

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2014 AND JUNE 30, 2013,  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

# Independent Accountants 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 statements of financial position as of June 30, 2014 and December 31, 2013, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the three and six months ended June 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated interim 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 income, 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.



August 28, 2014

### Notice to Readers

This report is effective as of August 28, 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 JUNE 30, 2014 AND DECEMBER 31, 2013**

	Korean won		Indian- Rupee					
	June 30 , 2014	December 31, 2013	June 30 , 2014	December 31, 2013				
	(In thousands)		(In thousands)					
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents (Notes 4, 5 and 33)	₩	161,125,686	₩	366,790,832	Rs.	9,522,528	Rs.	21,677,338
Trade and other receivables, net (Notes 7, 32 and 33)		201,345,924		222,484,752		11,899,544		13,148,849
Derivatives assets (Notes 25 and 33)		8,750,200		28,984,560		517,137		1,712,987
Inventories, net (Notes 8 and 24)		293,647,036		280,900,829		17,354,540		16,601,239
Other current assets (Note 10)		9,854,146		7,232,571		582,380		427,445
Total current assets		<u>674,722,992</u>		<u>906,393,544</u>		<u>39,876,129</u>		<u>53,567,858</u>
<b>NON-CURRENT ASSETS:</b>								
Non-current financial instruments (Notes 5 and 33)		6,000		6,000		355		355
Non-current available-for-sale financial assets (Notes 6 and 33)		560,000		560,000		33,096		33,096
Non-current other receivables, net (Notes 7 and 33)		38,404,233		36,570,295		2,269,690		2,161,304
Property, plant and equipment, net (Note 11)		1,107,576,586		1,084,153,627		65,457,776		64,073,479
Intangible assets (Note 12)		114,068,429		89,527,263		6,741,444		5,291,062
Deferred income tax assets (Note 23)		54,564		57,407		3,225		3,393
Other non-current assets (Note 10)		354,544		357,350		20,953		21,119
Total non-current assets		<u>1,261,024,356</u>		<u>1,211,231,942</u>		<u>74,526,539</u>		<u>71,583,808</u>
<b>TOTAL ASSETS</b>	<b>₩</b>	<b><u>1,935,747,348</u></b>	<b>₩</b>	<b><u>2,117,625,486</u></b>	<b>Rs.</b>	<b><u>114,402,668</u></b>	<b>Rs.</b>	<b><u>125,151,666</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
<b>CURRENT LIABILITIES:</b>								
Trade and other payables (Notes 18, 32 and 33)	₩	635,371,831	₩	723,021,023	Rs.	37,550,475	Rs.	42,730,542
Short-term borrowings (Notes 13,18 and 33)		56,052,175		51,608,036		3,312,684		3,050,035
Current long-term borrowings (Notes 13 and 33)		-		95,404,765		-		5,638,422
Provision for product warranties (Note 15)		55,208,998		48,780,982		3,262,852		2,882,956
Long-term employee benefits obligation		533,710		1,648,815		31,542		97,445
Other current liabilities (Notes 16)		19,583,376		26,752,618		1,157,376		1,581,078
Total current liabilities	<b>₩</b>	<b><u>766,750,090</u></b>	<b>₩</b>	<b><u>947,216,239</u></b>	<b>Rs.</b>	<b><u>45,314,929</u></b>	<b>Rs.</b>	<b><u>55,980,478</u></b>

(Continued)

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS OF JUNE 30, 2014 AND DECEMBER 31, 2013**

	Korean won		Indian- Rupee	
	June 30 , 2014	December 31, 2013	June 30 , 2014	December 31, 2013
	(In thousands)		(In thousands)	
<b>NON-CURRENT LIABILITIES:</b>				
Other non-current payables(Note 33)	₩ 7,902,109	₩ 20,223,465	Rs. 467,015	Rs. 1,195,207
Retirement benefit obligation (Note 17)	222,305,815	174,656,118	13,138,274	10,322,177
Other long-term employee benefits obligation	15,413,508	14,632,801	910,938	864,799
Provision for long-term product warranties (Note 15)	76,640,472	76,698,999	4,529,452	4,532,911
Total non-current liabilities	322,261,904	286,211,383	19,045,679	16,915,094
<b>TOTAL LIABILITIES</b>	<b>1,089,011,994</b>	<b>1,233,427,622</b>	<b>64,360,608</b>	<b>72,895,572</b>
<b>SHAREHOLDERS' EQUITY:</b>				
Total shareholders' equity	846,735,354	884,197,864	50,042,060	52,256,094
Capital stock (Note 19)	686,100,480	686,100,480	40,548,538	40,548,538
Other capital surplus (Note 20)	129,383,402	129,383,402	7,646,559	7,646,559
Other capital adjustments(Notes 21 and 25)	8,527,202	27,519,841	503,959	1,626,423
Retained earnings (accumulated deficit) (Note 22)	22,724,270	41,194,141	1,343,004	2,434,574
Non-controlling interests	-	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>846,735,354</b>	<b>884,197,864</b>	<b>50,042,060</b>	<b>52,256,094</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>₩ 1,935,747,348</b>	<b>₩ 2,117,625,486</b>	<b>Rs. 114,402,668</b>	<b>Rs. 125,151,666</b>

See accompanying notes to consolidated financial statements.

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	Korean won			
	Three months ended		Six months ended	
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 31 and 32)	₩ 865,782,041	₩ 1,728,341,083	₩ 906,982,713	₩ 1,660,566,381
COST OF SALES (Notes 24 and 32)	754,022,898	1,486,158,949	770,416,252	1,420,742,458
GROSS PROFIT	<u>111,759,143</u>	<u>242,182,134</u>	<u>136,566,461</u>	<u>239,823,923</u>
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>127,431,662</u>	<u>258,674,514</u>	<u>132,876,548</u>	<u>254,168,841</u>
OPERATING INCOME (LOSS)	(15,672,519)	(16,492,380)	3,689,913	(14,344,918)
NON-OPERATING INCOME (Note 27)	7,721,972	15,282,832	11,699,715	25,296,197
NON-OPERATING EXPENSES (Note 27)	39,210,229	47,544,012	12,083,830	24,658,515
FINANCIAL INCOME (Note 28)	22,033,849	36,671,467	9,466,470	20,529,235
FINANCIAL COST (Note 28)	<u>4,088,260</u>	<u>6,181,876</u>	<u>6,371,599</u>	<u>9,603,121</u>
INCOME (LOSS) BEFORE INCOME TAX	(29,215,187)	(18,263,969)	6,400,669	(2,781,122)
INCOME TAX EXPENSE (Note 23)	<u>(18,725)</u>	<u>190,372</u>	164,221	196,846
NET INCOME (LOSS)	(29,196,462)	(18,454,341)	6,236,448	(2,977,968)
Owners of the Company	(29,196,462)	(18,454,341)	6,236,448	(2,977,968)
Non-controlling interests	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(4,771,082)</u>	<u>(19,008,169)</u>	(29,595,461)	(48,934,669)
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ (33,967,544)</u>	<u>₩ (37,462,510)</u>	<u>₩ (23,359,013)</u>	<u>₩ (51,912,637)</u>
Owners of the Company	(33,967,544)	(37,462,510)	(23,359,013)	(51,912,637)
Non-controlling interests	-	-	-	-
INCOME (LOSS) PER SHARE (Note 29)				
Basic and diluted loss per share	₩ (213)	₩ (135)	₩ 48	₩ (24)

See accompanying notes to consolidated financial statements.

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	Indian-Rupee			
	Three months ended June 30, 2014 (In thousands, except per share amounts)		Six months ended June 30, 2013 (In thousands, except per share amounts)	
	Rs.	Rs.	Rs.	Rs.
SALES (Notes 31 and 32)	51,167,718	102,144,958	53,602,678	98,139,473
COST OF SALES (Notes 24 and 32)	44,562,753	87,831,994	45,531,600	83,965,879
GROSS PROFIT	6,604,965	14,312,964	8,071,078	14,173,594
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	<u>7,531,211</u>	<u>15,287,664</u>	<u>7,853,004</u>	<u>15,021,379</u>
OPERATING INCOME (LOSS)	(926,246)	(974,700)	218,074	(847,785)
NON-OPERATING INCOME (Note 27)	456,369	903,215	691,453	1,495,005
NON-OPERATING EXPENSES (Note 27)	2,317,325	2,809,851	714,154	1,457,318
FINANCIAL INCOME (Note 28)	1,302,201	2,167,284	559,468	1,213,278
FINANCIAL COST (Note 28)	<u>241,617</u>	<u>365,349</u>	<u>376,562</u>	<u>567,544</u>
INCOME (LOSS) BEFORE INCOME TAX	(1,726,618)	(1,079,401)	378,279	(164,364)
INCOME TAX EXPENSE (Note 23)	<u>(1,107)</u>	<u>11,251</u>	<u>9,705</u>	<u>11,634</u>
NET INCOME (LOSS)	(1,725,511)	(1,090,652)	368,574	(175,998)
Owners of the Company	(1,725,511)	(1,090,652)	368,574	(175,998)
Non-controlling interests	-	-	-	-
OTHER COMPREHENSIVE INCOME(LOSS)	<u>(281,971)</u>	<u>(1,123,382)</u>	<u>(1,749,092)</u>	<u>(2,892,039)</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u>Rs. (2,007,482)</u>	<u>Rs. (2,214,034)</u>	<u>Rs. (1,380,518)</u>	<u>Rs. (3,068,037)</u>
Owners of the Company	(2,007,482)	(2,214,034)	(1,380,518)	(3,068,037)
Non-controlling interests	-	-	-	-
INCOME (LOSS) PER SHARE (Note 29)				
Basic and diluted loss per share	Rs. (13)	Rs. (8)	Rs. 3	Rs. (1)

See accompanying notes to consolidated financial statements.

