cash and cash equivalents					
	EUR	7,304,803	45,6837	79,368	4,805
	JPY	5,517,359	2,939	8,069,312	4,509
	USD	34,658,064	1,534,936	693,642	31,600
Trade receivables					
	AUD	3,005,984	137,323	3,199,005	148,168
	EUR	16,500,570	1,031,932	29,445,374	1,782,741
	JPY	5,357,400	2,854	5,517,359	3,083
	USD	43,979,529	1,947,765	46,770,341	2,130,670
Other receivables					
	EUR	11,643	728	4,718	286
	JPY	153,000	82	-	-
	USD	513,596	22,746	513,596	23,397
Total					
	AUD	3,005,984	137,323	3,199,005	148,168
	EUR	23,817,017	1,489,497	29,529,460	1,787,832
	JPY	11,027,759	5,875	13,586,671	7,593
	USD	79,151,189	3,505,448	47,977,579	2,185,667
Liabilities:					
Trade payables					
	AUD	24,682	1,128	48,682	2,255
	EUR	525,943	32,892	2,459,103	148,884
	JPY	72,645,373	38,702	10,392,283	5,808
	USD	749,812	33,208	374,333	17,053
Other payables					
	AUD	-	-	880	41
	CNY	-	-	2,356,768	16,262
	DEM	-	-	99,471	3,079
	EUR	1,969,207	123,153	7,329,749	443,772
	GBP	1,200	85	58,387	4,105
	JPY	-	-	14,949,819	8,354
	USD	8,263,545	365,976	10,933,116	498,069
	Others	-	-	-	18
Current portion of long-term debt					
	EUR	-	-	72,350,459	4,380,386
	JPY	-	-	11,513,589	6,434
	USD	-	-	42,845	1,952
Long-term other payables					
	AUD	36,652	1,674	36,652	1,698
	DEM	493,996	15,796	611,999	18,945
	EUR	518,644	32,436	522,276	31,621
	GBP	184,742	13,148	184,742	12,989

Account	March 31, 2011		December 31, 2010	
	Foreign currencies	Rupee equivalent	Foreign currencies	Rupee equivalent
	USD	132,791	133,029	6,060
	Others			57
Accrued expenses (2010: long-term accrued expenses)	EUR	-	6,254,978	378,701
Long-term accrued expenses	JPY	-	892,834	499
	USD	-	3,333	152
Total	AUD	61,333	86,214	3,993
	CNY	-	2,356,768	16,262
	DEM	493,996	711,470	22,024
	EUR	3,013,794	88,916,565	5,383,364
	GBP	185,942	243,129	17,094
	JPY	72,645,373	37,748,525	21,095
	USD	9,146,148	11,486,655	523,286
	Others	-	-	75

28. EXPENSES BY CATEGORY:

Details of expenses classified by category for the period ended March 31, 2011 and 2010 are as follows (Unit: Won in thousands):

	March 31, 2011		March 31, 2010	
	₩		₩	
Changes in inventories	223,053,721		225,643,634	
Cost of raw materials and merchandise goods	419,696,139		250,708,890	
Employee benefits	60,805,368		54,060,456	
Depreciation	21,310,427		14,766,582	
Amortization	10,069,483		605,564	
Rent expense	3,519,695		2,000,087	

(Unit: Rupee in thousands):

	March 31, 2011		March 31, 2010	
	Rs.		Rs.	
Changes in inventories	8,922,149		9,025,745	
Cost of raw materials and merchandise goods	16,787,846		10,028,356	
Employee benefits	2,432,215		2,162,418	
Depreciation	852,417		590,663	
Amortization	402,779		24,223	
Rent expense	140,788		80,003	

29. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the period ended March 31, 2011 and 2010 are as follows (Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Warranty expense	₩ 20,415,452	₩ 12,219,639
Sales commissions	22,718,493	16,165,021
Sales promotional expenses	4,106,343	3,175,338
Packaging expenses	870,292	783,269
Advertising expenses	6,294,771	5,266,961
Freight expenses	1,199,750	982,346
Export expenses	18,352,381	10,193,971
	<u>₩ 73,957,482</u>	<u>₩ 48,786,545</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Warranty expense	Rs. 816,618	Rs. 488,786
Sales commissions	908,740	646,601
Sales promotional expenses	164,254	127,014
Packaging expenses	34,812	31,331
Advertising expenses	251,791	210,678
Freight expenses	47,990	39,294
Export expenses	734,095	407,759
	<u>Rs. 2,958,299</u>	<u>Rs. 1,951,462</u>

