

**SSANGYONG MOTOR COMPANY**

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012,  
AND INDEPENDENT AUDITORS' REPORT

# Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying separate financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of December 31, 2013 and December 31, 2012, respectively, and the related separate statement of comprehensive income, separate statement of changes in stockholders' equity and separate statement of cash flows, all expressed in Korean won, for the years ended December 31, 2013 and 2012, respectively. The Company's management is responsible for the preparation and fair presentation of the separate financial statements and our responsibility is to express an opinion on these separate financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and December 31, 2012, respectively, and the results of its operations and its cash flows for the years ended December 31, 2013 and December 31, 2012, respectively, in conformity with K-IFRS.

Our audit also comprehended the translation of Korean Won amounts into Indian - Rupee amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such Indian - Rupee amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledge about Korean accounting procedures and auditing standards and their application in practice.



March 17, 2014

### Notice to Readers

This report is effective as of March 17, 2014, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditor's report.

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF FINANCIAL POSITION**

**AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012**

	Korean won		Indian- Rupee	
	December 31 , 2013	December 31, 2012	December 31 , 2013	December 31, 2012
	(In thousands)		(In thousands)	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 4, 5 and 34)	₩ 359,712,082	₩ 197,769,855	Rs. 21,135,243	Rs. 11,620,166
Trade and other receivables, net (Notes 7, 33 and 34)	234,067,459	223,530,412	13,752,867	13,133,753
Derivatives assets (Notes 26 and 34)	28,984,560	21,503,503	1,703,017	1,263,460
Inventories, net (Notes 8 and 25)	277,070,948	264,373,355	16,279,581	15,533,521
Other current assets (Note 10)	7,145,375	6,739,388	419,834	395,979
Total current assets	<u>906,980,424</u>	<u>713,916,513</u>	<u>53,290,542</u>	<u>41,946,879</u>
<b>NON-CURRENT ASSETS:</b>				
Non-current financial instruments (Notes 5 and 34)	6,000	6,000	353	353
Non-current available-for-sale financial assets (Notes 6 and 34)	560,000	560,000	32,903	32,903
Non-current other receivables, net (Note 7 and 34)	36,564,470	30,171,905	2,148,382	1,772,780
Property, plant and equipment, net (Note 11)	1,084,035,359	1,051,358,997	63,693,582	61,773,648
Intangible assets (Note 12)	89,480,142	56,523,358	5,257,495	3,321,086
Investments in subsidiaries (Note 9)	5,829,056	4,720,009	342,492	277,329
Other non-current assets (Note 10)	357,350	360,541	20,996	21,184
Total non-current assets	<u>1,216,832,377</u>	<u>1,143,700,810</u>	<u>71,496,203</u>	<u>67,199,283</u>
<b>TOTAL ASSETS</b>	<u>2,123,812,801</u>	<u>1,857,617,323</u>	<u>124,786,745</u>	<u>109,146,162</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Trade and other payables (Notes 18, 33 and 34)	723,397,173	580,411,368	42,503,924	34,102,650
Short-term borrowings (Notes 13, 18 and 34)	51,608,036	30,000,000	3,032,282	1,762,680
Derivatives liabilities	95,404,765	-	5,605,602	-
Provision for product warranties (Note 15)	48,780,982	46,214,861	2,866,175	2,715,400
Long-term employee benefits obligation	1,648,815	1,174,371	96,878	69,001
Other current liabilities (Note 14)	26,718,121	31,098,096	1,569,850	1,827,200
Total current liabilities	<u>₩ 947,557,892</u>	<u>₩ 688,898,695</u>	<u>Rs. 55,674,711</u>	<u>Rs. 40,476,931</u>

(Continued)