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**

Korean won in thousands

	Other capital surplus								Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	
	(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	-	-	-	-	-	-	-	(2,977,968)	(2,977,968)
Actuarial losses	-	-	-	-	-	-	-	(9,397)	(9,397)
Paid in capital increase	72,727,275	7,272,728	-	-	-	-	-	-	80,000,003
Costs of stock issuance	-	(365,771)	-	-	-	-	-	-	(365,771)
Increase in treasury stock	-	-	-	-	(108,530)	-	-	-	(108,530)
Gains on valuation of derivatives	-	-	-	-	-	-	(49,147,170)	-	(49,147,170)
Overseas operations translation credit	-	-	-	-	-	-	221,898	-	221,898
Balance at June 30, 2013	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ (3,243,869)	₩ (29,063,032)	₩ 41,854,930	₩ 828,275,780
Balance at January 1, 2014	686,100,480	11,452,713	120,351,580	931,508	(108,530)	(3,243,869)	27,519,841	41,194,141	884,197,864
Net income	-	-	-	-	-	-	-	(18,454,341)	(18,454,341)
Actuarial losses	-	-	-	-	-	-	-	(15,530)	(15,530)
Gains on valuation of derivatives	-	-	-	-	-	-	(18,790,280)	-	(18,790,280)
Overseas operations translation credit	-	-	-	-	-	-	(202,359)	-	(202,359)
Balance at June 30, 2014	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ (3,243,869)	₩ 8,527,202	₩ 22,724,270	₩ 846,735,354

Indian-Rupee in thousands

	Other capital surplus								Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	
	(In thousands)								
Balance at January 1, 2013	Rs. 36,250,356	Rs. 268,654	Rs. 7,112,778	Rs. 55,052	Rs. -	Rs. (191,713)	Rs. 1,173,858	Rs. 2,650,180	Rs. 47,319,165
Net loss	-	-	-	-	-	-	-	(175,998)	(175,998)
Actuarial losses	-	-	-	-	-	-	-	(555)	(555)
Paid in capital increase	4,298,182	429,818	-	-	-	-	-	-	4,728,000
Costs of stock issuance	-	(21,617)	-	-	-	-	-	-	(21,617)
Increase in treasury stock	-	-	-	-	(6,413)	-	-	-	(6,413)
Gains on valuation of derivatives	-	-	-	-	-	-	(2,904,598)	-	(2,904,598)
Overseas operations translation credit	-	-	-	-	-	-	13,114	-	13,114
Balance at June 30, 2013	Rs. 40,548,538	Rs. 676,855	Rs. 7,112,778	Rs. 55,052	Rs. (6,413)	Rs. (191,713)	Rs. (1,717,626)	Rs. 2,473,627	Rs. 48,951,098
Balance at January 1, 2014	40,548,538	676,855	7,112,778	55,052	(6,413)	(191,713)	1,626,423	2,434,574	52,256,094
Net income	-	-	-	-	-	-	-	(1,090,652)	(1,090,652)
Actuarial losses	-	-	-	-	-	-	-	(918)	(918)
Gains on valuation of derivatives	-	-	-	-	-	-	(1,110,506)	-	(1,110,506)
Overseas operations translation credit	-	-	-	-	-	-	(11,958)	-	(11,958)
Balance at June 30, 2014	Rs. 40,548,538	Rs. 676,855	Rs. 7,112,778	Rs. 55,052	Rs. (6,413)	Rs. (191,713)	Rs. 503,959	Rs. 1,343,004	Rs. 50,042,060

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

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	Korean won		Indian-Rupee	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	(In thousands)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income(loss)	₩ (18,454,341)	₩ (2,977,968)	Rs. (1,090,652)	Rs. (175,998)
Adjustment (Note 30)	112,726,873	96,684,976	6,662,158	5,714,082
Changes in net working capital (Note 30)	(104,515,967)	144,727,561	(6,176,893)	8,553,399
	(10,243,435)	238,434,569	(605,387)	14,091,483
Interests received	4,228,179	2,713,435	249,885	160,364
Interests paid	(2,529,014)	(4,071,205)	(149,464)	(240,608)
Dividend income received	11,000	382,462	650	22,603
Corporate income tax	(190,373)	(194,547)	(11,251)	(11,498)
Net cash (used in) provided by operating activities	(8,723,643)	237,264,714	(515,567)	14,022,344
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash inflows from investing activities:				
Decrease in other receivables	-	1,881,553	-	111,200
Disposal of property, plant and equipment	225,399	66,350	13,321	3,921
Decrease in other assets	1,525	-	90	-
	226,924	1,947,903	13,411	115,121
Cash outflows from investing activities:				
Increase in other receivables	1,669,319	3,030,000	98,656	179,073
Acquisition of property, plant and equipment	74,794,155	51,237,494	4,420,335	3,028,136
Acquisition of intangible assets	30,178,257	18,776,630	1,783,535	1,109,699
	106,641,731	73,044,124	6,302,526	4,316,908
Net cash used in investing activities	(106,414,807)	(71,096,221)	(6,289,115)	(4,201,787)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Increase in borrowings	5,359,363	37,954,509	316,738	2,243,111
Increase in government grants	16,804	-	993	-
Paid in capital increase	-	80,000,003	-	4,728,000
	5,376,167	117,954,512	317,731	6,971,111

(Continued)



**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	Korean won		Indian-Rupee	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of current bond	₩ 95,404,765	₩ -	Rs. 5,638,422	Rs. -
Costs of stock issuance	-	365,771	-	21,617
	<u>95,404,765</u>	<u>365,771</u>	<u>5,638,422</u>	<u>21,617</u>
Net cash (used in) provided by financing activities	<u>(90,028,598)</u>	<u>117,588,741</u>	<u>(5,320,691)</u>	<u>6,949,494</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(498,098)</u>	<u>530,703</u>	<u>(29,438)</u>	<u>31,366</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(205,665,146)	284,287,937	(12,154,811)	16,801,417
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>366,790,832</u>	<u>203,666,542</u>	<u>21,677,339</u>	<u>12,036,693</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 161,125,686</u>	<u>₩ 487,954,479</u>	<u>Rs. 9,522,528</u>	<u>Rs. 28,838,110</u>

See accompanying notes to consolidated financial statements.

**SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 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) are 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 allow past service costs not earned are 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. 0.0591 at June 30, 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 ACCOUNTING ESTIMATES AND ASSUMPTIONS:**

In the preparation of the Company's interim separate financial statements, management is required to apply accounting policies and make judgments, estimation and assumptions affecting the carrying amounts of assets and liabilities, 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 June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	Financial institution	June 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 373,493	₩ 1,092,081	Government subsidies and others
	Woori Bank and others	14,088,033	15,030,192	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		₩ 14,467,526	₩ 16,128,273	

(Unit: Indian-Rupee in thousands):

	Financial institution	June 30, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 22,073	Rs. 64,542	Government subsidies and others
	Woori Bank and others	832,603	888,284	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	355	355	Overdraft deposit
		Rs. 855,031	Rs. 953,181	

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

The Company's long-term available-for-sale financial assets as of June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	June 30, 2014		December 31 2013	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 29,550	Rs. 39,619	Rs. 29,550	Rs. 29,550
Korea Management Consultants Association (*)	1.50%	3,546	27,140	3,546	3,546
		Rs. 33,096	Rs. 66,759	Rs. 33,096	Rs. 33,096

(\*) Because the market prices from an active market are not available and the fair values cannot be reliably measured, available-for-sale 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 June 30, 2014, and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

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

(Unit: Korean won in thousands):

<u>Financial Assets</u>	June 30, 2014			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 170,867,935	₩ 29,186,657	₩ 1,983,789	₩ 38,650,595
Less: Allowance for doubtful accounts	(214,303)	(478,155)	-	(246,362)
	<u>₩ 170,653,632</u>	<u>₩ 28,708,502</u>	<u>₩ 1,983,789</u>	<u>₩ 38,404,233</u>

  

<u>Financial Assets</u>	December 31, 2013			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
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):

<u>Financial Assets</u>	June 30, 2014			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 10,098,295	Rs. 1,724,931	Rs. 117,242	Rs. 2,284,250
Less: Allowance for doubtful accounts	(12,665)	(28,259)	-	(14,560)
	<u>Rs. 10,085,630</u>	<u>Rs. 1,696,672</u>	<u>Rs. 117,242</u>	<u>Rs. 2,269,690</u>

  

