

**Ssangyong Motor Company**

SEPARATE FINANCIAL STATEMENTS  
FOR THE THREE ENDED March 31, 2012  
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 statements of financial position as of March, 31, 2012, the statements of comprehensive income, the statements of changes in shareholders' equity and cash flows for the three months ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

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

The Company's management is responsible for the preparation and fair presentation of the accompanying separate 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 statement of financial position as of December 31, 2011 and the related statements of operations, retained earnings, and cash flows on March 14, 2012 as fairly state. there is no difference in terms of importance between comparative purposed financial position on December 31, 2011 and current financial position.

### **Emphasis of matter**

We draw attention to Note 2 to the financial statements which describes that the Company is not required to submit consolidated interim financial statements even if it has subsidiaries which are subject to consolidation in accordance with K-IFRS and may submit SEPARATE semi-annual and quarterly financial statements only by a fiscal year starting from January 1, 2012 pursuant to the Enforcement Decree of the Financial Investment Services and Capital Market Act No. 20947, Article 23.



May 8, 2012

### **Notice to Readers**

This report is effective as of May 8, 2012, 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**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2012 AND DECEMBER 31, 2011**

	<u>Korean Won</u>		<u>India- Rupee</u>	
	<u>March 31, 2012</u>	<u>January 31, 2011</u>	<u>March 31, 2012</u>	<u>January 31, 2011</u>
	(In thousands)		(In thousands)	
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 3 and 32)	₩ 235,748,862	₩ 202,509,810	Rs. 10,726,573	Rs. 9,214,196
Trade and other receivables, net (Notes 5,31 and 32)	193,859,100	176,137,064	8,820,589	8,014,236
Inventories, net (Notes 6 and 9)	273,554,173	258,859,471	12,446,715	11,778,106
Other current assets (Note 8)	<u>10,832,814</u>	<u>16,175,012</u>	<u>492,893</u>	<u>735,963</u>
Total current assets	<u>713,994,949</u>	<u>653,681,357</u>	<u>32,486,770</u>	<u>29,742,501</u>
<b>NON-CURRENT ASSETS:</b>				
Non-current financial instruments (Notes 3 and 32)	6,000	6,000	273	273
Non-current available-for-sale financial assets (Notes 4 and 32)	560,000	560,000	25,480	25,480
Non-current other receivables, net (Notes 5,31 and 32)	36,699,713	37,593,793	1,669,837	1,710,518
Property, plant and equipment, net (Notes 9 and 11)	1,040,151,028	1,038,426,146	47,326,872	47,248,390
Intangible assets (Note 10)	58,715,089	64,396,704	2,671,537	2,930,050
Investments in subsidiaries (Note 7)	4,456,554	4,456,554	202,773	202,773
Other non-current assets (Note 8)	<u>498,738</u>	<u>569,242</u>	<u>22,693</u>	<u>25,901</u>
Total non-current assets	<u>1,141,087,122</u>	<u>1,146,008,439</u>	<u>51,919,465</u>	<u>52,143,385</u>
<b>TOTAL ASSETS</b>	<u><b>1,855,082,071</b></u>	<u><b>1,799,689,796</b></u>	<u><b>84,406,235</b></u>	<u><b>81,885,886</b></u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
<b>CURRENT LIABILITIES:</b>				
Trade and other payables (Notes 17 and 32)	483,360,474	384,521,594	21,992,902	17,495,733
Short-term borrowings (Notes 9, 11 and 32)	30,268,050	40,567,689	1,377,196	1,845,830
Provision for product warranties (Note 14)	47,254,937	47,093,611	2,150,100	2,142,759
Other current liabilities borrowings (Notes 13, 15 and 32)	<u>44,837,412</u>	<u>45,518,171</u>	<u>2,040,102</u>	<u>2,071,077</u>
Total current liabilities	<u>605,720,873</u>	<u>517,701,065</u>	<u>27,560,300</u>	<u>23,555,399</u>

(Continued)

**SSANGYONG MOTOR COMPANY**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2012 AND DECEMBER 31, 2011**

	<u>Korean Won</u>		<u>India- Rupee</u>	
	<u>March 31, 2012</u>	<u>January 31, 2011</u>	<u>March 31, 2012</u>	<u>January 31, 2011</u>
	(In thousands)		(In thousands)	
<b>NON-CURRENT LIABILITIES:</b>				
Debtures (Notes 11 and 32)	₩ 95,404,765	₩ 95,404,765	Rs. 4,340,917	Rs. 4,340,917
Other non-current payables (Notes 15, and 32)	2,170,890	2,150,548	98,775	97,850
Retirement benefit obligation (Note 16)	186,621,990	184,985,910	8,491,301	8,416,859
Other long-term employee benefits obligation	11,667,707	11,315,781	530,881	514,867
Provision for long-term product warranties (Note 14)	<u>74,435,015</u>	<u>74,914,225</u>	<u>3,386,793</u>	<u>3,408,597</u>
Total non-current liabilities	<u>370,300,367</u>	<u>368,771,229</u>	<u>16,848,667</u>	<u>16,779,090</u>
<b>TOTAL LIABILITIES</b>	<u><u>976,021,240</u></u>	<u><u>886,472,294</u></u>	<u><u>44,408,967</u></u>	<u><u>40,334,489</u></u>
<b>SHAREHOLDERS' EQUITY:</b>				
Capital stock (Notes 18)	609,809,205	609,809,205	27,746,319	27,746,319
Other capital surplus (Note 19)	125,496,967	125,496,967	5,710,112	5,710,112
Retained earnings (accumulated deficit) (Note 20 and 24)	(2,398,750)	193,310	(109,143)	8,796
Other comprehensive income(Notes 21)	<u>146,153,409</u>	<u>177,718,020</u>	<u>6,649,980</u>	<u>8,086,170</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>879,060,831</u></u>	<u><u>913,217,502</u></u>	<u><u>39,997,268</u></u>	<u><u>41,551,397</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>₩ 1,855,082,071</u></u>	<u><u>₩ 1,799,689,796</u></u>	<u><u>Rs. 84,406,235</u></u>	<u><u>Rs. 81,885,886</u></u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

	Korean Won		India- Rupee	
	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 30 and 31)	₩ 643,970,094	₩ 620,525,157	Rs. 29,300,640	Rs. 28,233,895
COST OF SALES (Notes 23 and 31)	571,218,863	554,668,720	25,990,458	25,237,427
GROSS PROFIT	72,751,231	65,856,437	3,310,182	2,996,468
SELLING AND ADMINISTRATIVE EXPENSES (Notes 23 and 25)	103,219,783	107,490,560	4,696,500	4,890,820
OTHER OPERATING INCOME (Notes 26)	6,635,519	11,267,062	301,916	512,651
OTHER OPERATING IEXPENSES (Notes 26)	8,823,997	11,526,536	401,492	524,457
OPERATING LOSS	(32,657,030)	(41,893,597)	(1,485,894)	(1,906,158)
FINANCIAL INCOME (Note 27)	4,492,332	51,109,636	204,401	2,325,488
FINANCIAL COST (Note 27)	3,399,030	6,606,913	154,656	300,615
INCOME(LOSS) BEFORE INCOME TAX	(31,563,728)	2,609,126	(1,436,149)	118,714
INCOME TAX EXPENSE (Note 22)	-	-	-	-
NET INCOME(LOSS)	(31,563,728)	2,609,126	(1,436,149)	118,714
OTHER COMPREHENSIVE LOSS(Note 24)	(2,592,943)	(13,593)	(117,979)	(618)
TOTAL COMPREHENSIVE INCOME(LOSS)	(34,156,671)	2,595,533	(1,554,128)	118,096
EARNINGS PER SHARE (Note 28) Basic and diluted loss per share	₩ (260)	₩ 31	Rs. (12)	Rs. 1

See accompanying notes to financial statements.

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

Korean Won								
	Capital stock	Paid-in capital in excess of par value	Other Capital Surplus		Debt to be swapped for equity	Other Capital adjustments	Retained earnings (accumulated deficit)	Total
			Gain on capital reduction	Consideration for conversion rights				
(In thousands)								
Balance at January 1, 2011	₩ 182,688,005	₩ 4,170,771	₩ 805,577,535	₩ 29,474,043	₩ 1,009,430	₩ -	₩ (404,029,299)	₩ 618,890,485
Net income	-	-	-	-	-	-	2,609,126	2,609,126
Actuarial losses	-	-	-	-	-	-	(13,593)	(13,593)
Capital increase without consideration	427,095,235	-	-	-	-	-	-	427,095,235
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	-
Reserve for deficit recovery	-	-	(685,225,955)	(29,474,043)	-	-	714,699,998	-
Stock issuance costs	-	(8,850)	-	-	-	-	-	(8,850)
Balance at March 31, 2011	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ -</u>	<u>₩ 313,266,232</u>	<u>₩ 1,048,572,403</u>
Balance at January 1, 2012	609,809,205	4,213,878	120,351,580	-	931,508	193,310	177,718,020	913,217,501
Net loss	-	-	-	-	-	-	(31,563,728)	(31,563,728)
Actuarial losses	-	-	-	-	-	-	(883)	(883)
Gain(Loss) on derivatives valuation	-	-	-	-	-	(2,592,060)	-	(2,592,060)
Balance at March 31, 2012	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ (2,398,750)</u>	<u>₩ 46,153,409</u>	<u>₩ 879,060,830</u>
India-Rupee								
	Capital stock	Paid-in capital in excess of par	Other Capital Surplus		Debt to be swapped for equity	Other Capital adjustments	Retained earnings (accumulated deficit)	Total
			Gain on capital reduction	Consideration for conversion rights				
(In thousands)								
Balance at January 1, 2011	Rs. 8,312,218	Rs. 189,768	Rs. 36,653,397	Rs. 1,341,055	Rs. 45,929	Rs. -	Rs. (18,383,142)	Rs. 28,159,225
Net income	-	-	-	-	-	-	118,714	118,714
Actuarial losses	-	-	-	-	-	-	(618)	(618)
Capital increase without consideration	19,432,631	-	-	-	-	-	-	19,432,631
Conversion of debt to equity	1,181	2,364	-	-	(3,545)	-	-	-
Reserve for deficit recovery	-	-	(31,177,457)	(1,341,055)	-	-	32,518,512	-
Stock issuance costs	-	(403)	-	-	-	-	-	(403)
Balance at March 31, 2011	<u>Rs. 27,746,031</u>	<u>Rs. 191,729</u>	<u>Rs. 5,475,940</u>	<u>Rs. -</u>	<u>Rs. 42,383</u>	<u>Rs. -</u>	<u>Rs. 14,253,466</u>	<u>Rs. 47,709,549</u>
Balance at January 1, 2012	27,746,031	191,729	5,475,940	-	42,383	8,796	8,086,086	41,550,965
Net loss	-	-	-	-	-	-	(1,436,135)	(1,436,135)
Actuarial losses	-	-	-	-	-	-	(40)	(40)
Gain(Loss) on derivatives valuation	-	-	-	-	-	(117,938)	-	(117,938)
Balance at March 31, 2012	<u>Rs. 27,746,031</u>	<u>Rs. 191,729</u>	<u>Rs. 5,475,940</u>	<u>Rs. -</u>	<u>Rs. 42,383</u>	<u>Rs. (109,142)</u>	<u>Rs. 2,099,958</u>	<u>Rs. 39,996,852</u>

See accompanying notes to financial statements.

