

**Ssangyong Motor Company**

SEPARATE FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

# Independent Accountants' Review 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 separate interim financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the statements of financial position as of June 30, 2011, the statements of loss and comprehensive loss for the three months and six months ended June 30, 2011, the statements of changes in shareholders' equity and cash flows for the six months ended June 30, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

We conducted our review in accordance with standards for review of 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 separate 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*, and the requirements of K-IFRS 1101 *First-time Adoption of Korean International Financial Reporting Standards*, relevant to interim financial reporting.

### Other matters

The comparative statement of financial position as of December 31, 2010, the comparative statements of comprehensive loss for the three months and six months ended June 30, 2010, and the comparative statements of changes in shareholders' equity and cash flows for the six months ended June 30, 2010 were not reviewed.

### Emphasis of matter

We draw attention to Note 2 to the financial statements which describes that the Company is not required to submit consolidated interim financial statements even if it has subsidiaries which are subject to consolidation in accordance with K-IFRS and may submit non-consolidated semi-annual and quarterly financial statements only by a fiscal year starting from January 1, 2012 pursuant to the Enforcement Decree of the Financial Investment Services and Capital Market Act No. 20947, Article 23.



July 27, 2011

### Notice to Readers

This report is effective as of July 27, 2011, 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 separate interim financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

	Korean Won		Indian- Rupee	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 5, 6 and 35)	₩ 106,377,436	₩ 80,566,165	Rs. 4,255,097	Rs. 3,222,647
Trade and other receivables, net (Notes 8 and 35)	213,844,384	186,354,055	8,553,775	7,454,162
Inventories, net (Note 9)	232,315,321	215,524,140	9,292,613	8,620,966
Other current assets (Note 11)	76,198,040	83,401,025	3,047,922	3,336,041
Assets held for sale (Note 12)	<u>741,745</u>	<u>671,961</u>	<u>29,670</u>	<u>26,878</u>
Total current assets	<u>629,476,926</u>	<u>566,517,346</u>	<u>25,179,077</u>	<u>22,660,694</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 6 and 35)	6,000	6,000	240	240
Non-current available-for-sale financial assets (Notes 7 and 35)	560,000	560,000	22,400	22,400
Non-current other receivables, net (Note 8 and 35)	37,801,799	37,908,069	1,512,072	1,516,323
Property, plant and equipment, net (Notes 13, 14 and 16)	1,025,104,458	1,030,034,942	41,004,178	41,201,398
Intangible assets (Note 15)	76,568,530	89,171,132	3,062,741	3,566,845
Investments in subsidiaries (Note 10)	3,666,291	3,666,291	146,652	146,652
Other non-current assets (Note 11)	<u>555,174</u>	<u>923,350</u>	<u>22,207</u>	<u>36,934</u>
Total non-current assets	<u>1,144,262,252</u>	<u>1,162,269,784</u>	<u>45,770,490</u>	<u>46,490,792</u>
TOTAL ASSETS	<u>1,773,739,178</u>	<u>1,728,787,130</u>	<u>70,949,567</u>	<u>69,151,486</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Note 35)	353,523,088	361,104,115	14,140,924	14,444,165
Current portion of long-term borrowings (Notes 16 and 35)	-	356,920,833	-	14,276,833
Provision for product warranties (Note 19)	43,903,082	34,090,864	1,756,123	1,363,635
Other current liabilities (Notes 18, 20 and 35)	<u>40,067,359</u>	<u>153,965,893</u>	<u>1,602,694</u>	<u>6,158,636</u>
Total current liabilities	<u>₩ 437,493,529</u>	<u>₩ 906,081,705</u>	<u>Rs. 17,499,741</u>	<u>Rs. 36,243,269</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

	Korean Won		Indian- Rupee	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
<b>NON-CURRENT LIABILITIES:</b>				
Debentures (Notes 16, 34 and 35)	₩ 95,404,765	₩ -	Rs. 3,816,190	Rs. -
Other non-current payables (Notes 18 and 35)	2,257,301	2,247,782	90,292	89,911
Retirement benefit obligation (Note 21)	161,007,292	148,678,035	6,440,292	5,947,121
Other long-term employee benefits obligation	10,382,406	9,714,738	415,296	388,590
Provision for long-term product warranties (Note 19)	53,515,848	43,174,385	2,140,634	1,726,976
Total non-current liabilities	<u>322,567,612</u>	<u>203,814,940</u>	<u>12,902,704</u>	<u>8,152,598</u>
<b>TOTAL LIABILITIES</b>	<u>760,061,141</u>	<u>1,109,896,645</u>	<u>30,402,445</u>	<u>44,395,867</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Capital stock (Note 23)	609,809,205	182,688,005	24,392,368	7,307,520
Other capital surplus (Note 24)	125,496,966	840,231,779	5,019,879	33,609,271
Retained earnings (accumulated deficit) (Note 24)	<u>278,371,866</u>	<u>(404,029,299)</u>	<u>11,134,875</u>	<u>(16,161,172)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>1,013,678,037</u>	<u>618,890,485</u>	<u>40,547,122</u>	<u>24,755,619</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>₩ 1,773,739,178</u>	<u>₩ 1,728,787,130</u>	<u>Rs. 70,949,567</u>	<u>Rs. 69,151,486</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Korean Won			
	Three months ended <u>June 30, 2011</u>	Six months ended <u>June 30, 2011</u>	Three months ended <u>June 30, 2010</u>	Six months ended <u>June 30, 2010</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 33 and 34)	₩ 728,646,296	₩ 1,349,171,453	₩ 537,999,412	₩ 943,567,013
COST OF SALES (Note 34)	<u>640,055,154</u>	<u>1,194,723,874</u>	<u>458,482,083</u>	<u>806,413,019</u>
GROSS PROFIT	88,591,142	154,447,579	79,517,329	137,153,994
SELLING AND ADMINISTRATIVE EXPENSES (Note 28)	117,700,043	225,190,602	90,678,847	168,147,288
OTHER OPERATING INCOME (Note 29)	8,635,076	18,803,170	15,829,325	33,743,689
OTHER OPERATING EXPENSES (Note 29)	<u>12,928,084</u>	<u>23,355,653</u>	<u>19,958,313</u>	<u>50,889,156</u>
OPERATING LOSS (Note 26)	(33,401,909)	(75,295,506)	(15,290,506)	(48,138,761)
FINANCIAL INCOME (Note 30)	371,843	51,481,479	4,701,462	20,778,310
FINANCIAL COST (Note 30)	<u>1,849,473</u>	<u>8,456,385</u>	<u>18,711,063</u>	<u>38,571,948</u>
LOSS BEFORE INCOME TAX	₩ (34,879,539)	₩ (32,270,412)	₩ (29,300,107)	₩ (65,932,399)
INCOME TAX EXPENSE (Note 25)	-	-	-	-
NET LOSS	(34,879,539)	(32,270,412)	(29,300,107)	(65,932,399)
OTHER COMPREHENSIVE LOSS	<u>(14,827)</u>	<u>(28,421)</u>	<u>(9,202)</u>	<u>(17,286)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ (34,894,366)</u>	<u>₩ (32,298,833)</u>	<u>₩ (29,309,309)</u>	<u>₩ (65,949,685)</u>
LOSS PER SHARE (Note 31) Basic loss per share	₩ (287)	₩ (313)	₩ (811)	₩ (1,825)

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Indian-Rupee			
	Three months ended		Six months ended	
	June 30, 2011	June 30, 2011	June 30, 2010	June 30, 2010
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 33 and 34)	Rs. 29,145,852	Rs. 53,966,858	Rs. 21,519,976	Rs. 37,742,681
COST OF SALES (Note 34)	<u>25,602,206</u>	<u>47,788,955</u>	<u>18,339,283</u>	<u>32,256,521</u>
GROSS PROFIT	3,543,646	6,177,903	3,180,693	5,486,160
SELLING AND ADMINISTRATIVE EXPENSES (Note 28)	4,708,002	9,007,624	3,627,154	6,725,892
OTHER OPERATING INCOME: (Note 29)	345,403	752,127	633,173	1,349,748
OTHER OPERATING EXPENSES (Note 29)	<u>517,123</u>	<u>934,226</u>	<u>798,332</u>	<u>2,035,566</u>
OPERATING LOSS (Note 26)	(1,336,076)	(3,011,820)	(611,620)	(1,925,550)
FINANCIAL INCOME (Note 30)	14,874	2,059,259	188,058	831,132
FINANCIAL COST (Note 30)	<u>73,980</u>	<u>338,255</u>	<u>748,442</u>	<u>1,542,878</u>
LOSS BEFORE INCOME TAX	Rs. (1,395,182)	Rs. (1,290,816)	Rs. (1,172,004)	Rs. (2,637,296)
INCOME TAX EXPENSE (Note 25)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	(1,395,182)	(1,290,816)	(1,172,004)	(2,637,296)
OTHER COMPREHENSIVE LOSS	<u>(593)</u>	<u>(1,137)</u>	<u>(368)</u>	<u>(691)</u>
TOTAL COMPREHENSIVE LOSS	<u>Rs. (1,395,775)</u>	<u>Rs. (1,291,953)</u>	<u>Rs. (1,172,372)</u>	<u>Rs. (2,637,987)</u>
LOSS PER SHARE (Note 31) Basic and diluted loss per share	Rs. (11)	Rs. (13)	Rs. (32)	Rs. (73)

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Korean Won						Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights (In thousands)	Debt to be swapped for equity	Other Capital Surplus		
Unreviewed balance at January 1, 2010	₩ 542,052,155	₩ 2,594	₩ 444,128,160	₩ 29,474,043	₩ 7,146,185	₩ (355,455,670)	₩ 667,347,467	
Net loss	-	-	-	-	-	(65,932,399)	(65,932,399)	
Actuarial losses	-	-	-	-	-	(17,286)	(17,286)	
Capital decrease without consideration	(361,449,375)	-	361,449,375	-	-	-	-	
Conversion of debt to equity	-	-	-	-	101,893	-	101,893	
Stock issuance costs	-	(2,594)	-	-	-	-	(2,594)	
Discount on stock issuance	-	(26)	-	-	-	-	(26)	
Unreviewed balance at June 30, 2010	<u>₩ 180,602,780</u>	<u>₩ (26)</u>	<u>₩ 805,577,535</u>	<u>₩ 29,474,043</u>	<u>₩ 7,248,078</u>	<u>₩ (421,405,355)</u>	<u>₩ 601,497,055</u>	
Unreviewed balance at January 1, 2011	182,688,005	4,170,771	805,577,535	29,474,043	1,009,430	(404,029,299)	618,890,485	
Net loss	-	-	-	-	-	(32,270,412)	(32,270,412)	
Actuarial losses	-	-	-	-	-	(28,420)	(28,420)	
Capital increase with consideration	427,095,235	-	-	-	-	-	427,095,235	
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	
Deficit recovery	-	-	(685,225,955)	(29,474,043)	-	714,699,998	-	
Stock issuance costs	-	(8,851)	-	-	-	-	(8,851)	
Balance at June 30, 2011,	<u>₩ 609,809,205</u>	<u>₩ 4,213,877</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ 278,371,867</u>	<u>₩ 1,013,678,037</u>	

	Indian-Rupee						Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights (In thousands)	Debt to be swapped for equity	Other Capital Surplus		
Unreviewed balance at January 1, 2010	Rs. 21,682,086	Rs. 104	Rs. 17,765,126	Rs. 1,178,962	Rs. 285,847	Rs. (14,218,227)	Rs. 26,693,898	
Net loss	-	-	-	-	-	(2,637,296)	(2,637,296)	
Actuarial losses	-	-	-	-	-	(691)	(691)	
Capital decrease without consideration	(14,457,975)	-	14,457,975	-	-	-	-	
Conversion of debt to equity	-	-	-	-	4,076	-	4,076	
Stock issuance costs	-	(104)	-	-	-	-	(104)	
Discount on stock issuance	-	(1)	-	-	-	-	(1)	
Unreviewed balance at June 30, 2010	<u>Rs. 7,224,111</u>	<u>Rs. (1)</u>	<u>Rs. 32,223,101</u>	<u>Rs. 1,178,962</u>	<u>Rs. 289,923</u>	<u>Rs. (16,856,214)</u>	<u>Rs. 24,059,882</u>	
Unreviewed balance at January 1, 2011	7,307,520	166,831	32,223,101	1,178,962	40,377	(16,161,172)	24,755,619	
Net loss	-	-	-	-	-	(1,290,816)	(1,290,816)	
Actuarial losses	-	-	-	-	-	(1,137)	(1,137)	
Capital increase with consideration	17,083,809	-	-	-	-	-	17,083,809	
Conversion of debt to equity	1,039	2,078	-	-	(3,117)	-	-	
Deficit recovery	-	-	(27,409,038)	(1,178,962)	-	28,588,000	-	
Stock issuance costs	-	(354)	-	-	-	-	(354)	
Balance at June 30, 2011,	<u>Rs. 24,392,368</u>	<u>Rs. 168,555</u>	<u>Rs. 4,814,063</u>	<u>Rs. -</u>	<u>Rs. 37,260</u>	<u>Rs. 11,134,875</u>	<u>Rs. 40,547,121</u>	

See accompanying notes to financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	<u>Korean Won</u>		<u>Indian-Rupee</u>	
	Six months ended <u>June 30, 2011</u>	Six months ended <u>June 30, 2010</u>	Six months ended <u>June 30, 2011</u>	Six months ended <u>June 30, 2010</u>
	(In thousands)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net loss	<u>₩ (32,270,412)</u>	<u>₩ (65,932,399)</u>	<u>Rs. (1,290,816)</u>	<u>Rs. (2,637,296)</u>
Adjustment (Note 32)	37,872,229	104,251,530	1,514,889	4,170,061
Changes in net working capital (Note 32)	<u>72,301,198</u>	<u>(19,038,973)</u>	<u>2,892,048</u>	<u>(761,559)</u>
	77,903,015	19,280,158	3,116,121	771,206
Interests received	1,452,234	261,099	58,089	10,444
Interests paid	(2,860,200)	(2,522,183)	(114,408)	(100,887)
Dividend income received	11,000	11,000	440	440
Income tax paid	-	<u>134,819</u>	-	<u>5,393</u>
Net cash provided by operating activities	<u>76,506,049</u>	<u>17,164,893</u>	<u>3,060,242</u>	<u>686,596</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash inflows from investing activities:				
Decrease in other receivables	961,316	3,333,247	38,453	133,330
Disposal of property, plant and equipment	7,062,797	23,247,984	282,512	929,919
Decrease in other assets	<u>4,652</u>	<u>6,117,143</u>	<u>186</u>	<u>244,686</u>
	8,028,765	32,698,374	321,151	1,307,935
Cash outflows from investing activities:				
Increase in other receivables	-	1,086,525	-	43,461
Acquisition of property, plant and equipment	42,569,425	52,859,990	1,702,777	2,114,400
Acquisition of intangible assets	<u>5,094,486</u>	<u>15,144,158</u>	<u>203,779</u>	<u>605,766</u>
	<u>(47,663,911)</u>	<u>(69,090,673)</u>	<u>(1,906,556)</u>	<u>(2,763,627)</u>
Net cash used in investing activities	<u>(39,635,146)</u>	<u>(36,392,299)</u>	<u>(1,585,405)</u>	<u>(1,455,692)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Increase in borrowings	-	100,324,777	-	4,012,991
Issuance of debentures	95,404,765	-	3,816,191	-
Capital increase with consideration	374,763,556	-	14,990,542	-
Government subsidies received	-	<u>1,918,380</u>	-	<u>76,735</u>
	<u>470,168,321</u>	<u>102,243,157</u>	<u>18,806,733</u>	<u>4,089,726</u>

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SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	<u>Korean Won</u>		<u>Indian-Rupee</u>	
	Three months ended <u>June 30, 2011</u>	Six months ended <u>June 30, 2010</u>	Three months ended <u>June 30, 2011</u>	Six months ended <u>June 30, 2010</u>
	(In thousands)		(In thousands)	
Cash outflows from financing activities:				
Redemption of borrowings	₩ 310,934,562	₩ 80,690,473	Rs. 12,437,383	Rs. 3,227,619
Redemption of troubled debts	170,294,152	-	6,811,766	-
Stock issuance cost	<u>8,851</u>	<u>-</u>	<u>354</u>	<u>-</u>
	<u>(481,237,565)</u>	<u>(80,690,473)</u>	<u>(19,249,503)</u>	<u>(3,227,619)</u>
Net cash provided by (used in) financing activities	<u>(11,069,244)</u>	<u>21,552,684</u>	<u>(442,770)</u>	<u>862,107</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>9,612</u>	<u>-</u>	<u>384</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,811,271	2,325,278	1,032,451	93,011
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>80,566,165</u>	<u>14,734,811</u>	<u>3,222,646</u>	<u>589,393</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 106,377,436</u>	<u>₩ 17,060,089</u>	<u>Rs. 4,255,097</u>	<u>Rs. 682,404</u>

See accompanying notes to financial statements.