(2) Administrative expenses for the period ended March 31, 2011 and 2010 are as follows (Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Salaries	₩ 10,073,768	₩ 6,884,479
Post-employment benefits	1,015,008	715,809
Employee benefits	1,850,834	1,319,368
Travel expenses	251,319	183,563
Communication expenses	223,563	199,663
Electricity expenses	144,221	864,541
Utility expenses	121,543	112,417
Taxes and dues	385,356	513,498
Rent expense	3,519,695	2,000,087
Repair expenses	173,986	119,532
Insurance	36,731	54,207
Entertainment expenses	32,086	50,051
Vehicles	213,625	179,552
Overseas marketing expenses	52,346	94,160
Training	164,341	97,599
Printing	110,213	54,948
Supplies	84,952	61,917
Service fees	3,734,471	1,368,280
Outsourcing expense	3,720,756	3,978,014
Computing expense	1,138,208	1,097,711
Depreciation	745,667	628,395
Bad debt expense	-	220,486
R&D expenses	5,050,789	7,164,614

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Salaries	₩ 10,073,768	₩ 6,884,479
Amortization	475,992	605,564
Other administrative expenses	213,607	113,442
	<u>₩ 33,533,077</u>	<u>₩ 28,681,897</u>

(Unit: Rupee in thousands):

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Salaries	Rs. 402,951	Rs. 275,379
Post-employment benefits	40,600	28,632
Employee benefits	74,033	52,775
Travel expenses	10,053	7,343
Communication expenses	8,943	7,987
Electricity expenses	5,769	34,582
Utility expenses	4,862	4,497
Taxes and dues	15,414	20,540
Rent expense	140,788	80,003
Repair expenses	6,959	4,781
Insurance	1,469	2,168
Entertainment expenses	1,283	2,002
Vehicles	8,545	7,182
Overseas marketing expenses	2,094	3,766
Training	6,574	3,904
Printing	4,409	2,198
Supplies	3,398	2,477
Service fees	149,379	54,731
Outsourcing expense	148,830	159,121
Computing expense	45,528	43,908
Depreciation	29,827	25,136
Bad debt expense	-	8,819
R&D expenses	202,032	286,585
Amortization	19,040	24,223
Other administrative expenses	8,544	4,538
	<u>Rs. 1,341,323</u>	<u>Rs. 1,147,276</u>

30. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the period ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Fee income	₩ -	₩ 3,594,867
Gain on foreign currency transactions	1,902,472	1,238,505
Gain on foreign currency translation	739,468	3,015,428
Reversal of allowance for doubtful accounts	689,884	659,164
Gain on disposal of property, plant and equipment	3,001,655	4,055,316
Gain on disposal of investment assets	969	4,105
Product warranty reserve	1,185,048	1,425,604
Others, net	3,747,566	3,921,375
	<u>₩ 11,267,062</u>	<u>₩ 17,914,364</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Fee income	Rs. -	Rs. 143,795
Gain on foreign currency transactions	76,099	49,540
Gain on foreign currency translation	29,579	120,617
Reversal of allowance for doubtful accounts	27,595	26,367
Gain on disposal of property, plant and equipment	120,066	162,213
Gain on disposal of investment assets	39	164
Product warranty reserve	47,402	57,024
Others	149,903	156,855
	<u>Rs. 450,682</u>	<u>Rs. 716,575</u>

(2) Details of the Company's other operating expense for the period ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Loss on foreign currency transactions	₩ 2,883,974	₩ 1,971,623
Loss on foreign currency translation	1,443,811	1,409,296
Loss on disposal of trade receivables	4,388,354	2,193,276
Other bad debt expense	-	2,879,795
Loss on disposal of property, plant and equipment	44,521	96,157
Impairment loss on property, plant and equipment	-	5,015,874
Impairment loss on intangible assets	2,459	-
Loss on disposal of investment assets	4,101	124,817
Others	2,759,316	17,240,005
	<u>₩ 11,526,536</u>	<u>₩ 30,930,843</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Loss on foreign currency transactions	Rs. 115,359	Rs. 78,865
Loss on foreign currency translation	57,752	56,372
Loss on disposal of trade receivables	175,534	87,731
Other bad debt expense	-	115,192
Loss on disposal of property, plant and equipment	1,781	3,846
Impairment loss on property, plant and equipment	-	200,635
Impairment loss on intangible assets	98	-
Loss on disposal of investment assets	164	4,993
Others	110,373	689,600
	<u>Rs. 461,061</u>	<u>Rs. 1,237,234</u>

