Mando Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Mando Corporation

We have audited the accompanying consolidated financial statements of Mando Corporation (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the four-month period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mando Corporation and its subsidiaries as of December 31, 2014, and their financial performance and cash flows for the four-month period ended December 31, 2014 in accordance with the Korean IFRS.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 34 to these financial statements. As discussed in Notes and 1 and 34, the Company was incorporated through a spin-off of the automotive parts business segment from Halla Holdings Corporation (formerly, Mando Corporation) on September 1, 2014, the spin-off date. The Company completed its incorporation on September 2, 2014 and its capital stock amounted to ₩46,957,120 thousand as of the date of incorporation. Transactions since September 1, 2014, the spin-off date, have been recognized in the Company's consolidated financial statements. The Company listed its shares on the Korea Exchange on October 6, 2014.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

March 12, 2015
Seoul, Korea

This audit report is effective as of March 12, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Mando Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014

(in thousands of Korean won)	**Notes**	**2014**
Assets		
Current assets		
Cash and cash equivalents	5,7	160,370,013
Trade receivables	5,7,8,33	999,266,024
Loans and other receivables	5,7,8,9,33	149,024,012
Derivative financial assets	4,5,7,11	22,844,565
Available-for-sale financial assets	5,7,10	2,000,000
Inventories	12	324,871,945
Other current assets	16	94,700,383
Current income tax assets		11,580,077
		1,764,657,019
Non-current assets		
Trade receivables	5,7,8	5,023,398
Loans and other receivables	5,7,8,9	51,881,622
Derivative financial assets	4,5,7,11	17,875,180
Available-for-sale financial assets	5,7,10	28,704,185
Investments in associates and joint ventures	13	27,446,167
Deferred income tax assets		87,884,864
Property, plant and equipment	14	1,710,367,460
Intangible assets	15	127,562,809
Other non-current assets	16	25,052,790
		2,081,798,475
Total assets		3,846,455,494

Mando Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014

(in thousands of Korean won)	**Notes**	**2014**
Liabilities		
Current liabilities		
Trade payables	4,5,7,33	891,223,432
Other payables	4,5,7,18,33	206,034,778
Short-term borrowings	4,5,7,17	360,123,602
Current portion of long-term borrowings and debentures	4,5,7,17	353,461,260
Derivative financial liabilities	4,5,7,11	19,552
Provisions	19	15,486,540
Current income tax liabilities		22,207,492
Other current liabilities	21	43,891,205
		1,892,447,861
Non-current liabilities		
Debentures	4,5,7,17	99,835,836
Long-term borrowings	4,5,7,17	503,615,948
Other payables	4,5,7,18	36,072,900
Derivative financial liabilities	4,5,7,11	3,571
Provisions	19	17,020,462
Net defined benefit liabilities	20	181,164,481
Deferred income tax liabilities	22	12,445,843
Other non-current liabilities	21	5,706,741
		855,865,782
Total liabilities		2,748,313,643
Equity attributable to equity holders of the Company		
Capital stock	23	46,957,120
Share premium	23	962,218,478
Other components of equity	24	441,458
Accumulated other comprehensive income	24	8,059,718
Retained earnings		40,134,406
		1,057,811,180
Non-controlling interest	1	40,330,671
Total equity		1,098,141,851
Total liabilities and equity		3,846,455,494

The accompanying notes are an integral part of these consolidated financial statements.

Mando Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Four-month Period Ended December 31, 2014

(in thousands of Korean won, except per share amounts)	**Notes**	**2014**
Net sales	6,25,33	1,721,436,297
Cost of sales	12,27,33	1,487,093,647
Gross profit		234,342,650
Selling and administrative expenses	26,27,33	155,081,268
Operating profit	6	79,261,382
Other income	28	30,732,341
Other expenses	28	22,768,507
Financial income	29	7,452,572
Financial expenses	29	28,582,276
Share of loss of associates and joint ventures	13	(5,977,428)
Profit before income tax		60,118,084
Income tax expense		12,224,836
Profit for the period		47,893,248
Other comprehensive income(loss), net of tax		
Items that will not be reclassifed subsequently to profit or loss:		
Remeasurements of net defined benefit liability	20	(7,446,242)
Share of remeasurements for net defined benefit liability of associates and joint ventures	13	(53,055)
		(7,499,297)
Items that will be reclassifed subsequently to profit or loss:		
Change in value of available-for-sale financial assets	24	(194,719)
Currency translation differences	24	48,757,984
Share of other comprehensive income(loss) of associates and joint ventures	24	(380,687)
Cash flow hedges	24	(62,347,266)
		(14,164,688)
		(21,663,985)
Total comprehensive income for the period		26,229,263
Profit for the period attributable to:		
Equity holders of the Company		47,533,232
Non-controlling interest		360,016
Total comprehensive income for the period attributable to:		
Equity holders of the Company		23,721,703
Non-controlling interest		2,507,560
Earnings per share attributable to equity holders of the Company during the period (in won)		
Basic earnings per share	30	5,071

The accompanying notes are an integral part of these consolidated financial statements.

Mando Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Four-month Period Ended December 31, 2014

(in thousands of Korean won)	Attributable to equity holders of the Company						
	Capital stock	**Share premium**	**Other components of equity**	**Accumulated other comprehensive income(loss)**	**Retained earnings**	**Non-controlling interest**	**Total equity**
Balance at September 1, 2014 (the spin-off date)	46,957,120	962,218,478	5,674,340	24,472,421	-	37,823,111	1,077,145,470
Comprehensive income:							
Profit for the period	-	-	-	-	47,533,232	360,016	47,893,248
Available-for-sale financial assets	-	-	-	(194,719)	-	-	(194,719)
Cash flow hedges	-	-	-	(62,347,266)	-	-	(62,347,266)
Remeasurements of net defined benefit liability	-	-	-	-	(7,345,771)	(100,471)	(7,446,242)
Currency translation differences	-	-	-	46,509,969	-	2,248,015	48,757,984
Changes in other comprehensive income of associates and joint ventures	-	-	-	(380,687)	(53,055)	-	(433,742)
Transactions with equity holders:							
Acquisition of treasury shares	-	-	(5,232,882)	-	-	-	(5,232,882)
Balance at December 31, 2014	46,957,120	962,218,478	441,458	8,059,718	40,134,406	40,330,671	1,098,141,851

The accompanying notes are an integral part of these consolidated financial statements.

Mando Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Four-month Period Ended December 31, 2014

(in thousands of Korean won)	**Notes**	**2014**
Cash flows from operating activities		
Cash generated from operations	31	200,727,895
Interest received		4,129,871
Interest paid		(17,962,918)
Dividends received		576,594
Income tax paid		(20,375,046)
Net cash generated from operating activities		167,096,396
Cash flows from investing activities		
Increase in financial deposits, net		(20,269,509)
Increase in loans		(24,380,915)
Decrease in loans		4,934,590
Acquisition of available-for-sale financial assets		(11,769,505)
Proceeds from disposal of available-for-sale financial assets		1,566,601
Acquisition of property, plant and equipment		(130,713,583)
Proceeds from disposal of property, plant and equipment		3,360,378
Acquisition of intangible assets		(22,115,865)
Increase in other payables on acquisition of property, plant and equipment and intangible assets		9,897,339
Net cash used in investing activities		(189,490,469)
Cash flows from financing activities		
Increase in short-term borrowings, net		(7,145,981)
Settlement of derivatives		(507,884)
Repayments of current portion of long-term borrowings and debentures		(28,113,877)
Proceeds from long-term borrowings		43,493,133
Acquisition of treasury shares		(5,232,882)
Net cash provided by financing activities		2,492,509
Exchange gains on cash and cash equivalents		7,395,013
Net decrease in cash and cash equivalents		(12,506,551)
Cash and cash equivalents at the beginning of period (the spin-off date)		172,876,564
Cash and cash equivalents at the end of period		160,370,013

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information

Mando Corporation (the Company), which was newly incorporated through a spin-off from Halla Holdings Corporation (formerly, Mando Corporation), is the Parent in accordance with the Korean IFRS 1110, Consolidated Financial Statements. The general information of Mando Corporation and its subsidiaries (collectively referred to as "the Group") is as follows:

The Company was incorporated through a spin-off from Halla Holdings Corporation (formerly, Mando Corporation) with the capital stock amounting to ₩ 46,957,120 thousand. The Company listed its shares on the Korea Exchange on October 6, 2014.

The Company is headquartered in Pyoungtaek in Korea, while its plants and central research center are located in Pyoungtaek, Wonju, Iksan and Sungnam in Korea. The Company has domestic and overseas subsidiaries which manufacture, distribute and sell automotive parts.