# SSANGYONG MOTOR COMPANY

## NOTES TO SEPARATE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

### 1. GENERAL:

These separate financial statements are prepared in accordance with Korean International Financial Reporting Standards (K-IFRS) 1027 “*Consolidated and Separate Financial Statements.*”

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

Ssangyong Motor Company (“the Company”) was incorporated on December 6, 1962, and listed its stocks on the Korea Stock Exchange in May, 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.

Seoul Central District Court (the “Court”) made a decision on the commencement of a corporate reorganization for the Company on February 6, 2009 and approved the relevant corporate reorganization plan on December 17, 2009. Meanwhile, in the creditors’ meeting held on January 28, 2011, an amended reorganization plan in accordance with an investment contract for the merger and acquisition with Mahindra & Mahindra Ltd. executed on November 23, 2010, was passed, and upon the formal consent received from the Court on January 31, 2011 on the amended plan, payments for the capital increase through third-party allotment of 427.1 billion won (17.084 billion rupee) and unguaranteed corporate bonds of 95.4 billion won (3.816 billion rupee) were made to the Company on February 8 and February 9 in 2011 respectively.

Furthermore, the Company repaid rehabilitation security rights and bonds upon the approval of the Court and submitted to the Court a request to terminate reorganization proceedings. The court receivership was terminated as the request for termination of reorganization proceedings was approved on March 14, 2011,

#### (2) Major shareholders

The Company’s shareholders as of June 31, 2011 are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	70.04
Others	36,542,794	29.96
	<u>121,961,841</u>	<u>100.00</u>

By acquiring the shares of the Company issued through third-party allotment in accordance with the investment contract for the merger and acquisition, Mahindra & Mahindra Ltd. has become the largest shareholder of the Company.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### (1) Basis of preparation

The Company is not required to submit consolidated interim financial statements even if it has subsidiaries which are subject to consolidation in accordance with K-IFRS and may submit separate semi-annual and quarterly financial statements only by a fiscal year starting from January 1, 2012 pursuant to the Enforcement Decree of the Financial Investment Services and Capital Market Act No. 20947, Article 23.

The Company has adopted the Korean International Financial Reporting Standards (“K-IFRS”) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 “*First-time adoption of International Financial Reporting Standards*”, the Company’s transition date to K-IFRS is January 1, 2010.

Unless stated otherwise in the notes to the financial statements, the Company’s accompanying financial statements were prepared based on historical cost.

With respect to the shareholders’ equity as of January 1, June 30 and December 31, 2010 that were stated in accordance with the accounting principles prior to K-IFRS and the total comprehensive income (loss) for the periods ended June 30 and December 31, 2010, the adjustments resulting from the conversion to K-IFRS are stated in the Note 4 in accordance with K-IFRS 1101 “*First-time Adoption of IFRSs*”.

The Company’s interim financial statements for the six months ended June 30, 2011 are prepared in accordance with K-IFRS 1034 “*Interim Financial Reporting*”. Furthermore, K-IFRS 1101 “*First-time adoption of International Financial Reporting Standards*” is applied to the aforementioned financial statements as they are part of the first K-IFRS annual financial statements. The interim financial statements are prepared in accordance with the K-IFRS that are effective as of June 30, 2011. There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end during 2011 or during 2012 which early-adoption is permitted during 2011. Accordingly, accounting policies that are used for the preparation of the interim consolidated financial statements may be different from the policies that are used for the preparation of the first annual financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

Major accounting policies used for the preparation of the interim financial statements are stated below. Unless stated otherwise, these accounting policies were applied consistently to the financial statements for the current period and comparative period.

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 (₩ 25.00 to Rs. 1.00 at June 30, 2011), 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.

## (2) Subsidiaries, affiliates and joint ventures

The Company meets the definition of a parent company in accordance with K-IFRS 1027 “*Consolidated and Separate Financial Statements*” and the Company’s subsidiaries are Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd. and Ssangyong European Parts Center B.V.

Investments in subsidiaries, joint ventures and affiliates are accounted for using the cost method, but on the date of transition to K-IFRS, the Company used carrying amount as deemed cost according to K-GAAP that were effective as of the transition date. Dividends obtained from subsidiaries, joint ventures and affiliates are recognized in current profit or loss when the right to receive dividends is established.

## (3) Foreign currency translation

### Functional and reporting currency

The Company measures items of its financial statements using the currency of the primary economic environment in which the Company operates (“functional currency”). The Company’s financial statements are expressed in Korean Won (‘Won’), which is the functional and reporting currency of the Company.

### Translation of foreign currency transactions and ending balances

Foreign currency transactions are recorded in functional currency using the exchange rates at the date of transaction, and gains and losses arising from translation of foreign currency assets and liabilities by using the exchange rates prevailing at the date of statement of financial position are recognized in profit or loss.

#### (4) Statement of cash flow

The Company prepares its statement of cash flow using the indirect method and translates the cash flows denominated in foreign currency using the average exchange rate of the respective accounting period.

#### (5) Cash and cash equivalents

Cash and cash equivalents includes cash, savings and checking accounts, and short-term investment highly liquidated (maturities of three months or less from acquisition). Bank overdrafts are accounted for as short-term borrowings.

#### (6) Financial assets

##### 1) Classification

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), loans and receivables, available-for-sale ('AFS') financial assets and held-to-maturity ('HTM') financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in near term. Derivatives to which hedge accounting is not applied are classified as held-for-trading under current assets.

##### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are classified as current assets except of which maturities from the end of the reporting period exceed 12 months.

##### AFS financial assets

AFS financial assets are financial assets that are designated as AFS or are not classified as other types of financial assets. AFS financial assets are classified as non-current assets unless the Company has an intent to sell within 12 months from the end of the reporting period.

##### HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. HTM financial assets are classified as non-current assets unless management has intent to dispose of the investments within 12 months of the date of statement of financial position.

##### 2) Recognition and measurement

All financial assets except financial assets at FVTPL are initially measured at fair value plus transaction costs at trading date. Financial assets at FVTPL are initially measured at fair value except for transaction costs, which are immediately recognized in profit or loss in the period occurred. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. AFS financial assets and financial assets at FVTPL are subsequently measured at fair value. Loans and receivables and HTM financial assets are measured at amortized cost using the effective interest rate method.

Gains and losses arising from changes in fair value of financial assets at FVTPL are recognized as other operating income (loss) in the period in which they occur and dividends from financial assets at FVTPL are recognized as other operating income when the Company's right to receive dividends is established.

Derivatives that are linked to and must be settled by delivery of equity instruments with no market price in an active market or unquoted equity instruments are measured at cost, and all other AFS financial assets are measured at fair value. Gains and losses arising from changes in fair value of an AFS financial asset are recognized in other comprehensive income (loss), and when the AFS financial asset is disposed of or is determined to be impaired, the cumulative gains or losses previously recognized in other comprehensive income (loss) is reclassified to other operating income in the statement of comprehensive income. Interest on AFS financial assets calculated using the effective interest method is recognized as financial income in the statement of comprehensive income. Dividends on AFS equity instruments are recognized as other operating income when the Company's right to receive the dividends is established.

### 3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in net amount when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 4) Impairment of financial assets

#### Financial assets measured at amortized cost

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial assets is reduced by the impairment loss based on the fair value of the financial instruments using observable market prices.

If there are subsequent recoveries of the impairment loss related objectively to an event such as an improvement in the debtor's credit rating, the previously recognised impairment loss is reversed directly and recognized in profit or loss.

#### AFS financial assets

The Company assesses whether there are objective evidences of collective impairment of financial assets or financial liabilities at the end of each reporting period. For an equity investment that is classified as an AFS financial asset, a significant or prolonged decrease in fair value below its cost is considered as an objective evidence of impairment. When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is an objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS is not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

### (7) Trade receivables

Trade receivables are amounts owed by customers for goods sold and services rendered as part of the normal operations of the business. Trade receivables that are due within 1 year are classified as current assets and those that are not due within 1 year as non-current assets. Long-term trade receivables that are classified as non-current assets are measured at present value discounted at effective interest rate. Trade receivables are recognized at fair value and measured at amounts net of allowance for doubtful accounts. Allowance for trade receivables is estimated based on historical loss rate, customers' payment terms, transaction size and credit rating and current economic situation, and an impairment loss is recognized as an item of selling and administrative expenses in profit or loss.

When a trade receivable is deemed to be uncollectable, the amount of the trade receivable is deducted from the allowance, and in case the trade receivable previously deducted from the allowance is collected in a subsequent period, it is recognized in profit or loss as a deduction from selling and administrative expenses.

When the Company loses control over or becomes unable to continuously monitor a trade receivable, the Company regards it as a disposal of the trade receivable and makes an accounting treatment as such.

#### (8) Inventories

Inventories are stated at cost which is determined by using the moving average method, except for materials-in-transit for which costs are determined using individual specific identification method. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. The Company applies the lower of cost by group of inventories and loss on inventory valuation is charged to cost of sales and presented as a deduction from inventories.

#### (9) Property, plant, and equipment

Property, plant, and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the item, and subsequent costs are included in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

The Company depreciates its property, plant and equipment using the straight-line method over the estimated useful lives. Land is not depreciated, and the cost for the acquisition of a long-term construction asset including capitalized interest cost is depreciated over the estimated useful life of the relevant asset.

The estimated useful lives of the Company's assets as follows:

	<u>Estimated useful lives (years)</u>
Buildings	24~50
Structures	13~30
Telecommunication facilities	10
Vehicles	6~10
Other	6~10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating income (expenses) in the statement of comprehensive income.

#### (10) Intangible assets

##### Capitalized development cost

Expenditures on development activities are capitalized only when the result of a development plan is aimed at a development of a new product or for enhancement of capacity, there is high technical and commercial feasibility and the resources attributable to the development can be reliably measured. Capitalized expenditures on development activities include costs of raw materials, direct labor and overhead that were reasonably allocated. Capitalized development-related expenditures are recognized net of accumulated amortization and impairment losses. Development cost is amortized over the estimated useful life using the straight-line method and the amortization expense is recognized in profit or loss. Expenditures related to development that do not satisfy the aforementioned criteria are recognized as an expense when occurred.

### Membership

The Company does not amortize its membership as the useful life is estimated to be indefinite.

### Other intangible assets

Patents, trademark rights and software for internal use are recognized at cost and amortized over the useful lives of 3 to 15 years using the straight-line method. When there is an indication of impairment, the Company assesses a carrying value of the asset, and in case the assessed value exceeds the recoverable amount, it reduces the carrying value of the asset to the recoverable amount.

#### (11) Impairment of non-financial assets

At the end of the reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the cash-generating units (CGU). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

#### (12) Non-current assets held-for-sale (disposable group)

The Company classifies non-current assets as “non-current assets held for sale” (or “disposable group”) if their carrying amounts will be recovered principally through sale transactions and it is highly probable that they will be sold. If a carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, the asset is measured at lower of its carrying value or fair value less costs to sell.

#### (13) Borrowings

Borrowings are initially recognized at fair value net of transaction costs and subsequently recognized at amortized cost. The difference between the amount of borrowings net of transaction costs and the repaid amount is amortized over the borrowing period using the straight-line method and the amortization expense is recognized in profit or loss. Moreover, if the Company has an unconditional right to defer repayment of borrowings for more than 12 months subsequent to the reporting period, it classifies the borrowings as non-current liabilities; otherwise, they are classified as current liabilities.

#### (14) Defined benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions and are recognized in other comprehensive income (loss) in the statements of comprehensive income in the period in which they occur. Actuarial gains and losses recognized in other comprehensive income (loss) are immediately recognized in retained earnings and not reclassified to profit or loss in a subsequent period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

#### (15) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The Company discloses contingent liabilities in the notes to the financial statements in any of the following cases;

- a) A possible obligation arises from past events but its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company
- b) A present obligation arises from past events but is not recognized because:
  - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii) the amount of the obligation cannot be measured with sufficient reliability.

#### (16) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The financial charge, except for the case that it is capitalized as part of the cost of that asset according to the Company's accounting for borrowing costs, is immediately expensed in the period in which it is incurred. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (17) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the Company's normal course of business, net of discounts, customer returns, rebates, related taxes and intercompany transactions.

The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and when the following criteria that are specific to each type of the Company's revenue are met. The Company estimates the amount of revenue based on the historical data including the type of its customers and transactions and individual transaction terms.

##### 1) Sale of goods

The Company recognizes revenue from the sale of goods when the significant risks and rewards of ownership of the goods are transferred to the buyer. The revenue is recognized at an amount net of discounts and customer returns estimated based on historical experiences at a point of sale.

## 2) Interest income

Interest income is recognized using the effective interest rate method. In case impairment of receivables occurs, the Company reduces the book value of the receivables to the recoverable amount (present value of the estimated future cash flows discounted using the original effective interest rate) and recognizes the part increased due to the passage of time as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

## (18) Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the subsidies will be received.

Subsidies related to income are deferred and recognized in the statement of income in the period in which they may correspond to income or expenses that are related to the purpose of grant. Monetary government subsidies related to purchase of assets are presented as deferred income and the deferred income is recognized as income on a systematic basis over the useful life of the asset.

## (19) Income tax expense and deferred income tax

The tax expense for the period comprises current and deferred tax.

### 1) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period

### 2) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

### 3) Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity respectively. Where current income tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(20) Derecognition of financial liabilities

In case terms of an existing financial liability (or part of an existing financial liability) substantially changes (due to a debtor's financial difficulty or other reasons), the Company derecognizes the original financial liability and recognizes a new financial liability. The difference between the carrying amount of (part of) the financial liability extinguished or transferred to a third party and the consideration given (non-cash assets or liabilities) is recognized in profit or loss. If the difference between the present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability exceeds 10%, the terms are regarded to have changed substantially. In that case, the amount of a net fee (fee paid less fee received) is included in the cash flows under the new terms, and an original effective interest rate is used to discount the cash flows. If an exchange of or a change in the terms of a debt instrument is not accounted for as an extinguishment of a financial liability, relevant cost or fees occurred is adjusted in the carrying amount of the financial liability and are amortized over the remaining maturity of the adjusted liability.

(21) Earnings per share

Earnings per share is net income per share of common stock and is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding.