31. FINANCIAL REVENUES AND EXPENSES:

(1) Details of the Company's financial revenues for the period ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Interest income	₩ 1,100,263	₩ 114,286
Dividend income	6,000	11,000
Gain on debt exemption	3,419,515	165,006
Gain on foreign currency translation	956,480	15,786,556
	<u>₩ 5,482,258</u>	<u>₩ 16,076,848</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Interest income	Rs. 44,011	Rs. 4,572
Dividend income	240	440
Gain on debt exemption	136,781	6,600
Gain on foreign currency translation	38,259	631,462
	<u>Rs. 219,290</u>	<u>Rs. 643,074</u>

(2) Details of the Company's financial costs for the period ended March 31, 2011 and 2010 are as follows

(Unit: Won in thousands):

	March 31, 2011	March 31, 2010
Interest expense	₩ 4,973,359	₩ 12,260,782
Loss on foreign currency translation	1,992,447	9,133,602
	<u>₩ 6,965,806</u>	<u>₩ 21,394,384</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
Interest expense	Rs. 198,934	Rs. 490,431
Loss on foreign currency translation	79,698	365,344
	<u>Rs. 278,632</u>	<u>Rs. 855,775</u>

32. LOSS PER SHARE:

Basic loss per share for the period ended March 31, 2011 and 2010 is calculated as follows

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

	March 31, 2011	March 31, 2010
Net loss	₩ (43,377,145)	₩ (38,165,791)
Preferred stock dividends	-	-
Loss contributed to common stocks	(43,377,145)	(38,165,791)
Number of common stocks outstanding (*)	<u>84,524,681</u>	<u>36,120,556</u>
Basic and diluted loss per share	<u>₩ (513)</u>	<u>₩ (1,057)</u>

(*) Basic and diluted losses per share for the period ended March 31, 2011 and 2010 are identical since there are no dilutive potential common shares.

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

	March 31, 2011	March 31, 2010
Net loss	Rs. (1,735,086)	Rs. (1,526,632)
Preferred stock dividends	-	-
Loss contributed to common stocks	(1,735,086)	(1,526,632)
Number of common stocks outstanding (*)	<u>84,524,681</u>	<u>36,120,556</u>
Basic and diluted loss per share	<u>Rs. (21)</u>	<u>Rs. (42)</u>

(*) Basic and diluted losses per share for the period ended March 31, 2011 and 2010 are identical since there are no dilutive potential common shares.

33. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities as of March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	March 31, 2011	March 31, 2010
	₩ (43,377,145)	₩ (38,165,791)
1. Net loss		
2. Adjustments:		
(1) Addition of expenses		
Loss on foreign currency translation	1,443,810	8,936,765
Loss on disposal of trade receivables	4,388,354	2,193,276
Loss on valuation of inventories	2,859,675	2,508,266
Rent expense	77,861	-
Bad debt expense	-	220,486
Other bad debt expense	-	2,879,795
Depreciation	21,310,427	14,766,582
Loss on disposal of investment assets	4,101	124,817
Loss on disposal of property, plant and equipment	44,521	96,157
Impairment loss on property, plant and equipment	-	5,015,874
Amortization	10,069,484	7,474,323
Impairment loss on intangible assets	2,459	-
Interest expense	4,973,359	12,260,782
Warranty expenses	-	12,219,639
Employee benefits (including long-term)	333,834	9,740,911
Post-employment benefits	6,988,068	5,771,389
Depreciation Expenses on Assets not in Use	133,585	5,648
Miscellaneous losses	-	45,184
	<u>52,629,538</u>	<u>84,259,894</u>
(2) Deduction of revenue		
Gain on foreign currency translation	739,468	18,801,984
Reversal of allowance for doubtful accounts	689,883	659,164
Interest income	1,176,157	467,084
Miscellaneous gains	10	-
Gain on disposal of investment assets	969	4,105
Gain on disposal of property, plant and equipment	3,001,655	4,055,316
Gain on debt exemption	3,419,515	165,006
	<u>(9,027,657)</u>	<u>(24,152,659)</u>
3. Changes in working capital		
Decrease (Increase) in trade receivables, net	5,554,198	(43,008,049)
Decrease (Increase) in other receivables, net	(2,663,630)	8,159,337
Increase in deposits	(104,345)	-
Decrease in advanced payments	14,209,482	2,177,923
Decrease in prepaid expenses	817,015	572,744
Increase in income tax refundable	(154,702)	(2,797)
Decrease (Increase) in inventories	(10,389,255)	3,025,865
Increase in long-term deposits	571,912	779,257
Increase in trade payables	8,912,901	16,865,162
Increase (Decrease) in other payables	(7,340,387)	16,282,249
Decrease in deposits received	(3,706,862)	-
Increase in advances from customers	745,172	2,953,702
Decrease in withholdings	(2,540,541)	(2,222,540)
Increase in unearned revenue	73,087	-
Decrease in other current liabilities	-	(410,186)
Increase in government subsidies	(62,626)	(777,743)
Increase (Decrease) in short-term provision of product warranties	2,616,436	-

