

Directors' Report for Ssangyong Motor Company Limited ("SYMC")

1. Company Overview

Located in Pyeongtaek near Seoul, South Korea, SYMC is a manufacturer of vehicles and automobile parts with a line-up of 8 models including Rexton, Kyron, Actyon, and Korando C (SUVs); Actyon Sports (Sports Utility Truck); Rodius (MPV); and the Chairman W and Chairman H (luxury sedans). The Company also owns a gasoline and diesel engine plant in Changwon for this line-up of vehicles. The Company has over 150 domestic dealers, and exports through distributors to around 100 countries.

The Company has 3 subsidiaries which are Ssangyong (YIZHENG) Auto Parts Manufacturing Co., Ltd, Ssangyong Motor (SHANGHAI) Company Limited, and Ssangyong European Parts Center B.V. in the Netherlands with its own capital.

2. Operation Overview

Due to the global economic recession caused by European financial crisis, the global auto market experienced slow growth in 2011.

However, SYMC were able to sell 112,281 cars (38,651 for domestic sales and 73,630 for export) and recorded 40% growth year on year in 2011 which is the highest growth rate in the Korean auto industry. This impressive result was possible due to the launch of Korando-C in domestic market, increased sales of Rexton new model, increased volume of exports to Russia, South America and other key export markets.

This is the best performance in the past 3 years since SYMC recorded sale of 82,405 cars in 2008. As a result, the revenue for 2011 also increased by 32% year on year to 2,773.1 billion KRW (INR 110.9 billion).

3. Profit and Loss

Despite the increased sales in 2011, the Company incurred operating loss of 153.3 billion KRW (INR 6.1 billion) compared with operating profit of 17.5 billion KRW (INR 0.7 billion) in 2010. Net loss increased to 112.4 billion KRW (INR 4.5 billion) in 2011 from a net loss of 26.2 billion KRW (INR 1.0 billion) in 2010. However, it may be noted that the results are not strictly comparable since, under the court receivership during 2010 SYMC disposed idle assets, and the non-recurring profit of 135.7 billion KRW (INR 5.4 billion) from the disposal of assets was included in the results for 2010.

The deterioration in profit is also partly due to the increase of costs caused by the increase of material costs, R&D expenditure, promotion costs and labor costs.

4. Financial Status

Total asset increased by 70.9 billion KRW (INR 2.8 billion) to 1,799.7 billion KRW (INR 72.0 billion) at the end of 2011, from 1,728.8 billion KRW (INR 69.2 billion) at

the end of previous year. Total liabilities, excluding shareholders capital, decreased by 223.4 billion KRW (INR 8.9 billion) to 886.5 billion KRW (INR 35.5 billion) at the end of 2011 from 1,109.9 billion KRW (INR 44.4 billion) at the end of previous year. Total ownership interest increased by 294.3 billion KRW (INR 11.8 billion) to 913.2 billion KRW (INR 36.5 billion) from 618.9 KRW (INR 24.8 billion). As a result, debt ratio improved by 82.2%p to 97.1% from 179.3% last year.

This improvement in financial structure was possible because we repaid our debt from the M&A proceeds, which brought down the debt to equity ratio to less than 100 percent. Out of the 522.5 billion KRW (INR 20.9 billion) take over consideration from Mahindra & Mahindra Ltd., 427.1 billion KRW (INR 17.1 billion) was used to recapitalize SYMC.

5. Future Business Plan

The global automotive market in 2012 will be difficult due to fierce competition and sluggish demand in the industry.


However, we have set an aggressive goal of selling 123,000 vehicles, up 8.8 percent from last year despite continuing difficult business environment.

We will make all efforts to establish the foundation for mid- and long-term growth and development through bold innovation to achieve our new mid- and long-term business strategies and goals.

Especially, in 2012, we plan to push forward with differentiated marketing strategies, expand into new markets, launch various face-lifted and upgraded models, and concentrate on development of new models.

We will also pursue several cost reduction and operating efficiency initiatives across all areas of business to improve financial performance, and strengthen competitiveness. Moreover, Ssangyong Motor will focus on increasing growth momentum and strengthening core competencies by maximising synergies with Mahindra & Mahindra.

For and on behalf of the Board



Dr. Pawan Kumar Goenka
Chairman

Pyeongtaek, South Korea, 2nd May, 2012