(22) Segment information

Segment information is presented in the same format as the reporting material presented to the Company's management. The Company's management is liable for the assessment of the resources to be allocated to the business segments and the performance results of the business segments.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

(1) Provision for product warranties

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

(2) Retirement benefit obligation

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

#### 4. TRANSITION TO K-IFRS:

The Company has adopted K-IFRS from the annual reporting period starting after January 1, 2011, and as part of the first K-IFRS financial statements for the fiscal year 2011, the financial statements as of and for the six months ended June 30, 2011 are prepared in accordance with IAS 34 “*Interim Financial Reporting*”. The Company’s past financial statements were prepared in accordance with generally accepted accounting standards in the Republic of Korea (“K-GAAP”), but the Company’s separate financial statements for the fiscal year 2011 were prepared in accordance with K-IFRS. Therefore, the financial statements for the prior year that are comparatively presented are restated based on K-IFRS 1101 “*First-time adoption of International Financial Reporting Standard*”, with a K-IFRS transition date set to January 1, 2010.

##### (1) Major differences in accounting policies

Major differences between the accounting policies that the Company has chosen to apply under K-IFRS and the policies under the previous accounting standards are as follows.

##### 1) First-time adoption of K-IFRS

The Company has taken the following exemptions from full requirements of K-IFRS.

- a) Fair value as deemed cost: the Company revalued its land at fair value at the date of transition to K-IFRS and used it as a deemed cost, and the measurement of the fair value was performed by a third party independent valuation firm based on the recent market transactions.
- b) Cumulative translation differences: Cumulative translation differences for all foreign operations at the date of transition are deemed to be zero.
- c) The Company has applied carrying amounts in accordance with K-GAAP at the date of transition to K-IFRS as deemed costs for investments in subsidiaries, affiliates and joint ventures.

##### 2) Debt adjustment

In case there is a material change in debt terms irrespective of the Company’s financial situation, the Company eliminates the existing debt and recognizes a new debt using the effective interest rate at the point of the change in terms.

##### 3) Assets held for sale

The Company classifies its non-current assets as “non-current assets held for sale” (or “disposable group”) if their carrying amounts will be recovered principally through sale transactions and it is highly probable that they will be sold. If a carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, the asset is measured at lower of its carrying value or fair value less costs to sell.

##### 4) Employee benefits

Under the previous GAAP, the Company recognized accrued severance indemnities in the amount payable assuming all employees with more than one year of service were to resign at the end of a reporting period. Under K-IFRS, the Company recognizes defined benefit obligation based on actuarial methods of calculation.

(2) Changes in scope of consolidation

Changes in the Company's subsidiaries that are subject to consolidation as a result of K-IFRS adoption are as follows:

Classification	Detail	Names of Subsidiaries
Increase in consolidation scope	Corporations with the total asset of less than 10 billion won (0.4 billion rupee) at the end of the prior fiscal year were excluded from consolidation in accordance with the Act on External Audit of Stock Companies. Under K-IFRS, they are subject to consolidation.	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd., Ssangyong European Parts Center B.V

(3) Transition effects on the Company's financial position, result of operation and cash flows

1) Adjustments to the Company's financial position as of January 1, 2010 (date of transition) (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	₩ 1,388,474	₩ 1,087,853	₩ 300,621
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695
Fair value of liabilities for debt adjustment (*)	-	(74,494)	74,494
Classification and measurement of non-current assets held for sale	(1,945)	-	(1,945)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(5,696)	5,696
Adjustment on valuation of provision for product warranties	-	(4,362)	4,362
Others	14,187	(8,237)	22,424
	<u>273,937</u>	<u>(92,789)</u>	<u>366,726</u>
K-IFRS	<u>₩ 1,662,411</u>	<u>₩ 995,064</u>	<u>₩ 667,347</u>

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	Rs. 55,539	Rs. 43,514	Rs. 12,025
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468
Fair value of liabilities for debt adjustment (*)	-	(2,980)	2,980
Classification and measurement of non-current assets held for sale	(78)	-	(78)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(228)	228
Adjustment on valuation of provision for product warranties	-	(174)	174
Others	567	(330)	897
	<u>10,957</u>	<u>(3,712)</u>	<u>14,669</u>
K-IFRS	<u>Rs. 66,496</u>	<u>Rs. 39,802</u>	<u>Rs. 26,694</u>

(\*) In accordance with paragraph 40 and AG62 of Korean International Financial Reporting Standards (K-IFRS) 1039 "Financial Instruments: Recognition and Measurement", the Company recognized trouble-debt as being extinguished when restructuring trouble-debt on the base of the corporate reorganization plan on December 17, 2009. In the previous period, when assessing the extinguishment of the debt, the Company calculated its debt forgiveness based on only one group's basis for debtors, however, in the current period, the Company deemed an assessment based on the individual debtors' basis, to be appropriate. Due to the change, the Company recognized decrease of a gain on exemption of debts amounting to ₩53,829 million (Rs. 2,153 million) as of the transition date, January 1, 2010 and increase of the liability amounting to ₩45,986 millions (Rs. 1,839 million) and ₩7,843 millions (Rs. 314 million) for the year ended December 31, 2010. Meanwhile, the Company recognized gain from debt forgiveness amounting to ₩45,986 million (Rs. 1,839 million) in accordance with the merger and acquisition with Mahindra & Mahindra for the six months ended June 30, 2011.

2) Adjustments to financial position as of and interim result of operation for the period ended June 30, 2010 (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive Income
Accounting standards prior to K-IFRS	₩ 1,449,177	₩ 1,195,617	₩ 253,560	₩ (47,310)	₩ (47,161)
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value of liabilities for debt adjustment	-	(77,372)	77,372	(9,089)	(9,089)
Classification and measurement of non-current assets held for sale	(1,495)	-	(1,495)	450	450
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(25,037)	25,037	9,934	9,916
Adjustment on valuation of provision for product warranties	-	(4,362)	4,362	2,207	2,207
Others	(3,425)	(35,342)	31,917	(22,124)	(22,272)
	<u>256,775</u>	<u>(142,113)</u>	<u>398,888</u>	<u>(18,622)</u>	<u>(18,788)</u>
K-IFRS	<u>₩ 1,705,952</u>	<u>₩ 1,053,504</u>	<u>₩ 652,448</u>	<u>₩ (65,932)</u>	<u>₩ (65,949)</u>

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	Rs. 57,967	Rs. 47,825	Rs. 10,142	Rs. (1,892)	Rs. (1,886)
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value of liabilities for debt adjustment	-	(3,095)	3,095	(364)	(364)
Classification and measurement of non-current assets held for sale	(60)	-	(60)	18	18
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(1,001)	1,001	397	397
Adjustment on valuation of provision for product warranties	-	(175)	175	88	88
Others	(137)	(1,414)	1,277	(884)	(891)
	<u>10,271</u>	<u>(5,685)</u>	<u>15,956</u>	<u>(745)</u>	<u>(752)</u>
K-IFRS	<u>Rs. 68,238</u>	<u>Rs. 42,140</u>	<u>Rs. 26,098</u>	<u>Rs. (2,637)</u>	<u>Rs. (2,638)</u>

3) Adjustments to financial position as of and result of operation for the year ended December 31, 2010 (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	₩ 1,475,260	₩ 1,166,374	₩ 308,886	₩ 8,115	₩ 8,148
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value of liabilities for debt adjustment	-	(63,089)	63,089	(11,405)	(11,405)
Classification and measurement of non-current assets held for sale	11	-	11	1,956	1,956
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	10,845	(10,845)	5,804	(16,541)
Adjustment on valuation of provision for product warranties	-	4,125	(4,125)	(8,486)	(8,486)
Others	(8,179)	(8,359)	180	(22,212)	(22,245)
	<u>253,527</u>	<u>(56,478)</u>	<u>310,005</u>	<u>(34,343)</u>	<u>(56,721)</u>
K-IFRS	<u>₩ 1,728,787</u>	<u>₩ 1,109,896</u>	<u>₩ 618,891</u>	<u>₩ (26,228)</u>	<u>₩ (48,573)</u>

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net loss	Total comprehensive income
Accounting standards prior to K-IFRS	Rs. 59,010	Rs. 46,655	Rs. 12,355	Rs. 325	Rs. 326
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value of liabilities for debt adjustment	-	(2,524)	2,524	(456)	(456)
Classification and measurement of non-current assets held for sale	-	-	-	78	78
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	434	(434)	232	(662)
Adjustment on valuation of provision for product warranties	-	165	(165)	(339)	(339)
Others	(327)	(334)	7	(889)	(890)
	<u>10,141</u>	<u>(2,259)</u>	<u>12,400</u>	<u>(1,374)</u>	<u>(2,269)</u>
K-IFRS	<u>Rs. 69,151</u>	<u>Rs. 44,396</u>	<u>Rs. 24,755</u>	<u>Rs. (1,049)</u>	<u>Rs. (1,943)</u>

4) Adjustments to cash flows for the year ended December 31, 2010

Interest income, interest expense, dividend income and income tax expense that were not separately presented in accordance with K-GAAP have been presented as separate items in the statement of cash flows in accordance with K-IFRS, and the cash flows for the relevant income(expense) and assets(liabilities) have been adjusted accordingly. There are no material differences between the statements of cash flows under K-GAAP and K-IFRS other than the aforementioned differences.

5. CASH AND CASH EQUIVALENTS:

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

6. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	<u>Financial institution</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives	₩ 260,000	₩ 260,000	Corporate card limit
	Korea Development Bank	-	52,306,433	M&A performance deposit
	Shinhan Bank and others	388,340	832,324	Government subsidies and others
	Woori Bank and others	16,480,713	-	Unconfirmed reorganization debt pledged as collateral
				Overdraft deposit
Long-term financial instruments	Shinhan Bank and others	<u>6,000</u>	<u>6,000</u>	
		<u>₩ 17,135,053</u>	<u>₩ 53,404,757</u>	

(Unit: Indian-Rupee in thousands):

	<u>Financial institution</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives	Rs. 10,400	Rs. 10,400	Corporate card limit
	Korea Development Bank	-	2,092,257	M&A performance deposit
	Shinhan Bank and others	15,534	33,293	Government subsidies and others
	Woori Bank and others	659,229	-	Unconfirmed reorganization debt pledged as collateral
				Overdraft deposit
Long-term financial instruments	Shinhan Bank and others	<u>240</u>	<u>240</u>	
		<u>Rs. 685,403</u>	<u>Rs. 2,136,190</u>	

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

The Company's long-term available-for-sale financial assets as of June 30, 2011 are as follows (Unit: Korean Won in thousands):

<u>Classification</u>	<u>Ownership (%)</u>	<u>June 30, 2011</u>			<u>December 31, 2010</u>
		<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Book value</u>	<u>Book value</u>
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 645,224	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	<u>60,000</u>	<u>221,969</u>	<u>₩ 60,000</u>	<u>₩ 60,000</u>
		<u>₩ 560,000</u>	<u>₩ 867,193</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	June 30, 2011			December 31, 2010
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 20,000	Rs. 25,809	Rs. 20,000	Rs. 20,000
Korea Management Consultants Association (*)	1.50	<u>2,400</u>	<u>8,879</u>	<u>2,400</u>	<u>Rs. 2,400</u>
		<u>Rs. 22,400</u>	<u>Rs. 34,688</u>	<u>Rs. 22,400</u>	<u>Rs. 22,400</u>

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

#### 8. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from June 30, 2011 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, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

Financial liabilities	June 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 172,619,526	₩ 28,048,291	₩ 2,365,629	₩ 37,812,648
Receivables due from affiliated parties	14,842,525	-	-	-
Less: Allowance for doubtful accounts	<u>(2,005,309)</u>	<u>(2,024,400)</u>	<u>(1,878)</u>	<u>(10,849)</u>
	<u>₩ 185,456,742</u>	<u>₩ 26,023,891</u>	<u>₩ 2,363,751</u>	<u>₩ 37,801,799</u>

  

Financial liabilities	December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 155,347,828	₩ 19,000,379	₩ 2,231,590	₩ 37,997,387
Receivables due from affiliated parties	14,194,364	-	-	-
Less: Allowance for doubtful accounts	<u>(2,348,682)</u>	<u>(2,057,840)</u>	<u>(13,584)</u>	<u>(89,318)</u>
	<u>₩ 167,193,510</u>	<u>₩ 16,942,539</u>	<u>₩ 2,218,006</u>	<u>₩ 37,908,069</u>

(Unit: Indian-Rupee in thousands):

Financial liabilities	June 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,904,781	Rs. 1,121,931	Rs. 94,625	Rs. 1,512,506
Receivables due from affiliated parties	593,701	-	-	-
Less: Allowance for doubtful accounts	<u>(80,212)</u>	<u>(80,976)</u>	<u>(75)</u>	<u>(434)</u>
	<u>Rs. 7,418,270</u>	<u>Rs. 1,040,955</u>	<u>Rs. 94,550</u>	<u>Rs. 1,512,072</u>

Financial liabilities	December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,213,913	Rs. 760,015	Rs. 89,263	Rs. 1,519,895
Receivables due from affiliated parties	567,775	-	-	-
Less: Allowance for doubtful accounts	(93,947)	(82,314)	(543)	(3,573)
	<u>Rs. 6,687,741</u>	<u>Rs. 677,701</u>	<u>Rs. 88,720</u>	<u>Rs. 1,516,322</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 90 days. Based on past experience, receivables that are overdue for more than 1 year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than 1 year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

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

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of June 30, 2011 and December 31, 2010 is as follows (Unit: Korean Won in thousands):

Classification	June 30, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 47,019	₩ 8,171,320	₩ -	₩ 8,218,339
Non-trade receivables	271,183	7,517	181,069	459,769
	<u>₩ 318,202</u>	<u>₩ 8,178,837</u>	<u>₩ 181,069</u>	<u>₩ 8,678,108</u>

  

Classification	December 31, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 6,900	₩ 8,156,817	₩ -	₩ 8,163,717
Non-trade receivables	573,948	155,400	181,069	910,417
	<u>₩ 580,848</u>	<u>₩ 8,312,217</u>	<u>₩ 181,069</u>	<u>₩ 9,074,134</u>

(Unit: Indian-Rupee in thousands):

Classification	June 30, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 1,881	Rs. 326,853	Rs. -	Rs. 328,734
Non-trade receivables	10,847	301	7,243	18,391
	<u>Rs. 12,728</u>	<u>Rs. 327,154</u>	<u>Rs. 7,243</u>	<u>Rs. 347,125</u>

  

Classification	December 31, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 276	Rs. 326,273	Rs. -	Rs. 326,549
Non-trade receivables	22,958	6,216	7,243	36,417
	<u>Rs. 23,234</u>	<u>Rs. 332,489</u>	<u>Rs. 7,243</u>	<u>Rs. 362,966</u>

(3) Changes in allowance for trade and other receivables for the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

Classification	Six months ended June 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,348,682	₩ 2,057,840	₩ 13,584	₩ 89,318
Bad debt expense	3,059	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	(346,432)	(33,440)	(11,706)	(78,469)
Ending balance	<u>₩ 2,005,309</u>	<u>₩ 2,024,400</u>	<u>₩ 1,878</u>	<u>₩ 10,849</u>

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

Classification	Year ended December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,112,369	₩ 3,528,838	₩ 23,462	₩ 169,997
Bad debt expense	1,445,619	438,617	-	-
Write-offs	-	(980,611)	-	-
Reversal of allowance	(1,209,306)	(929,004)	(9,878)	(80,679)
Ending balance	<u>₩ 2,348,682</u>	<u>₩ 2,057,840</u>	<u>₩ 13,584</u>	<u>₩ 89,318</u>

(Unit: Indian-Rupee in thousands):

Classification	Six months ended June 30, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 93,947	Rs. 82,314	Rs. 543	Rs. 3,573
Bad debt expense	122	-	-	-
Write-offs	-	-	-	-
Reversal of allowance (*)	(13,857)	(1,338)	(468)	(3,139)
Ending balance	<u>Rs. 80,212</u>	<u>Rs. 80,976</u>	<u>Rs. 75</u>	<u>Rs. 434</u>

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

Classification	Year ended December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 84,495	Rs. 141,154	Rs. 938	Rs. 6,800
Bad debt expense	57,825	17,545	-	-
Write-offs	-	(39,224)	-	-
Reversal of allowance	(48,372)	(37,160)	(395)	(3,227)
Ending balance	<u>Rs. 93,948</u>	<u>Rs. 82,315</u>	<u>Rs. 543</u>	<u>Rs. 3,573</u>

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

#### 9. INVENTORIES:

The Company presents inventory costs using lower of cost or market method when the market price of the inventory falls below the acquisition cost. When the market price exceeds the carrying amount of inventory, the inventory may be recovered up to the amount of the original acquisition cost. For the six months ended June 30, 2011, loss on valuation of inventories amounting to ₩938,400 thousand (Rs. 37,536 thousand) was recovered and added back to cost of goods sold.