Details of consolidated subsidiaries as of December 31, 2014, are as follows:

			Percentage of ownership (%)					
Subsidiary	**Abbre-viation**[1]	**Main business**	**The Company**	**Subsidiaries**	**Non-controlling interest**	**Total**	**Location**	**Closing month**
Mando China Holdings Limited	MCH	Holding Company	100.0	-	-	100.0	Korea	December
Mando Suzhou Chassis System Co., Ltd.	MSC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Beijing) Automotive Chassis System Co., Ltd.	MBC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Tianjin) Automotive Parts Co., Ltd.	MTC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Harbin) Automotive Chassis System Co., Ltd.	MHC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Ningbo) Automotive Parts Co., Ltd.	MNC	Manufacturing and selling automotive parts business	-	65.0	35.0	100.0	China	December
Mando(Shenyang) Automotive Parts Co., Ltd.	MSYC	Manufacturing and selling automotive parts business	-	100.0	-	100.0	China	December
Mando(Beijing) R&D Center	MRC	R&D of technology for automotive parts	-	100.0	-	100.0	China	December
Mando(Beijing) Trading Co., Ltd.	MBTC	Selling automotive parts business	-	100.0	-	100.0	China	December
Mando Advanced Materials Co., Ltd.	MAM	Manufacturing and selling plastic material business	52.7	-	47.3	100.0	Korea	December
Tianjin Mando Advanced Materials Co., Ltd.	MAMT	Selling plastic material business	-	100.0	-	100.0	China	December
Mando America Corporation	MCA	Manufacturing and selling automotive parts business	100.0	-	-	100.0	USA	December
Mando Automotive India Limited	MAIL	Manufacturing and selling automotive parts business	71.0	-	29.0	100.0	India	March
Mando Softtech India Private, Ltd.	MSI	R&D of technology for automotive parts	100.0	-	-	100.0	India	December
Mando Corporation Europe GmbH	MCE	Selling automotive parts business	100.0	-	-	100.0	Germany	December
Halla Das Lab Europe GmbH	HDLE	R&D of technology for automotive parts	-	80.0	20.0	100.0	Germany	December
Mando Corporation do Brasil Industry and Commercial Auto Parts Ltda.	MCB	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Brazil	December
Mando Corporation Poland	MCP	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Poland	December

[1] Abbreviations are used hereinafter.

Summary of subsidiaries' financial information used in the preparation of consolidated financial statements is as follows:

(in thousands of Korean won)	**Assets**	**Liabilities**	**Equity**	**Accumulated non-controlling interest**
MCH and subsidiaries	1,163,608,453	505,736,638	657,871,815	30,881,540
MAM and subsidiary	33,390,536	26,434,102	6,956,434	2,849,356
MCE and subsidiary	30,178,063	13,297,259	16,880,804	197,557
MCA	467,717,055	366,895,600	100,821,455	-
MAIL	174,380,363	152,303,751	22,076,612	6,402,217
MSI	4,032,602	1,248,988	2,783,614	-
MCB	57,772,676	37,961,534	19,811,142	-
MCP	84,569,386	45,548,292	39,021,094	-

				Attribution to non-controlling interest	
(in thousands of Korean won)	**Sales**	**Profit(loss)**	**Total comprehensive income(loss)**	**Profit (loss)**	**Total comprehensive income(loss)**
MCH and subsidiaries	482,029,189	48,984,237	90,066,690	643,992	2,669,149
MAM and subsidiary	17,542,917	356,774	81,392	144,984	33,338
MCE and subsidiary	13,751,732	331,071	342,292	(12,928)	(12,734)
MCA	334,481,044	2,931,051	11,971,317	-	-
MAIL	105,693,842	(1,434,594)	(628,253)	(416,032)	(182,193)
MSI	1,822,508	(121,977)	(35,065)	-	-
MCB	14,213,347	(6,116,893)	(8,007,016)	-	-
MCP	18,720,775	(1,333,400)	(1,783,046)	-	-

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 New standards and interpretations not yet adopted

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014 and not early adopted would not have a material impact on its consolidated financial statements.

2.2 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair value, and identifiable assets acquired, liabilities assumed and contingent liabilities in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by other IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses, and unrealized gains on transactions within the Group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In transactions with non-controlling interests that do not result in loss of control, the Group recognizes directly in equity attributable to owners of the parent any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

If the Group losses control of a subsidiary, any investment retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost and accounted for using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(c) Joint Arrangements

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for the investment using the equity method.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses related to borrowings, cash and cash equivalents are presented in 'financial income and expenses' in the statement of comprehensive income. All other foreign exchange gains and losses are presented in 'other income and expenses' in the statement of comprehensive income.

(c) Translation to presentation currency

The results and financial position of all entities within the Group whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income are translated at the average exchange rates;
- equity is translated at the historical exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

2.4 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses on a financial asset or a group of financial assets are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over one year; or the disappearance of an active market for that financial asset due to financial difficulties. A significant or prolonged decline in the fair value of an available-for-sale equity instrument from its cost is also objective evidence of impairment.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as ‘borrowings’ in the statement of financial position.

2.5 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of comprehensive income as 'other income (expenses)'.

The Group applies cash flow hedge accounting to the foreign currency forward for hedging foreign exchange fluctuation risks on forecast sales denominated in foreign currency. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and the ineffective portion is recognized in ‘other income (expenses)’. Amounts of changes in fair value of derivatives accumulated in other comprehensive income are recognized as ‘sales’ for the periods when forecast transactions affect profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is recognized as ‘other income (expenses)’ immediately.

2.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the average method, except for inventory-in-transit which is determined using the specific identification method.

2.7 Property, Plant and Equipment

Property, plant and equipment are presented at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditures directly attributable to the asset acquisition.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	Estimated Useful Lives
Buildings and structures	20 ~ 40 years
Machinery	5 ~ 15 years
Vehicles	3 ~ 6 years
Tools	3 ~ 10 years
Furniture and fixtures	3 ~ 10 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

2.8 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose of obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.9 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to them. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the expenses related to the purpose of the government grants.

2.10 Intangible Assets

Goodwill is measured as explained in Note 2.2.(a) and carried at its cost less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Development costs, internally generated intangible assets, are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life are amortized using the straight-line method over their estimated useful lives, as follows:

	Estimated Useful Lives
Development costs	5 years
Industrial property rights and facility usage rights	5,10,15 years
Software	3 ~ 10 years

2.11 Impairment of Non-Financial Assets

Goodwill or intangible assets with indefinite useful lives are tested annually for impairment. Assets that are subject to amortization are assessed at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the assets are tested for impairment. An impairment loss is recognized as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset’s fair value less costs of disposal and its value in use. An impairment loss recognized in prior periods for non-financial assets other than goodwill is reviewed for possible reversal at the end of each reporting period.

2.12 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as ‘trade payables’, ‘borrowings’, and ‘other payables’ in the statement of financial position.

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of comprehensive income as ‘financial expense’, together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired, or when the terms of an existing financial liability are substantially modified.

2.13 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

A warranty provision is accrued for the estimated costs of future warranty claims over warranty periods based on historical experience. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as a provision for litigation and others in the financial statement.

2.14 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other

comprehensive income or directly in equity, respectively.
The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Employee Benefits

(a) Post-employment benefits

The Group entities operate various retirement benefit plans; both defined contribution and defined benefit plans.

A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service.

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation.

The remeasurements of the net defined benefit liability are recognized in other comprehensive income. If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Share-based payments

Equity-settled share-based payments granted to employees are estimated at the grant date fair value of equity instruments and recognized as employee benefit expenses over the vesting period. The number of equity instruments expected to vest is remeasured considering non-market vesting conditions at the end of the reporting period, and any changes from the original measurement recognized in the profit for the year and equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

(c) Other long-term employee benefits

Certain Group companies provide long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent qualified actuaries.

(d) Labor welfare fund

A portion of the fund which is available for employee benefits based on the statutory regulation or fund article is recognized as assets.

2.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of service in the ordinary course of the Group’s activities. It is stated as net of value-added tax, returns and discounts, after elimination of intercompany sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group mainly manufactures and sells automotive components. Sales of goods are recognized when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Some of the Group entities render transportation and distribution services of automotive components. If the services are provided on a fixed contract, revenue is generally recognized on a straight-line basis over the period the service is rendered. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the statement of income in the period in which the management recognizes the changes in circumstances.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(d) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.17 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.18 Segment Reporting

Information of each operating segment is reported in a manner consistent with the geographic segment reporting provided to the chief operating decision-maker (Note 30). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

3. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as historical experience and events reasonably predictable in the foreseeable future within the present circumstance. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Estimated impairment of goodwill

The recoverable amounts of cash-generating units calculated to test impairment of goodwill have been determined based on value-in-use calculations.

3.2 Income taxes

The Group’s income taxes are calculated based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

3.3 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.4 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis including the discount rate.

3.5 Provisions for product warranty

The Group generally provides warranty for products or merchandises over the periods from one year to three years. Management determines provisions for future warranty claims with consideration to the recent trend of changes and historical data.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (the Company's treasury department) under policies approved by the board of directors. The Company's treasury department identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar ("USD"), Chinese yuan ("CNY") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies that are not the Group entities' functional currencies. The Group uses foreign currency forward contracts to hedge the foreign exchange risk (Note 11).

If the exchange rate of the Group entities' functional currencies against each foreign currency had changed by 10% with all other variables held constant, the effects on profit before income tax would have been as follows:

	2014	
(in thousands of Korean won)	**10% increase**	**10% decrease**
USD	(4,169,691)	4,169,691
CNY	2,166,535	(2,166,535)
EUR	(3,553,840)	3,553,840

The above effects were analyzed on the significant monetary assets and liabilities including cash and cash equivalents, trade accounts receivable, other receivables, trade accounts payable, other payables, borrowings and others, denominated in currencies that are not the Group entities' functional currencies.

(b) Price risk

The Group is exposed to price risk of equity securities held by the Group, which are classified on the consolidated statement of financial position as available-for-sale financial assets. Most of the Group's marketable equity securities are publicly traded in the KRX KOSPI Market of the Korea Exchange and included in KOSPI equity index.

The table below summarizes the impact of changes of KOSPI equity index on the Group's profit before income tax and other comprehensive income (before income tax) for the four-month period ended December 31, 2014. The analysis is based on the assumption that KOSPI equity index had increased and decreased by 5% with all other variables held constant and all the Group's marketable equity securities moved according to the historical correlation with KOSPI equity index.