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

	Korean Won		India- Rupee	
	Three months ended	Three months ended	Three month ended	Three months ended
	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
	(In thousands)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
(Note 29)				
Net loss	₩ (31,563,728)	₩ 2,609,126	Rs. (1,436,149)	Rs. 118,714
Adjustment	43,408,787	(1,821,843)	1,975,098	(82,893)
Changes in net working capital	<u>60,941,304</u>	<u>9,896,913</u>	<u>2,772,831</u>	<u>450,310</u>
	72,786,363	10,684,196	3,311,780	486,131
Interests received	1,622,094	1,093,540	73,805	49,756
Interests paid	(2,301,026)	(1,138,693)	(104,697)	(51,811)
Dividend income received	<u>71,900</u>	<u>6,000</u>	<u>3,271</u>	<u>273</u>
Net cash provided by operating activities	<u>72,179,331</u>	<u>10,645,043</u>	<u>3,284,159</u>	<u>484,348</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in other receivables	973,317	479,280	44,286	21,807
Disposal of property, plant and equipment	12,140	6,599,402	552	300,273
Disposal of other financial assets	-	10,100	-	460
Decrease in other assets	<u>2,535</u>	<u>1,115</u>	<u>115</u>	<u>51</u>
	987,992	7,089,897	44,953	322,591
Cash outflows from investing activities:				
Increase in other receivables	240,000	-	10,920	-
Acquisition of property, plant and equipment	26,718,658	15,769,785	1,215,699	717,525
Acquisition of intangible assets	2,721,112	2,835,424	123,811	129,012
Acquisition of other financial assets	-	10,090	-	459
	<u>29,679,770</u>	<u>18,615,299</u>	<u>1,350,430</u>	<u>846,996</u>
Net cash provided by(used in) in investing activities	<u>(28,691,778)</u>	<u>(11,525,402)</u>	<u>(1,305,477)</u>	<u>(524,405)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Increase in borrowings	-	4,169,000	-	189,690
Issuance of debentures	-	95,404,765	-	4,340,917
Capital increase with consideration	-	374,763,555	-	17,051,742
	<u>-</u>	<u>474,337,320</u>	<u>-</u>	<u>21,582,349</u>
Cash outflows from financing activities:				
Redemption of borrowings	10,306,290	310,934,562	468,936	14,147,523
Redemption of troubled debts	-	170,294,152	-	7,748,384
Stock issuance costs	-	8,850	-	403
	<u>10,306,290</u>	<u>481,237,564</u>	<u>468,936</u>	<u>21,896,310</u>
Net cash provided by (used in) financing activities	<u>(10,306,290)</u>	<u>(6,900,244)</u>	<u>(468,936)</u>	<u>(313,961)</u>

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**SSANGYONG MOTOR COMPANY**  
**SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

	<u>Korean Won</u>		<u>India- Rupee</u>	
	<u>Three months ended March 31, 2012</u>	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2012</u>	<u>Three months ended March 31, 2011</u>
	(In thousands)		(In thousands)	
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	₩ 57,789	₩ (663,256)	Rs. 2,629	Rs. (30,178)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	33,239,052	(8,443,859)	1,512,374	(384,196)
CASH AND CASH EQUIVALENTS, AT BEGINNIG OF THE PERIOD	<u>202,509,810</u>	<u>80,566,165</u>	<u>9,214,196</u>	<u>3,665,761</u>
CASH AND CASH EQUIVALENTS, AT ENDNIG OF THE PERIOD	<u>₩ 235,748,862</u>	<u>₩ 72,122,306</u>	<u>Rs. 10,726,570</u>	<u>Rs. 3,281,564</u>

See accompanying notes to financial statements.



# SSANGYONG MOTOR COMPANY

## NOTES TO SEPARATE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

### 1. **GENERAL:**

#### (1) Company overview and recent changes in business environment

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

On February 6, 2009, Seoul Central District Court (the “Court”) made a decision on a corporate reorganization for the Company and on December 17, 2009 approved the relevant reorganization plan. Subsequently, in the creditors’ meeting held on January 28, 2011, an amended reorganization plan in accordance with the merger and acquisition (“M&A”) agreement with Mahindra & Mahindra Ltd. executed on November 23, 2010, was passed, and received the formal consent from the Court on January 31, 2011. In accordance with the amended plan, payments for the capital increase through third-party allotment of 427.1 billion won (17.084 billion rupee) and unguaranteed corporate bonds of 95.4 billion won (3.816 billion rupee) were made to the Company on February 8 and February 9, in 2011, respectively.

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

#### (2) Major shareholders

As of March 31, 2012, the Company’s shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of Ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	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 ACCOUNTING POLICIES:**

The company’s summarized interim financial statement, its period belong to annual financial report, adopts Korean International Reporting Standards (“K-IFRS”) 1034. The audited financial statement, December 31, 2011 is used to understand the interim financial statement.

The account policy is identified with the audited financial statement of December 31, 2011 except for the account policy explained as follow

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

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

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. There is no effect on interim financial disclosures and its related to the amendment.

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

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

(2) The Company has not applied new policies that have been issued but are not yet effective as follow

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

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

#### K-IFRS 1113 Fair Value Measurement

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

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

The Indo rupee amounts presented in these financial statements were computed by translating the Korean won into Indo rupees based on the Bank of Korea Basic Rate (₩ 21.98 to Rs. 1.00 at March 31, 2012), solely for the convenience of the reader. These convenience translations into Indo 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. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of March 31, 2012 and December 31, 2011 are as follows

(Unit: Won in thousands):

	Financial institution	March 31, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 839,668	₩ 1,249,811	Government subsidies and others
	Woori Bank and others	14,476,414	14,415,666	Pledge and doubted debt recovery
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 15,322,082</u>	<u>₩ 15,671,477</u>	

(Unit: : Indian-Rupee in thousands):

	Financial institution	March 31, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 38,205	Rs. 56,866	Government subsidies and others
	Woori Bank and others	658,677	655,913	Pledge and doubted debt recovery
Long-term financial instruments	Shinhan Bank and others	273	273	Overdraft deposit
		<u>Rs. 697,155</u>	<u>Rs. 713,052</u>	

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

The Company's long-term available-for-sale financial assets as of March 31, 2012 are as follows

(Unit: Won in thousands):

Classification	Ownership %	March 31, 2012		December 31, 2011	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 652,102	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	351,402	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,003,504</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership %	March 31, 2012		December 31, 2011	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 22,750	Rs. 29,671	Rs. 22,750	Rs. 22,750
Korea Management Consultants Association (*)	1.50	2,730	15,989	2,730	2,730

Classification	Ownership %	March 31, 2012		December 31, 2011	
		Acquisition cost	Net asset value	Book value	Book value
		Rs. 25,480	Rs. 45,660	Rs. 25,480	Rs. 25,480

(\*) 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.

## 5. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from March 31, 2012 and because the present value discount effect is not material, the fair value of the aforementioned receivables is consistent with the book value.

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

(Unit: Won in thousands)

Financial liabilities	March 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 142,317,302	₩ 34,039,430	₩ 3,816,452	₩ 37,091,159
Receivables due from affiliated parties	11,762,317	5,314,458	-	-
Less: Allowance for doubtful accounts	(1,369,990)	(2,019,490)	(1,380)	(391,446)
	<u>₩ 152,709,629</u>	<u>₩ 37,334,398</u>	<u>₩ 3,815,072</u>	<u>₩ 36,699,713</u>

  

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 135,269,027	₩ 27,087,061	₩ 2,834,566	₩ 37,996,784
Receivables due from affiliated parties	9,390,769	4,770,122	-	232
Less: Allowance for doubtful accounts	(1,193,267)	(2,019,821)	(1,394)	(403,223)
	<u>₩ 143,466,529</u>	<u>₩ 29,837,362</u>	<u>₩ 2,833,172</u>	<u>₩ 37,593,793</u>

(Unit: Indian-Rupee in thousands):

Financial liabilities	March 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,475,455	Rs. 1,548,798	Rs. 173,649	Rs. 1,687,652
Receivables due from affiliated parties	535,187	241,809	-	-
Less: Allowance for doubtful accounts	(62,335)	(91,887)	(63)	(17,811)
	<u>Rs. 6,948,307</u>	<u>Rs. 1,698,720</u>	<u>Rs. 173,586</u>	<u>Rs. 1,669,842</u>

  

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,154,741	Rs. 1,232,461	Rs. 128,973	Rs. 1,728,854
Receivables due from affiliated parties	427,280	217,041	-	11
Less: Allowance for doubtful accounts	(54,294)	(91,902)	(63)	(18,347)
	<u>Rs. 6,527,727</u>	<u>Rs. 1,357,600</u>	<u>Rs. 128,910</u>	<u>Rs. 1,710,518</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 90 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.

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

(Unit: Won in thousands):

Classification	March 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 3,052,629	₩ 5,251,223	₩ 20,660	₩ 8,324,512
Non-trade receivables	157,496	23,750	4,594,150	4,775,396
	<u>₩ 3,210,125</u>	<u>₩ 5,274,973</u>	<u>₩ 4,614,810</u>	<u>₩ 13,099,908</u>

  

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

(Unit: Indian-Rupee in thousands):

Classification	March 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 138,895	Rs. 238,931	Rs. 940	Rs. 378,766
Non-trade receivables	7,166	1,081	209,034	217,281
	<u>Rs. 146,061</u>	<u>Rs. 240,012</u>	<u>Rs. 209,974</u>	<u>Rs. 596,047</u>

  

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 116,880	Rs. 202,224	Rs. 940	Rs. 320,044
Non-trade receivables	9,939	1,014	206,386	217,339
	<u>Rs. 126,819</u>	<u>Rs. 203,238</u>	<u>Rs. 207,326</u>	<u>Rs. 537,383</u>

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

(Unit: Won thousands):

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ -	₩ -
Non-trade receivables	-	-	2,009,185	2,009,185
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,009,185</u>	<u>₩ 2,009,185</u>

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

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₹ -	₹ -	₹ -	₹ -
Non-trade receivables	-	-	91,418	91,418
	<u>₹ -</u>	<u>₹ -</u>	<u>₹ 91,418</u>	<u>₹ 91,418</u>

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

3) Changes in allowance for trade and other receivables for the years ended March 31, 2012 and December 31, 2011 are as follows

(Unit: Won in thousands)

Classification	March 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 1,193,267	₹ 2,019,821	₹ 1,394	₹ 403,223
Bad debt expense	176,723	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	-	(331)	(15)	(11,777)
Ending balance	<u>₹ 1,369,990</u>	<u>₹ 2,019,490</u>	<u>₹ 1,379</u>	<u>₹ 391,446</u>

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

(Unit: Indian-Rupee in thousands):