	March 31, 2011	March 31, 2010
Decrease in long-term other payables	(22,090)	(2,065,405)
Increase in long-term accrued expenses	-	5,559,553
Payment of severance indemnities	(1,033,187)	(1,291,178)
Decrease in transfer from retirement pension	14,443	6,541
Decrease (Increase) in severance insurance deposits	(7,473)	12,152
Decrease in retirement pension deposits	53,749	-
Increase (Decrease) in long-term provision of product warranties	4,916,163	(10,444,942)
	<u>10,459,460</u>	<u>(3,828,355)</u>
Net cash provided by operating activities	<u>₹ 10,684,196</u>	<u>₹ 18,113,089</u>

(Unit: Rupee in thousands):

	March 31, 2011	March 31, 2010
1. Net loss	Rs. (1,735,086)	Rs. (1,526,632)
2. Adjustments:		
(1) Addition of expenses		
Loss on foreign currency translation	57,753	357,471
Loss on disposal of trade receivables	175,535	87,731
Loss on valuation of inventories	114,388	100,331
Rent expense	3,114	-
Bad debt expense	-	8,819
Other bad debt expense	-	115,192
Depreciation	852,417	590,663
Loss on disposal of investment assets	164	4,993
Loss on disposal of property, plant and equipment	1,781	3,846
Impairment loss on property, plant and equipment	-	200,635
Amortization	402,779	298,973
Impairment loss on intangible assets	98	-
Interest expense	198,934	490,431
Warranty expenses	-	488,786
Employee benefits (including long-term)	13,353	389,636
Post-employment benefits	279,523	230,856
Depreciation Expenses on Assets not in Use	5,343	226
Miscellaneous losses	-	1,807
	<u>2,105,182</u>	<u>3,370,396</u>
(2) Deduction of revenue		
Gain on foreign currency translation	29,579	752,079
Reversal of allowance for doubtful accounts	27,595	26,367
Interest income	47,046	18,683
Miscellaneous gains	0.4	-
Gain on disposal of investment assets	39	164
Gain on disposal of property, plant and equipment	120,066	162,213
Gain on debt exemption	136,781	6,600
	<u>(361,106)</u>	<u>(966,106)</u>
3. Changes in working capital		
Decrease (Increase) in trade receivables, net	222,168	(1,720,322)
Decrease (Increase) in other receivables, net	(106,545)	326,373
Increase in deposits	(4,174)	-
Decrease in advanced payments	568,379	87,117
Decrease in prepaid expenses	32,681	22,910
Increase in income tax refundable	(6,188)	(112)
Decrease (Increase) in inventories	(415,570)	121,035
Increase in long-term deposits	22,876	31,170
Increase in trade payables	356,516	674,606
Increase (Decrease) in other payables	(293,615)	651,290
Decrease in deposits received	(148,274)	-
Increase in advances from customers	29,807	118,148
Decrease in withholdings	(101,622)	(88,902)
Increase in unearned revenue	2,923	-

