

**SSANGYONG MOTOR COMPANY**

SEPARATE FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

# Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of March 31, 2014, and the related separate statement of comprehensive income, separate statement of changes in stockholders' equity and separate statement of cash flows, all expressed in Korean won, for the three months ended March 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the separate financial statements

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

### Independent accountants' responsibility

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

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

### Review conclusion

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

### Other matters

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

May 29, 2014

### Notice to Readers

This report is effective as of May 29, 2014, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the report is read. Such events or circumstances could significantly affect the accompanying separate interim financial statements and may result in modifications to the accountants' review report.

**SSANGYONG MOTOR COMPANY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2014 AND DECEMBER 31, 2013**

	Korean won		Indian- Rupee	
	March 31 , 2014	December 31, 2013	March 31 , 2014	December 31, 2013
	(In thousands)		(In thousands)	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 4, 5 and 33)	₩ 259,000,582	₩ 359,712,082	Rs. 14,504,033	Rs. 20,143,877
Trade and other receivables, net (Notes 7, 32 and 33)	243,974,579	234,067,459	13,662,576	13,107,778
Derivatives assets (Notes 25 and 33)	14,909,522	28,984,560	834,933	1,623,135
Inventories, net (Notes 8 and 24)	278,853,993	277,070,948	15,615,824	15,515,973
Other current assets (Note 10)	11,299,096	7,145,375	632,749	400,142
Total current assets	808,037,772	906,980,424	45,250,115	50,790,905
<b>NON-CURRENT ASSETS:</b>				
Non-current financial instruments (Notes 5 and 33)	6,000	6,000	336	336
Non-current available-for-sale financial assets (Notes 7 and 33)	560,000	560,000	31,360	31,360
Non-current other receivables, net (Notes 6 and 33)	37,475,277	36,564,470	2,098,616	2,047,610
Property, plant and equipment, net (Note 11)	1,082,051,417	1,084,035,359	60,594,879	60,705,980
Intangible assets (Note 12)	100,364,013	89,480,141	5,620,385	5,010,888
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	326,427	326,427
Other non-current assets (Note 10)	354,652	357,350	19,860	20,013
Total non-current assets	1,226,640,415	1,216,832,376	68,691,863	68,142,614
<b>TOTAL ASSETS</b>	2,034,678,187	2,123,812,800	113,941,978	118,933,519
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Trade and other payables (Notes 32 and 33)	705,386,215	723,397,173	39,501,628	40,510,242
Short-term borrowings (Notes 13, 18 and 33)	73,645,419	51,608,036	4,124,143	2,890,050
Current long-term borrowings (Notes 13 and 33)	-	95,404,765	-	5,342,667
Provision for product warranties (Note 15)	57,074,156	48,780,982	3,196,153	2,731,735
Long-term employee benefits obligation	1,102,325	1,648,815	61,730	92,334
Other current liabilities (Notes 16)	21,906,038	26,718,121	1,226,738	1,496,215
Total current liabilities	859,114,153	947,557,892	48,110,392	53,063,243

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

	Korean won		Indian- Rupee	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
	(In thousands)		(In thousands)	
<b>NON-CURRENT LIABILITIES:</b>				
Other non-current payables(Note 33)	14,540,952	20,223,465	814,293	1,132,514
Retirement benefit obligation (Note 17)	182,695,583	174,656,118	10,230,953	9,780,743
Other long-term employee benefits obligation	15,023,154	14,632,801	841,297	819,437
Provision for long-term product warranties (Note 15)	77,911,268	76,698,999	4,363,031	4,295,144
Total non-current liabilities	<u>290,170,957</u>	<u>286,211,383</u>	<u>16,249,574</u>	<u>16,027,838</u>
<b>TOTAL LIABILITIES</b>	<u>1,149,285,110</u>	<u>1,233,769,275</u>	<u>64,359,966</u>	<u>69,091,081</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Capital stock (Note 19)	686,100,480	686,100,480	38,421,627	38,421,627
Other capital surplus (Note 20)	129,383,402	129,383,402	7,245,471	7,245,471
Other capital adjustments(Notes 21 and 25)	12,737,080	26,833,680	713,276	1,502,686
Retained earnings (accumulated deficit) (Note 22)	57,172,115	47,725,963	3,201,638	2,672,654
<b>TOTAL SHAREHOLDERS'     EQUITY</b>	<u>885,393,077</u>	<u>890,043,525</u>	<u>49,582,012</u>	<u>49,842,438</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>₩ 2,034,678,187</u>	<u>₩ 2,123,812,800</u>	<u>Rs. 113,941,978</u>	<u>Rs. 118,933,519</u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**  
**STATEMENTS OF COMPREHENSIVE INCOME(LOSS)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013**

	Korean Won		Indian-Rupee	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
	(In thousands)		(In thousands)	
SALES (Notes 31 and 32)	₩ 859,108,832	₩ 751,567,941	Rs. 48,110,095	Rs. 42,087,805
COST OF SALES (Notes 24 and 32)	<u>731,449,259</u>	<u>649,447,338</u>	<u>40,961,158</u>	<u>36,369,051</u>
GROSS PROFIT	127,659,573	102,120,603	7,148,937	5,718,754
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>129,944,457</u>	<u>119,496,987</u>	<u>7,276,890</u>	<u>6,691,831</u>
OPERATING LOSS	(2,284,884)	(17,376,384)	(127,953)	(973,077)
NON-OPERATING INCOME (Note 27)	7,560,862	13,567,976	423,408	759,807
NON-OPERATING EXPENSES (Note 27)	8,333,782	13,800,806	466,692	772,845
FINANCIAL INCOME (Note 28)	14,600,580	11,078,006	817,633	620,368
FINANCIAL COST (Note 28)	<u>2,088,844</u>	<u>3,227,171</u>	<u>116,975</u>	<u>180,722</u>
INCOME(LOSS) BEFORE INCOME TAX	9,453,932	(9,758,379)	529,421	(546,469)
INCOME TAX EXPENSE (Note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	9,453,932	(9,758,379)	529,421	(546,469)
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(14,104,380)</u>	<u>(19,462,891)</u>	<u>(789,845)</u>	<u>(1,089,922)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ (4,650,448)</u>	<u>₩ (29,221,270)</u>	<u>Rs. (260,426)</u>	<u>Rs. (1,636,391)</u>
INCOME (LOSS) PER SHARE (Note 29) Basic and diluted income(loss) per share	<u>₩ 69</u>	<u>₩ (80)</u>	<u>Rs. 4</u>	<u>Rs. (4)</u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**  
**SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013**

	Korean won in thousands								
	Other capital surplus								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Treasury stock	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
	(In thousands)								
Balance at January 1, 2013	613,373,205	4,545,757	120,351,580	-	931,508	(3,243,869)	18,999,750	52,754,371	807,712,302
Net loss	-	-	-	-	-	-	-	(9,758,379)	(9,758,379)
Actuarial losses	-	-	-	-	-	-	-	(3,641)	(3,641)
Gains on valuation of derivatives	-	-	-	-	-	-	(19,459,250)	-	(19,459,250)
Balance at March 31, 2013,	<u>₩ 613,373,205</u>	<u>₩ 4,545,757</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ (3,243,869)</u>	<u>₩ (459,500)</u>	<u>₩ 42,992,351</u>	<u>₩ 778,491,032</u>
Balance at January 1, 2014	686,100,480	11,452,713	120,351,580	(108,530)	931,508	(3,243,869)	26,833,680	47,725,963	890,043,525
Net income	-	-	-	-	-	-	-	9,453,932	9,453,932
Actuarial losses	-	-	-	-	-	-	-	(7,780)	(7,780)
Gains on valuation of derivatives	-	-	-	-	-	-	(14,096,600)	-	(14,096,600)
Balance at March 31, 2014,	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ (108,530)</u>	<u>₩ 931,508</u>	<u>₩ (3,243,869)</u>	<u>₩ 12,737,080</u>	<u>₩ 57,172,115</u>	<u>₩ 885,393,077</u>

  