	2014	
(in thousands of Korean won)	**5% increase**	**5% decrease**
Other comprehensive income (loss)	246,532	(246,532)

(c) Interest rate risk

The Group's interest rate risk mainly arises from borrowings with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

To mitigate interest rate risk, the Group manages interest rate risk proactively by: minimizing external borrowings by using cash pooling system (internal cash sharing); reducing borrowings with high interest rates; maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates; and monitoring weekly and monthly interest rate trends in domestic and international markets.

If interest rates had changed by 100bp with all other variables held constant, the effects on interest expenses related to borrowings with variable interest rates are as follows:

	2014	
(in thousands of Korean won)	**100bp increase**	**100bp decrease**
Interest expenses	1,415,837	(1,415,837)

4.1.2 Credit risk

The Group's credit risk arises from cash and cash equivalents, derivative financial instruments and financial deposits with banks and financial institutions, as well as credit exposures to trade receivables and loans and other receivables.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers relating trade receivables, loans and other receivables are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. The Group sets the individual risk limits based on internal or external ratings within the limits previously set by the management. The utilization of credit limits is regularly monitored.

If necessary, the Group requires customers to take guarantee insurance policy or to be guaranteed by bank in order to avoid credit risk. In accordance with the Group's credit risk management policy, the credit quality of trade receivables and loans and other receivables that are neither past due nor impaired as of the end of reporting period can be measured using the historical experience about customers' financial difficulties, if possible, external ratings (Note 8).

4.1.3 Liquidity risk

In order to manage liquidity risk, the Group forecasts its cash flows from operating, investing and financing activities by setting up an annual or monthly cash flow forecast and internal financial ratio target. The Group also maintains sufficient liquidity in advance so that the Group does not breach borrowing limits or covenants on any of its borrowings. The Group operates cash pooling system to manage liquidity risk in Chinese subsidiaries.

At the end of the reporting period, the Group manages the reasonably possible liquidity risk using a variety of financing agreements with banks (Note 32). In addition, the Company is able to source funds any time in financial markets because it has good investment credit grade (AA- Stable) from Korea Ratings Corporation and Nice Investors Service Co., Ltd., respectively.

The details of the Group's liquidity risk analysis are as follows:

(in thousands of Korean won)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade payables	891,223,432	-	-	-
Other payables	208,546,597	3,135,392	2,430,076	-
Debentures	209,105,000	104,410,000	-	-
Short-term and long-term borrowings	515,884,406	390,579,326	126,845,196	26,607,208
Derivative financial assets	23,086,821	14,497,276	3,851,247	-
Financial guarantee contracts	18,978,584	-	-	-

Non-derivative financial liabilities and net-settled derivative financial liabilities (assets) for which contractual maturities are essential for an understanding the timing of the cash flows were classified into maturity groups according to the remaining period from the end of the reporting period to the contractual maturity date in the above analysis. The amounts included in the above analysis are the contractual undiscounted cash flows.

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group's objective of capital risk management is to maintain a sound debt-to-equity ratio consistent with others in the industry and is improving its investment credit rating to AA rated by Korea Investors Service. The Group monitors the debt-to-equity ratios monthly basis and takes required action plan to improve the capital structure.

Debt-to-equity ratios of the Group are as follows:

(in thousands of Korean won, except for ratios)	**2014**
Total liabilities (A)	2,748,313,643
Total equity (B)	1,098,141,851
Debt-to-equity ratio (A/B)	250.3%

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Book values and fair values of financial assets and liabilities by category are as follows:

(in thousands of Korean won)	Book value	Fair value
Current		
Cash and cash equivalents	160,370,013	160,370,013
Trade receivables	999,266,024	999,266,024
Loans and other receivables	149,024,012	149,024,012
Derivative financial assets	22,844,565	22,844,565
Available-for-sale financial assets	2,000,000	2,000,000
	1,333,504,614	1,333,504,614
Non-current		
Trade receivables	5,023,398	4,936,688
Loans and other receivables	51,881,622	50,961,015
Derivative financial assets	17,875,180	17,875,180
Available-for-sale financial assets	28,697,585	28,697,585
	103,477,785	102,470,468
	1,436,982,399	1,435,975,082

(in thousands of Korean won)	Book value	Fair value
Current		
Trade payables	891,223,432	891,223,432
Other payables	206,034,778	206,034,778
Short-term borrowings	360,123,602	360,123,602
Current portion of long-term borrowings and debentures	353,461,259	353,576,200
Derivative financial liabilities	19,552	19,552
	1,810,862,623	1,810,977,564
Non-current		
Debentures and long-term borrowings	603,451,785	604,906,092
Other payables	36,072,900	35,941,390
Derivative financial liabilities	3,571	3,571
	639,528,256	640,851,053
	2,450,390,879	2,451,828,617

The book value of current financial assets and liabilities is measured at a reasonable approximation of fair value. Non-marketable available-for-sale equity securities amounting to ₩6,600 thousand are measured at cost because the related future cash flows cannot be reasonably assessed, therefore, these equity securities are excluded from the fair value disclosure.

5.2 Fair Value Hierarchy

Financial instruments measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All the Group's financial assets and liabilities measured at fair value are recurring fair value measurements. The fair value hierarchy of the financial assets and liabilities measured at the fair value or their fair values are disclosed are categorized as follows:

(in thousands of Korean won)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Equity instruments classified as available-for-sale	11,440,000	-	-	11,440,000
Debt instruments classified as available-for-sale	-	19,257,585	-	19,257,585
Derivative assets used for hedging purposes	-	40,432,551	-	40,432,551
Derivative assets held for trading	-	287,194	-	287,194
Derivative liabilities held for trading	-	19,552	-	19,552
Embedded derivative liabilities	-	-	3,571	3,571
Disclosed fair value				
Trade receivables	-	-	1,004,202,712	1,004,202,712
Other receivables	-	-	199,985,027	199,985,027
Trade payables	-	-	891,223,432	891,223,432
Other payables	-	-	241,976,168	241,976,168
Debentures and borrowings	-	-	1,318,605,894	1,318,605,894

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period. For the four-month period ended December 31, 2014, there are no transfers between levels of the fair value hierarchy.

5.3 Valuation Technique and the Inputs

The financial instruments of which the fair value measurements are categorized within Level 2 consist of investment in the available-for-sale debt instruments, beneficiary certificates, convertible preferred shares and derivatives of foreign currency forward contracts.

The fair value of the available-for-sale debt instruments is measured at the present value using the observable market interest rate for the debt instruments with similar risk and maturity. The fair value of the convertible preferred shares is measured using the valuation technique such as the present value and market approach. The fair value of derivative financial instruments is measured at the present value using the forward exchange rates and market interest rates at the end of the reporting period. The disclosed fair values categorized within Level 2 and 3 are measured at the present value using discount rates such as the weighted-average interest rates of borrowings and others.

The fair value measurement of financial instrument categorized within Level 3 is the embedded derivative instrument related to the conversion right in the convertible redeemable preferred shares issued by MAM (Note 11). The fair value of this conversion right is measured using the binomial model considering the volatility of similar listed entities' share price.

6. Operating Segment Information

Management has determined the operating segments based on the information reviewed by the board of directors that are used to make strategic decisions. The board of directors reviews the business performance by geographic perspective segregated into Korea, China, USA and other areas.

The board of directors assesses the performance of the operating segments based on operating profit or loss which are measured in a manner consistent with that in the consolidated statements of comprehensive income.

The information for profit or loss and non-current assets by geographic area is as follows:

	2014				
(in thousands of Korean won)	**Korea**	**China**	**USA**	**Other**	**Total**
Total segment sales	1,063,958,853	484,507,431	334,481,044	154,169,539	2,037,116,867
Inter-segment sales	(266,754,990)	(30,790,278)	(7,120,429)	(11,014,873)	(315,680,570)
Sales to external customers	797,203,863	453,717,153	327,360,615	143,154,666	1,721,436,297
Operating profit	13,081,502	66,096,327	5,903,425	2,298,105	87,379,359
Depreciation and amortization	40,496,570	18,088,556	7,205,143	6,066,980	71,857,249
Non-current assets[1]	1,148,995,403	327,445,473	228,239,949	160,695,611	1,865,376,436

[1] Financial instruments and deferred income tax assets are excluded.

Information for total assets and liabilities for each reportable segment is not disclosed because such information is not regularly provided to the board of directors.

Sales between segments are accounted for as they are carried out at arm's length. The sales from external customers are measured in a manner consistent with that in the statement of comprehensive income.

Reconciliation of operating profit for the reportable segments to operating profit in the statements of comprehensive income is as follows:

(in thousands of Korean won)	**2014**
Operating profit for reportable segments	87,379,359
Consolidation adjustments including unrealized gains or losses and eliminations of intercompany transactions	(8,117,977)
Operating profit in the statement of comprehensive income	79,261,382

Sales from external customers are derived from the manufacture and sales of automotive components, rendering of services, and royalty income in exchange for the use of the Group's technology. The breakdown of sales to external customers is presented in Note 25.

Details of external customers, who contribute more than 10% of the Group revenue, are as follows:

(in thousands of Korean won)	**2014**	
	Sales	**Ratio**
Customer group A	1,013,778,406	59%
Customer group B	362,548,506	21%

The Group's operating segment is identical to the reportable segment as the Group is considered as one operating segment.