Details of the inventories as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	June 30, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 47,317,262	₩ (1,979,503)	₩ 45,337,759	₩ 53,416,906	₩ (4,541,155)	₩ 48,875,751
Finished goods	55,730,098	(2,622,254)	53,107,844	21,257,058	(408,446)	20,848,612
Work-in-process	29,518,312	(828,774)	28,689,538	25,046,329	(487,031)	24,559,298
Raw materials	56,251,040	(6,157,794)	50,093,246	69,967,784	(5,213,293)	64,754,491
Sub-materials	7,634,637	-	7,634,637	4,574,168	-	4,574,168
Supplies	4,654,820	-	4,654,820	4,715,649	-	4,715,649
Goods in transit	42,797,477	-	42,797,477	47,196,171	-	47,196,171
Total	<u>₩ 243,903,646</u>	<u>₩ (11,588,325)</u>	<u>₩ 232,315,321</u>	<u>₩ 226,174,065</u>	<u>₩(10,649,925)</u>	<u>₩ 215,524,140</u>

(Unit: Indian-Rupee in thousands):

	June 30, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 1,892,690	Rs. (79,180)	Rs. 1,813,510	Rs. 2,136,676	Rs. (181,646)	Rs. 1,955,030
Finished goods	2,229,204	(104,890)	2,124,314	850,282	(16,338)	833,944
Work-in- process	1,180,733	(33,151)	1,147,582	1,001,853	(19,481)	982,372
Raw materials	2,250,042	(246,312)	2,003,730	2,798,712	(208,532)	2,590,180
Sub-materials	305,385	-	305,385	182,967	-	182,967
Supplies	186,193	-	186,193	188,626	-	188,626
Goods in transit	<u>1,711,899</u>	<u>-</u>	<u>1,711,899</u>	<u>1,887,847</u>	<u>-</u>	<u>1,887,847</u>
Total	<u>Rs. 9,756,146</u>	<u>Rs. (463,533)</u>	<u>Rs. 9,292,613</u>	<u>Rs. 9,046,963</u>	<u>Rs. (425,997)</u>	<u>Rs. 8,620,966</u>

#### 10. EQUITY METHOD INVESTMENTS:

##### (1) Investments in subsidiaries

Details of investment in securities accounted for using equity method as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands)

Name of subsidiary	Location	Ownership %	June 30, 2011	
			Acquisition cost	Book value (*)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.0	₩ 1,618,803	₩ 2,854,568
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.0	235,700	811,723
Ssangyong European Parts Center B.V.	Netherland	100.0	835,695	-
			<u>₩ 2,690,198</u>	<u>₩ 3,666,291</u>

(Unit: Indian-Rupee in thousands)

Name of subsidiary	Location	Ownership %	June 30, 2011	
			Acquisition cost	Book value (*)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.0	Rs. 64,752	Rs. 114,183
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.0	9,428	32,469
Ssangyong European Parts Center B.V.	Netherland	100.0	33,428	-
			<u>Rs. 107,608</u>	<u>Rs. 146,652</u>

(\*) Book value accounted for under K-GAAP was used as a deemed cost at the date of transition.

The Company discontinued applying the equity method on Ssangyong European Parts Center B.V. of which book value was valued at zero due to accumulated loss, and the unrecognized accumulated change in equity amounts to ₩8,198,191 thousand (Rs. 327,928 thousand).

(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, 2011 is as follows (Unit: Korean Won in thousands):

Companies	Assets	Liabilities	Operating revenues	Net loss
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 3,860,235	₩ 987,829	₩ 909,872	₩ (75,714)
Ssangyong Motor (Shanghai) Co., Ltd	2,114,728	61,814	1,418,756	(259,741)
Ssangyong European Parts Center B.V.	9,959,068	15,522,530	8,775,674	(79,009)

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Operating revenues	Net loss
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 154,409	Rs. 39,513	Rs. 36,395	Rs. (3,029)
Ssangyong Motor (Shanghai) Co., Ltd	84,589	2,473	56,750	(10,390)
Ssangyong European Parts Center B.V.	398,363	620,901	351,027	(3,160)

(3) Summarized statement of financial position with application of equity method (Unit: Korean Won in thousands)

Account	June 30, 2011	December 31, 2010
Current assets	₩ 629,476,926	₩ 566,517,346
Non-current assets	1,143,609,334	1,162,448,646
Total assets	<u>1,773,086,260</u>	<u>1,728,965,992</u>
Current liabilities	437,493,528	859,041,088
Non-current liabilities	322,567,613	204,869,285
Total liabilities	<u>760,061,141</u>	<u>1,063,910,373</u>
Total shareholders' equity	<u>1,013,025,119</u>	<u>665,055,619</u>
Total liabilities and shareholders' equity	<u>₩ 1,773,086,260</u>	<u>₩ 1,728,965,992</u>

(Unit: Indian-Rupee in thousands)

Account	June 30, 2010	December 31, 2010
Current assets	Rs. 25,179,077	Rs. 22,660,694
Non-current assets	45,744,373	46,497,946
Total assets	<u>70,923,450</u>	<u>69,158,640</u>
Current liabilities	17,499,741	34,361,644
Non-current liabilities	12,902,705	8,194,771
Total liabilities	<u>30,402,446</u>	<u>42,556,415</u>
Total shareholders' equity	<u>40,521,005</u>	<u>26,602,225</u>
Total liabilities and shareholders' equity	<u>Rs. 70,923,450</u>	<u>Rs. 69,158,640</u>

(4) Summarized statement of comprehensive income with application of equity method (Unit: Korean Won in thousands)

Account	June 30, 2011	June 30, 2010
Operating income	₩ (75,295,506)	₩ (48,138,761)
Financial income	51,840,373	20,778,310
Financial cost	8,815,280	41,450,179
Loss on valuation of investment using the equity method of accounting	<u>(330,494)</u>	<u>(12,806)</u>
Loss before income tax	<u>(32,600,907)</u>	<u>(68,823,436)</u>
Income taxes	-	-
Net loss	<u>(32,600,907)</u>	<u>(68,823,436)</u>
Other comprehensive loss	<u>(28,420)</u>	<u>(17,286)</u>
Total other comprehensive loss	<u>₩ (32,629,327)</u>	<u>₩ (68,840,722)</u>

(Unit: Indian-Rupee in thousands)

<u>Account</u>	<u>Jun 30, 2011</u>	<u>June 30, 2010</u>
Operating income	Rs. (3,011,820)	Rs. (1,925,550)
Financial revenues	2,073,615	831,132
Financial expenses	352,611	1,658,007
Loss on valuation of investment using the equity method of accounting	(13,220)	(512)
Loss before income tax	(1,304,036)	(2,752,937)
Income taxes	-	-
Net loss	(1,304,036)	(2,752,937)
Other comprehensive loss	(1,137)	(691)
Total other comprehensive loss	<u>Rs. (1,305,173)</u>	<u>Rs. (2,753,628)</u>

#### 11. OTHER ASSETS:

The carrying values of the Company's other assets as of June 30, 2011 are as follows (Unit: Korean Won in thousands) :

<u>Account</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Other current assets		
Advance payments	₩ 73,710,868	₩ 81,047,681
Less: Allowance for doubtful accounts	(689,144)	(727,690)
Prepaid expenses	2,681,616	3,022,480
Other current assets	494,700	58,554
	<u>76,198,040</u>	<u>83,401,025</u>
Other non-current assets	-	-
Long-term prepaid expenses	363,350	519,071
Other non-current assets	191,824	404,279
	<u>555,174</u>	<u>923,350</u>
	<u>₩ 76,753,214</u>	<u>₩ 84,324,375</u>

(Unit: Indian-Rupee in thousands):

<u>Account</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Other current assets		
Advance payments	Rs. 2,948,435	Rs. 3,241,907
Less: Allowance for doubtful accounts	(27,566)	(29,108)
Prepaid expenses	107,265	120,900
Other current assets	19,788	2,342
	<u>3,047,922</u>	<u>3,336,041</u>
Other non-current assets	-	-
Long-term prepaid expenses	14,534	20,763
Other non-current assets	7,674	16,171
	<u>22,207</u>	<u>36,934</u>
	<u>Rs. 3,070,129</u>	<u>Rs. 3,372,975</u>

#### 12. ASSETS HELD FOR SALE:

The Company has decided to sell part of its land and buildings as of June 30, 2011 and recognized the assets held for sale amounting to ₩741,745 thousand (Rs. 29,670 thousand), which is the lower of the book value and the fair value net of costs to sell.

13. OFFICIALLY ANNOUNCED PRICE OF LAND:

Officially announced prices of the Company's land are as follows (Unit: Korean Won in thousands):

<u>Location</u>	<u>Account</u>	<u>Area (m<sup>2</sup>)</u>	<u>Carrying amount</u>	<u>Officially announced land price</u>
Pyungteak, Kyeonggi-do	Land	1,123,895	₩ 383,946,347	₩ 348,212,047
Changwon, Kyeongsangnam-do		119,468	85,275,553	46,394,427
Kangreung, Kangwon-do	Assets held for sale	2,969	468,532	408,331
		<u>1,246,332</u>	<u>₩ 469,690,432</u>	<u>₩ 395,014,805</u>

(Unit: Indian-Rupee in thousands):

<u>Location</u>	<u>Account</u>	<u>Area (m<sup>2</sup>)</u>	<u>Carrying amount</u>	<u>Officially announced land price</u>
Pyungteak, Kyeonggi-do	Land	1,123,895	Rs. 15,357,854	Rs. 13,928,482
Changwon, Kyeongsangnam-do		119,468	3,411,022	1,855,777
Kangreung, Kangwon-do	Assets held for sale	2,969	18,741	16,333
		<u>1,246,332</u>	<u>Rs. 18,787,617</u>	<u>Rs. 15,800,592</u>

14. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of June 30, 2011 and December 31, 2010 are as follows

(Unit: Korean Won in thousands):

	June 30, 2011				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	₩ 469,221,900	₩ -	₩ -	₩ -	₩ 469,221,900
Buildings	519,648,974	1,851,226	163,099,705	158,362,289	196,335,754
Structures	105,439,034	225,200	57,655,814	29,934,590	17,623,430
Machinery	1,210,800,385	1,181,096	973,285,559	100,217,818	136,115,912
Vehicles	11,933,035	3	7,884,170	1,708,954	2,339,908
Tools	708,534,327	97,069	374,191,037	164,414,710	169,831,511
Equipment	51,351,627	111,099	37,718,966	6,114,224	7,407,338
Construction in progress	26,228,548	-	-	-	26,228,548
Machinery in transit	157	-	-	-	157
	<u>₩ 3,103,157,987</u>	<u>₩ 3,465,693</u>	<u>₩ 1,613,835,251</u>	<u>₩ 460,752,585</u>	<u>₩ 1,025,104,458</u>
	December 31, 2010				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	₩ 472,348,135	₩ -	₩ -	₩ -	₩ 472,348,135
Buildings	519,340,266	1,876,262	159,139,342	158,362,289	199,962,373
Structures	10,544,400	235,189	57,048,578	29,935,519	18,225,114
Machinery	1,202,644,051	1,255,959	959,555,703	100,224,599	141,607,790
Vehicles	11,192,675	962	7,956,951	1,799,442	1,435,320
Tools and molds	690,788,668	111,214	352,710,189	164,424,847	173,542,418
Equipment	52,078,370	208,758	39,119,171	6,250,604	6,499,837
Construction in progress	16,413,955	-	-	-	16,413,955
	<u>₩ 3,070,250,520</u>	<u>₩ 3,688,344</u>	<u>₩ 1,575,529,934</u>	<u>₩ 460,997,300</u>	<u>₩ 1,030,034,942</u>

(Unit: Indian-Rupee in thousands):

June 30, 2011					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 18,768,876	Rs. -	Rs. -	Rs. -	Rs. 18,768,876
Buildings	20,785,959	74,049	6,523,988	6,334,492	7,853,430
Structures	4,217,561	9,008	2,306,233	1,197,384	704,937
Machinery	48,432,015	47,244	38,931,422	4,008,713	5,444,636
Vehicles	477,321	-	315,367	68,358	93,596
Tools	28,341,373	3,883	14,967,641	6,576,588	6,793,260
Equipment	2,054,065	4,444	1,508,759	244,569	296,294
Construction in progress	1,049,142	-	-	-	1,049,142
Machinery in transit	7	-	-	-	7
	<u>Rs.124,126,319</u>	<u>Rs. 138,628</u>	<u>Rs.64,553,410</u>	<u>Rs.18,430,104</u>	<u>Rs. 41,004,178</u>

  

December 31, 2010					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 18,893,925	Rs. -	Rs. -	Rs. -	Rs. 18,893,925
Buildings	20,773,611	75,050	6,365,574	6,334,492	7,998,495
Structures	4,217,776	9,408	2,281,943	1,197,421	729,005
Machinery	48,105,762	50,238	38,382,228	4,008,984	5,664,312
Vehicles	447,707	38	318,278	71,978	57,413
Tools and molds	27,631,547	4,449	14,108,408	6,576,994	6,941,697
Equipment	2,083,135	8,350	1,564,767	250,024	259,993
Construction in progress	656,558	-	-	-	656,558
	<u>Rs.122,810,021</u>	<u>Rs. 147,533</u>	<u>Rs. 63,021,198</u>	<u>Rs.18,439,893</u>	<u>Rs. 41,201,398</u>

(2) Changes in the carrying amounts of property, plant and equipment for the six months ended June 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

Six months ended June 30, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	₩ 472,348,135	₩ -	₩ 3,126,235	₩ -	₩ -	₩ 469,221,900
Buildings	199,962,373	722,271	609,864	502,535	4,241,561	196,335,754
Structures	18,225,114	218,312	103,948	9,989	726,037	17,623,430
Machinery	141,607,790	2,354,907	446	7,624,186	15,470,525	136,115,912
Vehicles	1,435,320	1,203,778	11,653	957	288,494	2,339,908
Tools	173,542,418	8,076,282	41,262	10,344,192	22,090,119	169,831,511
Equipment	6,499,837	1,822,215	13,195	97,650	999,169	7,407,338
Construction in progress	16,413,955	28,171,503	-	(18,356,910)	-	26,228,548
Machinery in transit	-	157	-	-	-	157
	<u>₩1,030,034,942</u>	<u>₩ 42,569,425</u>	<u>₩ 3,906,603</u>	<u>₩ 222,599</u>	<u>₩ 43,815,905</u>	<u>₩1,025,104,458</u>

(\*) Depreciation in the statement of cash flows is stated net of government subsidies.