Classification	March 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 54,294	₹ 91,902	₹ 64	₹ 18,347
Bad debt expense	8,041	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	-	(15)	(1)	(536)
Ending balance	<u>₹ 62,335</u>	<u>₹ 91,887</u>	<u>₹ 63</u>	<u>₹ 17,811</u>

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

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

## 6. INVENTORIES:

Details of the inventories as of March 31, 2012 and December 31, 2011 are as follows

(Unit: Won in thousands):

	March 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 49,104,204	₩ (1,614,956)	₩ 47,489,248	₩ 47,095,880	₩ (1,635,191)	₩ 45,460,689
Finished goods	52,920,911	(2,515,532)	50,405,379	40,715,388	(2,519,949)	38,195,439
Work-in- process	30,062,628	(1,062,865)	28,999,763	27,910,491	(1,411,191)	26,499,300
Raw materials	99,077,830	(6,327,646)	92,750,184	73,442,261	(6,769,758)	66,672,503
Sub-materials	5,732,243	-	5,732,243	7,253,748	-	7,253,748
Supplies	4,667,948	(2,212)	4,665,736	4,609,418	(2,212)	4,607,206
Goods in transit	43,511,620	-	43,511,620	70,170,587	-	70,170,587
Total	₩ 285,077,384	₩ (11,523,211)	₩ 273,554,173	₩ 271,197,773	₩ (12,338,301)	₩ 258,859,472

(Unit: Indian-Rupee in thousands):

	March 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,234,241	Rs. (73,480)	Rs. 2,160,761	Rs. 2,142,863	Rs. (74,401)	Rs. 2,068,461
Finished goods	2,407,901	(114,457)	2,293,445	1,852,550	(114,658)	1,737,892
Work-in- process	1,367,850	(48,360)	1,319,489	1,269,927	(64,209)	1,205,718
Raw materials	4,508,041	(287,908)	4,220,133	3,341,623	(308,024)	3,033,599
Sub-materials	260,817	-	260,817	330,046	-	330,046
Supplies	212,392	(101)	212,291	209,729	(101)	209,628
Goods in transit	1,979,779	-	1,979,779	3,192,762	-	3,192,762
Total	Rs. 12,971,021	Rs. (524,306)	Rs. 12,446,715	Rs. 12,339,499	Rs. (561,393)	Rs. 11,778,106

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 ₩ 790,191 thousands (Rs 35,954 thousands).

## 7. INVESTMENT IN SUBSIDIARIES:

(1) Details of investment in subsidiaries accounted for using equity method as of March 31, 2012 are as follows

(Unit: Won in thousands)

Name of subsidiary	Location	Ownership %	March 31, 2012	
			Acquisition cost	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	₩ 1,618,803	₩ 2,854,568
Ssangyong Motor (Shanghai) Co., Ltd.	China	86.57	1,025,962	1,601,986
Ssangyong European Parts Center B.V.	Netherland	100	835,695	-
			<u>₩ 3,480,460</u>	<u>₩ 4,456,554</u>

(Unit: Indian-Rupee in thousands)

Name of subsidiary	Location	Ownership %	March 31, 2012	
			Acquisition cost	Book value (*)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	Rs. 73,656	Rs. 129,883
Ssangyong Motor (Shanghai) Co., Ltd.	China	86.57	46,681	72,890
Ssangyong European Parts Center B.V.	Netherland	100	38,024	-
			<u>Rs. 158,361</u>	<u>Rs. 202,773</u>

(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, 2012 is as follows

(Unit: Won in thousands)

Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 2,389,885	₩ 17,009	₩ 1,037,940	₩ 30,431
Ssangyong Motor (Shanghai) Co., Ltd	3,028,312	472,506	465,462	(285,642)
Ssangyong European Parts Center B.V.	10,132,905	14,875,330	3,857,100	135,866

(Unit: Indian-Rupee in thousands)

Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 108,740	Rs. 774	Rs. 47,226	Rs. 1,385
Ssangyong Motor (Shanghai) Co., Ltd	137,788	21,499	21,179	(12,997)
Ssangyong European Parts Center B.V.	461,047	676,828	175,498	6,182



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

(Unit: Won in thousands)

Account	Mar. 31, 2012	Dec. 31, 2011
Current assets	₩ 713,994,949	₩ 653,681,356
Non-current assets	1,141,356,562	1,146,910,433
Total assets	1,855,351,511	1,800,591,789
Current liabilities	605,720,874	517,701,065
Non-current liabilities	370,300,367	368,771,229
Total liabilities	976,021,241	886,472,294
Total shareholders' equity	879,330,270	914,119,495
Total liabilities and shareholders' equity	₩ 1,855,351,511	₩ 1,800,591,789

(Unit: Indian-Rupee in thousands)

Account	Mar. 31, 2012	Dec. 31, 2011
Current assets	Rs. 32,486,770	Rs. 29,742,502
Non-current assets	51,931,724	52,184,425
Total assets	84,418,494	81,926,926
Current liabilities	27,560,300	23,555,398
Non-current liabilities	16,848,667	16,779,091
Total liabilities	44,408,967	40,334,489
Total shareholders' equity	40,009,527	41,592,437
Total liabilities and shareholders' equity	Rs. 84,418,494	Rs. 81,926,926

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

(Unit: Won in thousands)

Account	Mar. 31, 2012	Mar. 31, 2011
Operating income	₩ (32,657,030)	₩ (41,710,558)
Financial revenues	4,190,790	5,482,258
Financial expenses	3,399,030	6,965,807
Loss on valuation of investment using the equity method of accounting (*)	(262,854)	(112,031)
Loss before income tax	(32,128,124)	(43,306,138)
Income taxes	-	-
Net loss	(32,128,124)	(43,306,138)
Other comprehensive loss	(2,334,192)	(80,150)
Total other comprehensive loss	₩ (34,462,316)	₩ (43,386,288)

(Unit: Indian-Rupee in thousands)

Account	Mar. 31, 2012	Mar. 31, 2011
Operating income	Rs. (1,485,895)	Rs. (1,897,830)
Financial revenues	190,681	249,443
Financial expenses	154,656	316,944
Loss on valuation of investment using the equity method of accounting (*)	(11,960)	(5,097)
Loss before income tax	(1,461,830)	(1,970,428)
Income taxes	-	-
Net loss	(1,461,830)	(1,970,428)
Other comprehensive loss	(106,206)	(3,647)
Total other comprehensive loss	Rs. (1,568,036)	Rs. (1,974,075)

(\*) 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 ₩6,907,357 thousand (Rs 276,294 thousand).

## 8. OTHER ASSETS:

The carrying values of the Company's other assets as of March 31, 2012 are as follows

(Unit: Won in thousands)

Account	Mar. 31, 2012	Dec. 31, 2011
Other current assets	₩ 7,099,844	₩ 12,946,343
Advance payments	(39,683)	(72,869)
(-) Allowance for doubtful accounts	3,002,940	2,748,375
Prepaid expenses	769,712	553,163
Total	₩ 10,832,813	₩ 16,175,012
Other non-current assets	129,768	207,628
Long-term prepaid expenses	368,970	361,614
Total	₩ 498,738	₩ 569,242

(Unit: Indian-Rupee in thousands)

Account	Mar. 31, 2012	Dec. 31, 2011
Other current assets	Rs. 323,043	Rs. 589,059
Advance payments	(1,806)	(3,316)
(-) Allowance for doubtful accounts	136,634	125,051
Prepaid expenses	35,022	25,169
Total	Rs. 492,893	Rs. 735,963
Other non-current assets	5,904	9,447
Long-term prepaid expenses	16,788	16,453
Total	Rs. 22,693	Rs. 25,901

## 9. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

Changes in the carrying amounts of property, plant and equipment for the three months ended March 31, 2012 and for the year ended December 31, 2011 are as follows

(Unit: Won in thousands):

	March 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	506,514,344	1,816,496	160,422,754	148,652,850	195,622,244
Structures	105,510,990	210,217	58,344,993	29,845,146	17,110,634
Machinery	1,214,917,466	1,123,651	987,443,223	100,042,809	126,307,783
Vehicles	11,200,221	3	7,243,004	1,561,551	2,395,663
Tools and molds	772,049,134	80,890	410,308,048	164,153,823	197,506,373
Equipment	51,050,445	27,511	33,295,706	5,705,285	12,021,943
Construction in progress	19,541,686	-	-	-	19,541,686
	₩ 3,150,428,988	₩ 3,258,768	₩ 1,657,057,728	₩ 449,961,464	₩ 1,040,151,028
	December 31, 2011				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	506,326,230	1,828,072	158,258,412	148,713,692	197,526,054
Structures	105,540,140	215,212	58,002,840	29,850,469	17,471,619
Machinery	1,210,350,462	1,127,864	981,024,609	100,089,697	128,108,292

December 31, 2011					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Vehicles	11,389,549	3	7,315,731	1,581,432	2,492,383
Tools and molds	742,363,803	85,803	397,546,435	164,184,360	180,547,205
Equipment	49,653,310	46,417	33,027,963	5,779,001	10,799,929
Construction in progress	31,748,336	-	-	-	31,748,336
Machinery in transit	87,626	-	-	-	87,626
Total	₩ 3,127,104,158	₩ 3,303,371	₩ 1,635,175,990	₩ 450,198,651	₩ 1,038,426,146

(Unit: Indian-Rupee in thousands):

March 31, 2012					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	23,046,403	82,651	7,299,235	6,763,705	8,900,812
Structures	4,800,750	9,565	2,654,698	1,357,954	778,533
Machinery	55,278,745	51,126	44,928,667	4,551,948	5,747,004
Vehicles	509,610	-	329,556	71,051	109,003
Tools and molds	35,128,236	3,680	18,669,016	7,468,999	8,986,541
Equipment	2,322,795	1,252	1,514,955	259,590	546,998
Construction in progress	889,147	-	-	-	889,147
	Rs. 143,344,520	Rs. 148,274	Rs. 75,396,127	Rs. 20,473,247	Rs. 47,326,872

December 31, 2011					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying Amount
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	23,037,843	83,177	7,200,758	6,766,473	8,987,435
Structures	4,802,076	9,792	2,639,129	1,358,196	794,959
Machinery	55,070,946	51,318	44,636,620	4,554,081	5,828,927
Vehicles	518,224	-	332,866	71,955	113,403
Tools and molds	33,777,553	3,904	18,088,363	7,470,388	8,214,898
Equipment	2,259,226	2,112	1,502,771	262,945	491,398
Construction in progress	1,444,549	-	-	-	1,444,549
Machinery in transit	3,987	-	-	-	3,987
	Rs. 142,283,238	Rs. 150,303	Rs. 74,400,507	Rs. 20,484,038	Rs. 47,248,390

(2) Changes in the carrying amounts of property, plant and equipment for the year ended March 31, 2012 and for the year ended December 31, 2011 are as follows

(Unit: Korean won in thousands):

March 31, 2012						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,054	314,020	-	(18,817)	2,199,013	195,622,244
Structures	17,471,619	13,900	-	(1,596)	373,289	17,110,634
Machinery	128,108,292	949,577	3,762	5,422,453	8,168,777	126,307,783
Vehicles	2,492,383	43,000	9	1	139,712	2,395,663
Tools and molds	180,547,205	11,110,586	273	19,102,303	13,253,448	197,506,373
Equipment	10,799,929	1,885,684	20,217	59,084	702,535	12,021,943
Construction in progress	31,748,336	12,401,814	-	(24,608,464)	-	19,541,686
Machinery in transit	87,626	77	-	(87,703)	-	-
	₩ 1,038,426,146	₩ 26,718,658	₩ 24,261	₩ 132,741	₩ 24,836,774	₩ 1,040,151,028

(\*) Depreciation Expenses on Asset not in use, 16,605 thousand won, has excluded from cash flow.