	Indian-Rupee in thousands								
	Other capital surplus								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Treasury stock	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
	(In thousands)								
Balance at January 1, 2013	34,348,899	254,562	6,739,688	-	52,164	(181,657)	1,063,986	2,954,247	45,231,889
Net loss	-	-	-	-	-	-	-	(546,469)	(546,469)
Actuarial losses	-	-	-	-	-	-	-	(204)	(204)
Gains on valuation of derivatives	-	-	-	-	-	-	(1,089,718)	-	(1,089,718)
Balance at March 31, 2013,	<u>Rs. 34,348,899</u>	<u>Rs. 254,562</u>	<u>Rs. 6,739,688</u>	<u>Rs. -</u>	<u>Rs. 52,164</u>	<u>Rs. (181,657)</u>	<u>Rs. (25,732)</u>	<u>Rs. 2,407,574</u>	<u>Rs. 43,595,498</u>
Balance at January 1, 2014	38,421,627	641,353	6,739,688	(6,077)	52,164	(181,657)	1,502,686	2,672,654	49,842,438
Net income	-	-	-	-	-	-	-	529,421	529,421
Actuarial losses	-	-	-	-	-	-	-	(437)	(437)
Gains on valuation of derivatives	-	-	-	-	-	-	(789,410)	-	(789,410)
Balance at March 31, 2014,,	<u>Rs. 38,421,627</u>	<u>Rs. 641,353</u>	<u>Rs. 6,739,688</u>	<u>Rs. (6,077)</u>	<u>Rs. 52,164</u>	<u>Rs. (181,657)</u>	<u>Rs. 713,276</u>	<u>Rs. 3,201,638</u>	<u>Rs. 49,582,012</u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013**

	Korean won		Indian-Rupee	
	Three month ended March 31, 2014	Three months ended March 31, 2013	Three month ended March 31, 2014	Three month ended March 31, 2013
	(In thousands)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income(loss)	₩ 9,453,932	₩ (9,758,379)	Rs. 529,421	Rs. (546,469)
Adjustment (Note 30)	41,966,984	48,521,935	2,350,151	2,717,228
Changes in net working capital (Note 30)	(39,450,335)	85,570,939	(2,209,218)	4,791,973
	<u>11,970,581</u>	<u>124,334,495</u>	<u>670,354</u>	<u>6,962,732</u>
Interests received	2,832,346	1,671,827	158,611	93,622
Interests paid	(2,074,606)	(2,146,855)	(116,177)	(120,224)
Dividend income received	11,000	6,000	616	336
Net cash provided by operating activities	<u>12,739,321</u>	<u>123,865,467</u>	<u>718,094</u>	<u>6,936,466</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in other receivables	1,025,860	894,415	57,448	50,087
Disposal of property, plant and equipment	173,793	11,731	5,041	657
Decrease in other assets	1,525	-	85	-
	<u>1,201,178</u>	<u>906,146</u>	<u>62,574</u>	<u>50,744</u>
Cash outflows from investing activities:				
Increase in other receivables	1,800,000	1,380,000	100,800	77,280
Acquisition of property, plant and equipment	25,507,656	22,549,729	1,428,429	1,262,785
Acquisition of intangible assets	13,641,166	7,799,287	763,905	436,760
	<u>40,948,822</u>	<u>31,729,016</u>	<u>2,293,134</u>	<u>1,776,825</u>
Net cash provided by(used in) in investing activities	<u>(39,747,644)</u>	<u>(30,822,870)</u>	<u>(2,230,560)</u>	<u>(1,726,081)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Increase in borrowings	21,699,410	14,073,387	1,215,167	788,110
Increase in government grants	2,178	-	122	-
	<u>21,701,588</u>	<u>14,073,387</u>	<u>1,215,289</u>	<u>788,110</u>

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**SSANGYONG MOTOR COMPANY**  
**SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013**

	Korean won		Indian-Rupee	
	Three month ended	Three months ended	Three month ended	Three month ended
	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of Current long-term borrowings	95,404,765	-	5,342,667	-
	<u>95,404,765</u>	<u>-</u>	<u>5,342,667</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(73,703,177)</u>	<u>14,073,387</u>	<u>(4,127,378)</u>	<u>788,110</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>-</u>	<u>(25,576)</u>	<u>-</u>	<u>(1,432)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(100,711,500)	107,090,408	(5,639,844)	5,997,063
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>359,712,082</u>	<u>197,769,855</u>	<u>20,143,877</u>	<u>11,075,112</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>₩ 259,000,582</u>	<u>₩ 304,860,263</u>	<u>Rs. 14,504,033</u>	<u>Rs. 17,072,175</u>

See accompanying notes to the financial statements.



**SSANGYONG MOTOR COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

**1. GENERAL:**

(1) Company overview and recent changes in business environment

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

(2) Major shareholders

The Company's shareholders as of March 31, 2014 are as follows:

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

**2. SIGNIFICANT ACCCOUNTING POLICIES:**

The company's summarized interim financial statement, its period belong to annual financial report, adopts Korean International Reporting Standards ("K-IFRS") 1034. The company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027 Separate Financial Statements. The audited financial statement, December 31, 2013 is used to understand the interim financial statement.

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

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

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

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

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

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

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

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

Amendments to K-IFRS 2121 – Levies

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

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

2) New and revised IFRSs in issue but not yet effective

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

Amendments to K-IFRS 1019 – Employee Benefits

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

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

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩1 to Rs. 0.056 at March 31, 2014), solely for the convenience of the reader. These convenience translations into Indian-Rupees should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

**3. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS:**

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

**4. CASH AND CASH EQUIVALENTS:**

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

## 5. RESTRICTED FINANCIAL ASSETS:

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

(Unit: Korean won in thousands):

	Financial institution	March 31,		December 31,		Notes
		2014	2013	2013	2014	
Cash and cash equivalents	Shinhan Bank and others	₩ 892,936	₩ 1,092,081			Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	15,115,733	15,030,192			
Long-term financial instruments	Shinhan Bank and others	6,000	6,000			Overdraft deposit
		₩ 16,014,669	₩ 16,128,273			

(Unit: Indian-Rupee in thousands):

	Financial institution	March 31,		December 31,		Notes
		2014	2013	2013	2014	
Cash and cash equivalents	Shinhan Bank and others	Rs. 50,004	Rs. 61,157			Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	846,481	841,691			
Long-term financial instruments	Shinhan Bank and others	336	336			Overdraft deposit
		Rs. 896,821	Rs. 903,184			

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

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

(Unit: Korean Won in thousands):

Classification	Ownership (%)	March 31, 2014		December 31 2013	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 670,364	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	459,230	60,000	60,000
		₩ 560,000	₩ 1,129,594	₩ 560,000	₩ 560,000

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	March 31, 2014		December 31 2013	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 28,000	Rs. 37,540	Rs. 28,000	Rs. 28,000
Korea Management Consultants Association (*)	1.50%	3,360	25,717	3,360	3,360
		Rs. 31,360	Rs. 63,257	Rs. 31,360	Rs. 31,360

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

## 7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from March 31, 2014 and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

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

(Unit: Korean Won in thousands):

<u>Financial liabilities</u>	<u>March 31, 2014</u>			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 215,972,996	₩ 26,751,894	₩ 2,124,135	₩ 37,716,332
Less: Allowance for doubtful accounts	(376,345)	(497,515)	(587)	(241,055)
	<u>₩ 215,596,651</u>	<u>₩ 26,254,379</u>	<u>₩ 2,123,548</u>	<u>₩ 37,475,277</u>
<u>Financial liabilities</u>	<u>December 31, 2013</u>			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 199,783,257	₩ 31,995,276	₩ 2,988,667	₩ 36,805,929
Less: Allowance for doubtful accounts	(208,701)	(491,039)	-	(241,459)
	<u>₩ 199,574,556</u>	<u>₩ 31,504,237</u>	<u>₩ 2,988,667</u>	<u>₩ 36,564,470</u>

(Unit: Indian-Rupee in thousands):

<u>Financial liabilities</u>	<u>March 31, 2014</u>			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 12,094,488	Rs. 1,498,105	Rs. 118,952	Rs. 2,112,115
Less: Allowance for doubtful accounts	(21,075)	(27,861)	(33)	(13,499)
	<u>Rs. 12,073,413</u>	<u>Rs. 1,470,244</u>	<u>Rs. 118,919</u>	<u>Rs. 2,098,616</u>
<u>Financial liabilities</u>	<u>December 31, 2013</u>			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 11,187,862	Rs. 1,791,735	Rs. 167,365	Rs. 2,061,132
Less: Allowance for doubtful accounts	(11,687)	(27,498)	-	(13,522)
	<u>Rs. 11,176,175</u>	<u>Rs. 1,764,237</u>	<u>Rs. 167,365</u>	<u>Rs. 2,047,610</u>