Year ended December 31, 2010						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	₩ 461,677,086	₩ -	₩ -	₩ 10,671,049	₩ -	₩ 472,348,135
Buildings	182,232,937	6,408,816	-	19,137,627	7,817,007	199,962,373
Structures	18,487,354	583,405	-	635,858	1,481,503	18,225,114
Machinery	102,282,897	11,798,145	738,030	55,551,230	27,286,452	141,607,790
Vehicles	1,422,949	429,381	45,838	136,974	508,146	1,435,320
Tools and molds	98,833,283	30,030,649	61,501	78,053,159	33,313,172	173,542,418
Equipment	5,336,181	2,824,323	33,404	117,185	1,744,448	6,499,837
Construction in progress	111,973,529	60,825,126	-	(156,384,700)	-	16,413,955
	<u>₩ 982,246,216</u>	<u>₩ 112,899,845</u>	<u>₩ 878,773</u>	<u>₩ 7,918,382</u>	<u>₩ 72,150,728</u>	<u>₩ 1,030,034,942</u>

(Unit: Indian-Rupee in thousands):

Six months ended June 30, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 18,893,925	Rs. -	Rs. 125,049	Rs. -	Rs. -	Rs. 18,768,876
Buildings	7,998,495	28,891	24,395	20,101	169,662	7,853,430
Structures	729,005	8,732	4,158	399	29,041	704,937
Machinery	5,664,312	94,196	18	304,967	618,821	5,444,636
Vehicles	57,413	48,151	466	38	11,540	93,596
Tools	6,941,697	323,051	1,650	413,767	883,605	6,793,260
Equipment	259,993	72,889	528	3,907	39,967	296,294
Construction in progress	656,558	1,126,860	-	(734,276)	-	1,049,142
Machinery in transit	-	7	-	-	-	7
	<u>Rs. 41,201,398</u>	<u>Rs. 1,702,777</u>	<u>Rs. 156,264</u>	<u>Rs. 8,903</u>	<u>Rs. 1,752,636</u>	<u>Rs. 41,004,178</u>

(\*) Depreciation in the statement of cash flows is stated net of government subsidies.

Year ended December 31, 2010						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 18,467,083	Rs. -	Rs. -	Rs. 426,842	Rs. -	Rs. 18,893,925
Buildings	7,289,317	256,353	-	765,505	312,680	7,998,495
Structures	739,495	23,336	-	25,434	59,260	729,005
Machinery	4,091,316	471,926	29,521	2,222,049	1,091,458	5,664,312
Vehicles	56,919	17,175	1,834	5,479	20,326	57,413
Tools and molds	3,953,331	1,201,226	2,460	3,122,127	1,332,527	6,941,697
Equipment	213,447	112,973	1,336	4,687	69,778	259,993
Construction in progress	4,478,941	2,433,005	-	(6,255,388)	-	656,558
	<u>Rs. 39,289,849</u>	<u>Rs. 4,515,994</u>	<u>Rs. 35,151</u>	<u>Rs. 316,735</u>	<u>Rs. 2,886,029</u>	<u>Rs. 41,201,398</u>

### (3) Insured assets

The Company's assets are insured as follows (Unit: Korean Won in thousands):

Type	Sum insured	Insured period	Insurer	Assets insured
Product liability insurance	USD 2,247,670,396	2011.01.01~2012.01.01	LIG Insurance Co., Ltd.	Products
Property insurance	₩ 2,349,846,090 (Rs. 93,993,844)	2010.12.21~2011.12.20	Meritz Fire and Marine Insurance	Property, plant and equipment and inventories

In addition to the above insurances, the Company has subscribed to liability and comprehensive insurance for its vehicles and workers' compensation, health insurance and unemployment insurance for its employees. It has also subscribed to liability insurance for reparation of gas accident, auto insurance, other accident and casualty insurances and cargo insurance.

15. INTANGIBLE ASSETS:

(1) Details of intangible assets as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	June 30, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 180,039,007	₩ -	₩ 108,739,548	₩ -	₩ 71,299,459
Patents	1,470,500	-	845,579	3,226	621,695
Other intangible assets	9,657,267	371,074	4,638,817	-	4,647,376
	<u>₩ 191,166,774</u>	<u>₩ 371,074</u>	<u>₩ 114,223,944</u>	<u>₩ 3,226</u>	<u>₩ 76,568,530</u>

  

	December 31, 2010				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 176,173,786	₩ -	₩ 92,130,327	₩ -	₩ 84,043,459
Patents	1,982,591	-	1,345,825	33,197	603,569
Other intangible assets	11,346,668	515,086	6,307,478	-	4,524,104
	<u>₩ 189,503,045</u>	<u>₩ 515,086</u>	<u>₩ 99,783,630</u>	<u>₩ 33,197</u>	<u>₩ 89,171,132</u>

(Unit: Indian-Rupee in thousands):

	June 30, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 7,201,560	Rs. -	Rs. 4,349,582	Rs. -	Rs. 2,851,978
Patents	58,820	-	33,823	129	24,868
Other intangible assets	386,291	14,843	185,553	-	185,895
	<u>Rs. 7,646,671</u>	<u>Rs. 14,843</u>	<u>Rs. 4,568,958</u>	<u>Rs. 129</u>	<u>Rs. 3,062,741</u>

  

	December 31, 2010				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 7,046,951	Rs. -	Rs. 3,685,213	Rs. -	Rs. 3,361,738
Patents	79,304	-	53,833	1,328	24,143
Other intangible assets	453,866	20,603	252,299	-	180,964
	<u>Rs. 7,580,121</u>	<u>Rs. 20,603</u>	<u>Rs. 3,991,345</u>	<u>Rs. 1,328</u>	<u>Rs. 3,566,845</u>

(2) Changes in intangible assets for the six months ended June 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended June 30, 2011				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 84,043,459	₩ 4,030,221	₩ 16,774,221	₩ -	₩ 71,299,459
Patents	603,569	131,853	110,501	3,226	621,695
Other intangible assets	4,524,104	932,411	809,139	-	4,647,376
	<u>₩ 89,171,132</u>	<u>₩ 5,094,485</u>	<u>₩ 17,693,861</u>	<u>₩ 3,226</u>	<u>₩ 76,568,530</u>

Year ended December 31, 2010						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending Balance</u>
Development cost	₩ 99,657,678	₩ 23,805,472	₩ -	₩ 39,419,691	₩ -	₩ 84,043,459
Patents	737,651	175,423	-	276,286	33,219	603,569
Other intangible assets	2,422,890	1,653,539	2,466,797	2,019,122	-	4,524,104
	<u>₩ 102,818,219</u>	<u>₩ 25,634,434</u>	<u>₩ 2,466,797</u>	<u>₩ 41,715,099</u>	<u>₩ 33,219</u>	<u>₩ 89,171,132</u>

(Unit: Indian-Rupee in thousands):

Six months ended June 30, 2011					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	Rs. 3,361,738	Rs. 161,209	Rs. 670,969	Rs. -	Rs. 2,851,978
Patents	24,143	5,274	4,420	129	24,868
Other intangible assets	180,964	37,296	32,365	-	185,895
	<u>Rs. 3,566,845</u>	<u>Rs. 203,779</u>	<u>Rs. 707,754</u>	<u>Rs. 129</u>	<u>Rs. 3,062,741</u>

Year ended December 31, 2010						
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Ending balance</u>
Development cost	Rs. 3,986,307	Rs. 952,219	Rs. -	Rs. 1,576,788	Rs. -	Rs. 3,361,738
Patents	29,506	7,017	-	11,051	1,329	24,143
Other intangible assets	96,916	66,142	98,671	80,765	-	180,964
	<u>Rs. 4,112,729</u>	<u>Rs. 1,025,378</u>	<u>Rs. 98,672</u>	<u>Rs. 1,668,604</u>	<u>Rs. 1,329</u>	<u>Rs. 3,566,845</u>

(4) Amortization of the Company's intangible assets for the six months ended June 30, 2011 and 2010 is as follows.

<u>Account</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cost of goods manufactured	₩ 16,768,110	₩ 13,737,518	Rs. 670,724	Rs. 549,501
Selling and administrative expenses	925,751	1,199,911	37,030	47,996
	<u>₩ 17,693,861</u>	<u>₩ 14,937,429</u>	<u>Rs. 707,754</u>	<u>Rs. 597,497</u>

## 16. BORROWINGS:

(1) The Company's bonds and borrowings as of June 30, 2011 consist of the following (Unit: Korean Won in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	₩ 95,404,765	-
Current portion of long-term debt	-	-	3.25~7.00	-	356,920,833

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	Rs. 3,816,190	-
Current portion of long-term debt	-	-	3.25~7.00	-	14,276,833

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

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (7.8 billion rupee)

#### 17. DEBT RESTRUCTURING:

The Company completed restructuring of its debt in accordance with the Court approval of the Company's reorganization plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩359,364,150 thousand (Rs. 14,374,566 thousand) and ₩61,970,945 thousand (Rs. 2,478,838 thousand) as of December 31, 2010 and 2009, respectively. In addition, the Company recognized a gain on exemption of debts amounting to ₩510,504 thousand (Rs. 20,420 thousand) and ₩367,077,983 thousand (Rs. 14,683,119 thousand) for the year ended December 31, 2010 and 2009, respectively.

The restructured debt either was or will be repaid during the six months ended June 30, 2011 according to the revised corporate reorganization plan approved on January 28, 2011, and the Company recognized ₩49,047,989 thousand (Rs. 1,961,920 thousand) as a gain on exemption of debts for the six months ended June 30, 2011.

#### 18. OTHER FINANCIAL LIABILITIES:

Carrying values of the Company's other financial liabilities as of June 30, 2011 and December 31, 2010 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Other current financial liabilities:				
Accrued expenses	₩ 15,810,766	₩ 71,648,056	Rs. 632,431	Rs. 2,865,922
Other long-term financial liabilities:				
Other long-term payables	2,249,031	2,247,782	89,961	89,911
Withholdings	8,270	-	331	-
	<u>2,257,301</u>	<u>2,247,782</u>	<u>90,292</u>	<u>89,911</u>
	<u>18,068,067</u>	<u>73,895,838</u>	<u>722,723</u>	<u>2,955,833</u>

#### 19. 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, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
June 30, 2011	₩ 77,265,249	₩ 20,153,682	₩ -	₩ 97,418,931	₩ 43,903,082	₩ 53,515,848
Dec. 31, 2010	63,906,539	75,402,818	62,044,108	77,265,249	34,090,864	43,174,385

(Unit: Indian-Rupee in thousands)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
June 30, 2011	Rs. 3,090,610	Rs. 806,147	Rs. -	Rs. 3,896,757	Rs. 1,756,123	Rs. 2,140,634
Dec. 31, 2010	2,556,262	3,016,113	2,481,765	3,090,610	1,363,635	1,726,976

20. OTHER LIABILITIES:

Carrying values of the Company's other liabilities as of June 30, 2011 and December 31, 2010 are as follows:

Classification	Korean Won in thousands		Indian-Rupee in thousands	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Advances from customers	₩ 3,768,171	₩ 6,615,597	Rs. 150,727	Rs. 264,624
Deposits received	531,125	52,907,186	21,245	2,116,287
Withholdings	18,988,262	21,740,708	759,530	869,628
	<u>23,287,558</u>	<u>81,263,491</u>	<u>931,502</u>	<u>3,250,539</u>

21. RETIREMENT BENEFIT OBLIGATION:

(1) Details of defined benefit plan recognized on the statements of operations for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended June 30, 2011	Six months ended June 30, 2010
Current service cost	₩ 9,785,843	₩ 8,113,347
Interest cost	4,270,777	3,509,917
Expected return on plan assets	(80,485)	(80,485)
	<u>₩ 13,976,135</u>	<u>₩ 11,542,779</u>

(Unit: Indian-Rupee in thousands):

	Six months ended June 30, 2011	Six months ended June 30, 2010
Current service cost	Rs. 391,434	Rs. 324,534
Interest cost	170,831	140,397
Expected return on plan assets	(3,219)	(3,219)
	<u>Rs. 559,046</u>	<u>Rs. 461,712</u>

(2) Expenses related to defined benefit plan for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended June 30, 2011	Six months ended June 30, 2010
Cost of goods manufactured	₩ 9,930,769	₩ 6,923,939
Selling and administrative expenses	4,045,366	4,618,840
	<u>₩ 13,976,135</u>	<u>₩ 11,542,779</u>

(Unit: Indian-Rupee in thousands):

	Six months ended June 30, 2011	Six months ended June 30, 2010
Cost of goods manufactured	Rs. 397,231	Rs. 276,957
Selling and administrative expenses	161,815	184,755
	<u>Rs. 559,046</u>	<u>Rs. 461,712</u>

- (3) Changes in the Company's defined benefit obligation for the six months ended June 30, 2011 and for the year ended 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended <u>June 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	₩ 151,897,559	₩ 110,109,584
Current service cost	9,785,843	16,226,694
Interest cost	4,270,777	7,019,834
Actuarial gains	-	22,239,441
Wages paid	(1,675,299)	(3,607,753)
Other	(34,368)	(90,241)
Ending balance	<u>₩ 164,244,512</u>	<u>₩ 151,897,559</u>

(Unit: Indian-Rupee in thousands):

	Six months ended <u>June 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	Rs. 6,075,902	Rs. 4,404,383
Current service cost	391,434	649,068
Interest cost	170,831	280,793
Actuarial gains	-	889,578
Wages paid	(67,012)	(144,310)
Other	(1,375)	(3,610)
Ending balance	<u>Rs. 6,569,780</u>	<u>Rs. 6,075,902</u>

- (4) Changes in the fair value of plan assets for the six months ended June 30, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended <u>June 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	₩ 3,219,524	₩ 3,174,969
Expected return on plan assets	80,485	160,971
Actuarial losses	(28,419)	(26,175)
Wages paid	(34,368)	(90,241)
Ending balance	<u>₩ 3,237,222</u>	<u>₩ 3,219,524</u>

(Unit: Indian-Rupee in thousands):

	Six months ended <u>June 30, 2011</u>	Year ended <u>December 31, 2010</u>
Beginning balance	Rs. 128,781	Rs. 126,999
Expected return on plan assets	3,219	6,439
Actuarial losses	(1,137)	(1,047)
Wages paid	(1,375)	(3,610)
Ending balance	<u>Rs. 129,488</u>	<u>Rs. 128,781</u>

- (5) Actuarial assumptions used as of March 31, 2011 and December 31, 2010 are as follows:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Discount rate (%)	5.70	5.70
Expected return on plan assets (%)	3.80	3.80
Expected rate of salary increase (%)	5.40	5.30

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.