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012**

	Korean won		Indian- Rupee	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(In thousands)		(In thousands)	
<b>NON-CURRENT LIABILITIES:</b>				
Debtentures (Notes 13 and 34)	₩ -	₩ 95,404,765	Rs. -	Rs. 5,605,602
Other non-current payables(Note 34)	20,223,465	37,977,622	1,188,250	2,231,413
Non current liabilities (Notes 16)	-	8,270	-	486
Retirement benefit obligation (Note 17)	174,656,118	143,298,213	10,262,095	8,419,630
Other long-term employee benefits obligation	14,632,801	11,933,388	859,765	701,158
Provision for long-term product warranties (Note 15)	76,698,999	72,384,068	4,506,527	4,252,998
Total non-current liabilities	<u>286,211,383</u>	<u>361,006,326</u>	<u>16,816,637</u>	<u>21,211,287</u>
<b>TOTAL LIABILITIES</b>	<u>1,233,769,275</u>	<u>1,049,905,021</u>	<u>72,491,348</u>	<u>61,688,218</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Capital stock (Note 19)	686,100,480	613,373,205	40,312,520	36,039,356
Other capital surplus (Note 20)	129,383,402	122,584,976	7,602,051	7,202,603
Other capital adjustments(Note 21)	26,833,680	18,999,750	1,576,640	1,116,349
Retained earnings (accumulated deficit) (Notes 22 and 23)	47,725,964	52,754,371	2,804,186	3,099,636
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>890,043,526</u>	<u>807,712,302</u>	<u>52,295,397</u>	<u>47,457,944</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>₩ 2,123,812,801</u>	<u>₩ 1,857,617,323</u>	<u>Rs. 124,786,745</u>	<u>Rs. 109,146,162</u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Korean Won		Indian-Rupee	
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
	(In thousands)		(In thousands)	
SALES (Notes 32 and 33)	₩ 3,475,185,983	₩ 2,863,805,547	Rs. 204,188,028	Rs. 168,265,759
COST OF SALES (Notes 25 and 33)	<u>2,980,409,595</u>	<u>2,526,439,713</u>	<u>175,116,946</u>	<u>148,443,492</u>
GROSS PROFIT	494,776,388	337,365,834	29,071,082	19,822,267
SELLING AND ADMINISTRATIVE EXPENSES (Notes 25 and 27)	<u>505,389,333</u>	<u>436,438,126</u>	<u>29,694,656</u>	<u>25,643,359</u>
OPERATING INCOME	(10,612,945)	(99,072,292)	(623,574)	(5,821,092)
NON-OPERATING INCOME (Note 28)	45,925,201	44,266,371	2,698,381	2,600,915
NON-OPERATING EXPENSES (Note 28)	61,686,540	62,808,136	3,624,454	3,690,355
FINANCIAL INCOME (Note 29)	42,211,867	26,244,582	2,480,200	1,542,027
FINANCIAL COST (Note 29)	<u>19,615,628</u>	<u>14,699,976</u>	<u>1,152,536</u>	<u>863,712</u>
INCOME BEFORE INCOME TAX	(3,778,045)	(106,069,451)	(221,983)	(6,232,217)
INCOME TAX EXPENSE (Note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	(3,778,045)	(106,069,451)	(221,983)	(6,232,217)
OTHER COMPREHENSIVE INCOME	<u>6,583,567</u>	<u>(87,758)</u>	<u>386,824</u>	<u>(5,156)</u>
TOTAL COMPREHENSIVE INCOME	<u>₩ 2,805,522</u>	<u>₩ (106,157,209)</u>	<u>Rs. 164,841</u>	<u>Rs. (6,237,373)</u>
INCOME PER SHARE (Note 30) Basic and diluted income per share	<u>₩ (29)</u>	<u>₩ (867)</u>	<u>Rs. (2)</u>	<u>Rs. (51)</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Korean won in thousands								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus Consideration for conversion rights	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
	(In thousands)								
Balance at January 1, 2012	609,809,205	4,213,878	120,351,580	931,509	-	-	193,310	177,718,020	913,217,502
Net income	-	-	-	-	-	-	-	(106,069,451)	(106,069,451)
Actuarial losses	-	-	-	-	-	-	-	(18,894,198)	(18,894,198)
Capital increase with consideration	3,564,000	353,517	-	-	-	-	-	-	3,917,517
Conversion of debt to equity	-	(21,639)	-	-	-	-	-	-	(21,639)
Deficit recovery	-	-	-	-	-	-	-	-	-
Stock issuance costs	-	-	-	-	-	(3,243,869)	-	-	(3,243,869)
gains on valuation of derivatives	-	-	-	-	-	-	18,806,440	-	18,806,440
Balance at December 31, 2012,	<u>₩ 613,373,205</u>	<u>₩ 4,545,756</u>	<u>₩ 120,351,580</u>	<u>₩ 931,509</u>	<u>₩ -</u>	<u>₩ (3,243,869)</u>	<u>₩ 18,999,750</u>	<u>₩ 52,754,371</u>	<u>₩ 807,712,302</u>
Balance at January 1, 2013	613,373,205	4,545,756	120,351,580	931,509	-	(3,243,869)	18,999,750	52,754,371	807,712,302
Net income	-	-	-	-	-	-	-	(3,778,045)	(3,778,045)
Actuarial losses	-	-	-	-	-	-	-	(1,250,363)	(1,250,363)
Capital increase with consideration	72,727,275	7,272,728	-	-	-	-	-	-	80,000,003
Stock issuance costs	-	(365,771)	-	-	-	-	-	-	(365,771)
Miscellaneous	-	-	-	-	(108,530)	-	-	-	(108,530)
gains on valuation of derivatives	-	-	-	-	-	-	7,833,930	-	7,833,930
Balance at December 31, 2013,	<u>₩ 686,100,480</u>	<u>₩ 11,452,713</u>	<u>₩ 120,351,580</u>	<u>₩ 931,509</u>	<u>₩ (108,530)</u>	<u>₩ (3,243,869)</u>	<u>₩ 26,833,680</u>	<u>₩ 47,725,963</u>	<u>₩ 890,043,526</u>

