

SSANGYONG MOTOR COMPANY

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

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

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

Management's responsibility for the separate financial statements

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

Independent accountants' responsibility

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

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

Review conclusion

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

Other matters

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

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

Deloitte Anjin LLC

November 27, 2014

Notice to Readers

This report is effective as of November 27, 2014, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the report is read. Such events or circumstances could significantly affect the accompanying separate interim financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2014, AND DECEMBER 31, 2013

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 33)	₩ 69,222,869	₩ 359,712,082	Rs. 4,091,072	Rs. 21,258,984
Trade and other receivables, net (Notes 7, 32 and 33)	206,781,735	234,067,459	12,220,801	13,833,387
Derivative assets (Notes 25 and 33)	1,590,500	28,984,560	93,999	1,712,988
Inventories, net (Notes 8 and 24)	272,025,115	277,070,948	16,076,684	16,374,893
Other current assets (Note 10)	<u>15,513,595</u>	<u>7,145,375</u>	<u>916,853</u>	<u>422,292</u>
Total current assets	<u>565,133,814</u>	<u>906,980,424</u>	<u>33,399,409</u>	<u>53,602,544</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 33)	6,000	6,000	355	355
Non-current available-for-sale (AFS) financial assets (Notes 7 and 33)	560,000	560,000	33,096	33,096
Non-current other receivables, net (Notes 6 and 33)	45,661,561	36,564,470	2,698,598	2,160,960
Property, plant and equipment, net (Note 11)	1,125,692,443	1,084,035,359	66,528,423	64,066,490
Intangible assets (Note 12)	130,171,142	89,480,141	7,693,115	5,288,276
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	344,497	344,497
Other non-current assets (Note 10)	<u>354,738</u>	<u>357,350</u>	<u>20,965</u>	<u>21,119</u>
Total non-current assets	<u>1,308,274,940</u>	<u>1,216,832,376</u>	<u>77,319,049</u>	<u>71,914,793</u>
TOTAL ASSETS	<u>1,873,408,754</u>	<u>2,123,812,800</u>	<u>110,718,458</u>	<u>125,517,337</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Notes 32 and 33)	562,755,828	723,397,173	33,258,869	42,752,773
Short-term borrowings (Notes 13, 18 and 33)	79,423,354	51,608,036	4,693,920	3,050,035
Derivative liabilities (Notes 25 and 33)	3,166,970	-	187,168	-
Current long-term borrowings (Notes 13 and 33)	-	95,404,765	-	5,638,422
Provision for product warranties (Note 15)	55,802,895	48,780,982	3,297,951	2,882,956
Long-term employee benefits obligation	302,770	1,648,815	17,894	97,445
Other current liabilities (Note 16)	<u>24,687,851</u>	<u>26,718,121</u>	<u>1,459,054</u>	<u>1,579,041</u>
Total current liabilities	<u>726,139,668</u>	<u>947,557,892</u>	<u>42,914,856</u>	<u>56,000,672</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF SEPTEMBER 30, 2014, AND DECEMBER 31, 2013

	Korean won		Indian rupee	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Other non-current payables(Note 33)	₩ 1,825,902	₩ 20,223,465	Rs. 107,911	Rs. 1,195,207
Retirement benefit obligation (Note 17)	225,894,443	174,656,118	13,350,362	10,322,177
Other long-term employee benefits obligation	15,803,861	14,632,801	934,008	864,799
Provision for long-term product warranties (Note 15)	<u>77,426,718</u>	<u>76,698,999</u>	<u>4,575,919</u>	<u>4,532,911</u>
Total non-current liabilities	<u>320,950,924</u>	<u>286,211,383</u>	<u>18,968,200</u>	<u>16,915,094</u>
TOTAL LIABILITIES	<u>1,047,090,592</u>	<u>1,233,769,275</u>	<u>61,883,056</u>	<u>72,915,766</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 19)	686,100,480	686,100,480	40,548,538	40,548,538
Other capital surplus (Note 20)	129,383,402	129,383,402	7,646,559	7,646,559
Other capital adjustments(Notes 21 and 25)	(1,873,650)	26,833,680	(110,733)	1,585,870
Retained earnings (accumulated deficit) (Note 22)	<u>12,707,930</u>	<u>47,725,963</u>	<u>751,038</u>	<u>2,820,604</u>
TOTAL SHAREHOLDERS' EQUITY	<u>826,318,162</u>	<u>890,043,525</u>	<u>48,835,402</u>	<u>52,601,571</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩1,873,408,754</u>	<u>₩2,123,812,800</u>	<u>Rs. 110,718,458</u>	<u>Rs. 125,517,337</u>

(Concluded)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY

**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

	Korean won			
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31 and 32)	₩ 764,809,742	₩ 2,487,735,202	₩ 834,825,395	₩ 2,491,609,515
COST OF SALES (Notes 24 and 32)	<u>672,043,119</u>	<u>2,157,174,665</u>	<u>721,021,075</u>	<u>2,140,426,296</u>
GROSS PROFIT	92,766,623	330,560,537	113,804,320	351,183,219
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>122,331,426</u>	<u>377,029,248</u>	<u>114,071,648</u>	<u>364,780,291</u>
OPERATING INCOME (LOSS)	(29,564,803)	(46,468,711)	(267,328)	(13,597,072)
NON-OPERATING INCOME (Note 27)	8,223,404	23,505,345	12,967,884	38,220,392
NON-OPERATING EXPENSES (Note 27)	2,991,970	50,535,981	10,738,115	36,538,134
FINANCIAL INCOME (Note 28)	9,879,664	47,237,213	5,904,868	27,112,963
FINANCIAL COST (Note 28)	<u>2,461,680</u>	<u>8,635,026</u>	<u>7,356,233</u>	<u>16,873,897</u>
INCOME (LOSS) BEFORE INCOME TAX	(16,915,385)	(34,897,160)	511,076	(1,675,748)
INCOME TAX EXPENSE (Note 23)	-	-	-	-
NET INCOME (LOSS)	(16,915,385)	(34,897,160)	511,076	(1,675,748)
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(10,022,393)</u>	<u>(28,828,203)</u>	<u>55,174,746</u>	<u>6,018,179</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ (26,937,778)</u>	<u>₩ (63,725,363)</u>	<u>₩ 55,685,822</u>	<u>₩ 4,342,431</u>
INCOME (LOSS) PER SHARE (Note 29) Basic and diluted loss per share	₩ (123)	₩ (254)	₩ 4	₩ (13)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY

**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

	Indian rupee			
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31 and 32)	Rs. 45,200,256	Rs. 147,025,150	Rs. 49,338,181	Rs. 147,254,122
COST OF SALES (Notes 24 and 32)	<u>39,717,748</u>	<u>127,489,023</u>	<u>42,612,346</u>	<u>126,499,194</u>
GROSS PROFIT	5,482,508	19,536,127	6,725,835	20,754,928
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>7,229,787</u>	<u>22,282,429</u>	<u>6,741,634</u>	<u>21,558,515</u>
OPERATING INCOME (LOSS)	(1,747,279)	(2,746,302)	(15,799)	(803,587)
NON-OPERATING INCOME (Note 27)	486,003	1,389,166	766,402	2,258,825
NON-OPERATING EXPENSES (Note 27)	176,825	2,986,676	634,623	2,159,404
FINANCIAL INCOME (Note 28)	583,888	2,791,720	348,978	1,602,376
FINANCIAL COST (Note 28)	<u>145,485</u>	<u>510,330</u>	<u>434,753</u>	<u>997,247</u>
INCOME (LOSS) BEFORE INCOME TAX	(999,698)	(2,062,422)	30,205	(99,037)
INCOME TAX EXPENSE (Note 23)	-	-	-	-
NET INCOME (LOSS)	(999,698)	(2,062,422)	30,205	(99,037)
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(592,323)</u>	<u>(1,703,747)</u>	<u>3,260,828</u>	<u>355,674</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>Rs. (1,592,021)</u>	<u>Rs. (3,766,169)</u>	<u>Rs. 3,291,033</u>	<u>Rs. 256,637</u>
INCOME (LOSS) PER SHARE (Note 29) Basic and diluted loss per share	Rs. (7)	Rs. (15)	Rs. -	Rs. (1)

See accompanying notes to separate financial statements.