(2) Credit risk and allowance for doubtful accounts

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

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

The Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days. Based on the past experience, receivables that are overdue for more than 1 year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than 1 year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

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

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

(Unit: Korean Won in thousands):

		March 31, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	₩ 1,909,707	₩ 3,854,859	₩ 5,018,922	₩ 10,783,488	
Non-trade receivables	8,634,083	976,747	174,298	9,785,128	
Other long-term receivables	-	-	103,250	103,250	
	<u>₩ 10,543,790</u>	<u>₩ 4,831,606</u>	<u>₩ 5,296,470</u>	<u>₩ 20,671,866</u>	

  

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

(Unit: Indian-Rupee in thousands):

		March 31, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	Rs. 105,626	Rs. 215,872	Rs. 281,060	Rs. 602,557	
Non-trade receivables	483,509	54,698	9,761	547,967	
Other long-term receivables	-	-	5,782	5,782	
	<u>Rs. 589,135</u>	<u>Rs. 270,570</u>	<u>Rs. 296,603</u>	<u>Rs. 1,156,306</u>	

  

		December 31, 2013			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	Rs. 102,550	Rs. 211,116	Rs. 186,588	Rs. 500,255	
Non-trade receivables	206,795	5,712	130,079	342,586	
Other long-term receivables	-	-	5,782	5,782	
	<u>Rs. 309,345</u>	<u>Rs. 216,828</u>	<u>Rs. 322,449</u>	<u>Rs. 848,623</u>	

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

(Unit: Korean won in thousands):

		March 31, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Non-trade receivables	₩ -	₩ -	₩ 475,156	₩ 475,156	
Other long-term receivables	-	-	44,250	44,250	
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 519,406</u>	<u>₩ 519,406</u>	

  

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

(Unit: Indian-Rupee in thousands):

March 31, 2014				
Classification	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 26,609	Rs. 26,609
Other long-term receivables	-	-	2,478	2,478
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 29,087</u>	<u>Rs. 29,087</u>

  

December 31, 2013				
Classification	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 26,541	Rs. 26,541
Other long-term receivables	-	-	2,478	2,478
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 29,019</u>	<u>Rs. 29,019</u>

(3) Changes in allowance for trade and other receivables for the three months ended March 31, 2014 and December 31, 2013 are as follows:

(Unit: Korean won in thousands):

Three months ended March 31, 2014				
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459
Bad debt expense	167,644	6,476	183	-
Transfer	-	-	404	(404)
Ending balance	<u>₩ 376,345</u>	<u>₩ 497,515</u>	<u>₩ 587</u>	<u>₩ 241,055</u>

  

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

(Unit: Indian-Rupee in thousands):

Three months ended March 31, 2014				
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 11,687	Rs. 27,498	Rs. -	Rs. 13,522
Bad debt expense	9,388	363	10	-
Transfer	-	-	23	(23)
Ending balance	<u>Rs. 21,075</u>	<u>Rs. 27,861</u>	<u>Rs. 33</u>	<u>Rs. 13,499</u>

  

Years ended December 31, 2013				
Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 59,446	Rs. 54,073	Rs. 18	Rs. 9,516
Bad debt expense	(47,759)	-	-	3,995
Write-offs	-	(25,878)	-	-
Reversal of allowance	-	(697)	(1)	(7)
Transfer	-	-	(17)	18
Ending balance	<u>Rs. 11,687</u>	<u>Rs. 27,498</u>	<u>Rs. -</u>	<u>Rs. 13,522</u>

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

## 8. INVENTORIES:

Details of the inventories as of March 31, 2014 and December 31, 2013 are as follows:

(Unit: Korean won in thousands):

	March 31, 2014		December 31, 2013	
Merchandises	₩	52,080,706	₩	52,685,259
Finished goods		55,314,297		47,989,259
Work-in-process		25,993,717		24,764,484
Raw materials		61,638,935		65,752,519
Sub-materials		478,251		510,850
Supplies		4,237,075		4,233,041
Goods in transit		79,111,012		81,135,536
Total	₩	278,853,993	₩	277,070,948

(Unit: Indian-Rupee in thousands):

	March 31, 2014		December 31, 2013	
Merchandises	Rs.	2,916,520	Rs.	2,950,375
Finished goods		3,097,601		2,687,399
Work-in-process		1,455,648		1,386,811
Raw materials		3,451,780		3,682,141
Sub-materials		26,782		28,608
Supplies		237,276		237,050
Goods in transit		4,430,217		4,543,589
Total	Rs.	15,615,824	Rs.	15,515,973

The company is using the “lower of cost or market method” on the balance sheet in the case of inventories’ market value decrease under the acquisition cost. On the other hand, losses on valuation of inventories which was added to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩ 487,197 thousands (Rs. 27,283 thousands).

## 9. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries

Details of investment in subsidiaries accounted for using equity method as of March 31, 2014 and December 31, 2013 are as follows:

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

Name of subsidiary	Location	Ownership %	March 31, 2014		December 31, 2013
			Acquisition cost	Book value	Book value
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	Rs. 298,933	Rs. 326,427	Rs. 326,427
Ssangyong European Parts Center B.V.	Netherland	100	46,799	-	-
			<u>Rs. 345,732</u>	<u>Rs. 326,427</u>	<u>Rs. 326,427</u>

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the year ended March 31, 2014 is as follows:

(Unit: Korean won in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income(loss)
Ssangyong Motor (Shanghai) Co., Ltd	₩ 8,164,531	₩ 306,244	₩ 2,210,722	₩ 1,739,551	₩ 1,596,968
Ssangyong European Parts Center B.V.	8,195,226	12,543,187	3,482,881	173,300	139,051

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income(loss)
Ssangyong Motor (Shanghai) Co., Ltd	Rs. 457,214	Rs. 17,150	Rs. 123,800	Rs. 97,415	Rs. 89,430
Ssangyong European Parts Center B.V.	458,933	702,418	195,041	9,705	7,787

**10. OTHER ASSETS:**

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

(Unit: Korean won in thousands):

Account	March 31, 2014	December 31, 2013
Other current assets		
Advance payments	₩ 2,010,449	₩ 2,035,601
Less: Allowance for doubtful accounts	(7,157)	(1,147)
Prepaid expenses	7,927,315	4,127,302
Income tax refundable	1,368,489	983,619
	<u>11,299,096</u>	<u>7,145,375</u>
Other non-current assets		
Other non-current assets	₩ 354,652	₩ 357,350

(Unit: Indian-Rupee in thousands):

Account	March 31, 2014	December 31, 2013
Other current assets		
Advance payments	Rs. 112,585	Rs. 113,994
Less: Allowance for doubtful accounts	(401)	(64)
Prepaid expenses	443,930	231,129
Other current assets	76,635	55,083
	<u>632,749</u>	<u>400,142</u>
Other non-current assets		
Other non-current assets	Rs. 19,860	Rs. 20,013



**11. PROPERTY, PLANT AND EQUIPMENT:**

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

(Unit: Korean won in thousands):

	March 31, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,305,696	₩ -	₩ -	₩ -	₩ 475,305,696
Buildings	520,210,091	1,685,147	178,831,946	148,371,913	191,321,085
Structures	103,757,217	171,431	57,939,494	29,156,376	16,489,916
Machinery	1,222,711,428	736,723	1,029,346,520	99,305,565	93,322,620
Vehicles	9,945,860	-	6,985,792	1,240,924	1,719,144
Tools and molds	870,855,947	26,497	518,051,313	162,727,547	190,050,590
Equipment	62,772,237	23,653	35,163,630	4,862,118	22,722,836
Construction in progress	91,065,547	-	-	-	91,065,547
Machinery in transit	53,983	-	-	-	53,983
	<u>₩3,356,678,006</u>	<u>₩ 2,643,451</u>	<u>₩1,826,318,695</u>	<u>₩ 445,664,443</u>	<u>₩ 1,082,051,417</u>

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

(Unit: Indian-Rupee in thousands):

	March 31, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 26,617,119	Rs. -	Rs. -	Rs. -	Rs. 26,617,119
Buildings	29,131,765	94,368	10,014,589	8,308,827	10,713,981
Structures	5,810,404	9,600	3,244,612	1,632,757	923,435
Machinery	68,471,840	41,256	57,643,405	5,561,112	5,226,067
Vehicles	556,968	-	391,204	69,492	96,272
Tools and molds	48,767,933	1,484	29,010,874	9,112,743	10,642,833
Equipment	3,515,245	1,325	1,969,163	272,279	1,272,479
Construction in progress	5,099,671	-	-	-	5,099,671
Machinery in transit	3,023	-	-	-	3,023
	<u>Rs. 187,973,968</u>	<u>Rs. 148,033</u>	<u>Rs. 102,273,847</u>	<u>Rs. 24,957,209</u>	<u>Rs. 60,594,879</u>