Year ended December 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	2,527	(1,883)	135,692	1,414,975
Tools and molds	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>₩ 3,642,268</u>	<u>₩ (10,490)</u>	<u>₩ 21,310,426</u>	<u>₩ 1,020,841,544</u>

(\*) Depreciation Expenses on Asset not in use, 3,758 thousand won, has excluded from cash flow.

(Unit: Indian-Rupee in thousands):

March 31, 2012						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 21,368,834	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 21,368,834
Buildings	8,987,435	14,288	-	(856)	100,055	8,900,812
Structures	794,959	632	-	(73)	16,985	778,533
Machinery	5,828,927	43,206	171	246,722	371,679	5,747,004
Vehicles	113,403	1,957	-	-	6,357	109,003
Tools and molds	8,214,898	505,532	12	869,155	603,032	8,986,541
Equipment	491,398	85,799	920	2,688	31,965	546,998
Construction in progress	1,444,549	564,283	-	(1,119,685)	-	889,147
Machinery in transit	3,987	4	-	(3,990)	-	-
	<u>Rs. 47,248,390</u>	<u>Rs. 1,215,699</u>	<u>Rs. 1,103</u>	<u>Rs. 6,040</u>	<u>Rs. 1,130,073</u>	<u>Rs. 47,326,872</u>

(\*) Depreciation Expenses on Asset not in use, Rs 756 thousand, has excluded from cash flow.

Year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 21,491,840	Rs. -	Rs. 133,491	Rs. -	Rs. -	Rs. 21,358,349
Buildings	9,098,288	24,854	27,749	21,813	95,988	9,021,218
Structures	829,243	8,767	3,367	-	16,248	818,395
Machinery	6,443,154	29,848	8	55,615	340,430	6,188,179
Vehicles	65,307	5,449	115	(86)	6,174	64,381
Tools and molds	7,896,180	17,235	591	79,102	490,750	7,501,176
Equipment	295,743	46,788	403	(20)	20,034	322,074
Construction in progress	746,835	581,764	-	(156,035)	-	1,172,564
Machinery in transit	-	2,820	-	(866)	-	1,954
	<u>Rs. 46,866,590</u>	<u>Rs. 717,525</u>	<u>Rs. 165,724</u>	<u>Rs. (477)</u>	<u>Rs. 969,624</u>	<u>Rs. 46,448,290</u>

(\*) Depreciation Expenses on Asset not in use, Rs 171 thousand, has excluded from cash flow.

(3) Insured asset

The Company's assets are insured as follows (Unit: Korean won and India-Rupee in thousands):

Type	Sum insured	Insured period	Insurer	Assets insured
Product liability insurance	USD 2,165,955,461	2012.01.01~2013.12.31	LIG Insurance Co., Ltd.	Products
Property insurance	₩ 2,580,164,238 (Rs 103,206,570)	2011.12.20~2012.12.20	Meritz Fire and Marine Insurance	Property, plant and equipment and inventories

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

(4) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of March 31, 2012 are as follows (won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 464,918,494	195 (Billion)
Buildings	150-3 (factory site) and others	189,228,580	
Machinery	Pyeongtaek plant production facilities	68,191,872	
Total		₩ 722,338,946	

(Unit: Indian-Rupee in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 21,153,791	78 (Billion)
Buildings	150-3 (factory site) and others	8,609,900	
Machinery	Pyeongtaek plant production facilities	3,102,730	
		Rs. 32,806,422	

**10. INTANGIBLE ASSETS:**

(1) Details of intangible assets as of March 31, 2012 and December 31, 2011 are as follows (Unit: Korean won in thousands):

	March 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 101,857,932	₩ -	₩ 48,646,676	₩ -	₩ 53,211,256
Patents	1,806,063	-	1,110,090	15,265	680,708
Other intangible assets	10,827,643	202,581	5,801,937	-	4,823,125
	₩ 114,491,638	₩ 202,581	₩ 55,558,703	₩ 15,265	₩ 58,715,089
	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 181,940,629	₩ -	₩ 123,176,033	₩ -	₩ 58,764,596
Patents	1,753,170	-	1,041,499	10,562	701,109

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Other intangible assets	10,611,863	251,773	5,429,091	-	4,930,999
	₹ 194,305,662	₹ 251,773	₹ 129,646,623	₹ 10,562	₹ 64,396,704

(Unit: Indian-Rupee in thousands):

	March 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 4,631,432	Rs. -	Rs. 2,111,941	Rs. -	Rs. 2,421,490
Patents	82,121	-	50,475	695	30,972
Other intangible assets	492,328	9,211	263,811	-	219,305
	Rs. 5,205,880	Rs. 9,211	Rs. 2,526,228	Rs. 695	Rs. 2,669,747

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 8,272,753	Rs. -	Rs. 5,600,755	Rs. -	Rs. 2,671,998
Patents	79,716	-	47,356	481	31,879
Other intangible assets	482,516	11,449	246,858	-	224,361
	Rs. 8,834,986	Rs. 11,449	Rs. 5,898,921	Rs. 481	Rs. 2,930,050

(2) Changes in intangible assets for the years ended March 31, 2012 and 2011 are as follows

(Unit: Korean won in thousands):

	March 31, 2012				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 58,764,596	₩ 2,452,438	₩ 8,005,778	₩ -	₩ 53,211,256
Patents	701,109	52,893	68,590	4,704	680,708
Other intangible assets	4,930,999	215,781	323,655	-	4,823,125
	₩ 64,396,704	₩ 2,721,112	₩ 8,398,023	₩ 4,704	₩ 58,715,089

	December 31, 2011				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
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	4,524,104	90,000	413,752	-	4,200,352
	₩ 89,171,132	₩ 2,835,424	₩ 10,069,484	₩ 2,459	₩ 81,934,613

(Unit: Indian-Rupee in thousands):

	March 31, 2012				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 2,671,989	Rs. 111,511	Rs. 364,019	Rs. -	Rs. 2,419,490
Patents	31,879	2,405	3,119	214	30,951
Other intangible assets	224,210	9,811	14,716	-	219,305
	Rs. 2,928,087	Rs. 123,728	Rs. 381,854	Rs. 214	Rs. 2,669,747

	Year ended December 31, 2011				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,821,416	Rs. 121,933	Rs. 436,489	Rs. -	Rs. 3,506,859
Patents	27,444	2,900	2,552	112	27,680
Other intangible assets	205,709	4,092	18,813	-	190,988
	<u>Rs. 4,054,569</u>	<u>Rs. 128,925</u>	<u>Rs. 457,855</u>	<u>Rs. 112</u>	<u>Rs. 3,725,528</u>

(3) Amortization of the Company's intangible assets for the years ended March 31, 2012 and 2011 is as follows.

Account	Korean Won in thousands		Indian-Rupee in thousands	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Cost of goods manufactured	₩ 7,914,945	₩ 9,593,492	Rs. 360,130	Rs. 436,504
Selling and administrative expenses	483,078	475,992	21,980	21,658
	<u>₩ 8,398,023</u>	<u>₩ 10,069,484</u>	<u>Rs. 382,110</u>	<u>Rs. 458,162</u>

## 11. BORROWINGS:

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

(Unit: Won in thousands):

Creditor	Type	Interest rate (%)	March 31, 2012	December 31, 2011
Korea Development Bank	Operating fund	CD + 3.50 EUR: 3.45 USD: 2.25	₩ 30,000,000	₩ 30,000,000
Korea Development Bank	Banker's usance	JPY: 2.14	268,050	10,567,689
			<u>₩ 30,268,050</u>	<u>₩ 40,567,689</u>

(Unit: Indian-Rupee in thousands):

Type	kind	Interest rate (%)	March 31, 2012	December 31, 2011
Korea Development Bank	Operating fund	CD + 3.50 EUR: 3.45 USD: 2.25	Rs. 1,365,000	Rs. 1,365,000
Korea Development Bank	Banker's usance	JPY: 2.14	12,196	480,830
			<u>Rs. 1,377,196</u>	<u>Rs. 1,845,830</u>

(2) The Company's bonds and current portion of long-term borrowings as of March 31, 2012 and 2011 consist of the following

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

<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	195 billion Korean Won (7.8 billion Rupee)

## **12. DEBT RESTRUCTURING**

The Company completed its debt restructuring, in accordance with the Court approval of the Company's reorganizing plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩ 421,335,095 thousand (Rs. 19,170,747 thousand). In addition, the Company recognized a gain on exemption of debts amounting to ₩49,046,893thousand (Rs. 2,231,634 thousand) by approved debt reorganizing plan on January, 28 2011.

## **13. OTHER FINANCIAL LIABILITIES:**

Carrying value of the Company's other financial liabilities as of March 31, 2011 and December 31, 2011 is as follows

(Unit: Won in thousands, Rupee in thousands):

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31, 2012</u>	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other long-term financial liabilities:	₩ 10,610,358	₩ 16,599,583	Rs. 482,771	Rs. 755,281
Derivative liabilities	3,895,549	-	177,247	-
	<u>₩ 14,505,907</u>	<u>₩ 16,599,583</u>	<u>Rs. 660,019</u>	<u>Rs. 755,281</u>

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

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of March 31, 2012 and December 31, 2011 are as follows:

(Unit: Korean won in thousands):

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2012	₩122,007,836	₩ 13,316,390	₩13,634,274	₩121,689,952	₩ 47,254,937	₩ 74,435,015
Dec. 31, 2011	77,265,249	101,046,995	56,304,408	122,007,836	47,093,611	74,914,225

(Unit: Rupee in thousands):

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2012	Rs. 5,551,357	Rs. 605,895	Rs. 620,359	Rs. 5,536,893	Rs. 2,150,100	Rs. 3,386,793
Dec. 31, 2011	3,515,569	4,597,639	2,561,851	5,551,357	2,142,759	3,408,597



**15. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:**

Carrying value of the Company's other liabilities as of March 31, 2012 and December 31, 2011 is as follows

Classification	Korean won in thousands		Indian-Rupee in thousands	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Other liabilities				
Advances from customers	₩ 12,126,170	₩ 5,730,529	Rs. 551,741	Rs. 260,739
Deposits received	471,317	469,498	21,445	21,362
Withholdings	11,797,524	17,578,565	536,787	799,825
Income in advance	5,087,116	4,087,888	231,464	185,999
Total	₩ 29,482,127	₩ 27,866,480	Rs. 1,341,437	Rs. 1,267,925
Other Long-term liabilities				
Withholdings	8,270	8,270	376	376