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

	Korean won in thousands									
	Other capital surplus									
	Capital stock	Paid-in capital in excess of par value	Gain on capital Reduction	Debt to be swapped for equity	Treasury stock (In thousands)	Other capital surplus	Other capital Adjustments	Retained earnings (accumulated deficit)	Total	
Balance at January 1, 2013	₩ 613,373,205	₩ 4,545,756	₩ 120,351,580	₩ 931,508	₩ -	₩ (3,243,869)	₩ 18,999,750	₩ 52,754,371	₩ 807,712,301	
Net loss	-	-	-	-	-	-	-	(1,675,748)	(1,675,748)	
Actuarial losses	-	-	-	-	-	-	-	(15,351)	(15,351)	
Paid-in capital increase	72,727,275	7,272,728	-	-	-	-	-	-	80,000,003	
Costs of stock issuance	-	(365,771)	-	-	-	-	-	-	(365,771)	
Increase in treasury stock	-	-	-	-	(108,530)	-	-	-	(108,530)	
Loss on valuation of derivatives	-	-	-	-	-	-	6,033,530	-	6,033,530	
Balance at September 30, 2013,	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ 931,508</u>	<u>₩ (108,530)</u>	<u>₩ (3,243,869)</u>	<u>₩ 25,033,280</u>	<u>₩ 51,063,272</u>	<u>₩ 891,580,434</u>	
Balance at January 1, 2014	686,100,480	11,452,713	120,351,580	931,508	(108,530)	(3,243,869)	26,833,680	47,725,963	890,043,525	
Net loss	-	-	-	-	-	-	-	(34,897,160)	(34,897,160)	
Actuarial losses	-	-	-	-	-	-	-	(120,873)	(120,873)	
Gains on valuation of derivatives	-	-	-	-	-	-	(28,707,330)	-	(28,707,330)	
Balance at September 30, 2014	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ 931,508</u>	<u>₩ (108,530)</u>	<u>₩ (3,243,869)</u>	<u>₩ (1,873,650)</u>	<u>₩ 12,707,930</u>	<u>₩ 826,318,162</u>	

	Indian rupee in thousands									
	Other capital surplus									
	Capital stock	Paid-in capital in excess of par value	Gain on capital Reduction	Debt to be swapped for equity	Treasury stock (In thousands)	Other capital surplus	Other capital Adjustments	Retained earnings (accumulated deficit)	Total	
Balance at January 1, 2013	Rs. 36,250,356	Rs. 268,654	Rs. 7,112,778	Rs. 55,052	Rs. -	Rs. (191,713)	Rs. 1,122,885	Rs. 3,117,783	Rs. 47,735,795	
Net loss	-	-	-	-	-	-	-	(99,037)	(99,037)	
Actuarial losses	-	-	-	-	-	-	-	(907)	(907)	
Paid-in capital increase	4,298,182	429,818	-	-	-	-	-	-	4,728,000	
Costs of stock issuance	-	(21,617)	-	-	-	-	-	-	(21,617)	
Increase in treasury stock	-	-	-	-	(6,413)	-	-	-	(6,413)	
Loss on valuation of derivatives	-	-	-	-	-	-	356,581	-	356,581	
Balance at September 30, 2013	<u>Rs. 40,548,538</u>	<u>Rs. 676,855</u>	<u>Rs. 7,112,778</u>	<u>Rs. 55,052</u>	<u>Rs. (6,413)</u>	<u>Rs. (191,713)</u>	<u>Rs. 1,479,466</u>	<u>Rs. 3,017,839</u>	<u>Rs. 52,692,402</u>	
Balance at January 1, 2014	Rs. 40,548,538	Rs. 676,855	Rs. 7,112,778	Rs. 55,052	Rs. (6,413)	Rs. (191,713)	Rs. 1,585,870	Rs. 2,820,604	Rs. 52,601,571	
Net income	-	-	-	-	-	-	-	(2,062,422)	(2,062,422)	
Actuarial losses	-	-	-	-	-	-	-	(7,144)	(7,144)	
Loss on valuation of derivatives	-	-	-	-	-	-	(1,696,603)	-	(1,696,603)	
Balance at September 30, 2014	<u>Rs. 40,548,538</u>	<u>Rs. 676,855</u>	<u>Rs. 7,112,778</u>	<u>Rs. 55,052</u>	<u>Rs. (6,413)</u>	<u>Rs. (191,713)</u>	<u>Rs. (110,733)</u>	<u>Rs. 751,038</u>	<u>Rs. 48,835,402</u>	

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Indian rupee			
	Nine month ended September 30, 2014	Nine months ended September 30, 2013	Nine month ended September 30, 2014	Nine months ended September 30, 2013
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ (34,897,160)	₩ (1,675,748)	Rs. (2,062,422)	Rs. (99,037)
Adjustment (Note 30)	145,820,942	143,636,352	8,618,018	8,488,908
Changes in net working capital (Note 30)	<u>(172,773,156)</u>	<u>(59,897,546)</u>	<u>(10,210,894)</u>	<u>(3,539,944)</u>
	(61,849,374)	82,063,058	(3,655,298)	4,849,927
Interests received	5,240,528	5,131,997	309,715	303,301
Interests paid	(2,990,608)	(6,471,910)	(176,745)	(382,490)
Dividend income received	<u>757,077</u>	<u>1,100,280</u>	<u>44,743</u>	<u>65,027</u>
Net cash (used in) provided by operating activities	<u>(58,842,377)</u>	<u>81,823,425</u>	<u>(3,477,585)</u>	<u>4,835,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	-	15,288,977	-	903,579
Disposal of property, plant and equipment	1,358,049	424,975	80,261	25,116
Disposal of intangible assets	587,760	-	34,737	-
Decrease in other assets	<u>2,125</u>	<u>-</u>	<u>126</u>	<u>-</u>
	1,947,934	15,713,952	115,124	928,695
Cash outflows for investing activities:				
Increase in other receivables	2,566,569	17,194,683	151,684	1,016,206
Acquisition of property, plant and equipment	114,849,792	93,959,180	6,787,623	5,552,988
Acquisition of intangible assets	49,659,246	34,020,127	2,934,861	2,010,590
Investment in subsidiaries	<u>-</u>	<u>4,048,680</u>	<u>-</u>	<u>239,277</u>
	167,075,607	149,222,670	9,874,168	8,819,061
Net cash used in investing activities	<u>(165,127,673)</u>	<u>(133,508,718)</u>	<u>(9,759,044)</u>	<u>(7,890,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	28,845,329	45,315,935	1,704,759	2,678,173
Increase in government grants	40,273	-	2,380	-
Paid-in capital increase	<u>-</u>	<u>80,000,003</u>	<u>-</u>	<u>4,728,000</u>
	28,885,602	125,315,938	1,707,139	7,406,173

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Indian rupee			
	Nine month ended September 30, 2014	Nine months ended September 30, 2013	Nine month ended September 30, 2014	Nine months ended September 30, 2013
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ 95,404,765	₩ -	Rs. 5,638,422	Rs. -
Costs of stock issuance	-	365,771	-	21,617
	<u>95,404,765</u>	<u>365,771</u>	<u>5,638,422</u>	<u>21,617</u>
Net cash (used in) provided by financing activities	<u>(66,519,163)</u>	<u>124,950,167</u>	<u>(3,931,283)</u>	<u>7,384,556</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>-</u>	<u>(265,257)</u>	<u>-</u>	<u>(15,677)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(290,489,213)	72,999,617	(17,167,912)	4,314,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>359,712,082</u>	<u>197,769,855</u>	<u>21,258,984</u>	<u>11,688,198</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>₩ 69,222,869</u>	<u>₩ 270,769,472</u>	<u>Rs. 4,091,072</u>	<u>Rs. 16,002,476</u>

(Concluded)

See accompanying notes to separate financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2014, AND DECEMBER 31, 2013, AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

1. GENERAL:

(1) Company overview and recent changes in business environment

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

(2) Major shareholders

The Company's shareholders as of September 30, 2014, are as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

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

Amendments to K-IFRS 2121 – Levies

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

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

2) New and revised IFRSs issued but not yet effective

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

Amendments to K-IFRS 1019 – Employee Benefits

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

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

The Indian rupee amounts presented in these financial statements were computed by translating the Korean won into Indian rupee based on the Bank of Korea Basic Rate (₩1 to Rs. 0.0591 at September 30, 2014), solely for the convenience of the reader. These convenience translations into Indian rupee should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

4. CASH AND CASH EQUIVALENTS:

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

5. RESTRICTED FINANCIAL ASSETS:

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

(Unit: Korean won in thousands):

	Financial institution	September 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 437,783	₩ 1,092,081	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	14,117,762	15,030,192	
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 14,561,545</u>	<u>₩ 16,128,273</u>	

(Unit: Indian rupee in thousands):

	Financial institution	September 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 25,873	Rs. 64,542	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	834,360	888,284	
Long-term financial instruments	Shinhan Bank and others	355	355	Overdraft deposit
		<u>Rs. 860,588</u>	<u>Rs. 953,181</u>	

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

The Company's long-term AFS financial assets as of September 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

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

(Unit: Indian rupee in thousands):

Classification	Ownership (%)	September 30, 2014		December 31, 2013	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 29,550	Rs. 39,610	Rs. 29,550	Rs. 29,550
Korea Management Consultants Association (*)	1.50	3,546	27,140	3,546	3,546
		<u>Rs. 33,096</u>	<u>Rs. 66,750</u>	<u>Rs. 33,096</u>	<u>Rs. 33,096</u>

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

7. TRADE AND OTHER RECEIVABLES:

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

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

(Unit: Korean won in thousands):

Financial liabilities	September 30, 2014			
	Trade receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Receivables – general	₩ 186,013,750	₩ 19,682,832	₩ 1,945,984	₩ 45,911,954
Less: Allowance for doubtful accounts	<u>(461,520)</u>	<u>(396,185)</u>	<u>(3,126)</u>	<u>(250,393)</u>
	<u>₩ 185,552,230</u>	<u>₩ 19,286,647</u>	<u>₩ 1,942,858</u>	<u>₩ 45,661,561</u>

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

(Unit: Indian rupee in thousands):

Financial liabilities	September 30, 2014			
	Trade receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Receivables – general	Rs. 10,993,413	Rs. 1,163,255	Rs. 115,009	Rs. 2,713,396
Less: Allowance for doubtful accounts	<u>(27,276)</u>	<u>(23,415)</u>	<u>(185)</u>	<u>(14,798)</u>
	<u>Rs. 10,966,137</u>	<u>Rs. 1,139,840</u>	<u>Rs. 114,824</u>	<u>Rs. 2,698,598</u>