(6) The actual return on plan assets for the six months ended June 30, 2011 and 2010 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Actual return on plan assets	₩ 52,065	₩ 63,200	Rs. 2,083	Rs. 2,528

(7) Company's plan assets as of June 30, 2011 and December 31, 2010 are composed of as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Others	₩ 3,237,222	₩ 3,219,524	Rs. 129,488	Rs. 128,781

## 22. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of June 30, 2011.

- (1) The Company carries a product liability insurance for all products sold in domestic region.
- (2) The Company transferred its trade receivables to a capital company. As a result, the Company recognized a loss on disposal of trade receivables amounting to ₩8,430,338 thousand (Rs. 337,214 thousand) and ₩5,972,455 thousand (Rs. 238,898 thousand) for the six months ended June 30, 2011 and 2010, respectively.
- (3) Pending litigations

As of June 30, 2011, the Company has two pending litigations as a plaintiff with claims amounting to ₩15,000 million (Rs. 600 million) and thirty-three pending litigations as a defendant with claims amounting to ₩19,020 million (Rs. 761 million). Details of significant pending litigations as of June 30, 2011 are as follows (Unit: Korean Won in thousands):

Type of litigation	Claimed amount (Korean Won in thousands)	Claimed amount (Indian-Rupee in thousands)	Plaintiff	Defendant	Remarks
Prohibition of air pollution emission	₩ 10,000	Rs. 400	Kwon, joonghee	The Company	3rd trial pending
Compensation for damages	1,060,000	42,400	Daewoo Bundang Service and 9 others	The Company	2nd trial pending
Compensation for damages	200,000	8,000	Daewoo Suwon Service and 9 others	The Company	2nd trial pending
Debt non-existence confirmation	959,090	38,364	Telstar Hommel	The Company	1st trial pending
Objection to confirmation trial	1,560,000	62,400	SK E&C Co., Ltd. Sung-Ho Lee and 247 others	The Company	1st trial pending
Wages	4,464,000	178,560		The Company Labor Union, Kap Deuk Jung and others	1st trial pending
Compensation for damages	5,000,000	200,000	The Company	Federation of Korean Metal Worker's Trade Unions	1st trial pending
Compensation for damages	₩10,000,000	Rs. 400,000	The Company		1st trial pending

(\*) For the above pending litigations, the Company recognized other payables amounting to ₩1,628,956 thousand (Rs 65,158 thousand) that are expected to be a probable loss and can be reasonably estimated as of June 30, 2011.

23. CAPITAL STOCK:

As of June 30, 2011, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

<u>Classification</u>	<u>Number of authorized shares</u>	<u>Par value</u>	<u>Capital stock</u>
June 30, 2011	121,961,841	₩ 5,000	₩ 609,809,205
December 31, 2010	36,537,601	₩ 5,000	₩ 182,688,005

(Unit: Rupee in thousands except par value):

<u>Classification</u>	<u>Number of authorized shares</u>	<u>Par value</u>	<u>Capital stock</u>
June 30, 2011	121,961,841	Rs. 200	Rs. 24,392,368
December 31, 2010	36,537,601	Rs. 200	Rs. 7,307,520

24. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Detail of the Company's other capital surplus and retained earnings as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

<u>Classification</u>		<u>June 30, 2011</u>	<u>December 31, 2010</u>
Retained Earnings	Unappropriated retained earnings	₩ 278,371,866	₩ (404,029,299)
Other Capital Surplus	Paid-in capital in excess of par value	4,213,878	4,170,771
	Gain on retirement of capital stock	120,351,580	805,577,535
	Consideration for conversion rights	-	29,474,043
	Debt converted to equity	931,508	1,009,430

(Unit: Indian-Rupee in thousands):

<u>Classification</u>		<u>March 31, 2011</u>	<u>December 31, 2010</u>
Retained Earnings	Unappropriated retained earnings	Rs. 11,134,875	Rs. (16,161,172)
Other Capital Surplus	Paid-in capital in excess of par value	168,556	166,831
	Gain on retirement of capital stock	4,814,063	32,223,101
	Consideration for conversion rights	-	1,178,962
	Debt converted to equity	37,260	40,377

25. INCOME TAX:

(1) Composition of income tax expense for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	<u>Six months ended June 30, 2011</u>	<u>Six months ended June 30, 2010</u>
Current income tax payable	₩ -	₩ -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>₩ -</u>	<u>₩ -</u>

(Unit: Indian-Rupee in thousands):

	<u>Six months ended June 30, 2011</u>	<u>Six months ended June 30, 2010</u>
Current income tax payable	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity	-	-
Income tax expense	<u>Rs. -</u>	<u>Rs. -</u>

(2) Changes in temporary differences and deferred income tax assets (Unit: Korean Won in thousands):

The changes in temporary differences and deferred income tax assets for the six months ended June 30, 2011 are as follows (Unit: Korean Won in thousands):

<u>Description</u>	<u>Beginning balance</u>	<u>Decrease</u>	<u>Increase</u>	<u>Ending balance</u>
(Temporary differences)				
Allowance for doubtful accounts	₩ 2,231,955	₩ 2,231,955	₩ 1,573,948	₩ 1,573,948
Government subsidies	5,571,451	1,591,016	526,459	4,506,894
Provision for product warranties	73,140,516	73,140,516	97,418,931	97,418,931
Accrued severance indemnities	143,924,301	34,701	7,496,207	151,386,437
Loss on revaluation of property, plant and equipment	248,611,207	58,393,817	-	190,217,390
Development cost	69,737,763	6,974,855	7,853,931	70,616,839
Depreciation	11,495,655	1,498,879	522,533	10,519,309
Other payables	13,253,584	13,253,584	9,179,814	9,179,814
Accrued expenses	24,914,129	24,914,129	14,841,023	14,841,023
Investments in subsidiaries	2,684,828	-	-	2,684,828
Gain (loss) on foreign currency translation	(26,400,145)	(23,543,110)	-	(2,857,035)
Present value discount	(132,649,348)	(239,107,759)	(109,074,214)	(2,615,803)
Land	-	261,695,316	-	(261,695,316)
Other long-term employee benefit	-	-	11,351,440	11,351,440
Others	108,085	348,822	(15,270)	(256,007)
Deficit carried over	<u>1,139,661,753</u>	<u>135,600,216</u>	<u>-</u>	<u>1,003,061,537</u>
	1,576,285,734			1,299,934,229
Not recognized as deferred tax assets	<u>1,576,285,734</u>			<u>1,299,934,229</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>

Description	Beginning balance	Decrease	Increase	Ending balance
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	19,091,682	-	935,280	20,026,962
Not recognized as deferred tax assets	<u>19,091,682</u>			<u>20,026,962</u>
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>₹</u>			<u>₹</u>

(Unit: Indian-Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. 89,278	Rs. 89,278	Rs. 62,958	Rs. 62,958
Government subsidies	222,858	63,641	21,058	180,276
Provision for product warranties	2,925,621	2,925,621	3,896,757	3,896,757
Accrued severance indemnities	5,756,972	1,388	299,848	6,055,457
Loss on revaluation of property, plant and equipment	9,944,448	2,335,753	-	7,608,696
Development cost	2,789,511	278,994	314,157	2,824,674
Depreciation	459,826	59,955	20,901	420,772
Other payables	530,143	530,143	367,193	367,193
Accrued expenses	996,565	996,565	593,641	593,641
Investments in subsidiaries	107,393	-	-	107,393
Gain (loss) on foreign currency translation	(1,056,006)	(941,724)	-	(114,281)
Present value discount	(5,305,974)	(9,564,310)	(4,362,969)	(104,632)
Land	-	10,467,813	-	(10,467,813)
Other long-term employee benefit	-	-	454,058	454,058
Others	4,323	13,953	(611)	(10,240)
Deficit carried over	<u>45,586,470</u>	<u>5,424,009</u>	<u>-</u>	<u>40,122,461</u>
	63,051,429			51,997,369
Not recognized as deferred tax assets	<u>63,051,429</u>			<u>51,997,369</u>
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>24.2%, 22.0%</u>			<u>22.0%</u>
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	763,667	-	37,411	801,078
Not recognized as deferred tax assets	<u>763,667</u>			<u>801,078</u>
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	<u>₹</u>			<u>₹</u>

The Company did not recognize deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward since it could not estimate the income tax effect resulting from future taxable income.

## 26. OPERATING LOSS

Items that were classified as non-operating income (expenses) under the previous GAAP but are classified as other operating income (expenses) under K-IFRS and the amounts of those items for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Fee income	₩ 4,680	₩ 4,680	₩ 57	₩ 3,651,492
Gain on disposal of property, plant and equipment	194,575	3,156,195	1,533,015	5,492,174
Loss on disposal of trade receivables	(4,041,984)	(8,430,339)	(3,779,179)	(5,972,455)
Gain (loss) on foreign currency transactions	(106,661)	(1,792,505)	848,334	1,721,349
Donations	(73,500)	(73,500)	(68,450)	(70,325)

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Fee income	Rs. 187	Rs. 187	Rs. 2	Rs. 146,060
Gain on disposal of property, plant and equipment	7,783	126,248	61,321	219,687
Loss on disposal of trade receivables	(161,679)	(337,214)	(151,167)	(238,898)
Gain (loss) on foreign currency transactions	(4,266)	(71,700)	33,933	68,854
Donations	(2,940)	(2,940)	(2,738)	(2,813)

(\*) Among foreign exchange gains (losses), gains or losses arising from borrowings in foreign currency are recognized in non-operating income under K-IFRS.

## 27. EXPENSES BY CATEGORY:

Details of expenses classified by category for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	Six months ended June 30, 2011				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	₩ (32,259,232)	₩ -	₩ -	₩ -	₩ (32,259,232)
Work-in-process	(4,130,240)	-	-	-	(4,130,240)
Merchandise goods	3,537,992	-	-	-	3,537,992
Raw materials used	-	890,025,910	-	-	890,025,910
Purchase of merchandise goods	-	105,824,683	-	-	105,824,683
Employee benefits	-	85,982,781	-	20,817,766	106,800,547
Depreciation	-	40,147,473	-	1,508,200	41,655,673
Amortization	-	16,768,110	-	925,751	17,693,861
Service fees	-	465,122	-	6,154,178	6,619,300
Ordinary development cost	-	50,265,610	-	8,434,744	58,700,354

Six months ended June 30, 2011

	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Warranty expenses	-	-	45,988,891	-	45,988,891
Sales commission	-	-	45,590,491	-	45,590,491
Export expenses	-	-	43,085,799	-	43,085,799
Other	-	38,095,665	28,236,726	24,448,056	90,780,447
	<u>₹ (32,851,480)</u>	<u>₹ 1,227,575,354</u>	<u>₹ 162,901,907</u>	<u>₹ 62,288,695</u>	<u>₹ 1,419,914,476</u>

Six months ended June 30, 2010

	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	₹ (5,825,375)	₹ -	₹ -	₹ -	₹ (5,825,375)
Work-in-process	7,335,265	-	-	-	7,335,265
Merchandise goods	811,224	-	-	-	811,224
Raw materials used	-	555,191,000	-	-	555,191,000
Purchase of merchandise goods	-	113,362,970	-	-	113,362,970
Employee benefits	-	65,088,195	-	14,812,299	79,900,494
Depreciation	-	26,235,817	-	1,231,711	27,467,528
Amortization	-	13,737,518	-	1,199,911	14,937,429
Service fees	-	334,668	-	2,502,613	2,837,281
Ordinary development cost	-	18,057,082	-	10,867,832	28,924,914
Warranty expenses	-	-	31,200,559	-	31,200,559
Sales commission	-	-	37,332,533	-	37,332,533
Export expenses	-	-	27,099,763	-	27,099,763
Other	-	12,084,654	19,960,333	21,939,734	53,984,721
	<u>₹ 2,321,114</u>	<u>₹ 804,091,904</u>	<u>₹ 115,593,188</u>	<u>₹ 52,554,100</u>	<u>₹ 974,560,306</u>

(Unit: Indian-Rupee in thousands):

Six months ended June 30, 2011

	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. (1,290,369)	Rs. -	Rs. -	Rs. -	Rs. (1,290,369)
Work-in-process	(165,210)	-	-	-	165,210
Merchandise goods	141,520	-	-	-	141,520
Raw materials used	-	35,601,036	-	-	35,601,036
Purchase of merchandise goods	-	4,232,987	-	-	4,232,987
Employee benefits	-	3,439,311	-	832,711	4,272,022
Depreciation	-	1,605,899	-	60,328	1,666,227
Amortization	-	670,724	-	37,030	707,754
Service fees	-	18,605	-	246,167	264,772
Ordinary development cost	-	2,010,624	-	337,390	2,348,014
Warranty expenses	-	-	1,839,556	-	1,839,556
Sales commission	-	-	1,823,620	-	1,823,620
Export expenses	-	-	1,723,432	-	1,723,432
Other	-	1,523,828	1,129,468	977,922	3,631,218
	<u>Rs. (1,314,059)</u>	<u>Rs. 49,103,014</u>	<u>Rs. 6,516,076</u>	<u>Rs. 2,491,548</u>	<u>Rs. 56,796,579</u>

Six months ended June 30, 2010					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. (233,015)	Rs. -	Rs. -	Rs. -	Rs. (233,015)
Work-in-process	293,411	-	-	-	293,411
Merchandise goods	32,449	-	-	-	32,449
Raw materials used	-	22,207,640	-	-	22,207,640
Purchase of merchandise goods	-	4,534,519	-	-	4,534,519
Employee benefits	-	2,603,528	-	592,492	3,196,020
Depreciation	-	1,049,433	-	49,268	1,098,701
Amortization	-	549,501	-	47,996	597,497
Service fees	-	13,386	-	100,105	113,492
Ordinary development cost	-	722,283	-	434,714	1,156,996
Warranty expenses	-	-	1,248,022	-	1,248,022
Sales commission	-	-	1,493,301	-	1,493,301
Export expenses	-	-	1,083,991	-	1,083,991
Other	-	483,386	798,414	877,589	2,159,388
	<u>Rs. 92,845</u>	<u>Rs. 32,163,676</u>	<u>Rs. 4,623,728</u>	<u>Rs. 2,102,164</u>	<u>Rs. 38,982,413</u>

28. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Warranty expenses	₩ 25,573,439	₩ 45,988,891	₩ 18,980,920	₩ 31,200,559
Sales commissions	22,871,998	45,590,491	21,167,511	37,332,533
Sales promotional expenses	6,656,314	10,762,657	3,950,807	7,126,145
Packaging expenses	827,066	1,697,358	861,505	1,644,773
Advertising expenses	6,453,511	3,028,430	3,861,271	9,128,232
Freight expenses	1,828,679	12,748,282	1,078,836	2,061,182
Export expenses	24,733,418	43,085,799	16,905,792	27,099,763
	<u>₩ 88,944,425</u>	<u>₩ 162,901,908</u>	<u>₩ 66,806,642</u>	<u>₩ 115,593,187</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Warranty expense	Rs. 1,022,938	Rs. 1,839,556	Rs. 759,237	Rs. 1,248,022
Sales commissions	914,880	1,823,620	846,700	1,493,301
Sales promotional expenses	266,253	430,506	158,032	285,046
Packaging expenses	33,083	67,894	34,460	65,791
Advertising expenses	258,140	121,137	154,451	365,129
Freight expenses	73,147	509,931	43,153	82,447
Export expenses	989,336	1,723,432	676,233	1,083,991
	<u>Rs. 3,557,777</u>	<u>Rs. 6,516,076</u>	<u>Rs. 2,672,266</u>	<u>Rs. 4,623,727</u>

