

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**

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

# Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

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

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

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

### Independent accountants' responsibility

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

### Review conclusion

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

### Other matters

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

May 29, 2014

### Notice to Readers

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

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

|  | Korean Won      |                   | Indian- Rupee   |                   |
|--|-----------------|-------------------|-----------------|-------------------|
|  | March 31 , 2014 | December 31, 2013 | March 31 , 2014 | December 31, 2013 |
|  | (In thousands)  |                   | (In thousands)  |                   |
| <b>ASSETS</b>  |                 |                   |                 |                   |
| <b>CURRENT ASSETS:</b>   |                 |                   |                 |                   |
| Cash and cash equivalents (Notes 4, 5 and 33)                    | ₩ 267,666,515   | ₩ 366,790,832     | Rs. 14,989,325  | Rs. 20,540,287    |
| Trade and other receivables, net (Notes 7, 32 and 33)            | 232,462,117     | 222,484,752       | 13,017,879      | 12,459,146        |
| Derivatives assets (Notes 25 and 33)                             | 14,909,522      | 28,984,560        | 834,933         | 1,623,135         |
| Inventories, net (Notes 8 and 24)                                | 282,322,781     | 280,900,829       | 15,810,076      | 15,730,446        |
| Other current assets (Note 10)                                   | 11,380,220      | 7,232,571         | 637,292         | 405,023           |
| Total current assets   | ₩ 808,741,155   | ₩ 906,393,544     | Rs. 45,289,505  | Rs. 50,758,037    |
| <b>NON-CURRENT ASSETS:</b>                                       |                 |                   |                 |                   |
| Non-current financial instruments (Notes 5 and 33)               | 6,000           | 6,000             | 336             | 336               |
| Non-current available-for-sale financial assets (Notes 6 and 33) | 560,000         | 560,000           | 31,360          | 31,360            |
| Non-current other receivables, net (Notes 7 and 33)              | 37,475,277      | 36,570,295        | 2,098,616       | 2,047,937         |
| Property, plant and equipment, net (Note 11)                     | 1,082,162,329   | 1,084,153,627     | 60,601,090      | 60,712,603        |
| Intangible assets (Note 12)                                      | 100,399,673     | 89,527,263        | 5,622,382       | 5,013,527         |
| Deferred income tax assets (Note 23)                             | 26,174          | 57,407            | 1,466           | 3,215             |
| Other non-current assets (Note 10)                               | 354,652         | 357,350           | 19,860          | 20,012            |
| Total non-current assets   | 1,220,984,105   | 1,211,231,942     | 68,375,110      | 67,828,990        |
| <b>TOTAL ASSETS</b>  | ₩ 2,029,725,260 | ₩ 2,117,625,486   | 113,664,615     | 118,587,027       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                      |                 |                   |                 |                   |
| <b>CURRENT LIABILITIES:</b>                                      |                 |                   |                 |                   |
| Trade and other payables (Notes 18, 32 and 33)                   | 705,042,008     | 723,021,023       | 39,482,352      | 40,489,177        |
| Short-term borrowings (Notes 13,18 and 33)                       | 73,645,419      | 51,608,036        | 4,124,143       | 2,890,050         |
| Current long-term borrowings (Notes 13 and 33)                   | -               | 95,404,765        | -               | 5,342,667         |
| Provision for product warranties (Note 15)                       | 57,074,156      | 48,780,982        | 3,196,153       | 2,731,735         |
| Long-term employee benefits obligation                           | 1,102,325       | 1,648,815         | 61,730          | 92,334            |
| Other current liabilities (Notes 16)                             | 21,987,498      | 26,752,618        | 1,231,300       | 1,498,147         |
| Total current liabilities  | ₩ 858,851,406   | ₩ 947,216,239     | Rs. 48,095,678  | Rs. 53,044,110    |

(Continued)

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

|  | Korean Won             |                        | Indian- Rupee          |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | March 31 , 2014        | December 31, 2013      | March 31 , 2014        | December 31, 2013      |
|  | (In thousands)         |                        | (In thousands)         |                        |
| <b>NON-CURRENT LIABILITIES:</b>                      |                        |                        |                        |                        |
| Other non-current payables(Note 33)                  | 14,540,951             | 20,223,465             | 814,293                | 1,132,513              |
| Retirement benefit obligation (Note 17)              | 182,695,583            | 174,656,118            | 10,230,953             | 9,780,743              |
| Other long-term employee benefits obligation         | 15,023,154             | 14,632,801             | 841,297                | 819,437                |
| Provision for long-term product warranties (Note 15) | 77,911,268             | 76,698,999             | 4,363,031              | 4,295,144              |
| Total non-current liabilities                        | 290,170,956            | 286,211,383            | 16,249,574             | 16,027,837             |
| <b>TOTAL LIABILITIES</b>                             | <b>1,149,022,362</b>   | <b>1,233,427,622</b>   | <b>64,345,252</b>      | <b>69,071,947</b>      |
| <b>SHAREHOLDERS' EQUITY:</b>                         |                        |                        |                        |                        |
| Total shareholders' equity                           | 880,702,898            | 884,197,864            | 49,319,363             | 49,515,080             |
| Capital stock (Note 19)                              | 686,100,480            | 686,100,480            | 38,421,627             | 38,421,627             |
| Other capital surplus (Note 20)                      | 129,383,402            | 129,383,402            | 7,245,469              | 7,245,471              |
| Other capital adjustments(Notes 21 and 25)           | 13,290,534             | 27,519,841             | 744,272                | 1,541,110              |
| Retained earnings (accumulated deficit) (Note 22)    | 51,928,482             | 41,194,141             | 2,907,995              | 2,306,872              |
| Non-controlling interests                            | -                      | -                      | -                      | -                      |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                    | <b>880,702,898</b>     | <b>884,197,864</b>     | <b>49,319,363</b>      | <b>49,515,080</b>      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>    | <b>₩ 2,029,725,260</b> | <b>₩ 2,117,625,486</b> | <b>Rs. 113,664,615</b> | <b>Rs. 118,587,027</b> |

See accompanying notes to consolidated financial statements.

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

|   | Korean won                               |              |                                     |              | Indian- Rupee                            |            |                                     |             |
|---|--|--------------|-------------------------------------|--------------|--|------------|-------------------------------------|-------------|
|   | Three month ended<br>March 31, 2014      |              | Three month ended<br>March 31, 2013 |              | Three month ended<br>March 31, 2014      |            | Three month ended<br>March 31, 2013 |             |
|   | (In thousands, except per share amounts) |              |                                     |              | (In thousands, except per share amounts) |            |                                     |             |
| SALES (Notes 31 and 32)                       | ₩  | 862,559,042  | ₩                                   | 753,583,669  | Rs.                                      | 48,303,306 | Rs.                                 | 42,200,685  |
| COST OF SALES (Notes 24 and 32)               |  | 732,136,051  |                                     | 650,326,206  |  | 40,999,619 |                                     | 36,418,267  |
| GROSS PROFIT                                  |  | 130,422,991  |                                     | 103,257,463  |  | 7,303,687  |                                     | 5,782,418   |
| SELLING AND ADMINISTRATIVE EXPENSES (Note 26) |  | 131,242,852  |                                     | 121,292,294  |  | 7,349,600  |                                     | 6,792,368   |
| OPERATING LOSS                                |  | (819,861)    |                                     | (18,034,831) |  | (45,913)   |                                     | (1,009,950) |
| NON-OPERATING INCOME (Note 27)                |  | 7,560,861    |                                     | 13,610,561   |  | 423,408    |                                     | 762,191     |
| NON-OPERATING EXPENSES (Note 27)              |  | 8,333,782    |                                     | 12,608,125   |  | 466,692    |                                     | 706,055     |
| FINANCIAL INCOME (Note 28)                    |  | 14,637,617   |                                     | 11,082,126   |  | 819,707    |                                     | 620,599     |
| FINANCIAL COST (Note 28)                      |  | 2,093,617    |                                     | 3,231,523    |  | 117,243    |                                     | 180,965     |
| INCOME(LOSS) BEFORE INCOME TAX                |  | 10,951,218   |                                     | (9,181,792)  |  | 613,267    |                                     | (514,180)   |
| INCOME TAX EXPENSE (Note 23)                  |  | 209,097      |                                     | 32,625       |  | 11,708     |                                     | 1,827       |
| NET INCOME(LOSS)                              |  | 10,742,121   |                                     | (9,214,417)  |  | 601,559    |                                     | (516,007)   |
| Owners of the Company                         |  | 10,742,121   |                                     | (9,214,417)  |  | 601,559    |                                     | (516,007)   |
| Non-controlling interests                     |  | -            |                                     | -            |  | -          |                                     | -           |
| OTHER COMPREHENSIVE INCOME(LOSS)              |  | (14,237,087) |                                     | (19,339,208) |  | (797,277)  |                                     | (1,082,996) |
| TOTAL COMPREHENSIVE INCOME(LOSS)              | ₩  | (3,494,966)  | ₩                                   | (28,553,625) | Rs.                                      | (195,718)  | Rs.                                 | (1,599,003) |
| Owners of the Company                         |  | (3,494,966)  |                                     | (28,553,625) |  | (195,718)  |                                     | (1,599,003) |
| Non-controlling interests                     |  | -            |                                     | -            |  | -          |                                     | -           |
| INCOME(LOSS) PER SHARE (Note 29)              |  |              |                                     |              |  |            |                                     |             |
| Basic and diluted income(loss) per share      | ₩  | 78           | ₩                                   | (75)         | Rs.                                      | 4          | Rs.                                 | (4)         |

See accompanying notes to consolidated financial statements.