<u>Financial Assets</u>	December 31, 2013			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	Rs. 11,254,064	Rs. 1,759,093	Rs. 177,046	Rs. 2,175,574
Less: Allowance for doubtful accounts	(12,334)	(29,020)	-	(14,270)
	<u>Rs. 11,241,730</u>	<u>Rs. 1,730,073</u>	<u>Rs. 177,046</u>	<u>Rs. 2,161,304</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 one year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than one year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

Some of the trade receivables that are overdue for more than 90 days are not included in the above 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 June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

		June 30, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	₩ -	₩ -	₩ -	₩ -	
Non-trade receivables	3,137,262	5,959,441	9,139	9,105,842	
Other long-term receivables	-	-	103,250	103,250	
	₩ 3,137,262	₩ 5,959,441	₩ 112,389	₩ 9,209,092	

  

		December 31, 2013			
Classification	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):

		June 30, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	Rs. -	Rs. -	Rs. -	Rs. -	
Non-trade receivables	185,412	352,203	540	538,155	
Other long-term receivables	-	-	6,102	6,102	
	Rs. 185,412	Rs. 352,203	Rs. 6,642	Rs. 544,257	

  

		December 31, 2013			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	Rs. 8,193	Rs. -	Rs. -	Rs. 8,193	
Non-trade receivables	218,242	6,028	498	224,768	
Non-trade receivables	-	-	6,102	6,102	
	Rs. 226,435	Rs. 6,028	Rs. 6,600	Rs. 239,063	

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

(Unit: Korean won in thousands):

		June 30, 2014			
Classification	3-6 months	6-12 months	Over 1 year	Total	
Trade receivables	₩ -	₩ -	₩ -	₩ -	
Non-trade receivables	-	-	470,303	470,303	
Other long-term receivables	-	-	44,250	44,250	
	₩ -	₩ -	₩ 514,553	₩ 514,553	

  

		December 31, 2013			
Classification	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	June 30, 2014			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. -	Rs. -
Non-trade receivables	-	-	27,795	27,795
Other long-term receivables	-	-	2,615	2,615
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 30,410</u>	<u>Rs. 30,410</u>

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

(3) Changes in allowance for trade and other receivables for the three months ended June 30, 2014, and for the year ended December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Classification	Six months ended June 30, 2014			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459
Bad debt expense	5,602	(12,884)	-	4,903
Ending balance	<u>₩ 214,303</u>	<u>₩ 478,155</u>	<u>₩ -</u>	<u>₩ 246,362</u>

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	<u>₩ 208,701</u>	<u>₩ 491,039</u>	<u>₩ -</u>	<u>₩ 241,459</u>

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

(Unit: Indian-Rupee in thousands):

Classification	Six months ended June 30, 2014			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 12,334	Rs. 29,020	Rs. -	Rs. 14,270
Bad debt expense(*)	331	(761)	-	290
Ending balance	<u>Rs. 12,665</u>	<u>Rs. 28,259</u>	<u>Rs. -</u>	<u>Rs. 14,560</u>

(\*) Difference with other bad debt expense on PL is other bad debt expense of advanced payments.

Classification	Year ended December 31, 2013			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 62,737	Rs. 57,067	Rs. 20	Rs. 10,043
Bad debt expense	(40,494)	-	-	4,216
Write-offs	(9,909)	(27,310)	-	-
Reversal of allowance (*)	-	(736)	(1)	(8)
Transfer	-	-	(19)	19
Ending balance	<u>Rs. 12,334</u>	<u>Rs. 29,021</u>	<u>Rs. -</u>	<u>Rs. 14,270</u>

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

## 8. INVENTORIES:

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

(Unit: Korean won in thousands):

	June 30, 2014		December 31, 2013	
Merchandises	₩	53,976,988	₩	55,680,940
Finished goods		71,138,531		47,989,259
Work in process		23,689,484		24,764,484
Raw materials		59,213,539		65,752,519
Submaterials		571,770		510,850
Supplies		4,103,830		4,233,041
Goods in transit		80,952,894		81,969,736
Total	₩	293,647,036	₩	280,900,829

(Unit: Indian-Rupee in thousands):

	June 30, 2014		December 31, 2013	
Merchandises	Rs.	3,190,040	Rs.	3,290,744
Finished goods		4,204,287		2,836,165
Work in process		1,400,049		1,463,581
Raw materials		3,499,520		3,885,975
Submaterials		33,792		30,191
Supplies		242,536		250,173
Goods in transit		4,784,316		4,844,410
Total	Rs.	17,354,540	Rs.	16,601,239

The Company is using the “lower of cost or market method” on the statements of financial position in the case of inventories’ market value decrease under the acquisition cost. On the other hand, loss on valuation of inventories that was added to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩ 237,004 thousands (Rs. 14,007 thousands).

## 9. CONSOLIDATED SUBSIDIARIES:

(1) Details of investments in subsidiaries

Details of investment in securities accounted for using equity method as of June 30, 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 six months ended June 30, 2014, and for the years ended December 31, 2013, is as follows:

JUNE 30, 2014

(Unit: Korean won in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong Motor (Shanghai) Co., Ltd.	₩ 6,898,046	₩ 1,401,489	₩ 5,496,557	₩ 2,797,114
Ssangyong European Parts Center B.V.	7,905,328	11,799,779	(3,894,451)	7,250,325
Companies	Net income	Comprehensive income		
Ssangyong Motor (Shanghai) Co., Ltd.	₩ 297,643	₩ 297,643		
Ssangyong European Parts Center B.V.	345,884	345,884		

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 407,675	Rs. 82,828	Rs. 324,847	Rs. 165,309
Ssangyong European Parts Center B.V.	467,205	697,367	(230,162)	428,494
Companies	Net income	Comprehensive income		
Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 17,591	Rs. 17,591		
Ssangyong European Parts Center B.V.	20,442	20,442		

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. 390,616	Rs. 15,075	Rs. 375,541	Rs. 225,427
Ssangyong European Parts Center B.V.	469,302	732,139	(262,837)	818,703
Companies	Net income	Comprehensive income		
Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 47,831	Rs. 47,831		
Ssangyong European Parts Center B.V.	7,396	7,396		

**10. OTHER ASSETS:**

Carrying values of the Company's other assets as of June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

Account	June 30, 2014	December 31, 2013
Other current assets		
Advance payments	₩ 2,502,210	₩ 2,041,322
Less: Allowance for doubtful accounts	(14,656)	(1,147)
Prepaid expenses	6,805,193	4,208,777
Income tax refundable	561,399	983,619
	9,854,146	7,232,571
Other non-current assets		
Other non-current assets	₩ 354,545	₩ 357,350

(Unit: Indian-Rupee in thousands):

Account	June 30, 2014	December 31, 2013
Other current assets		
Advance payments	Rs. 147,881	Rs. 120,642
Less: Allowance for doubtful accounts	(866)	(68)
Prepaid expenses	402,186	248,739
Income tax refundable	33,179	58,132
	582,380	427,445
Other non-current assets		
Other non-current assets	Rs. 20,953	Rs. 21,119

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

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

(Unit: Korean won in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Depreciation	Loss on Valuation	Carrying amount
Land	₩ 475,305,696	₩ -	₩ -	₩ -	₩ 475,305,696
Buildings	521,863,528	1,673,473	181,227,310	148,371,912	190,590,833
Structures	103,852,217	166,342	58,347,690	29,156,376	16,181,809
Machinery	1,224,756,649	683,843	1,036,598,806	99,302,486	88,171,514
Vehicles	9,634,815	-	6,646,445	1,228,615	1,759,755
Tools and molds	870,481,355	21,680	526,790,775	162,672,058	180,996,842
Equipment	63,383,485	20,886	36,296,909	4,820,557	22,245,133
Construction in progress	123,104,074	-	-	-	123,104,074
Machinery in transit	9,220,930	-	-	-	9,220,930
	₩ 3,401,602,749	₩ 2,566,224	₩ 1,845,907,935	₩ 445,552,004	₩ 1,107,576,586

December 31, 2013

	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,305,570	₩ -	₩ -	₩ -	₩ 475,305,570
Buildings	520,204,787	1,696,822	176,446,878	148,371,912	193,689,175
Structures	103,715,045	176,520	57,532,368	29,156,376	16,849,781
Machinery	1,229,675,167	789,603	1,030,309,009	99,310,297	99,266,258
Vehicles	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):

June 30, 2014

	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying Amount
Land	Rs. 28,090,567	Rs. -	Rs. -	Rs. -	Rs. 28,090,567
Buildings	30,842,135	98,902	10,710,534	8,768,780	11,263,919
Structures	6,137,666	9,831	3,448,348	1,723,142	956,345
Machinery	72,383,118	40,416	61,262,989	5,868,777	5,210,936
Vehicles	569,418	-	392,805	72,611	104,002
Tools and molds	51,445,448	1,282	31,133,335	9,613,919	10,696,912
Equipment	3,745,964	1,235	2,145,147	284,895	1,314,687
Construction in progress	7,275,451	-	-	-	7,275,451
Machinery in transit	544,957	-	-	-	544,957
	<u>Rs. 201,034,724</u>	<u>Rs. 151,666</u>	<u>Rs. 109,093,158</u>	<u>Rs. 26,332,124</u>	<u>Rs. 65,457,776</u>