(2) Administrative expenses for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Salaries	₩ 8,783,062	₩ 18,856,830	₩ 6,672,958	₩ 13,557,437
Post-employment benefits	945,927	1,960,935	539,053	1,254,862
Employee benefits	1,578,498	3,429,333	1,124,027	2,443,394
Travel expenses	283,096	534,415	201,637	385,200
Communication expenses	228,229	451,792	182,916	382,580
Electricity expenses	85,841	230,062	94,903	959,444
Utility expenses	20,625	142,169	39,304	151,722
Taxes and dues	682,003	1,067,359	672,499	1,185,996
Rent expense	3,103,553	6,623,248	2,125,877	4,125,964
Repair expenses	176,246	350,232	216,350	335,882
Insurance	39,083	75,814	35,137	89,344
Entertainment expenses	47,503	79,589	38,606	88,657
Vehicles	263,627	477,252	216,193	395,745
Overseas marketing expenses	76,373	128,720	52,348	146,508
Training	163,661	328,002	179,228	276,827
Printing	108,167	218,380	87,372	142,320
Supplies	92,399	177,351	124,313	186,229
Service fees	2,419,707	6,154,178	1,134,333	2,502,613
Outsourcing expense	3,607,655	7,328,411	3,430,957	7,408,971
Computing expense	1,261,926	2,400,134	1,442,089	2,539,800
Depreciation	762,533	1,508,200	603,317	1,231,711
Bad debt expense	3,059	3,059	148,814	369,300
R&D expenses	3,383,955	8,434,744	3,703,219	10,867,832
Amortization	449,759	925,751	594,347	1,199,911
Other administrative expenses	189,128	402,734	212,409	325,851
	<u>₩ 28,755,615</u>	<u>₩ 62,288,694</u>	<u>₩ 23,872,206</u>	<u>₩ 52,554,100</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Salaries	Rs. 351,322	Rs. 754,273	Rs. 266,918	Rs. 542,297
Post-employment benefits	37,837	78,437	21,562	50,194
Employee benefits	63,140	137,173	44,961	97,736
Travel expenses	11,324	21,377	8,065	15,408
Communication expenses	9,129	18,072	7,317	15,303
Electricity expenses	3,434	9,202	3,796	38,378
Utility expenses	825	5,687	1,572	6,069
Taxes and dues	27,280	42,694	26,900	47,440
Rent expense	124,142	264,930	85,035	165,039
Repair expenses	7,050	14,009	8,654	13,435
Insurance	1,563	3,033	1,405	3,574
Entertainment expenses	1,900	3,184	1,544	3,546
Vehicles	10,545	19,090	8,648	15,830
Overseas marketing expenses	3,055	5,149	2,094	5,860
Training	6,546	13,120	7,169	11,073
Printing	4,327	8,735	3,495	5,693
Supplies	3,696	7,094	4,973	7,449
Service fees	96,788	246,167	45,373	100,105
Outsourcing expense	144,306	293,136	137,238	296,359
Computing expense	50,477	96,005	57,684	101,592
Depreciation	30,501	60,328	24,133	49,268

	2011		2010	
	Three months	Six months	Three months	Six months
Bad debt expense	122	122	5,953	14,772
R&D expenses	135,358	337,390	148,129	434,713
Amortization	17,990	37,030	23,774	47,996
Other administrative expenses	7,568	16,111	8,496	13,036
	<u>Rs. 1,150,225</u>	<u>Rs. 2,491,548</u>	<u>Rs. 954,888</u>	<u>Rs. 2,102,165</u>

29. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Fee income	₩ 4,860	₩ 4,860	₩ 56,625	₩ 3,651,492
Gain on foreign currency transactions	2,109,166	4,011,638	5,699,442	6,937,947
Gain on foreign currency translation	1,187,700	1,017,619	481,995	3,497,423
Installment gain	-	-	23,573	23,573
Reversal of allowance for doubtful accounts	-	505,535	92,767	751,931
Gain on disposal of property, plant and equipment	253,834	3,255,490	1,539,136	5,594,452
Reversal of Impairment loss on property, plant and equipment	-	-	135,419	135,419
Gain on disposal of investment assets	4,101	-	1,165,906	1,170,011
Product warranty reserve	1,314,106	2,499,154	981,400	2,407,004
Others, net	3,761,309	7,508,874	5,653,062	9,574,437
	<u>₩ 8,635,076</u>	<u>₩ 18,803,170</u>	<u>₩ 15,829,325</u>	<u>₩ 33,743,689</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Fee income	Rs. 194	Rs. 194	Rs. 2,265	Rs. 146,060
Gain on foreign currency transactions	84,367	160,466	227,978	277,518
Gain on foreign currency translation	47,508	40,705	19,280	139,897
Installment gain	-	-	943	943
Reversal of allowance for doubtful accounts	-	20,221	3,711	30,077
Gain on disposal of property, plant and equipment	10,153	130,220	61,565	223,778
Reversal of Impairment loss on property, plant and equipment	-	-	5,417	5,417
Gain on disposal of investment assets	164	-	46,636	46,800
Product warranty reserve	52,564	99,966	39,256	96,280
Others, net	150,453	300,355	226,122	382,978
	<u>Rs. 345,403</u>	<u>Rs. 752,127</u>	<u>Rs. 633,173</u>	<u>Rs. 1,349,748</u>

(2) Details of the Company's other operating expense for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Loss on foreign currency transactions	₩ 3,403,527	₩ 6,287,501	₩ 4,930,003	₩ 6,901,626
Loss on foreign currency translation	-	534,261	403,099	1,812,395
Loss on disposal of trade receivables	4,041,984	8,430,339	3,779,179	5,972,455
Other bad debt expense	184,349	-	515,010	3,394,805
Loss on disposal of property, plant and equipment	59,259	103,780	6,121	102,278
Impairment loss on property, plant and equipment	-	-	-	5,015,874
Impairment loss on intangible assets	768	3,226	-	-
Loss on disposal of investment assets	969	-	36	124,854
Others	5,237,229	7,996,545	10,324,865	27,564,869
	<u>₩ 12,928,085</u>	<u>₩ 23,355,652</u>	<u>₩ 19,958,313</u>	<u>₩ 50,889,156</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Loss on foreign currency transactions	Rs. 136,141	Rs. 251,500	Rs. 197,200	Rs. 276,065
Loss on foreign currency translation	-	21,370	16,124	72,496
Loss on disposal of trade receivables	161,679	337,214	151,167	238,898
Other bad debt expense	7,374	-	20,600	135,792
Loss on disposal of property, plant and equipment	2,370	-	245	4,091
Impairment loss on property, plant and equipment	-	-	-	200,635
Impairment loss on intangible assets	31	129	-	-
Loss on disposal of investment assets	39	-	1	4,994
Others	209,489	319,862	412,995	1,102,595
	<u>Rs. 517,123</u>	<u>Rs. 934,226</u>	<u>Rs. 798,332</u>	<u>Rs. 2,035,566</u>

### 30. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Interest income	₩ 365,747	₩ 1,466,010	₩ 107,334	₩ 221,619
Dividend income	5,000	11,000	-	11,000
Gain on foreign currency translation	-	956,480	4,317,537	20,104,094
Gain on debt exemption	1,096	49,047,989	276,591	441,597
	<u>₩ 371,843</u>	<u>₩ 51,481,479</u>	<u>₩ 4,701,462</u>	<u>₩ 20,778,310</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Interest income	Rs. 14,630	Rs. 58,640	Rs. 4,293	Rs. 8,865
Dividend income	200	440	-	440
Gain on foreign currency translation	-	38,259	172,701	804,164
Gain on debt exemption	44	1,961,920	11,064	17,663
	<u>Rs. 14,874</u>	<u>Rs. 2,059,259</u>	<u>Rs. 188,058</u>	<u>Rs. 831,132</u>

(2) Details of the Company's financial cost for the six months ended June 30, 2011 and 2010 are as follows  
(Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Interest expense	₩ 1,849,473	₩ 6,463,938	₩ 17,282,326	₩ 28,014,430
Loss on foreign currency translation	-	1,992,447	1,428,737	10,557,518
	<u>₩ 1,849,473</u>	<u>₩ 8,456,385</u>	<u>₩ 18,711,063</u>	<u>₩ 38,571,948</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Interest expense	Rs. 73,980	Rs. 258,558	Rs. 691,293	Rs. 1,120,577
Loss on foreign currency translation	-	79,697	57,149	422,301
	<u>Rs. 73,980</u>	<u>Rs. 338,255</u>	<u>Rs. 748,442</u>	<u>Rs. 1,542,878</u>

(3) Details of the Company's financial net profit for the six months ended June 30, 2011 and 2010 are as follows  
(Unit: Korean Won in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Loan & receivables	₩ 81,611	₩ 166,832	₩ 97,565	₩ 197,944
Available-for-sale financial assets	5,000	11,000	-	11,000
Other financial liabilities	(1,564,241)	42,847,262	(14,107,166)	(18,002,582)
	<u>₩ (1,477,630)</u>	<u>₩ 43,025,094</u>	<u>₩ (14,009,601)</u>	<u>₩ (17,793,638)</u>

(Unit: Indian-Rupee in thousands):

	2011		2010	
	Three months	Six months	Three months	Six months
Loan & receivables	Rs. 3,264	Rs. 6,673	Rs. 3,903	Rs. 7,918
Available-for-sale financial assets	200	440	-	440
Other financial liabilities	(62,570)	1,713,890	(564,287)	(720,103)
	<u>Rs. (59,106)</u>	<u>Rs. 1,721,003</u>	<u>Rs. (560,384)</u>	<u>Rs. (711,745)</u>

### 31. LOSS PER SHARE:

Basic loss per share for the periods ended June 30, 2011 and 2010 is calculated as follows (Unit: Won in thousands, except for earnings per share):

	2011		2010	
	Three months	Six months	Three months (*1)	Six months (*1)
Net loss	₩ (34,879,539)	₩ (32,270,412)	₩ (29,309,309)	₩ (65,932,399)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(34,879,539)	(32,270,412)	(29,309,309)	(65,932,399)
Number of common stocks outstanding	121,539,603	103,134,394	36,120,556	36,120,556
Basic and diluted loss per share (*2)	<u>₩ (287)</u>	<u>₩ (313)</u>	<u>₩ (811)</u>	<u>₩ (1,825)</u>

(Unit: Rupee in thousands, except for earnings per share):

	2011		2010	
	Three months	Six months	Three months (*1)	Six months (*1)
Net loss	Rs. (1,395,182)	Rs. (1,290,816)	Rs. (1,172,372)	Rs. (2,637,296)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(1,395,182)	(1,290,816)	(1,172,372)	(2,637,296)
Number of common stocks outstanding	121,539,603	103,134,394	36,120,556	36,120,556
Basic and diluted loss per share (*2)	Rs. (11)	Rs. (13)	Rs. (32)	Rs. (73)

(\*1) During the six months ended June 30, 2010, the Company performed a 2<sup>nd</sup> equal reduction of capital in accordance with the reorganization plan, and as a result, the number of shares decreased from 108,410,431 shares to 36,120,556 shares. The Company calculated its weighted-average number of common stocks outstanding as 36,120,556 shares under the assumption that the change in the number of shares occurred at the beginning of the period.

(\*2) Basic and diluted losses per share for the periods ended June 30, 2011 and 2010 are identical since there are no dilutive potential common shares.

### 32. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	June 30, 2011	June 30, 2010
1. Cash flows from operating activities		
1) Net loss	₩ (32,270,412)	₩ (65,932,399)
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	2,526,708	12,369,913
Loss on disposal of trade receivables	8,430,338	5,972,455
Loss on valuation of inventories	938,400	-
Rent expense	155,722	-
Bad debt expense	3,059	369,300
Other bad debt expense	-	3,394,805
Depreciation	43,708,863	36,075,364
Loss on disposal of investment assets	7,998	124,854
Loss on disposal of property, plant and equipment	95,783	102,278
Impairment loss on property, plant and equipment	-	5,015,874
Amortization	17,693,861	14,937,429
Impairment loss on intangible assets	3,226	-
Interest expense	6,726,417	30,949,792
Post-employment benefits	13,976,135	11,542,779
Depreciation expenses on assets not in use	7,516	13,076
Warranty expenses	-	15,548,948
Miscellaneous losses	-	45,184
	<u>94,274,026</u>	<u>136,462,051</u>
(2) Deduction of revenue		
Gain on foreign currency translation	1,974,099	23,601,517
Reversal of allowance for doubtful accounts	505,535	751,931
Interest income	1,618,686	295,819
Gain on disposal of investment assets	3,512	1,170,011
Gain on disposal of property, plant and equipment	3,251,978	5,594,452

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Recovery of property, plant impairment loss account	-	135,419
Gain on debt exemption	49,047,989	638,235
Miscellaneous gains	-	23,137
	<u>(56,401,799)</u>	<u>(32,210,521)</u>
3) Changes in working capital		
Increase in trade receivables, net	(25,826,057)	(44,265,151)
Decrease (Increase) in other receivables, net	(9,012,793)	4,202,498
Increase in deposits	(20,000)	-
Decrease (Increase) in advanced payments	7,336,813	(52,140,574)
Decrease in prepaid expenses	340,863	683,006
Increase in income tax refundable	(124,206)	-
Decrease (Increase) in inventories	(17,729,580)	40,591,903
Increase in long security	(1,036,103)	-
Increase in non-current assets	-	(47,769)
Increase in trade payables	118,903,599	28,776,450
Increase (Decrease) in other payables	(34,849,657)	16,512,209
Increase in accrued charges	(4,441,854)	(3,872,540)
Increase in deposits received	21,880,161	-
Decrease in current other long term benefit	(1,054,345)	-
Increase (Decrease) in advances from customers	(2,847,426)	23,827,163
Increase (Decrease) in withholdings	(2,744,176)	4,190,258
Increase in unearned revenue	(74,341)	-
Decrease in other current liabilities	-	(2,796,460)
Increase (Decrease) in government subsidies	84,802	(777,743)
Increase in short-term provision of product warranties	9,812,218	-
Increase (Decrease) in long-term other payables	3,400,414	(5,682,247)
Decrease in long-term accrued expenses	-	463,037
Increase in other long term benefit	1,636,701	632,339
Payment of severance indemnities	(1,789,288)	(1,915,726)
Decrease in transfer from retirement pension	21,772	9,526
Decrease (Increase) in severance insurance deposits	34,368	(57,792)
Decrease in retirement pension deposits	57,850	-
Increase (Decrease) in long-term provision of product warranties	10,341,464	(27,236,541)
	<u>72,301,199</u>	<u>(18,904,185)</u>
2. Interest received	1,452,235	261,099
3. Interest paid	(2,860,200)	(2,522,183)
4. Dividends received	11,000	11,000
5. Income tax paid	-	-
Net cash provided by operating activities	<u>₹ 76,506,049</u>	<u>₹ 17,164,892</u>

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
1. Cash flows from operating activities		
1) Net loss	Rs. (1,290,816)	Rs. (2,637,296)
2) Adjustments		
(1) Addition of expenses		
Loss on foreign currency translation	101,068	494,797
Loss on disposal of trade receivables	337,214	238,898
Loss on valuation of inventories	37,536	-
Rent expense	6,229	-

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Bad debt expense	122	14,772
Other bad debt expense	-	135,792
Depreciation	1,748,355	1,443,015
Loss on disposal of investment assets	320	4,994
Loss on disposal of property, plant and equipment	3,831	4,091
Impairment loss on property, plant and equipment	-	200,635
Amortization	707,754	597,497
Impairment loss on intangible assets	129	-
Interest expense	269,057	1,237,992
Post-employment benefits	559,045	461,711
Depreciation expenses on assets not in use	301	523
Warranty expenses	-	621,958
Miscellaneous losses	-	1,807
	<u>3,770,961</u>	<u>5,458,482</u>
(2) Deduction of revenue		
Gain on foreign currency translation	78,965	944,061
Reversal of allowance for doubtful accounts	20,221	30,077
Interest income	64,747	11,833
Gain on disposal of investment assets	140	46,800
Gain on disposal of property, plant and equipment	130,079	223,778
Recovery of property, plant impairment loss account	-	5,417
Gain on debt exemption	1,961,920	25,529
Miscellaneous gains	-	925
	<u>(2,256,072)</u>	<u>(1,288,420)</u>
3) Changes in working capital		
Increase in trade receivables, net	(1,033,044)	(1,770,605)
Decrease (Increase) in other receivables, net	(360,512)	168,100
Increase in deposits	(800)	-
Decrease (Increase) in advanced payments	293,473	(2,085,623)
Decrease in prepaid expenses	13,635	27,320
Increase in income tax refundable	(4,968)	-
Decrease (Increase) in inventories	(709,183)	1,623,676
Increase in long security	(41,444)	-
Increase in non-current assets	-	(1,911)
Increase in trade payables	4,756,144	1,151,058
Increase (Decrease) in other payables	(1,393,986)	660,488
Increase in accrued charges	(177,674)	(154,902)
Increase in deposits received	875,206	-
Decrease in current other long term benefit	(42,174)	-
Increase (Decrease) in advances from customers	(113,897)	953,087
Increase (Decrease) in withholdings	(109,767)	167,610
Increase in unearned revenue	(2,974)	-
Decrease in other current liabilities	-	(111,858)
Increase (Decrease) in government subsidies	3,392	(31,110)
Increase in short-term provision of product warranties	392,489	-
Increase (Decrease) in long-term other payables	136,017	(227,290)
Decrease in long-term accrued expenses	-	18,521
Increase in other long term benefit	65,468	25,294
Payment of severance indemnities	(71,572)	(76,629)
Decrease in transfer from retirement pension	871	381
Decrease (Increase) in severance insurance deposits	1,375	(2,312)
Decrease in retirement pension deposits	2,314	-
Increase (Decrease) in long-term provision of product warranties	413,659	(1,089,462)
	<u>2,892,048</u>	<u>(756,167)</u>