(continued)

**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Indian-Rupee in thousands								
	Capital stock	Other capital surplus					Other capital adjustments	Retained earnings (accumulated deficit)	Total
		Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights	Debt to be swapped for equity	Other capital surplus			
						(In thousands)			
Balance at January 1, 2012	35,829,950	247,591	7,071,377	54,732	-	-	11,358	10,442,000	53,657,008
Net income	-	-	-	-	-	-	-	(6,232,217)	(6,232,217)
Actuarial losses	-	-	-	-	-	-	-	(1,110,147)	(1,110,147)
Capital increase with consideration	209,406	20,771	-	-	-	-	-	-	230,177
Conversion of debt to equity	-	(1,271)	-	-	-	-	-	-	(1,271)
Deficit recovery	-	-	-	-	-	-	-	-	-
Stock issuance costs	-	-	-	-	-	(190,597)	-	-	(190,597)
gains on valuation of derivatives	-	-	-	-	-	-	1,104,991	-	1,104,991
Balance at December 31, 2012,	<u>Rs. 36,039,356</u>	<u>Rs. 267,091</u>	<u>Rs. 7,071,377</u>	<u>Rs. 54,732</u>	<u>Rs. -</u>	<u>Rs. (190,597)</u>	<u>Rs. 1,116,349</u>	<u>Rs. 3,099,636</u>	<u>Rs. 47,457,944</u>
Balance at January 1, 2013	36,039,356	267,091	7,071,377	54,732	-	(190,597)	1,116,349	3,099,636	47,457,944
Net income	-	-	-	-	-	-	-	(221,983)	(221,983)
Actuarial losses	-	-	-	-	-	-	-	(73,466)	(73,466)
Capital increase with consideration	4,273,164	427,316	-	-	-	-	-	-	4,700,480
Stock issuance costs	-	(21,491)	-	-	-	-	-	-	(21,491)
Miscellaneous	-	-	-	-	(6,377)	-	-	-	(6,377)
gains on valuation of derivatives	-	-	-	-	-	-	460,290	-	460,290
Balance at December 31, 2013,	<u>Rs. 40,312,520</u>	<u>Rs. 672,916</u>	<u>Rs. 7,071,377</u>	<u>Rs. 54,732</u>	<u>Rs. (6,377)</u>	<u>Rs. (190,597)</u>	<u>Rs. 1,576,639</u>	<u>Rs. 2,804,187</u>	<u>Rs. 52,295,397</u>

See accompanying notes to the financial statements.