**16. RETIREMENT BENEFIT OBLIGATION:**

(1) Defined benefit plans and related liabilities arising from the company's financial statements configuration items are as follows :

Classification	Korean won in thousands		Indian-Rupee in thousands	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Present value of defined benefit obligation	₩ 189,570,514	₩ 188,058,593	Rs. 8,625,458	Rs. 8,556,666
Fair value of plan assets	(2,948,524)	(3,072,683)	(134,158)	(139,807)
	₩ 186,621,990	₩ 184,985,910	Rs. 8,491,301	Rs. 8,416,859

(2) Details of defined benefit plan recognized on the statements of operations for the three months ended March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Current service cost	₩ 5,764,127	₩ 4,892,922
Interest cost	2,233,078	2,135,389
Expected return on plan assets	(23,395)	(40,243)
	₩ 7,973,810	₩ 6,988,068

(Unit: Rupee in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Current service cost	Rs. 262,268	Rs. 222,628
Interest cost	101,605	97,160
Expected return on plan assets	(1,064)	(1,831)
	Rs. 362,808	Rs. 317,957

(3) Expenses related to defined benefit plan for the three months ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Cost of goods manufactured	₩ 5,677,198	₩ 4,893,767
Selling and administrative expenses	2,296,612	2,094,301

Three months ended March 31, 2012	Three months ended March 31, 2011
W <u>7,973,810</u>	W <u>6,988,068</u>

(Unit: Rupee in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Cost of goods manufactured	Rs. 258,313	Rs. 222,666
Selling and administrative expenses	<u>104,495</u>	<u>95,291</u>
	Rs. <u>362,808</u>	Rs. <u>317,957</u>

(4) Changes in the Company's defined benefit obligation for the period ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Beginning balance	W 188,058,593	W 151,897,559
Current service cost	5,764,127	4,892,922
Interest cost	2,233,078	2,135,389
Actuarial gains (losses)	-	-
Wages paid	(6,338,614)	(972,468)
Other	<u>(146,670)</u>	<u>(19,176)</u>
Ending balance	W <u>189,570,514</u>	W <u>157,934,226</u>

(Unit: Rupee in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Beginning balance	Rs. 8,556,666	Rs. 6,911,339
Current service cost	262,268	222,628
Interest cost	101,605	97,160
Actuarial gains (losses)	-	-
Wages paid	(288,407)	(44,247)
Other	<u>(6,673)</u>	<u>(873)</u>
Ending balance	Rs. <u>8,625,458</u>	Rs. <u>7,186,007</u>

(5) Changes in the fair value of plan assets for the period ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Beginning balance	W 3,072,683	W 3,219,524
Expected return on plan assets	23,394	40,243
Actuarial gains (losses)	(883)	(13,593)
Wages paid	<u>(146,670)</u>	<u>(19,176)</u>
Ending balance	W <u>2,948,524</u>	W <u>3,226,998</u>

(Unit: Rupee in thousands):

	Three months ended March 31, 2012	Three months ended March 31, 2011
Beginning balance	Rs. 139,807	Rs. 146,488
Expected return on plan assets	1,064	1,831
Actuarial gains (losses)	(40)	(618)
Wages paid	<u>(6,673)</u>	<u>(873)</u>
Ending balance	Rs. <u>134,158</u>	Rs. <u>146,828</u>

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

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

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

(7) The actual return on plan assets for the period ended March 31, 2012 and 2011 are as follows

	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31,2012</u>	<u>March 31, 2011</u>	<u>March 31,2012</u>	<u>March 31, 2011</u>
Actual return on plan assets	₩ 22,511	₩ 26,650	Rs. 1,024	Rs. 1,213

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

	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31,2012</u>	<u>March 31, 2011</u>	<u>March 31,2012</u>	<u>March 31, 2011</u>
Others	₩ 2,948,524	₩ 3,072,683	Rs. 134,158	Rs 139,807

## **17. CONTINGENCIES AND COMMITMENTS:**

The following are the major commitments and contingent liabilities as of March 31, 2012.

- (1) The Company carries a product liability insurance for all products sold in domestic region.
- (2) As of March 31, 2012, the company has been providing guarantees from WORRI BANK and etc amounting to USD 24,265,671, EUR 5,432,357 and JPY 71,531,200 related to import L/C.

<u>provided</u>	<u>Contract period</u>	<u>Contract price(USD)</u>	<u>Amount execution</u>	<u>Amount execution</u>
WOORIBANK	2011.08.23~2012.08.23	USD 40,000,000	USD 18,816,308	Usance import credit limit
			USD 5,449,363	
			EUR 5,432,357	Usance import credit limit
KDB	2011.07.27~2012.07.27	USD 65,000,000	JPY 71,531,200	
			USD 24,265,670	
			EUR 5,432,357	
Total			JPY 71,531,200	

(3) The followings are the major loan arrangements with the financial institutions as of March 31, 2012.

(Unit: Korean won in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	₩ 80,000,00	₩ 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 3,640,000	Rs 1,365,000

- (4) As of March 31, 2012, the Company has three pending litigations as a plaintiff with claims amounting to ₩15,240 million (Rs. 693 million) and twenty-five pending litigations as a defendant with claims amounting to ₩11,932 million (Rs. 543 million). Details of significant pending litigations as of March 31, 2012 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Prohibition of air pollution emission	₩ 10,000	Rs. 455	Kwon, joonghee	The Company	3rd trial pending
Debt non-existence confirmation	959,090	43,639	Telstar Hommel	The Company	1st trial pending
Objection to confirmation trial	1,560,000	70,980	SK E&C Co., Ltd.	The Company	1st trial pending
Wages	4,464,000	203,112	Sung-Ho Lee and 247 others	The Company	1st trial pending
Void dismissal	3,020,015	137,411	Suk-joo Noh and 155 others	The Company	1st trial pending
Compensation for damages	5,000,000	227,500	The Company	Labor Union, Kap Deuk Jung and others	1st trial pending
Compensation for damages	10,000,000	455,000	The Company	Federation of Korean Metal Workers' Trade Union	1st trial pending
Unfair dismissal Remedies	240,000	10,920	The Company	Central Labor Council	2nd trial pending

(\*) For the above pending litigations, the Company recognized other payables amounting to ₩2,153,342 thousand (Rs. 97,977 thousand) that are expected to be a probable loss and can be reasonably estimated as of March 31, 2012.

### **18. CAPITAL STOCK:**

As of March 31, 2012, 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, 2012	121,961,841	₩ 5,000	₩ 609,809,205

(Unit: Rupee in thousands except par value):

Classification	Number of authorized shares	Par value	Capital stock
Mar. 31, 2012	121,961,841	Rs. 228	Rs. 27,746,319

### **19. OTHER CAPITAL SURPLUS:**

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

(Unit: Won in thousands):

<u>Classification</u>		<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other Capital Surplus	Paid-in capital in excess of par value	₩ 4,213,878	₩ 4,213,878
	Gain on retirement of capital stock	120,351,580	120,351,580
	Debt converted to equity	931,508	931,508
		<u>₩ 125,496,966</u>	<u>₩ 125,496,966</u>

(Unit: Indian-Rupee in thousands):

<u>Classification</u>		<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other Capital Surplus	Paid-in capital in excess of par value	Rs. 191,731	Rs. 191,731
	Gain on retirement of capital stock	5,475,997	5,475,997
	Debt converted to equity	42,384	42,384
		<u>Rs. 5,710,112</u>	<u>Rs. 5,710,112</u>

## **20. OTHER CAPITAL ADJUSTMENTS**

(1) Detail of the company's other Capital adjustment of March 31 ,2012 and December 31 ,2011 are as follows

(Unit: Won in thousands):

<u>Classification</u>		<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other Capital Adjustments	Gains on valuation of derivatives	₩ (2,398,750)	₩ 193,310

(Unit: Indian-Rupee in thousands):

<u>Classification</u>		<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other Capital Adjustments	Gains on valuation of derivatives	Rs. (109,143)	Rs. 8,796

(2) Changes in the Company's Gains on valuation of Derivatives for the year ended March 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

	<u>Won in thousands</u>		<u>India-Rupee in thousands</u>	
	<u>March 31, 2012</u>	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Beginning balance	₩ 193,310	₩	Rs. 8,796	Rs. -
Gains on valuation of derivatives	(2,592,060)	193,310	(117,939)	8,796
Ending balance	(2,398,750)	193,310	(109,143)	8,796

## **21. RETAIN EARNING**

(1) Details of the Company's Retain Earing of March 31 ,2012 and December 31 ,2011 are as follows

(Unit: Won in thousands):

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Appropriation of Retain Earning	₩ 146,153,409	₩ 177,718,820

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Appropriation of Retain Earning	Rs. 6,649,980	Rs. 8,086,170

(2) Change on Retain Earing of March 31 ,2012 and December 31 ,2011 are as follows

(Unit: Won in thousands):

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Beginning Balance	₩ 177,718,020	₩ (404,029,299)
Loss on Appropriated Retained Earnings	(31,563,728)	(112,438,814)
Actuarial losses	(883)	(20,513,864)
Appropriated Retained Earnings for Deficit Recovery	-	714,699,997
Ending Balance	<u>₩ 146,153,409</u>	<u>₩ 177,718,020</u>

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Beginning Balance	Rs. 8,086,170	Rs. (18,383,333)
Loss on Appropriated Retained Earnings	(1,436,150)	(5,115,966)
Actuarial losses	(40)	(933,381)
Appropriated Retained Earnings for Deficit Recovery	-	32,518,850
Ending Balance	<u>Rs. 6,649,980</u>	<u>Rs. 8,086,170</u>

## **22. INCOME TAX:**

(1) Composition of income tax expense for the three months ended March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	<u>Three months ended March 31, 2012</u>	<u>Three months ended March 31, 2011</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, 2012</u>	<u>Three months ended March 31, 2011</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, 2012 are as follows

(Unit: Won in thousands):

Description	Beginning Balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ (1,781,828)	₩ 1,535,377	₩ 4,870,225	₩ 1,553,020
Government subsidies	5,565,857	1,314,233	10,516	4,262,140
Provision for product warranties	122,007,836	73,140,516	121,689,952	170,557,272
Accrued severance indemnities	180,520,441	212,903	4,768,469	185,076,007
Impairment loss on property, plant and equipment, net	131,688,428	10,865,896	73,609,975	194,432,507
Development cost	42,473,990	23,236,132	21,835,359	41,073,217
Depreciation	9,532,068	585,307	1,870,213	10,816,974
Other payables	13,838,928	13,838,928	60,507,259	60,507,259
Accrued expenses	15,552,941	15,552,941	9,490,572	9,490,572
Investments in subsidiaries	2,684,828	-	178,862	2,863,690
Gain (loss) on foreign currency translation	1,212,429	19,318,719	-	(18,106,290)
Present value discount	(8,398,864)	56,982,219	-	(65,381,083)
Other long-term employee benefits	12,367,890	-	-	12,367,890
Land	(261,695,316)	-	988,077	(260,707,239)
Other	(628,420)	349,089	380,627	(596,882)
Deficit carried over	<u>1,051,562,801</u>	<u>-</u>	<u>113,000,379</u>	<u>1,164,563,180</u>
Total	<u>1,316,504,009</u>			<u>1,512,772,234</u>
Not recognized as deferred tax assets	1,316,504,009			1,512,772,234
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	20,026,962			20,026,962
Not recognized as deferred tax assets	20,026,962			20,026,962
Recognized as deferred tax assets				
Deferred tax assets resulting from tax credit carry forwards				
Total deferred income tax				