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

| Korean won in thousands                |                                     |                              |                      |                                     |                          |                              |  |                     |                      |
|--|-------------------------------------|------------------------------|----------------------|-------------------------------------|--------------------------|------------------------------|--|---------------------|----------------------|
| Other capital surplus                  |                                     |                              |                      |                                     |                          |                              |  |                     |                      |
| Capital stock                          | Paid-in capital<br>in excess of par | Gain on capital<br>reduction | Treasury stock       | Debt to be<br>swapped for<br>equity | Other capital<br>surplus | Other capital<br>adjustments | Retained earnings<br>(accumulated deficit) | Total               |                      |
| (In thousands)                         |                                     |                              |                      |                                     |                          |                              |  |                     |                      |
| Balance at January 1, 2013             | ₩ 613,373,205                       | ₩ 4,545,756                  | ₩ 120,351,580        | ₩ -                                 | ₩ 931,508                | ₩ (3,243,869)                | ₩ 19,862,240                               | ₩ 44,842,295        | ₩ 800,662,715        |
| Net loss                               | -                                   | -                            | -                    | -                                   | -                        | -                            | (9,214,417)                                | (9,214,417)         |                      |
| Actuarial losses                       | -                                   | -                            | -                    | -                                   | -                        | -                            | (3,640)                                    | (3,640)             |                      |
| Gains on valuation of derivatives      | -                                   | -                            | -                    | -                                   | -                        | (19,459,250)                 | -  | (19,459,250)        |                      |
| Overseas operations translation credit | -                                   | -                            | -                    | -                                   | -                        | 123,683                      | -  | 123,683             |                      |
| Balance at March 31, 2013              | <u>₩ 613,373,205</u>                | <u>₩ 4,545,756</u>           | <u>₩ 120,351,580</u> | <u>₩ -</u>                          | <u>₩ 931,508</u>         | <u>₩ (3,243,869)</u>         | <u>₩ 526,673</u>                           | <u>₩ 35,624,238</u> | <u>₩ 772,109,091</u> |
| Balance at January 1, 2014             | 686,100,480                         | 11,452,713                   | 120,351,580          | (108,530)                           | 931,508                  | (3,243,869)                  | 27,519,841                                 | 41,194,141          | 884,197,864          |
| Net income                             | -                                   | -                            | -                    | -                                   | -                        | -                            | 10,742,121                                 | 10,742,121          |                      |
| Actuarial losses                       | -                                   | -                            | -                    | -                                   | -                        | -                            | (7,780)                                    | (7,780)             |                      |
| Gains on valuation of derivatives      | -                                   | -                            | -                    | -                                   | -                        | (14,096,600)                 | -  | (14,096,600)        |                      |
| Overseas operations translation credit | -                                   | -                            | -                    | -                                   | -                        | (132,707)                    | -  | (132,707)           |                      |
| Balance at March 31, 2014              | <u>₩ 686,100,480</u>                | <u>₩ 11,452,713</u>          | <u>₩ 120,351,580</u> | <u>₩ (108,530)</u>                  | <u>₩ 931,508</u>         | <u>₩ (3,243,869)</u>         | <u>₩ 13,290,534</u>                        | <u>₩ 51,928,482</u> | <u>₩ 880,702,898</u> |

| Indian-Rupee in thousands              |                                     |                              |                      |                                     |                          |                              |  |                      |                       |
|--|-------------------------------------|------------------------------|----------------------|-------------------------------------|--------------------------|------------------------------|--|----------------------|-----------------------|
| Other capital surplus                  |                                     |                              |                      |                                     |                          |                              |  |                      |                       |
| Capital stock                          | Paid-in capital<br>in excess of par | Gain on capital<br>reduction | Treasury stock       | Debt to be<br>swapped for<br>equity | Other capital<br>surplus | Other capital<br>adjustments | Retained earnings<br>(accumulated deficit) | Total                |                       |
| (In thousands)                         |                                     |                              |                      |                                     |                          |                              |  |                      |                       |
| Balance at January 1, 2013             | Rs. 34,348,899                      | Rs. 254,562                  | Rs. 6,739,688        | Rs. -                               | Rs. 52,164               | Rs. (181,657)                | Rs. 1,112,285                              | Rs. 2,511,169        | Rs. 44,837,110        |
| Net loss                               | -                                   | -                            | -                    | -                                   | -                        | -                            | (516,007)                                  | (516,007)            |                       |
| Actuarial losses                       | -                                   | -                            | -                    | -                                   | -                        | -                            | (204)                                      | (204)                |                       |
| Gains on valuation of derivatives      | -                                   | -                            | -                    | -                                   | -                        | (1,089,718)                  | -  | (1,089,718)          |                       |
| Overseas operations translation credit | -                                   | -                            | -                    | -                                   | -                        | 6,926                        | -  | 6,926                |                       |
| Balance at March 31, 2013              | <u>Rs. 34,348,899</u>               | <u>Rs. 254,562</u>           | <u>Rs. 6,739,688</u> | <u>Rs. -</u>                        | <u>Rs. 52,164</u>        | <u>Rs. (181,657)</u>         | <u>Rs. 29,493</u>                          | <u>Rs. 1,994,958</u> | <u>Rs. 43,238,107</u> |
| Balance at January 1, 2014             | 38,421,627                          | 641,352                      | 6,739,688            | (6,078)                             | 52,164                   | (181,657)                    | 1,541,111                                  | 2,306,872            | 49,515,079            |
| Net income                             | -                                   | -                            | -                    | -                                   | -                        | -                            | 601,559                                    | 601,559              |                       |
| Actuarial losses                       | -                                   | -                            | -                    | -                                   | -                        | -                            | (436)                                      | (436)                |                       |
| Gains on valuation of derivatives      | -                                   | -                            | -                    | -                                   | -                        | (789,410)                    | -  | (789,410)            |                       |
| Overseas operations translation credit | -                                   | -                            | -                    | -                                   | -                        | (7,429)                      | -  | (7,429)              |                       |
| Balance at March 31, 2014              | <u>Rs. 38,421,627</u>               | <u>Rs. 641,352</u>           | <u>Rs. 6,739,688</u> | <u>Rs. (6,078)</u>                  | <u>Rs. 52,164</u>        | <u>Rs. (181,657)</u>         | <u>Rs. 744,272</u>                         | <u>Rs. 2,907,995</u> | <u>Rs. 49,319,363</u> |

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

See accompanying notes to consolidated financial statements.

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

|   | Korean won                          |                                     | Indian-Rupee                        |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Three month ended<br>March 31, 2014 | Three month ended<br>March 31, 2013 | Three month ended<br>March 31, 2014 | Three month ended<br>March 31, 2013 |
|   | (In thousands)                      |                                     | (In thousands)                      |                                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>        |                                     |                                     |                                     |                                     |
| Net income(loss)                                    | ₩ 10,742,121                        | ₩ (9,214,417)                       | Rs. 601,559                         | Rs. (516,007)                       |
| Adjustment (Note 30)                                | 42,160,526                          | 47,375,623                          | 2,360,989                           | 2,653,035                           |
| Changes in net working capital (Note 30)            | (39,126,573)                        | 85,105,717                          | (2,191,088)                         | 4,765,920                           |
|   | <u>13,776,074</u>                   | <u>123,266,923</u>                  | <u>771,460</u>                      | <u>6,902,948</u>                    |
| Interests received                                  | 2,863,007                           | 1,675,947                           | 160,328                             | 93,853                              |
| Interests paid                                      | (2,077,568)                         | (2,150,157)                         | (116,343)                           | (120,409)                           |
| Dividend income received                            | 11,000                              | 6,000                               | 616                                 | 336                                 |
| Corporate income tax                                | (177,441)                           | -                                   | (9,937)                             | -                                   |
| Net cash provided by operating activities           | <u>14,395,072</u>                   | <u>122,798,713</u>                  | <u>806,124</u>                      | <u>6,876,728</u>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |                                     |                                     |                                     |                                     |
| Cash inflows from investing activities:             |                                     |                                     |                                     |                                     |
| Decrease in other receivables                       | 1,025,860                           | 894,415                             | 57,448                              | 50,087                              |
| Disposal of property, plant and equipment           | 173,793                             | 11,731                              | 9,732                               | 657                                 |
| Decrease in other assets                            | 1,525                               | -                                   | 85                                  | -                                   |
|   | <u>1,201,178</u>                    | <u>906,146</u>                      | <u>67,265</u>                       | <u>50,744</u>                       |
| Cash outflows from investing activities:            |                                     |                                     |                                     |                                     |
| Increase in other receivables                       | 1,800,000                           | 1,380,000                           | 100,800                             | 77,280                              |
| Acquisition of property, plant and equipment        | 25,507,656                          | 22,551,178                          | 1,428,429                           | 1,262,866                           |
| Acquisition of intangible assets                    | 13,641,166                          | 7,799,287                           | 763,905                             | 436,760                             |
|   | <u>40,948,822</u>                   | <u>(31,730,465)</u>                 | <u>2,293,134</u>                    | <u>(1,776,906)</u>                  |
| Net cash (used in) provided by investing activities | <u>(39,747,644)</u>                 | <u>(30,824,319)</u>                 | <u>(2,225,869)</u>                  | <u>(1,726,162)</u>                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>        |                                     |                                     |                                     |                                     |
| Cash inflows from financing activities:             |                                     |                                     |                                     |                                     |
| Increase in borrowings                              | 21,699,410                          | 14,073,387                          | 1,215,167                           | 788,110                             |
| Increase in government grants                       | 2,178                               | -                                   | 122                                 | -                                   |
|   | <u>21,701,588</u>                   | <u>14,073,387</u>                   | <u>1,215,289</u>                    | <u>788,110</u>                      |

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

|  | Korean won                          |                                     | Indian-Rupee                        |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Three month ended<br>March 31, 2014 | Three month ended<br>March 31, 2013 | Three month ended<br>March 31, 2014 | Three month ended<br>March 31, 2013 |
|  | (In thousands)                      |                                     | (In thousands)                      |                                     |
| Cash outflows for financing activities:                      |                                     |                                     |                                     |                                     |
| Redemption of current bond                                   | ₩ 95,404,765                        | ₩ -                                 | Rs. 5,342,667                       | Rs. -                               |
|  | (95,404,765)                        | -                                   | 5,342,667                           | -                                   |
| Net cash provided by (used in) financing activities          | (73,703,177)                        | 14,073,387                          | (4,127,378)                         | 788,110                             |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (68,568)                            | 146,513                             | (3,839)                             | 8,205                               |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                    | (99,124,317)                        | 106,194,294                         | (5,550,962)                         | 5,946,881                           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD           | 366,790,832                         | 203,666,542                         | 20,540,287                          | 11,405,326                          |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD                 | ₩ 267,666,515                       | ₩ 309,860,836                       | Rs. 14,989,325                      | Rs. 17,352,207                      |

See accompanying notes to consolidated financial statements.



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

**1. GENERAL:**

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

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

(2) Major shareholders

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES:**

The company’s summarized consolidated interim financial statement, its period belong to annual financial report, adopts Korean International Reporting Standards (“K-IFRS”) 1034. The audited consolidated financial statement, December 31, 2013 is used to understand the consolidated interim financial statement.