December 31, 2013						
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	26,617,112	-	-	-	-	26,617,112
Buildings	29,131,468	95,022	9,881,025	8,308,827		10,846,594
Structures	5,808,043	9,885	3,221,813	1,632,757		943,588
Machinery	68,861,809	44,218	57,697,305	5,561,377		5,558,910
Vehicles	559,394	-	386,160	69,645		103,588
Tools and molds	48,903,469	1,764	28,442,726	9,174,092		11,284,887
Equipment	3,510,107	1,479	1,901,237	275,744		1,331,647
Construction in progress	3,971,358	-	-	-		3,971,358
Machinery in transit	48,297	-	-	-		48,297
	<u>Rs. 187,411,056</u>	<u>Rs. 152,368</u>	<u>Rs. 101,530,266</u>	<u>Rs. 25,022,442</u>		<u>Rs. 60,705,980</u>

(2) Changes in the carrying amounts of property, plant and equipment for the three months ended March 31, 2014 and 2013 are as follows:

(Unit: Korean won in thousands):

Three months ended March 31, 2014						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 475,305,570	₩ 125	₩ -	₩ 1	₩ -	₩ 475,305,696
Buildings	193,689,175	5,304	-	-	2,373,394	191,321,085
Structures	16,849,781	6,086	-	36,086	402,037	16,489,916
Machinery	99,266,258	26,221	92,996	3,037,071	8,913,934	93,322,620
Vehicles	1,849,794	-	3	-	130,647	1,719,144
Tools and molds	201,515,831	390,800	847	2,248,679	14,103,873	190,050,590
Equipment	23,779,404	315,874	3,563	16,678	1,385,556	22,722,837
Construction in progress	70,917,106	24,735,889	83,768	(4,503,680)	-	91,065,547
Machinery in transit	862,440	27,357	-	(835,814)	-	53,983
	<u>₩1,084,035,359</u>	<u>₩ 25,507,656</u>	<u>₩ 181,177</u>	<u>₩ (979)</u>	<u>₩ 27,309,441</u>	<u>₩1,082,051,418</u>

(\*) Depreciation cost of suspended assets amount of ₩5,715 (Rs. 320 thousands) in thousands is excluded from the depreciation cost in statement of cash flow.

Three months ended March 31, 2013						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ 19,360	₩ -	₩ 5,795,530	₩ -	₩ 475,459,592
Buildings	200,432,599	170,000	8,691	98,000	2,330,681	198,361,227
Structures	17,632,819	-	10,350	-	394,776	17,227,693
Machinery	111,035,013	2,163,609	6,309	4,197,117	8,732,139	108,657,291
Vehicles	2,142,715	54,548	1	-	139,241	2,058,021
Tools and molds	196,280,439	12,081,940	24,255	24,088,623	15,540,286	216,886,461
Equipment	16,868,667	482,728	2,939	(4,032)	950,207	16,394,217
Construction in progress	37,322,042	7,577,544	109,568	(34,068,047)	-	10,721,971
Machinery in transit	-	1,088,621	-	(1,088,621)	-	-
	<u>₩1,051,358,996</u>	<u>₩ 23,638,350</u>	<u>₩ 162,113</u>	<u>₩ (981,430)</u>	<u>₩ 28,087,330</u>	<u>₩1,045,766,473</u>

(\*) Depreciation cost of suspended assets amount of ₩15,156 (Rs. 849 thousands) in thousands is excluded from the depreciation cost in statement of cash flow.

(Unit: Indian-Rupee in thousands):

Three months ended March 31, 2014						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 26,617,112	Rs. 7	Rs. -	Rs. -	Rs. -	Rs. 26,617,119
Buildings	10,846,594	297	-	-	132,910	10,713,981
Structures	943,588	341	-	2,021	22,514	923,435
Machinery	5,558,910	1,468	5,208	170,076	499,180	5,226,067
Vehicles	103,588	-	-	-	7,316	96,272
Tools and molds	11,284,887	21,885	47	125,926	789,817	10,642,833
Equipment	1,331,647	17,689	200	934	77,591	1,272,479
Construction in progress	3,971,358	1,385,210	4,691	(252,206)	-	5,099,671
Machinery in transit	48,297	1,532	-	(46,806)	-	3,023
	<u>Rs. 60,705,980</u>	<u>Rs. 1,428,429</u>	<u>Rs. 10,146</u>	<u>Rs. (55)</u>	<u>Rs. 1,529,329</u>	<u>Rs. 60,594,879</u>

Three months ended March 31, 2013						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 26,300,103	Rs. 1,084	Rs. -	Rs. 324,550	Rs. -	Rs. 26,625,737
Buildings	11,224,226	9,520	487	5,488	130,518	11,108,229
Structures	987,438	-	580	-	22,107	964,751
Machinery	6,217,961	121,162	353	235,039	489,000	6,084,808
Vehicles	119,992	3,055	-	-	7,797	115,249
Tools and molds	10,991,705	676,589	1,358	1,348,963	870,256	12,145,642
Equipment	944,645	27,033	165	(226)	53,212	918,076
Construction in progress	2,090,034	424,342	6,136	(1,907,811)	-	600,430
Machinery in transit	-	60,963	-	(60,963)	-	-
	<u>Rs. 58,876,104</u>	<u>Rs. 1,323,748</u>	<u>Rs. 9,078</u>	<u>Rs. (54,960)</u>	<u>Rs. 1,572,890</u>	<u>Rs. 58,562,922</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of March 31, 2014 are as follows:

(Unit: Korean won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 281,318,706	195 billion
Buildings	150-3 (factory site) and others	61,547,926	Korean Won
Machinery and others	Pyeongtaek plant production facilities	12,373,010	
		<u>₩ 355,239,642</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 15,753,848	10.9 billion
Buildings	150-3 (factory site) and others	3,446,684	rupee
Machinery and others	Pyeongtaek plant production facilities	692,889	
		<u>Rs. 19,893,421</u>	

**12. INTANGIBLE ASSETS:**

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

(Unit: Korean won in thousands):

	March 31, 2014				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,683	₩ -	₩ 10,577,938	₩ -	₩ 3,900,745
Patents	1,302,828	7,806	536,182	7,039	751,801
Other intangible assets	102,248,131	17,567	5,832,301	686,796	95,711,467
	<u>₩ 118,029,642</u>	<u>₩ 25,373</u>	<u>₩ 16,946,421</u>	<u>₩ 693,835</u>	<u>₩ 100,364,013</u>

  

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

(Unit: Indian-Rupee in thousands):

	March 31, 2014				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 810,807	Rs. -	Rs. 592,365	Rs. -	Rs. 218,442
Patents	72,958	437	30,026	394	42,101
Other intangible assets	5,725,896	984	326,609	38,461	5,359,842
	<u>Rs. 6,609,661</u>	<u>Rs. 1,421</u>	<u>Rs. 949,000</u>	<u>Rs. 38,855</u>	<u>Rs. 5,620,385</u>

  

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 810,806	Rs. -	Rs. 524,797	Rs. -	Rs. 286,009
Patents	68,163	325	26,608	-	41,230
Other intangible assets	4,966,785	1,210	243,465	38,461	4,683,649
	<u>Rs. 5,845,754</u>	<u>Rs. 1,535</u>	<u>Rs. 794,870</u>	<u>Rs. 38,461</u>	<u>Rs. 5,010,888</u>

(2) Changes in intangible assets for the three months ended March 31, 2014 and 31, 2013 are as follows:

(Unit: Korean won in thousands):

	Three months ended March 31, 2014				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 5,107,302	₩ -	₩ 1,206,557	₩ -	₩ 3,900,745
Patents	736,258	83,441	60,859	7,039	751,801
Other intangible assets(*)	83,636,581	13,555,547	1,480,661	-	95,711,467
	<u>₩ 89,480,141</u>	<u>₩ 13,638,988</u>	<u>₩ 2,748,077</u>	<u>₩ 7,039</u>	<u>₩ 100,364,013</u>

(\*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩ 2,178 (Rs. 122 thousands) in thousands.