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
2. Interest received	58,089	10,444
3. Interest paid	(114,408)	(100,887)
4. Dividends received	440	440
5. Income tax paid	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>Rs. 3,060,242</u>	<u>Rs. 686,596</u>

### 33. SEGMENT INFORMATION:

(1) Information of each sales region for the six months ended June 30, 2011 is as follows:

<u>Sales region</u>	<u>Korean Won in thousands</u>	<u>Indian-Rupee in thousands</u>
Republic of Korea	₩ 657,932,518	Rs. 26,317,301
Europe	381,654,986	15,266,199
Asia Pacific	48,487,216	1,939,489
Others	261,096,733	10,443,869
	<u>₩ 1,349,171,453</u>	<u>Rs. 53,966,858</u>

Information of each sales region for the six months ended June 30, 2010 is as follows (Unit: Korean Won in thousands, Indian-Rupee in thousands):

<u>Sales region</u>	<u>Sales revenue</u>	
Republic of Korea	₩ 517,735,901	Rs. 20,709,436
Europe	124,580,904	4,983,236
Asia Pacific	243,076,138	9,723,046
Others	58,174,070	2,326,963
	<u>₩ 943,567,013</u>	<u>Rs. 37,742,681</u>

(2) Sales revenue by type of automobile for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

<u>Sales region</u>	<u>June 30, 2011</u>		
	<u>Domestic</u>	<u>Export</u>	<u>Total</u>
CHAIRMAN H	₩ 47,358,056	₩ -	₩ 47,358,056
CHAIRMAN W	99,335,960	1,422,280	100,758,240
ACTYON	442,241	32,721,710	33,163,951
ACTYON SPORTS	119,720,059	100,286,513	220,006,572
KORANDO C	115,317,341	279,584,639	394,901,980
KYRON	1,970,018	150,693,470	152,663,488
REXTON	113,437,373	60,755,519	174,192,892
RODIUS	15,321,203	24,537,383	39,858,586
	<u>₩ 512,902,251</u>	<u>₩ 650,001,514</u>	<u>₩ 1,162,903,765</u>

<u>Sales region</u>	<u>June 30, 2010</u>		
	<u>Domestic</u>	<u>Export</u>	<u>Total</u>
CHAIRMAN H	₩ 48,373,692	₩ -	₩ 48,373,692
CHAIRMAN W	109,095,075	474,897	109,569,972
ACTYON	17,004,473	55,595,034	72,599,507
ACTYON SPORTS	136,218,754	88,338,124	224,556,878
KORANDO C	-	-	-
KYRON	22,930,454	146,784,123	169,714,577
REXTON	44,223,143	54,808,323	99,031,466
RODIUS	13,619,334	23,510,116	37,129,450
	<u>₩ 391,464,925</u>	<u>₩ 369,510,617</u>	<u>₩ 760,975,542</u>

(Unit: Indian-Rupee in thousands):

Sales region	June 30, 2011		
	Domestic	Export	Total
CHAIRMAN H	Rs. 1,894,322	Rs. -	Rs. 1,894,322
CHAIRMAN W	3,973,438	56,891	4,030,330
ACTYON	17,690	1,308,868	1,326,558
ACTYON SPORTS	4,788,802	4,011,461	8,800,263
KORANDO C	4,612,694	11,183,386	15,796,079
KYRON	78,801	6,027,739	6,106,540
REXTON	4,537,495	2,430,221	6,967,716
RODIUS	612,848	981,495	1,594,343
	<u>Rs. 20,516,090</u>	<u>Rs. 26,000,061</u>	<u>Rs. 46,516,151</u>

Sales region	June 30, 2010		
	Domestic	Export	Total
CHAIRMAN H	Rs. 1,934,948	Rs. -	Rs. 1,934,948
CHAIRMAN W	4,363,803	18,996	4,382,799
ACTYON	680,179	2,223,801	2,903,980
ACTYON SPORTS	5,445,750	3,533,525	8,982,275
KORANDO C	-	-	-
KYRON	917,218	5,871,365	6,788,583
REXTON	1,768,926	2,192,333	3,961,259
RODIUS	544,773	940,405	1,485,178
	<u>Rs. 15,658,597</u>	<u>Rs. 14,780,425</u>	<u>Rs. 30,439,022</u>

#### 34. RELATED PARTY TRANSACTIONS:

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

(2) Major transactions with the related parties for the six months ended June 30, 2011 and 2010 are as follows.

(Unit: Korean Won in thousands):

	June 30, 2011		June 30, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	₩ 65,443	₩ 2,607,682	₩ -	₩ -
Transactions with subsidiaries	6,676,005	22,397	8,447,148	107,308

(Unit: Indian-Rupee in thousands):

	June 30, 2011		June 30, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	Rs. 2,618	Rs. 104,307	Rs. -	Rs. -
Transactions with subsidiaries	267,040	896	337,886	4,292

(3) Outstanding receivables and payables from transactions with related parties as of June 30, 2011 and December 31, 2010 are as follows (Unit: Korean Won in thousands):

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Payables to controlling company:		
Payables and others	₩ 96,384,807	₩ -
Receivables from and payables to subsidiaries		
Receivables and others	14,842,525	14,194,364
Payables and others	-	163,052

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Payables to controlling company:		
Payables and others	Rs. 3,855,392	Rs. -
Receivables from and payables to subsidiaries		
Receivables and others	593,701	567,775
Payables and others	-	6,522

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the six months ended June 30, 2011.

(4) Details of compensation for key executives for the six months ended June 30, 2011 and 2010 are as follows (Unit: Korean Won in thousands):

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Short-term employee benefits	₩ 366,368	₩ 247,569
Post-employment benefits	69,799	18,048

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Short-term employee benefits	Rs. 14,655	Rs. 9,903
Post-employment benefits	2,792	722

### 35. FINANCIAL INSTRUMENTS:

#### (1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining a structure of a sound capital and in order to achieve an optimum capital structure, the Company monitors 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, 2011 and December 31, 2010 is as follows (Unit: Korean Won in thousands):

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Debt (A)	₩ 760,061,140	₩ 1,109,896,645
Equity (B)	<u>1,013,678,037</u>	<u>618,890,485</u>
Debt ratio (A/ B)	<u>74.98%</u>	179.34%

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Debt (A)	Rs. 30,402,446	Rs. 44,395,866
Equity (B)	<u>40,547,121</u>	<u>24,755,619</u>
Debt ratio (A/ B)	<u>74.98%</u>	<u>179.34%</u>

(2) Major accounting policies and methods (including recognition and measurement and revenue and expense recognition) for each category of financial assets, financial liabilities and equity are stated in detail in Note 2.

(3) Details of financial assets and liabilities by category as of June 30, 2011 and December 31, 2010 are as follows  
(Unit: Korean Won in thousands):

1) Financial assets

	<u>June 30, 2011</u>			
<u>Financial asset</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	₩106,377,436	₩ -	₩106,377,436	₩ 106,377,436
Long-term AFS financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	185,456,742	-	185,456,742	185,456,742
Non-trade receivables	26,023,891	-	26,023,891	26,023,891
Other receivables	2,363,751	-	2,363,751	2,363,751
Other long-term receivables	<u>37,801,799</u>	<u>-</u>	<u>37,801,799</u>	<u>37,801,799</u>
	<u>₩358,029,619</u>	<u>₩ 560,000</u>	<u>₩ 358,589,619</u>	<u>₩ 358,589,619</u>

  

	<u>December 31, 2010</u>			
<u>Financial asset</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	₩ 80,566,165	₩ -	₩ 80,566,165	₩ 80,566,165
Long-term AFS financial assets	-	560,000	560,000	560,000
Long-term financial instruments	6,000	-	6,000	6,000
Trade receivables	167,193,510	-	167,193,510	167,193,510
Non-trade receivables	16,942,539	-	16,942,539	16,942,539
Other receivables	2,218,006	-	2,218,006	2,218,006
Other long-term receivables	<u>37,908,069</u>	<u>-</u>	<u>37,908,069</u>	<u>37,908,069</u>
	<u>₩304,834,289</u>	<u>₩ 560,000</u>	<u>₩305,394,289</u>	<u>₩ 305,394,289</u>

(Unit: Indian-Rupee in thousands):

	<u>June 30, 2011</u>			
<u>Financial asset</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 4,255,097	Rs. -	Rs. 4,255,097	Rs. 4,255,097
Long-term AFS financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240
Trade receivables	7,418,270	-	7,418,270	7,418,270
Non-trade receivables	1,040,956	-	1,040,956	1,040,956
Other receivables	94,550	-	94,550	94,550
Other long-term receivables	<u>1,512,072</u>	<u>-</u>	<u>1,512,072</u>	<u>1,512,072</u>
	<u>Rs.14,321,185</u>	<u>Rs. 22,400</u>	<u>Rs.14,343,585</u>	<u>Rs.14,343,585</u>

December 31, 2010				
<u>Financial assets</u>	<u>Loans and receivables</u>	<u>AFS financial assets</u>	<u>Total</u>	<u>Fair value</u>
Cash and cash equivalents	Rs. 3,222,647	Rs. -	Rs. 3,222,647	Rs. 3,222,647
Long-term AFS financial assets	-	22,400	22,400	22,400
Long-term financial instruments	240	-	240	240
Trade receivables	6,687,740	-	6,687,740	6,687,740
Non-trade receivables	677,702	-	677,702	677,702
Other receivables	88,720	-	88,720	88,720
Other long-term receivables	<u>1,516,323</u>	<u>-</u>	<u>1,516,323</u>	<u>1,516,323</u>
	<u>Rs.12,193,372</u>	<u>Rs. 22,400</u>	<u>Rs.12,215,772</u>	<u>Rs.12,215,772</u>

2) Financial liabilities

<u>Financial liabilities</u>	<u>June 30, 2011</u>		<u>December 31, 2011</u>	
	Financial liabilities measured at		Financial liabilities measured at	
	<u>amortized cost</u>	<u>Fair value</u>	<u>amortized cost</u>	<u>Fair value</u>
Trade payables	₹ 281,816,093	₹281,816,093	₹ 162,820,193	₹ 162,820,193
Non-trade payables	71,706,995	71,706,995	198,283,922	198,283,922
Current portion of long-term debt	-	-	356,920,833	356,920,833
Bonds	95,404,765,	95,404,765	-	-
Other payables	15,810,766	15,810,766	71,648,056	71,648,056
Other long-term payables	<u>2,257,301</u>	<u>2,257,301</u>	<u>2,247,782</u>	<u>2,247,782</u>
	<u>₹ 466,995,920</u>	<u>₹466,995,920</u>	<u>₹ 791,920,786</u>	<u>₹ 791,920,786</u>

(Unit: Indian-Rupee in thousands):

<u>Financial liabilities</u>	<u>June 30, 2011</u>		<u>December 31, 2011</u>	
	Financial liabilities measured at		Financial liabilities measured at	
	<u>amortized cost</u>	<u>Fair value</u>	<u>amortized cost</u>	<u>Fair value</u>
Trade payables	Rs. 11,272,644	Rs.11,272,644	Rs. 6,512,808	Rs. 6,512,808
Non-trade payables	2,868,280	2,868,280	7,931,357	7,931,357
Current portion of long-term debt	-	-	14,276,833	14,276,833
Bonds	3,816,191	3,816,191	-	-
Other payables	632,431	632,431	2,865,922	2,865,922
Other long-term payables	<u>90,292</u>	<u>90,292</u>	<u>89,911</u>	<u>89,911</u>
	<u>Rs. 18,679,838</u>	<u>Rs.18,679,838</u>	<u>Rs. 31,676,831</u>	<u>Rs.31,676,831</u>

(4) Financial risk management

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

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

## 1) Market risk

### a. Foreign currency risk

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

The Company's sensitivity to a 5% increase and decrease in the Won (functional currency of the Company) against the major foreign currencies as of June 30, 2011 is as follows (Unit: Korean Won in thousands):

Currency	Financial assets		Financial liabilities	
	5% increase	5% decrease	5% increase	5% decrease
USD	₩ 3,838,722	₩ (3,838,722)	₩ (654,971)	₩ 654,971
EUR	2,728,182	(2,728,182)	(533,676)	533,676
JPY	16,235	(16,235)	(186,274)	186,274
Others	569,084	(569,084)	(229,619)	229,619
	<u>₩ 7,152,223</u>	<u>₩ (7,152,223)</u>	<u>₩ (1,604,540)</u>	<u>₩ 1,604,540</u>

(Unit: Indian-Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	5% increase	5% decrease	5% increase	5% decrease
USD	Rs. 153,549	Rs. (153,549)	Rs. (26,199)	Rs. 26,199
EUR	109,127	(109,127)	(21,347)	21,347
JPY	649	(649)	(7,451)	7,451
Others	22,763	(22,763)	(9,185)	9,185
	<u>Rs. 286,088</u>	<u>Rs. (286,088)</u>	<u>Rs. (64,182)</u>	<u>Rs. 64,182</u>

### b. Interest rate risk

The Company is exposed to interest rate fluctuation risk arising from changes in values of financial statement items (financial assets and liabilities) and changes in interest income (expense) related to investments and borrowings.

## 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.

There was no trade receivables or loans and receivables included in other financial assets that showed indication of impairment during the six months ended June 30, 2011, and the Company believes that there is a low possibility of defaults as of June 30, 2011. Credit risk may also arise from cash and cash equivalents and bank and financial institution deposits. In order to reduce the risk, the Company transacts only with the financial institutions with high credit ratings.

## 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. The Company has entered into a factoring agreement with Aju Capital Co., Ltd., in order to manage risks arising from installment sales receivables.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of March 31, 2011 is as follows (Unit: Korean Won in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 281,816,093	₩ -	₩ 281,816,093
Other payables	68,284,491	-	68,284,491
Accrued expenses	15,810,766	-	15,810,766
Other	3,422,504	-	3,422,504
Bonds	-	95,404,765	95,404,765
Long-term other payables	-	<u>2,257,301</u>	<u>2,257,301</u>
	<u>₩ 369,333,854</u>	<u>₩ 97,662,066</u>	<u>₩ 466,995,920</u>

(Unit: Indian-Rupee in thousands):

	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	Rs. 11,272,644	Rs. -	Rs. 11,272,644
Other payables	2,731,380	-	2,731,380
Accrued expenses	632,431	-	632,431
Other	136,900	-	136,900
Bonds	-	3,816,191	3,816,191
Long-term other payables	-	<u>90,292</u>	<u>90,292</u>
	<u>Rs. 14,773,355</u>	<u>Rs. 3,906,483</u>	<u>Rs. 18,679,838</u>