

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE ENDED MARCH 31, 2013 AND 2012
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Auditors' 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 consolidated interim financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the consolidated statement of financial position as of March 31, 2013, and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statement of cash flows, all expressed in Korean won, for the three months ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated 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 consolidated interim financial statements based on our review.

We conducted our review in accordance with standards for review of consolidated 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 consolidated 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 consolidated statement of financial position as of December 31, 2012 and the related consolidated statements of operations, retained earnings, and cash flows on March 11, 2013 as fairly state. There is no difference in terms of importance between comparative purposed consolidated financial position on December 31, 2012 and current financial position.



May 21, 2013

Notice to Readers

This report is effective as of May 21, 2013, 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 consolidated interim financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

	Korean Won		Indian- Rupee	
	March 31 , 2013	December 31, 2012	March 31 , 2013	December 31 , 2012
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 34)	₩ 309,860,836	₩ 203,666,542	Rs. 15,245,153	Rs. 10,020,394
Trade and other receivables, net (Notes 7, 32 and 34)	208,066,572	210,295,481	10,236,875	10,346,538
Derivatives assets (Notes 25 and 34)	6,699,260	21,503,503	329,604	1,057,972
Inventories, net (Notes 8 and 24)	289,743,627	269,034,085	14,255,386	13,236,477
Other current assets (Note 10)	<u>7,653,372</u>	<u>6,773,225</u>	<u>376,546</u>	<u>333,243</u>
Total current assets	<u>822,023,667</u>	<u>711,272,836</u>	<u>40,443,564</u>	<u>34,994,624</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 34)	6,000	6,000	295	295
Non-current available-for-sale financial assets (Notes 6 and 34)	560,000	560,000	27,552	27,552
Non-current other receivables, net (Notes 7 and 34)	32,692,198	30,178,703	1,608,456	1,484,792
Property, plant and equipment, net (Note 11)	1,045,810,113	1,051,401,751	51,453,858	51,728,966
Intangible assets (Note 12)	55,481,834	56,615,012	2,729,706	2,785,459
Deferred income tax assets (Note 23)	63,634	95,525	3,131	4,700
Other non-current assets (Note 10)	<u>356,840</u>	<u>360,542</u>	<u>17,557</u>	<u>17,739</u>
Total non-current assets	<u>1,134,970,619</u>	<u>1,139,217,533</u>	<u>55,840,555</u>	<u>56,049,503</u>
TOTAL ASSETS	<u>1,956,994,286</u>	<u>1,850,490,369</u>	<u>96,284,119</u>	<u>91,044,127</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 18, 32, 33 and 34)	686,429,293	563,890,036	33,772,321	27,743,390
Short-term borrowings (Notes 13,18 and 34)	44,056,948	30,000,000	2,167,602	1,476,000
Derivatives liabilities (Notes 25 and 34)	4,882,590	-	240,223	-
Provision for product warranties (Note 15)	45,719,819	46,214,861	2,249,415	2,273,771
Long-term employee benefits obligation	768,760	1,174,370	37,823	57,779
Other current liabilities (Notes 14,16 and 34)	<u>38,346,109</u>	<u>47,542,060</u>	<u>1,886,629</u>	<u>2,339,069</u>
Total current liabilities	<u>₩ 820,203,519</u>	<u>₩ 688,821,327</u>	<u>Rs. 40,354,013</u>	<u>Rs. 33,890,009</u>

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

	Korean won		Indian- Rupee	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debentures (Notes 13 and 34)	₩ 95,404,765	₩ 95,404,765	Rs. 4,693,914	Rs. 4,693,914
Other non-current payables(Note 34)	33,163,308	37,985,892	1,631,635	1,868,906
Retirement benefit obligation (Note 17)	150,024,132	143,298,213	7,381,187	7,050,272
Other long-term employee benefits obligation	12,267,559	11,933,388	603,564	587,123
Provision for long-term product warranties (Note 15)	<u>73,821,911</u>	<u>72,384,068</u>	<u>3,632,038</u>	<u>3,561,296</u>
Total non-current liabilities	<u>364,681,675</u>	<u>361,006,326</u>	<u>17,942,338</u>	<u>17,761,511</u>
TOTAL LIABILITIES	<u>1,184,885,194</u>	<u>1,049,827,653</u>	<u>58,296,351</u>	<u>51,651,520</u>
SHAREHOLDERS' EQUITY:				
Total shareholders' equity	772,109,092	800,662,716	37,987,768	39,392,607
Capital stock (Note 19)	613,373,205	613,373,205	30,177,962	30,177,962
Other capital surplus (Note 20)	122,584,976	122,584,976	6,031,181	6,031,181
Other capital adjustments(Notes 21 and 25)	526,673	19,862,240	25,912	977,222
Retained earnings (accumulated deficit) (Note 22)	<u>35,624,238</u>	<u>44,842,295</u>	<u>1,752,713</u>	<u>2,206,242</u>
Non-controlling interests	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	<u>772,109,092</u>	<u>800,662,716</u>	<u>37,987,768</u>	<u>39,392,607</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,956,994,286</u>	<u>₩ 1,850,490,369</u>	<u>Rs. 96,284,119</u>	<u>Rs. 91,044,127</u>

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	<u>Korean won</u>		<u>Indian- Rupee</u>	
	<u>Three month ended March 31, 2013</u>	<u>Three month ended March 31, 2012</u>	<u>Three month ended March 31, 2013</u>	<u>Three month ended March 31, 2012</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31, 32 and 33)	₩ 753,583,669	₩ 646,499,077	Rs. 37,076,317	Rs. 31,807,755
COST OF SALES (Notes 24, 32 and 33)	<u>650,326,206</u>	<u>571,128,808</u>	<u>31,996,049</u>	<u>28,099,537</u>
GROSS PROFIT	103,257,463	75,370,269	5,080,268	3,708,218
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>121,292,294</u>	<u>104,841,544</u>	<u>5,967,581</u>	<u>5,158,204</u>
OPERATING LOSS	(18,034,831)	(29,471,275)	(887,313)	(1,449,986)
NON-OPERATING INCOME (Note 27)	13,610,561	6,325,953	669,640	311,237
NON-OPERATING EXPENSES (Note 27)	12,608,125	8,825,954	620,320	434,237
FINANCIAL INCOME (Note 28)	11,082,126	4,498,373	545,241	221,320
FINANCIAL COST (Note 28)	<u>3,231,523</u>	<u>3,401,973</u>	<u>158,991</u>	<u>167,377</u>
LOSS BEFORE INCOME TAX	(9,181,792)	(30,874,876)	(451,743)	(1,519,043)
INCOME TAX EXPENSE (Note 23)	<u>32,625</u>	<u>44,109</u>	<u>1,605</u>	<u>2,170</u>
NET LOSS	(9,214,417)	(30,918,985)	(453,348)	(1,521,213)
Owners of the Company	(9,214,417)	(30,918,985)	(453,348)	(1,521,213)
Non-controlling interests	-	-	-	-
OTHER COMPREHENSIVE LOSS	<u>(19,339,208)</u>	<u>(2,720,738)</u>	<u>(951,489)</u>	<u>(133,860)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ (28,553,625)</u>	<u>₩ (33,639,723)</u>	<u>Rs. (1,404,837)</u>	<u>Rs. (1,655,073)</u>
Owners of the Company	(28,553,625)	(33,639,723)	(1,404,837)	(1,655,073)
Non-controlling interests	-	-	-	-
LOSS PER SHARE (Note 29)				
Basic and diluted loss per share	₩ (75)	₩ (254)	Rs. (4)	Rs. (12)

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Korean won in thousands								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
	(In thousands)								
Balance at January 1, 2012	609,809,205	4,213,878	120,351,580	-	931,508	-	1,093,152	169,663,313	906,062,636
Net loss	-	-	-	-	-	-	-	(30,918,985)	(30,918,985)
Actuarial losses	-	-	-	-	-	-	-	(883)	(883)
Gains on valuation of derivatives	-	-	-	-	-	-	(2,592,060)	-	(2,592,060)
Overseas operations translation credit	-	-	-	-	-	-	(127,795)	-	(127,795)
Balance at March 31, 2012	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ -</u>	<u>₩ (1,626,703)</u>	<u>₩ 138,743,445</u>	<u>₩ 872,422,913</u>
Balance at January 1, 2013	613,373,205	4,545,756	120,351,580	-	931,508	(3,243,868)	19,862,240	44,842,295	800,662,716
Net loss	-	-	-	-	-	-	-	(9,214,417)	(9,214,417)
Actuarial losses	-	-	-	-	-	-	-	(3,640)	(3,640)
Gains on valuation of derivatives	-	-	-	-	-	-	(19,459,250)	-	(19,459,250)
Overseas operations translation credit	-	-	-	-	-	-	123,683	-	123,683
Balance at March 31, 2013	<u>₩ 613,373,205</u>	<u>₩ 4,545,756</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ (3,243,868)</u>	<u>₩ 526,673</u>	<u>₩ 35,624,238</u>	<u>₩ 772,109,092</u>

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SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Indian-Rupee in thousands								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus Consideration for conversion rights	Debt to be swapped for equity	Other capital surplus (In thousands)	Other capital adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2012	30,002,613	207,323	5,921,298	-	45,830	-	53,783	8,347,435	44,578,282
Net loss	-	-	-	-	-	-	-	(1,521,214)	(1,521,214)
Actuarial losses	-	-	-	-	-	-	-	(43)	(43)
Gains on valuation of derivatives	-	-	-	-	-	-	(127,529)	-	(127,529)
Overseas operations translation credit	-	-	-	-	-	-	(6,288)	-	(6,288)
Balance at March 31, 2012,	<u>Rs. 30,002,613</u>	<u>Rs. 207,323</u>	<u>Rs. 5,921,298</u>	<u>Rs. -</u>	<u>Rs. 45,830</u>	<u>Rs. -</u>	<u>Rs. (80,034)</u>	<u>Rs. 6,826,178</u>	<u>Rs. 42,923,208</u>
Balance at January 1, 2013	30,177,962	223,651	5,921,298	-	45,830	(159,598)	977,222	2,206,242	39,392,607
Net loss	-	-	-	-	-	-	-	(453,348)	(453,348)
Actuarial losses	-	-	-	-	-	-	-	(181)	(181)
Gains on valuation of derivatives	-	-	-	-	-	-	(957,395)	-	(957,395)
Overseas operations translation credit	-	-	-	-	-	-	6,085	-	6,085
Balance at March 31, 2013,	<u>Rs. 30,177,962</u>	<u>Rs. 223,651</u>	<u>Rs. 5,921,298</u>	<u>Rs. -</u>	<u>Rs. 45,830</u>	<u>Rs. (159,598)</u>	<u>Rs. 25,912</u>	<u>Rs. 1,752,713</u>	<u>Rs. 37,987,768</u>