	Three months ended March 31, 2013				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	₩ 47,996,313	₩ 4,717,214	₩ 8,377,686	₩ -	₩ 44,335,841
Other intangible assets	658,066	120,186	58,045	10,609	709,598
	7,868,979	2,961,181	474,469	-	10,355,691
	₩ 56,523,358	₩ 7,798,581	₩ 8,910,200	₩ 10,609	₩ 55,401,130

(Unit: Indian-Rupee in thousands):

	Three months ended March 31, 2014				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	Rs. 286,009	Rs. -	Rs. 67,567	Rs. -	Rs. 218,442
Other intangible assets	41,230	4,673	3,408	394	42,101
	4,683,649	759,111	82,917	-	5,359,842
	Rs. 5,010,888	Rs. 763,783	Rs. 153,892	Rs. 394	Rs. 5,620,385

	Three months ended March 31, 2013				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost Patents	Rs. 2,687,794	Rs. 264,164	Rs. 469,150	Rs. -	Rs. 2,482,807
Other intangible assets	36,852	6,730	3,251	594	39,737
	440,663	165,826	26,570	-	579,919
	Rs. 3,165,308	Rs. 436,721	Rs. 498,971	Rs. 594	Rs. 3,102,463

(3) Amortization of the intangible assets for the three months ended March 31, 2014 and 2013 are as follows.

Account	Korean Won in thousands		Indian-Rupee in thousands	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Cost of goods manufactured	₩ 1,115,724	₩ 8,286,853	Rs. 62,481	Rs. 464,064
Selling and administrative expenses	1,632,353	623,347	91,412	34,907
	₩ 2,748,077	₩ 8,910,200	Rs. 153,892	Rs. 498,971

### 13. BORROWINGS:

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

(Unit: Korean won in thousands):

Creditor	Type	Interest rate (%)	March 31, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	₩ 30,000,000	₩ 30,000,000
Korea Development Bank	Banker's usance	EUR: 1.23%, JPY: 1.50% EUR: 1.06%, USD: 1.04%	-	7,185,047
SC Bank	Banker's usance	JPY: 0.94%	19,080,830	1,951,103
BOA	Banker's usance	EUR: 1.09%, USD: 1.03% JPY: 0.90%	24,564,589	12,471,886
			₩ 73,645,419	₩ 51,608,036

(Unit: Indian-Rupee in thousands):

Type	kind	Interest rate (%)	March 31, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	Rs. 1,680,000	Rs. 1,680,000
Korea Development Bank	Banker's usance	EUR: 1.23%, JPY: 1.50% EUR: 1.06%, USD: 1.04%	-	402,363
SC Bank	Banker's usance	JPY: 0.94% EUR: 1.09%, USD: 1.03%	1,068,526	109,262
BOA	Banker's usance	JPY: 0.90%	1,375,617	698,426
			<u>Rs. 4,124,143</u>	<u>Rs. 2,890,050</u>

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

(Unit: Korean won in thousands):

Type	Issue date	Maturity date	Interest rate (%)	March 31, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	₩ -	₩ 95,404,765

(Unit: Indian-Rupee in thousands):

Type	Issue date	Maturity date	Interest rate (%)	March 31, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2015-02-09	7.00%	Rs. -	Rs. 5,342,667

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

Creditor	Assets pledged as collaterals	Pledged date	Maximum credit amount
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won ( 10.9 billion Rupee)

#### **14. OTHER FINANCIAL LIABILITIES:**

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

Classification	Korean Won in thousands		Indian-Rupee in thousands	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Other current financial liabilities:				
Accrued expenses	₩ 14,215,370	₩ 20,352,993	Rs. 796,061	Rs. 1,139,768

#### **15. PROVISION FOR PRODUCT WARRANTIES:**

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

(Unit: Korean won in thousands):

	Beginning Balance	Increase	Decrease	Ending Balance	Current	Non-current
Mar. 31, 2014	₩ 125,479,981	₩ 30,589,294	₩ 21,083,851	₩ 134,985,424	₩ 57,074,156	₩ 77,911,268
Dec. 31, 2013	₩ 118,598,929	₩ 82,634,200	₩ 75,753,148	₩ 125,479,981	₩ 48,780,982	₩ 76,698,999

(Unit: Indian-Rupee in thousands):

	Beginning Balance	Increase	Decrease	Ending Balance	Current	Non-current
Mar. 31, 2014	Rs. 7,026,879	Rs. 1,713,000	Rs. 7,559,184	Rs. 7,559,184	Rs. 3,196,153	Rs. 4,363,031
Dec. 31, 2013	Rs. 6,641,540	Rs. 4,627,515	Rs. 7,026,879	Rs. 7,026,879	Rs. 2,731,735	Rs. 4,295,144

## 16. OTHER LIABILITIES:

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

Classification	Korean won in thousands		Indian-Rupee in thousands	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Advances from customers	₩ 4,458,445	₩ 5,689,992	Rs. 249,673	Rs. 318,640
Deposits received	1,480,563	1,507,995	82,912	84,448
Withholdings	15,967,030	19,520,134	894,153	1,093,128
	₩ 21,906,038	₩ 26,718,121	Rs. 1,226,738	Rs. 1,496,215

## 17. RETIREMENT BENEFIT OBLIGATION:

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

Classification	Korean won in thousands		Indian-Rupee in thousands	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 184,163,080	₩ 176,130,156	Rs. 10,313,133	Rs. 9,863,289
Fair value of plan assets	(1,467,497)	(1,474,038)	(82,180)	(82,546)
	₩ 182,695,583	₩ 174,656,118	Rs. 10,230,953	Rs. 9,780,743

(2) Changes in the Company's defined benefit obligation for the three months ended March 31, 2014 and 2013 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Beginning balance	₩ 176,130,156	₩ 144,823,054	Rs. 9,863,289	Rs. 8,110,091
Current service cost	7,550,964	7,083,340	422,854	396,667
Interest cost	1,897,578	1,407,428	106,264	78,816
Actuarial gains	-	-	-	-
Wages paid	(1,355,018)	(1,777,726)	(75,881)	(99,553)
Other	(60,600)	-	(3,393)	-
Ending balance	₩ 184,163,080	₩ 151,536,096	Rs. 10,313,133	Rs. 8,486,021

(3) Changes in the fair value of plan assets for the three months ended March 31, 2014 and 2013 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Beginning balance	₩ 1,474,038	₩ 1,524,841	Rs. 82,546	Rs. 85,391
Expected return on plan assets	16,046	14,781	899	828
Actuarial losses	(7,780)	(3,641)	(436)	(204)
Wages paid	(14,807)	(24,016)	(829)	(1,345)
Ending balance	₩ 1,467,497	₩ 1,511,965	Rs. 82,180	Rs. 84,670

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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Discount rate (%)	4.39	4.39
Expected rate of salary increase (%)	5.32	5.32

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

#### **18. CONTINGENCIES AND COMMITMENTS:**

The followings are the major commitments and contingent liabilities as of March 31, 2014.

- (1) The Company carries product liability insurance for all products which it sells domestically.
- (2) As of March 31, 2014, the company has been providing guarantees from Korea Development Bank and etc. amounting to USD 205 million (amount execution USD 100 million) related to import L/C.
- (3) The followings are the major loan arrangements with the financial institutions as of March 31, 2014.

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	Rs. 1,680,000	Rs. 1,680,000

- (4) Pending litigations

As of March 31, 2014, the Company has five pending litigations as a plaintiff with claims and twenty-nine pending litigations as a defendant with claims. The Company recognised a contingent liability amounting to ₩ 39,096,407 thousand (Rs. 2,189,399 thousand) which has a high probability of losing a lawsuit and a reliable estimate can be made as of March 31, 2014.