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

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

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

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

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

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

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

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

Amendments to K-IFRS 2121 – Levies

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

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

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

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

Amendments to K-IFRS 1019 – Employee Benefits

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

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

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

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

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

**4. CASH AND CASH EQUIVALENTS:**

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

**5. RESTRICTED FINANCIAL ASSETS:**

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

|                                 | Financial institution   | March 31, 2014 |         | December 31, 2013 |         | Notes  |
|---------------------------------|-------------------------|----------------|---------|-------------------|---------|--|
|                                 |                         | Rs.            |         | Rs.               |         |  |
| Cash and cash equivalents       | Shinhan Bank and others | Rs.            | 50,004  | Rs.               | 61,157  | Government subsidies and others<br>Unconfirmed reorganization debt pledged as collateral |
|                                 | Woori Bank and others   |                | 846,481 |                   | 841,691 |  |
| Long-term financial instruments | Shinhan Bank and others |                | 336     |                   | 336     | Overdraft deposit  |
|                                 |                         | Rs.            | 896,821 | Rs.               | 903,183 |  |

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

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

(Unit: Korean Won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

## 7. TRADE AND OTHER RECEIVABLES:

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

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

(Unit: Korean Won in thousands):

| Financial Assets                      | March 31, 2014       |                       |                    |                             |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
|                                       | Trade Receivables    | Non-trade Receivables | Other receivables  | Other long-term receivables |
| Receivables – general                 | ₩ 204,517,660        | ₩ 26,681,495          | ₩ 2,137,409        | ₩ 37,716,332                |
| Less: Allowance for doubtful accounts | (376,345)            | (497,515)             | (587)              | (241,055)                   |
|                                       | <u>₩ 204,141,315</u> | <u>₩ 26,183,980</u>   | <u>₩ 2,136,822</u> | <u>₩ 37,475,277</u>         |

  

| Financial Assets                      | December 31, 2013    |                       |                    |                             |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
|                                       | Trade Receivables    | Non-trade Receivables | Other receivables  | Other long-term receivables |
| Receivables – general                 | ₩ 190,424,090        | ₩ 29,764,685          | ₩ 2,995,717        | ₩ 36,811,754                |
| Less: Allowance for doubtful accounts | (208,701)            | (491,039)             | -                  | (241,459)                   |
|                                       | <u>₩ 190,215,389</u> | <u>₩ 29,273,646</u>   | <u>₩ 2,995,717</u> | <u>₩ 36,570,295</u>         |

(Unit: Indian-Rupee in thousands):

| Financial Assets                      | March 31, 2014        |                       |                    |                             |
|---------------------------------------|-----------------------|-----------------------|--------------------|-----------------------------|
|                                       | Trade Receivables     | Non-trade Receivables | Other receivables  | Other long-term receivables |
| Receivables – general                 | Rs. 11,452,989        | Rs. 1,494,164         | Rs. 119,695        | Rs. 2,112,115               |
| Less: Allowance for doubtful accounts | (21,075)              | (27,861)              | (33)               | (13,499)                    |
|                                       | <u>Rs. 11,431,914</u> | <u>Rs. 1,466,303</u>  | <u>Rs. 119,662</u> | <u>Rs. 2,098,616</u>        |

  

| Financial Assets                      | December 31, 2013     |                       |                    |                             |
|---------------------------------------|-----------------------|-----------------------|--------------------|-----------------------------|
|                                       | Trade Receivables     | Non-trade Receivables | Other receivables  | Other long-term receivables |
| Receivables – general                 | Rs. 10,663,749        | Rs. 1,666,822         | Rs. 167,760        | Rs. 2,061,458               |
| Less: Allowance for doubtful accounts | (11,687)              | (27,498)              | -                  | (13,522)                    |
|                                       | <u>Rs. 10,652,062</u> | <u>Rs. 1,639,324</u>  | <u>Rs. 167,760</u> | <u>Rs. 2,047,937</u>        |

(2) Credit risk and allowance for doubtful accounts

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

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

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

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

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

(Unit: Korean Won in thousands):

| Classification              | March 31, 2014 |             |             |             |
|-----------------------------|----------------|-------------|-------------|-------------|
|                             | 3-6 months     | 6-12 months | Over 1 year | Total       |
| Trade receivables           | ₩ 24,003       | ₩ -         | ₩ -         | ₩ 24,003    |
| Non-trade receivables       | 8,634,083      | 976,747     | 8,936       | 9,619,766   |
| Other long-term receivables | -              | -           | 103,250     | 103,250     |
|                             | ₩ 8,658,086    | ₩ 976,747   | ₩ 112,186   | ₩ 9,747,019 |

| Classification              | December 31, 2013 |             |             |             |
|-----------------------------|-------------------|-------------|-------------|-------------|
|                             | 3-6 months        | 6-12 months | Over 1 year | Total       |
| Trade receivables           | ₩ 138,629         | ₩ -         | ₩ -         | ₩ 138,629   |
| Non-trade receivables       | 3,692,761         | 102,000     | 8,418       | 3,803,179   |
| Other long-term receivables | -                 | -           | 103,250     | 103,250     |
|                             | ₩ 3,831,390       | ₩ 102,000   | ₩ 111,668   | ₩ 4,045,058 |

(Unit: Indian-Rupee in thousands):

| Classification              | March 31, 2014 |             |             |             |
|-----------------------------|----------------|-------------|-------------|-------------|
|                             | 3-6 months     | 6-12 months | Over 1 year | Total       |
| Trade receivables           | Rs. 1,344      | Rs. -       | Rs. -       | Rs. 1,344   |
| Non-trade receivables       | 483,509        | 54,698      | 500         | 538,707     |
| Other long-term receivables | -              | -           | 5,782       | 5,782       |
|                             | Rs. 484,853    | Rs. 54,698  | Rs. 6,282   | Rs. 545,833 |

| Classification        | December 31, 2013 |             |             |             |
|-----------------------|-------------------|-------------|-------------|-------------|
|                       | 3-6 months        | 6-12 months | Over 1 year | Total       |
| Trade receivables     | Rs. 7,763         | Rs. -       | Rs. -       | Rs. 7,763   |
| Non-trade receivables | 206,795           | 5,712       | 471         | 212,978     |
| Non-trade receivables | -                 | -           | 5,782       | 5,782       |
|                       | Rs. 214,558       | Rs. 5,712   | Rs. 6,253   | Rs. 226,523 |

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

(Unit: Korean won in thousands):

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

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

(Unit: Indian-Rupee in thousands):

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

  

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

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

(Unit: Korean won in thousands):

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

  

| Classification            | Year ended December 31, 2013 |                       |                   |                             |
|---------------------------|------------------------------|-----------------------|-------------------|-----------------------------|
|                           | Trade receivables            | Non-trade receivables | Other receivables | Other long-term receivables |
| Beginning balance         | ₩ 1,061,540                  | ₩ 965,595             | ₩ 330             | ₩ 169,932                   |
| Bad debt expense          | (685,177)                    | -                     | -                 | 71,341                      |
| Write-offs                | (167,662)                    | (462,099)             | -                 | -                           |
| Reversal of allowance (*) | -                            | (12,457)              | (16)              | (128)                       |
| Transfer                  | -                            | -                     | (314)             | 314                         |
| Ending balance            | ₩ 208,701                    | ₩ 491,039             | ₩ -               | ₩ 241,459                   |

(\*) Difference is due to the reversal of allowance for advance payments in the statement comprehensive of income.

(Unit: Indian-Rupee in thousands):

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

  

| Classification            | Year ended December 31, 2013 |                       |                   |                             |
|---------------------------|------------------------------|-----------------------|-------------------|-----------------------------|
|                           | Trade receivables            | Non-trade receivables | Other receivables | Other long-term receivables |
| Beginning balance         | Rs. 59,446                   | Rs. 54,073            | Rs. 18            | Rs. 9,516                   |
| Bad debt expense          | (38,370)                     | -                     | -                 | 3,995                       |
| Write-offs                | (9,389)                      | (25,878)              | -                 | -                           |
| Reversal of allowance (*) | -                            | (697)                 | (1)               | (7)                         |
| Transfer                  | -                            | -                     | (17)              | 18                          |
| Ending balance            | Rs. 11,687                   | Rs. 27,498            | Rs. -             | Rs. 13,522                  |

(\*) Difference is due to the reversal of allowance for advance payments in the statement comprehensive of income.

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

## 8. INVENTORIES:

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

(Unit: Korean won in thousands):

|                  | March 31, 2014 |             | December 31, 2013 |             |
|------------------|----------------|-------------|-------------------|-------------|
| Merchandises     | ₩              | 54,234,849  | ₩                 | 55,680,940  |
| Finished goods   |                | 55,314,297  |                   | 47,989,259  |
| Work-in-process  |                | 25,993,717  |                   | 24,764,484  |
| Raw materials    |                | 61,638,935  |                   | 65,752,519  |
| Sub-materials    |                | 478,251     |                   | 510,850     |
| Supplies         |                | 4,237,075   |                   | 4,233,041   |
| Goods in transit |                | 80,425,657  |                   | 81,969,736  |
| Total            | ₩              | 282,322,781 | ₩                 | 280,900,829 |

(Unit: Indian-Rupee in thousands):

|                  | March 31, 2014 |            | December 31, 2013 |            |
|------------------|----------------|------------|-------------------|------------|
| Merchandises     | Rs.            | 3,037,152  | Rs.               | 3,118,133  |
| Finished goods   |                | 3,097,601  |                   | 2,687,399  |
| Work-in-process  |                | 1,455,648  |                   | 1,386,811  |
| Raw materials    |                | 3,451,780  |                   | 3,682,141  |
| Sub-materials    |                | 26,782     |                   | 28,608     |
| Supplies         |                | 237,276    |                   | 237,050    |
| Goods in transit |                | 4,503,837  |                   | 4,590,304  |
| Total            | Rs.            | 15,810,076 | Rs.               | 15,730,446 |

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

## 9. CONSOLIDATED SUBSIDIARIES:

(1) Detail of investments in subsidiaries

Details of investment in securities accounted for using equity method as of March 31, 2014 are as follows:

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

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the three months ended March 31, 2014 and for the years ended December 31, 2013 is as follows:

< March 31, 2014 >

(Unit: Korean Won in thousands):

| Companies                            | Assets      | Liabilities          | Equity      | Sales       |
|--------------------------------------|-------------|----------------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 8,164,531 | ₩ 306,244            | ₩ 7,858,287 | ₩ 2,210,722 |
| Ssangyong European Parts Center B.V. | 8,195,226   | 12,543,187           | (4,347,961) | 3,482,881   |
| Companies                            | Net income  | Comprehensive income |             |             |
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 1,596,968 | ₩                    | 1,596,968   |             |
| Ssangyong European Parts Center B.V. | 139,051     |                      | 139,051     |             |

(Unit: Indian-Rupee in thousands):

| Companies                            | Assets      | Liabilities          | Equity      | Sales       |
|--------------------------------------|-------------|----------------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 457,214 | Rs. 17,150           | Rs. 440,064 | Rs. 123,800 |
| Ssangyong European Parts Center B.V. | 458,933     | 702,418              | (243,486)   | 195,041     |
| Companies                            | Net income  | Comprehensive income |             |             |
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 89,430  | Rs.                  | 89,430      |             |
| Ssangyong European Parts Center B.V. | 7,787       |                      | 7,787       |             |

< December 31, 2013 >

(Unit: Korean Won in thousands):

| Companies                            | Assets      | Liabilities          | Equity      | Sales       |
|--------------------------------------|-------------|----------------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 6,609,412 | ₩ 255,069            | ₩ 6,354,343 | ₩ 3,814,332 |
| Ssangyong European Parts Center B.V. | 7,940,806   | 12,388,132           | (4,447,326) | 13,852,837  |
| Companies                            | Net income  | Comprehensive income |             |             |
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 809,326   | ₩                    | 809,326     |             |
| Ssangyong European Parts Center B.V. | 125,145     |                      | 125,145     |             |

(Unit: Indian-Rupee in thousands):

| Companies                            | Assets      | Liabilities          | Equity      | Sales       |
|--------------------------------------|-------------|----------------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 370,127 | Rs. 14,284           | Rs. 355,843 | Rs. 213,603 |
| Ssangyong European Parts Center B.V. | 444,685     | 693,735              | (249,050)   | 775,759     |
| Companies                            | Net income  | Comprehensive income |             |             |
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 45,322  | Rs.                  | 45,322      |             |
| Ssangyong European Parts Center B.V. | 7,008       |                      | 7,008       |             |



**10. OTHER ASSETS:**

Carrying values of the Company's other assets as of March 31, 2014 and December 31, 2013 are as follows:

(Unit: Korean Won in thousands):

| Account                               | March 31, 2014 | December 31, 2013 |
|---------------------------------------|----------------|-------------------|
| Other current assets                  |                |                   |
| Advance payments                      | ₩ 2,017,319    | ₩ 2,041,322       |
| Less: Allowance for doubtful accounts | (7,157)        | (1,147)           |
| Prepaid expenses                      | 8,001,569      | 4,208,777         |
| Income tax refundable                 | 1,368,488      | 983,619           |
|                                       | 11,380,220     | 7,232,571         |
| Other non-current assets              |                |                   |
| Other non-current assets              | ₩ 354,652      | ₩ 357,350         |

(Unit: Indian-Rupee in thousands):

| Account                               | March 31, 2014 | December 31, 2013 |
|---------------------------------------|----------------|-------------------|
| Other current assets                  |                |                   |
| Advance payments                      | Rs. 112,970    | Rs. 114,314       |
| Less: Allowance for doubtful accounts | (401)          | (64)              |
| Prepaid expenses                      | 448,088        | 235,692           |
| Income tax refundable                 | 76,635         | 55,082            |
|                                       | 637,292        | 405,023           |
| Other non-current assets              |                |                   |
| Other non-current assets              | Rs. 19,860     | Rs. 20,012        |

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

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

(Unit: Korean Won in thousands):

|                          | March 31, 2014   |                      |                 |                   |                 |
|--------------------------|------------------|----------------------|-----------------|-------------------|-----------------|
|                          | Acquisition cost | Government subsidies | Depreciation    | Loss on valuation | Carrying amount |
| Land                     | ₩ 475,305,696    | ₩ -                  | ₩ -             | ₩ -               | ₩ 475,305,696   |
| Buildings                | 520,210,091      | 1,685,147            | 178,831,946     | 148,371,913       | 191,321,085     |
| Structures               | 103,757,217      | 171,431              | 57,939,494      | 29,156,376        | 16,489,916      |
| Machinery                | 1,222,711,428    | 736,723              | 1,029,346,520   | 99,305,565        | 93,322,620      |
| Vehicles                 | 10,044,095       | -                    | 6,992,267       | 1,240,924         | 1,810,904       |
| Tools and molds          | 870,855,947      | 26,497               | 518,051,313     | 162,727,547       | 190,050,590     |
| Equipment                | 62,897,393       | 23,653               | 35,269,633      | 4,862,119         | 22,741,988      |
| Construction in progress | 91,065,547       | -                    | -               | -                 | 91,065,547      |
| Machinery in transit     | 53,983           | -                    | -               | -                 | 53,983          |
|                          | ₩ 3,356,901,397  | ₩ 2,643,451          | ₩ 1,826,431,173 | ₩ 445,664,444     | ₩ 1,082,162,329 |

December 31, 2013

|                          | Acquisition<br>cost    | Government<br>subsidies | Depreciation           | Loss on<br>valuation | Carrying<br>amount     |
|--------------------------|------------------------|-------------------------|------------------------|----------------------|------------------------|
| Land                     | ₹ 475,305,570          | ₹ -                     | ₹ -                    | ₹ -                  | ₹ 475,305,570          |
| Buildings                | 520,204,787            | 1,696,822               | 176,446,878            | 148,371,912          | 193,689,175            |
| Structures               | 103,715,045            | 176,520                 | 57,532,368             | 29,156,376           | 16,849,781             |
| Machinery                | 1,229,675,167          | 789,603                 | 1,030,309,009          | 99,310,297           | 99,266,258             |
| Vehicles                 | 10,166,641             | -                       | 6,956,132              | 1,263,535            | 1,946,974              |
| Tools and molds          | 873,276,231            | 31,508                  | 507,905,818            | 163,823,075          | 201,515,830            |
| Equipment                | 62,805,139             | 26,413                  | 34,054,232             | 4,924,001            | 23,800,493             |
| Construction in progress | 70,917,106             | -                       | -                      | -                    | 70,917,106             |
| Machinery in transit     | 862,440                | -                       | -                      | -                    | 862,440                |
|                          | <u>₹ 3,346,928,126</u> | <u>₹ 2,720,866</u>      | <u>₹ 1,813,204,437</u> | <u>₹ 446,849,196</u> | <u>₹ 1,084,153,627</u> |

(Unit: Indian-Rupee in thousands):

March 31, 2014

|                          | Acquisition<br>cost   | Government<br>subsidies | Depreciation          | Loss on<br>valuation | Carrying<br>Amount   |
|--------------------------|-----------------------|-------------------------|-----------------------|----------------------|----------------------|
| Land                     | ₹. 26,617,119         | ₹. -                    | ₹. -                  | ₹. -                 | ₹. 26,617,119        |
| Buildings                | 29,131,765            | 94,368                  | 10,014,589            | 8,308,827            | 10,713,981           |
| Structures               | 5,810,404             | 9,600                   | 3,244,612             | 1,632,757            | 923,435              |
| Machinery                | 68,471,840            | 41,256                  | 57,643,405            | 5,561,112            | 5,226,067            |
| Vehicles                 | 562,469               | -                       | 391,567               | 69,492               | 101,410              |
| Tools and molds          | 48,767,933            | 1,484                   | 29,010,874            | 9,112,743            | 10,642,832           |
| Equipment                | 3,522,254             | 1,325                   | 1,975,099             | 272,278              | 1,273,552            |
| Construction in progress | 5,099,671             | -                       | -                     | -                    | 5,099,671            |
| Machinery in transit     | 3,023                 | -                       | -                     | -                    | 3,023                |
|                          | <u>₹. 187,986,478</u> | <u>₹. 148,033</u>       | <u>₹. 102,280,146</u> | <u>₹. 24,957,209</u> | <u>₹. 60,601,090</u> |

December 31, 2013

|                          | Acquisition<br>cost   | Government<br>subsidies | Depreciation          | Loss on<br>valuation | Carrying<br>Amount   |
|--------------------------|-----------------------|-------------------------|-----------------------|----------------------|----------------------|
| Land                     | ₹. 26,617,112         | ₹. -                    | ₹. -                  | ₹. -                 | ₹. 26,617,112        |
| Buildings                | 29,131,468            | 95,022                  | 9,881,025             | 8,308,827            | 10,846,594           |
| Structures               | 5,808,043             | 9,885                   | 3,221,813             | 1,632,757            | 943,588              |
| Machinery                | 68,861,809            | 44,218                  | 57,697,305            | 5,561,377            | 5,558,909            |
| Vehicles                 | 569,332               | -                       | 389,543               | 70,758               | 109,031              |
| Tools and molds          | 48,903,469            | 1,764                   | 28,442,726            | 9,174,092            | 11,284,887           |
| Equipment                | 3,517,088             | 1,479                   | 1,907,037             | 275,745              | 1,332,827            |
| Construction in progress | 3,971,358             | -                       | -                     | -                    | 3,971,358            |
| Machinery in transit     | 48,297                | -                       | -                     | -                    | 48,297               |
|                          | <u>₹. 187,427,976</u> | <u>₹. 152,368</u>       | <u>₹. 101,539,449</u> | <u>₹. 25,023,556</u> | <u>₹. 60,712,603</u> |

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

(Unit: Korean Won in thousands):

Three months ended March 31, 2013

|                             | Beginning<br>balance   | Acquisition         | Disposal         | Other            | Depreciation(*)     | Ending balance         |
|-----------------------------|------------------------|---------------------|------------------|------------------|---------------------|------------------------|
| Land                        | ₹ 475,305,570          | ₹ 125               | ₹ -              | ₹ 1              | ₹ -                 | ₹ 475,305,696          |
| Buildings                   | 193,689,175            | 5,304               | -                | -                | 2,373,394           | 191,321,085            |
| Structures                  | 16,849,781             | 6,086               | -                | 36,086           | 402,037             | 16,489,916             |
| Machinery                   | 99,266,258             | 26,221              | 92,996           | 3,037,071        | 8,913,934           | 93,322,620             |
| Vehicles                    | 1,946,974              | -                   | 3                | (921)            | 135,146             | 1,810,904              |
| Tools and molds             | 201,515,830            | 390,800             | 847              | 2,248,680        | 14,103,873          | 190,050,590            |
| Equipment                   | 23,800,493             | 315,874             | 3,563            | 16,581           | 1,387,397           | 22,741,988             |
| Construction in<br>progress | 70,917,106             | 24,735,889          | 83,768           | (4,503,680)      | -                   | 91,065,547             |
| Machinery in transit        | 862,440                | 27,357              | -                | (835,814)        | -                   | 53,983                 |
|                             | <u>₹ 1,084,153,627</u> | <u>₹ 25,507,656</u> | <u>₹ 181,177</u> | <u>₹ (1,996)</u> | <u>₹ 27,315,781</u> | <u>₹ 1,082,162,329</u> |

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

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

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

(Unit: Indian-Rupee in thousands):

| Three months ended March 31, 2014 |                       |                      |                   |                  |                      |                       |
|-----------------------------------|-----------------------|----------------------|-------------------|------------------|----------------------|-----------------------|
|                                   | Beginning balance     | Acquisition          | Disposal          | Other            | Depreciation(*)      | Ending balance        |
| Land                              | Rs. 26,617,112        | Rs. 7                | Rs. -             | Rs. -            | Rs. -                | Rs. 26,617,119        |
| Buildings                         | 10,846,594            | 297                  | -                 | -                | 132,910              | 10,713,981            |
| Structures                        | 943,588               | 341                  | -                 | 2,021            | 22,515               | 923,435               |
| Machinery                         | 5,558,910             | 1,468                | 5,208             | 170,076          | 499,179              | 5,226,067             |
| Vehicles                          | 109,031               | -                    | -                 | (52)             | 7,569                | 101,410               |
| Tools and molds                   | 11,284,886            | 21,885               | 47                | 125,926          | 789,818              | 10,642,832            |
| Equipment                         | 1,332,828             | 17,689               | 200               | 929              | 77,694               | 1,273,552             |
| Construction in progress          | 3,971,358             | 1,385,210            | 4,691             | (252,206)        | -                    | 5,099,671             |
| Machinery in transit              | 48,297                | 1,532                | -                 | (46,806)         | -                    | 3,023                 |
|                                   | <u>Rs. 60,712,604</u> | <u>Rs. 1,428,429</u> | <u>Rs. 10,146</u> | <u>Rs. (112)</u> | <u>Rs. 1,529,685</u> | <u>Rs. 60,601,090</u> |

| Three months ended March 31, 2014 |                       |                      |                  |                     |                      |                       |
|-----------------------------------|-----------------------|----------------------|------------------|---------------------|----------------------|-----------------------|
|                                   | Beginning balance     | Acquisition          | Disposal         | Other               | Depreciation(*)      | Ending balance        |
| Land                              | Rs. 26,300,103        | Rs. 1,084            | Rs. -            | Rs. 324,550         | Rs. -                | Rs. 26,625,737        |
| Buildings                         | 11,224,226            | 9,520                | 487              | 5,488               | 130,518              | 11,108,229            |
| Structures                        | 987,438               | -                    | 580              | -                   | 22,107               | 964,751               |
| Machinery                         | 6,217,961             | 121,162              | 353              | 235,038             | 489,000              | 6,084,808             |
| Vehicles                          | 120,890               | 3,055                | -                | 52                  | 7,827                | 116,170               |
| Tools and molds                   | 10,991,705            | 676,589              | 1,358            | 1,348,963           | 870,256              | 12,145,643            |
| Equipment                         | 946,142               | 27,114               | 165              | (179)               | 53,312               | 919,600               |
| Construction in progress          | 2,090,034             | 424,342              | 6,136            | (1,907,811)         | -                    | 600,429               |
| Machinery in transit              | -                     | 60,963               | -                | (60,963)            | -                    | -                     |
|                                   | <u>Rs. 58,878,499</u> | <u>Rs. 1,323,829</u> | <u>Rs. 9,079</u> | <u>Rs. (54,862)</u> | <u>Rs. 1,573,020</u> | <u>Rs. 58,565,367</u> |