December 31, 2013

	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying Amount
Land	Rs. 28,090,559	Rs. -	Rs. -	Rs. -	Rs. 28,090,559
Buildings	30,744,103	100,282	10,428,010	8,768,780	11,447,031
Structures	6,129,559	10,432	3,400,163	1,723,142	995,822
Machinery	72,673,802	46,666	60,891,262	5,869,239	5,866,635
Vehicles	600,848	-	411,107	74,675	115,066
Tools and molds	51,610,625	1,862	30,017,234	9,681,944	11,909,585
Equipment	3,711,784	1,561	2,012,605	291,008	1,406,610
Construction in progress	4,191,201	-	-	-	4,191,201
Machinery in transit	50,970	-	-	-	50,970
	<u>Rs. 197,803,451</u>	<u>Rs. 160,803</u>	<u>Rs. 107,160,381</u>	<u>Rs. 26,408,788</u>	<u>Rs. 64,073,479</u>

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

(Unit: Korean won in thousands):

Six months ended June 30, 2014

	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 475,305,570	₩ 126	₩ -	₩ -	₩ -	₩ 475,305,696
Buildings	193,689,175	5,303	-	1,653,438	4,757,083	190,590,833
Structures	16,849,781	101,086	-	36,086	805,144	16,181,809
Machinery	99,266,258	134,221	100,408	5,378,694	16,507,251	88,171,514
Vehicles	1,946,974	87,370	18	(10,439)	264,132	1,759,755
Tools and molds	201,515,830	1,159,700	2,445	4,363,509	26,039,752	180,996,842
Equipment	23,800,493	1,032,425	6,047	202,211	2,783,949	22,245,133
Construction in progress	70,917,106	62,324,060	97,167	(10,039,925)	-	123,104,074
Machinery in transit	862,440	9,949,864	-	(1,591,374)	-	9,220,930
	<u>₩ 1,084,153,627</u>	<u>₩ 74,794,155</u>	<u>₩ 206,085</u>	<u>₩ (7,800)</u>	<u>₩ 51,157,311</u>	<u>₩ 1,107,576,586</u>

(\*) Depreciation cost of suspended assets amount of ₱10,588 (Rs. 626 thousands) in thousands is included from the depreciation cost.

Six months ended June 30, 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	1,252,223	129,642	98,001	4,666,987	196,986,194
Structures	17,632,819	90,000	10,350	-	790,411	16,922,058
Machinery	111,035,013	3,510,824	41,981	4,485,116	17,730,371	101,258,601
Vehicles	2,158,748	136,176	15,804	1,947	279,273	2,001,794
Tools and molds	196,280,440	17,366,649	28,210	25,549,911	31,530,833	207,637,957
Equipment	16,895,388	6,461,845	8,607	(15,455)	2,029,024	21,304,147
Construction in progress	37,322,042	22,305,308	109,568	(36,431,836)	-	23,085,946
Machinery in transit	-	1,183,728	-	(1,183,728)	-	-
	<u>₱ 1,051,401,751</u>	<u>₱ 52,326,113</u>	<u>₱ 344,162</u>	<u>₱ (1,700,514)</u>	<u>₱ 57,026,899</u>	<u>₱ 1,044,656,289</u>

(\*) Depreciation cost of suspended assets amount of ₱24,514 (Rs. 1,449 thousands) in thousands is included from the depreciation cost.

(Unit: Indian-Rupee in thousands):

Six months ended June 30, 2014						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 28,090,559	Rs. 8	Rs. -	Rs. -	Rs. -	Rs. 28,090,567
Buildings	11,447,030	314	-	97,719	281,144	11,263,919
Structures	995,822	5,974	-	2,133	47,584	956,345
Machinery	5,866,636	7,932	5,934	317,881	975,579	5,210,936
Vehicles	115,066	5,164	1	(617)	15,610	104,002
Tools and molds	11,909,586	68,538	144	257,881	1,538,949	10,696,912
Equipment	1,406,609	61,016	357	11,950	164,531	1,314,687
Construction in progress	4,191,201	3,683,352	5,743	(593,359)	-	7,275,451
Machinery in transit	50,970	588,037	-	(94,050)	-	544,957
	<u>Rs. 64,073,479</u>	<u>Rs. 4,420,335</u>	<u>Rs. 12,179</u>	<u>Rs. (462)</u>	<u>Rs. 3,023,397</u>	<u>Rs. 65,457,776</u>

Six months ended June 30, 2013						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 27,756,002	Rs. 1,144	Rs. -	Rs. 342,516	Rs. -	Rs. 28,099,662
Buildings	11,845,567	74,006	7,662	5,792	275,819	11,641,884
Structures	1,042,100	5,319	612	-	46,713	1,000,094
Machinery	6,562,169	207,490	2,481	265,070	1,047,865	5,984,383
Vehicles	127,582	8,048	934	115	16,505	118,306
Tools and molds	11,600,174	1,026,369	1,667	1,510,000	1,863,472	12,271,404
Equipment	998,517	381,895	509	(913)	119,915	1,259,075
Construction in progress	2,205,733	1,318,244	6,475	(2,153,122)	-	1,364,380
Machinery in transit	-	69,958	-	(69,958)	-	-
	<u>Rs. 62,137,844</u>	<u>Rs. 3,092,473</u>	<u>Rs. 20,340</u>	<u>Rs. (100,500)</u>	<u>Rs. 3,370,289</u>	<u>Rs. 61,739,188</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of June 30, 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		60,514,494	
Machinery	Pyeongtaek plant production facilities	11,160,336	
		₩ 352,993,536	

(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. 16,625,936	12 billion rupee
Buildings & Structures		3,576,407	
Machinery	Pyeongtaek plant production facilities	659,576	
		Rs. 20,861,919	

**12. INTANGIBLE ASSETS:**

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

(Unit: Korean won in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,683	₩ -	₩ 11,784,495	₩ -	₩ 2,694,188
Patents	1,395,900	15,029	600,531	17,056	763,284
Other intangible assets	118,825,179	19,688	7,507,738	686,796	110,610,957
	₩ 134,699,762	₩ 34,717	₩ 19,892,764	₩ 703,852	₩ 114,068,429

  

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,684	₩ -	₩ 9,371,382	₩ -	₩ 5,107,302
Patents	1,217,210	5,802	475,150	-	736,258
Other intangible assets	88,832,542	21,609	4,440,435	686,796	83,683,702
	₩ 104,528,436	₩ 27,411	₩ 14,286,967	₩ 686,796	₩ 89,527,262

(Unit: Indian-Rupee in thousands):

	June 30, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 855,690	Rs. -	Rs. 696,464	Rs. -	Rs. 159,226
Patents	82,498	888	35,491	1,008	45,111
Other intangible assets	7,022,568	1,164	443,707	40,590	6,537,107
	Rs. 7,960,756	Rs. 2,052	Rs. 1,175,662	Rs. 41,598	Rs. 6,741,444

	December 31, 2013					
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value	
Development cost	Rs. 855,690	Rs. -	Rs. 553,849	Rs. -	Rs. 301,841	
Patents	71,937	343	28,081	-	43,513	
Other intangible assets	5,250,003	1,276	262,430	40,590	4,945,707	
	<u>Rs. 6,177,630</u>	<u>Rs. 1,619</u>	<u>Rs. 844,360</u>	<u>Rs. 40,590</u>	<u>Rs. 5,291,061</u>	

(2) Changes in intangible assets for the years ended June 30, 2014 and 2013, are as follows:

(Unit: Korean won in thousands):

	Six months ended June 30, 2014					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 5,107,302	₩ -	₩ 2,413,114	₩ -	₩ -	₩ 2,694,188
Patents	736,258	168,889	124,807	17,056	-	763,284
Other intangible assets	83,683,702	29,992,564	3,063,867	-	(1,442)	110,610,957
	<u>₩ 89,527,262</u>	<u>₩ 30,161,453</u>	<u>₩ 5,601,788</u>	<u>₩ 17,056</u>	<u>₩ (1,442)</u>	<u>₩ 114,068,429</u>

(\*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩ 16,804 (Rs. 993 thousands) in thousands.