(Unit: Rupee in thousands):

Description	Beginning Balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. (81,073)	Rs. 69,860	Rs. 221,595	Rs. (232,808)
Government subsidies	253,246	59,798	478	312,566
Provision for product warranties	5,551,357	3,327,893	5,536,893	3,342,357
Accrued severance indemnities	8,213,680	9,687	216,965	8,006,402
Impairment loss on property, plant and equipment, net	5,991,823	494,398	3,349,254	3,136,967
Development cost	1,932,567	1,057,244	993,509	1,996,302
Depreciation	433,709	26,631	85,095	375,245
Other payables	629,671	629,671	2,753,080	(1,493,738)
Accrued expenses	707,659	707,659	431,821	983,497
Investments in subsidiaries	122,160	-	8,138	114,022
Gain (loss) on foreign currency translation	55,166	879,002	-	934,168
Present value discount	(382,148)	382,148	-	2,210,543
Other long-term employee benefits	562,739	-	-	562,739
Land	(11,907,137)	-	44,958	(11,952,095)
Other	(28,593)	15,884	17,319	(30,028)
Deficit carried over	<u>47,846,107</u>	<u>-</u>	<u>5,141,517</u>	<u>42,704,590</u>
Total	<u>Rs. 59,900,932</u>	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 59,900,932</u>
Not recognized as deferred tax assets	59,900,932	-	-	59,900,932
Recognized as deferred tax assets	-	-	-	-
Statutory tax rate	22%	-	-	22%
Deferred tax assets resulting from temporary differences	-	-	-	-
Tax credit carry forwards	911,227	-	-	911,227
Not recognized as deferred tax assets	911,227	-	-	911,227
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Total deferred income tax	-	-	-	-

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.



### **23. EXPENSES BY CATEGORY:**

Details of expenses classified by category for the period ended March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Changes in inventories	₩ (16,738,963)	₩ (25,385,733)
Cost of raw materials and merchandise goods	474,623,525	462,192,079
Salary	50,778,525	55,683,212
Depreciation	24,820,169	21,306,668
Amortization	8,398,023	10,069,484
Payments expense	2,520,016	3,823,119
Development expenses	27,014,796	29,370,608
Product warranty	13,316,390	20,415,452
Sales commissions	22,484,831	22,718,493
Export cost	18,388,820	18,352,381
Others	48,832,513	43,613,517
	<u>₩ 674,438,645</u>	<u>₩ 662,159,280</u>

(Unit: Rupee in thousands):

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Changes in inventories	Rs. (761,623)	Rs. (1,155,051)
Cost of raw materials and merchandise goods	21,595,370	21,029,740
Salary	2,310,423	2,533,586
Depreciation	1,129,318	969,453
Amortization	382,110	458,162
Rent expense	114,661	173,952
Development expenses	1,229,173	1,336,363
Product warranty	605,896	928,903
Payments commissions	1,023,060	1,033,691
Export cost	836,691	835,033
Others	2,221,878	1,984,415
	<u>Rs. 30,686,958</u>	<u>Rs. 30,128,247</u>

### **24. DERIVATIVES FINANCIAL INSTRUMENTS:**

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

Cash flow risk aversion accounting treatment is applied on valuation of derivatives of ₩ 2,398,750 thousand (Rs 109,143 thousand) as other capitals components and also, ₩ 324,061 thousand ( Rs 14,745 thousand) recognized as accumulated other comprehensive income for the year ended March 31, 2012.

### **25. SELLING AND ADMINISTRATIVE EXPENSES:**

(1) Selling expenses for the period ended March 31, 2012 and 2011 are as follows):

	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Warranty expenses	₩ 13,316,390	₩ 20,415,452	Rs. 605,896	Rs. 928,903
Sales commissions	22,484,832	22,718,493	1,023,060	1,033,691
Sales promotional expenses	5,933,599	4,106,343	269,979	186,839
Packaging expenses	948,207	870,292	43,143	39,598

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Advertising expenses	2,050,008	1,199,750	93,275	54,589
Freight expenses	7,143,020	6,294,771	325,007	286,412
Export expenses	18,388,820	18,352,381	836,691	835,033
	<u>₩ 70,264,876</u>	<u>₩ 73,957,482</u>	<u>Rs. 3,197,052</u>	<u>Rs. 3,365,065</u>

(2) Administrative expenses for the period ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Salaries	₩ 9,277,120	₩ 10,073,768	Rs. 422,109	Rs. 458,356
Post-employment benefits	1,270,212	1,015,008	57,795	46,183
Employee benefits	2,620,838	1,850,834	119,248	84,213
Travel expenses	193,402	251,319	8,800	11,435
Communication expenses	239,558	223,563	10,900	10,172
Electricity expenses	157,435	144,221	7,163	6,562
Utility expenses	121,311	121,543	5,520	5,530
Taxes and dues	455,713	385,356	20,735	17,534
Rent expense	3,739,315	3,519,695	170,139	160,146
Repair expenses	146,792	173,986	6,679	7,916
Insurance	35,873	36,731	1,632	1,671
Entertainment expenses	74,379	32,086	3,384	1,460
Vehicles	191,756	213,625	8,725	9,720
Overseas marketing expenses	36,911	52,346	1,679	2,382
Training	190,561	164,341	8,671	7,478
Printing	50,462	110,213	2,296	5,015
Supplies	103,739	84,952	4,720	3,865
Conference expense	60,563	27,607	2,756	1,256
Service fees	2,185,925	3,734,471	99,460	169,918
Legal expense	84,364	7,695	3,839	350
Outsourcing expense	4,785,725	3,720,756	217,750	169,294
Computing expense	1,350,254	1,138,208	61,437	51,788
Depreciation	1,057,717	745,667	48,126	33,928
Other administrative expenses	177,046	178,306	8,056	8,113
R&D expenses	3,688,134	5,050,789	167,810	229,811
Amortization	483,079	475,992	21,980	21,658
Bad debt expense	176,723	-	8,041	-
	<u>₩ 32,954,906</u>	<u>₩ 33,533,077</u>	<u>Rs. 1,499,448</u>	<u>Rs. 1,525,755</u>

## 26. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the period ended March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Commission income	₩ 238,785	₩ -	Rs. 10,865	Rs. -
Gain on foreign currency transactions	1,713,246	1,902,472	77,953	86,562
Gain on foreign currency translation	520,250	739,468	23,671	33,646
Gain on disposal of property,	12,125	3,001,655	552	136,575

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
plant and equipment				
Gain on disposal of investment assets	2,529	969	115	44
Product warranty reserve	1,154,499	1,185,048	52,530	53,920
Others, net	2,948,776	3,747,566	134,168	170,514
Reversal of allowance for doubtful accounts	45,309	689,884	2,062	31,390
	<u>₩ 6,635,518</u>	<u>₩ 11,267,062</u>	<u>Rs. 301,916</u>	<u>Rs. 512,651</u>

2) Details of the Company's other operating expense for the year ended December 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Gain on foreign currency transactions	₩ 2,381,005	₩ 2,883,974	Rs. 108,336	Rs. 131,221
Gain on foreign currency translation	368,826	1,443,811	16,782	65,693
Gain on disposal of property, plant and equipment	24,246	44,521	1,103	2,026
Gain on disposal of investment assets	4,874	4,101	222	187
Others, net	3,651,803	2,755,558	166,156	125,377
Impairment loss on Investment assets	110,005	-	5,005	-
Impairment loss on property, plant and equipment	4,704	2,459	214	112
Reversal of allowance for doubtful accounts	2,251,929	4,388,354	102,463	199,670
Depreciation on asset not in use	16,605	3,758	756	171
Donation	10,000	-	455	-
	<u>₩ 8,823,997</u>	<u>₩ 11,526,536</u>	<u>Rs. 401,492</u>	<u>Rs. 524,457</u>

## 27. FINANCIAL REVENUES AND EXPENSES:

(1) Details of the Company's financial revenues for the period ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest income	₩ 1,741,312	₩ 1,100,263	Rs. 79,230	Rs. 50,062
Dividend income	307,542	6,000	13,993	273
Gain on foreign currency transactions	430,802	-	19,601	-
Gain on foreign currency translation	62,818	956,480	2,858	43,520
Gain on disposal of derivatives	1,792,000	-	81,536	-
Gain on transaction of derivatives	157,858	-	7,183	-
Gain on debt exemption	-	49,046,893	-	2,231,634
	<u>₩ 4,492,332</u>	<u>₩ 51,109,636</u>	<u>Rs. 204,401</u>	<u>Rs. 2,325,488</u>

(2) Details of the Company's financial costs for the period ended March 31, 2012 and 2011 are as follows (Unit: Won in thousands):

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest expense	₩ 2,327,349	₩ 4,614,465	Rs. 105,894	Rs. 209,958
Loss on foreign currency transactions	463,583	-	21,093	-
Loss on foreign currency translation	11,679	1,992,447	531	90,656

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Loss on disposal of derivatives	114,500	-	5,210	-
Loss on valuation of derivatives	481,919	-	21,927	-
	<u>₩ 3,399,030</u>	<u>₩ 6,606,912</u>	<u>Rs. 154,655</u>	<u>Rs. 300,614</u>

(3) Details of the Company's financial gain/loss for the period ended March 31, 2012 and 2011 are as follows

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Receivables	₩ 75,326	₩ 85,221	Rs. 3,427	Rs. 3,878
Avail of for sales in financial asset	6,000	6,000	273	273
Other financial liabilities	1,011,976	44,411,503	46,045	2,020,723
	<u>₩ 1,093,302</u>	<u>₩ 44,502,724</u>	<u>Rs. 49,745</u>	<u>Rs. 2,024,874</u>

## 28. INCOME LOSS PER SHARE:

(1) Basic income (loss) per share for the periods ended December 31, 2012 and 2011 is calculated as follows:

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

	March 31, 2012	December 31, 2011
Net loss	₩ (31,563,728)	₩ 2,609,127
Preferred stock dividends	-	-
Loss contributed to common stocks	(31,563,728)	2,609,127
Number of common stocks outstanding (*)	121,539,603	84,524,681
Basic and diluted loss per share	(260)	31

(\*) Basic and diluted losses per share for the period ended March 31, 2012 and 2011 are identical since there are no dilutive potential common shares.