7. Financial Instruments by Category

Details of financial assets by category are as follows:

(in thousands of Korean won)	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss[1]	Other financial assets[2]	Total
Current					
Cash and cash equivalents	160,370,013	-	-	-	160,370,013
Trade receivables	999,266,024	-	-	-	999,266,024
Loans and other receivables	149,024,012	-	-	-	149,024,012
Derivative financial assets	-	-	287,194	22,557,371	22,844,565
Available-for-sale financial assets	-	2,000,000	-	-	2,000,000
	1,308,660,049	2,000,000	287,194	22,557,371	1,333,504,614
Non-current					
Trade receivables	5,023,398	-	-	-	5,023,398
Loans and other receivables	51,881,622	-	-	-	51,881,622
Derivative financial assets	-	-	-	17,875,180	17,875,180
Available-for-sale financial assets	-	28,704,185	-	-	28,704,185
	56,905,020	28,704,185	-	17,875,180	103,484,385
	1,365,565,069	30,704,185	287,194	40,432,551	1,436,988,999

[1] Financial assets at fair value through profit or loss include derivatives held for trading.

[2] Other financial assets include derivatives designated as hedged items.

Details of financial liabilities by category are as follows:

(in thousands of Korean won)	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit[1]	Total
Current			
Trade payables	891,223,432	-	891,223,432
Other payables	206,034,778	-	206,034,778
Short-term borrowings	360,123,602	-	360,123,602
Current portion of long-term borrowings and debentures	353,461,259	-	353,461,259
Derivative financial liabilities	-	19,552	19,552
	1,810,843,071	19,552	1,810,862,623
Non-current			
Debentures and long-term borrowings	603,451,785	-	603,451,785
Other payables	36,072,900	-	36,072,900
Derivative financial liabilities	-	3,571	3,571
	639,524,685	3,571	639,528,256
	2,450,367,756	23,123	2,450,390,879

[1] Financial assets at fair value through profit or loss include derivatives held for trading.

Gains and losses before income tax arising from financial assets and liabilities are as follows:

(in thousands of Korean won)	**Loans and receivables**	**Available-for-sale financial assets**	**Financial liabilities carried at amortized cost**	**Financial instruments at fair value through profit (Held for trading)**	**Other financial instruments (Derivatives for hedge purposes)**	**Total**
Net Income						
Gain on exchange differences	3,978,525	-	90,509	-	-	4,069,034
Loss on exchange differences	(4,290,516)	-	(9,607,990)	-	-	(13,898,506)
Interest income	3,126,132	257,407	-	-	-	3,383,539
Interest expense	-	-	(14,683,771)	-	-	(14,683,771)
Bad debts expense	(50,866)	-	-	-	-	(50,866)
Gain on settlement of derivatives	-	-	-	(364,712)	-	(364,712)
Gain on valuation of derivatives	-	-	-	239,804	2,947,798	3,187,602
	2,763,275	257,407	(24,201,252)	(124,908)	2,947,798	(18,357,680)
Other Comprehensive Income						
Loss on valuation of available-for-sale financial assets	-	(255,988)	-	-	-	(255,988)
Cash flow hedge	-	-	-	-	(82,252,330)	(82,252,330)
	-	(255,988)	-	-	(82,252,330)	(82,508,318)
	2,763,275	1,419	(24,201,252)	(124,908)	(79,304,532)	(100,865,998)

8. Trade Receivables, and Loans and Other Receivables

Trade receivables, and loans and other receivables are as follows:

(in thousands of Korean won)	**Gross amount**	**Allowance for doubtful accounts**	**Net book amount**
Current			
Trade receivables	1,001,234,333	(1,968,309)	999,266,024
Loans and other receivables			
Other receivables	18,564,823	(33,304)	18,531,519
Accrued income	345,970	-	345,970
Financial deposits	106,083,682	-	106,083,682
Loans	14,897,039	-	14,897,039
Guarantee deposits	9,165,802	-	9,165,802
	1,150,291,649	(2,001,613)	1,148,290,036
Non-current			
Trade receivables	5,023,398	-	5,023,398
Loans and other receivables			
Other receivables	3,203,333	-	3,203,333
Financial deposits	1,500	-	1,500
Loans	44,508,852	-	44,508,852
Guarantee deposits	4,167,937	-	4,167,937
	56,905,020	-	56,905,020
	1,207,196,669	(2,001,613)	1,205,195,056

The ageing analysis of trade receivables, and loans and other receivables are as follows:

(in thousands of Korean won)	Within due date	Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Current									
Trade receivables	971,262,843	23,054,947	2,696,653	2,113,092	138,489	1,968,309	1,001,234,333	(1,968,309)	999,266,024
Loans and other receivables									
Other receivables	16,965,770	760,493	571,263	44,538	189,455	33,304	18,564,823	(33,304)	18,531,519
Accrued income	345,970	-	-	-	-	-	345,970	-	345,970
Financial deposits	106,083,682	-	-	-	-	-	106,083,682	-	106,083,682
Loans	14,897,039	-	-	-	-	-	14,897,039	-	14,897,039
Guarantee deposits	9,165,802	-	-	-	-	-	9,165,802	-	9,165,802
	1,118,721,106	23,815,440	3,267,916	2,157,630	327,944	2,001,613	1,150,291,649	(2,001,613)	1,148,290,036
Non-current									
Trade receivables	5,023,398	-	-	-	-	-	5,023,398	-	5,023,398
Loans and other receivables									
Other receivables	3,203,333	-	-	-	-	-	3,203,333	-	3,203,333
Financial deposits	1,500	-	-	-	-	-	1,500	-	1,500
Loans	44,508,852	-	-	-	-	-	44,508,852	-	44,508,852
Guarantee deposits	4,167,937	-	-	-	-	-	4,167,937	-	4,167,937
	56,905,020	-	-	-	-	-	56,905,020	-	56,905,020
	1,175,626,126	23,815,440	3,267,916	2,157,630	327,944	2,001,613	1,207,196,669	(2,001,613)	1,205,195,056

The Group assesses whether a loss event such as borrower's financial difficulty exists for individual financial assets and recognizes allowance for doubtful accounts with the difference between the assets' carrying amount and recoverable amount based on such assessments. The Group recognizes allowance for doubtful accounts for the receivables within due and past due within twelve months based on historical experience, and for the receivables past due more than twelve months, based on the estimated future cash flows.

The maximum exposure to credit risk at the end of reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security regarding trade receivables and loans and other receivables.

Trade receivables of ₩33,250,012 thousand are provided as collaterals to numerous financial institutions in China for notes payables.

As of December 31, 2014, trade receivables from major customers comprise approximately 59% of unimpaired trade receivables. The external credit ratings of the major customers are AA+ Stable (rated by Korea Investors Service) or Ba1 (rated by Moody's) at the least. Other trade receivables are spread across various customers; therefore, the credit risk is not concentrated on a specific customer or a specific group of customers.

9. Restricted Financial Deposits

Details of restricted financial deposits are as follows:

(in thousands of Korean won)

Accounts	Banks	December 31, 2014	Remarks
Current	NH Bank and others	1,637,396	Goverment grants
	Shanghai Pudong Development Bank	9,015,547	Note issuance deposits
Non-current	Korea Exchange Bank	1,500	Key money deposits
		10,654,443	

10. Available-for-Sale Financial Assets

Changes in available-for-sale financial assets are as follows:

	2014						
(in thousands of Korean won)	Beginning (the spin off date)	Addition	Disposal	Transfer	Net gains (losses) transfer from equity	Net gains (losses) transfer to equity	Ending
Current							
Debentures	1,500,000	-	(1,500,000)	2,000,000	-	-	2,000,000
	1,500,000	-	(1,500,000)	2,000,000	-	-	2,000,000
Non-current							
Marketable equity securities	-	11,693,180	-	-	-	(253,180)	11,440,000
Non-marketable equity securities	-	6,600	-	-	-	-	6,600
Beneficiary certificates	66,601	-	(69,409)	-	2,808	-	-
Debentures	19,000,000	-	-	(2,000,000)	-	-	17,000,000
Other debt securities	187,860	69,725	-	-	-	-	257,585
	19,254,461	11,769,505	(69,409)	(2,000,000)	2,808	(253,180)	28,704,185
	20,754,461	11,769,505	(1,569,409)	-	2,808	(253,180)	30,704,185

None of the available-for-sale financial assets are past due and the maximum exposure to credit risk is the carrying value of the investment in debentures and other debt securities classified as available-for-sale financial assets.

11. Derivative Financial Instruments

Details of forward foreign exchange contracts outstanding as of December 31, 2014, are as follows:

Contractor	Position	Contracted amount (in thousands)				Contracted exchange rates	Maturities
		Selling		Buying			
Cash flow hedges							
Australia and New Zealand Banking Group Limited, Bank of America, CS Bank, Hana Bank, Korea Development Bank, Korea Exchange Bank, Standard Chartered Bank, Shinhan Bank, NH Bank, Woori Bank	Sell	USD	760,000	KRW	876,278,700	1,120.6 ~ 1,185.55	2015.01.30 ~ 2016.12.30
Australia and New Zealand Banking Group Limited, Korea Development Bank, Korea Exchange Bank, Shinhan Bank	Sell	EUR	42,000	KRW	64,680,700	1,534.11 ~ 1,548.87	2016.04.29 ~ 2017.12.29
Trading							
Citibank, Standard Chartered Bank, Korea Exchange Bank, Shinhan Bank	Buy	INR	1,333,914	USD	20,911	62.55 ~ 66.77	2015.01.20 ~ 2015.09.02

The fair values of derivative financial instruments are as follows:

(in thousands of Korean won)	Assets	Liabilities
Current		
Cash flow hedges	22,557,371	-
Trading	287,194	19,552
	22,844,565	19,552
Non-current		
Cash flow hedges	17,875,180	-
Embedded derivatives[1]	-	3,571
	17,875,180	3,571
	40,719,745	23,123

[1] Conversion rights of convertible redeemable preferred share issued by MAM are separately classified as embedded derivatives and measured at the fair value (Note 17).