(*) Non-controlling interests are not shown separately because the company doesn't have non-controlling interests

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Korean won		Indian-Rupee	
	Three month ended	Three month ended	Three month ended	Three month ended
	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (9,214,417)	₩ (30,918,985)	Rs. (453,348)	Rs. (1,521,213)
Adjustment (Note 30)	47,375,623	43,506,933	2,330,880	2,140,540
Changes in net working capital (Note 30)	<u>85,105,717</u>	<u>59,003,394</u>	<u>4,187,201</u>	<u>2,902,967</u>
	123,266,923	71,591,342	6,064,733	3,522,294
Interests received	1,675,947	1,628,094	82,457	80,102
Interests paid	(2,150,157)	(2,303,746)	(105,788)	(113,344)
Dividend income received	6,000	71,900	295	3,537
Corporate income tax	-	(10,144)	-	(499)
Net cash provided by operating activities	<u>122,798,713</u>	<u>70,977,446</u>	<u>6,041,697</u>	<u>3,492,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in other receivables	894,415	973,317	44,005	47,887
Disposal of property, plant and equipment	11,731	12,140	577	597
Decrease in other assets	-	<u>2,535</u>	-	<u>125</u>
	906,146	987,992	44,582	48,609
Cash outflows from investing activities:				
Increase in other receivables	1,380,000	240,000	67,896	11,808
Acquisition of property, plant and equipment	22,551,178	26,743,929	1,109,518	1,315,801
Acquisition of intangible assets	<u>7,799,287</u>	<u>2,770,715</u>	<u>383,725</u>	<u>136,319</u>
	(31,730,465)	(29,754,644)	(1,561,139)	(1,463,928)
Net cash (used in) provided by investing activities	<u>(30,824,319)</u>	<u>(28,766,652)</u>	<u>(1,516,557)</u>	<u>(1,415,319)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	<u>14,073,387</u>	-	<u>692,411</u>	-
	14,073,387	-	692,411	-

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	<u>Korean Won</u>		<u>Indian-Rupee</u>	
	<u>Three month ended</u> <u>March 31, 2013</u>	<u>Three month ended</u> <u>March 31, 2012</u>	<u>Three month ended</u> <u>March 31, 2013</u>	<u>Three month ended</u> <u>March 31, 2012</u>
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ -	₩ 10,306,290	Rs. -	Rs. 507,069
	-	(10,306,290)	-	(507,069)
Net cash provided by (used in) financing activities	<u>14,073,387</u>	<u>(10,306,290)</u>	<u>692,411</u>	<u>(507,069)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>146,513</u>	<u>(7,580)</u>	<u>7,208</u>	<u>(373)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,194,294	31,896,924	5,224,759	1,569,329
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>203,666,542</u>	<u>208,521,613</u>	<u>10,020,394</u>	<u>10,259,263</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 309,860,836</u>	<u>₩ 240,418,537</u>	<u>Rs. 15,245,153</u>	<u>Rs. 11,828,592</u>

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

1. GENERAL:

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

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

(2) Major shareholders

The Company’s shareholders as of March 31, 2013 are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	69.63
Others	37,255,594	30.37
	<u>122,674,641</u>	<u>100.00</u>

2. SIGNIFICANT ACCOUNTING POLICIES:

The company’s summarized consolidated interim financial statement, its period belong to annual financial report, adopts Korean International Reporting Standards (“K-IFRS”) 1034. The audited consolidated financial statement, December 31, 2012 is used to understand the consolidated interim financial statement.

The account policy is identified with the audited financial statement of December 31, 2012 except for the account policy explained as follow.

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

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have impact on presentation of financial statement but not the Company’s financial position and business performance. The amendments do not have impact on interim financial statement.

Amendments to K-IFRS 1019 – Employee Benefits

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of K-IFRS 1019. And, after expected return of plan assets is measured using discount rate instead of expected return rate, it is shown to be included in net interest expense of retirement benefit obligation. On the other hand, past service costs not earned is immediately recognized as expense in the early day of when revision or reduction of the system occurs and when related restructuring cost or dismissal allowance is recognized. The amendments have been applied prospectively, and do not have impact on interim financial statement.

Amendments to K-IFRS 1107 – Financial Instruments: Disclosures

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The amendments do not have impact on interim financial statement.

K-IFRS 1110 – Consolidated Financial Statements

The amendments to K-IFRS 1110 include a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. The amendments do not have impact on interim financial statement.

K-IFRS 1111 Joint Arrangement

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under K-IFRS 1111, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Group is a joint ventures, the Group is to account for that investment using the equity method accounting. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is in the process of evaluating the impact on the consolidated financial statements upon the adoption of amendments.

K-IFRS 1112 Disclosure of Interest in Other Entities

K-IFRS 1112 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is reviewing the impact of the application of this standard on the consolidated financial statements.

Amendments to K-IFRS 1113 Fair Value Measurement

The amendments to K-IFRS 1113 establish a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The amendments to K-IFRS 1113 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions.

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

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

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Company's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014. The Company is in the process of evaluating the impact on the financial statements upon the adoption of amendments.

3. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS:

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

(1) Provision for product warranties

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

(2) Retirement benefit obligation

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

4. CASH AND CASH EQUIVALENTS:

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

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

	Financial institution	March 31, 2013	December 31, 2012	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 1,039,928	₩ 1,084,501	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	14,901,384	14,848,647	
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 15,947,312</u>	<u>₩ 15,939,148</u>	

(Unit: Indian-Rupee in thousands):

	Financial institution	March 31, 2013	December 31, 2012	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 51,164	Rs. 53,357	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	733,148	730,553	
Long-term financial instruments	Shinhan Bank and others	295	295	Overdraft deposit
		<u>Rs. 784,607</u>	<u>Rs. 784,205</u>	

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

The Company's long-term available-for-sale financial assets as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Classification	Ownership (%)	March 31, 2013		December 31 2012	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 663,208	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	397,841	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,061,049</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	March 31, 2013		December 31 2012	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 24,600	Rs. 32,630	Rs. 24,600	Rs. 24,600
Korea Management Consultants Association (*)	1.50%	2,952	19,574	2,952	2,952
		<u>Rs. 27,552</u>	<u>Rs. 52,204</u>	<u>Rs. 27,552</u>	<u>Rs. 27,552</u>

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

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from March 31, 2013 and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

(1) Details of current portion of trade and other receivables as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Financial liabilities	March 31, 2013			
	Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 180,786,196	₩ 26,188,204	₩ 2,943,727	₩ 32,862,644
Less: Allowance for doubtful accounts	(946,058)	(905,167)	(330)	(170,446)
	<u>₩ 179,840,138</u>	<u>₩ 25,283,037</u>	<u>₩ 2,943,397</u>	<u>₩ 32,692,198</u>
Financial liabilities	December 31, 2012			
	Trade Receivables	Trade Receivables	Trade Receivables	Trade Receivables
Receivables – general	₩ 188,518,518	₩ 20,733,944	₩ 3,070,484	₩ 30,348,635
Less: Allowance for doubtful accounts	(1,061,540)	(965,595)	(330)	(169,932)
	<u>₩ 187,456,978</u>	<u>₩ 19,768,349</u>	<u>₩ 3,070,154</u>	<u>₩ 30,178,703</u>

(Unit: Indian-Rupee in thousands):

		March 31, 2013			
<u>Financial liabilities</u>		<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>
Receivables – general	Rs.	8,894,681	Rs. 1,288,460	Rs. 144,831	Rs. 1,616,842
Less: Allowance for doubtful accounts		(46,546)	(44,534)	(16)	(8,386)
	Rs.	<u>8,848,135</u>	<u>Rs. 1,243,926</u>	<u>Rs. 144,815</u>	<u>Rs. 1,608,456</u>

		December 31, 2012			
<u>Financial liabilities</u>		<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>
Receivables – general	Rs.	9,275,111	Rs. 1,020,110	Rs. 151,068	Rs. 1,493,153
Less: Allowance for doubtful accounts		(52,228)	(47,507)	(16)	(8,361)
	Rs.	<u>9,222,883</u>	<u>Rs. 972,603</u>	<u>Rs. 151,052</u>	<u>Rs. 1,484,792</u>

(2) Credit risk and allowance for doubtful accounts

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

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

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

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

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

		March 31, 2013			
<u>Classification</u>		<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Trade receivables	₩	1,399,271	₩ -	₩ -	₩ 1,399,271
Non-trade receivables		12,639,825	117,482	133,872	12,891,179
Other long-term receivables		-	-	103,250	103,250
	₩	<u>14,039,096</u>	<u>₩ 117,482</u>	<u>₩ 237,122</u>	<u>₩ 14,393,700</u>

		December 31, 2012			
<u>Classification</u>		<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Trade receivables	₩	95,523	₩ 49,809	₩ -	₩ 145,332
Non-trade receivables		709,374	84,764	20,367	814,505
Other long-term receivables		-	-	103,250	103,250
	₩	<u>804,897</u>	<u>₩ 134,573</u>	<u>₩ 123,617</u>	<u>₩ 1,063,087</u>

(Unit: Indian-Rupee in thousands):

Classification	March 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 68,844	Rs. -	Rs. -	Rs. 68,844
Non-trade receivables	621,879	5,780	6,587	634,246
Other long-term receivables	-	-	5,080	5,080
	<u>Rs. 690,723</u>	<u>Rs. 5,780</u>	<u>Rs. 11,667</u>	<u>Rs. 708,170</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 4,700	Rs. 2,451	Rs. -	Rs. 7,151
Non-trade receivables	34,901	4,170	1,002	40,073
Non-trade receivables	-	-	5,080	5,080
	<u>Rs. 39,601</u>	<u>Rs. 6,621</u>	<u>Rs. 6,082</u>	<u>Rs. 52,304</u>

Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue but are impaired as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

Classification	March 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 966,124	₩ 966,124
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,010,374</u>	<u>₩ 1,010,374</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 961,182	₩ 961,182
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,005,432</u>	<u>₩ 1,005,432</u>