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

	March 31, 2012	December 31, 2011
Net loss	Rs. (1,436,150)	Rs. 118,715
Preferred stock dividends	-	-
Loss contributed to common stocks	(1,436,150)	118,715
Number of common stocks outstanding (*)	121,539,603	84,524,681
Basic and diluted loss per share	(260)	31

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

(2) Number of outstanding for the periods ended March 31, 2012 and December 31, 2011 is calculated as follows

(Number of Share)	March 31, 2012			Weighted Average Impact
	Time Interval	Outstanding	Accumulated Outstanding	
Common stock	2010-01-01	2010-12-31	₩121,539,603	₩ 121,539,603
Total				₩ 121,539,603

December 31, 2012						
(Number of Share)	<u>Time Interval</u>		<u>Outstanding</u>	<u>Accumulated Outstanding</u>	<u>Weighted Average Impact</u>	
	Common stock	2011-01-01	2011-02-08	₩ 36,120,556	₩ 36,120,556	₩
Additional Share	2011-02-09	2011-12-31	85,419,047	121,539,603		<u>68,872,441</u>
Total					₩	<u>84,524,681</u>

## 29. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities as of March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Cash flow from operating	₩ 72,786,363	₩ 10,684,196
1. Net loss	(31,563,728)	2,609,126
2. Adjustments:	43,408,787	(1,612,364)
(1) Addition of expenses	<u>47,048,721</u>	<u>53,795,672</u>
Loss on foreign currency translation	380,505	3,436,258
Loss on disposal of trade receivables	2,251,929	4,388,354
Loss on valuation of derivatives	481,919	-
Loss on valuation of inventories	-	2,859,675
Rent expense	77,861	77,861
Bad debt expense	176,723	-
Depreciation	24,820,169	21,306,668
Loss on disposal of investment assets	4,874	4,101
Loss on disposal of property, plant and equipment	24,246	44,521
Impairment loss on property, plant and equipment	110,005	-
Amortization	8,398,023	10,069,484
Impairment loss on intangible assets	4,704	2,459
Interest expense	2,327,348	4,614,465
Employee benefits (including long-term)	7,973,810	6,988,068
Depreciation Expenses on Assets not in Use	16,605	3,758
(2) Deduction of revenue	<u>(3,639,934)</u>	<u>(55,541,621)</u>
Gain on foreign currency translation	583,068	1,695,948
Reversal of allowance for doubtful accounts	45,309	689,884
Reversal of Loss on valuation of inventories reverse	790,191	-
Interest income	1,741,312	1,100,263
Dividend income	307,542	6,000
Gain on valuation of derivatives	157,858	-
Gain on disposal of investment assets	2,529	969
Gain on disposal of property, plant and equipment	12,125	3,001,655
Gain on debt exemption	-	49,046,893
Other gain	-	9
3) Changes in working capital	<u>60,941,304</u>	<u>9,896,913</u>
Increase(Decrease) in trade receivables, net	(11,366,350)	4,651,818
Decrease (Increase) in other receivables, net	(7,138,554)	(2,657,630)
Increase(Decrease) in deposits	-	₩ (104,345)
Decrease (Increase) in advanced payments	5,846,499	14,209,483
Decrease (Increase) in prepaid expenses	(254,565)	817,015
Increase (Decrease) in income tax refundable	(216,549)	(154,702)
Decrease (Increase) in inventories	(13,904,511)	(10,389,255)
Increase in long security	289,300	571,912
Increase (Decrease) in non-current assets	113,434,164	8,912,901
Increase (Decrease) in trade payables	(14,959,371)	(11,001,823)

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Increase (Decrease) in other payables	(5,907,606)	-
Increase in deposits received	1,819	(45,427)
Decrease (Increase) in current other long term benefit	(202,730)	-
Increase (Decrease) in advances from customers	6,395,641	745,172
Decrease in withholdings	(5,781,040)	(2,540,542)
Increase (Decrease) in unearned revenue	705,147	73,087
Increase (Decrease) in government subsidies	304,582	(62,626)
Decrease in short-term provision of product warranties	161,326	2,616,436
Decrease in long-term other payables	-	(22,090)
Increase in other long term benefit	351,926	333,834
Payment of severance indemnities	(6,338,614)	(972,468)
Increase in long-term provision of product warranties	(479,210)	4,916,163
2. Interest received	1,622,094	1,017,646
3. Interest paid	<u>(2,301,026)</u>	<u>(1,138,693)</u>
4. Dividends received	71,900	6,000
Net cash provided by operating activities	72,179,331	10,778,628

(Unit: Rupee in thousands):

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Cash flow from operating	Rs. 3,311,780	Rs. 489,583
1. Net loss	(1,436,149)	118,714
2. Adjustments:	1,975,098	(79,441)
(1) Addition of expenses	<u>2,140,716</u>	<u>2,447,703</u>
Loss on foreign currency translation	17,313	156,349
Loss on disposal of trade receivables	102,463	199,670
Loss on valuation of derivatives	21,927	-
Loss on valuation of inventories	-	130,115
Rent expense	3,543	3,543
Bad debt expense	8,041	-
Depreciation	1,129,317	969,453
Loss on disposal of investment assets	222	187
Loss on disposal of property, plant and equipment	1,103	2,026
Impairment loss on property, plant and equipment	5,005	-
Amortization	382,110	458,162
Impairment loss on intangible assets	214	112
Interest expense	105,894	209,958
Employee benefits (including long-term)	362,808	317,957
Depreciation Expenses on Assets not in Use	756	171
(2) Deduction of revenue	(165,618)	(2,527,144)
Gain on foreign currency translation	26,530	77,166
Reversal of allowance for doubtful accounts	2,062	31,390
Reversal of Loss on valuation of inventories reverse	35,954	-
Interest income	79,230	50,062
Dividend income	13,993	273
Gain on valuation of derivatives	7,183	-
Gain on disposal of investment assets	115	44
Gain on disposal of property, plant and equipment	552	136,575
Gain on debt exemption	-	2,231,634
Other gain	-	-
3) Changes in working capital	<u>2,772,831</u>	<u>450,310</u>
Increase(Decrease) in trade receivables, net	(517,168)	211,661
Decrease (Increase) in other receivables, net	(324,804)	(120,922)
Increase(Decrease) in deposits	-	(4,748)
Decrease (Increase) in advanced payments	266,016	646,531
Decrease (Increase) in prepaid expenses	(11,583)	37,174
Increase (Decrease) in income tax refundable	(9,853)	(7,039)

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Decrease (Increase) in inventories	(632,655)	(472,711)
Increase in long security	13,163	26,022
Increase (Decrease) in non-current assets	5,161,254	405,537
Increase (Decrease) in trade payables	(680,651)	(500,583)
Increase (Decrease) in other payables	(268,796)	-
Increase in deposits received	83	(2,067)
Decrease (Increase) in current other long term benefit	(9,224)	-
Increase (Decrease) in advances from customers	291,002	33,905
Decrease in withholdings	(263,037)	(115,595)
Increase (Decrease) in unearned revenue	32,084	3,325
Increase (Decrease) in government subsidies	13,858	(2,849)
Decrease in short-term provision of product warranties	7,340	119,048
Decrease in long-term other payables	-	(1,005)
Increase in other long term benefit	16,013	15,189
Payment of severance indemnities	(288,407)	(44,247)
Increase in long-term provision of product warranties	(21,804)	223,685
2. Interest received	<u>73,805</u>	<u>46,303</u>
3. Interest paid	<u>(104,697)</u>	<u>(51,811)</u>
4. Dividends received	<u>3,271</u>	<u>273</u>
Net cash provided by operating activities	3,284,159	484,348

### 30. SEGMENT INFORMATION:

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

(2) Information of each sales region as of March 31, 2011 is as follows

	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Republic of Korea	₩ 305,974,640	₩ 333,624,236	Rs. 13,921,846	Rs. 15,179,903
Europe	181,119,009	151,347,689	8,240,915	6,886,320
Asia Pacific	37,636,695	17,763,921	1,712,470	808,258
Others	<u>119,239,750</u>	<u>117,789,310</u>	<u>5,425,409</u>	<u>5,359,414</u>
	<u>₩ 643,970,094</u>	<u>₩ 620,525,157</u>	<u>Rs. 29,300,640</u>	<u>Rs. 28,233,895</u>

\*Sales of non-current asset exclude from listed table due to secure the major customer, individual and oversee agency, information.

(3) Sales revenue by type of automobile for the period ended March 31, 2012 is as follows

(Unit: won in thousands)

Type of automobile	<u>March 31, 2012</u>		<u>March 31, 2011</u>	
	<u>Domestic</u>	<u>Export</u>	<u>Domestic</u>	<u>Export</u>
CHAIRMAN H	₩ 10,565,075	₩ -	₩ 23,032,876	₩ -
CHAIRMAN W	34,190,834	1,803,740	55,945,369	352,234
ACTYON	-	9,960,299	442,241	19,987,252
ACTYON SPORTS	2,182	541,801	60,927,810	50,149,017
KORANDO C	59,520,391	120,714,108	43,877,288	100,843,281
KYRON C Sports	125,425,582	63,443,310	-	-
KYRON	22,671	72,010,009	1,282,438	60,191,849
REXTON	7,416,468	42,689,471	65,940,437	26,196,539
RODIUS	<u>107,935</u>	<u>8,269,970</u>	<u>6,572,530</u>	<u>9,546,010</u>
	<u>₩ 237,251,138</u>	<u>₩ 319,432,708</u>	<u>₩ 258,020,989</u>	<u>₩ 267,266,182</u>

(Unit: Indian-Rupee in thousands):

Type of automobile	March 31, 2012		March 31, 2011	
	Domestic	Export	Domestic	Export
CHAIRMAN H	Rs. 480,711	Rs. -	Rs. 1,047,996	Rs. -
CHAIRMAN W	1,555,683	82,070	2,545,514	16,027
ACTYON	-	453,194	20,122	909,420
ACTYON SPORTS	99	24,652	2,772,215	2,281,780
KORANDO C	2,708,178	5,492,492	1,996,417	4,588,369
KYRON C Sports	5,706,864	2,886,671	-	-
KYRON	1,032	3,276,455	58,351	2,738,729
REXTON	337,449	1,942,371	3,000,290	1,191,943
RODIUS	4,911	376,284	299,050	434,343
	<u>Rs. 10,794,927</u>	<u>Rs. 14,534,188</u>	<u>Rs. 11,739,955</u>	<u>Rs. 12,160,611</u>

### 31. 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, 2012 and 2011 are as follows. (Unit: Won in thousands):

	March 31, 2012		March 31, 2011	
	Sales and Others	Purchases and others	Sales and Others	Purchases and others
Transactions with controlling	₩ 85,384	₩ 1,810,634	₩ -	₩ -
Transactions with subsidiaries	3,131,575	-	3,596,228	22,397
Transactions with Other affiliates	6,723,923	3,864	-	-

(Unit: Rupee in thousands):

	March 31, 2012		March 31, 2011	
	Sales and Others	Purchases and others	Sales and Others	Purchases and others
Transactions with controlling	Rs. 3,885	Rs. 82,384	Rs. -	Rs. -
Transactions with subsidiaries	142,942	-	163,628	1,019
Transactions with Other affiliates	305,938	176	-	-

(3) Outstanding receivables and payables from transactions with related parties as of March 31, 2012 and December 31, 2011 are as follows (Unit: Won in thousands):

	March 31, 2012	December 31, 2011
Payables to controlling company:		
Receivables and others	₩ 343,190	₩ 91,687
Payables and others	257,638	96,459,115
Receivables and payables to subsidiaries		
Receivables and others	-	14,069,436
Payables and others	668,723	668,723
Receivables and payables to Other affiliates		
Receivables and others	1,226,268	-
Payables and others	1,461,627	-



(Unit: Rupee in thousands):

	<u>March 31, 2012</u>		<u>December 31, 2011</u>	
Payables to controlling company:				
Receivables and others	Rs.	15,615	Rs.	4,172
Payables and others		11,723		4,388,890
Receivables and payables to subsidiaries				
Receivables and others		-		640,159
Payables and others		30,427		30,427
Receivables and payables to Other affiliates				
Receivables and others		55,795		-
Payables and others		66,504		-

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the period ended March 31, 2012.