#### **19. CAPITAL STOCK:**

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

(Unit: Won in thousands except par value):

<u>Classification</u>	<u>Shares outstanding</u>	<u>Par value</u>	<u>Capital stock</u>
March 31, 2014	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2013	137,220,096	₩ 5,000	₩ 686,100,480

(Unit: Rupee in thousands except par value):

<u>Classification</u>	<u>Shares outstanding</u>	<u>Par value</u>	<u>Capital stock</u>
March 31, 2014	137,220,096	Rs. 280	Rs. 38,421,627
December 31, 2013	137,220,096	Rs. 280	Rs. 38,421,627



## 20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

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

		March 31,	December 31,	March 31,	December 31,
		2014	2013	2014	2013
		(Korean Won in thousands)		(Indian-Rupee in thousands)	
Other Capital Surplus	Paid-in capital in excess of par value	₩ 11,452,713	₩ 11,452,713	Rs. 641,352	Rs. 641,352
	Gain on retirement of capital stock	120,351,580	120,351,580	6,739,688	6,739,688
	Debt converted to equity	931,508	931,508	52,164	52,164
	Treasury stock	(108,530)	(108,530)	(6,078)	(6,078)
	Consideration for conversion rights	(3,243,869)	(3,243,869)	(181,657)	(181,657)
		<u>₩129,383,402</u>	<u>₩129,383,402</u>	<u>Rs. 7,245,471</u>	<u>Rs. 7,245,471</u>

## 21. OTHER CAPITAL ADJUSTMENTS

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

(Unit: Korean Won in thousands):

Classification		March 31, 2014	December 31, 2013
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ 12,737,080	₩ 26,833,680

(Unit: Indian-Rupee in thousands):

Classification		March 31, 2014	December 31, 2013
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. 713,276	Rs. 1,502,686

(2) Changes in the Company's gains (losses) on valuation of derivatives for the three months ended March 31, 2014 and for the year ended December 31, 2013 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Year ended December 31, 2013	Three months ended March 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 26,833,680	₩ 18,999,750	Rs. 1,502,686	Rs. 1,063,986
Gains (losses) on valuation of derivatives	(14,096,600)	7,833,930	(789,410)	438,700
Ending balance	<u>₩ 12,737,080</u>	<u>₩ 26,833,680</u>	<u>Rs. 713,276</u>	<u>Rs. 1,502,686</u>

## 22. RETAINED EARNINGS

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

(Unit: Korean Won in thousands):

	March 31, 2014	December 31, 2013
Retained earnings	₩ 57,172,115	₩ 47,725,963

(Unit: Indian-Rupee in thousands)

	March 31, 2014	December 31, 2013
Retained earnings	Rs. 3,201,638	Rs. 2,672,654

- (2) Changes in retained earnings for the three months ended March 31, 2014 and for the year ended December 31, 2013 are as follows:

(Unit: Korean Won in thousands):

	March 31, 2014		December 31, 2013	
Beginning balance	₩	47,725,963	₩	52,754,371
Loss on appropriated retained earnings		9,453,932		(3,778,045)
Actuarial losses		(7,780)		(1,250,363)
Ending balance	₩	57,172,115	₩	47,725,963

(Unit: Indian-Rupee in thousands):

	March 31, 2014		December 31, 2013	
Beginning balance	Rs.	2,672,654	Rs.	2,954,245
Loss on appropriated retained earnings		529,421		(211,571)
Actuarial losses		(437)		(70,020)
Ending balance	Rs.	3,201,638	Rs.	2,672,654

### **23. INCOME TAX:**

As of March 31, 2014 and 2013, there is no deferred income tax assets and income tax the company recognizes due to tax deficit.

### **24. EXPENSES BY CATEGORY:**

Details of expenses classified by category for the three ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Changes in inventories	₩ (7,949,718)	₩ (26,203,404)	Rs. (445,184)	Rs. (1,467,391)
Raw materials and merchandise goods used	620,480,074	567,353,129	34,746,884	31,771,775
Salaries (*)	100,368,322	89,205,717	5,620,626	4,995,520
Depreciation	27,303,726	28,072,174	1,529,009	1,572,042
Amortization	2,748,077	8,910,200	153,892	498,971
Other	124,699,182	104,550,651	6,983,154	5,854,836
	₩ 867,649,663	₩ 771,888,467	Rs. 48,588,381	Rs. 43,225,753

(\*) Salaries include quarter and the previous quarter capitalization of development costs, including the salary of ₩ 6,255,947 thousands (Rs. 350,333 thousands) and ₩ 2,944,142 thousands (Rs. 164,872 thousands), respectively.

### **25. DERIVATIVES FINANCIAL INSTRUMENTS:**

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument). Gain on valuation of derivatives for ₩ 12,737,080 thousands (Rs. 713,276 thousands) applied to cash flow risk aversion accounting treatment are recognized as other capitals components and Gain on valuation of derivatives for ₩ 1,396,112 thousands (Rs. 78,182 thousands) which is inefficient part is recognized as accumulated other comprehensive income for the year ended March 31, 2013.

**26. SELLING AND ADMINISTRATIVE EXPENSES:**

(1) Selling expenses for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Warranty expenses	₩ 23,209,693	₩ 14,640,043	Rs. 1,299,743	Rs. 819,842
Sales commissions	39,164,585	31,772,210	2,193,217	1,779,244
Advertising expenses	3,349,314	6,389,487	187,562	357,811
Export expenses	16,125,878	18,480,926	903,049	1,034,932
Others	7,421,160	11,497,568	415,584	643,864
	<u>₩ 89,270,630</u>	<u>₩ 82,780,234</u>	<u>Rs. 4,999,155</u>	<u>Rs. 4,635,693</u>

(2) Administrative expenses for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Salaries	₩ 11,613,290	₩ 10,840,001	Rs. 650,344	Rs. 607,040
Post-employment benefits	1,549,708	1,612,476	86,784	90,299
Employee benefits	2,446,737	2,862,658	137,017	160,309
Rent expense	2,588,643	2,470,450	144,964	138,345
Service fees	5,881,054	4,111,764	329,339	230,259
Depreciation	1,697,853	1,268,683	95,080	71,046
R&D expenses	6,623,885	5,335,194	370,938	298,771
Amortization	1,632,353	623,347	91,412	34,907
Bad debt expense	167,644	(115,481)	9,388	(6,467)
Other administrative expenses	6,472,660	7,707,662	362,469	431,629
	<u>₩ 40,673,827</u>	<u>₩ 36,716,754</u>	<u>Rs. 2,277,735</u>	<u>Rs. 2,056,138</u>

**27. NON-OPERATING INCOME (EXPENSES):**

(1) Details of the Company's non-operating income for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Commission income	₩ 690,859	₩ 3,760,568	Rs. 38,688	Rs. 210,592
Gain on foreign currency transactions	2,250,252	3,485,084	126,014	195,165
Gain on foreign currency translation	376,826	512,252	21,102	28,686
Reversal of allowance for doubtful accounts	-	60,473	-	3,386
Gain on disposal of property, plant and equipment	19,020	4,188	1,065	235
Gain on disposal of investment assets	1,523	-	85	-
Others, net	4,222,382	5,745,411	236,453	321,743
	<u>₩ 7,560,862</u>	<u>₩ 13,567,976</u>	<u>Rs. 423,408</u>	<u>Rs. 759,807</u>

(2) Details of the Company's non-operating expense for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Loss on foreign currency transactions	₩ 1,900,149	₩ 1,696,969	Rs. 106,408	Rs. 95,030
Loss on foreign currency translation	254,364	423,135	14,244	23,696
Other bad debt expense	12,668	4,299	709	241
Non-operating assets and depreciation	5,715	15,156	320	849
Loss on disposal of property, plant and equipment	26,404	45,002	1,479	2,520
Loss on disposal of investment assets	2,792	4,105	156	230
Loss on disposal of trade receivables	4,696,690	2,463,602	263,015	137,962
Impairment loss on investments	884	3,627	50	203
Impairment loss on intangible assets	7,039	10,609	394	594
Impairment loss on investment in subsidiaries	-	1,192,710	-	66,792
Others	1,427,077	7,941,592	79,917	444,728
	<u>₩ 8,333,782</u>	<u>₩ 13,800,806</u>	<u>Rs. 466,692</u>	<u>Rs. 772,845</u>

## 28. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Interest income	₩ 1,928,200	₩ 1,522,973	Rs. 107,979	Rs. 85,286
Dividend income	11,000	6,000	617	335
Gain on foreign currency transactions	1,193,628	925,709	66,843	51,840
Gain on foreign currency translation	57,890	71,152	3,242	3,985
Gain on disposal of derivatives	9,993,800	7,298,511	559,653	408,717
Gain on valuation of derivatives	1,416,062	1,234,301	79,299	69,121
Gains from assets contributed	-	19,360	-	1,084
	<u>₩ 14,600,580</u>	<u>₩ 11,078,006</u>	<u>Rs. 817,633</u>	<u>Rs. 620,368</u>