(3) Assets pledged as collateral

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

(Unit: Korean Won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

**12. INTANGIBLE ASSETS:**

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

(Unit: Korean Won in thousands):

|                         | March 31, 2014   |                      |                          |                             |               |
|-------------------------|------------------|----------------------|--------------------------|-----------------------------|---------------|
|                         | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value    |
| Development cost        | ₩ 14,478,683     | ₩ -                  | ₩ 10,577,938             | ₩ -                         | ₩ 3,900,745   |
| Patents                 | 1,302,828        | 7,806                | 536,182                  | 7,039                       | 751,801       |
| Other intangible assets | 102,389,352      | 17,567               | 5,937,863                | 686,795                     | 95,747,127    |
|                         | ₩ 118,170,863    | ₩ 25,373             | ₩ 17,051,983             | ₩ 693,834                   | ₩ 100,399,673 |

  

|                         | March 31, 2013   |                      |                          |                             |              |
|-------------------------|------------------|----------------------|--------------------------|-----------------------------|--------------|
|                         | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value   |
| Development cost        | ₩ 14,478,684     | ₩ -                  | ₩ 9,371,382              | ₩ -                         | ₩ 5,107,302  |
| Patents                 | 1,217,210        | 5,802                | 475,150                  | -                           | 736,258      |
| Other intangible assets | 88,832,542       | 21,609               | 4,440,435                | 686,795                     | 83,683,703   |
|                         | ₩ 104,528,436    | ₩ 27,411             | ₩ 14,286,967             | ₩ 686,795                   | ₩ 89,527,263 |

(Unit: Indian-Rupee in thousands):

|                         | March 31, 2014   |                      |                          |                             |               |
|-------------------------|------------------|----------------------|--------------------------|-----------------------------|---------------|
|                         | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value    |
| Development cost        | Rs. 810,806      | Rs. -                | Rs. 592,365              | Rs. -                       | Rs. 218,441   |
| Patents                 | 72,958           | 437                  | 30,026                   | 394                         | 42,101        |
| Other intangible assets | 5,733,804        | 984                  | 332,520                  | 38,460                      | 5,361,840     |
|                         | Rs. 6,617,568    | Rs. 1,421            | Rs. 954,911              | Rs. 38,854                  | Rs. 5,622,382 |

|                         | March 31, 2013       |                      |                          |                             |                      |
|-------------------------|----------------------|----------------------|--------------------------|-----------------------------|----------------------|
|                         | Acquisition cost     | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value           |
| Development cost        | Rs. 810,806          | Rs. -                | Rs. 524,797              | Rs. -                       | Rs. 286,009          |
| Patents                 | 68,164               | 325                  | 26,608                   | -                           | 41,231               |
| Other intangible assets | 4,974,622            | 1,210                | 248,664                  | 38,461                      | 4,686,287            |
|                         | <u>Rs. 5,853,592</u> | <u>Rs. 1,535</u>     | <u>Rs. 800,069</u>       | <u>Rs. 38,461</u>           | <u>Rs. 5,013,527</u> |

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

(Unit: Korean Won in thousands):

|                         | Three months ended March 31, 2014 |                     |                    |                 |              |                      |
|-------------------------|-----------------------------------|---------------------|--------------------|-----------------|--------------|----------------------|
|                         | Beginning balance                 | Acquisition         | Depreciation       | Impairment loss | Other        | Ending balance       |
| Development cost        | ₩ 5,107,302                       | ₩ -                 | ₩ 1,206,557        | ₩ -             | ₩ -          | ₩ 3,900,745          |
| Patents                 | 736,258                           | 83,441              | 60,859             | 7,039           | -            | 751,801              |
| Other intangible assets | 83,683,702                        | 13,555,547          | 1,492,512          | -               | 390          | 95,747,127           |
|                         | <u>₩ 89,527,262</u>               | <u>₩ 13,638,988</u> | <u>₩ 2,759,928</u> | <u>₩ 7,039</u>  | <u>₩ 390</u> | <u>₩ 100,399,673</u> |

  

|                         | Three months ended March 31, 2013 |                    |                    |                 |              |                     |
|-------------------------|-----------------------------------|--------------------|--------------------|-----------------|--------------|---------------------|
|                         | Beginning balance                 | Acquisition        | Depreciation       | Impairment loss | Other        | Ending balance      |
| Development cost        | ₩ 47,996,313                      | ₩ 4,717,214        | ₩ 8,377,686        | ₩ -             | ₩ -          | ₩ 44,335,841        |
| Patents                 | 658,066                           | 120,186            | 58,045             | 10,609          | -            | 709,598             |
| Other intangible assets | 7,960,633                         | 2,961,181          | 486,045            | -               | 626          | 10,436,395          |
|                         | <u>₩ 56,615,012</u>               | <u>₩ 7,798,581</u> | <u>₩ 8,921,776</u> | <u>₩ 10,609</u> | <u>₩ 626</u> | <u>₩ 55,481,834</u> |

(Unit: Indian-Rupee in thousands):

|                         | Three months ended March 31, 2014 |                    |                    |                 |               |                      |
|-------------------------|-----------------------------------|--------------------|--------------------|-----------------|---------------|----------------------|
|                         | Beginning balance                 | Acquisition        | Depreciation       | Impairment loss | Other         | Ending balance       |
| Development cost        | Rs. 286,009                       | Rs. -              | Rs. 67,568         | Rs. -           | Rs. -         | Rs. 218,441          |
| Patents                 | 41,230                            | 4,673              | 3,408              | 394             | -             | 42,101               |
| Other intangible assets | 4,686,287                         | 759,111            | 83,581             | -               | 23            | 5,361,840            |
|                         | <u>Rs. 5,013,526</u>              | <u>Rs. 763,784</u> | <u>Rs. 154,557</u> | <u>Rs. 394</u>  | <u>Rs. 23</u> | <u>Rs. 5,622,382</u> |

  

|                         | Three months ended March 31, 2013 |                    |                    |                 |               |                      |
|-------------------------|-----------------------------------|--------------------|--------------------|-----------------|---------------|----------------------|
|                         | Beginning balance                 | Acquisition        | Depreciation       | Impairment loss | Other         | Ending balance       |
| Development cost        | Rs. 2,687,794                     | Rs. 264,164        | Rs. 469,150        | Rs. -           | Rs. -         | Rs. 2,482,808        |
| Patents                 | 36,852                            | 6,730              | 3,251              | 594             | -             | 39,737               |
| Other intangible assets | 445,795                           | 165,826            | 27,219             | -               | 35            | 584,437              |
|                         | <u>Rs. 3,170,441</u>              | <u>Rs. 436,720</u> | <u>Rs. 499,620</u> | <u>Rs. 594</u>  | <u>Rs. 35</u> | <u>Rs. 3,106,982</u> |

(3) Amortization of the Company's intangible assets for the three months ended March 31, 2014 and 2013 is as follows:

| Account                             | Korean Won in thousands |                    | Indian-Rupee in thousands |                    |
|-------------------------------------|-------------------------|--------------------|---------------------------|--------------------|
|                                     | March 31, 2014          | March 31, 2013     | March 31, 2014            | March 31, 2013     |
| Cost of goods manufactured          | ₩ 1,115,724             | ₩ 8,286,853        | Rs. 62,481                | Rs. 464,064        |
| Selling and administrative expenses | 1,644,204               | 634,923            | 92,075                    | 35,556             |
|                                     | <u>₩ 2,759,928</u>      | <u>₩ 8,921,776</u> | <u>Rs. 154,556</u>        | <u>Rs. 499,620</u> |

### 13. BORROWINGS:

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

### 14. OTHER FINANCIAL LIABILITIES:

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

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

**15. PROVISION FOR PRODUCT WARRANTIES:**

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

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

| Classification          | Korean Won in thousands |                   | Indian-Rupee in thousands |                   |
|-------------------------|-------------------------|-------------------|---------------------------|-------------------|
|                         | March 31, 2014          | December 31, 2013 | March 31, 2014            | December 31, 2013 |
| Other liabilities       |                         |                   |                           |                   |
| Advances from customers | ₩ 4,511,270             | ₩ 5,689,992       | Rs. 252,631               | Rs. 318,640       |
| Deposits received       | 1,480,563               | 1,507,995         | 82,912                    | 84,448            |
| Withholdings            | 15,995,665              | 19,554,631        | 895,757                   | 1,095,059         |
|                         | ₩ 21,987,498            | ₩ 26,752,618      | Rs. 1,231,300             | Rs. 1,498,147     |

**17. RETIREMENT BENEFIT OBLIGATION:**

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

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

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

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

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

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

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

|                                      | March 31, 2014 | December 31, 2013 |
|--------------------------------------|----------------|-------------------|
| Discount rate (%)                    | 4.39           | 4.39              |
| Expected rate of salary increase (%) | 5.32           | 5.32              |

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

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

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

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

| Financial institution | Classification          | Limit         | Exercise price |
|-----------------------|-------------------------|---------------|----------------|
| KDB                   | Operating purpose loans | Rs. 1,680,000 | Rs. 1,680,000  |

(4) Pending litigations

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

## **19. CAPITAL STOCK:**

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

(Unit: Won in thousands except par value):

| Classification    | Shares outstanding | Par value | Capital stock |
|-------------------|--------------------|-----------|---------------|
| March 31, 2014    | 137,220,096        | ₩ 5,000   | ₩ 686,100,480 |
| December 31, 2013 | 137,220,096        | ₩ 5,000   | ₩ 686,100,480 |



(Unit: Rupee in thousands except par value):

| Classification    | Shares outstanding | Par value | Capital stock  |
|-------------------|--------------------|-----------|----------------|
| March 31, 2014    | 137,220,096        | Rs. 280   | Rs. 38,421,627 |
| December 31, 2013 | 137,220,096        | Rs. 280   | Rs. 38,421,627 |

## 20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

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

| Other Capital Surplus | Paid-in capital in excess of par value<br>Gain on retirement of capital stock<br>Debt converted to equity<br>Treasury stock<br>Consideration for conversion rights | March 31,<br>2014         | December 31,<br>2013 | March 31,<br>2014           | December 31,<br>2013 |
|-----------------------|--|---------------------------|----------------------|-----------------------------|----------------------|
|                       |  | (Korean Won in thousands) |                      | (Indian-Rupee in thousands) |                      |
|                       |  | ₩ 11,452,713              | ₩ 11,452,713         | Rs. 641,352                 | Rs. 641,352          |
|                       |  | 120,351,580               | 120,351,580          | 6,739,688                   | 6,739,688            |
|                       |  | 931,508                   | 931,508              | 52,164                      | 52,164               |
|                       |  | (108,530)                 | (108,530)            | (6,078)                     | (6,078)              |
|                       |  | (3,243,869)               | (3,243,869)          | (181,657)                   | (181,655)            |
|                       |  | <u>₩129,383,402</u>       | <u>₩129,383,402</u>  | <u>Rs.7,245,469</u>         | <u>Rs.7,245,471</u>  |