(Unit: Indian-Rupee in thousands):

Classification	March 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 47,533	Rs. 47,533
Other long-term receivables	-	-	2,177	2,177
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 49,710</u>	<u>Rs. 49,710</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 47,290	Rs. 47,290
Other long-term receivables	-	-	2,177	2,177
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 49,467</u>	<u>Rs. 49,467</u>

(3) Changes in allowance for trade and other receivables for the three months ended March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

Classification	Three months ended March 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	-	-	-	559
Write-offs	-	-	-	-
Reversal of allowance	(115,482)	(60,428)	-	(45)
Ending balance	<u>₩ 946,058</u>	<u>₩ 905,167</u>	<u>₩ 330</u>	<u>₩ 170,446</u>

Three months ended December 31, 2012

Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 1,193,267	₹ 2,019,821	₹ 1,394	₹ 403,223
Bad debt expense	-	-	-	44,296
Write-offs	-	(713,991)	-	-
Reversal of allowance	(131,727)	(340,235)	(1,064)	(277,587)
Ending balance	₹ 1,061,540	₹ 965,595	₹ 330	₹ 169,932

(Unit: Indian-Rupee in thousands):

Three months ended March 31, 2013

Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 52,228	₹ 47,507	₹ 16	₹ 8,361
Bad debt expense	-	-	-	28
Write-offs	-	-	-	-
Reversal of allowance	(5,682)	(2,973)	-	(2)
Ending balance	₹ 46,546	₹ 44,534	₹ 16	₹ 8,387

Three months ended December 31, 2012

Classification	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 58,709	₹ 99,375	₹ 69	₹ 19,839
Bad debt expense	-	-	-	2,179
Write-offs	-	(35,128)	-	-
Reversal of allowance	(6,481)	(16,740)	(52)	(13,657)
Ending balance	₹ 52,228	₹ 47,507	₹ 17	₹ 8,361

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

8. INVENTORIES:

Details of the inventories as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

	March 31, 2013			December 31, 2012		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 55,945,602	₩ (2,800,026)	₩ 53,145,576	₩ 57,582,379	₩ (2,811,165)	₩ 54,771,214
Finished goods	59,095,898	(3,837,736)	55,258,162	34,719,883	(3,838,867)	30,881,016
Work-in-process	25,513,525	(1,390,433)	24,123,092	22,463,203	(1,104,219)	21,358,984
Raw materials	85,406,177	(5,949,429)	79,456,748	92,839,435	(5,924,609)	86,914,826
Sub-materials	5,500,170	-	5,500,170	6,282,422	-	6,282,422
Supplies	4,639,709	(2,212)	4,637,497	4,642,578	(2,212)	4,640,366
Goods in transit	67,622,382	-	67,622,382	64,185,257	-	64,185,257
Total	₩ 303,723,463	₩ (13,979,836)	₩ 289,743,627	₩ 282,715,157	₩ (13,681,072)	₩ 269,034,085

(Unit: Indian-Rupee in thousands):

	March 31, 2013			December 31, 2012		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,752,524	Rs. (137,761)	Rs. 2,614,763	Rs. 2,833,053	Rs. (138,309)	Rs. 2,694,744
Finished goods	2,907,518	(188,817)	2,718,701	1,708,218	(188,872)	1,519,346
Work-in-process	1,255,265	(68,409)	1,186,856	1,105,190	(54,328)	1,050,862
Raw materials	4,201,984	(292,712)	3,909,272	4,567,700	(291,491)	4,276,209
Sub-materials	270,608	-	270,608	309,095	-	309,095
Supplies	228,274	(109)	228,165	228,415	(109)	228,306
Goods in transit	<u>3,327,021</u>	<u>-</u>	<u>3,327,021</u>	<u>3,157,915</u>	<u>-</u>	<u>3,157,915</u>
Total	<u>Rs. 14,943,194</u>	<u>Rs. (687,808)</u>	<u>Rs. 14,255,386</u>	<u>Rs. 13,909,586</u>	<u>Rs. (673,109)</u>	<u>Rs. 13,236,477</u>

The company is using the “lower of cost or market method” on the balance sheet in the case of inventories’ market value decrease under the acquisition cost. On the other hand, losses on valuation of inventories which was added to “cost of sales” on current period due to the application of “lower of cost or market method” is ₩255,666 thousands(Rs 12,579 thousands).

9. CONSOLIDATED SUBSIDIARIES:

(1) Detail of investments in subsidiaries

Details of investment in securities accounted for using equity method as of March 31, 2013 are as follows:

Name of subsidiary	Location	Ownership %	Closing Month	Industry
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	December	Auto part production & Sales
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.00	December	Car Sales
Ssangyong European Parts Center B.V.	Netherland	100.00	December	A/S & Sales

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries as of and for the years ended March 31, 2013 and December 31, 2012 is as follows:

< March 31, 2013 >

(Unit: Korean Won in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 2,064,023	₩ -	₩ 2,064,023	₩ -
Ssangyong Motor (Shanghai) Co., Ltd.	1,898,961	387,477	1,511,484	101,092
Ssangyong European Parts Center B.V.	8,701,885	13,047,110	(4,345,225)	3,520,832
Companies	Net income(loss)	Comprehensive income(loss)		
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ (2,037)	₩ (2,037)		
Ssangyong Motor (Shanghai) Co., Ltd.	(831,067)	(831,067)		
Ssangyong European Parts Center B.V.	130,504	130,504		

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 101,550	Rs. -	Rs. 101,550	Rs. -
Ssangyong Motor (Shanghai) Co., Ltd.	93,429	19,064	74,365	4,974
Ssangyong European Parts Center B.V.	428,133	641,918	(213,785)	173,225
Companies	Net income(loss)	Comprehensive income(loss)		
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs (100)	Rs (100)		
Ssangyong Motor (Shanghai) Co., Ltd.	(40,888)	(40,888)		
Ssangyong European Parts Center B.V.	6,421	6,421		

< December 31, 2012 >

(Unit: Korean Won in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 1,984,487	₩ -	₩ 1,984,487	₩ 3,140,864
Ssangyong Motor (Shanghai) Co., Ltd.	2,868,270	596,456	2,271,814	2,473,921
Ssangyong European Parts Center B.V.	9,128,065	13,575,167	(4,447,102)	13,702,148
Companies	Net income(loss)	Comprehensive income(loss)		
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ (174,928)	₩ (174,928)		
Ssangyong Motor (Shanghai) Co., Ltd.	(453,553)	(453,553)		
Ssangyong European Parts Center B.V.	123,228	123,228		

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Operating revenue	Net income
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 97,637	Rs. -	Rs. 97,637	Rs. 154,531
Ssangyong Motor (Shanghai) Co., Ltd.	141,119	29,346	111,773	121,717
Ssangyong European Parts Center B.V.	449,101	667,898	(218,797)	674,146
Companies	Net income(loss)	Comprehensive income(loss)		
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. (8,606)	Rs. (8,606)		
Ssangyong Motor (Shanghai) Co., Ltd.	(22,315)	(22,315)		
Ssangyong European Parts Center B.V.	6,063	6,063		

10. OTHER ASSETS:

The carrying values of the Company's other assets as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Account	March 31, 2013	December 31, 2012
Other current assets		
Advance payments	₩ 2,729,355	₩ 3,344,984
Less: Allowance for doubtful accounts	(16,025)	(12,285)
Prepaid expenses	3,899,293	2,622,862
Income tax refundable	1,040,749	817,664
	7,653,372	6,773,225
Other non-current assets		
Other non-current assets	₩ 356,840	₩ 360,542

(Unit: Indian-Rupee in thousands):

Account	March 31, 2013	December 31, 2012
Other current assets		
Advance payments	Rs. 134,284	Rs 164,573
Less: Allowance for doubtful accounts	(788)	(604)
Prepaid expenses	191,845	129,045
Income tax refundable	51,205	40,229
	376,546	333,243
Other non-current assets		
Other non-current assets	Rs. 17,557	Rs. 17,739

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

	March 31, 2013				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,459,592	₩ -	₩ -	₩ -	₩ 475,459,592
Buildings	518,289,785	1,731,714	169,543,994	148,652,850	198,361,227
Structures	104,092,357	191,660	56,926,991	29,746,013	17,227,693
Machinery	1,226,633,971	946,856	1,017,348,775	99,681,050	108,657,290
Vehicles	10,960,732	-	7,398,449	1,487,829	2,074,454
Tools and molds	845,829,470	50,401	464,998,194	163,894,413	216,886,462
Equipment	55,441,310	42,634	33,698,103	5,279,149	16,421,424
Construction in progress	10,721,971	-	-	-	10,721,971
	₩ 3,247,429,188	₩ 2,963,265	₩ 1,749,914,506	₩ 448,741,304	₩ 1,045,810,113
	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	518,052,585	1,743,291	167,223,844	148,652,851	200,432,599
Structures	107,121,068	196,654	59,473,892	29,817,703	17,632,819
Machinery	1,221,599,080	998,695	1,009,867,191	99,698,181	111,035,013
Vehicles	10,918,111	-	7,271,535	1,487,828	2,158,748
Tools and molds	810,373,198	57,221	449,941,667	164,093,870	196,280,440
Equipment	55,124,445	49,319	32,866,576	5,313,162	16,895,388
Construction in progress	37,322,042	-	-	-	37,322,042
	₩ 3,230,155,231	₩ 3,045,180	₩ 1,726,644,705	₩ 449,063,595	₩ 1,051,401,751

(Unit: Indian-Rupee in thousands):

March 31, 2013					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying Amount
Land	Rs. 23,392,612	Rs. -	Rs. -	Rs. -	Rs. 23,392,612
Buildings	25,499,857	85,200	8,341,565	7,313,720	9,759,372
Structures	5,121,344	9,429	2,800,808	1,463,504	847,603
Machinery	60,350,391	46,585	50,053,559	4,904,308	5,345,939
Vehicles	539,268	-	364,004	73,201	102,063
Tools and molds	41,614,810	2,480	22,877,911	8,063,605	10,670,814
Equipment	2,727,713	2,098	1,657,947	259,734	807,934
Construction in progress	527,521	-	-	-	527,521
	<u>Rs. 159,773,516</u>	<u>Rs. 145,792</u>	<u>Rs. 86,095,794</u>	<u>Rs. 22,078,072</u>	<u>Rs. 51,453,858</u>