	Six months ended June 30, 2013					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 47,996,313	₩ 12,551,548	₩ 16,755,372	₩ -	₩ -	₩ 43,792,489
Patents	658,066	193,824	116,258	18,252	-	717,380
Other intangible assets	7,960,633	6,028,021	1,069,352	5,194	4,498	12,918,606
	<u>₩ 56,615,012</u>	<u>₩ 18,773,393</u>	<u>₩ 17,940,982</u>	<u>₩ 23,446</u>	<u>₩ 4,498</u>	<u>₩ 57,428,475</u>

(\*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩ 3,237 (Rs. 182 thousands) in thousands

(Unit: Indian-Rupee in thousands):

	Six months ended June 30, 2014					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 301,842	Rs. -	Rs. 142,616	Rs. -	Rs. -	Rs. 159,226
Patents	43,513	9,981	7,375	1,008	-	45,111
Other intangible assets	4,945,707	1,772,561	181,075	-	(86)	6,537,107
	<u>Rs. 5,291,062</u>	<u>Rs. 1,782,542</u>	<u>Rs. 331,066</u>	<u>Rs. 1,008</u>	<u>Rs. (86)</u>	<u>Rs. 6,741,444</u>
	Six months ended June 30, 2013					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 2,836,582	Rs. 741,796	Rs. 990,242	Rs. -	Rs. -	Rs. 2,588,136
Patents	38,892	11,455	6,871	1,079	-	42,397
Other intangible assets	470,473	356,256	63,199	307	266	763,489
	<u>Rs. 3,345,947</u>	<u>Rs. 1,109,507</u>	<u>Rs. 1,060,312</u>	<u>Rs. 1,386</u>	<u>Rs. 266</u>	<u>Rs. 3,394,022</u>

(3) Amortization of the Company's intangible assets for the six months ended June 30, 2014 and 2013, is as follows:

Account	Korean won in thousands		Indian-Rupee in thousands	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

Cost of goods manufactured	₩	2,231,447	₩	16,573,705	Rs.	131,879	Rs.	979,506
Selling and administrative expenses		<u>3,370,341</u>		<u>1,367,277</u>		<u>199,187</u>		<u>80,806</u>
		<u>₩ 5,601,788</u>		<u>₩ 17,940,982</u>		<u>Rs. 331,066</u>		<u>Rs. 1,060,312</u>

### 13. BORROWINGS:

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

(Unit: Korean won in thousands):

Creditor	Type	Interest rate	June 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	₩ 30,000,000	₩ 30,000,000
Besides BOA	Banker's usance	0.98% ~ 1.50%	26,052,175	21,608,036
			<u>₩ 56,052,175</u>	<u>₩ 51,608,036</u>

(Unit: Indian-Rupee in thousands):

Type	kind	Interest rate	June 30, 2014	December 31, 2013
Korea Development Bank	Operating fund	CD 2.26%	Rs. 1,773,000	Rs. 1,773,000
Besides BOA	Banker's usance	0.98% ~ 1.50%	1,539,684	1,277,034
			<u>Rs. 3,312,684</u>	<u>Rs. 3,050,034</u>

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

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

### 14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of June 30, 2014 and December 31, 2013, are as follows:

Korean won in thousands	Indian-Rupee in thousands
-------------------------	---------------------------

Classification	June 30,2014	December 31,2013	June 30,2014	December 31,2013
Other current financial liabilities:				
Accrued expenses	₩ 17,472,472	₩ 20,352,993	Rs. 1,032,623	Rs. 1,202,862

### 15. PROVISION FOR PRODUCT WARRANTIES:

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

(Unit: Korean won in thousands):

	Beginning Balance	Increase	Decrease	Ending Balance	Current	Non-current
Jun. 30, 2014	₩ 125,479,981	₩ 58,815,637	₩ 52,446,148	₩ 131,849,470	₩ 55,208,998	₩ 76,640,472
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 Balance	Increase	Decrease	Ending Balance	Current	Non-current
Jun. 30, 2014	Rs. 7,415,867	Rs. 3,476,004	Rs. 3,099,567	Rs. 7,792,304	Rs. 3,262,852	Rs. 4,529,452
Dec.31, 2013	Rs. 7,009,197	Rs. 4,883,681	Rs. 4,477,011	Rs. 7,415,867	Rs. 2,882,956	Rs. 4,532,911

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

Carrying amounts of the Company's other liabilities as of June 30, 2014 and December 31, 2013, are as follows:

Classification	Korean won in thousands		Indian-Rupee in thousands	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Other liabilities				
Advances from customers	₩ 2,780,810	₩ 5,689,992	Rs. 164,346	Rs. 336,279
Deposits received	1,433,998	1,507,995	84,749	89,123
Withholdings	15,368,568	19,554,631	908,281	1,155,676
	<u>₩ 19,583,376</u>	<u>₩ 26,752,618</u>	<u>Rs. 1,157,376</u>	<u>Rs. 1,581,078</u>

### 17. RETIREMENT BENEFIT OBLIGATION:

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

Classification	Korean won in thousands		Indian-Rupee in thousands	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 223,764,168	₩ 176,130,156	Rs. 13,224,462	Rs. 10,409,292
Fair value of plan assets	(1,458,353)	(1,474,038)	(86,188)	(87,115)
	<u>₩ 222,305,815</u>	<u>₩ 174,656,118</u>	<u>Rs. 13,138,274</u>	<u>Rs. 10,322,177</u>

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

	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Beginning balance	₩ 176,130,156	₩ 144,823,054	Rs. 10,409,292	Rs.8,559,042
Current service cost	17,630,084	15,366,680	1,041,938	908,171
Interest cost	3,795,156	2,814,855	224,294	166,358
Previous service costs	29,217,170	-	1,726,735	-



Wages paid	(2,947,798)	(2,774,542)	(174,215)	(163,975)
Others	(60,600)	-	(3,582)	-
Ending balance	<u>₩ 223,764,168</u>	<u>₩ 160,230,047</u>	<u>Rs. 13,224,462</u>	<u>Rs. 9,469,596</u>

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

	Six months ended June 30, 2014		Six months ended June 30, 2013	
Beginning balance	₩	1,474,038	₩	1,524,841
Expected return on plan assets		32,093		29,561
Actuarial losses		(15,530)		(9,397)
Wages paid		(32,248)		(45,722)
Ending balance	₩	1,458,353	₩	1,499,283

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

	June 30, 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 major commitments and contingent liabilities as of June 30, 2014, are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of June 30, 2014, the Company has been providing guarantees from Korea Development Bank and etc. amounting to USD 205 million (amount execution USD 76 million) related to import L/C.
- (3) The followings are the major loan arrangements with the financial institutions as of June 30, 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. 1,773,000	Rs. 1,773,000

(4) Pending litigations

As of June 30, 2014, the Company has four pending litigations as a plaintiff with claims and thirty-one pending litigations as a defendant with claims. The Company recognized a contingent liability amounting to ₩ 39,884,532 thousand (Rs. 2,357,176 thousand), which has a high probability of losing a lawsuit and a reliable estimate can be made as of June 30, 2014.

## **19. CAPITAL STOCK:**

As of June 30, 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
June 30, 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
June 30, 2014	137,220,096	Rs. 296	Rs. 40,548,538
December 31, 2013	137,220,096	Rs. 296	Rs. 40,548,538

## 20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

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

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

## 21. OTHER CAPITAL ADJUSTMENTS:

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

(Unit: Korean won in thousands):

Classification	June 30, 2014	December 31, 2013
Other capital adjustments	₩ 8,043,400	₩ 26,833,680
	483,802	686,161
	<u>₩ 8,527,202</u>	<u>₩ 27,519,841</u>

(Unit: Indian-Rupee in thousands)

Classification	June 30, 2014	December 31, 2013
Other capital adjustments	Rs. 475,365	Rs. 1,585,870
	28,594	40,553
	<u>Rs. 503,959</u>	<u>Rs. 1,626,423</u>

(2) Changes in the Company's Gains on valuation of Derivatives for the six months ended June 30, 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	
	Six months ended June 30, 2014	Year ended December 31, 2013	Six months ended June 30, 2014	Year ended December 31, 2013
Beginning balance	₩ 26,833,680	₩ 18,999,750	Rs. 1,585,870	Rs. 1,122,885
Gains (losses) on valuation of derivatives	5,241,900	26,833,680	309,796	1,585,870
Reclassified to net	(24,032,180)	(18,999,750)	(1,420,301)	(1,122,885)

	Korean won in thousands		Indian-Rupee in thousands	
	Six months ended	Year ended	Six months ended	Year ended
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
income				
Ending balance	₩ 8,043,400	₩ 26,833,680	Rs. 475,365	Rs. 1,585,870

(3) Changes in the Company's Cumulative effect of Foreign currency Translation for the six months ended June 30, 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	
	Six months ended	Year ended	Six months ended	Year ended
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Beginning balance	₩ 686,161	₩ 862,490	Rs. 40,552	Rs. 50,974
Cumulative effect of foreign currency translation	(202,359)	(176,329)	(11,958)	(10,421)
Ending balance	₩ 483,802	₩ 686,161	Rs. 28,594	Rs. 40,553

## 22. RETAINED EARNINGS:

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

(Unit: won in thousands):

	June 30, 2014	December 31, 2013
Retained earnings	₩ 22,724,270	₩ 41,194,141

(Unit: Rupee in thousands)

	June 30, 2014	December 31, 2013
Retained earnings	Rs. 1,343,004	Rs. 2,434,574

(2) Changes in retained earnings for the six months ended June 30, 2014, and for the year ended December 31, 2013, are as follows:

(Unit: won in thousands):

	June 30, 2014	December 31, 2013
Beginning balance	₩ 41,194,141	₩ 44,842,295
Loss on appropriated retained earnings	(18,454,341)	(2,397,791)
Actuarial losses	(15,530)	(1,250,363)
Ending balance	₩ 22,724,270	₩ 41,194,141

(Unit: Rupee in thousands)

	June 30, 2014	December 31, 2013
Beginning balance	Rs. 2,434,574	Rs. 2,650,180
Loss on appropriated retained earnings	(1,090,652)	(141,709)
Actuarial losses	(918)	(73,897)
Ending balance	Rs. 1,343,004	Rs. 2,434,574