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

- (2) Credit risk and allowance for doubtful accounts

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

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

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

Some of the trade receivables that are overdue for more than 90 days are not included in the above-mentioned

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

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

(Unit: Korean won in thousands):

Classification	September 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₩ 150,021	₩ 1,554,401	₩ 3,377,961	₩ 5,082,383
Non-trade receivables	2,365,545	5,330,740	-	7,696,285
Other long-term receivables	2,217,736	2,290,604	103,250	4,611,590
	<u>₩ 4,733,302</u>	<u>₩ 9,175,745</u>	<u>₩ 3,481,211</u>	<u>₩ 17,390,258</u>

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

(Unit: Indian rupee in thousands):

Classification	September 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 8,866	Rs. 91,865	Rs. 199,637	Rs. 300,368
Non-trade receivables	139,804	315,047	-	454,851
Other long-term receivables	131,068	135,375	6,102	272,545
	<u>Rs. 279,738</u>	<u>Rs. 542,287</u>	<u>Rs. 205,739</u>	<u>Rs. 1,027,764</u>

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

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

(Unit: Korean won in thousands):

Classification	September 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 388,237	₩ 388,237
Other receivables	-	-	3,099	3,099
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 435,586</u>	<u>₩ 435,586</u>

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

(Unit: Indian rupee in thousands):

Classification	September 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total

Classification	September 30, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 22,945	Rs. 22,945
Other receivables	-	-	183	183
Other long-term receivables	-	-	2,615	2,615
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 25,743</u>	<u>Rs. 25,743</u>

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

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

(Unit: Korean won in thousands):

Classification	Nine months ended September 30, 2014			
	Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459
Bad debt expense (*)	252,819	(94,854)	3,126	8,934
Ending balance	<u>₩ 461,520</u>	<u>₩ 396,185</u>	<u>₩ 3,126</u>	<u>₩ 250,393</u>

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

(Unit: Indian rupee in thousands):

Classification	Nine months ended September 30, 2014			
	Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	Rs. 12,334	Rs. 29,020	Rs. -	Rs. 14,270
Bad debt expense(*)	14,942	(5,605)	185	528
Ending balance	<u>Rs. 27,276</u>	<u>Rs. 23,415</u>	<u>Rs. 185</u>	<u>Rs. 14,798</u>

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

(*) Difference with other bad debt expense on PL is other bad debt expense of advance payments. The Company estimates allowances for doubtful accounts through individual analysis, and an allowance for the receivables that are not subject to separate individual analysis is estimated based on the historical collection rates. For troubled receivables (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.), the Company assesses collectability of each receivable through an individual analysis and reserves 100% allowance. For the receivables that are not subject to individual analysis, the allowance is estimated by applying the average loss rate for the past three years to the remaining balance of

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

8. INVENTORIES:

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

(Unit: Korean won in thousands):

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Merchandises	₩	48,850,862	₩	52,685,259
Finished goods		50,599,447		47,989,259
Work in process		29,963,221		24,764,484
Raw materials		57,781,005		65,752,519
Submaterials		471,237		510,850
Supplies		3,985,845		4,233,041
Goods in transit		80,373,498		81,135,536
Total	₩	<u>272,025,115</u>	₩	<u>277,070,948</u>

(Unit: Indian rupee in thousands):

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Merchandises	Rs.	2,887,086	Rs.	3,113,699
Finished goods		2,990,427		2,836,165
Work in process		1,770,826		1,463,581
Raw materials		3,414,857		3,885,974
Submaterials		27,850		30,191
Supplies		235,564		250,173
Goods in transit		4,750,074		4,795,110
Total	Rs.	<u>16,076,684</u>	Rs.	<u>16,374,893</u>

The Company uses the “lower of cost or market method” on the balance sheet in case inventories’ market value decreases under the acquisition cost. On the other hand, loss on valuation of inventories, which was added to “cost of sales” during the current period due to the application of “lower of cost or market method,” amounted to ₩1,600,955 thousand (Rs. 94,616 thousand).

9. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries

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

(Unit: Korean won in thousands):

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

(Unit: Indian rupee in thousands):

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

(2) Summarized financial information of subsidiaries

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

(Unit: Korean won in thousands):

Companies	Assets	Liabilities	Sales	Operating Revenues	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd	₩ 7,609,072	₩ 912,835	₩ 4,210,213	₩ 1,310,212	₩ 1,240,442
Ssangyong European Parts Center B.V.	7,505,608	11,111,791	10,937,761	501,697	493,557

(Unit: Indian rupee in thousands):

Companies	Assets	Liabilities	Sales	Operating Revenues	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd	Rs. 449,696	Rs. 53,949	Rs. 248,824	Rs. 77,434	Rs. 73,310
Ssangyong European Parts Center B.V.	443,581	656,707	646,422	29,650	29,169

10. OTHER ASSETS:

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

(Unit: Korean won in thousands):

Account	September 30, 2014	December 31, 2013
Other current assets		
Advance payments	₩ 2,941,444	₩ 2,035,601
Less: Allowance for doubtful Accounts	(5,778)	(1,147)
Prepaid expenses	11,881,088	4,127,302
Income tax refundable	696,841	983,619
	<u>₩ 15,513,595</u>	<u>₩ 7,145,375</u>
Other non-current assets		
Other non-current assets	<u>354,738</u>	<u>357,350</u>
	<u>₩ 354,738</u>	<u>₩ 357,350</u>

(Unit: Indian rupee in thousands):

Account	September 30, 2014	December 31, 2013
Other current assets		
Advance payments	Rs. 173,839	Rs. 120,304
Less: Allowance for doubtful accounts	(341)	(68)
Prepaid expenses	702,172	243,924
Other current assets	41,183	58,132
	<u>Rs. 916,853</u>	<u>Rs. 422,292</u>
Other non-current assets		
Other non-current assets	<u>20,965</u>	<u>21,119</u>
	<u>Rs. 20,965</u>	<u>Rs. 21,119</u>

11. PROPERTY, PLANT AND EQUIPMENT:

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

(Unit: Korean won in thousands):

	September 30, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,505,605	₩ -	₩ -	₩ -	₩ 475,505,605
Buildings	523,443,522	1,661,799	183,667,608	148,371,912	189,742,203
Structures	104,082,820	161,253	58,749,073	29,156,377	16,016,117
Machinery	1,210,855,013	637,047	1,004,187,279	98,902,224	107,128,463
Vehicles	9,615,165	-	6,762,110	1,228,615	1,624,440
Tools and molds	872,535,636	17,633	538,459,284	162,664,956	171,393,763
Equipment	65,192,193	18,126	37,319,110	4,669,637	23,185,320
Construction in progress	131,296,817	-	-	-	131,296,817
Machinery in transit	9,799,715	-	-	-	9,799,715
	<u>₩ 3,402,326,486</u>	<u>₩ 2,495,858</u>	<u>₩ 1,829,144,464</u>	<u>₩ 444,993,721</u>	<u>₩ 1,125,692,443</u>

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

(Unit: Indian rupee in thousands):

	September 30, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 28,102,381	Rs. -	Rs. -	Rs. -	Rs. 28,102,381
Buildings	30,935,512	98,212	10,854,756	8,768,780	11,213,764
Structures	6,151,295	9,530	3,472,070	1,723,142	946,553
Machinery	71,561,531	37,649	59,347,468	5,845,121	6,331,293
Vehicles	568,256	-	399,641	72,611	96,004
Tools and molds	51,566,856	1,042	31,822,944	9,613,499	10,129,371
Equipment	3,852,859	1,071	2,205,559	275,976	1,370,253
Construction in progress	7,759,641	-	-	-	7,759,641
Machinery in transit	579,163	-	-	-	579,163
	<u>Rs. 201,077,494</u>	<u>Rs. 147,504</u>	<u>Rs. 108,102,438</u>	<u>Rs. 26,299,129</u>	<u>Rs. 66,528,423</u>

December 31, 2013						
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount	
Land	Rs. 28,090,559	Rs. -	Rs. -	Rs. -	Rs. 28,090,559	
Buildings	30,744,103	100,282	10,428,011	8,768,780	11,447,030	
Structures	6,129,559	10,432	3,400,163	1,723,142	995,822	
Machinery	72,673,802	46,666	60,891,261	5,869,239	5,866,636	
Vehicles	590,360	-	407,537	73,500	109,323	
Tools and molds	51,610,625	1,862	30,017,233	9,681,944	11,909,586	
Equipment	3,704,417	1,561	2,006,485	291,008	1,405,363	
Construction in progress	4,191,201	-	-	-	4,191,201	
Machinery in transit	50,970	-	-	-	50,970	
	<u>Rs. 197,785,596</u>	<u>Rs. 160,803</u>	<u>Rs. 107,150,690</u>	<u>Rs. 26,407,613</u>	<u>Rs. 64,066,490</u>	

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

(Unit: Korean won in thousands):

Nine months ended September 30, 2014							
	Beginning Balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance	
Land	₩ 475,305,570	₩ 200,035	₩ -	₩ -	₩ -	₩ 475,505,605	
Buildings	193,689,175	496,218	-	2,742,518	7,185,708	189,742,203	
Structures	16,849,781	159,689	1	216,085	1,209,437	16,016,117	
Machinery	99,266,258	138,220	104,846	29,998,243	22,169,412	107,128,463	
Vehicles	1,849,794	160,767	17	(4,731)	381,373	1,624,440	
Tools and molds	201,515,831	1,687,700	3,715	5,957,092	37,763,145	171,393,763	
Equipment	23,779,404	1,627,545	7,276	2,053,232	4,267,585	23,185,320	
Construction in progress	70,917,106	99,833,780	97,166	(39,356,903)	-	131,296,817	
Machinery in transit	862,440	10,545,838	-	(1,608,563)	-	9,799,715	
	<u>₩ 1,084,035,359</u>	<u>₩ 114,849,792</u>	<u>₩ 213,021</u>	<u>₩ (3,027)</u>	<u>₩ 72,976,660</u>	<u>₩ 1,125,692,443</u>	

(*) Depreciation cost of suspended assets' amount of ₩15,327 (Rs. 906 thousand) in thousands is included from the depreciation cost.