December 31, 2012					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 23,106,519	Rs. -	Rs. -	Rs. -	Rs. 23,106,519
Buildings	25,488,187	85,770	8,227,413	7,313,720	9,861,284
Structures	5,270,357	9,676	2,926,115	1,467,031	867,535
Machinery	60,102,675	49,136	49,685,465	4,905,151	5,462,923
Vehicles	537,171	-	357,760	73,201	106,210
Tools and molds	39,870,361	2,815	22,137,130	8,073,418	9,656,998
Equipment	2,712,123	2,426	1,617,036	261,408	831,253
Construction in progress	1,836,244	-	-	-	1,836,244
	<u>Rs. 158,923,637</u>	<u>Rs. 149,823</u>	<u>Rs. 84,950,919</u>	<u>Rs. 22,093,929</u>	<u>Rs. 51,728,966</u>

(2) Changes in the carrying amounts of property, plant and equipment for the three months ended March 31, 2013 and 2012 are as follows:

(Unit: Korean Won in thousands):

Three months ended March 31, 2013						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ 19,360	₩ -	₩ 5,795,530	₩ -	₩ 475,459,592
Buildings	200,432,599	170,000	8,691	98,000	2,330,681	198,361,227
Structures	17,632,819	-	10,350	-	394,776	17,227,693
Machinery	111,035,013	2,163,609	6,309	4,197,116	8,732,139	108,657,290
Vehicles	2,158,748	54,548	1	930	139,771	2,074,454
Tools and molds	196,280,440	12,081,940	24,255	24,088,623	15,540,286	216,886,462
Equipment	16,895,388	484,177	2,939	(3,200)	952,002	16,421,424
Construction in progress	37,322,042	7,577,544	109,568	(34,068,047)	-	10,721,971
Machinery in transit	-	1,088,621	-	(1,088,621)	-	-
	<u>₩ 1,051,401,751</u>	<u>₩ 23,639,799</u>	<u>₩ 162,113</u>	<u>₩ (979,669)</u>	<u>₩ 28,089,655</u>	<u>₩ 1,045,810,113</u>

(*) Depreciation cost of suspended assets amount of ₩15,156(Rs. 746 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow

Three months ended March 31, 2012

	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,053	314,020	-	(18,817)	2,199,013	195,622,243
Structures	17,471,619	13,900	-	(1,596)	373,289	17,110,634
Machinery	128,596,974	949,577	3,762	5,416,555	8,201,218	126,758,126
Vehicles	2,497,832	65,014	8,523	(61)	139,712	2,414,550
Tools and molds	180,547,205	11,110,586	273	19,102,303	13,253,448	197,506,373
Equipment	10,836,698	1,888,941	20,217	58,823	708,145	12,056,100
Construction in progress	31,748,336	12,401,814	-	(24,608,464)	-	19,541,686
Machinery in transit	87,626	77	-	(87,703)	-	-
	<u>₩ 1,038,957,045</u>	<u>₩ 26,743,929</u>	<u>₩ 32,775</u>	<u>₩ (138,960)</u>	<u>₩ 24,874,825</u>	<u>₩ 1,040,654,414</u>

(*) Depreciation cost of suspended assets amount of ₩16,605(Rs. 817 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow.

(Unit: Indian-Rupee in thousands):

Three months ended March 31, 2013

	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 23,106,519	Rs. 953	Rs. -	Rs. 285,140	Rs. -	Rs. 23,392,612
Buildings	9,861,284	8,364	428	4,822	114,670	9,759,372
Structures	867,535	-	509	-	19,423	847,603
Machinery	5,462,923	106,449	310	206,498	429,621	5,345,939
Vehicles	106,210	2,684	-	46	6,877	102,063
Tools and molds	9,656,998	594,431	1,193	1,185,160	764,582	10,670,814
Equipment	831,253	23,822	145	(158)	46,838	807,934
Construction in progress	1,836,244	372,815	5,391	(1,676,147)	-	527,521
Machinery in transit	-	53,560	-	(53,560)	-	-
	<u>Rs. 51,728,966</u>	<u>Rs. 1,163,078</u>	<u>Rs. 7,976</u>	<u>Rs. (48,199)</u>	<u>Rs. 1,382,011</u>	<u>Rs. 51,453,858</u>

Three months ended March 31, 2012

	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 23,106,519	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 23,106,519
Buildings	9,718,282	15,449	-	(926)	108,191	9,624,614
Structures	859,604	684	-	(79)	18,366	841,843
Machinery	6,326,971	46,719	185	266,495	403,500	6,236,500
Vehicles	122,893	3,199	419	(3)	6,874	118,796
Tools and molds	8,882,923	546,641	13	939,833	652,070	9,717,314
Equipment	533,166	92,936	995	2,894	34,841	593,160
Construction in progress	1,562,018	610,169	-	(1,210,736)	-	961,451
Machinery in transit	4,311	4	-	(4,315)	-	-
	<u>Rs. 51,116,687</u>	<u>Rs. 1,315,801</u>	<u>Rs. 1,612</u>	<u>Rs. (6,837)</u>	<u>Rs. 1,223,842</u>	<u>Rs. 51,200,197</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of March 31, 2013 are as follows:

(Unit: Korean Won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-	₩ 464,918,494	195 billion Korean Won
Buildings	do 150-3 (factory site) and others	181,475,642	
Machinery	Pyeongtaek plant production facilities	44,996,250	
		<u>₩ 691,390,386</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-	Rs 22,873,990	95.9 billion rupee
Buildings	do 150-3 (factory site) and others	8,928,602	
Machinery	Pyeongtaek plant production facilities	2,213,816	
		Rs 34,016,408	

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

	March 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 209,028,397	₩ -	₩ 164,692,556	₩ -	₩ 44,335,841
Patents	2,123,501	1,673	1,373,895	38,335	709,598
Other intangible assets	18,830,963	50,031	7,657,740	686,797	10,436,395
	₩ 229,982,861	₩ 51,704	₩ 173,724,191	₩ 725,132	₩ 55,481,834

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 204,311,183	₩ -	₩ 156,314,870	₩ -	₩ 47,996,313
Patents	2,003,315	1,718	1,315,805	27,726	658,066
Other intangible assets	15,868,214	88,169	7,132,615	686,797	7,960,633
	₩ 222,182,712	₩ 89,887	₩ 164,763,290	₩ 714,523	₩ 56,615,012

(Unit: Indian-Rupee in thousands):

	March 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 10,284,197	Rs. -	Rs. 8,102,874	Rs. -	Rs. 2,181,323
Patents	104,476	82	67,596	1,886	34,912
Other intangible assets	926,483	2,462	376,760	33,790	513,471
	Rs. 11,315,156	Rs. 2,544	Rs. 8,547,230	Rs. 35,676	Rs. 2,729,706

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 10,052,110	Rs. -	Rs. 7,690,691	Rs. -	Rs. 2,361,419
Patents	98,563	85	64,737	1,364	32,377
Other intangible assets	780,716	4,338	350,925	33,790	391,663
	Rs. 10,931,389	Rs. 4,423	Rs. 8,106,355	Rs. 35,154	Rs. 2,785,459

(2) Changes in intangible assets for the years ended March 31, 2013 and 2012 are as follows:

(Unit: Korean Won in thousands):

Three months ended March 31, 2013						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	₩ 47,996,313	₩ 4,717,214	₩ 8,377,686	₩ -	₩ -	₩ 44,335,841
Patents	658,066	120,186	58,045	10,609	-	709,598
Other intangible assets	<u>7,960,633</u>	<u>2,961,181</u>	<u>486,045</u>	<u>-</u>	<u>626</u>	<u>10,436,395</u>
	<u>₩ 56,615,012</u>	<u>₩ 7,798,581</u>	<u>₩ 8,921,776</u>	<u>₩ 10,609</u>	<u>₩ 626</u>	<u>₩ 55,481,834</u>
Three months ended March 31, 2012						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	₩ 58,764,596	₩ 2,452,438	₩ 8,005,778	₩ -	₩ -	₩ 53,211,256
Patents	701,109	52,893	68,590	4,704	-	680,708
Other intangible assets	<u>5,025,626</u>	<u>265,384</u>	<u>334,225</u>	<u>-</u>	<u>1,012</u>	<u>4,957,797</u>
	<u>₩ 64,491,331</u>	<u>₩ 2,770,715</u>	<u>₩ 8,408,593</u>	<u>₩ 4,704</u>	<u>₩ 1,012</u>	<u>₩ 58,849,761</u>

(Unit: Indian-Rupee in thousands):

Three months ended March 31, 2013						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	Rs. 2,361,419	Rs. 232,086	Rs. 412,182	Rs. -	Rs. -	Rs. 2,181,323
Patents	32,377	5,913	2,856	522	-	34,912
Other intangible assets	<u>391,663</u>	<u>145,690</u>	<u>23,913</u>	<u>-</u>	<u>31</u>	<u>513,471</u>
	<u>Rs. 2,785,459</u>	<u>Rs. 383,689</u>	<u>Rs. 438,951</u>	<u>Rs. 522</u>	<u>Rs. 31</u>	<u>Rs. 2,729,706</u>
Three months ended March 31, 2012						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	Rs. 2,891,218	Rs. 120,660	Rs. 393,884	Rs. -	Rs. -	Rs. 2,617,994
Patents	34,495	2,602	3,375	231	-	33,491
Other intangible assets	<u>247,261</u>	<u>13,057</u>	<u>16,444</u>	<u>-</u>	<u>50</u>	<u>243,924</u>
	<u>Rs. 3,172,974</u>	<u>Rs. 136,319</u>	<u>Rs. 413,703</u>	<u>Rs. 231</u>	<u>Rs. 50</u>	<u>Rs. 2,895,409</u>

(3) Amortization of the Company's intangible assets for the years ended March 31, 2013 and 2012 is as follows:

Account	Korean Won in thousands		Indian-Rupee in thousands	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Cost of goods manufactured	₩ 8,286,853	₩ 7,914,945	Rs. 407,713	Rs. 389,415
Selling and administrative expenses	<u>634,923</u>	<u>493,648</u>	<u>31,238</u>	<u>24,287</u>
	<u>₩ 8,921,776</u>	<u>₩ 8,408,593</u>	<u>Rs. 438,951</u>	<u>Rs. 413,702</u>