## 21. OTHER CAPITAL ADJUSTMENTS:

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

(Unit: Korean Won in thousands):

| Classification                          | March 31, 2014      | December 31, 2013   |
|---|---------------------|---------------------|
| Other capital adjustments               | ₩ 12,737,080        | ₩ 26,833,680        |
| Gains on valuation of derivatives       |                     |                     |
| Gains on overseas operation translation | 553,454             | 686,161             |
|   | <u>₩ 13,290,534</u> | <u>₩ 27,519,841</u> |

(Unit: Indian-Rupee in thousands)

| Classification                          | March 31, 2014     | December 31, 2013    |
|---|--------------------|----------------------|
| Other capital adjustments               | Rs. 713,276        | Rs. 1,502,686        |
| Gains on valuation of derivatives       |                    |                      |
| Gains on overseas operation translation | 30,993             | 38,425               |
|   | <u>Rs. 744,270</u> | <u>Rs. 1,541,111</u> |

(2) Changes in the Company's Gains on valuation of Derivatives for the three months ended March 31, 2014 and for the year ended December 31, 2013 are as follows (Unit: Korean Won and India-Rupee in thousands):

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

(3) Changes in the Company's Cumulative effect of Foreign currency Translation for the three months ended March 31, 2014 and for the year ended December 31, 2013 are as follows (Unit: Korean Won and India-Rupee in thousands):

|   | Three months ended<br>March 31, 2014 |           | Year ended<br>December 31, 2013 |           | Three months ended<br>March 31, 2014 |         | Year ended<br>December 31, 2013 |         |
|---|--------------------------------------|-----------|---------------------------------|-----------|--------------------------------------|---------|---------------------------------|---------|
| Beginning balance                                       | ₩                                    | 686,161   | ₩                               | 862,490   | Rs.                                  | 38,425  | Rs.                             | 48,299  |
| Cumulative effect of<br>foreign currency<br>translation |                                      | (132,707) |                                 | (176,329) |                                      | (7,432) |                                 | (9,874) |
| Ending balance  | ₩                                    | 553,454   | ₩                               | 686,161   | Rs.                                  | 30,993  | Rs.                             | 38,425  |

## 22. RETAINED EARNINGS:

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

(Unit: Won in thousands):

|                   | March 31, 2014 |            | December 31, 2013 |            |
|-------------------|----------------|------------|-------------------|------------|
| Retained earnings | ₩              | 51,928,482 | ₩                 | 41,194,141 |

(Unit: Rupee in thousands)

|                   | March 31, 2014 |           | December 31, 2013 |           |
|-------------------|----------------|-----------|-------------------|-----------|
| Retained earnings | Rs.            | 2,907,995 | Rs.               | 2,306,872 |

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

(Unit: Won in thousands):

|  | March 31, 2014 |            | December 31, 2013 |             |
|--|----------------|------------|-------------------|-------------|
| Beginning balance                      | ₩              | 41,194,141 | ₩                 | 44,842,295  |
| Loss on appropriated retained earnings |                | 10,742,121 |                   | (2,397,791) |
| Actuarial losses                       |                | (7,780)    |                   | (1,250,363) |
| Ending balance                         | ₩              | 51,928,482 | ₩                 | 41,194,141  |

(Unit: Rupee in thousands)

|  | March 31, 2014 |           | December 31, 2013 |           |
|--|----------------|-----------|-------------------|-----------|
| Beginning balance                      | Rs.            | 2,306,872 | Rs.               | 2,511,169 |
| Loss on appropriated retained earnings |                | 601,559   |                   | (134,276) |
| Actuarial losses                       |                | (436)     |                   | (70,020)  |
| Ending balance                         | Rs.            | 2,907,995 | Rs.               | 2,306,872 |

## 23. INCOME TAX:

(1) Composition of income tax expense for the three months ended March 31, 2014 and 2013 are as follows:

|   | Korean won in thousands              |                                      | Indian-Rupee in thousands            |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Income tax expense of<br>Parent Company       | ₩                                    | -                                    | Rs.                                  | -                                    |
| Income tax expense of<br>Subsidiary Company   |                                      | 32,625                               |                                      | 1,827                                |
| Income tax expense of<br>Consolidated Company | ₩                                    | 209,097                              | Rs.                                  | 1,827                                |

(2) As of March 31, 2014 and December 31, 2013, deferred income tax assets is ₩ 26,174 thousands (Rs. 1,466 thousands) and ₩ 57,407 thousands (Rs. 3,215 thousands), respectively

## 24. EXPENSES BY CATEGORY:

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

|   | Korean won in thousands              |                                   | Indian-Rupee in thousands            |                                      |
|---|--------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|
|   | Three months ended<br>March 31, 2014 | The years ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Changes in inventories                      | ₩ (7,108,180)                        | ₩ (25,516,493)                    | Rs. (398,058)                        | Rs. (1,428,924)                      |
| Raw materials and<br>merchandise goods used | 620,480,074                          | 570,654,703                       | 34,746,884                           | 31,956,663                           |
| Salaries (*)                                | 100,701,336                          | 89,205,717                        | 5,639,275                            | 4,995,520                            |
| Depreciation                                | 27,310,066                           | 28,074,500                        | 1,529,364                            | 1,572,172                            |
| Amortization                                | 2,759,928                            | 8,921,776                         | 154,556                              | 499,619                              |
| Other                                       | 125,491,626                          | 103,222,439                       | 7,027,531                            | 5,780,457                            |
|   | ₩ 869,634,850                        | ₩ 774,562,642                     | Rs. 48,699,552                       | Rs. 43,375,507                       |

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

## 25. DERIVATIVES FINANCIAL INSTRUMENTS:

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

## 26. SELLING AND ADMINISTRATIVE EXPENSES:

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

|                      | Korean Won in thousands              |                                      | Indian-Rupee in thousands            |                                      |
|----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                      | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Warranty expenses    | ₩ 23,159,316                         | ₩ 14,640,043                         | Rs. 1,296,922                        | Rs. 819,842                          |
| Sales commissions    | 39,164,585                           | 31,772,210                           | 2,193,217                            | 1,779,244                            |
| Advertising expenses | 3,349,314                            | 6,384,677                            | 187,562                              | 357,542                              |
| Export expenses      | 16,138,344                           | 18,489,031                           | 903,747                              | 1,035,386                            |
| Others               | 7,649,012                            | 12,227,948                           | 428,345                              | 684,765                              |
|                      | ₩ 89,460,571                         | ₩ 83,513,909                         | Rs. 5,009,793                        | Rs. 4,676,779                        |

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

|                          | Korean Won in thousands              |                                      | Indian-Rupee in thousands            |                                      |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                          | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Salaries                 | ₩ 11,946,303                         | ₩ 11,109,889                         | Rs. 668,993                          | Rs. 622,154                          |
| Post-employment benefits | 1,549,708                            | 1,612,476                            | 86,784                               | 90,299                               |
| Employee benefits        | 2,567,496                            | 2,995,518                            | 143,780                              | 167,749                              |
| Rent expense             | 2,617,344                            | 2,503,934                            | 146,571                              | 140,220                              |
| Service fees             | 6,371,372                            | 4,581,111                            | 356,797                              | 256,542                              |
| Depreciation             | 1,704,193                            | 1,271,008                            | 95,435                               | 71,176                               |
| R&D expenses             | 6,623,885                            | 5,335,194                            | 370,938                              | 298,771                              |
| Amortization             | 1,644,205                            | 634,923                              | 92,075                               | 35,556                               |
| Bad debt expense         | 167,644                              | (115,481)                            | 9,388                                | (6,467)                              |
| Others                   | 6,590,131                            | 7,849,813                            | 369,046                              | 439,589                              |
|                          | ₩ 41,782,281                         | ₩ 37,778,385                         | Rs. 2,339,807                        | Rs. 2,115,589                        |

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

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

|   | Korean Won in thousands              |                                      | Indian-Rupee in thousands            |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Commission income                                 | ₩ 690,859                            | ₩ 3,760,568                          | Rs. 38,688                           | Rs. 210,592                          |
| Gain on foreign currency transactions             | 2,250,252                            | 3,485,084                            | 126,014                              | 195,165                              |
| Gain on foreign currency translation              | 376,826                              | 512,252                              | 21,102                               | 28,686                               |
| Reversal of allowance for doubtful accounts       | -                                    | 60,473                               | -                                    | 3,386                                |
| Gain on disposal of property, plant and equipment | 19,020                               | 4,188                                | 1,065                                | 235                                  |
| Gain on disposal of investment assets             | 1,523                                | -                                    | 85                                   | -                                    |
| Others, net                                       | 4,222,381                            | 5,787,996                            | 236,453                              | 324,127                              |
|   | <u>₩ 7,560,861</u>                   | <u>₩ 13,610,561</u>                  | <u>Rs. 423,407</u>                   | <u>Rs. 762,191</u>                   |

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

|   | Korean Won in thousands              |                                      | Indian-Rupee in thousands            |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2014 | Three months ended<br>March 31, 2013 |
| Loss on foreign currency transactions             | ₩ 1,900,149                          | ₩ 1,696,969                          | Rs. 106,408                          | Rs. 95,030                           |
| Loss on foreign currency translation              | 254,364                              | 423,135                              | 14,244                               | 23,696                               |
| Other bad debt expense                            | 12,668                               | 4,299                                | 709                                  | 241                                  |
| Non-operating assets and depreciation             | 5,715                                | 15,156                               | 320                                  | 849                                  |
| Loss on disposal of property, plant and equipment | 26,404                               | 45,002                               | 1,479                                | 2,520                                |
| Loss on disposal of investment assets             | 2,792                                | 4,105                                | 156                                  | 230                                  |
| Loss on disposal of trade receivables             | 4,696,690                            | 2,463,602                            | 263,015                              | 137,962                              |
| Impairment loss on investments                    | 884                                  | 3,627                                | 50                                   | 203                                  |
| Impairment loss on intangible assets              | 7,039                                | 10,609                               | 394                                  | 594                                  |
| Others  | 1,427,077                            | 7,941,621                            | 79,917                               | 444,730                              |
|   | <u>₩ 8,333,782</u>                   | <u>₩ 12,608,125</u>                  | <u>Rs. 466,692</u>                   | <u>Rs. 706,055</u>                   |