Nine months ended September 30, 2013							
	Beginning Balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance	
Land	₩ 469,644,702	₩ 19,360	₩ 154,021	₩ 5,795,529	₩ -	₩ 475,305,570	
Buildings	200,432,599	1,295,223	129,642	467,001	7,021,037	195,044,144	
Structures	17,632,819	90,000	10,351	390,000	1,189,066	16,913,402	
Machinery	111,035,013	3,263,441	128,758	8,898,305	26,686,532	96,381,469	
Vehicles	2,142,715	136,176	63,243	9,000	416,386	1,808,262	
Tools and molds	196,280,439	26,015,204	40,389	37,567,014	48,442,019	211,380,249	
Equipment	16,868,667	8,320,317	14,481	1,189,544	3,302,080	23,061,963	
Construction in progress	37,322,042	50,760,226	109,568	(53,610,487)	-	34,362,213	
Machinery in transit	-	4,059,233	-	(1,282,807)	-	2,776,426	
	<u>₩ 1,051,358,996</u>	<u>₩ 93,959,180</u>	<u>₩ 650,453</u>	<u>₩ (576,901)</u>	<u>₩ 87,057,120</u>	<u>₩ 1,057,033,698</u>	

(*) Depreciation cost of suspended assets' amount of ₩31,119 (Rs. 1,839 thousand) in thousands is included from the depreciation cost.

(Unit: Indian rupee in thousands):

Nine months ended September 30, 2014						
	Beginning					
	Balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 28,090,559	Rs. 11,822	Rs. -	Rs. -	Rs. -	Rs. 28,102,381
Buildings	11,447,030	29,326	-	162,083	424,675	11,213,764
Structures	995,822	9,438	-	12,771	71,478	946,553
Machinery	5,866,636	8,169	6,196	1,772,896	1,310,212	6,331,293
Vehicles	109,323	9,501	1	(280)	22,539	96,004
Tools and molds	11,909,586	99,743	220	352,064	2,231,802	10,129,371
Equipment	1,405,363	96,189	429	121,345	252,215	1,370,253
Construction in progress	4,191,201	5,900,176	5,743	(2,325,993)	-	7,759,641
Machinery in transit	50,970	623,259	-	(95,066)	-	579,163
	<u>Rs. 64,066,490</u>	<u>Rs. 6,787,623</u>	<u>Rs. 12,589</u>	<u>Rs. (180)</u>	<u>Rs. 4,312,921</u>	<u>Rs. 66,528,423</u>

Nine months ended September 30, 2013						
	Beginning					
	Balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 27,756,002	Rs. 1,144	Rs. 9,103	Rs. 342,516	Rs. -	Rs. 28,090,559
Buildings	11,845,567	76,548	7,662	27,600	414,943	11,527,110
Structures	1,042,100	5,319	612	23,049	70,274	999,582
Machinery	6,562,169	192,869	7,610	525,890	1,577,174	5,696,144
Vehicles	126,634	8,048	3,738	532	24,608	106,868
Tools and molds	11,600,174	1,537,499	2,387	2,220,211	2,862,923	12,492,574
Equipment	996,938	491,731	856	70,302	195,154	1,362,961
Construction in progress	2,205,733	2,999,929	6,475	(3,168,380)	-	2,030,807
Machinery in transit	-	239,901	-	(75,814)	-	164,087
	<u>Rs. 62,135,317</u>	<u>Rs. 5,552,988</u>	<u>Rs. 38,443</u>	<u>Rs. (34,094)</u>	<u>Rs. 5,145,076</u>	<u>Rs. 62,470,692</u>

(3) Assets pledged as collateral

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

(Unit: Korean won in thousands):

Assets pledged as Collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 281,318,706	195 billion Korean won
Buildings	150-3 (factory site) and others	60,469,612	
Machinery and others	Pyeongtaek plant production facilities	10,062,118	
		<u>₩ 351,850,436</u>	

(Unit: Indian rupee in thousands):

Assets pledged as Collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 16,625,936	12 billion rupee
Buildings	150-3 (factory site) and others	3,573,754	
Machinery and others	Pyeongtaek plant production facilities	594,671	
		<u>Rs. 20,794,361</u>	

12. INTANGIBLE ASSETS:

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

(Unit: Korean won in thousands):

	September 30, 2014				
	Acquisition Cost	Government Subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,683	₩ -	₩ 12,991,052	₩ -	₩ 1,487,631
Patents	1,575,935	16,537	676,417	22,541	860,440
Other intangible assets	137,405,344	32,980	8,960,257	589,036	127,823,071
	<u>₩ 153,459,962</u>	<u>₩ 49,517</u>	<u>₩ 22,627,726</u>	<u>₩ 611,577</u>	<u>₩ 130,171,142</u>

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

(Unit: Indian rupee in thousands):

	September 30, 2014				
	Acquisition Cost	Government Subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 855,690	Rs. -	Rs. 767,771	Rs. -	Rs. 87,919
Patents	93,138	977	39,976	1,332	50,853
Other intangible assets	8,120,656	1,949	529,552	34,812	7,554,343
	<u>Rs. 9,069,484</u>	<u>Rs. 2,926</u>	<u>Rs. 1,337,299</u>	<u>Rs. 36,144</u>	<u>Rs. 7,693,115</u>

	December 31, 2013				
	Acquisition Cost	Government Subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 855,690	Rs. -	Rs. 553,849	Rs. -	Rs. 301,841
Patents	71,937	343	28,081	-	43,513
Other intangible assets	5,241,732	1,276	256,944	40,590	4,942,922
	<u>Rs. 6,169,359</u>	<u>Rs. 1,619</u>	<u>Rs. 838,874</u>	<u>Rs. 40,590</u>	<u>Rs. 5,288,276</u>

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

(Unit: Korean won in thousands):

	Nine months ended September 30, 2014					
	Beginning balance	Acquisition(*)	Disposal	Depreciation	Impairment loss	Ending balance
Development cost	₩ 5,107,302	₩ -	₩ -	₩ 3,619,671	₩ -	₩ 1,487,631
Patents	736,258	346,955	-	200,232	22,541	860,440
Other intangible assets	83,636,581	49,272,017	587,760	4,595,527	(97,760)	127,823,071
	<u>₩ 89,480,141</u>	<u>₩ 49,618,972</u>	<u>₩ 587,760</u>	<u>₩ 8,415,430</u>	<u>₩ (75,219)</u>	<u>₩ 130,171,142</u>

(*) Of the acquisition amount of other intangible assets, the amount obtained in government subsidy is ₩40,273 (Rs. 2,380 thousand) in thousands.

	Nine months ended September 30, 2013					
	Beginning balance	Acquisition(*)	Depreciation	Impairment loss	Others	Ending balance
Development cost	₩ 47,996,313	₩ 25,536,233	₩ 20,442,051	₩ -	₩(46,776,636)	₩ 6,313,859
Patents	658,066	258,744	173,349	18,252	-	725,209
Other intangible assets(**)	<u>7,868,979</u>	<u>8,221,913</u>	<u>2,085,712</u>	<u>5,194</u>	<u>46,776,636</u>	<u>60,776,622</u>
	<u>₩ 56,523,358</u>	<u>₩ 34,016,890</u>	<u>₩ 22,701,112</u>	<u>₩ 23,446</u>	<u>₩ -</u>	<u>₩ 67,815,690</u>

(*) Of the acquisition amount of other intangible assets, the amount obtained in government subsidy is ₩3,237 (Rs. 191 thousand) in thousands.

(**) It was reclassified to intangible assets in progress from a part of the development expenses of the nature of non-depreciable property during the quarter.