13. BORROWINGS:

(1) The Company's short-term borrowings as of March 31, 2013 and December 31, 2012 consist of the following:

(Unit: Korean won in thousands):

<u>Creditor</u>	<u>Type</u>	<u>Interest rate (%)</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Korea Development Bank	Operating fund	CD 2.76%	₩ 30,000,000	₩ 30,000,000
Korea Development Bank	Banker's usance	EUR: 1.90% USD: 1.99% JPY: 1.86%	14,056,948	-
			<u>₩ 44,056,948</u>	<u>₩ 30,000,000</u>

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>kind</u>	<u>Interest rate (%)</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Korea Development Bank	Operating fund	CD 2.76%	Rs. 1,476,000	Rs. 1,476,000
Korea Development Bank	Banker's usance	EUR: 1.90% USD: 1.99% JPY: 1.86%	691,602	-
			<u>Rs. 2,167,602</u>	<u>Rs. 1,476,000</u>

(2) The Company's bonds and current portion of long-term borrowings as of March 31, 2013 and December 31, 2012 consist of the following:

(Unit: Korean won in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Private non-guaranteed bonds	2011-02-09	2015-02-09	7.00%	₩ 95,404,765	₩ 95,404,765

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Private non-guaranteed bonds	2011-02-09	2015-02-09	7.00%	Rs. 4,693,914	Rs. 4,693,914

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

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (9.6 billion Rupee)

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of March 31, 2013 and December 31, 2012 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Other current financial liabilities:				
Accrued expenses	₩ 11,217,152	₩ 16,409,144	Rs. 551,884	Rs. 807,330

15. PROVISION FOR PRODUCT WARRANTIES:

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2013	₩ 118,598,929	₩ 23,030,740	₩ 22,087,939	₩ 119,541,730	₩ 45,719,819	₩ 73,821,911
Dec. 31, 2012	₩ 122,007,836	₩ 69,299,562	₩ 72,708,469	₩ 118,598,929	₩ 46,214,861	₩ 72,384,068

(Unit: Indian-Rupee in thousands):

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current</u>	<u>Non-current</u>
Mar. 31, 2013	Rs. 5,835,067	Rs. 1,133,113	Rs. 1,086,727	Rs. 5,881,453	Rs. 2,249,415	Rs. 3,632,037
Dec. 31, 2012	Rs. 6,002,786	Rs. 3,409,538	Rs. 3,577,257	Rs. 5,835,067	Rs. 2,273,771	Rs. 3,561,296

16. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Company's other liabilities as of March 31, 2013 and December 31, 2012 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Other liabilities				
Advances from customers	₩ 7,498,187	₩ 6,712,542	Rs. 368,911	Rs. 330,257
Deposits received	435,710	436,043	21,437	21,453
Withholdings	15,132,612	16,812,873	744,525	827,193
Income in advance	4,062,448	7,171,457	199,872	352,836
	<u>₩ 27,128,957</u>	<u>₩ 31,132,915</u>	<u>Rs. 1,334,745</u>	<u>Rs. 1,531,739</u>
Other Long-term liabilities				
Withholdings	₩ 8,270	₩ 8,270	407	407

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the company's financial statements configuration items as of March 31, 2013 and December 31, 2012 are as follows :

<u>Classification</u>	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Present value of defined benefit obligation	₩ 151,536,096	₩ 144,823,054	Rs. 7,455,576	Rs. 7,125,294
Fair value of plan assets	(1,511,965)	(1,524,841)	(74,389)	(75,022)
	<u>₩ 150,024,131</u>	<u>₩ 143,298,213</u>	<u>Rs. 7,381,187</u>	<u>Rs. 7,050,272</u>

(2) Changes in the Company's defined benefit obligation for the three months ended March 31, 2013 and 2012 are as follows:

(Unit: Korean won in thousands):

	<u>Three months ended March 31, 2013</u>	<u>Three months ended March 31, 2012</u>	<u>Three months ended March 31, 2013</u>	<u>Three months ended March 31, 2012</u>
Beginning balance	₩ 144,823,054	₩ 188,058,593	Rs. 7,125,294	Rs. 9,252,483
Current service cost	7,083,340	5,764,127	348,500	283,595
Interest cost	1,407,428	2,233,078	69,245	109,867
Actuarial gains	-	-	-	-

	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Wages paid	(1,777,726)	(6,485,284)	(87,463)	(319,076)
Ending balance	<u>₩ 151,536,096</u>	<u>₩ 189,570,514</u>	<u>Rs. 7,455,576</u>	<u>Rs. 9,326,869</u>

(3) Changes in the fair value of plan assets for the three months ended March 31, 2013 and 2012 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Beginning balance	₩ 1,524,841	₩ 3,072,683	Rs. 75,022	Rs. 151,176
Expected return on plan assets	14,781	23,394	727	1,151
Actuarial losses	(3,641)	(883)	(179)	(43)
Wages paid	(24,016)	(146,670)	(1,181)	(7,216)
Ending balance	<u>₩ 1,511,965</u>	<u>₩ 2,948,524</u>	<u>Rs. 74,389</u>	<u>Rs. 145,068</u>

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

	March 31, 2013	December 31, 2012
Discount rate (%)	3.93	3.93
Expected rate of salary increase (%)	5.31	5.31

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

18. CONTINGENCIES AND COMMITMENTS:

The followings are the major commitments and contingent liabilities as of March 31, 2013.

- (1) The Company carries product liability insurance for all products which it sells domestically.
- (2) As of March 31, 2013, the company has been providing guarantees from WORRI BANK and etc. amounting to USD 25,208,093, EUR 18,849,165 and JPY 882,802,138 related to import L/C.

provided	Contract period	Contract price(USD)	Amount execution	Amount execution
WOORIBANK	2012.8.23~2013.8.23	USD 40,000,000	USD 16,878,419	Usance import credit limit
			USD 7,923,263	
	2012.7.27~2013.7.27		EUR 18,849,165	Usance import credit limit
KDB		USD 65,000,000	JPY 494,920,250	
			USD 406,411	Usance import credit limit
BOA	2012.12.27~2013.12.27	USD 30,000,000	JPY 387,881,888	Usance import credit limit
			USD 25,208,093	
			EUR 18,849,165	
Total		USD 135,000,000	JPY 882,802,138	

(3) The followings are the major loan arrangements with the financial institutions as of March 31, 2013.

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

Financial institution	Classification	Limit	Exercise price
KDB	Operating purpose loans	Rs 1,476,000	Rs 1,476,000

(4) Pending litigations

As of March 31, 2013, the Company has four pending litigations as a plaintiff with claims amounting to ₩15,581 million (Rs. 767 million) and twenty-six pending litigations as a defendant with claims amounting to ₩33,375 million (Rs. 1,642 million). Details of significant pending litigations as of March 31, 2013 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Wages	₩25,535,750	Rs.1,256,359	Sung-Ho Lee and 247 others	The Company Federation of Korea Metal Worker's trade Union	2 nd trial pending (1 st trial lost)
Compensation for damages	10,000,000	492,000	The Company	Labor Union, Kap Deuk Jung and others	1 st trial pending
Compensation for damages	5,000,000	246,000	The Company	others	1 st trial pending
Void dismissal	3,020,015	148,585	Suk-joo Noh and 150 others	The Company	2 nd trial pending (1 st trial win)
Objection to confirmation trial	1,238,517	60,935	SK E&C Co., Ltd.	The Company	3 rd trial pending (2 nd trial lose)
Wages	1,618,938	79,652	Il Park and 7 others	The Company	1 st trial pending
Void dismissal	420,002	20,664	Lee, Jong Sik and 20 others	The Company	3 rd trial pending (2 nd trial win)
Void dismissal	200,001	9,840	Han, Sang Kyun and 9 others	The Company	2 rd trial pending (1 nd trial win)

(*) For the above pending litigations, the Company recognized other payables amounting to ₩ 19,460,251 thousands (Rs. 957,444 thousands) that are expected to be a probable loss and can be reasonably estimated as of March 31, 2013.

19. CAPITAL STOCK:

As of March 31, 2013 and December 31, 2012, the number of authorized shares is 3 billion shares. Details of capital stock are as follows

(Unit: Korean Won in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
March 31, 2013	122,674,641	₩ 5,000	₩ 613,373,205
December 31, 2012	122,674,641	₩ 5,000	₩ 613,373,205

(Unit: Indian-Rupee in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
March 31, 2013	122,674,641	Rs. 246	Rs. 30,177,962
December 31, 2012	122,674,641	Rs. 246	Rs. 30,177,962

- (1) As a plan for building co-employee-management culture, the Company decided at the board of directors meeting on May 2, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 644,550 shares for employees through the association. The Company exercised the paid-in capital increase on May 19, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩3,222,750 thousands (Rs. 158,559 thousands) and ₩328,852 thousands (Rs. 16,180 thousands) for the year ended December 31, 2012.
- (2) As a plan for supporting unpaid employee laid off, the Company decided at the board of directors meeting on July 25, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 68,250 shares for employees through the association. The Company exercised the paid-in capital increase on August 14, 2012. As a result, capital stock and other capital surplus are respectively increased

by ₩341,250 thousands (Rs. 16,790 thousands) and ₩3,026 thousands (Rs. 149 thousands) for the year ended December 31, 2012.

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of March 31, 2013 and December 31, 2012 are as follows:

Other Capital Surplus	Paid-in capital in excess of par value	March 31, 2013		December 31, 2012	
		(Korean Won in thousands)		(Indian-Rupee in thousands)	
		₩ 4,545,756	₩ 4,545,756	Rs. 223,651	Rs. 223,651
	Gain on retirement of capital stock	120,351,580	120,351,580	5,921,298	5,921,298
	Consideration for conversion rights	(3,243,869)	(3,243,869)	45,830	45,830
	Debt converted to equity	931,508	931,508	(159,598)	(159,598)
		<u>₩ 122,584,975</u>	<u>₩ 122,584,975</u>	<u>Rs. 6,031,181</u>	<u>Rs. 6,031,181</u>

(*) When the Company completed its debt restructuring as of December 17, 2009, it converted the debt of which SK Engineering and Construction Co., Ltd to equity as proportion of 40%. However, the debt amounts were decreased in accordance with the Court trial results and hence the number of shares was also proportionally decreased. Consequently the Company recognized the excessive debt amounts which come from cancellation of debt to equity as other capital surplus as of March 31, 2012.