**SSANGYONG MOTOR COMPANY**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Korean won		Indian-Rupee	
	Year ended	Year ended	Year ended	Year ended
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(In thousands)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	<u>₩ (3,778,045)</u>	<u>₩ (106,069,451)</u>	<u>Rs. (221,983)</u>	<u>Rs. (6,232,217)</u>
Adjustment (Note 31)	203,175,972	197,913,326	11,937,807	11,628,596
Changes in net working capital (Note 31)	<u>76,101,512</u>	<u>56,480,668</u>	<u>4,471,421</u>	<u>3,318,578</u>
	275,499,439	148,324,543	16,187,245	8,714,957
Interests received	7,249,544	6,125,722	425,954	359,923
Interests paid	(8,721,307)	(8,886,715)	(512,429)	(522,148)
Dividend income received	<u>1,100,280</u>	<u>165,104</u>	<u>64,648</u>	<u>9,701</u>
Net cash provided by operating activities	<u>275,127,956</u>	<u>145,728,654</u>	<u>16,165,418</u>	<u>8,562,433</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in other receivables	2,268,420	3,796,291	133,283	223,055
Disposal of property, plant and equipment	495,195	250,811	29,096	14,736
Disposal of investments on subsidiary	1,759,872	-	103,403	-
Decrease in other assets	<u>37,262</u>	<u>13,970</u>	<u>2,189</u>	<u>821</u>
	4,560,749	4,061,072	267,971	238,612
Cash outflows from investing activities:				
Increase in other receivables	4,970,361	2,445,000	292,039	143,658
Acquisition of property, plant and equipment	152,239,552	117,338,548	8,944,987	6,894,344
Acquisition of intangible assets	57,611,817	27,740,980	3,385,040	1,629,949
Acquisition of investments on subsidiary	4,048,680	263,455	237,884	15,480
	<u>(218,870,410)</u>	<u>(147,787,983)</u>	<u>(12,859,950)</u>	<u>(8,683,431)</u>
Net cash provided by(used in) in investing activities	<u>(214,309,661)</u>	<u>(143,726,911)</u>	<u>(12,591,979)</u>	<u>(8,444,819)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Increase in borrowings	21,754,957	-	1,278,234	-
Issuance of debentures	-	-	-	-
Capital increase with consideration	<u>80,000,003</u>	<u>3,917,517</u>	<u>4,700,480</u>	<u>230,178</u>
	101,754,960	3,917,517	5,978,714	230,178

(Continued)



**SSANGYONG MOTOR COMPANY**

**SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Korean won		Indian-Rupee	
	Year ended December 31, 2013 (In thousands)	Year ended December 31, 2012 (In thousands)	Year ended December 31, 2013 (In thousands)	Year ended December 31, 2012 (In thousands)
Cash outflows for financing activities:				
Redemption of borrowings	₩ -	₩ 10,567,689	Rs. -	Rs. 620,915
Redemption of current portion of long-term borrowings	-	-	-	-
Redemption of troubled debts	-	-	-	-
Stock issuance cost	<u>365,771</u>	<u>21,639</u>	<u>21,491</u>	<u>1,271</u>
	<u>(365,771)</u>	<u>(10,589,328)</u>	<u>(21,491)</u>	<u>(622,186)</u>
Net cash provided by (used in) financing activities	<u>101,389,189</u>	<u>(6,671,811)</u>	<u>5,957,223</u>	<u>(392,008)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(265,257)</u>	<u>(69,886)</u>	<u>(15,585)</u>	<u>(4,106)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,942,227	(4,739,954)	9,515,077	(278,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>197,769,855</u>	<u>202,509,809</u>	<u>11,620,166</u>	<u>11,898,666</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>₩ 359,712,082</u>	<u>₩ 197,769,855</u>	<u>Rs. 21,135,243</u>	<u>Rs. 11,620,166</u>

See accompanying notes to the financial statements.

# SSANGYONG MOTOR COMPANY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

### 1. GENERAL:

(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 of 1975. The Company is headquartered in Dong-sak Ro, Pyungtaek and its factories are located in Pyungtaek, Kyeonggi-do and Changwon, Kyeongsangnam-do. The Company manufactures and distributes motor vehicles and parts.