(4) Details of compensation cost for key executives for the period ended March 31, 2012 and 2011 are as follows

(Unit: Won in thousands):

	<u>March 31, 2012</u>		<u>December 31, 2011</u>	
Short-term employee benefits	₩	117,694	₩	110,000
Employment benefits		1,119		1,388

(Unit: Rupee in thousands):

	<u>March 31, 2012</u>		<u>December 31, 2011</u>	
Short-term employee benefits	Rs.	5,355	Rs.	5,005
Post-employment benefits		51		63

### **32. FINANCIAL INSTRUMENTS:**

(1) Capital risk management

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

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity.

Debt to Equity ratio for the period ended March 31, 2012 and December 31, 2011 are as follows

(Unit: Won in thousands):

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
Debt (A)	₩	976,021,240	₩	886,472,294
Equity (B)		879,060,831		913,217,502
Debt ratio (A/ B)		<u>111.03%</u>		<u>97.07%</u>

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
Debt (A)	Rs.	44,408,967	Rs.	40,334,489
Equity (B)		39,997,268		41,551,397
Debt ratio (A/ B)		<u>111.03%</u>		<u>97.07%</u>

(1) Details of financial assets and liabilities by category as of March 31, 2012 and December 31, 2011 are as follows

1) Financial assets

(Unit: Won in thousands):

Financial asset	March 31, 2012				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 235,748,862	₩ -	₩ -	₩ 235,748,862	₩ 235,748,862
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	229,386,075	-	1,172,738	230,558,814	230,558,813
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 465,140,937</u>	<u>₩ 560,000</u>	<u>₩ 1,172,738</u>	<u>₩ 466,873,676</u>	<u>₩ 466,873,675</u>

  

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 202,509,810	₩ -	₩ -	₩ 202,509,810	₩ 202,509,810
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	213,537,547	-	1,172,738	213,730,857	213,730,857
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 416,053,357</u>	<u>₩ 560,000</u>	<u>₩ 1,172,738</u>	<u>₩ 416,806,667</u>	<u>₩ 416,806,667</u>

(Unit: Indian-Rupee in thousands):

Financial asset	March 31, 2012				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,726,573	Rs. -	Rs. -	Rs. 10,726,573	Rs. 10,726,573
Long-term financial instruments	273	-	-	273	273
Trade receivables and Other receivables	10,437,066	-	53,360	10,490,426	10,490,426
Long-term AFS financial assets	-	25,480	-	25,480	25,480
	<u>Rs. 21,163,913</u>	<u>Rs. 25,480</u>	<u>Rs. 53,360</u>	<u>Rs. 21,242,752</u>	<u>Rs. 21,242,752</u>

  

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 9,214,196	Rs. -	Rs. -	Rs. 9,214,196	Rs. 9,214,196
Long-term financial instruments	273	-	-	273	273
Trade receivables and Other receivables	9,715,958	-	53,360	9,724,754	9,724,754
Long-term AFS financial assets	-	25,480	-	25,480	25,480
	<u>Rs. 18,930,428</u>	<u>Rs. 25,480</u>	<u>Rs. 53,360</u>	<u>Rs. 18,964,703</u>	<u>Rs. 18,964,703</u>

2) Financial liabilities

	Won in thousands		Indian-Rupee in thousands	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Trade payables and Other payables	₩ 492,408,044	₩ 403,263,454	Rs. 22,404,566	Rs. 18,348,487
Debt	125,672,815	135,972,454	5,718,113	6,186,747
Derivatives	3,895,549	-	177,247	-
Total	<u>₩ 62,1976,408</u>	<u>₩ 539,235,908</u>	<u>Rs. 28,299,926</u>	<u>Rs. 24,535,234</u>

(2) 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.

Details of the Company held foreign currency denominated monetary assets and monetary liabilities of the carrying amount for the years ended March 31, 2012 and December 31, 2011 are as follows:

(Unit: Korean Won in thousands):

Currency	Financial assets		Financial liabilities	
	Mach 31, 2012	March 31, 2011	Mach 31, 2012	March 31, 2011
USD	₩ 79,488,062	₩ 52,740,827	₩ 11,097,807	₩ 11,298,102
EUR	22,856,300	23,535,845	12,962,335	27,538,450
JPY	434,741	250,167	4,988,843	5,203,875
Others	4,798,182	12,810,347	6,280,659	7,563,035
	<u>₩ 107,577,285</u>	<u>₩ 89,337,186</u>	<u>₩ 35,327,644</u>	<u>₩ 51,603,462</u>

(Unit: Indian-Rupee in thousands):

Currency	Financial assets		Financial liabilities	
	Mach 31, 2012	March 31, 2011	Mach 31, 2012	March 31, 2011
USD	Rs. 3,617,090	Rs. 2,399,708	Rs. 504,950	Rs. 514,064
EUR	1,039,962	1,070,881	589,786	1,252,999
JPY	19,781	11,383	227,000	236,776
Others	218,317	582,871	285,770	344,118
	<u>Rs. 4,895,149</u>	<u>Rs. 4,064,842</u>	<u>Rs. 1,607,507</u>	<u>Rs. 2,347,958</u>

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes a foreign currency monetary item that is not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of March 31, 2012.

(Unit: Korean Won in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 7,948,806	₩ (7,948,806)	₩ (1,109,581)	₩ 1,109,581

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
EUR	2,285,630	(2,285,630)	(1,296,234)	1,296,234
JPY	43,474	(43,474)	(498,884)	498,884
Others	479,818	(479,818)	(628,066)	628,066
	<u>₩ 10,757,729</u>	<u>₩ (10,757,729)</u>	<u>₩ (3,532,765)</u>	<u>₩ 3,532,765</u>

(Unit: Indian-Rupee in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 361,709	Rs. (361,709)	Rs. (50,486)	Rs. 50,486
EUR	103,996	(103,996)	(58,979)	58,979
JPY	1,978	(1,978)	(22,700)	22,700
Others	21,832	(21,832)	(28,577)	28,577
	<u>Rs. 489,515</u>	<u>Rs. (489,515)</u>	<u>Rs. (160,751)</u>	<u>Rs. 160,751</u>

In order to avoid the risk of foreign exchange debt payments and foreign exchange receivables collected foreign exchange risk within the range of 30 to 50 percent, the company has a policy of making an foreign exchange forward agreement. Also in order to manage sales transactions and purchase transactions to foreign exchange risk that are expected to occur within the next nine months that are within the range of 30 to 50 percent, the Company makes a foreign exchange forward.

Details of non-payment forward contracts for the three months ended March 31, 2012 are as follows

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD ~3 months purchase	1135.52 won	USD 23,000,000	₩ 139,587,850	₩ (908,498)
3~6 months	1142.10 won	USD 132,000,000	150,778,740	(773,980)
6~9 months	1144.95 won	USD 135,000,000	154,568,150	(1,040,332)

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD ~3 months purchase	1135.52 won	USD 23,000,000	Rs. 6,351,247	Rs. (41,337)
3~6 months	1142.10 won	USD 132,000,000	6,860,433	(35,216)
6~9 months	1144.95 won	USD 135,000,000	7,032,851	(47,335)

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 2,398,750 won.(Rs 109,143) transaction is expected to occur within the first nine months after March 31, 2012, 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 accruable fluctuations of interest rates.

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase 37,808 thousand won(1,512 thousands rupee) for the years ended Dec 31, 2011, due to floating rate debt's interest rate risk.

## 2) Credit risk

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

## 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, 2012 is as follows (Unit: Won in thousands):

	March 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	₩ 378,184,303	₩ -	₩ 378,184,303
Accrued expenses	101,450,762	-	101,450,762
Short-term borrowings	30,268,050	-	30,268,050
Other payables	14,505,907	-	14,505,907
Long-term other payables	-	2,162,620	2,162,620
Debt	<u>6,678,334</u>	<u>101,168,258</u>	<u>107,846,592</u>
	<u>₩ 531,087,356</u>	<u>₩ 103,330,878</u>	<u>₩ 634,418,234</u>

  

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

(Unit: Rupee in thousands):

	March 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	Rs. 17,207,386	Rs. -	Rs. 17,207,386
Accrued expenses	4,616,010	-	4,616,010
Short-term borrowings	1,377,196	-	1,377,196
Other payables	660,019	-	660,019
Long-term other payables	-	98,399	98,399
Debt	<u>303,864</u>	<u>4,603,156</u>	<u>4,907,020</u>
	<u>Rs. 24,164,475</u>	<u>Rs. 4,701,555</u>	<u>Rs. 28,866,030</u>

  

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	Rs. 12,039,036	Rs. -	Rs. 12,039,036
Accrued expenses	5,456,697	-	5,456,697
Short-term borrowings	1,845,830	-	1,845,830
Other payables	755,281	-	755,281

	December 31, 2011		
	Within a year	More than 1 year	Total
Long-term other payables	-	97,474	97,474
Debt	303,864	4,695,425	4,999,289
	<u>Rs. 20,400,708</u>	<u>Rs. 4,792,899</u>	<u>Rs. 25,193,606</u>

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

(Unit: Korean won in thousands):

		March 31, 2012	December 31, 2011
Borrowing limit commitments	Used		
	Unused	<u>₩ 50,000,000</u>	<u>₩ 50,000,000</u>
	Total	<u>₩ 50,000,000</u>	<u>₩ 50,000,000</u>

(Unit: Indian-Rupee in thousands):

		March 31, 2012	December 31, 2011
Borrowing limit commitments	Used	Rs -	Rs -
	Unused	<u>2,275,000</u>	<u>2,275,000</u>
	Total	<u>Rs 2,275,000</u>	<u>Rs 2,275,000</u>

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

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.

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.

1) Fair values of financial instruments by hierarchy level as of March 31, 2012, are as follows (Unit: Korean won in thousands):

Type	March 31, 2012			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	₩ -	₩ (2,272,811)	₩ -	₩ (2,272,811)
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 193,310	₩ -	₩ 193,310

(Unit: Indian-Rupee in thousands):

Type	December 31, 2011			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs. -	Rs. (103,413)	Rs. -	Rs. (103,413)
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 8,796	Rs. -	Rs. 8,796