21. OTHER CAPITAL ADJUSTMENTS:

(1) Detail of the Company's other capital adjustments as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Classification		March 31, 2013	December 31, 2012
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ (459,500)	₩ 18,999,750
	Cumulative effect of foreign currency translation	986,173	862,490
		<u>₩ 526,673</u>	<u>₩ 19,862,240</u>

(Unit: Indian-Rupee in thousands)

Classification		March 30, 2013	December 31, 2012
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. (22,607)	Rs. 934,788
		48,519	42,434
		<u>Rs. (25,912)</u>	<u>Rs. 977,222</u>

(2) Changes in the Company's Gains on valuation of Derivatives for the three months ended March 31, 2013 and for the year ended December 31, 2012 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Three months ended		Year ended	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Beginning balance	₩ 18,999,750	₩ 193,310	Rs. 934,788	Rs. 9,511
Gains (losses) on valuation of derivatives	(19,459,250)	18,806,440	(957,395)	925,277
Ending balance	<u>₩ (459,500)</u>	<u>₩ 18,999,750</u>	<u>Rs. (22,607)</u>	<u>Rs. 934,788</u>

- (3) Changes in the Company's Cumulative effect of Foreign currency Translation for the three months ended March 31, 2013 and for the year ended December 31, 2012 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Three months ended March 31, 2013		Year ended December 31, 2012		Three months ended March 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	862,490	₩	899,841	Rs.	42,434	Rs.	44,272
Cumulative effect of foreign currency translation		<u>123,683</u>		<u>(37,351)</u>		<u>6,085</u>		<u>(1,838)</u>
Ending balance	₩	<u>986,173</u>	₩	<u>862,490</u>	Rs.	<u>48,519</u>	Rs.	<u>42,434</u>

22. RETAINED EARNINGS:

- (1) Details of retained earnings as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Won in thousands):

	March 31, 2013		December 31, 2012	
Retained earnings	₩	35,624,238	₩	44,842,295

(Unit: Rupee in thousands)

	March 31, 2013		December 31, 2012	
Retained earnings	Rs.	1,752,713	Rs.	2,206,242

- (2) Changes in retained earnings for the three months ended March 31, 2013 and for the year ended December 31, 2012 are as follows:

(Unit: Won in thousands):

	March 31, 2013		December 31, 2012	
Beginning balance	₩	44,842,295	₩	169,663,313
Loss on appropriated retained earnings		(9,214,417)		(105,926,820)
Actuarial losses		<u>(3,640)</u>		<u>(18,894,198)</u>
Ending balance	₩	<u>35,624,238</u>	₩	<u>44,842,295</u>

(Unit: Rupee in thousands)

	March 31, 2013		December 31, 2012	
Beginning balance	Rs.	2,206,242	Rs.	8,347,435
Loss on appropriated retained earnings		(453,348)		(5,211,599)
Actuarial losses		(181)		(929,594)
Ending balance	Rs.	<u>1,752,713</u>	Rs.	<u>2,206,242</u>

23. INCOME TAX:

- (1) Composition of income tax expense for the years ended March 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Yeras ended March 31, 2013	Yeras ended March 31, 2012	Yeras ended March 31, 2013	Yeras ended March 31, 2012
Income tax expense of Parent Company	₩	-	Rs.	-
Income tax expense of Subsidiary Company		44,109		2,170
Income tax expense of Consolidated Company	₩	<u>44,109</u>	Rs.	<u>2,170</u>

- (2) As of March 31, 2013 and December 31, 2012, there is no deferred income tax assets the company recognizes due to tax deficit.

24. EXPENSES BY CATEGORY:

Details of expenses classified by category for the years ended March 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	The years ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Changes in inventories	₩ (25,516,493)	₩ (18,289,139)	Rs. (1,255,411)	Rs. (899,826)
Raw materials and merchandise goods used	570,654,703	474,623,525	28,076,211	23,351,477
Salaries	60,776,849	50,778,525	2,990,221	2,498,303
Depreciation	28,089,655	24,874,825	1,382,011	1,223,841
Amortization	8,921,776	8,408,593	438,951	413,703
Other	128,692,010	135,574,023	6,331,647	6,670,242
	<u>₩ 771,618,500</u>	<u>₩ 675,970,352</u>	<u>Rs. 37,963,630</u>	<u>Rs. 33,257,740</u>

25. DERIVATIVES FINANCIAL INSTRUMENTS:

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument). Gain on valuation of derivatives for ₩ 4,924,600 thousands (Rs. 242,290 thousands) and loss on valuation of derivatives for ₩ 5,384,100 thousands (Rs. 264,898 thousands) applied to cash flow risk aversion accounting treatment are recognized as other capitals components and Gain on valuation of derivatives for ₩ 1,234,301 thousands (Rs. 60,728 thousands) and loss on valuation of derivatives for ₩ 2,745 thousands (Rs. 135 thousands) which are inefficient parts are recognized as accumulated other comprehensive income for the year ended March 31, 2013.

26. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Warranty expenses	₩ 14,640,043	₩ 13,330,303	Rs. 720,290	Rs. 655,851
Sales commissions	31,772,210	22,484,832	1,563,193	1,106,254
Sales promotional expenses	8,907,068	6,404,736	438,228	315,113
Packaging expenses	1,031,393	948,207	50,745	46,652
Advertising expenses	6,384,677	7,143,020	314,126	351,437
Freight expenses	2,289,487	2,050,008	112,643	100,860
Export expenses	18,489,031	18,388,820	909,660	904,730
	<u>₩ 83,513,909</u>	<u>₩ 70,749,926</u>	<u>Rs. 4,108,885</u>	<u>Rs. 3,480,897</u>

(2) Administrative expenses for three months ended March 31, 2013 and 2012 are as follows :

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Salaries	₩ 11,109,889	₩ 9,579,485	Rs. 546,607	Rs. 471,311
Post-employment benefits	1,612,476	1,270,212	79,334	62,494
Employee benefits	2,995,518	2,701,824	147,379	132,930
Travel expenses	233,281	228,199	11,477	11,227
Communication expenses	294,879	242,477	14,508	11,930
Electricity expenses	132,812	157,435	6,534	7,746
Utility expenses	110,121	121,311	5,418	5,969
Taxes and dues	498,920	455,973	24,547	22,434
Rent expense	2,503,934	3,753,738	123,194	184,684

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Repair expenses	167,212	221,902	8,227	10,918
Insurance	61,973	35,873	3,049	1,765
Entertainment expenses	134,697	123,804	6,627	6,091
Vehicles	213,190	215,402	10,489	10,598
Overseas marketing expenses	50,238	36,911	2,472	1,816
Training	121,770	191,696	5,991	9,431
Printing	161,771	53,513	7,959	2,633
Supplies	102,605	105,102	5,048	5,171
Conference expense	107,108	60,671	5,270	2,985
Service fees	4,581,111	2,717,314	225,391	133,692
Legal expense	80,343	84,364	3,953	4,151
Outsourcing expense	3,939,678	4,785,725	193,832	235,458
Computing expense	1,273,900	1,350,254	62,676	66,432
Depreciation	1,271,008	1,062,495	62,534	52,275
Bad debt expense	(115,481)	176,723	(5,682)	8,695
R&D expenses	5,335,194	3,688,134	262,492	181,456
Amortization	634,923	493,648	31,238	24,287
Other administrative expenses	165,315	177,433	8,132	8,728
	<u>₩ 37,778,385</u>	<u>₩ 34,091,618</u>	<u>Rs. 1,858,696</u>	<u>Rs. 1,677,307</u>

27. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Company's non-operating income for three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Fee income	₩ 3,760,568	₩ 238,785	Rs. 185,020	Rs. 11,748
Gain on foreign currency transactions	3,485,084	1,713,246	171,466	84,292
Gain on foreign currency translation	512,252	520,250	25,203	25,596
Reversal of allowance for doubtful accounts	60,473	45,309	2,975	2,229
Gain on disposal of property, plant and equipment	4,188	3,611	206	178
Gain on disposal of investment assets	-	2,529	-	124
Product warranty reserve	1,410,582	1,154,499	69,401	56,801
Others, net	<u>4,377,414</u>	<u>2,647,724</u>	<u>215,369</u>	<u>130,269</u>
	<u>₩ 13,610,561</u>	<u>₩ 6,325,953</u>	<u>Rs. 669,640</u>	<u>Rs. 311,237</u>

(2) Details of the Company's other non-operating expense for three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Loss on foreign currency transactions	₩ 1,696,969	₩ 2,381,006	Rs. 83,491	Rs. 117,145
Loss on foreign currency translation	423,135	368,826	20,818	18,146
Non-operating assets and depreciation	15,156	16,605	746	817
Loss on disposal of property, plant and equipment	45,002	24,245	2,214	1,193

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Loss on disposal of investment assets	4,105	4,874	202	240
Loss on disposal of trade receivables	2,463,602	2,251,929	121,209	110,795
Impairment loss on investments	3,627	110,005	178	5,412
Impairment loss on intangible assets	10,609	4,704	522	231
Other bad debt expense	4,299	-	212	-
Others	7,941,620	3,663,760	390,728	180,258
	<u>₩ 12,608,124</u>	<u>₩ 8,825,954</u>	<u>Rs. 620,320</u>	<u>Rs. 434,237</u>

28. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Interest income	₩ 1,527,093	₩ 1,747,311	Rs. 75,133	Rs. 85,968
Dividend income	6,000	307,541	295	15,131
Gain on foreign currency transactions	925,710	430,803	45,545	21,195
Gain on foreign currency translation	71,151	62,860	3,501	3,093
Gain on disposal of derivatives	7,298,511	1,792,000	359,087	88,166
Gain on valuation of derivatives	1,234,301	157,858	60,728	7,767
Gains from assets contributed	19,360	-	952	-
	<u>₩ 11,082,126</u>	<u>₩ 4,498,373</u>	<u>Rs. 545,241</u>	<u>Rs. 221,320</u>

(2) Details of the Company's financial cost for the three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Interest expense	₩ 2,094,406	₩ 2,330,069	Rs. 103,045	Rs. 114,639
Loss on foreign currency transactions	294,595	463,583	14,494	22,808
Loss on foreign currency translation	80,978	11,902	3,984	586
Loss on disposal of derivatives	758,800	114,500	37,333	5,633
Loss on valuation of derivatives	2,744	481,919	135	23,711
	<u>₩ 3,231,523</u>	<u>₩ 3,401,973</u>	<u>Rs. 158,991</u>	<u>Rs. 167,377</u>

(3) Details of the Company's financial net profit for the three months ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Loan and receivables	₩ 287,650	₩ 75,326	Rs. 14,153	Rs. 3,706
Available-for-sale financial assets	6,000	6,000	295	295
Other financial liabilities	7,556,953	1,015,074	371,802	49,942
	<u>₩ 7,850,603</u>	<u>₩ 1,096,400</u>	<u>Rs. 386,250</u>	<u>Rs. 53,943</u>

29. INCOME(LOSS) PER SHARE:

Basic income (loss) per share for the years ended March 31, 2013 and 2012 are calculated as follows (Unit: Korean won and Indian-Rupee in thousands, except for earnings per share):

	Korean won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Net loss	₩ (9,214,417)	₩ (30,918,985)	Rs. (453,348)	Rs. (1,521,213)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(9,214,417)	(30,918,985)	(453,348)	(1,521,213)
Number of common stocks outstanding	122,674,641	121,539,603	122,674,641	121,539,603
Basic and diluted loss per share(*1)	₩ (75)	₩ (254)	Rs. (4)	Rs. (12)

(*1) Basic and diluted losses per share for the three months ended March 31, 2013 and 2012 are identical since there are no dilutive potential common shares.