In relation to cash flow hedges, a hedged highly probable forecasted transaction is expected to occur at various dates within the next thirty six months, and there is no forecasted transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

The gain on valuation that was recognized in other comprehensive income is ₩53,097,151 thousand. The gain on valuation that was reclassified from other comprehensive income to profit or loss is recognized in ‘sales’ amounting to ₩29,155,179 thousand.

12. Inventories

Details of inventories are as follows:

(in thousands of Korean won)	Merchandise	Finished goods	Work-in-process	Raw materials	Stored goods	Inventory-in-transit	Total
December 31, 2014							
Cost	43,056,273	117,370,768	49,603,307	103,975,436	4,140,628	18,149,696	336,296,108
Valuation allowance	(1,200,403)	(7,410,351)	(384,191)	(2,429,218)	-	-	(11,424,163)
Net book amount	41,855,870	109,960,417	49,219,116	101,546,218	4,140,628	18,149,696	324,871,945

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩1,472,909,799 thousand and the valuation losses of inventories included in 'cost of sales' amounts to ₩2,183,235 thousand.

13. Investments in Associates and Joint Ventures

Details of associates over which the Group has significant influence and joint ventures are as follows:

	Investee	Closing Month	Abbreviation[1]	Location	Percentage of ownership (%)
Associates	Autoventure Mando SDN. BHD	June	AVM	Malaysia	30.0
Joint venture[2]	Maysan Mando Otomotiv Parcalari Sanayi VE Ticaret	December	MMT	Turkey	50.0
Joint venture[2]	Mando Brose Corporation	December	MBCO	Korea	50.0
Joint venture[2]	KYB-Mando do Brazil Fabricante De Autopecas Ltda.	March	KMB	Brazil	50.0

[1] Abbreviations are used hereinafter.

[2] All joint arrangements in which the Group has joint control are structured through a separate entity and classified as joint ventures as the parties having joint control on the joint arrangements have rights on net assets of the arrangements.

Changes in investments in associates and joint ventures are as follows:

(in thousands of Korean won)

	2014				
Investee	Beginning (the spin-off date)	Dividends	Share of profit(loss)	Share of other comprehensive income(loss)	Ending
AVM	1,827,008	(576,594)	133,377	(36,094)	1,347,697
MMT	7,621,997	-	(703,644)	53,618	6,971,971
MBCO	18,527,062	-	(2,037,037)	(53,055)	16,436,970
KMB	6,457,865	-	(3,370,125)	(398,211)	2,689,529
	34,433,932	(576,594)	(5,977,429)	(433,742)	27,446,167

Summary of condensed financial information of associates and joint ventures is as follows:

(in thousands of Korean won)	2014					
Investee	**Assets**	**Liabilities**	**Equity**	**Sales**	**Profit(loss)**	**Total comprehensive income(loss)**
AVM	7,573,975	3,081,654	4,492,321	5,025,607	444,590	324,276
MMT	44,178,431	27,893,010	16,285,421	25,919,589	(325,077)	(217,841)
MBCO	65,194,830	32,320,890	32,873,940	9,829,662	(4,074,074)	(4,180,184)
KMB	51,767,702	46,951,809	4,815,893	14,037,266	(6,740,180)	(7,536,603)

Details of adjustments from financial information of associates and joint ventures to the book value of investments in associates and joint ventures are as follows:

(in thousands of Korean won)	2014					
Investee	**Net assets**	**Percentage of ownership (%)**	**Interests in net assets**	**Goodwill**	**Unrealized gain**	**Book value**
AVM	4,492,321	30.0	1,347,697	-	-	1,347,697
MMT	16,285,421	50.0	8,142,710	-	(1,170,739)	6,971,971
MBCO	32,873,940	50.0	16,436,970	-	-	16,436,970
KMB	4,815,893	50.0	2,407,947	288,733	(7,151)	2,689,529

14. Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

(in thousands of Korean won)	2014						
	Land	**Buildings and structures**	**Machinery**	**Tools**	**Furniture & fixture and vehicles**	**Materials in transit and construction-in-progress**	**Total**
At September 1 (the spin-off date)	287,239,618	509,907,294	641,002,796	79,331,931	37,118,784	54,852,260	1,609,452,683
Acquisitions	-	2,079,206	51,888,350	22,664,509	5,451,272	48,735,069	130,818,406
Disposals / Retirement	-	(1,143,431)	(2,082,417)	(901,724)	(94,371)	(120,131)	(4,342,074)
Depreciation	-	(6,566,202)	(42,899,282)	(10,587,107)	(4,326,579)	-	(64,379,170)
Transfer	6,871,748	1,539,373	16,539,445	2,992,423	327,870	(28,270,859)	-
Exchange differences	193,797	11,356,663	24,481,715	1,447,568	660,743	677,129	38,817,615
At December 31	294,305,163	517,172,903	688,930,607	94,947,600	39,137,719	75,873,468	1,710,367,460
Acquisition cost	294,305,163	630,010,072	1,559,501,748	266,642,026	94,322,737	75,873,468	2,920,655,214
Accumulated depreciation and impairment loss	-	(112,837,169)	(870,571,141)	(171,694,426)	(55,185,018)	-	(1,210,287,754)

Line items including depreciation in the statements of comprehensive income are as follows:

(in thousands of Korean won)	**2014**
Cost of sales and others[1]	56,965,328
Selling and administrative expenses	
Depreciation	5,075,574
Research and development expenses	2,338,268
	64,379,170

[1] The amounts allocated to development costs and others are included.

A certain portion of land, building and machinery is pledged as collateral for borrowings (Note 17).

15. Intangible Assets

Changes in intangible assets are as follows:

	2014					
(in thousands of Korean won)	**Goodwill**	**Development costs**	**Software**	**Membership**	**Other intangible assets**	**Total**
At September 1 (the spin-off date)	4,802,219	62,049,717	35,676,416	10,302,959	5,958,363	118,789,674
Acquisitions	-	16,594,974	5,201,652	-	319,239	22,115,865
Amortization	-	(3,268,663)	(3,932,676)	-	(276,740)	(7,478,079)
Impairment loss	-	(6,933,234)	-	-	-	(6,933,234)
Exchange differences	485	333,788	655,959	61,940	16,411	1,068,583
At December 31	4,802,704	68,776,582	37,601,351	10,364,899	6,017,273	127,562,809
Acquisition cost	4,802,704	103,870,888	92,737,776	12,183,061	9,832,221	223,426,650
Accumulated amortization and impairment loss	-	(35,094,306)	(55,136,425)	(1,818,162)	(3,814,948)	(95,863,841)

In 2014, the Group recognized the impairment loss of ₩6,933,234 thousand for development costs and membership as the recoverable amount determined based on net fair value and value-in-use is significantly less than the carrying amount. The impairment loss is included in ‘other expenses’ in the statement of comprehensive income.

Line items including amortization in the statements of comprehensive income are as follows:

(in thousands of Korean won)	**2014**
Cost of sales and others[1]	3,519,724
Selling and administrative expenses	
Amortization	2,713,151
Research and development expenses	1,245,204
	7,478,079

[1] The amounts allocated to development costs and others are included.

The aggregate amount of research and development expenditures recognized as expenses is ₩67,282,013 thousand.

The Group annually tests an impairment of goodwill. Goodwill is allocated to each cash-generating unit where the Group's management monitors, as follows:

(in thousands of Korean won)	**2014**
MAM and subsidiary	2,136,731
MCE and subsidiary	2,234,478
MAIL	431,495
	4,802,704

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plan approved by management covering a five-year period. The sales growth rate used for the period is determined based on historical performance and prediction of the market growth. The cash flow over five years is only estimated in the maximum range of long-term average growth rate in the industry where the cash-generating units are affiliated to. Also, the rate used in value-in-use calculation is rate before tax which reflects particular risk of the cash-generating unit.

16. Other Assets

Details of other assets are as follows:

(in thousands of Korean won)	**December 31, 2014**
Current	
Prepaid other taxes including VAT	71,873,077
Advance payments	13,868,780
Prepaid expenses	8,958,526
	94,700,383
Non-current	
Prepaid expenses	25,052,790
	119,753,173

17. Debentures and Borrowings

Details of debentures are as follows:

(in thousands of Korean won)	Issuance date	Maturity date	Interest rate(%)	December 31, 2014 Current	December 31, 2014 Non-current
1st public debenture	2011.10.27	2016.10.27	4.41	-	100,000,000
2nd public debenture	2012.09.12	2015.09.12	3.13	200,000,000	-
				200,000,000	100,000,000
Less: Discount on debenture				(185,468)	(164,164)
				199,814,532	99,835,836

Details of short-term borrowings are as follows:

(in thousands)	Bank	Interest rate (%)	December 31, 2014
Trade financing and buyer's credit loan (Usance and others)	Korea Exchange Bank and others	3.07 ~ 3.18	70,000,000
	Standard Chartered Bank and others	0.74 ~ 2.10	100,370,714 (USD 91,366)
Commercial papers	Shinhan Bank	3.17	20,000,000
Working capital loans	Woori Bank and others	1.23 ~ 4.47	104,850,000
	The Korea Development Bank and others	1.23 ~ 1.66	64,236,925 (USD 59,040)
	Citi Bank	1.28	665,963 (EUR 500)
			360,123,602

Details of long-term borrowings are as follows:

(in thousands)	Bank	Interest rate (%)	December 31, 2014 Current	December 31, 2014 Non-current
Housing loans	Kookmin Bank	2.70	1,029,503	4,141,584
General loans	The Korea Development Bank and others	3.44 ~ 4.51	80,000,000	300,000,000
Foreign currency general loans	Standard Chartered Bank and others	1.79 ~ 2.20	-	51,642,368 (USD 39,200) (EUR 6,400)
Working capital loans	The Korea Development Bank and others	2.56 ~ 3.53	27,927,484 (USD 25,813)	3,905,690 (USD 3,610)
	Deutsche Bank and others	1.87 ~ 1.96	-	29,979,822 (EUR 22,500)
Facility loans	Comerica Bank and others	1.65 ~ 2.42	42,029,672 (USD 38,237)	114,271,124 (USD 103,964)
Redeemable preferred share	KoFC-Korea Investment & Securities Pioneer Champ 2010-1 Venture Investment Fund and others	2.00	2,660,069	-
			153,646,728	503,940,588
Loss: Present value discounts			-	(324,640)
			153,646,728	503,615,948

Details of collaterals provided for borrowings are as follows:

	December 31, 2014				
(in thousands of Korean won)	**Carrying amount**	**Secured amount**	**Related line item**	**Related amount**	**Secured party**
Land and buildings	22,023,073	15,048,000	Housing loans	5,171,088	Kookmin Bank
Trade receivables	112,096,235	54,410,400	Facility loans	54,410,400	Comerica Bank
		32,976,000	Facility loans	32,976,000	The Korea Development Bank
Machinery	63,144,135	54,631,849	Facility loans	54,631,849	Bank of America

MAM, the consolidated subsidiary, issued 357,143 convertible redeemable preferred shares with voting rights at ₩7,000 per share. These shares did not meet the conditions of equity investment; therefore, these preferred shares were initially recognized as financial liabilities at the fair value and subsequently measured at amortized cost using effective interest rate method.

As of December 31, 2014, the details of convertible redeemable preferred shares are as follows:

Conversion right

Conversion of the preferred shares to ordinary shares is possible after ten years from the issuance date. Also, if the investors of the preferred shares request conversion within ten years from the issuance date, conversion is possible from the requesting date. As of December 31, 2014, conversion price is ₩5,000 per share. However, if MAM lists its shares on the KOSPI or KOSDAQ market in Korea or any foreign stock markets, the conversion price will be readjusted to the lower of 70% of public offering price and the above conversion price.

Redemption right

The investors are able to request redemption after two years from the acquisition date of the preferred shares, unless MAM is liquidated or bankrupted.

Dividend

The preferred shares have the rights for preferential, participating, and cumulative dividend. The lowest dividend rate is the coupon rate of 2% until the investors request redemption. If the investors request redemption, it would be annual compound interest rate of 8% for the period from the day after investment pay-up date to the redemption date.

Special provision

If MAM is not able to complete initial public offering within a contractual period, the preferred shares will become mandatorily payable, which is the sum of issuance price of the preferred shares and the cumulative interest with annual interest rate of 8% for the period from the issuance date to the payment date. If the payment is completed, the preferred shares will be converted to the common shares and donated to MAM. Redemption right of the investors related to this special provision is restricted for a contractual period.

18. Other Payables

Details of other payables are as follows:

(in thousands of Korean won)	**December 31, 2014**
Current	
Other payables	183,544,120
Accrued expenses	22,488,158
Deposit received	2,500
	206,034,778
Non-current	
Other payables	6,746,977
Accrued expenses	28,400,794
Deposits received	925,129
	36,072,900
	242,107,678

19. Provisions

The Group accrues warranty reserve for the estimated costs of future service, repairs and recalls to provide a warranty relating to defects for a specified period of time after sale.
If the expected timing of any resulting outflows of economic benefits is within one year from the end of the reporting period, the amount is classified as current. If not, it is presented as non-current.

Changes in provisions are as follows:

(in thousands of Korean won)	**December 31, 2014**
At September 1 (the spin-off date)	33,864,241
Additional provisions	4,654,175
Used amounts	(6,985,281)
Exchange differences	973,867
At December 31	32,507,002
Current	15,486,540
Non-current	17,020,462

20. Net Defined Benefit Liabilities

Net defined benefit liabilities recognized in the consolidated statements of financial position are as follows:

(in thousands of Korean won)	**December 31, 2014**
Present value of funded defined benefit obligations	209,786,021
Fair value of plan assets	(35,446,078)
Present value of unfunded defined benefit obligations	6,824,538
	181,164,481

Changes in the defined benefit obligations are as follows:

(in thousands of Korean won)	**2014**
At September 1 (the spin-off date)	201,136,426
Current service cost	9,823,269
Interest cost	2,644,907
Benefit payments	(6,639,360)
Remeasurements:	
Actuarial gains arising from changes in demographic assumptions	68,430
Actuarial gains and losses arising from changes in financial assumptions	9,447,809
Actuarial losses arising from experience adjustments	141,915
Exchange differences	(12,837)
At December 31	216,610,559

Changes in the plan assets are as follows:

(in thousands of Korean won)	**2014**
At September 1 (the spin-off date)	35,477,803
Interest income	494,172
Employer contributions	251,695
Remeasurements:	
Return on plan assets (excluding amounts included in interest income)	(163,897)
Benefit payments	(613,695)
At December 31	35,446,078

Plan assets consist of:

	December 31, 2014	
(in thousands of Korean won)	**Amount**	**Ratio**
Debt instruments	9,001,892	25.4%
Deposits	25,692,924	72.5%
Others	751,262	2.1%
	35,446,078	100.0%

The principal actuarial assumptions used for the defined benefit obligations and plan assets are as follows:

	December 31, 2014
Discount rates	3.42% ~ 3.95%
Expected rates of salary increases	5.00%

The sensitivity of the defined benefit obligations as of December 31, 2014, to changes in the principal assumptions is as follows:

	Effect on defined benefit obligation		
	Changes in principal assumption	**Increase in principal assumption**	**Decrease in principal assumption**
Discount rate	1.0%	12.0% decrease	10.5% increase
Expected rates of salary increases	1.0%	10.5% increase	12.0% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statements of financial position.

The weighted average duration of the defined benefit obligations is 14.4 years. Expected maturity analysis of undiscounted retirement benefits as of December 31, 2014, is as follows:

(in thousands of Korean won)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Retirement benefits	5,179,335	6,763,941	31,134,465	1,112,019,907	1,155,097,648

21. Other Liabilities

Details of other liabilities are as follows:

(in thousands of Korean won)	December 31, 2014
Current	
Withholdings	19,920,914
Advances from customers	23,192,834
Unearned income	777,456
	43,891,204
Non-current	
Unearned income	5,706,741
	5,706,741
	49,597,945

22. Current and Deferred Income Tax

Income tax expense consists of:

(*in thousands of Korean won*)	2014
Current income tax	30,142,753
Changes in total deferred income tax	(40,656,505)
Changes in deferred income tax recognized directly in equity	22,334,502
Exchange differences	404,086
Income tax expense	12,224,836

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(*in thousands of Korean won*)	2014
Profit before income tax	60,118,084
Tax calculated at domestic tax rates applicable to profits in the respective countries	22,485,156
Adjustments:	
Income not subject to tax or expenses not deductible for tax purposes	6,770,376
Tax credits and tax exemption during the period	(16,682,092)
Tax effects due to dividends from subsidiaries	6,613,772
Tax effects on temporary differences associated with the investment in subsidiaries and others	(6,962,377)
Income tax expense	12,224,835
Effective tax rate	20.3%

The analysis of deferred tax assets and liabilities are as follows:

(in thousands of Korean won)	**December 31, 2014**
Deferred income tax assets	
Deferred tax asset to be recovered within 1 year	13,555,048
Deferred tax asset to be recovered after more than 1 year	129,408,697
	142,963,745
Deferred income tax liabilities	
Deferred tax liability to be recovered within 1 year	(5,944,298)
Deferred tax liability to be recovered after more than 1 year	(61,580,426)
	(67,524,724)
	75,439,021

The income tax (charged) / credited directly to equity is as follows:

	2014		
(*in thousands of Korean won*)	**Before tax**	**Tax effect**	**After tax**
Available-for-sale financial assets	(255,988)	61,269	(194,719)
Cash flow hedge	(82,252,330)	19,905,064	(62,347,266)
Currency translation differences	48,757,985	-	48,757,985
Changes in the equity of associates and joint ventures	(433,742)	-	(433,742)
Actuarial gains and losses	(9,814,411)	2,368,169	(7,446,242)
	(43,998,486)	22,334,502	(21,663,984)

Changes in total deferred income tax are as follows:

	2014					
			Changes in other comprehensive income			
(in thousands of Korean won)	Beginning (the spin-off date)	Profit(loss)	Controlling interest	Non-controlling interest	Exchange differences	Ending
Retirement benefit liabilities	33,784,089	2,215,882	2,339,831	28,338	-	38,368,140
Revaluation of land	(31,119,829)	-	-	-	-	(31,119,829)
Derivative financial instruments	(28,976,373)	-	19,905,064	-	-	(9,071,309)
Investment in subsidiaries and others	15,924,708	6,882,057	-	-	-	22,806,765
Employee benefits	7,676,474	(207,128)	-	-	-	7,469,346
Available-for-sale financial assets	(618)	618	61,269	-	-	61,269
Provisions	8,565,009	(194,182)	-	-	-	8,370,827
Development costs and patent right	186,203	(186,203)	-	-	-	-
Depreciation	(9,314,531)	(1,680,985)	-	-	-	(10,995,516)
Government grants	1,404,363	(240,845)	-	-	-	1,163,518
Accounts receivable on subsidiaries	956,146	9,069	-	-	-	965,215
Losses on valuation of inventories	2,407,785	2,091,992	-	-	-	4,499,777
Timing difference of revenue recognition	1,036,895	(429,326)	-	-	-	607,569
Impairment loss of property, plant and equipment and intangible assets	2,150,066	1,260,991	-	-	-	3,411,057
Accrued expenses	5,894,112	(2,852,758)	-			3,041,354
Tax credits carry forwards	21,070,267	12,778,776	-	-	-	33,849,043
Tax loss carryforwards	5,612,714	178,451	-	-	95	5,791,260
Others	(2,474,964)	(1,708,492)	-	-	403,991	(3,779,465)
	34,782,516	17,917,917	22,306,164	28,338	404,086	75,439,021

Deferred income tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of ₩465,470 thousand in respect of tax loss carryforwards amounting to ₩1,861,881 thousand that can be offset against future taxable income. The maturity of tax loss carryforwards amounting to ₩1,861,881 thousand is up to 2019.