	March 31, 2011	March 31, 2010
Decrease in other current liabilities	-	(16,407)
Increase in government subsidies	(2,505)	(31,110)
Increase (Decrease) in short-term provision of product warranties	104,657	-
Decrease in long-term other payables	(884)	(82,616)
Increase in long-term accrued expenses	-	222,382
Payment of severance indemnities	(41,327)	(51,647)
Decrease in transfer from retirement pension	578	262
Decrease (Increase) in severance insurance deposits	(299)	486
Decrease in retirement pension deposits	2,150	-
Increase (Decrease) in long-term provision of product warranties	196,647	(417,798)
	<u>418,378</u>	<u>(153,134)</u>
Net cash provided by operating activities	<u>Rs. 427,368</u>	<u>Rs. 724,524</u>

34. SEGMENT INFORMATION:

(1) Information of each sales region as of March 31, 2011 is as follows (Unit: Won in thousands):

Sales region	Sales revenue	
Republic of Korea	₩	333,624,236
Europe		151,347,689
Asia Pacific		17,763,921
Others		117,789,311
	₩	<u>620,525,157</u>

(Unit: Rupee in thousands):

Sales region	Sales revenue	
Republic of Korea	Rs.	13,344,969
Europe		6,053,908
Asia Pacific		710,557
Others		4,711,572
	Rs.	<u>24,821,006</u>

(2) Sales revenue by type of automobile for the period ended March 31, 2011 is as follows

(Unit: Won in thousands):

Sales region	Domestic		Export		Total
CHAIRMAN H	₩	23,032,876	₩	-	₩ 23,032,876
CHAIRMAN W		55,945,369		352,234	56,297,603
ACTYON		442,241		19,987,252	20,429,493
ACTYON SPORTS		60,927,810		50,149,017	111,076,827
KORANDO C		43,877,288		100,843,281	144,720,569
KYRON		1,282,438		60,191,849	61,474,287
REXTON		65,940,437		26,196,539	92,136,976
RODIUS		6,572,530		9,546,010	16,118,540
	₩	<u>258,020,989</u>	₩	<u>267,266,182</u>	₩ <u>525,287,171</u>

(Unit: Rupee in thousands):

Sales region	Domestic		Export		Total
	Rs.		Rs.		Rs.
CHAIRMAN H	921,315		-		921,315
CHAIRMAN W	2,237,815		14,089		2,251,904
ACTYON	17,690		799,490		817,180
ACTYON SPORTS	2,437,112		2,005,961		4,443,073
KORANDO C	1,755,092		4,033,731		5,788,823
KYRON	51,298		2,407,674		2,458,971
REXTON	2,637,617		1,047,862		3,685,479
RODIUS	262,901		381,840		644,742
	<u>Rs. 10,320,840</u>		<u>Rs. 10,690,647</u>		<u>Rs. 21,011,487</u>

35. RELATED PARTY TRANSACTIONS:

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

(2) Major transactions with the related parties for the three months ended March 31, 2011 and 2010 are as follows.
(Unit: Won in thousands):

	March 31, 2011		March 31, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	₩ 3,596,228	₩ 22,397	₩ 5,981,747	₩ 24,060

(Unit: Rupee in thousands):

	March 31, 2011		March 31, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	Rs. 143,849	Rs. 896	Rs. 239,270	Rs. 962

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

	March 31, 2011	December 31, 2010
Payables to controlling company:		
Payables and others	₩ 95,404,765	₩ -
Receivables from and payables to subsidiaries		
Receivables and others	14,596,329	14,194,364
Payables and others	-	163,052

(Unit: Rupee in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Payables to controlling company:		
Payables and others	Rs. 3,816,191	Rs. -
Receivables from and payables to subsidiaries		
Receivables and others	583,853	567,775
Payables and others	-	6,522

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the period ended March 31, 2011.

(4) Details of compensation cost for key executives for the period ended March 31, 2011 and 2010 are as follows
(Unit: Won in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Short-term employee benefits	₩ 110,000	₩ 123,744
Post-employment benefits	1,388	181,194

(Unit: Rupee in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Short-term employee benefits	Rs. 4,400	Rs. 4,950
Post-employment benefits	56	7,248

36. RISK MANAGEMENT:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining a sound capital structure, and in order to achieve an optimum capital structure, the Company monitors financial ratios such as debt to equity ratio and net borrowings to equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Company's debt to equity ratio and net borrowings to equity ratio as of March 31, 2011 and December 31, 2010 are as follows (Unit: Won in thousands):