The numbers of shares outstanding for the three months ended March 31, 2013 and 2012 are calculated as follows:

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

Three months ended March 31, 2012						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
	2012-01-01	2012-03-31				
Common stock			121,539,603	121,539,603	91/91	121,539,603
Total						121,539,603

30. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities for the years ended March 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
1. Cash flows from operating activities				
1) Net loss	₩ (9,214,417)	₩ (30,918,985)	Rs. (453,348)	Rs. (1,521,214)
2) Adjustments	47,375,623	43,506,933	2,330,880	2,140,540
(1) Addition of expenses	50,902,304	47,144,394	2,504,392	2,319,503
Income tax expense	32,625	44,109	1,605	2,170
Loss on foreign currency translation	504,112	380,727	24,802	18,732
Loss on disposal of trade receivables	2,463,602	2,251,929	121,209	110,795
Loss on disposal of derivatives	2,745	481,919	135	23,711
Loss on valuation of inventories	255,666	-	12,579	-
Rent expense	-	77,860	-	3,831
Bad debt expense	(115,481)	176,723	(5,682)	8,695
Other bad debt expense	4,299	-	212	-
Depreciation	28,074,500	24,858,221	1,381,265	1,223,024
Loss on disposal of investment assets	4,105	9,714	202	240
Loss on disposal of property, plant	45,002	24,246	2,214	1,193

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
and equipment				
Impairment loss on investment assets	3,627	110,005	178	5,412
Amortization	8,921,776	8,408,593	438,951	413,702
Impairment loss on intangible assets	10,609	4,704	522	231
Interest expense	2,094,406	2,330,069	103,045	114,639
Post-employment benefits	8,475,987	7,973,810	417,018	392,311
Depreciation expenses on assets not in use	15,156	16,605	746	817
Miscellaneous losses	109,568	-	5,391	-
(2) Deduction of revenue	(3,526,681)	(3,637,461)	(173,512)	(178,963)
Gain on foreign currency translation	583,404	583,110	28,703	28,689
Reversal of allowance for doubtful accounts	60,473	45,309	2,975	2,229
Reversal of loss on valuation of inventories	-	790,191	-	38,877
Interest income	1,527,093	1,747,311	75,133	85,968
Dividend income	6,000	307,542	295	15,131
Gain on valuation of derivatives	1,234,301	157,858	60,728	7,767
Gain on disposal of investment assets	-	2,529	-	124
Gain on disposal of property, plant and equipment	4,188	3,611	206	178
Miscellaneous gains	111,222	-	5,472	-
3) Changes in working capital	85,105,717	59,003,394	4,187,201	2,902,967
Increase in trade receivables, net	(2,789,457)	(10,790,268)	(137,241)	(530,881)
Increase in other receivables, net	(10,231,002)	(6,540,940)	(503,365)	(321,814)
Decrease in deposits	-	436	-	23
Decrease in advanced payments	615,608	5,908,766	30,288	290,711
Increase in prepaid expenses	(1,276,209)	(269,322)	(62,789)	(13,251)
Increase in income tax refundable	(223,085)	(216,549)	(10,976)	(10,654)
Decrease in derivatives assets	1,459,139	-	71,790	-
Increase in inventories	(20,920,638)	(15,439,974)	(1,029,295)	(759,647)
Decrease (Increase) in long security	(2,049,300)	289,300	(100,826)	14,234
Decrease in non-current assets	-	161,373	-	7,940
Increase in trade payables	142,693,049	112,782,346	7,020,498	5,548,891
Decrease in other payables	(12,331,970)	(16,165,783)	(606,733)	(795,357)
Decrease in accrued charges	(5,136,249)	(5,865,479)	(252,703)	(288,582)
Increase(Decrease) in deposits received	(333)	1,819	(16)	89
Decrease in current other long term benefit	(405,610)	(202,730)	(19,956)	(9,974)
Increase in advances from customers	785,497	6,400,333	38,646	314,896
Decrease in withholdings	(1,674,464)	(5,755,091)	(82,384)	(283,150)
Increase(Decrease) in unearned revenue	(2,980,078)	705,147	(146,620)	34,693
Increase (Decrease) in government subsidies	(128,224)	304,582	(6,309)	14,985
Increase (Decrease) in short-term provision of product warranties	(495,041)	161,326	(24,356)	7,937
Increase in long-term other payables	175,780	-	8,648	-
Increase in other long term benefit	334,171	351,926	16,441	17,315
Payment of severance indemnities	(1,753,710)	(6,338,614)	(86,283)	(311,860)
Increase (Decrease) in long-term provision of product warranties	1,437,843	(479,210)	70,742	(23,577)
2. Interest received	1,675,947	1,628,094	82,457	80,102
3. Interest paid	(2,150,157)	(2,303,746)	(105,788)	(113,344)
4. Dividends received	6,000	71,900	295	3,537
5. Income tax expense	-	(10,144)	-	(499)

	Korean Won in thousands		Indian-Rupee in thousands	
	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Net cash provided by operating activities	₩ 122,798,713	₩ 70,977,446	Rs. 6,041,697	Rs. 3,492,089

31. SEGMENT INFORMATION:

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

(2) Information of each sales region for the three months ended March 31, 2013 and 2012 as follows: follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Three months ended March 31, 2013			
Republic of Korea	₩	398,769,822	Rs.	19,619,475
Europe		194,907,192		9,589,434
Asia Pacific		19,235,062		946,365
Others		138,655,865		6,821,869
Consolidation adjustment		2,015,728		99,174
	₩	753,583,669	Rs.	37,076,317

Sales region	Three months ended March 31, 2012			
Republic of Korea	₩	305,974,640	Rs.	15,053,953
Europe		181,119,009		8,911,055
Asia Pacific		37,636,695		1,851,725
Others		119,239,751		5,866,596
Consolidation adjustment		2,528,982		124,426
	₩	646,499,077	Rs.	31,807,755

32. TRANSACTIONS WITH SUBSIDIARIES:

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

(2) Major transactions with the related parties for the three months ended March 31, 2013 and 2012 are as follows:

(Unit: Korean won in thousands):

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	₩ 1,606,197	₩ -	₩ 3,141,575	₩ -

(Unit: Indian-Rupee in thousands):

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	Rs. 79,025	Rs. -	Rs. 154,565	Rs. -

(3) Outstanding receivables and payables from transactions with related parties as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

	March 31, 2013		December 31, 2012	
Receivables from and payables to controlling company:				
Receivables and others	₩	13,701,972	₩	14,248,992
Payables and others		637,890		633,884

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 674,137	Rs. 701,050
Payables and others	31,384	31,187

33. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of March 31, 2013 are as follows:

	<u>Related parties</u>
Controlling company	Mahindra & Mahindra Ltd.
Other affiliates company	Mahindra Vehicle Manufacturing Ltd. Mahindra&Mahindra South Africa Ltd.

(2) Major transactions with the related parties for the three months ended March 31, 2013 and 2012 are as follows:

(Unit: Korean won in thousands):

	<u>Three months ended March 31, 2013</u>		<u>Three months ended March 31, 2012</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	₩ 672,244	₩ 1,818,429	₩ 85,384	₩ 1,810,634
Transaction with other affiliates	36,052,361	-	6,723,923	3,864

(Unit: Indian-Rupee in thousands):

	<u>Three months ended March 31, 2013</u>		<u>Three months ended March 31, 2012</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	Rs. 33,074	Rs. 89,467	Rs. 4,201	Rs. 89,083
Transactions with other affiliates	1,773,776	-	330,817	190

(3) Outstanding receivables and payables from transactions with related parties as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean won in thousands):

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 197,039	₩ 377,097
Payables and others	96,905,812	96,501,477
Receivables from and payables to affiliates:		
Receivables and others	11,076,859	8,347,797
Payables and others	3,005,271	1,081,824

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 9,694	Rs. 18,553
Payables and others	4,767,766	4,747,873
Receivables from and payables to affiliates:		
Receivables and others	544,981	410,712
Payables and others	147,859	53,226

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the three months ended March 31, 2013.

(4) Details of compensation for key executives for the three months ended March 31, 2013 and 2012 are as follows:

<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
<u>Three months ended</u>	<u>Three months ended</u>	<u>Three months ended</u>	<u>Three months ended</u>

	March 31, 2013		March 31, 2012		March 31, 2013		March 31, 2012	
Short-term employee benefits	₩	182,141	₩	117,694	Rs.	8,961	Rs.	5,791
Post-employment benefits		4,146		1,119		204		55

34. 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.