Deferred income tax liabilities of ₩20,209,404 thousand have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Such unremitted earnings totaled ₩253,663,893 thousand at December 31, 2014.

23. Capital Stock and Share Premium

There has been no change in capital stock and share premium attributable to owners of the Company during the four-month period ended December 31, 2014. Details of the Company's capital stock are as follows:

(in thousands of Korean won)	**December 31, 2014**
Authorized shares to issue (in shares)	100,000,000
Issued shares (in shares)	9,391,424
Par value per share (in Korean won)	5,000
Capital stock	46,957,120
Share premium	962,218,478

24. Other Components of Equity and Accumulated Other Comprehensive Income

Details of other components of equity and accumulated other comprehensive income are as follows:

(in thousands of Korean won)	**December 31, 2014**
Other components of equity	
Treasury shares	(5,232,882)
Others	5,674,340
	441,458
Accumulated other comprehensive income	
Available-for-sale financial asset	(191,910)
Cash flow hedges	28,413,443
Currency translation differences	(13,098,015)
Other comprehensive income of associates and joint ventures	(7,063,800)
	8,059,718

Changes in the Company's accumulated other comprehensive income (net of tax) are as follows:

	2014			
(in thousands of Korean won)	**Beginning**	**Increase (Decrease)**	**Reclassification to loss**	**Ending**
Available-for-sale financial asset	2,808	(191,910)	(2,808)	(191,910)
Cash flow hedges	90,760,709	(40,247,640)	(22,099,626)	28,413,443
Currency translation differences	(59,607,983)	46,509,968	-	(13,098,015)
Other comprehensive income of associates and joint ventures	(6,683,113)	(380,687)	-	(7,063,800)
	24,472,421	5,689,731	(22,102,434)	8,059,718

25. Revenue Recognition by Type

Revenue recognized by type is as follows:

(in thousands of Korean won)	**2014**
Net sales	
Sales of goods	1,716,993,183
Revenue from services	3,804,783
Royalty income	638,331
	1,721,436,297

26. Selling and Administrative Expenses

Details of selling and administrative expenses are as follows:

(in thousands of Korean won)	**2014**
Salaries and wages	39,136,079
Retirement benefits	2,538,974
Employee fringe benefits	9,333,466
Travel	1,915,011
Communication	661,925
Water, light, heating and others	700,826
Taxes and dues	3,576,617
Rent	1,666,555
Depreciation	5,075,574
Repair and maintenance	926,378
Insurance premium	242,471
Entertainment	741,334
Advertising	899,884
Overseas marketing	478,512
Packing expenses	7,056,718
Royalty expenses	781,269
Freight expenses	13,937,229
Research and development expenses	30,727,543
Commissions	24,328,581
Office supplies expenses	150,957
Supplies expenses	544,390
Publication	295,256
Training	1,090,389
Vehicles	580,972
Warranty expenses	4,654,175
Bad debts expense	50,866
Amortization	2,713,151
Others	276,166
	155,081,268

27. Expenses by Nature

Expenses by nature for the cost of sales and selling and administrative expenses are as follows:

(in thousands of Korean won)	**2014**
Materials consumed and purchase of merchandise, net	1,178,650,800
Changes in inventories	19,155,518
Employee benefit expenses	206,659,434
Depreciation and amortization	71,857,249
Employee fringe benefits	36,590,718
Commissions	46,288,521
Water, light, heating and others	17,816,565
Repair and maintenance	11,005,960
Others	54,150,150
	1,642,174,915

28. Other Income and Expenses

Details of other income and expenses are as follows:

(in thousands of Korean won)	**2014**
Other income	
Exchange differences	23,899,728
Gain on settlement of derivatives	23,946
Gain on valuation of derivatives	3,205,571
Gain on disposal of property, plant and equipment	407,283
Others	3,195,813
	30,732,341
Other expenses	
Exchange differences	11,481,797
Loss on disposal of property, plant and equipment	1,388,979
Loss on disposal of intangible assets	6,933,234
Loss on settlement of derivatives	388,658
Loss on valuation of derivatives	17,969
Donations	1,198,859
Others	1,359,011
	22,768,507

29. Financial Income and Expenses

Details of financial income and expenses are as follows:

(in thousands of Korean won)	**2014**
Financial income	
Interest income	3,383,539
Exchange differences	4,069,033
	7,452,572
Financial expenses	
Interest expense	14,788,594
Less: capitalization of borrowing costs	(104,823)
Exchange differences	13,898,505
	28,582,276

30. Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Calculations of basic earnings per share are as follows:

	2014
Profit attributable to equity holders of the Company (in Korean won)	47,533,231,699
Weighted average number of ordinary shares in issue (in shares)	9,373,398
Basic earnings per share (in Korean won)	5,071

Calculations of weighted average number of ordinary shares in issue are as follows:

(unit: shares)	**2014**
Ordinary shares in issue at September 1 (the spin-off date)	9,391,424
Purchase of treasury shares	(18,026)
Weighted average number of ordinary shares in issue	9,373,398

The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

31. Cash Generated from Operations

Cash generated from operations is as follows:

(in thousands of Korean won)	**2014**
Profit before income tax	60,118,084
Adjustments:	
Depreciation	64,379,170
Amortization	7,478,079
Retirement benefits	11,974,004
Bad debts expense	50,866
Warranty expenses	4,654,175
Exchange differences	7,339,792
Interest income	(3,383,539)
Interest expenses	14,683,771
Share of loss from associates and joint ventures	5,977,428
Losses on settlement of derivatives, net	364,712
Gains on valuation of derivatives, net	(3,187,602)
Losses on disposal of property, plant and equipment, net	981,695
Losses on disposal of intangible assets, net	6,933,234
Other expenses	733,708
	118,979,493
Changes in working capital:	
Increase in trade accounts and notes receivable	(92,576,558)
Increase in loans and other receivables	(10,630,720)
Decrease in inventories	20,314,296
Increase in other assets	(29,874,817)
Increase in trade accounts and notes payable	89,386,614
Increase in other payables	11,033,665
Payment of retirement benefit, net	(4,213,691)
Contribution to plan assets	(251,695)
Decrease in provisions	(6,985,281)
Increase in other liabilities	28,028,985
Exchange differences on changes in working capital	17,399,520
	21,630,318
Cash generated from operations	200,727,895

32. Contingencies and Commitments

Significant financing agreements of the Company are as follows:

(in thousands)		Maximum limit	
Agreements	Bank	December 31, 2014	
Loans secured by trade receivables	Korea Exchange Bank	KRW	90,000,000
	Woori Bank	KRW	40,000,000
	NH Bank	KRW	5,000,000
	Standard Chartered Bank	KRW	10,000,000
Letters of credit	Korea Exchange Bank	USD	7,000
	Hana Bank	USD	2,000
Trade finance	Korea Exchange Bank	KRW	60,000,000
	Woori Bank	KRW	40,000,000
	Citibank	USD	40,000
Bank overdraft	Woori Bank	KRW	15,000,000
	Hana Bank	KRW	10,000,000
	NH Bank	KRW	30,000,000
	Australia and New Zealand Banking Group Limited	KRW	50,000,000
	BBVA	KRW	30,000,000
	Industrial Bank of Korea	KRW	30,000,000
Payment of trade payables	Korea Exchange Bank	KRW	60,000,000
	Woori Bank	KRW	40,000,000
	Hana Bank	KRW	80,000,000
	Kookmin Bank	KRW	10,000,000
	Industrial Bank of Korea	KRW	38,000,000
Discount of commercial paper	Shinhan Bank	KRW	20,000,000
Receivables Purchase	Deutsche Bank	KRW	80,000,000

Significant financing agreements of the consolidated subsidiaries are as follows:

(in thousands)		Maximum limit	
Subsidiaries	Financial institutions and agreements	December 31, 2014	
MSC	**Citibank**		
	Revolving loan	USD	10,000
	Industrial and Commercial Bank		
	Revolving loan	CNY	250,000
	Bank of China		
	Revolving loan	CNY	200,000
MBC	**Citibank**		
	Revolving loan	USD	20,000
MTC	**Citibank**		
	Revolving loan	USD	5,000
	Standard Chartered Bank		
	Revolving loan	USD	4,830