## 23. INCOME TAX:

(1) Composition of income tax expense for the six months ended June 30, 2014 and 2013, is as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Six months ended	Six months ended	Six months ended	Six months ended
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income tax expense of Parent Company	₩ -	₩ -	Rs. -	Rs. -
Income tax expense of Subsidiary Company	190,372	196,846	11,251	11,634

Income tax expense of Consolidated Company	₩ 190,372	₩ 196,846	Rs. 11,251	Rs. 11,634
--	-----------	-----------	------------	------------

- (2) As of June 30, 2014 and December 31, 2013, deferred income tax assets is ₩ 54,564 thousands (Rs. 3,225 thousands) and ₩ 57,407 thousands (Rs. 3,393 thousands), respectively

#### **24. EXPENSES BY CATEGORY:**

Details of expenses classified by category for the six months ended June 30, 2014 and 2013, are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Changes in inventories	₩ (20,740,334)	₩ (25,279,675)	Rs. (1,225,754)	Rs. (1,494,029)
Raw materials and merchandise goods used	1,259,550,891	1,217,583,261	74,439,458	71,959,171
Salaries	252,338,414	194,361,655	14,913,200	11,486,774
Depreciation	51,146,723	54,054,154	3,022,771	3,194,601
Amortization	5,601,788	17,954,017	331,066	1,061,082
Other	196,935,981	216,237,888	11,638,917	12,779,662
(*1)	₩1,744,833,463	₩1,674,911,300	Rs. 103,119,658	Rs. 98,987,279

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

#### **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 ₩ 8,043,400 thousands (Rs. 475,365 thousands) applied to cash flow risk aversion accounting treatment is recognized as other capital components and Gain on valuation of derivatives for ₩ 668,800 thousands (Rs. 39,526 thousands) which is an inefficient part is recognized as current income for the year ended June 30, 2014.

#### **26. SELLING AND ADMINISTRATIVE EXPENSES:**

- (1) Selling expenses for six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Warranty expenses	₩ 12,596,147	₩ 35,755,463	₩. 19,878,705	₩. 34,518,748
Sales commissions	36,726,058	75,890,643	37,797,209	69,569,418
Advertising expenses	5,023,270	8,372,584	3,967,444	10,352,121
Export expenses	19,181,418	35,319,762	22,230,423	40,719,453
Others	10,956,064	18,605,077	8,759,965	20,987,915
	₩ 84,482,957	₩ 173,943,529	₩. 92,633,746	₩. 176,147,655

  

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Warranty expenses	Rs. 744,432	Rs. 2,113,148	Rs. 1,174,831	Rs. 2,040,058
Sales commissions	2,170,510	4,485,137	2,233,815	4,111,553
Advertising expenses	296,875	494,820	234,476	611,810
Export expenses	1,133,622	2,087,398	1,313,818	2,406,520
Others	647,503	1,099,560	517,714	1,240,386
	Rs. 4,992,942	Rs. 10,280,063	Rs. 5,474,654	Rs. 10,410,327

(2) Administrative expenses for six months ended June 30, 2014 and 2013, are as follows :

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Salaries	₩ 12,464,660	₩ 24,410,963	₩ 11,315,930	₩ 22,425,820
Postemployment benefits	1,979,022	3,528,730	1,713,397	3,325,873
Employee benefits	3,370,617	5,938,113	2,561,376	5,556,894
Rent expense	2,631,884	5,249,228	2,585,701	5,089,635
Service fees	5,362,495	11,733,867	5,875,662	10,456,774
Depreciation	1,722,054	3,426,247	1,242,532	2,513,540
R&D expenses	4,311,650	10,935,535	5,270,301	10,605,495
Amortization	1,726,135	3,370,340	745,389	1,380,311
Bad debt expense	(162,042)	5,602	165,978	50,496
Other administrative expenses	9,542,230	16,132,360	8,766,536	16,616,348
	<u>₩ 42,948,705</u>	<u>₩ 84,730,985</u>	<u>₩ 40,242,802</u>	<u>₩ 78,021,186</u>

  

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Salaries	Rs. 736,661	Rs. 1,442,688	Rs. 668,771	Rs. 1,325,366
Postemployment benefits	116,960	208,548	101,262	196,559
Employee benefits	199,203	350,942	151,377	328,412
Rent expense	155,544	310,229	152,815	300,797
Service fees	316,923	693,472	347,252	617,995
Depreciation	101,773	202,491	73,434	148,550
R&D expenses	254,819	646,290	311,475	626,785
Amortization	102,015	199,187	44,052	81,576
Bad debt expense	(9,577)	331	9,809	2,984
Other administrative expenses	563,948	953,423	518,103	982,028
	<u>Rs. 2,538,269</u>	<u>Rs. 5,007,601</u>	<u>Rs. 2,378,350</u>	<u>Rs. 4,611,052</u>

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

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

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Commission income	₩ 540,981	₩ 1,231,840	₩ 2,964,884	₩ 6,725,452
Gain on foreign currency transactions	2,252,785	4,503,037	3,839,929	7,325,013
Gain on foreign currency translation	(27,812)	349,014	529,808	1,042,061
Reversal of allowance for doubtful accounts	-	-	-	27,034
Gain on disposal of property, plant and equipment	50,506	69,526	31,267	35,456

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Gain on disposal of investment assets	-	1,523	-	-
Others	4,905,512	9,127,892	4,300,387	10,141,181
	<u>₩ 7,721,972</u>	<u>₩ 15,282,832</u>	<u>₩ 11,699,715</u>	<u>₩ 25,296,197</u>

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Commission income	Rs. 31,972	Rs. 72,802	Rs. 175,225	Rs. 397,474
Gain on foreign currency transactions	133,140	266,129	226,940	432,908
Gain on foreign currency translation	(1,644)	20,627	31,312	61,586
Reversal of allowance for doubtful accounts	-	-	-	1,598
Gain on disposal of property, plant and equipment	2,985	4,109	1,848	2,095
Gain on disposal of investment assets	-	90	-	-
Others	289,916	539,458	256,128	599,344
	<u>Rs. 456,369</u>	<u>Rs. 903,215</u>	<u>Rs. 691,453</u>	<u>Rs. 1,495,005</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loss on foreign currency transactions	₩ 4,667,873	₩ 6,568,022	₩ 3,596,516	₩ 5,293,486
Loss on foreign currency translation	788,643	1,043,007	638,198	1,061,332
Other bad debt expense	(7,141)	5,527	50,438	21,297
Non-operating assets and depreciation	4,873	10,588	9,358	24,514
Loss on disposal of property, plant and equipment	23,808	50,212	158,697	203,700
Loss on disposal of investment assets	113	2,905	641	4,747
Loss on disposal of trade receivables	3,053,293	7,749,983	2,401,671	4,865,273
Impairment loss on investments	-	884	693,272	696,899
Impairment loss on intangible assets	10,017	17,056	12,837	23,446
Others	30,668,750	32,095,828	4,522,202	12,463,821
	<u>₩ 39,210,229</u>	<u>₩ 47,544,012</u>	<u>₩ 12,083,830</u>	<u>₩ 24,658,515</u>

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loss on foreign currency	Rs. 275,871	Rs. 388,170	Rs. 212,554	Rs. 312,845

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
transactions				
Loss on foreign currency translation	46,609	61,642	37,718	62,725
Other bad debt expense	(422)	327	2,981	1,259
Non-operating assets and depreciation	288	626	553	1,449
Loss on disposal of property, plant and equipment	1,407	2,968	9,379	12,039
Loss on disposal of investment assets	7	172	38	281
Loss on disposal of trade receivables	180,450	458,024	141,939	287,538
Impairment loss on investments	-	52	40,972	41,187
Impairment loss on intangible assets	592	1,008	759	1,386
Others	1,812,523	1,896,862	267,261	736,609
	<u>Rs. 2,317,325</u>	<u>Rs. 2,809,851</u>	<u>Rs. 714,154</u>	<u>Rs. 1,457,318</u>

## 28. FINANCIAL INCOME AND COST:

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

	Korean won in thousands		Korean won in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Interest income	₩ 1,137,834	₩ 3,096,695	₩ 1,689,987	₩ 3,217,080
Dividend income	-	11,000	2,500	8,500
Gain on foreign currency transactions	868,572	2,062,530	1,638,867	2,564,576
Gain on foreign currency translation	860,650	924,587	151,439	222,590
Gain on disposal of derivatives	19,914,055	29,907,855	4,225,864	11,524,375
Gain on valuation of derivatives	(747,262)	668,800	1,757,813	2,992,114
	<u>₩ 22,033,849</u>	<u>₩ 36,671,467</u>	<u>₩ 9,466,470</u>	<u>₩ 20,529,235</u>

  