(2) Details of the Company's financial cost for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Interest expense	₩ 1,190,389	₩ 2,091,103	Rs. 66,662	Rs. 117,102
Loss on foreign currency transactions	482,642	294,235	27,028	16,477
Loss on foreign currency translation	395,863	80,288	22,168	4,496
Loss on disposal of derivatives	-	758,800	-	42,493
Loss on valuation of derivatives	19,950	2,745	1,117	154
	<u>₩ 2,088,844</u>	<u>₩ 3,227,171</u>	<u>Rs. 116,975</u>	<u>Rs. 180,722</u>

(3) Details of the Company's financial net profit for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Loan and receivables	₩ 1,110,824	₩ 287,650	Rs. 62,206	Rs. 16,108
Available-for-sale financial assets	11,000	6,000	616	336
Other financial liabilities	11,389,912	7,557,183	637,835	423,202
	<u>₩ 12,511,736</u>	<u>₩ 7,850,833</u>	<u>Rs. 700,657</u>	<u>Rs. 439,647</u>

## 29. INCOME(LOSS) PER SHARE:

Basic income (loss) per share for the three months ended March 31, 2014 and 2013 are calculated as follows (Unit: Korean won and Indian-Rupee in thousands, except for earnings per share):

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Net income(loss)	₩ 9,453,932	₩ (9,758,379)	Rs. 529,421	Rs. (546,469)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	9,453,932	(9,758,379)	529,421	(546,469)
Number of common stocks outstanding	137,198,390	122,674,641	7,683,110	6,869,780
Basic and diluted income (loss) per share(*1)	<u>₩ 69</u>	<u>₩ (80)</u>	<u>Rs. 4</u>	<u>Rs. (4)</u>

(\*1) Basic and diluted losses per share for the three months ended March 31, 2014 and 2013 are identical since there are no dilutive potential common shares.

The numbers of shares outstanding for the three months ended March 31, 2014 and 2013 are calculated as follows:

Three months ended March 31, 2014						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
	2014-01-01	2014-03-31				
Common stock	2014-01-01	2014-03-31	137,220,096	137,220,096	90/90	137,220,096
Treasury stock	2014-01-01	2014-03-31	(21,706)	(21,706)	90/90	(21,706)
Total						<u>137,198,390</u>

  

Three months ended March 31, 2013						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
	2013-01-01	2013-03-31				
Common stock	2013-01-01	2013-03-31	122,674,641	122,674,641	90/90	122,674,641
Total						<u>122,674,641</u>

### 30. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
1. Cash flows from operating activities	₩ 11,970,581	₩ 124,334,495	Rs. 670,354	Rs. 6,962,732
1) Net loss	9,453,932	(9,758,379)	529,421	(546,469)
2) Adjustments	41,966,984	48,521,935	2,350,151	2,717,228
(1) Addition of expenses	45,777,505	52,099,865	2,568,231	2,917,592
Loss on foreign currency translation	650,228	503,423	36,413	28,192
Loss on disposal of trade receivables	4,696,690	2,463,602	263,015	137,962
Loss on valuation of inventories	(487,197)	311,034	(27,283)	17,418
Bad debt expense	167,644	(115,482)	9,388	(6,467)
Other bad debt expense	12,668	4,299	709	241
Depreciation	27,303,726	28,072,174	1,529,009	1,572,042
Loss on disposal of investment assets	2,792	4,105	156	230
Loss on disposal of property, plant and equipment	26,404	45,002	1,479	2,520
Impairment loss on investment assets	884	3,627	50	203
Amortization	2,748,077	8,910,200	153,892	498,971
Impairment loss on intangible assets	7,039	10,609	394	594
Impairment loss on investment in subsidiaries	-	1,192,710	-	66,792
Interest expense	1,190,389	2,091,103	66,662	117,102
Post-employment benefits	9,432,496	8,475,987	528,220	474,655
Depreciation expenses on assets not in use	5,715	15,156	320	849
Miscellaneous losses	19,950	112,316	5,807	6,288
(2) Deduction of revenue	(3,810,521)	(3,577,930)	(218,080)	(200,364)
Gain on foreign currency translation	434,716	583,404	24,344	32,671
Reversal of allowance for doubtful accounts	-	60,473	-	3,386
Interest income	1,928,200	1,522,973	107,979	85,286
Gain on dividends	11,000	6,000	616	336
Gain on valuation of derivatives	1,416,062	1,234,301	79,299	69,121
Gain on disposal of investment assets	1,523	-	85	-
Gain on disposal of property, plant and equipment	19,020	4,188	5,757	235
Miscellaneous gains	-	166,591	-	9,329
3) Changes in working capital	(39,450,335)	85,570,939	(2,209,218)	4,791,973
Decrease (increase) in trade receivables, net	(20,873,600)	6,312,826	(1,168,922)	353,518
Decrease (increase) in non-trade receivables, net	5,318,520	(5,435,860)	297,837	(304,408)
Increase in other receivables, net	(21,070)	-	(1,180)	-
Increase in other assets	(4,159,730)	(880,432)	(232,945)	(49,304)
Decrease in derivatives	1,374,550	1,459,139	76,975	81,712
Increase in inventories	(1,295,848)	(21,497,743)	(72,567)	(1,203,874)
Increase in long security	(155,000)	(2,049,300)	(8,680)	(114,761)
Increase in trade payables	39,434,274	130,640,188	2,208,319	7,315,851
Decrease in accrued charges	(36,925,572)	(13,132,034)	(2,067,832)	(735,394)
Decrease in other payables	(5,253,406)	(5,136,249)	(294,191)	(287,630)

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Decrease in other liabilities	(4,812,083)	(4,003,029)	(269,477)	(224,170)
Decrease in current other long term benefit	(546,490)	(405,610)	(30,603)	(22,714)
Increase (Decrease) in short-term provision of product warranties	8,293,174	(495,041)	464,418	(27,722)
Increase in long-term other payables	(20,090,465)	175,780	(1,125,066)	9,844
Increase in other long term benefit	390,353	334,171	21,860	18,714
Payment of severance indemnities	(1,340,211)	(1,753,710)	(75,052)	(98,208)
Increase (Decrease) in long-term provision of product warranties	1,212,269	1,437,843	67,888	80,519
2. Interest received	2,832,346	1,671,827	158,611	93,622
3. Interest paid	(2,074,605)	(2,146,854)	(116,178)	(120,224)
4. Dividends received	11,000	6,000	616	336
Net cash provided by operating activities	₩ 12,739,322	₩ 123,865,468	Rs. 713,403	Rs. 6,936,466

### 31. SEGMENT INFORMATION:

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

(2) Information of each sales region for the three months ended March 31, 2014 and 2013 as follows: follows:(Unit: Korean won and Indian-Rupee in thousands):

Sales region	Three months ended March 31, 2014			
Republic of Korea	₩	493,726,128	Rs.	27,648,663
Europe		149,577,261		8,376,327
Asia Pacific		89,448,187		5,009,098
Others		126,357,256		7,076,006
	₩	859,108,832	Rs.	48,110,095

Sales region	Three months ended March 31, 2013			
Republic of Korea	₩	398,769,822	Rs.	22,331,110,
Europe		194,907,192		10,914,803
Asia Pacific		19,235,062		1,077,163
Others		138,655,865		7,764,728
	₩	751,567,941	Rs.	42,087,805

(3) Information of each sales products and service for the three months ended March 31, 2014 and 2013 as follows: follows:(Unit: Korean won and Indian-Rupee in thousands):

Sales	Three months ended March 31, 2014			
Automobile	₩	772,456,805	Rs.	43,257,581
Products		81,642,976		4,572,007
Others		5,009,051		280,507
	₩	859,108,832	Rs.	48,110,095

Sales	Three months ended March 31, 2013			
Automobile	₩	627,570,336	Rs.	35,143,939
Products		119,153,365		6,672,588
Others		4,844,240		271,277
	₩	751,567,941	Rs.	42,087,805

### 32. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of March 31, 2014 are as follows:

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

(2) Major transactions with the related parties for the three months ended March 31, 2014 and 2013 are as follows:

(Unit: Korean won in thousands):

	<u>Three months ended March 31, 2014</u>		<u>Three months ended March 31, 2013</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	₩ 168,036	₩ 1,024,335	₩ 672,244	₩ 1,818,429
Transactions with subsidiaries	2,193,017	50,377	1,606,197	-
Transaction with other affiliates	1,709,463	48,079	36,052,361	-

(Unit: Indian-Rupee in thousands):

	<u>Three months ended March 31, 2014</u>		<u>Three months ended March 31, 2013</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	Rs. 9,410	Rs. 57,363	Rs. 37,646	Rs. 101,832
Transactions with subsidiaries	122,809	2,821	89,947	-
Transaction with other affiliates	95,730	2,692	2,018,932	-

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

(Unit: Korean won in thousands):

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 171,306	₩ 761,788
Payables and others	272,032	96,377,681
Receivables from and payables to subsidiaries:		
Receivables and others	13,111,183	12,977,768
Payables and others	945,792	943,407
Receivables from and payables to affiliates:		
Receivables and others	631,147	466,300
Payables and others	118,404	47,315

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 9,593	Rs. 42,660
Payables and others	15,234	5,397,150
Receivables from and payables to subsidiaries:		
Receivables and others	734,226	726,755
Payables and others	52,964	52,831
Receivables from and payables to affiliates:		
Receivables and others	35,344	26,113
Payables and others	6,631	2,650

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the three months ended March 31, 2014.