(Unit: Indian rupee in thousands):

	Nine months ended September 30, 2014					
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 301,841	Rs. -	Rs. -	Rs. 213,922	Rs. -	Rs. 87,919
Patents	43,513	20,505	-	11,833	1,332	50,853
Other intangible assets (*)	<u>4,942,922</u>	<u>2,911,976</u>	<u>34,737</u>	<u>271,596</u>	<u>(5,778)</u>	<u>7,554,343</u>
	<u>Rs. 5,288,276</u>	<u>Rs. 2,932,481</u>	<u>Rs. 34,737</u>	<u>Rs. 497,351</u>	<u>Rs. (4,446)</u>	<u>Rs. 7,693,115</u>

(Unit: Indian rupee in thousands):

	Nine months ended September 30, 2013					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Others	Ending balance
Development cost	Rs. 2,836,582	Rs. 1,509,191	Rs. 1,208,125	Rs. -	Rs. (2,764,499)	Rs. 373,149
Patents	38,892	15,292	10,245	1,079	-	42,860
Other intangible assets	<u>465,057</u>	<u>485,916</u>	<u>123,266</u>	<u>307</u>	<u>2,764,499</u>	<u>3,591,899</u>
	<u>Rs. 3,340,531</u>	<u>Rs. 2,010,399</u>	<u>Rs. 1,341,636</u>	<u>Rs. 1,386</u>	<u>Rs. -</u>	<u>Rs. 4,007,908</u>

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

Account	Korean won in thousands		Indian rupee in thousands	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Cost of goods manufactured	₩ 3,347,170	₩ 20,169,551	Rs. 197,817	Rs. 1,192,021
Selling and administrative expenses	<u>5,068,260</u>	<u>2,531,561</u>	<u>299,534</u>	<u>149,615</u>
	<u>₩ 8,415,430</u>	<u>₩ 22,701,112</u>	<u>Rs. 497,351</u>	<u>Rs. 1,341,636</u>

13. BORROWINGS:

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

(Unit: Korean won in thousands):

Creditor	Type	Interest rate (%)	September 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD+2.26	₩ 30,000,000	₩ 30,000,000
Besides BOA	Banker's usance	0.98-1.50	<u>49,423,354</u>	<u>21,608,036</u>
			<u>₩ 79,423,354</u>	<u>₩ 51,608,036</u>

(Unit: Indian rupee in thousands):

Creditor	Type	Interest rate (%)	September 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD+2.26	Rs. 1,773,000	Rs. 1,773,000
Besides BOA	Banker's usance	0.98-1.50	2,920,920	1,277,035
			<u>Rs. 4,693,920</u>	<u>Rs. 3,050,035</u>

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

(Unit: Korean won in thousands):

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

(Unit: Indian rupee in thousands):

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

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

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

14. OTHER FINANCIAL LIABILITIES:

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

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Other current financial liabilities:				
Accrued expenses	₩ 30,487,510	₩ 20,352,993	Rs. 1,801,812	Rs. 1,202,862

15. PROVISION FOR PRODUCT WARRANTIES:

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

(Unit: Korean won in thousands):

	Beginning balance			Ending balance		
	Increase	Decrease	Current	Non-current		
September 30, 2014	₩ 125,479,981	₩ 83,334,216	₩ 75,584,584	₩ 133,229,613	₩ 55,802,895	₩ 77,426,718
December 31, 2013	118,598,929	82,634,200	75,753,148	125,479,981	48,780,982	76,698,999

(Unit: Indian rupee in thousands):

	Beginning balance			Ending balance		
	Increase	Decrease	Current	Non-current		
September 30, 2014	Rs. 7,415,867	Rs. 4,925,052	Rs. 4,467,049	Rs. 7,873,870	Rs. 3,297,951	Rs. 4,575,919
December 31, 2013	7,009,197	4,883,681	4,477,011	7,415,867	2,882,956	4,532,911

16. OTHER LIABILITIES:

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

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Advances from customers	₩ 2,683,470	₩ 5,689,992	Rs. 158,593	Rs. 336,279
Deposits received	1,424,160	1,507,995	84,168	89,123
Withholdings	20,580,221	19,520,134	1,216,293	1,153,639
	<u>₩ 24,687,851</u>	<u>₩ 26,718,121</u>	<u>Rs. 1,459,054</u>	<u>Rs. 1,579,041</u>

17. RETIREMENT BENEFIT OBLIGATION:

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

Classification	Korean won in thousands		Indian rupee in thousands	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 227,356,141	₩ 176,130,156	Rs. 13,436,748	Rs. 10,409,292
Fair value of plan assets	(1,461,698)	(1,474,038)	(86,386)	(87,115)
	<u>₩ 225,894,443</u>	<u>₩ 174,656,118</u>	<u>Rs. 13,350,362</u>	<u>Rs. 10,322,177</u>

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

	Nine months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	₩ 176,130,156	₩ 144,823,054	Rs. 10,409,292	Rs. 8,559,042
Current service cost	25,867,112	22,450,021	1,528,746	1,326,796
Interest cost	5,764,601	4,222,283	340,688	249,537
Previous service costs	25,357,362	-	1,498,620	-
Actuarial gains or losses	98,191	-	5,803	-
Wages paid	(3,840,223)	(4,473,692)	(226,957)	(264,395)
Others	(2,021,058)	-	(119,444)	-
Ending balance	<u>₩ 227,356,141</u>	<u>₩ 167,021,666</u>	<u>Rs. 13,436,748</u>	<u>Rs. 9,870,980</u>

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

	Nine months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	₩ 1,474,038	₩ 1,524,841	Rs. 87,116	Rs. 90,118
Expected return on plan assets	47,374	44,342	2,800	2,620
Actuarial losses	(22,682)	(15,351)	(1,341)	(907)
Wages paid	(37,032)	(68,822)	(2,189)	(4,067)
Ending balance	<u>₩ 1,461,698</u>	<u>₩ 1,485,010</u>	<u>Rs. 86,386</u>	<u>Rs. 87,764</u>

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Discount rate (%)	3.80	4.39
Expected rate of salary increase (%)	5.32	5.32

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

18. CONTINGENCIES AND COMMITMENTS:

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

- (1) The Company carries product liability insurance for all products which it sells.
- (2) As of September 30, 2014, the Company has been providing guarantees from Korea Development Bank, etc., amounting to USD 218 million (amount execution USD 86 million) related to import L/C.
- (3) The following are the major loan arrangements with the financial institutions as of September 30, 2014.

(Unit: Korean won in thousands):

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

(Unit: Indian rupee in thousands):

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

(4) Pending litigations

As of September 30, 2014, the Company has four pending litigations as a plaintiff with claims and 34 pending litigations as a defendant with claims. The Company recognized a contingent liability amounting to ₩40,505,101 thousand (Rs. 2,393,851 thousand), which has a high probability of losing a lawsuit and a reliable estimate can be made as of September 30, 2014. Meanwhile, if the company confirm the dismissal invalid filing of the lawsuit as a defendant, 13 November 2014 from the Supreme Court appeal was remanded after quashing .

19. CAPITAL STOCK:

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

(Unit: Korean won in thousands, except for par value):

<u>Classification</u>	<u>Shares outstanding</u>	<u>Par value</u>	<u>Capital stock</u>
September 30, 2014	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2013	137,220,096	₩ 5,000	₩ 686,100,480

(Unit: Indian rupee in thousands, except for par value):

<u>Classification</u>	<u>Shares outstanding</u>	<u>Par value</u>	<u>Capital stock</u>
September 30, 2014	137,220,096	Rs. 296	Rs. 40,548,538
December 31, 2013	137,220,096	Rs. 296	Rs. 40,548,538

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

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

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

21. OTHER CAPITAL ADJUSTMENTS:

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

(Unit: Korean won in thousands):

Classification		September 30, 2014		December 31, 2013	
Other capital adjustments	Gains on valuation of derivatives	₩	1,404,800	₩	26,833,680
	Losses on valuation of derivatives		(3,278,450)		-
		₩	<u>(1,873,650)</u>	₩	<u>26,833,680</u>

(Unit: Indian rupee in thousands):

Classification		September 30, 2014		December 31, 2013	
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs.	83,024 (193,757)	Rs.	1,585,870 -
		Rs.	<u>(110,733)</u>	Rs.	<u>1,585,870</u>

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

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2014	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2013
Beginning balance	₩ 26,833,680	₩ 18,999,750	Rs. 1,585,870	Rs. 1,122,885
Gains (losses) on valuation of derivatives	(1,873,650)	26,833,680	(110,733)	1,585,870
Reclassified to net income	<u>(26,833,680)</u>	<u>(18,999,750)</u>	<u>(1,585,870)</u>	<u>(1,122,885)</u>
Ending balance	₩ <u>(1,873,650)</u>	₩ <u>26,833,680</u>	Rs. <u>(110,733)</u>	Rs. <u>1,585,870</u>

22. RETAINED EARNINGS:

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

(Unit: Korean won in thousands):

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Retained earnings	₩	12,707,930	₩	47,725,963

(Unit: Indian rupee in thousands)

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Retained earnings	Rs.	751,038	Rs.	2,820,604

(2) Changes in retained earnings for the nine months ended as of September 30, 2014, and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Beginning balance	₩	47,725,963	₩	52,754,371
Loss on appropriated retained earnings		(34,897,160)		(3,778,045)
Actuarial losses		(120,873)		(1,250,363)
Ending balance	₩	<u>12,707,930</u>	₩	<u>47,725,963</u>

(Unit: Indian rupee in thousands):

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Beginning balance	Rs.	2,820,604	Rs.	3,117,783
Loss on appropriated retained earnings		(2,062,422)		(223,282)
Actuarial losses		(7,144)		(73,897)
Ending balance	Rs.	<u>751,038</u>	Rs.	<u>2,820,604</u>

23. INCOME TAX:

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

24. EXPENSES BY CATEGORY:

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

	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>Nine months ended September 30, 2014</u>	<u>Nine months ended September 30, 2013</u>	<u>Nine months ended September 30, 2014</u>	<u>Nine months ended September 30, 2013</u>
Changes in inventories	₩	(3,974,528)	₩	(8,200,914)
Raw materials and merchandise goods used		1,749,847,120		1,709,161,833
Salaries		367,764,439		292,087,681
Depreciation		72,961,333		86,937,563
Amortization		8,415,430		22,701,112
Other		339,190,119		497,351
(*1)	₩	<u>2,534,203,913</u>	₩	<u>2,505,206,587</u>
			Rs.	149,771,452
			Rs.	<u>148,057,709</u>

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

25. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument). Gain on valuation of derivatives for ₩ 1,404,800 thousands (Rs. 83,024 thousands) and loss on valuation of derivatives for ₩ 3,278,450 thousands (Rs. 193,756 thousands) applied to cash flow risk aversion accounting treatment is recognized as other capital components and gain on valuation of derivatives for ₩ 297,180 thousands (Rs. 17,563 thousands) which is an inefficient part is recognized as current income for the year ended September 30, 2014.