(in thousands)		Maximum limit	
Subsidiaries	**Financial institutions and agreements**	**December 31, 2014**	
MCH	**The Korea Development Bank**		
	Revolving loan	KRW	5,000,000
		USD	20,000
	Korea Exchange Bank		
	Operating loans	USD	19,000
MCA	**Citibank**		
	Revolving loan	USD	20,000
	Bank of America		
	Revolving loan	USD	35,000
	Facility loans	USD	70,000
	Kookmin Bank		
	Revolving loan	USD	15,000
	Comerica Bank		
	Facility loans	USD	49,500
	BBVA		
	Revolving loan	USD	10,000
	The Korea Development Bank		
	Revolving loan	USD	30,000
MAM	**Korea Exchange Bank**		
	Combined limit including overseas letters of credit and others	KRW	2,600
	Hana Bank		
	Trade financing	KRW	8,000,000
	Revolving loan	KRW	4,000,000
	Purchase settlement	KRW	2,000,000
	Letters of credit	USD	2,300
	Woori Bank		
	Trade financing	KRW	6,000,000
	Letters of credit	USD	1,600
	Purchase settlement	KRW	3,000,000
MCP	**Citibank**		
	Revolving loan	EUR	30,000
MAIL	**Korea Exchange Bank**		
	Buyer’s credit loan	USD	12,000
	Standard Chartered Bank		
	Buyer’s credit loan	USD	42,000
	Shinhan Bank		
	Buyer’s credit loan	USD	5,000
	Housing Development Financing Corporation		
	Buyer’s credit loan	USD	5,000
	Citibank		
	Buyer’s credit loan	USD	5,000
	Korea Export-Import Bank		
	External Commercial Borrowings	USD	17,000

The Company provides guarantees for KMB’s unsecured borrowings amounting to EUR 14,200 thousand.

The Company has entered into technology license agreements with Hitachi and others. These agreements require the Company to pay royalty based on a certain percentage of the sales of the related products as defined in the agreements.

The Company receives running royalty from MMT and others under the technology licence agreements for manufacturing automotive parts.

The Company is provided with a guarantee of ₩528,600 thousand from Seoul Guarantee Insurance Co., Ltd. relating to the performance guarantee and others.

The Company is insured against indemnity relating to providing guarantees for KMB’s unsecured borrowings with Korea Trade Insurance Corporation. The coverage amount of the insurance is principal and interest payments of KMB’s unsecured borrowings guaranteed by the Company.

MAIL and MSI, the consolidated subsidiaries, is provided with a guarantee of INR 11,100 thousand from Citibank relating to the payment of customs duty.

MCA, MSC, MBC, MHC, MTC, MRC, MNC, MSYC, MCE and MAIL, the consolidated subsidiaries, have long-term land use rights granted by their respective local governments.

The Company has a pending lawsuit filed by current employees amounting to ₩ 539,400 thousand for claiming additional payments of wages related to general wages. The ultimate outcome of this case and its effect on the consolidated financial statements could not be determined reliably as of December 31, 2014.

There are a number of pending lawsuits other than above litigations as of December 31, 2014. However, it is not expect that any material liability will arise from these contingent liabilities other than the provisions recognized in the consolidated financial statements.

The Company was spun off from Halla Holdings Corporation (formerly, Mando Corporation) on September 1, 2014. In accordance with Article 530-9 (1) of the Korean Commercial Code, the Company has responsibility of joint liability guarantee with Halla Holdings Corporation for existing liabilities prior to spin-off.

33. Related Party Transactions

As of December 31, 2014, there are no parent company and ultimate parent company of the Group. Halla Holdings Corporation, which has significant influence over the Group, holds 27.74% of the equity shares of the Company. As of December 31, 2014, Halla Corporation(formerly, Halla Engineering & Construction Corporation), which had significant influence over the Company, was excluded from related parties as it disposed of its interest in the Company.

Details of the Group's associates and joint ventures are disclosed in Note 13.

Details of other related parties are as follows:

December 31, 2014	Remark
Halla Meister Ltd.	Subsidiaries of Halla Holdings Corporation
Halla Stackpole Corporation	
Uriman, Inc.	Subsidiaries of Halla Meister Ltd.
Meister Logistics Corporation America	
Halla Meister Shanghai Trading Co., Ltd.	
Halla Meister(Suzhou) Logistics Co., Ltd.	
Woori Engineering Co., Ltd.	
Autoreco INC.	
Halla Meister Europe B.V	
One Stop Parts Source	
One Stop Undercar, Inc.	
Halla Meister Global Transportation, LLC.	
Halla Stackpole(Beijing) Automotive Co., Ltd.	Subsidiary of Halla Stackpole Corporation
Mando-Hella Electronics Corp.	Joint ventures of Halla Holdings Corporation
Mando-Hella Electronics (Suzhou) Co., Ltd.	Subsidiary of Mando-Hella Electronics Corp.
Halla Encom Corporation[1]	Subsidiaries of Halla Corporation
Halla Investment & Consulting Company[1]	
Mokpo Newport Terminal Co., Ltd[1]	
Halla Development Corporation[1]	
Halla Ceragio Corporation[1]	
Halla Corporation America[1]	
Halla (Tianjin) Real Estate Development Co., Ltd. and others[1]	
Dae Han Industry Corporation and others[1]	Subsidiary of Halla Encom Corporation
Hyundai Medis[1]	Subsidiary of Halla Investment & Consulting Company

[1] The companies are excluded from related parties as of December 31, 2014. However, transactions with these related parties prior to the date of exclusion are included in the related party transactions.

Significant sales transactions with related parties are as follows:

(in thousands of Korean won)		2014 Sales of goods	Royalty income	Rendering of services	Others
Entity which exercises significant influence on the Group		-	-	-	5,875
Associates and joint ventures	MBCO	-	-	22,680	-
	MMT	505,760	152,639	84,236	-
	AVM	54,247	19,570	-	576,594
	KMB	1,213,157	-	69,819	-
Other related parties	Halla Corporation	-	-	355,465	775,114
	MEISTER and subsidiaries	6,359,127	210,575	52,098	470,952
	HSC and subsidiary	172,057	-	24,345	120,315
	MHE and subsidiary	-	-	75,328	358,252
	Others	-	-	54,975	154,306
		8,304,348	382,784	738,946	2,461,408

Significant purchase transactions with related parties are as follows:

(in thousands of Korean won)		2014 Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
Entity which exercises significant influence on the Group		-	-	-	6,820,623
Associates and joint ventures	MBCO	6,700,447	-	-	145,568
	Others	-	-	-	43,029
Other related parties	Halla Corporation	82,525	129,144	5,672,190	3,151,677
	MEISTER and subsidiaries	26,997,571	29,948,422	-	9,812,325
	HSC and subsidiary	20,354,329	-	-	11,496
	MHE and subsidiary	144,336,371	-	869,928	314,252
	Halla Investment & Consulting Company	-	393,000	-	-
	Halla Development Corporation	14,095	1,005,719	-	4,995
	Others	-	-	-	760
		198,485,338	31,476,285	6,542,118	20,304,725

Significant financing transactions with related parties are as follows:

(in thousands of Korean won)		2014 Loans payment	Interest income	Capital contribution
Other related parties	Halla Investment & Consulting Company	-	246,096	-
	MEISTER and subsidiaries	834,709	-	-

The balances of receivables arising from significant transactions with related parties are as follows:

(in thousands of Korean won)		December 31, 2014 Trade accounts and notes receivable	Loans	Other receivables
Entity which exercises significant influence on the Group		-	-	2,079
Associates and joint ventures	MBCO	7,923	-	-
	MMT	1,257,686	-	-
	AVM	51,204	-	15,624
	KMB	2,011,828	-	-
Other related parties	MEISTER and subsidiaries	4,227,111	834,709	215,195
		7,555,752	834,709	232,898

The balances of payables arising from significant transactions with related parties are as follows:

(in thousands of Korean won)		December 31, 2014 Trade accounts and notes payables	Other payables
Entity which exercises significant influence on the Group		-	9,314,612
Associates and joint ventures	MBCO	4,768,140	497,781
	MMT	-	2,508
	AVM	-	1,062
Other related parties	MEISTER and subsidiaries	14,982,805	25,423,434
	HSC and subsidiary	20,732,851	100,598
	MHE and subsidiary	126,078,717	1,561,581
		166,562,513	36,901,576

Details of guarantees provided by the Group for the financing activities of the related parties are disclosed in Note 32, and no collaterals and guarantees are provided by the related parties.

Key management refers to the directors of the Company who have significant control and responsibilities on the Group's operations and business. Compensation for key management is as follows:

(in thousands of Korean won)	**2014**
Short-term employee benefit	948,126
Retirement benefits	270,675
	1,218,801

34. Corporate Spin-Off

The Company was incorporated on September 1, 2014, through a spin-off of the automotive parts business segment from Halla Holdings Corporation (formerly, Mando Corporation), as approved by the Board of Directors on April 7, 2014 and the shareholders' meeting on July 28, 2014. The Company completed the registration of corporate spin-off process on September 2, 2014. Details of the corporate spin-off are as follows:

Category	**Details**
Method of stock split	Spin-off
Companies subject to stock split	Halla Holdings Corporation (existing corporation) Mando Corporation (newly established corporation)
Completion of stock split	September 1, 2014

35. Events after the Reporting Period

The issuance of the consolidated financial statements for the four-month period ended December 31, 2014, was approved by the Board of Directors on February 5, 2015.

The Company decided to acquire 12,800,986,302 shares of Halla-SV Private Equity Fund (percentage of ownership: 40%) for ₩ 11,262 million from Halla Holdings Corporation, as approved by the Board of Directors on February 25, 2015.

As of the reporting date, the Company is under a tax investigation. Due to the uncertainty of the outcome, the effects on the Company's financial statements are uncertain. Therefore, the Company has not established potential adjustments that may arise in the financial statements.