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Debt (A)	₩ 640,243,785	₩ 1,063,910,373
Equity (B)	1,048,571,047	664,876,757
Cash and cash equivalents and short-term deposits in financial institutions (C)	72,122,306	80,566,165
Borrowings (D)	99,573,765	-
Debt ratio (A/ B)	61.0%	160.0%
Net borrowings ratio (D-C)/ B	2.62%	(-)12.21%

(Unit: Rupee in thousands):

	March 31, 2011		December 31, 2010	
	Rs.		Rs.	
Debt (A)	25,609,757		42,556,415	
Equity (B)	41,942,896		26,595,070	
Cash and cash equivalents and short-term deposits in financial institutions (C)	2,884,892		3,222,647	
Borrowings (D)	3,982,951		-	
Debt ratio (A/ B)	61.0%		160.0%	
Net borrowings ratio (D-C)/ B	2.62%		(-)12.21%	

(2) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company internally assesses the foreign currency risk from changes in exchanges rates on a regular basis.

The carrying amounts of monetary assets and liabilities denominated in a currency other than the functional currency as of March 31, 2011 and December 31, 2010 are as follows: (Unit: Won in thousands):

	March 31, 2011				December 31, 2010			
	USD	EUR	JPY	Others	USD	EUR	JPY	Others
Financial assets in foreign currencies	87,636,196	37,237,429	146,878	3,433,074	54,641,664	44,695,791	189,817	3,704,192
Financial liabilities in foreign currencies	10,126,616	4,712,007	967,556	797,267	13,082,152	134,584,112	527,378	1,486,206

(Unit: Rupee in thousands):

	March 31, 2011				December 31, 2010			
	USD	EUR	JPY	Others	USD	EUR	JPY	Others
Financial assets in foreign currencies	3,505,448	1,489,497	5,875	137,323	2,185,667	1,787,832	7,593	148,168
Financial liabilities in foreign currencies	405,065	188,480	38,702	31,891	523,286	5,383,364	21,095	59,448

The Company's sensitivity to a 10% increase and decrease in the Won (functional currency of the Company) against the major foreign currencies as of March 31, 2011 is as follows (Unit: Won in thousands):

Currency	10% increase		10% decrease	
Financial assets in foreign currencies	₩	141,299	₩	(141,299)
Financial liabilities in foreign currencies		(18,264)		18,264
	₩	123,035	₩	(123,035)

(Unit: Rupee in thousands):

Currency	10% increase		10% decrease	
Financial assets in foreign currencies	Rs.	5,652	Rs.	(5,652)
Financial liabilities in foreign currencies		(731)		731
	Rs.	4,921	Rs.	(4,921)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of March 31, 2011.

(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. The Company has entered into a factoring agreement with Aju Capital Co., Ltd., in order to manage risks arising from installment sales receivables.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of March 31, 2011 is as follows (Unit: Won in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 171,707,815	₩ -	₩ 171,707,815
Other payables	68,778,958	-	68,778,958
Short-term borrowings	4,169,000	-	4,169,000
Accrued expenses	20,220,979	-	20,220,979
Bonds	-	95,404,765	95,404,765
Long-term other payables	-	2,263,398	2,263,398
	<u>₩ 264,876,752</u>	<u>₩ 97,668,163</u>	<u>₩ 362,544,915</u>

(Unit: Rupee in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	Rs. 6,868,313	Rs. -	Rs. 6,868,313
Other payables	2,751,158	-	2,751,158
Short-term borrowings	166,760	-	166,760
Accrued expenses	808,839	-	808,839
Bonds	-	3,816,191	3,816,191
Long-term other payables	-	90,536	90,536
	<u>Rs. 10,595,070</u>	<u>Rs. 3,906,727</u>	<u>Rs. 14,501,797</u>

(4) Interest rate risk

The Company's interest rate risk is mainly related to bonds and borrowings with floating rates, and the related interest expenses are exposed to interest rate risk.

The Company's sensitivity to a 1% increase and decrease of March 31, 2011 is as follows (Unit: Won in thousands):

Currency	1% increase	1% decrease
Short-term borrowings	₩ (6,272))	₩ 6,272

(Unit: Rupee in thousands):

Currency	1% increase	1% decrease
Short-term borrowings	Rs. (251)	Rs. 251

The Company does not have bonds or borrowings with floating rates as of March 31, 2011 and there is no interest rate risk exposed.