26. SELLING AND ADMINISTRATIVE EXPENSES:

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

	Korean won in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Warranty expenses	₩ 18,105,714	₩ 53,955,676	₩ 13,069,797	₩ 47,588,545
Sales commissions	38,655,486	114,546,129	36,201,827	105,771,246
Advertising expenses	3,918,427	12,291,011	5,280,995	15,633,116
Export expenses	13,809,909	49,107,819	15,731,939	56,426,858
Others	8,282,717	24,988,013	9,318,600	29,078,777
	<u>₩ 82,772,253</u>	<u>₩ 254,888,648</u>	<u>₩ 79,603,158</u>	<u>₩ 254,498,542</u>

	Korean won in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Warranty expenses	Rs. 1,070,048	Rs. 3,188,780	Rs. 772,425	Rs. 2,812,483
Sales commissions	2,284,539	6,769,676	2,139,528	6,251,081
Advertising expenses	231,579	726,399	312,107	923,917
Export expenses	816,166	2,902,272	929,758	3,334,827
Others	489,508	1,476,793	550,729	1,718,556
	<u>Rs. 4,891,840</u>	<u>Rs. 15,063,920</u>	<u>Rs. 4,704,547</u>	<u>Rs. 15,040,864</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Salaries	₩ 11,367,676	₩ 35,182,216	₩ 10,873,746	₩ 32,750,036
Postemployment benefits	1,627,654	5,156,385	1,487,436	4,813,309
Employee benefits	3,666,942	9,363,376	2,628,852	7,874,935
Rent expense	2,583,658	7,767,411	2,618,551	7,641,114
Service fees	4,455,039	15,204,537	4,988,370	14,477,172
Depreciation	1,758,131	5,172,046	1,534,222	4,042,967
R&D expenses	4,219,682	15,155,217	880,717	11,486,212
Amortization	1,721,204	5,068,260	1,187,717	2,531,561
Bad debt expense	247,217	252,819	(575,535)	(525,038)
Other administrative expenses	7,911,970	23,818,333	8,844,414	25,189,481
	<u>₩ 39,559,173</u>	<u>₩ 122,140,600</u>	<u>₩ 34,468,490</u>	<u>₩ 110,281,749</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Salaries	Rs. 671,830	Rs. 2,079,269	Rs. 642,638	Rs. 1,935,527
Postemployment benefits	96,194	304,742	87,907	284,467
Employee benefits	216,716	553,376	155,365	465,409
Rent expense	152,694	459,054	154,756	451,590
Service fees	263,293	898,588	294,813	855,601
Depreciation	103,906	305,668	90,673	238,939
R&D expenses	249,383	895,673	52,050	678,835
Amortization	101,723	299,534	70,194	149,615
Bad debt expense	14,611	14,942	(34,014)	(31,030)

Other administrative expenses	467,597	1,407,663	522,705	1,488,698
	<u>Rs. 2,337,947</u>	<u>Rs. 7,218,509</u>	<u>Rs. 2,037,087</u>	<u>Rs. 6,517,651</u>

27.

27. NON-OPERATING INCOME (EXPENSES):

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

	<u>Korean won in thousands</u>		<u>Korean won in thousands</u>	
	<u>Three months ended September 30, 2014</u>	<u>Nine months ended September 30, 2014</u>	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2013</u>
Commission income	₩ 328,148	₩ 1,559,987	₩ 6,726,301	₩ 13,451,753
Gain on foreign currency transactions	3,559,794	8,062,830	3,330,798	10,655,811
Gain on foreign currency translation	142,830	491,844	(557,274)	484,787
Reversal of allowance for doubtful accounts	-	-	(17,282)	9,751
Gain on disposal of property, plant and equipment	1,132,125	1,201,651	176,756	212,211
Gain on disposal of investment assets	599	2,122	-	-
Others	<u>3,059,908</u>	<u>12,186,911</u>	<u>3,308,585</u>	<u>13,406,079</u>
	<u>₩ 8,223,404</u>	<u>₩ 23,505,345</u>	<u>₩ 12,967,884</u>	<u>₩ 38,220,392</u>

	<u>Indian rupee in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>Three months ended September 30, 2014</u>	<u>Nine months ended September 30, 2014</u>	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2013</u>
Commission income	Rs. 19,394	Rs. 92,195	Rs. 397,524	Rs. 794,999
Gain on foreign currency transactions	210,384	476,513	196,850	629,758
Gain on foreign currency translation	8,441	29,068	(32,935)	28,651
Reversal of allowance for doubtful accounts	-	-	(1,021)	576
Gain on disposal of property, plant and equipment	66,909	71,018	10,446	12,542
Gain on disposal of investment assets	35	125	-	-
Others	<u>180,840</u>	<u>720,247</u>	<u>195,538</u>	<u>792,299</u>
	<u>Rs. 486,003</u>	<u>Rs. 1,389,166</u>	<u>Rs. 766,402</u>	<u>Rs. 2,258,825</u>

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

	<u>Korean won in thousands</u>		<u>Korean won in thousands</u>	
	<u>Three months ended September 30, 2014</u>	<u>Nine months ended September 30, 2014</u>	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2013</u>
Loss on foreign currency transactions	₩ 1,651,843	₩ 8,219,865	₩ 4,944,490	₩ 10,237,976
Loss on foreign currency translation	80,224	1,123,231	27,109	1,088,441
Other bad debt expense	(83,690)	(78,163)	13,592	34,889
Non-operating assets and depreciation	4,739	15,327	6,605	31,119
Loss on disposal of property, plant and equipment	6,411	56,623	78,106	281,806
Loss on disposal of investment assets	7	2,912	1,341	6,088
Loss on disposal of trade receivables	2,607,253	10,357,237	3,213,957	8,079,230
Impairment loss on investments	1,841	2,725	6,655	703,554
Impairment loss on intangible assets	5,485	22,541	-	23,446
Impairment loss on investment in subsidiaries	-	-	-	1,192,710

Others	(1,282,143)	30,813,683	2,446,260	14,858,875
	<u>₩ 2,991,970</u>	<u>₩ 50,535,981</u>	<u>₩ 10,738,115</u>	<u>₩ 36,538,134</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Loss on foreign currency transactions	Rs. 97,624	Rs. 485,794	Rs. 292,219	Rs. 605,064
Loss on foreign currency translation	4,741	66,383	1,602	64,327
Other bad debt expense	(4,946)	(4,619)	803	2,062
Non-operating assets and depreciation	280	906	390	1,839
Loss on disposal of property, plant and equipment	379	3,346	4,616	16,655
Loss on disposal of investment assets	-	172	79	360
Loss on disposal of trade receivables	154,089	612,113	189,945	477,482
Impairment loss on investments	109	161	393	41,580
Impairment loss on intangible assets	324	1,332	-	1,386
Impairment loss on investment in subsidiaries	-	-	-	70,489
Others	(75,775)	1,821,088	144,576	878,160
	<u>Rs. 176,825</u>	<u>Rs. 2,986,676</u>	<u>Rs. 634,623</u>	<u>Rs. 2,159,404</u>

28. FINANCIAL INCOME AND COST:

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

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest income	₩ 1,029,155	₩ 4,076,160	₩ 2,142,409	₩ 5,350,893
Dividend income	-	757,077	-	726,318
Gain on foreign currency transactions	2,159,830	4,219,760	1,802,272	4,366,849
Gain on foreign currency translation	279,749	1,196,632	528,221	720,448
Gain on disposal of derivatives	6,584,100	36,491,955	2,233,280	13,757,655
Gain on valuation of derivatives	(173,170)	495,630	(801,314)	2,190,800
Interest income	<u>₩ 9,879,664</u>	<u>₩ 47,237,214</u>	<u>₩ 5,904,868</u>	<u>₩ 27,112,963</u>