## 28. FINANCIAL INCOME AND COST:

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

|                                       | Korean Won in thousands           |                                   | Indian-Rupee in thousands         |                                   |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                       | Three months ended March 31, 2014 | Three months ended March 31, 2013 | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
| Interest income                       | ₩ 1,958,861                       | ₩ 1,527,093                       | Rs. 109,696                       | Rs. 85,517                        |
| Dividend income                       | 11,000                            | 6,000                             | 616                               | 336                               |
| Gain on foreign currency transactions | 1,193,957                         | 925,710                           | 66,863                            | 51,840                            |
| Gain on foreign currency translation  | 63,937                            | 71,151                            | 3,580                             | 3,984                             |
| Gain on disposal of derivatives       | 9,993,800                         | 7,298,511                         | 559,653                           | 408,717                           |
| Gain on valuation of derivatives      | 1,416,062                         | 1,234,301                         | 79,299                            | 69,121                            |
| Gains from assets contributed         | -                                 | 19,360                            | -                                 | 1,084                             |
|                                       | <u>₩ 14,637,617</u>               | <u>₩ 11,082,126</u>               | <u>Rs. 819,707</u>                | <u>Rs. 620,599</u>                |

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

|                                       | Korean Won in thousands           |                                   | Indian-Rupee in thousands         |                                   |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                       | Three months ended March 31, 2014 | Three months ended March 31, 2013 | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
| Interest expense                      | ₩ 1,193,352                       | ₩ 2,094,406                       | Rs. 66,828                        | Rs. 117,287                       |
| Loss on foreign currency transactions | 484,452                           | 294,595                           | 27,130                            | 16,496                            |
| Loss on foreign currency translation  | 395,863                           | 80,978                            | 22,168                            | 4,535                             |
| Loss on disposal of derivatives       | -                                 | 758,800                           | -                                 | 42,493                            |
| Loss on valuation of derivatives      | 19,950                            | 2,744                             | 1,117                             | 154                               |
|                                       | <u>₩ 2,093,617</u>                | <u>₩ 3,231,523</u>                | <u>Rs. 117,243</u>                | <u>Rs. 180,965</u>                |

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

|                                     | Korean Won in thousands           |                                   | Indian-Rupee in thousands         |                                   |
|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                     | Three months ended March 31, 2014 | Three months ended March 31, 2013 | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
| Loan and receivables                | ₩ 1,143,088                       | ₩ 287,650                         | Rs. 64,013                        | Rs. 16,108                        |
| Available-for-sale financial assets | 11,000                            | 6,000                             | 616                               | 336                               |
| Other financial liabilities         | 11,389,912                        | 7,556,953                         | 637,835                           | 423,189                           |
|                                     | <u>₩ 12,544,000</u>               | <u>₩ 7,850,603</u>                | <u>Rs. 702,464</u>                | <u>Rs. 439,633</u>                |

## 29. INCOME(LOSS) PER SHARE:

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

|   | Korean won in thousands           |                                   | Indian-Rupee in thousands         |                                   |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | Three months ended March 31, 2014 | Three months ended March 31, 2013 | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
| Net income(loss)                              | ₩ 10,742,121                      | ₩ (9,214,417)                     | Rs. 601,559                       | Rs. (516,007)                     |
| Preferred stock dividends                     | -                                 | -                                 | -                                 | -                                 |
| Loss contributed to common stocks             | 10,742,121                        | (9,214,417)                       | 601,559                           | (516,007)                         |
| Number of common stocks outstanding           | 137,198,390                       | 122,674,641                       | 7,683,110                         | 6,869,780                         |
| Basic and diluted income (loss) per share(*1) | <u>₩ 78</u>                       | <u>₩ (75)</u>                     | <u>Rs. 4</u>                      | <u>Rs. (4)</u>                    |

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

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

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

  

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

### **30. CASH FLOWS FROM OPERATING ACTIVITIES:**

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

|  | Korean Won in thousands |                       | Indian-Rupee in thousands |                       |
|--|-------------------------|-----------------------|---------------------------|-----------------------|
|  | Three months<br>ended   | Three months<br>ended | Three months<br>ended     | Three months<br>ended |
|  | March 31, 2014          | March 31, 2013        | March 31, 2014            | March 31, 2013        |
| 1. Cash flows from operating activities              | ₩ 13,776,074            | ₩ 123,266,923         | Rs. 771,460               | Rs. 6,902,948         |
| 1) Net income(loss)                                  | 10,742,121              | (9,214,417)           | 601,559                   | (516,007)             |
| 2) Adjustments                                       | 42,160,526              | 47,375,623            | 2,360,989                 | 2,653,035             |
| (1) Addition of expenses                             | 46,007,755              | 50,902,304            | 2,576,433                 | 2,850,529             |
| Income tax expense                                   | 209,096                 | 32,625                | 11,709                    | 1,827                 |
| Loss on foreign currency translation                 | 650,228                 | 504,112               | 36,413                    | 28,230                |
| Loss on disposal of trade receivables                | 4,696,690               | 2,463,602             | 263,015                   | 137,962               |
| Loss on valuation of inventories                     | (487,197)               | 255,666               | (27,283)                  | 14,317                |
| Bad debt expense                                     | 167,644                 | (115,481)             | 9,388                     | (6,467)               |
| Other bad debt expense                               | 12,668                  | 4,299                 | 709                       | 241                   |
| Depreciation   | 27,310,066              | 28,074,500            | 1,529,364                 | 1,572,172             |
| Loss on disposal of investment assets                | 2,792                   | 4,105                 | 156                       | 230                   |
| Loss on disposal of property, plant<br>and equipment | 26,404                  | 45,002                | 1,479                     | 2,520                 |
| Impairment loss on investment assets                 | 884                     | 3,627                 | 50                        | 203                   |
| Depreciation on intangible assets                    | 2,759,929               | 8,921,776             | 154,556                   | 499,619               |
| Impairment loss on intangible assets                 | 7,039                   | 10,609                | 394                       | 594                   |
| Interest expense                                     | 1,193,352               | 2,094,406             | 66,828                    | 117,287               |
| Post-employment benefits                             | 9,432,496               | 8,475,987             | 528,220                   | 474,655               |
| Depreciation expenses on assets not in<br>use        | 5,715                   | 15,156                | 320                       | 849                   |
| Miscellaneous losses                                 | 19,949                  | 112,313               | 1,115                     | 6,290                 |
| (2) Deduction of revenue                             | (3,847,229)             | (3,526,681)           | (215,444)                 | (197,494)             |
| Gain on foreign currency translation                 | 440,763                 | 583,404               | 24,683                    | 32,671                |
| Reversal of allowance for doubtful<br>accounts       | -                       | 60,473                | -                         | 3,386                 |
| Interest income                                      | 1,958,861               | 1,527,093             | 109,696                   | 85,517                |
| Dividend income                                      | 11,000                  | 6,000                 | 616                       | 336                   |
| Gain on valuation of derivatives                     | 1,416,062               | 1,234,301             | 79,299                    | 69,121                |
| Gain on disposal of investment assets                | 1,523                   | -                     | 85                        | -                     |
| Gain on disposal of property, plant<br>and equipment | 19,020                  | 4,188                 | 1,065                     | 235                   |
| Miscellaneous gains                                  | -                       | 111,222               | -                         | 6,228                 |

|   | Korean Won in thousands |                    | Indian-Rupee in thousands |                    |
|---|-------------------------|--------------------|---------------------------|--------------------|
|   | Three months ended      | Three months ended | Three months ended        | Three months ended |
|   | March 31, 2014          | March 31, 2013     | March 31, 2014            | March 31, 2013     |
| 3) Changes in working capital                                     | (39,126,573)            | 85,105,717         | (2,191,088)               | 4,765,920          |
| Increase in trade receivables, net                                | (34,008,917)            | (2,789,457)        | (1,904,500)               | (156,211)          |
| Decrease (Increase) in accounts receivable                        | 5,147,961               | (10,231,002)       | 288,286                   | (572,936)          |
| Increase in other receivables, net                                | (21,496)                | -                  | (1,204)                   | -                  |
| Increase in other assets  | (4,152,892)             | (883,686)          | (232,562)                 | (49,486)           |
| Decrease in derivatives assets                                    | 1,374,550               | 1,459,139          | 76,975                    | 81,712             |
| Increase in inventories   | (882,777)               | (20,920,638)       | (49,436)                  | (1,171,556)        |
| Decrease (Increase) in long security                              | (155,000)               | (2,049,300)        | (8,680)                   | (114,761)          |
| Increase in trade payables  | 51,603,548              | 142,693,049        | 2,889,799                 | 7,990,811          |
| Decrease in accounts payables                                     | (35,932,293)            | (12,331,970)       | (2,012,208)               | (690,590)          |
| Decrease in other payables  | (5,253,406)             | (5,136,249)        | (294,191)                 | (287,630)          |
| Decrease in other liabilities                                     | (4,764,481)             | (3,997,602)        | (266,811)                 | (223,866)          |
| Decrease in current other long-term employee benefit              | (546,490)               | (405,610)          | (30,603)                  | (22,714)           |
| Increase (Decrease) in short-term provision of product warranties | 8,293,174               | (495,041)          | 464,418                   | (27,722)           |
| Increase (Decrease) in long-term other payables                   | (20,090,465)            | 175,780            | (1,125,066)               | 9,844              |
| Increase in other long-term employee benefit                      | 390,353                 | 334,171            | 21,860                    | 18,714             |
| Payment of severance indemnities                                  | (1,340,211)             | (1,753,710)        | (75,052)                  | (98,208)           |
| Increase in long-term provision of product warranties             | 1,212,269               | 1,437,843          | 67,887                    | 80,519             |
| 2. Interest received  | 2,863,007               | 1,675,947          | 160,328                   | 93,853             |
| 3. Interest paid  | (2,077,568)             | (2,150,157)        | (116,343)                 | (120,409)          |
| 4. Dividends received   | 11,000                  | 6,000              | 616                       | 336                |
| 5. Income tax expense   | (177,441)               | -                  | (9,937)                   | -                  |
| Net cash provided by operating activities                         | ₩ 14,395,072            | ₩ 122,798,713      | Rs. 806,124               | Rs. 6,876,728      |

### 31. SEGMENT INFORMATION:

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

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

| Sales region             | Three months ended March 31, 2014 |                |
|--------------------------|-----------------------------------|----------------|
| Republic of Korea        | ₩ 493,726,128                     | Rs. 27,648,663 |
| Europe                   | 151,787,983                       | 8,500,127      |
| Asia Pacific             | 92,931,068                        | 5,204,140      |
| Others                   | 126,357,256                       | 7,076,006      |
| Consolidation adjustment | (2,243,393)                       | (125,630)      |
|                          | ₩ 862,559,042                     | Rs. 48,303,306 |

  

| Sales region             | Three months ended March 31, 2013 |                |
|--------------------------|-----------------------------------|----------------|
| Republic of Korea        | ₩ 398,769,822                     | Rs. 22,331,110 |
| Europe                   | 194,907,192                       | 10,914,803     |
| Asia Pacific             | 19,235,062                        | 1,077,163      |
| Others                   | 138,655,865                       | 7,764,728      |
| Consolidation adjustment | 2,015,728                         | 112,881        |
|                          | ₩ 753,583,669                     | Rs. 42,200,685 |

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

| Sales      | Three months ended March 31, 2014 |             |     |            |
|------------|-----------------------------------|-------------|-----|------------|
| Automobile | ₩                                 | 772,637,667 | Rs. | 43,267,709 |
| Products   |                                   | 82,751,978  |     | 4,634,111  |
| Others     |                                   | 7,169,397   |     | 401,486    |
|            | ₩                                 | 862,559,042 | Rs. | 48,303,306 |

  

| Sales      | Three months ended March 31, 2013 |             |     |            |
|------------|-----------------------------------|-------------|-----|------------|
| Automobile | ₩                                 | 627,570,336 | Rs. | 35,143,939 |
| Products   |                                   | 121,068,000 |     | 6,779,808  |
| Others     |                                   | 4,945,333   |     | 276,939    |
|            | ₩                                 | 753,583,669 | Rs. | 42,200,685 |

### **32. RELATED PARTY TRANSACTIONS:**

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

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

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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



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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

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

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

### **33. FINANCIAL INSTRUMENTS:**

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as, debt to equity ratio and net borrowings to equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

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

The Company is not subject to externally enforced capital regulation.