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Interest income	Rs. 67,246	Rs. 183,015	Rs. 99,878	Rs. 190,129
Dividend income	-	650	148	502
Gain on foreign currency transactions	51,333	121,895	96,857	151,566
Gain on foreign currency translation	50,864	54,643	8,950	13,155
Gain on disposal of derivatives	1,176,921	1,767,554	249,749	681,091
Gain on valuation of derivatives	(44,163)	39,527	103,886	176,835
	<u>Rs. 1,302,201</u>	<u>Rs. 2,167,284</u>	<u>Rs. 559,468</u>	<u>Rs. 1,213,278</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest expense	₩ 454,554	₩ 1,647,906	₩ 2,235,558	₩ 4,329,964
Loss on foreign currency transactions	4,047,367	4,531,818	1,348,027	1,642,622
Loss on foreign currency translation	(393,711)	2,152	819,956	900,932
Loss on disposal of derivatives	-	-	1,805,498	2,564,298
Loss on valuation of derivatives	(19,950)	-	162,559	165,305
	<u>₩ 4,088,260</u>	<u>₩ 6,181,876</u>	<u>₩ 6,371,598</u>	<u>₩ 9,603,121</u>

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Interest expense	Rs. 26,864	Rs. 97,391	Rs. 132,121	Rs. 255,901
Loss on foreign currency transactions	239,199	267,830	79,668	97,079
Loss on foreign currency translation	(23,268)	128	48,459	53,245
Loss on disposal of derivatives	-	-	106,705	151,550
Loss on valuation of derivatives	(1,178)	-	9,609	9,769
	<u>Rs. 241,617</u>	<u>Rs. 365,349</u>	<u>Rs. 376,562</u>	<u>Rs. 567,544</u>

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

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loan and receivables	₩ (1,241,153)	₩ (98,065)	₩ (166,064)	₩ 121,586
Available-for-sale financial assets	-	11,000	-	6,000
Other financial liabilities	19,186,742	30,576,654	3,260,936	10,798,528
	<u>₩ 17,945,589</u>	<u>₩ 30,489,589</u>	<u>₩ 3,094,872</u>	<u>₩ 10,926,114</u>

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Loan and receivables	Rs. (73,352)	Rs. (5,795)	Rs. (9,815)	Rs. 7,186
Available-for-sale financial assets	-	650	-	355
Other financial liabilities	1,133,936	1,807,080	192,721	638,193
	<u>Rs. 1,060,584</u>	<u>Rs. 1,801,935</u>	<u>Rs. 182,906</u>	<u>Rs. 645,734</u>



**29. INCOME(LOSS) PER SHARE:**

Basic income (loss) per share for the six months ended June 30, 2014 and 2013, is calculated as follows (Unit: Korean won and Indian-Rupee in thousands, except for earnings per share)):

	Korean won in thousands		Korean won in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Net income(loss)	₩ (29,196,462)	₩ (18,454,341)	₩ 6,236,448	₩ (2,977,968)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(29,196,462)	(18,454,341)	6,236,448	(2,977,968)
Number of common stocks outstanding	137,198,390	137,198,390	129,047,257	125,878,553
Basic and diluted income (loss) per share(*1)	₩ (213)	₩ (135)	₩ 48	₩ (24)

	Indian-Rupee in thousands		Indian-Rupee in thousands	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Net income(loss)	Rs. (1,725,511)	Rs. (1,090,652)	Rs. 368,574	Rs. (175,998)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(1,725,511)	(1,090,652)	368,574	(175,998)
Number of common stocks outstanding	137,198,390	137,198,390	129,047,257	125,878,553
Basic and diluted income (loss) per share(*1)	Rs. (13)	Rs. (8)	Rs. 3	Rs. (1)

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

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

Six months ended June 30, 2014						
	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
Common stock	2014-01-01	2014-06-30	137,220,096	137,220,096	181/181	137,220,096
Treasury stock	2014-01-01	2014-06-30	(21,706)	(21,706)	181/181	(21,706)
Total						137,198,390

Six months ended June 30, 2013						
	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
Common stock	2013-01-01	2013-03-31	122,674,641	122,674,641	93/181	63,031,722
Treasury stock	2013-04-04	2013-05-21	(21,706)	122,652,935	48/181	32,526,745

Additional Share	2013-05-22	2013-06-30	14,545,455	137,198,390	40/181	30,320,086
Total						<u>125,878,553</u>

### 30. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities for the six months ended June 30, 2014 and 2013, are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Six months ended	Six months ended	Six months ended	Six months ended
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
1. Cash flows from operating activities	₩ (10,243,436)	₩ 238,434,569	Rs. (605,387)	Rs. 14,091,483
1) Net income(loss)	(18,454,341)	(2,977,968)	(1,090,652)	(175,998)
2) Adjustments	112,726,873	96,684,976	6,662,158	5,714,082
(1) Addition of expenses	118,085,022	105,749,662	6,978,826	6,249,807
Income tax expense	190,372	196,846	11,251	11,634
Loss on foreign currency translation	1,045,159	1,962,265	61,769	115,968
Loss on disposal of trade receivables	7,749,983	4,865,273	458,024	287,538
Loss on valuation of derivatives	-	165,305	-	9,769
Bad debt expense	5,602	50,496	331	2,984
Other bad debt expense	5,527	21,297	327	1,259
Depreciation	51,146,723	57,002,385	3,022,771	3,368,841
Loss on disposal of investment assets	2,905	4,747	172	281
Loss on disposal of property, plant and equipment	50,212	203,700	2,968	12,039
Impairment loss on investment assets	884	696,899	52	41,187
Depreciation on intangible assets	5,601,788	17,940,982	331,066	1,060,312
Impairment loss on intangible assets	17,056	23,446	1,008	1,386
Interest expense	1,647,906	4,329,964	97,391	255,901
Postemployment benefits	21,393,147	18,151,975	1,264,335	1,072,782
Depreciation expenses on assets not in use	10,588	24,514	626	1,449
Miscellaneous losses	29,217,170	109,568	1,726,735	6,475
(2) Deduction of revenue	(5,358,149)	(9,064,686)	(316,668)	(535,723)
Gain on foreign currency translation	1,273,601	1,264,651	75,270	74,741
Reversal of allowance for doubtful accounts	-	27,034	-	1,598
Reversal of loss on valuation of inventories	237,004	1,408,629	14,007	83,250
Interest income	3,096,695	3,217,080	183,015	190,129
Dividend income	11,000	8,500	650	502
Gain on valuation of derivatives	668,800	2,992,114	39,527	176,835
Gain on disposal of investment assets	1,523	-	90	-
Gain on disposal of property, plant and equipment	69,526	35,456	4,109	2,095
Miscellaneous gains	-	111,222	-	6,573
3) Changes in working capital	(104,515,968)	144,727,561	(6,176,894)	8,553,399
Increase in trade receivables, net	21,712,218	(14,384,037)	1,283,191	(850,096)
Decrease (Increase) in accounts receivable	2,665,713	(4,488,909)	157,544	(265,295)
Increase in other receivables, net	(36,550)	(35,455)	(2,160)	(2,095)
Increase in other assets	(2,641,521)	(386,902)	(156,114)	(22,866)
Decrease in derivatives assets	2,112,880	2,436,903	124,871	144,021
Increase in inventories	(12,791,407)	(29,956,866)	(755,972)	(1,770,451)
Decrease (Increase) in long security	(254,801)	(2,809,300)	(15,059)	(166,030)
Increase in trade payables	(69,919,900)	219,113,370	(4,132,266)	12,949,600
Decrease in accounts payables	(39,315,278)	(17,861,285)	(2,323,533)	(1,055,602)
Decrease in other payables	(1,999,412)	(1,555,012)	(118,165)	(91,901)

	Korean won in thousands		Indian-Rupee in thousands	
	Six months ended	Six months ended	Six months ended	Six months ended
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Decrease in other liabilities	(7,167,450)	(8,780,929)	(423,596)	(518,953)
Decrease in current other long-term employee benefit	(1,115,105)	1,285,100	(65,903)	75,949
Increase (Decrease) in short-term provision of product warranties	6,428,016	6,366,545	379,896	376,263
Increase (Decrease) in long-term other payables	-	20,571	-	1,216
Increase (Decrease) in other long-term employee benefit	780,706	(1,507,412)	46,140	(89,088)
Payment of severance indemnities	(2,915,550)	(2,728,821)	(172,309)	(161,273)
Increase in long-term provision of product warranties	(58,527)	-	(3,459)	-
2. Interest received	4,228,179	2,713,435	249,885	160,364
3. Interest paid	(2,529,014)	(4,071,204)	(149,464)	(240,608)
4. Dividends received	11,000	382,462	650	22,603
5. Income tax expense	(190,372)	(194,547)	(11,251)	(11,498)
Net cash provided by operating activities	₩ (8,723,643)	₩ 237,264,715	Rs. (515,567)	Rs. 14,022,344

### 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 six months ended June 30, 2014 and 2013, is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Six months ended June 30, 2014			
	₩		Rs.	
Republic of Korea	₩	972,216,814	Rs.	57,458,014
Europe		392,561,725		23,200,398
Asia Pacific		137,065,933		8,100,597
Others		231,128,425		13,659,690
Consolidation adjustment		(4,631,814)		(273,741)
	₩	1,728,341,083	Rs.	102,144,958

Sales region	Six months ended June 30, 2013			
	₩		Rs.	
Republic of Korea	₩	887,183,695	Rs.	52,432,556
Europe		430,450,035		25,439,597
Asia Pacific		114,298,567		6,755,045
Others		232,386,773		13,734,058
Consolidation adjustment		(3,752,689)		(221,783)
	₩	1,660,566,381	Rs.	98,139,473