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

Debt ratio as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

	March 31, 2013		December 31, 2012	
Debt (A)	₩	1,184,885,194	₩	1,049,827,653
Equity (B)		772,109,092		800,662,716
Debt ratio (A/ B)		153.46%		131.12%

(Unit: Indian-Rupee in thousands):

	March 31, 2013		December 31, 2012	
Debt (A)	Rs.	58,296,351	Rs.	51,651,520
Equity (B)		37,987,768		39,392,607
Debt ratio (A/ B)		153.46%		131.12%

(2) Details of financial assets and liabilities by category as of March 31, 2013 and December 31, 2012 are as follows:

1) Financial assets

(Unit: Korean Won in thousands):

Financial asset	March 31, 2013					Fair value
	Loans and receivables	AFS financial assets	Designated to hedge item	Total		
Cash and cash equivalents	₩ 309,860,836	₩ -	₩ -	₩ 309,860,836	₩ 309,860,836	₩ 309,860,836
Long-term financial instruments	6,000	-	-	6,000	6,000	6,000
Trade receivables and other receivables	240,758,770	-	-	240,758,770	240,758,770	240,758,770
Derivatives assets	-	-	6,699,260	6,699,260	6,699,260	6,699,260
Long-term AFS financial assets	-	560,000	-	560,000	560,000	560,000
	₩ 550,625,606	₩ 560,000	₩ 6,699,260	₩ 557,884,866	₩ 557,884,866	₩ 557,884,866
Financial asset	December 31, 2012					Fair value
	Loans and receivables	AFS financial assets	Designated to hedge item	Total		
Cash and cash equivalents	₩ 203,666,542	₩ -	₩ -	₩ 203,666,542	₩ 203,666,542	₩ 203,666,542
Long-term financial instruments	6,000	-	-	6,000	6,000	6,000
Trade receivables and other receivables	240,474,184	-	-	240,474,184	240,474,184	240,474,184
Derivatives assets	-	-	21,503,503	21,503,503	21,503,503	21,503,503
Long-term AFS financial assets	-	560,000	-	560,000	560,000	560,000

December 31, 2012					
Financial asset	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
	₹ 444,146,726	₹ 560,000	₹ 21,503,503	₹ 466,210,229	₹ 466,210,229

(Unit: Indian-Rupee in thousands):

March 31, 2013					
Financial asset	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₹ 15,245,153	₹ -	₹ -	₹ 15,245,153	₹ 15,245,153
Long-term financial instruments	295	-	-	295	295
Trade receivables and Other receivables	11,845,331	-	-	11,845,331	11,845,331
Derivatives assets	-	-	329,604	329,604	329,604
Long-term AFS financial assets	-	27,552	-	27,552	27,552
	<u>₹ 27,090,779</u>	<u>₹ 27,552</u>	<u>₹ 329,604</u>	<u>₹ 27,447,935</u>	<u>₹ 27,447,935</u>

December 31, 2012					
Financial asset	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₹ 10,020,394	₹ -	₹ -	₹ 10,020,394	₹ 10,020,394
Long-term financial instruments	295	-	-	295	295
Trade receivables and Other receivables	11,831,330	-	-	11,831,330	11,831,330
Derivatives assets	-	-	1,057,972	1,057,972	1,057,972
Long-term AFS financial assets	-	27,552	-	27,552	27,552
	<u>₹ 21,852,019</u>	<u>₹ 27,552</u>	<u>₹ 1,057,972</u>	<u>₹ 22,937,543</u>	<u>₹ 22,937,543</u>

2) Financial liabilities

(Unit: Korean Won in thousands):

	Financial liability measured at amortized cost			
	March 31, 2013		December 31, 2012	
Trade payables and Other payables	₩	730,801,483	₩	618,276,802
Debt		139,461,713		125,404,765
Derivatives liabilities		4,882,590		-
Total		<u>875,145,786</u>		<u>743,681,567</u>

(Unit: Indian-Rupee in thousands):

	Financial liability measured at amortized cost			
	March 31, 2013		December 31, 2012	
Trade payables and Other payables	₹.	35,955,433	₹.	30,419,219
Debt		6,861,516		6,169,914
Derivatives liabilities		240,224		-
Total		<u>43,057,173</u>		<u>36,589,133</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 perform close monitoring of and responding to each risk factors.

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

1) Market risk

a. Foreign currency risk

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

Details of the Company held foreign currency denominated monetary assets and monetary liabilities of the carrying amount as of March 31, 2013 and December 31, 2012 are as follows

(Unit: Korean Won in thousands):

		Assets	
		March 31, 2013	December 31, 2012
USD	₩	96,403,214	₩ 113,042,936
EUR		22,824,654	25,724,783
JPY		350,582	113,024
Others		4,153,093	5,366,589
Total		<u>123,731,543</u>	<u>144,247,332</u>

		Liabilities	
		March 31, 2013	December 31, 2012
USD	₩	14,075,128	₩ 9,685,534
EUR		27,251,362	19,021,629
JPY		7,165,935	6,468,799
Others		1,180,353	1,901,227
Total		<u>49,672,778</u>	<u>37,077,189</u>

(Unit: Indian-Rupee in thousands):

		Assets	
		March 31, 2013	December 31, 2012
USD	Rs.	4,743,038	Rs. 5,561,713
EUR		1,122,973	1,265,659
JPY		17,249	5,561
Others		204,332	264,036
Total	Rs.	<u>6,087,592</u>	<u>7,096,969</u>

		Liabilities	
		March 31, 2013	December 31, 2012
USD	Rs.	692,496	Rs. 476,528
EUR		1,340,767	935,864
JPY		352,564	318,265
Others		58,074	93,541
Total	Rs.	<u>2,443,901</u>	<u>1,824,198</u>

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that is not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of March 31, 2013.

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

(Unit: Korean Won in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 9,640,321	₩ (9,640,321)	₩ (1,407,513)	₩ 1,407,513
EUR	2,282,465	(2,282,465)	(2,725,136)	2,725,136
JPY	35,058	(35,058)	(716,594)	716,594
Others	415,309	(415,309)	(118,035)	118,035
	₩ 12,373,153	₩ (12,373,153)	₩ (4,967,278)	₩ 4,967,278

(Unit: Indian-Rupee in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 474,304	Rs. (474,304)	Rs. (69,250)	Rs. 69,250
EUR	112,297	(112,297)	(134,077)	134,077
JPY	1,725	(1,725)	(35,256)	35,256
Others	20,433	(20,433)	(5,807)	5,807
	Rs. 608,759	Rs. (608,759)	Rs. (244,390)	Rs. 244,390

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

Details of non-payment forward contracts as of March 31, 2013 are as follows:

(Unit: Korean won in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1,148.01	USD 149,000,000	₩ 171,208,450	₩ 5,070,159
	1,115.43	USD 148,000,000	164,511,800	(1,216,550)
	1,113.07	USD 152,000,000	168,762,200	(2,036,939)
		USD 449,000,000	₩ 504,482,450	₩ 1,816,670

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1,148.01	USD 149,000,000	Rs. 8,423,456	Rs. 249,452
	1,115.43	USD 148,000,000	8,093,981	(59,854)
	1,113.07	USD 152,000,000	8,303,100	(100,218)
		USD 449,000,000	Rs. 24,820,537	Rs. 89,380

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to (-) 459,500 thousands won (Rs. 22,607 thousands). Sales transaction is expected to occur within the first three months after March 31, 2013, and this amount that is deferred in equity will be reclassified as current income.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase ₩37,397 thousands won (Rs. 1,840 thousands rupee) for the year ended March 31, 2013, due to floating rate debt's interest rate risk.

2) Credit risk

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

As of March 31, 2013 and December 31, 2012, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows. However, the value of acquired collaterals and the effects from other credit enhancement is not considered.

	<u>March 31, 2013</u>	<u>December,31, 2012</u>	<u>March 31, 2013</u>	<u>December,31, 2012</u>
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade and other receivables	₩ 240,758,770	₩ 240,474,184	Rs. 11,845,331	Rs. 11,831,330

3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

	<u>March 31, 2013</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 511,007,615	₩ -	₩ 511,007,615
Non-trade payables	175,421,678	-	175,421,678
Short-term borrowings	45,610,701	-	45,610,701
Other payables	11,217,152	-	11,217,152
Long-term other payables	-	33,155,038	33,155,038
Bonds	<u>7,556,580</u>	<u>101,168,258</u>	<u>108,724,838</u>
	<u>₩ 750,813,726</u>	<u>₩ 134,323,296</u>	<u>₩ 885,137,022</u>
	<u>December 31, 2012</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 380,259,503	₩ -	₩ 380,259,503
Non-trade payables	183,630,533	-	183,630,533
Short-term borrowings	32,067,863	-	32,067,863
Other payables	16,409,144	-	16,409,144
Long-term other payables	-	37,977,622	37,977,622
Bonds	<u>6,678,334</u>	<u>96,136,637</u>	<u>102,814,971</u>
	<u>₩ 619,045,377</u>	<u>₩ 134,114,259</u>	<u>₩ 753,159,636</u>

(Unit: Indian-Rupee in thousands):

	<u>March 31, 2013</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>

	March 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 25,141,575	Rs. -	Rs. 25,141,575
Non-trade payables	8,630,746	-	8,630,746
Short-term borrowings	2,244,046	-	2,244,046
Other payables	551,884	-	551,884
Long-term other payables	-	1,631,228	1,631,228
Bonds	371,784	4,977,478	5,349,262
	<u>Rs. 36,940,035</u>	<u>Rs. 6,608,706</u>	<u>Rs. 43,548,741</u>

	December 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	Rs. 18,708,768	Rs. -	Rs. 18,708,768
Non-trade payables	9,034,622	-	9,034,622
Short-term borrowings	1,577,739	-	1,577,739
Other payables	807,330	-	807,330
Long-term other payables	-	1,868,499	1,868,499
Bonds	328,574	4,729,923	5,058,497
	<u>Rs. 30,457,033</u>	<u>Rs. 6,598,422</u>	<u>Rs. 37,055,454</u>

Funding arrangements as of March 31, 2013 and December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

		March 31,2013	December 31,2012
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):

		March 31,2013	December 31,2012
Borrowing limit commitments	Used	Rs 1,476,000	Rs 1,476,000
	Unused	-	-
	Total	<u>Rs 1,476,000</u>	<u>Rs 1,476,000</u>

(4) Fair value of financial instruments

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

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

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

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

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

Fair values of financial instruments by heirarchy level as of March 31, 2013 and December 31, 2012, are as follows

(Unit: Korean won in thousands):

Type	March 31, 2013			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩	₩ 1,816,670	₩	₩ 1,816,670

Type	December 31, 2012			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩	₩ 21,503,503	₩	₩ 21,503,503

(Unit: Indian-Rupee in thousands):

Type	March 31, 2013			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs.	Rs. 89,380	Rs.	Rs. 89,380

Type	December 31, 2012			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs.	Rs. 1,057,972	Rs.	Rs. 1,057,972