(2) Major shareholders

The Company's shareholders as of December 31, 2013 are as follows:

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

### 2. SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean won ("Won") and prepares separate financial statements in conformity with Korean International Reporting Standards ("K-IFRS"), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, comprehensive income, changes in stockholders' equity or cash flows, is not presented in the accompanying separate financial statements.

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩1 to Rs. 0.058756 at December 31, 2013), 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.

(1) Basis of preparation

The Company has prepared the separate financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRS") for the annual period beginning on January 1, 2011.

The Company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027 Separate Financial Statements, in which a parent, or an investor with joint control of, or significant influence over, an investee accounts for the investments on the basis of the direct equity interest rather than on the basis of the underlying results and net assets of the investees.

The accompanying separate financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given.

The principal accounting policies are set out below.

1) Amendments to K-IFRSs affecting amounts reported in the financial statements

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than this presentation change, the application of the amendments to K-IFRS 1001 does not result in any impact on the Company's financial position and financial performance. The amendments have been applied retrospectively for the comparative period, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to K-IFRS 1019 – Employee Benefits

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and the accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income (the option to recognize actuarial gains and losses in profit or loss has also been removed). Furthermore, the interest cost and expected return on plan assets used in the previous version of K-IFRS 1019 are replaced with a 'net interest' amount under K-IFRS 1019 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to K-IFRS 1019 also require the recognition of past service cost as an expense at the earlier date of (a) when the plan amendment or curtailment occurs and (b) when the Company recognizes related restructuring costs or termination benefits. The Company has applied these changes, but the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the financial statements.

Amendments to K-IFRS 1107 – Financial Instruments: Disclosures

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities and require entities to disclose information about rights of offset and related arrangements (such as collateral agreements) for financial instruments under an enforceable master netting agreement or similar arrangement, irrespective of whether they would meet the offsetting criteria under K-IFRS 1032. As the Company has neither any offsetting financial instruments under K-IFRS 1032 nor any rights of offset or related arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the separate financial statements.

K-IFRS 1113 – Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured by taking into account the characteristics of the asset or liability that market participants would take when pricing the asset or liability at the measurement date. A fair value measurement under K-IFRS 1113 requires an entity to determine the particular asset or liability that is subject of the measurement, the principal (or most advantageous) market for the asset or liability, and the valuation technique(s) appropriate for the measurement. In addition, K-IFRS 1113 requires extensive disclosures about fair value measurements. The Company has applied these changes, but the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the financial statements.

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

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

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

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

Group’s right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014.

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

The amendments to K-IFRS 1039 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendment to K-IFRS 1039 is effective for annual periods beginning on or after January 1, 2014.

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

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and K-IFRS 1027 to introduce new disclosure requirements for investment entities. The investment entities amendments are effective for annual periods beginning on or after January 1, 2014.

The Company does not anticipate that these amendments referred above will have a significant effect on the Company’s separate financial statements and disclosures.

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

(2) Accounting for investments in subsidiaries

The Company in accordance with the K-IFRS 1027 ‘*Consolidated and Separate financial statements*’, is a parent company and it has subsidiaries of which Ssangyong Motor (Shanghai) Co., Ltd and Ssangyong European Parts Center B.V. When the Company prepares separate statements, the investments in subsidiaries are accounted for at cost basis by the direct investment proportion. And also the Company recognize a dividend from a subsidiary in profit or loss in the separate financial statements when its right to receive the dividend is established.

(3) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company’s activities, as described below.

### 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

### 3) Dividend and Interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### (4) Foreign currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the separate financial statements, the results and financial position of each entity are expressed in Currency Units (KRW), which is the functional currency of the Company and the presentation currency for the separate financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

## (5) Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

### 1) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

### 2) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the Statement of Comprehensive Income.

### 3) Held-to-maturity investments

Non-derivatives 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 investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

#### 4) Financial assets available-for-sale (AFS)

Non-derivatives financial assets that are not classified as at held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at financial assets AFS. Financial assets can be designated as ale on initial recognition. Financial assets AFS are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

#### 5) 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 measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### 6) Impairment of financial assets

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.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of the company, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

#### 7) Derecognition of financial assets

The Company derecognizes 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### (6) Financial liabilities and equity instruments issued by the Company

##### 1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### 2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

##### 3) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### 4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income statement.