Details of compensation for key executives for the three months ended March 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Short-term employee benefits	₩ 273,999	₩ 182,141	Rs. 15,344	Rs. 10,200
Post-employment benefits	9,896	4,146	554	232

### 33. FINANCIAL INSTRUMENTS:

#### (1) Capital risk management

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

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

Debt to Equity ratio for the period ended March 31, 2014 and December 31, 2013 are as follows

(Unit: Korean won in thousands):

	March 31, 2014	December 31, 2013
Debt (A)	₩ 1,149,285,110	₩ 1,233,769,275
Equity (B)	885,393,077	890,043,526
Debt ratio (A/ B)	129.81%	138.62%

(Unit: Indian-Rupee in thousands):

	March 31, 2014	December 31, 2013
Debt (A)	Rs. 64,359,966	Rs. 69,091,079
Equity (B)	49,582,012	49,842,437
Debt ratio (A/ B)	129.81%	138.62%

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

#### 1) Financial assets

(Unit: Korean won in thousands):

Financial asset	March 31, 2014				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 259,000,582	₩ -	₩ -	₩ 259,000,582	₩259,000,582
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	281,449,856	-	-	281,449,856	281,449,856
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivatives assets	-	-	14,909,522	14,909,522	14,909,522
	₩ 540,456,438	₩ 560,000	₩ 14,909,522	₩555,925,960	₩555,925,960

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

(Unit: Indian-Rupee in thousands):

Financial asset	March 31, 2014				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 14,504,033	Rs. -	Rs. -	Rs. 14,504,033	Rs. 14,504,033
Long-term financial instruments	336	-	-	336	336
Trade receivables and Other receivables	15,761,192	-	-	15,761,192	15,761,192
Long-term AFS financial assets	-	31,360	-	31,360	31,360
Derivatives assets	-	-	834,933	834,933	834,933
	<u>Rs. 30,265,561</u>	<u>Rs. 31,360</u>	<u>Rs. 834,933</u>	<u>Rs. 31,131,854</u>	<u>Rs. 31,131,854</u>

Financial asset	December 31, 2013				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 20,143,877	Rs. -	Rs. -	Rs. 20,143,877	Rs. 20,143,877
Long-term financial instruments	336	-	-	336	336
Trade receivables and Other receivables	15,155,388	-	-	15,155,388	15,155,388
Long-term AFS financial assets	-	31,360	-	31,360	31,360
Derivatives assets	-	-	1,623,135	1,623,135	1,623,135
	<u>Rs.35,299,601</u>	<u>Rs. 31,360</u>	<u>Rs. 1,623,135</u>	<u>Rs. 36,954,096</u>	<u>Rs. 36,954,096</u>

## 2) Financial liabilities

	Financial liability measured at amortized cost			
	March 31, 2014	December 31,2013	March 31,2014	December 31,2013
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade payables and Other payables	₩ 719,927,167	₩ 743,620,638	Rs. 40,315,921	Rs. 41,642,756
Debt	73,645,419	147,012,801	4,124,143	8,232,717
Total	<u>₩ 793,572,586</u>	<u>₩ 890,633,439</u>	<u>Rs. 44,440,065</u>	<u>Rs. 49,875,473</u>

## (3) Financial risk management

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

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

## 1) Market risk

### a. Foreign currency risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of March 31, 2014.

The positive effect (+) in the table below shows the increase of current income of the relevant currencies when the value of the won is 10% stronger. When won is 10% weaker than the relevant currency the effect on current income will be similar but negative (-).

(Unit: Korean won in thousands):

Currency	Korean won in thousands		Indian-Rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 3,189,007	₩ (3,189,007)	Rs. 178,585	Rs. (178,585)
EUR	(1,548,069)	1,548,069	(86,692)	86,692
JPY	8,050,900	(8,050,900)	450,850	(450,850)
Others	622,494	(622,494)	34,860	(34,860)
	<u>₩ 10,314,332</u>	<u>₩ (10,314,332)</u>	<u>Rs. 577,603</u>	<u>Rs. (577,603)</u>

In order to avoid the risk of foreign exchange debt payments and foreign exchange receivables collected foreign exchange risk, the company has a policy of making a foreign exchange forward agreement.

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 12,737,080 thousands won (Rs. 713,276 thousands). Sales transaction is expected to occur within the first three months after March 31, 2014, and this amount that is deferred in equity will be reclassified as Current income.

### b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase ₩36,986 thousands won (Rs. 2,071 thousands rupee) for the year ended March 31, 2014, due to floating rate debt's interest rate risk.

## 2) Credit risk

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

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

	March 31, 2014	December,31, 2013	March 31, 2014	December,31, 2013
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade and other receivables	₩ 281,449,856	₩ 270,631,929	Rs. 15,761,192	Rs. 15,155,388

### 3) Liquidity risk

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

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

(Unit: Korean won in thousands):

	March 31, 2014		
	Within a year	More than 1 year	Total
Trade payables	₩ 495,345,118	₩ -	₩ 495,345,118
Non-trade payables	195,825,727	-	195,825,727
Short-term borrowings	74,755,214	-	74,755,214
Other payables	14,215,370	-	14,215,370
Long-term other payables	-	14,540,951	14,540,951
	₩ 780,141,429	₩ 14,540,951	₩ 794,682,380

  

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

(Unit: Indian-Rupee in thousands):

	March 31, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 27,739,327	Rs. -	Rs. 27,739,327
Non-trade payables	10,966,241	-	10,966,241
Short-term borrowings	4,186,292	-	4,186,292
Other payables	796,061	-	796,061
Long-term other payables	-	814,293	814,293
	Rs. 43,687,920	Rs. 814,293	Rs. 44,502,213

  

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 25,535,773	Rs. -	Rs. 25,535,773
Non-trade payables	13,834,702	-	13,834,702
Short-term borrowings	2,910,431	-	2,910,431
Other payables	1,139,768	-	1,139,768
Long-term other payables	-	1,132,514	1,132,514
Bonds	5,383,652	-	5,383,652
	Rs. 48,804,324	Rs. 1,132,514	Rs. 49,936,838

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

		March 31,2014		December 31,2013	
Borrowing limit commitments	Used	Rs.	1,680,000	Rs.	1,680,000
	Unused		-		-
	Total	Rs.	1,680,000	Rs.	1,680,000

#### (4) Fair value of financial instruments

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

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

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

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

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

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

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

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

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

Fair values of financial instruments by heirarchy level as of March 31, 2014 and December 31, 2013 is as follows:

(Unit: Korean won in thousands):

Type	March 31, 2014				Fair value
	Level 1	Level 2	Level 3		
Derivatives designated to hedge item	₩	- ₩	14,909,522 ₩	- ₩	₩ 14,909,522
Type	December 31, 2013				Fair value
	Level 1	Level 2	Level 3		
Derivatives designated to hedge item	₩	- ₩	28,984,560 ₩	- ₩	₩ 28,984,560

(Unit: Indian-Rupee in thousands):

Type	March 31, 2014							
	Level 1		Level 2		Level 3	Fair value		
Derivatives designated to hedge item	Rs.	-	Rs.	834,933	Rs.	-	Rs.	834,933

  

Type	December 31, 2013							
	Level 1		Level 2		Level 3	Fair value		
Derivatives designated to hedge item	Rs.	-	Rs.	1,623,135	Rs.	-	Rs.	1,623,135