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest income	Rs. 60,823	Rs. 240,901	Rs. 126,616	Rs. 316,238
Dividend income	-	44,743	-	42,925
Gain on foreign currency transactions	127,646	249,388	106,514	258,081
Gain on foreign currency translation	16,533	70,721	31,218	42,578
Gain on disposal of derivatives	389,120	2,156,675	131,988	813,078
Gain on valuation of derivatives	(10,234)	29,292	(47,358)	129,476
Interest income	<u>Rs. 583,888</u>	<u>Rs. 2,791,720</u>	<u>Rs. 348,978</u>	<u>Rs. 1,602,376</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest expense	₩ 458,450	₩ 2,100,078	₩ 2,201,160	₩ 6,524,299
Loss on foreign currency transactions	1,226,168	5,756,227	3,667,026	5,291,829
Loss on foreign currency translation	164,962	166,621	(487,848)	352,271
Loss on disposal of derivatives	413,650	413,650	1,712,600	4,276,898
Loss on valuation of derivatives	198,450	198,450	263,295	428,600
	<u>₩ 2,461,680</u>	<u>₩ 8,635,026</u>	<u>₩ 7,356,233</u>	<u>₩ 16,873,897</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest expense	Rs. 27,094	Rs. 124,115	Rs. 130,089	Rs. 385,586
Loss on foreign currency transactions	72,467	340,193	216,721	312,747
Loss on foreign currency translation	9,749	9,847	(28,832)	20,819
Loss on disposal of derivatives	24,447	24,447	101,215	252,765
Loss on valuation of derivatives	11,728	11,728	15,560	25,330
	<u>Rs. 145,485</u>	<u>Rs. 510,330</u>	<u>Rs. 434,753</u>	<u>Rs. 997,247</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Loan and receivables	₩ 1,619,155	₩ 1,469,626	₩ 96,415	₩ 264,499
AFS financial assets	-	757,077	-	6,000
Other financial liabilities	5,798,829	36,375,484	(1,547,780)	9,968,567
	<u>₩ 7,417,984</u>	<u>₩ 38,602,187</u>	<u>₩ (1,451,365)</u>	<u>₩ 10,239,066</u>
	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Loan and receivables	Rs. 95,692	Rs. 86,855	Rs. 5,698	Rs. 15,632
AFS financial assets	-	44,743	-	355
Other financial liabilities	342,711	2,149,792	(91,473)	589,142
	<u>Rs. 438,403</u>	<u>Rs. 2,281,390</u>	<u>Rs. (85,775)</u>	<u>Rs. 605,129</u>

29. INCOME(LOSS) PER SHARE:

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

	Korean won in thousands		Korean won in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net income (loss)	₩ (16,915,385)	₩ (34,897,160)	₩ 511,076	₩ (1,675,749)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(16,915,385)	(34,897,160)	511,076	(1,675,749)
Number of common stocks outstanding	<u>137,198,390</u>	<u>137,198,390</u>	<u>137,198,390</u>	<u>129,693,297</u>
Basic and diluted income (loss) per share(*1)	₩ (123)	₩ (254)	₩ 4	₩ (13)

	Indian rupee in thousands		Indian rupee in thousands	
	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net income (loss)	Rs. (999,698)	Rs. (2,062,422)	Rs. 30,205	Rs. 30,205
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(999,698)	(2,062,422)	30,205	30,205
Number of common stocks outstanding	<u>137,198,390</u>	<u>137,198,390</u>	<u>137,198,390</u>	<u>137,198,390</u>
Basic and diluted income (loss) per share(*1)	Rs. (7)	Rs. (15)	Rs. -	Rs. (1)

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

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

Nine months ended September 30, 2014						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
Common stock	2014-01-01	2014-09-30	137,220,096	137,220,096	273/273	137,220,096
Treasury stock	2014-01-01	2014-09-30	(21,706)	(21,706)	273/273	(21,706)
Total						<u>137,198,390</u>

Nine months ended September 30, 2013						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
Common stock	2013-01-01	2013-04-03	122,674,641	122,674,641	93/273	41,790,262
Treasury stock	2013-04-04	2013-05-21	(21,706)	122,652,935	48/273	21,565,351
Additional share	2013-05-22	2013-06-30	14,545,455	137,198,390	132/273	66,337,684
Total						<u>129,693,297</u>

30. CASH FLOWS FROM OPERATING ACTIVITIES:

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

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
1. Cash flows from operating activities	₩ (61,849,374)	₩ 82,063,058	Rs. (3,655,298)	Rs. 4,849,927
1) Net loss	(34,897,160)	(1,675,749)	(2,062,422)	(99,037)
2) Adjustments	145,820,942	143,636,352	8,618,018	8,488,908
(1) Addition of expenses	154,709,484	154,686,062	9,143,331	9,141,945
Loss on foreign currency translation	1,289,851	1,440,712	76,230	85,146
Loss on disposal of trade receivables	10,357,237	8,079,230	612,113	477,482
Loss on valuation of inventories	2,170,621	-	128,284	-
Loss on valuation of derivatives	198,450	428,600	11,728	25,330
Bad debt expense	252,819	(525,038)	14,942	(31,030)
Other bad debt expense	(78,163)	34,889	(4,619)	2,062
Depreciation	72,961,333	87,026,003	4,312,015	5,143,237
Loss on disposal of investment assets	2,912	6,088	172	360
Loss on disposal of property, plant and equipment	56,623	281,806	3,346	16,655
Impairment loss on investment assets	2,725	703,554	161	41,580
Amortization	8,415,430	22,701,112	497,351	1,341,636
Impairment loss on intangible assets	22,541	23,446	1,332	1,386
Impairment loss on investment in subsidiaries	-	1,192,710	-	70,489
Interest expense	2,100,078	6,524,299	124,115	385,586
Postemployment benefits	31,584,339	26,627,962	1,866,634	1,573,713
Depreciation expenses on assets not in use	15,327	31,119	906	1,839
Others	25,357,361	109,570	1,498,621	6,474
(2) Deduction of revenue	(8,888,542)	(11,049,710)	(525,313)	(653,037)
Gain on foreign currency translation	1,688,475	1,205,235	99,789	71,229
Reversal of allowance for doubtful accounts	-	9,751	-	576
Reversal of loss on valuation of inventories	569,667	1,243,279	33,667	73,478
Reversal of Impairment loss on intangible assets	97,760	-	5,778	-
Interest income	4,076,160	5,350,893	240,901	316,238
Gain on dividends	757,077	726,318	44,743	42,925
Gain on valuation of derivatives	495,630	2,190,800	29,292	129,476
Gain on disposal of investment assets	2,122	-	125	-
Gain on disposal of property, plant and equipment	1,201,651	212,211	71,018	12,542
Others	-	111,223	-	6,573
3) Changes in working capital	(172,773,156)	(59,897,545)	(10,210,894)	(3,539,944)
Decrease (increase) in trade receivables, net	2,706,107	(413,602)	159,931	(24,444)
Decrease (increase) in non-trade receivables, net	12,330,782	(4,112,056)	728,749	(243,023)
Increase in other receivables	(1,000)	-	(59)	-
Decrease in other assets	(8,372,850)	(3,793,947)	(494,835)	(224,222)
Decrease in derivatives	2,150,880	2,503,753	127,117	147,972
Decrease (increase) in inventories	3,444,879	(24,599,087)	203,592	(1,453,806)
Increase in long security	(6,660,142)	(2,988,610)	(393,614)	(176,627)
Decrease in trade payables	(130,963,889)	(6,421,707)	(7,739,966)	(379,523)
Decrease in accrued charges	(60,174,156)	(11,502,491)	(3,556,293)	(679,797)
Increase in other payables	11,025,048	1,715,664	651,580	101,396
Decrease in other liabilities	(2,030,271)	(10,098,107)	(119,989)	(596,798)
Decrease(increase) in current other long-term benefit	(1,346,045)	1,083,425	(79,551)	64,030
Increase in short-term provision of product warranties	7,021,913	5,655,494	414,995	334,240
Decrease in long-term other payables	-	(1,348,164)	-	(79,676)
Increase(decrease) in other long-term benefit	1,171,060	(1,173,240)	69,210	(69,338)
Payment of severance indemnities	(3,803,191)	(4,404,870)	(224,769)	(260,328)
Decrease in long-term provision of product warranties	727,719	-	43,008	-

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
2. Interest received	₩ 5,240,528	₩ 5,131,997	Rs. 309,715	Rs. 303,301
3. Interest paid	(2,990,608)	(6,471,910)	(176,745)	(382,490)
4. Dividends received	757,077	1,100,280	44,743	65,027
Net cash (used in) provided by operating activities	₩ (58,842,377)	₩ 81,823,425	Rs. (3,477,585)	Rs. 4,835,765

31. SEGMENT INFORMATION:

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

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

Sales region	Nine months ended September 30, 2014	
Republic of Korea	₩ 1,450,177,794	Rs. 85,705,508
Europe	516,088,168	30,500,811
Asia Pacific	204,273,047	12,072,537
Others	317,196,193	18,746,294
	₩ 2,487,735,202	Rs. 147,025,150

Sales region	Nine months ended September 30, 2013	
Republic of Korea	₩ 1,323,355,438	Rs. 78,210,306
Europe	638,411,807	37,730,138
Asia Pacific	250,809,819	14,822,860
Others	279,032,451	16,490,818
	₩ 2,491,609,515	Rs. 147,254,122

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

Sales	Nine months ended September 30, 2014	
Automobile	₩ 2,215,971,489	Rs. 130,963,915
Products	257,851,753	15,239,039
Others	13,911,960	822,196
	₩ 2,487,735,202	Rs. 147,025,150

Sales	Nine months ended September 30, 2013	
Automobile	₩ 2,168,581,848	Rs. 128,163,187
Products	309,679,094	18,302,034
Others	13,348,573	788,901
	₩ 2,491,609,515	Rs. 147,254,122

32. RELATED-PARTY TRANSACTIONS:

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

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

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

(Unit: Korean won in thousands):