#### 5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### 6) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### (7) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

#### (8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in in-transit, are measured under the weighted average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period; less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, is recognized as expense during the period.

#### (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
Machinery	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

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products, and the Company can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(11) Impairment of tangible and intangible assets other than goodwill

At the end of each 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 any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(12) 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.

(13) 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.

(14) 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.

#### (15) Borrowing costs

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.

#### (16) 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.

#### (17) 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.

#### (18) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-based payment, leasing transactions that are within the scope of K-IFRS 1017 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### (19) 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. CASH AND CASH EQUIVALENTS:**

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

**5. RESTRICTED FINANCIAL ASSETS:**

Restricted financial assets as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	Financial institution	December 31, 2013	December 31, 2012	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 1,092,081	₩ 1,084,501	Government subsidies and others
	Woori Bank and others	15,030,192	14,848,647	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 16,128,273</u>	<u>₩ 15,939,148</u>	

(Unit: Indian-Rupee in thousands):

	Financial institution	December 31, 2013	December 31, 2012	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 64,166	Rs. 63,721	Government subsidies and others
	Woori Bank and others	883,114	872,447	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	353	353	Overdraft deposit
		<u>Rs. 947,633</u>	<u>Rs. 936,521</u>	

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

The Company's long-term available-for-sale financial assets as of December 31, 2013 and 2012 are as follows: (Unit: Korean Won in thousands):

Classification	Ownership (%)	December 31, 2013		December 31, 2012	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 663,208	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	397,841	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,061,049</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	December 31, 2013		December 31, 2012	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 29,378	Rs. 38,967	Rs. 29,378	Rs. 29,378
Korea Management Consultants Association (*)	1.50%	3,525	23,376	3,525	3,525
		<u>Rs. 32,903</u>	<u>Rs. 62,343</u>	<u>Rs. 32,903</u>	<u>Rs. 32,903</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.

## 7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from December 31, 2013 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 December 31, 2013 and 2012 are as follows (Unit: Korean Won in thousands):

Classification	December 31, 2013			
	Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 188,596,087	₩ 28,976,590	₩ 2,988,667	₩ 36,805,929
Receivables due from affiliated parties	11,187,170	3,018,686	-	-
Less: Allowance for doubtful accounts	(208,701)	(491,039)	-	(241,459)
	<u>₩ 199,574,556</u>	<u>₩ 31,504,237</u>	<u>₩ 2,988,667</u>	<u>₩ 36,564,470</u>

  

Classification	December 31, 2012			
	Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 179,340,351	₩ 20,201,754	₩ 3,041,886	₩ 30,341,837
Receivables due from affiliated parties	17,823,315	5,150,572	-	-
Less: Allowance for doubtful accounts	(1,061,540)	(965,595)	(330)	(169,932)
	<u>₩ 196,102,126</u>	<u>₩ 24,386,731</u>	<u>₩ 3,041,556</u>	<u>₩ 30,171,905</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2013			
	Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 11,081,152	Rs. 1,702,549	Rs. 175,602	Rs. 2,162,569
Receivables due from affiliated parties	657,313	177,366	-	-
Less: Allowance for doubtful accounts	(12,262)	(28,851)	-	(14,187)
	<u>Rs. 11,726,203</u>	<u>Rs. 1,851,064</u>	<u>Rs. 175,602</u>	<u>Rs. 2,148,382</u>

  

Classification	December 31, 2012			
	Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 10,537,322	Rs. 1,186,974	Rs. 178,729	Rs. 1,782,765
Receivables due from affiliated parties	1,047,227	302,627	-	-
Less: Allowance for doubtful accounts	(62,372)	(56,734)	(19)	(9,985)
	<u>Rs. 11,522,177</u>	<u>Rs. 1,432,867</u>	<u>Rs. 178,710</u>	<u>Rs. 1,772,780</u>



(2) Credit risk and allowance for doubtful accounts

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

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

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

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

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of December 31, 2013 and 2012 are as follows (Unit: Korean Won in thousands):