(3) Information of each sales products and service for the six months ended June 30, 2014 and 2013, is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales	Six months ended June 30, 2014			
	₩		Rs.	
Automobile	₩	1,547,020,537	Rs.	91,428,914
Products		168,955,716		9,985,283
Others		12,364,830		730,761
	₩	1,728,341,083	Rs.	102,144,958

  

Sales	Six months ended June 30, 2013			
	₩		Rs.	
Automobile	₩	1,427,672,100	Rs.	84,375,421

Sales	Six months ended June 30, 2013	
Products	223,044,381	13,181,923
Others	9,849,900	582,129
	<u>₩ 1,660,566,381</u>	<u>Rs. 98,139,473</u>

### 32. RELATED-PARTY TRANSACTIONS:

(1) Details of related party as of June 30, 2014, are as follows:

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

(2) Major transactions with the related parties for the six months ended June 30, 2014 and 2013, are as follows:

(Unit: Korean won in thousands):

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Sales and others	Purchases and others	Sales and Others	Purchases and others
Transactions with controlling company	₩ 604,893	₩ 1,133,686	₩ 1,709,866	₩ 3,445,702
Transactions with subsidiaries	5,283,395	94,498	4,470,507	-
Transaction with other affiliates	6,768,178	49,642	55,670,524	-

(Unit: Indian-Rupee in thousands):

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Sales and others	Purchases and others	Sales and Others	Purchases and others
Transactions with controlling company	Rs. 35,749	Rs. 67,001	Rs. 101,053	Rs. 203,641
Transactions with subsidiaries	312,249	5,585	264,207	-
Transaction with other affiliates	399,999	2,934	3,290,128	-

Outstanding receivables and payables from transactions with related parties as of June 30, 2014 and December 31, 2013 are as follows:

(Unit: Korean won in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 391,219	₩ 761,788
Payables and others	200,691	96,377,681
Receivables from and payables to subsidiaries:		
Receivables and others	13,117,312	12,977,768
Payables and others	927,256	943,407
Receivables from and payables to affiliates:		
Receivables and others	1,519,647	466,300
Payables and others	6,508	47,315

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 23,121	Rs. 45,022
Payables and others	11,861	5,695,921
Receivables from and payables to subsidiaries:		
Receivables and others	775,233	766,986
Payables and others	54,801	55,755
Receivables from and payables to affiliates:		
Receivables and others	89,811	27,558
Payables and others	Rs. 385	Rs. 2,796

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the three months ended June 30, 2014.

(3) Details of compensation for key executives for the three months ended June 30, 2014 and 2013, are as follows:

	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>Three months ended June 30, 2014</u>	<u>Three months ended June 30, 2013</u>	<u>Three months ended June 30, 2014</u>	<u>Three months ended June 30, 2013</u>
Short-term employee benefits	₩ 451,999	₩ 340,976	Rs. 26,713	Rs. 20,152
Postemployment benefits	19,791	7,840	1,170	463

### **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 June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Debt (A)	₩ 1,089,011,994	₩ 1,233,427,622
Equity (B)	846,735,354	884,197,864
Debt ratio (A/ B)	<u>128.61%</u>	<u>139.50%</u>

(Unit: Indian-Rupee in thousands):

	June 30, 2014		December 31, 2013	
Debt (A)	Rs.	64,360,608	Rs.	72,895,572
Equity (B)		50,042,060		52,256,094
Debt ratio (A/ B)		128.61%		139.50%

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

1) Financial assets

(Unit: Korean won in thousands):

Financial asset	June 30, 2014				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 161,125,686	₩ -	₩ -	₩ 161,125,686	₩ 161,125,686
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	239,750,157	-	-	239,750,157	239,750,157
AFS financial assets on sales	-	560,000	-	560,000	560,000
Derivatives assets	-	-	8,750,200	8,750,200	8,750,200
	<u>₩ 400,881,843</u>	<u>₩ 560,000</u>	<u>₩ 8,750,200</u>	<u>₩ 410,192,0</u>	<u>₩ 410,192,043</u>

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
	<u>₩ 625,851,879</u>	<u>₩ 560,000</u>	<u>₩ 28,984,560</u>	<u>₩ 655,396,439</u>	<u>₩ 655,396,439</u>

(Unit: Indian-Rupee in thousands):

Financial asset	June 30, 2014				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 9,522,528	Rs. -	Rs. -	Rs. 9,522,528	Rs. 9,522,528
Long-term financial instruments	355	-	-	355	355
Trade receivables and Other receivables	14,169,234	-	-	14,169,234	14,169,234
AFS financial assets on sales	-	33,096	-	33,096	33,096
Derivatives assets	-	-	517,137	517,137	517,137
	<u>Rs. 23,692,117</u>	<u>Rs. 33,096</u>	<u>Rs. 517,137</u>	<u>Rs. 24,242,350</u>	<u>Rs. 24,242,350</u>

Financial asset	December 31, 2013				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 21,677,338	Rs. -	Rs. -	Rs. 21,677,338	Rs. 21,677,338
Long-term financial instruments	355	-	-	355	355
Trade receivables and Other receivables	15,310,153	-	-	15,310,153	15,310,153
AFS financial assets on sales	-	33,096	-	33,096	33,096
Derivatives assets	-	-	1,712,987	1,712,987	1,712,987
	<u>Rs. 36,987,846</u>	<u>Rs. 33,096</u>	<u>Rs. 1,712,987</u>	<u>Rs. 38,733,929</u>	<u>Rs. 38,733,929</u>

2) Financial liabilities

	Financial liability measured at amortized cost							
	June 30, 2014		December 31, 2013					
	(Korean won in thousands)		(Indian-Rupee in thousands)					
Trade payables and Other payables	₩	643,273,940	₩	743,244,488	Rs.	38,017,490	Rs.	43,925,749
Debt		56,052,175		147,012,801		3,312,684		8,688,457
Total	₩	699,326,115	₩	890,257,289	Rs.	41,330,174	Rs.	52,614,206

(3) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

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

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

(Unit: Korean won in thousands):

Currency	Korean won in thousands		Indian-Rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 9,443,190	₩ (9,443,190)	Rs. 558,093	Rs. (558,093)
EUR	2,217,737	(2,217,737)	131,068	(131,068)
JPY	(309,583)	309,583	(18,296)	18,296
Others	801,517	(801,517)	47,370	(47,370)
	₩ 12,152,861	₩ (12,152,861)	Rs. 718,235	Rs. (718,235)

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to 8,043,400 thousand won (Rs. 475,365 thousands), and this amount will be reclassified as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within twelve months at the latest starting from the end of current period.

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 ₩74,384 thousands (Rs. 4,396 thousands) for the year ended June 30, 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 June 30, 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.

	June 30, 2014 (Korean won in thousands)	December 31, 2013 (Korean won in thousands)	June 30, 2014 (Indian-Rupee in thousands)	December 31, 2013 (Indian-Rupee in thousands)
Trade and other receivables	₩ 239,750,157	₩ 259,055,047	Rs. 14,169,234	Rs. 15,310,153

## 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 June 30, 2014 and December 31, 2013, are as follows:

(Unit: Korean won in thousands):

	June 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	₩ 397,442,031	₩ -	₩ 397,442,031
Non-trade payables	220,457,328	-	220,457,328
Short-term borrowings	56,794,728	-	56,794,728
Other payables	17,472,472	-	17,472,472
Long-term other payables	-	7,902,109	7,902,109
	₩ 692,166,559	₩ 7,902,109	₩ 700,068,668
	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):

	June 30, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 23,488,824	Rs. -	Rs. 23,488,824
Non-trade payables	13,029,028	-	13,029,028
Short-term borrowings	3,356,568	-	3,356,568
Other payables	1,032,623	-	1,032,623
Long-term other payables	-	467,015	467,015
	Rs. 40,907,043	Rs. 467,015	Rs. 41,374,058

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 26,950,275	Rs. -	Rs. 26,950,275
Non-trade payables	14,577,406	-	14,577,406
Short-term borrowings	3,071,544	-	3,071,544
Other payables	1,202,862	-	1,202,862
Long-term other payables	-	1,195,207	1,195,207
Bonds	5,681,675	-	5,681,675
	<u>Rs. 51,483,762</u>	<u>Rs. 1,195,207</u>	<u>Rs. 52,678,969</u>

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

(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

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

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

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

#### 2) Valuation methods and assumptions applied in fair value measurement

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

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

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

Equity instruments and debt instruments measured at fair value where no active market exists are composed of 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 June 30, 2014 and December 31, 2013, are as follows

(Unit: Korean won in thousands):

Type	June 30, 2014					
	Level 1	Level 2	Level 3	Fair value		
Derivatives designated to hedge item	₩ -	₩ 8,750,200	₩ -	₩ 8,750,200		

  

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

(Unit: Indian-Rupee in thousands):

Type	June 30, 2014					
	Level 1	Level 2	Level 3	Fair value		
Derivatives designated to hedge item	Rs. -	Rs. 517,137	Rs. -	Rs. 517,137		

  

Type	December 31, 2013					
	Level 1	Level 2	Level 3	Fair value		
Derivatives designated to hedge item	Rs. -	Rs. 1,712,987	Rs. -	Rs. 1,712,987		