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Sales and Others	Purchases and Others	Sales and Others	Purchases and Others
Transactions with controlling company	₩ 1,217,100	₩ 1,261,070	₩ 2,560,848	₩ 5,365,512
Transactions with subsidiaries	7,426,868	94,498	6,674,291	-
Transaction with other affiliates	11,003,158	74,660	60,971,430	-

(Unit: Indian rupee in thousands):

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Sales and Others	Purchases and Others	Sales and Others	Purchases and Others
Transactions with controlling company	Rs. 71,931	Rs. 74,529	Rs. 151,346	Rs. 317,102
Transactions with subsidiaries	438,928	5,585	394,451	-
Transaction with other affiliates	650,287	4,412	3,603,412	-

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

(Unit: Korean won in thousands):

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 301,598	₩ 761,788
Payables and others	35,260	96,377,681
Receivables from and payables to subsidiaries:		
Receivables and others	12,296,255	12,977,768
Payables and others	858,381	943,407
Receivables from and payables to affiliates:		
Receivables and others	700,218	466,300
Payables and others	48,725	47,315

(Unit: Indian rupee in thousands):

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 17,824	Rs. 45,022
Payables and others	2,084	5,695,921
Receivables from and payables to subsidiaries:		
Receivables and others	726,709	766,986
Payables and others	50,730	55,755
Receivables from and payables to affiliates:		
Receivables and others	41,383	27,558
Payables and others	2,880	2,796

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

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

	Korean won in thousands		Indian rupee in thousands	
	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Short-term employee benefits	₩ 630,724	₩ 499,726	Rs. 37,276	Rs. 29,534
Postemployment benefits	29,686	3,450	1,754	204

33. FINANCIAL INSTRUMENTS:

(1) Capital risk management

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

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the separate financial statements.

The Company is not subject to externally enforced capital regulation.

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

(Unit: Korean won in thousands):

	September 30, 2014		December 31, 2013	
Debt (A)	₩ 1,047,090,592	₩ 1,233,769,275		
Equity (B)	826,318,162	890,043,525		
Debt ratio (A/ B)	126.72%	138.62%		

(Unit: Indian rupee in thousands):

	September 30, 2014		December 31, 2013	
Debt (A)	Rs. 61,883,056	Rs. 72,915,766		
Equity (B)	48,835,402	52,601,571		
Debt ratio (A/ B)	126.72%	138.62%		

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

1) Financial assets

(Unit: Korean won in thousands):

Financial assets	September 30, 2014				
	Loans and Receivables	AFS financial Assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 69,222,869	₩ -	₩ -	₩ 69,222,869	₩ 69,222,869
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	252,443,296	-	-	252,443,296	252,443,296
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	1,590,500	1,590,500	1,590,500
	₩ 321,672,165	₩ 560,000	₩ 1,590,500	₩ 323,822,665	₩ 323,822,665

September 30, 2013					
Financial assets	Loans and Receivables	AFS financial Assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 359,712,082	₩ -	₩ -	₩ 359,712,082	₩ 359,712,082
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	270,631,929	-	-	270,631,929	270,631,929
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	28,984,560	28,984,560	28,984,560
	<u>₩ 630,350,011</u>	<u>₩ 560,000</u>	<u>₩ 28,984,560</u>	<u>₩ 659,894,571</u>	<u>₩ 659,894,571</u>

(Unit: Indian rupee in thousands):

September 30, 2014					
Financial assets	Loans and Receivables	AFS financial Assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 4,091,072	Rs. -	Rs. -	Rs. 4,091,072	Rs. 4,091,072
Long-term financial instruments	355	-	-	355	355
Trade receivables and other receivables	14,919,399	-	-	14,919,399	14,919,399
Long-term AFS financial assets	-	33,096	-	33,096	33,096
Derivative assets	-	-	93,999	93,999	93,999
	<u>Rs. 19,010,826</u>	<u>Rs. 33,096</u>	<u>Rs. 93,999</u>	<u>Rs. 19,137,921</u>	<u>Rs. 19,137,921</u>

September 30, 2013					
Financial assets	Loans and Receivables	AFS financial Assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 21,258,984	Rs. -	Rs. -	Rs. 21,258,984	Rs. 21,258,984
Long-term financial instruments	355	-	-	355	355
Trade receivables and other receivables	15,994,347	-	-	15,994,347	15,994,347
Long-term AFS financial assets	-	33,096	-	33,096	33,096
Derivative assets	-	-	1,712,988	1,712,988	1,712,987
	<u>Rs. 37,253,686</u>	<u>Rs. 33,096</u>	<u>Rs. 1,712,988</u>	<u>Rs. 38,999,770</u>	<u>Rs. 38,999,769</u>

2) Financial liabilities

	Financial liabilities measured at amortized cost			
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(Korean won in thousands)		(Indian rupee in thousands)	
Trade payables and other payables	₩ 564,581,730	₩ 743,620,638	Rs. 33,366,780	Rs. 43,947,980
Debt	79,423,354	147,012,801	4,693,920	8,688,457
Derivative liabilities	3,166,970	-	187,168	-
Total	<u>₩ 647,172,053</u>	<u>₩ 890,633,439</u>	<u>Rs. 38,247,868</u>	<u>Rs. 52,636,437</u>

(3) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

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

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

(Unit: Korean won in thousands):

Currency	Korean won in thousands		Indian rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 6,975,293	₩ (6,975,293)	Rs. 412,240	Rs. (412,240)
EUR	(1,515,549)	1,515,549	(89,569)	89,569
JPY	(1,307,980)	1,307,980	(77,302)	77,302
Others	52,361	(52,361)	3,095	(3,095)
	<u>₩ 4,204,125</u>	<u>₩ (4,204,125)</u>	<u>Rs. 248,464</u>	<u>Rs. (248,464)</u>

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to ₩28,707,330 thousand (Rs. 1,696,603 thousand), and this amount will be reclassified as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months at the latest starting from the end of current period.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease/increase ₩112,192 thousand (Rs. 6,631 thousand) for the year ended September 30, 2014, due to floating rate debt's interest rate risk.

2) Credit risk

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

As of September 30, 2014, and December 31, 2013, book value of financial assets represents the maximum exposed amounts of credit risk maintained by the Company.

3) Liquidity risk

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

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

(Unit: Korean won in thousands):

	September 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	₩ 324,953,035	₩ -	₩ 324,953,035
Non-trade payables	207,315,283	-	207,315,283
Short-term borrowings	79,794,631	-	79,794,631
Derivative liabilities	3,166,970	-	3,166,970
Other payables	30,487,510	-	30,487,510
Long-term other payables	-	1,825,901	1,825,901
	<u>₩ 645,717,429</u>	<u>₩ 1,825,901</u>	<u>₩ 647,543,330</u>

	December 30, 2013		
	Within a year	More than 1 year	Total
Trade payables	₩ 455,995,938	₩ -	₩ 455,995,938
Non-trade payables	247,048,242	-	247,048,242
Short-term borrowings	51,971,981	-	51,971,981
Derivative liabilities	20,352,993	-	20,352,993
Other payables	-	20,223,465	20,223,465
Long-term other payables	96,136,637	-	96,136,637
	<u>₩ 871,505,791</u>	<u>₩ 20,223,465</u>	<u>₩ 891,729,256</u>

(Unit: Indian rupee in thousands):

	September 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 9,204,724	Rs. -	Rs. 19,204,724
Non-trade payables	12,252,333	-	12,252,333
Short-term borrowings	4,715,863	-	4,715,863
Derivative liabilities	187,168	-	187,168
Other payables	1,801,812	-	1,801,812
Long-term other payables	-	107,911	107,911
	<u>Rs. 38,161,900</u>	<u>Rs. 107,911</u>	<u>Rs. 38,269,811</u>

	December 30, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 26,949,360	Rs. -	Rs. 26,949,360
Non-trade payables	14,600,551	-	14,600,551
Short-term borrowings	3,071,544	-	3,071,544
Other payables	1,202,862	-	1,202,862
Long-term other payables	-	1,195,207	1,195,207
Bonds	5,681,675	-	5,681,675
	<u>Rs. 51,505,992</u>	<u>Rs. 1,195,207</u>	<u>Rs. 52,701,199</u>

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

(Unit: Korean won in thousands):

		September 30, 2014	December 31, 2013
Borrowing limit commitments	Used	₩ 30,000,000	₩ 30,000,000
	Unused	-	-
Total		<u>₩ 30,000,000</u>	<u>₩ 30,000,000</u>

(Unit: Indian rupee in thousands):

		September 30, 2014	December 31, 2013
Borrowing limit commitments	Used	Rs. 1,773,000	Rs. 1,773,000
	Unused	-	-
Total		<u>Rs. 1,773,000</u>	<u>Rs. 1,773,000</u>

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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

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

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

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

Level 3 Inputs that are not based on observable market data

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

(Unit: Korean won in thousands):

Type	September 30, 2014			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 1,590,500	₩ -	₩ 1,590,500
Derivative liabilities designated to hedge item	-	3,166,970	-	3,166,970

Type	September 30, 2014			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 28,984,560	₩ -	₩ 28,984,560

(Unit: Indian rupee in thousands):

Type	September 30, 2014			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 93,999	Rs. -	Rs. 93,999
Derivative liabilities designated to hedge item	-	187,168	-	187,168

Type	September 30, 2014			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 1,712,988	Rs. -	Rs. 1,712,988

*