Debt ratio as of March 31, 2014 and December 31, 2013 are as follows:

(Unit: Korean Won in thousands):

|                   | <u>March 31, 2014</u> | <u>December 31, 2013</u> |
|-------------------|-----------------------|--------------------------|
| Debt (A)          | ₩ 1,149,022,362       | ₩ 1,233,427,622          |
| Equity (B)        | 880,702,898           | 884,197,864              |
| Debt ratio (A/ B) | <u>130.47%</u>        | <u>139.50%</u>           |

(Unit: Indian-Rupee in thousands):

|                   | March 31, 2014 |  | December 31, 2013 |  |
|-------------------|----------------|--|-------------------|--|
|                   | Rs.            |  | Rs.               |  |
| Debt (A)          | 64,345,252     |  | 69,071,947        |  |
| Equity (B)        | 49,319,362     |  | 49,515,080        |  |
| Debt ratio (A/ B) | 130.47%        |  | 139.50%           |  |

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

1) Financial assets

(Unit: Korean Won in thousands):

| Financial asset                         | March 31, 2014        |                      |                          |               |               |
|---|-----------------------|----------------------|--------------------------|---------------|---------------|
|   | Loans and Receivables | AFS financial assets | Designated to hedge item | Total         | Fair value    |
| Cash and cash equivalents               | ₩ 267,666,515         | ₩ -                  | ₩ -                      | ₩ 267,666,515 | ₩ 267,666,515 |
| Long-term financial instruments         | 6,000                 | -                    | -                        | 6,000         | 6,000         |
| Trade receivables and Other receivables | 269,937,395           | -                    | -                        | 269,937,395   | 269,937,395   |
| AFS financial assets on sales           | -                     | 560,000              | -                        | 560,000       | 560,000       |
| Derivatives assets                      | -                     | -                    | 14,909,522               | 14,909,522    | 14,909,522    |
|   | ₩ 537,609,910         | ₩ 560,000            | ₩ 14,909,522             | ₩ 553,079,432 | ₩ 553,079,432 |

| Financial asset                         | December 31, 2013     |                      |                          |               |               |
|---|-----------------------|----------------------|--------------------------|---------------|---------------|
|   | Loans and Receivables | AFS financial assets | Designated to hedge item | Total         | Fair value    |
| Cash and cash equivalents               | ₩ 366,790,832         | ₩ -                  | ₩ -                      | ₩ 366,790,832 | ₩ 366,790,832 |
| Long-term financial instruments         | 6,000                 | -                    | -                        | 6,000         | 6,000         |
| Trade receivables and Other receivables | 259,055,047           | -                    | -                        | 259,055,047   | 259,055,047   |
| AFS financial assets on sales           | -                     | 560,000              | -                        | 560,000       | 560,000       |
| Derivatives assets                      | -                     | -                    | 28,984,560               | 28,984,560    | 28,984,560    |
|   | ₩ 625,851,879         | ₩ 560,000            | ₩ 28,984,560             | ₩ 655,396,439 | ₩ 655,396,439 |

(Unit: Indian-Rupee in thousands):

| Financial asset                         | March 31, 2014        |                      |                          |                |                |
|---|-----------------------|----------------------|--------------------------|----------------|----------------|
|   | Loans and Receivables | AFS financial assets | Designated to hedge item | Total          | Fair value     |
| Cash and cash equivalents               | Rs.14,989,325         | Rs. -                | Rs. -                    | Rs.14,989,325  | Rs.14,989,325  |
| Long-term financial instruments         | 336                   | -                    | -                        | 336            | 336            |
| Trade receivables and Other receivables | 15,116,494            | -                    | -                        | 15,116,494     | 15,116,494     |
| AFS financial assets on sales           | -                     | 31,360               | -                        | 31,360         | 31,360         |
| Derivatives assets                      | -                     | -                    | 834,933                  | 834,933        | 834,933        |
|   | Rs.30,106,155         | Rs. 31,360           | Rs. 834,933              | Rs. 30,972,448 | Rs. 30,972,448 |

| Financial asset                         | December 31, 2013     |                      |                          |                |                |
|---|-----------------------|----------------------|--------------------------|----------------|----------------|
|   | Loans and Receivables | AFS financial assets | Designated to hedge item | Total          | Fair value     |
| Cash and cash equivalents               | Rs.20,540,287         | Rs. -                | Rs. -                    | Rs.20,540,287  | Rs.20,540,287  |
| Long-term financial instruments         | 336                   | -                    | -                        | 336            | 336            |
| Trade receivables and Other receivables | 14,507,083            | -                    | -                        | 14,507,083     | 14,507,083     |
| AFS financial assets on sales           | -                     | 31,360               | -                        | 31,360         | 31,360         |
| Derivatives assets                      | -                     | -                    | 1,623,135                | 1,623,135      | 1,623,135      |
|   | Rs.35,047,705         | Rs. 31,360           | Rs. 1,623,135            | Rs. 36,702,201 | Rs. 36,702,201 |

## 2) Financial liabilities

|                                      | Financial liability measured at amortized cost |             |                             |             |     |            |     |            |
|--------------------------------------|--|-------------|-----------------------------|-------------|-----|------------|-----|------------|
|                                      | March 31, 2014                                 |             | December 31, 2013           |             |     |            |     |            |
|                                      | (Korean Won in thousands)                      |             | (Indian-Rupee in thousands) |             |     |            |     |            |
| Trade payables and<br>Other payables | ₩  | 719,582,960 | ₩                           | 743,244,488 | Rs. | 40,296,646 | Rs. | 41,621,691 |
| Debt                                 |  | 73,645,419  |                             | 147,012,801 |     | 4,124,143  |     | 8,232,717  |
| Total                                | ₩  | 793,228,379 | ₩                           | 890,257,289 | Rs. | 44,420,789 | Rs. | 49,854,408 |

## (3) Financial risk management

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

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

### 1) Market risk

#### a. Foreign currency risk

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

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

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

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

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

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

#### b. Interest rate risk.

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

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

## 2) Credit risk

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

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

|                             | March 31, 2014<br>(Korean Won in thousands) | December 31, 2013<br>(Korean Won in thousands) | March 31, 2014<br>(Indian-Rupee in thousands) | December 31, 2013<br>(Indian-Rupee in thousands) |
|-----------------------------|---|--|---|--|
| Trade and other receivables | ₩ 269,937,395                               | ₩ 259,055,047                                  | Rs. 15,116,494                                | Rs. 14,507,083                                   |

## 3) Liquidity risk

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

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

(Unit: Korean Won in thousands):

|                          | March 31, 2014 |                  |               |
|--------------------------|----------------|------------------|---------------|
|                          | Within a year  | More than 1 year | Total         |
| Trade payables           | ₩ 495,346,917  | ₩ -              | ₩ 495,346,917 |
| Non-trade payables       | 195,479,721    | -                | 195,479,721   |
| Short-term borrowings    | 74,755,214     | -                | 74,755,214    |
| Other payables           | 14,215,370     | -                | 14,215,370    |
| Long-term other payables | -              | 14,540,951       | 14,540,951    |
|                          | ₩ 779,797,222  | ₩ 14,540,951     | ₩ 794,338,173 |

  

|                          | December 31, 2013 |                  |               |
|--------------------------|-------------------|------------------|---------------|
|                          | Within a year     | More than 1 year | Total         |
| Trade payables           | ₩ 456,011,418     | ₩ -              | ₩ 456,011,418 |
| Non-trade payables       | 246,656,612       | -                | 246,656,612   |
| Short-term borrowings    | 51,971,981        | -                | 51,971,981    |
| Other payables           | 20,352,993        | -                | 20,352,993    |
| Long-term other payables | -                 | 20,223,465       | 20,223,465    |
| Bonds                    | 96,136,637        | -                | 96,136,637    |
|                          | ₩ 871,129,641     | ₩ 20,223,465     | ₩ 891,353,106 |

(Unit: Indian-Rupee in thousands):

|                          | March 31, 2014 |                  |                |
|--------------------------|----------------|------------------|----------------|
|                          | Within a year  | More than 1 year | Total          |
| Trade payables           | Rs. 27,739,427 | Rs. -            | Rs. 27,739,427 |
| Non-trade payables       | 10,946,864     | -                | 10,946,864     |
| Short-term borrowings    | 4,186,292      | -                | 4,186,292      |
| Other payables           | 796,061        | -                | 796,061        |
| Long-term other payables | -              | 814,293          | 814,293        |
|                          | Rs. 43,668,644 | Rs. 814,293      | Rs. 44,482,938 |

|                          | December 31, 2013     |                      |                       |
|--------------------------|-----------------------|----------------------|-----------------------|
|                          | Within a year         | More than 1 year     | Total                 |
| Trade payables           | Rs. 25,536,639        | Rs. -                | Rs. 25,536,639        |
| Non-trade payables       | 13,812,770            | -                    | 13,812,770            |
| Short-term borrowings    | 2,910,431             | -                    | 2,910,431             |
| Other payables           | 1,139,768             | -                    | 1,139,768             |
| Long-term other payables | -                     | 1,132,514            | 1,132,514             |
| Bonds                    | 5,383,652             | -                    | 5,383,652             |
|                          | <u>Rs. 48,783,260</u> | <u>Rs. 1,132,514</u> | <u>Rs. 49,915,774</u> |

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

(Unit: Korean Won in thousands):

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

(Unit: Indian-Rupee in thousands):

|                             |        | March 31,2014        | December 31,2013     |
|-----------------------------|--------|----------------------|----------------------|
| Borrowing limit commitments | Used   | Rs. 1,680,000        | Rs. 1,680,000        |
|                             | Unused | -                    | -                    |
|                             | Total  | <u>Rs. 1,680,000</u> | <u>Rs. 1,680,000</u> |

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

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

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

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

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

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

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

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

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

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

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

(Unit: Korean won in thousands):

| Type                                 | March 31, 2014 |         |              |     | Fair value |
|--------------------------------------|----------------|---------|--------------|-----|------------|
|                                      | Level 1        | Level 2 | Level 3      |     |            |
| Derivatives designated to hedge item | ₩              | - ₩     | 14,909,522 ₩ | - ₩ | 14,909,522 |

| Type                                 | December 31, 2013 |         |              |     | Fair value |
|--------------------------------------|-------------------|---------|--------------|-----|------------|
|                                      | Level 1           | Level 2 | Level 3      |     |            |
| Derivatives designated to hedge item | ₩                 | - ₩     | 28,984,560 ₩ | - ₩ | 28,984,560 |

(Unit: Indian-Rupee in thousands):

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

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