Classification	December 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 1,831,255	₩ 3,769,935	₩ 3,331,927	₩ 8,933,117
Non-trade receivables	3,692,761	102,000	2,322,844	6,117,605
Other long-term receivables	-	-	103,250	103,250
	<u>₩ 5,524,016</u>	<u>₩ 3,871,935</u>	<u>₩ 5,758,021</u>	<u>₩ 15,153,972</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,031,683	₩ 4,313,306	₩ 1,209,924	₩ 7,554,913
Non-trade receivables	709,373	458,725	4,313,001	5,481,099
Other long-term receivables	-	-	103,250	103,250
	<u>₩ 2,741,056</u>	<u>₩ 4,772,031</u>	<u>₩ 5,626,175</u>	<u>₩ 13,139,262</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 107,597	Rs. 221,506	Rs. 195,771	Rs. 524,874
Non-trade receivables	216,972	5,993	136,481	359,446
Other long-term receivables	-	-	6,067	6,067
	<u>Rs. 324,569</u>	<u>Rs. 227,499</u>	<u>Rs. 338,319</u>	<u>Rs. 890,387</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 119,374	Rs. 253,433	Rs. 71,090	Rs. 443,897
Non-trade receivables	41,680	26,953	253,415	322,048
Other long-term receivables	-	-	6,067	6,067
	<u>Rs. 161,054</u>	<u>Rs. 280,386</u>	<u>Rs. 330,572</u>	<u>Rs. 772,012</u>

Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue but are impaired as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

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

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ -	₩ -
Non-trade receivables	-	-	961,182	961,182
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,005,432</u>	<u>₩ 1,005,432</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2013			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. -	Rs. -
Non-trade receivables	-	-	27,848	27,848
Other long-term receivables	-	-	2,600	2,600
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 30,448</u>	<u>Rs. 30,448</u>

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. -	Rs. -
Non-trade receivables	-	-	56,475	56,475
Other long-term receivables	-	-	2,600	2,600
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 59,075</u>	<u>Rs. 59,075</u>

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2013 and 2012 is as follows (Unit: Korean won in thousands):

Classification	Year ended December 31, 2013			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 1,061,540	₩ 965,595	₩ 330	₩ 169,932
Bad debt expense	(852,839)	-	-	71,341
Write-offs	-	(462,099)	-	-
Reversal of allowance (*)	-	(12,457)	(16)	(128)
Transfer	-	-	(314)	314
Ending balance	<u>₩ 208,701</u>	<u>₩ 491,039</u>	<u>₩ -</u>	<u>₩ 241,459</u>

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

Classification	Year ended December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 1,193,267	₩ 2,019,821	₩ 1,394	₩ 403,223
Bad debt expense	-	-	-	44,296
Write-offs	-	(713,991)	-	-
Reversal of allowance (*)	(131,727)	(340,235)	(1,064)	(277,587)
Ending balance	<u>₩ 1,061,540</u>	<u>₩ 965,595</u>	<u>₩ 330</u>	<u>₩ 169,932</u>

(Unit: Indian-Rupee in thousands):

Classification	Year ended December 31, 2013			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 62,372	Rs. 56,734	Rs. 19	Rs. 9,985
Bad debt expense	(50,109)	-	-	4,192
Write-offs	-	(27,151)	-	-
Reversal of allowance (*)	-	(732)	(1)	(8)
Transfer	-	-	18	18
Ending balance	Rs. 12,263	Rs. 28,851	Rs. -	Rs. 14,187

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

Classification	Year ended December 31, 2012			
	Trad receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Beginning balance	Rs. 70,112	Rs. 118,677	Rs. 82	Rs. 23,692
Bad debt expense	-	-	-	2,603
Write-offs	-	(41,951)	-	-
Reversal of allowance	(7,740)	(19,991)	(63)	(16,310)
Ending balance	Rs. 62,372	Rs. 56,735	Rs. 19	Rs. 9,985

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

## 8. INVENTORIES:

Details of the inventories as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	December 31, 2013			December 31, 2012		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 53,211,292	₩ (526,033)	₩ 52,685,259	₩ 51,234,457	₩ (509,816)	₩ 50,724,641
Finished goods	51,400,982	(3,411,723)	47,989,259	34,719,883	(3,838,867)	30,881,016
Work-in-process	25,448,586	(684,102)	24,764,484	22,463,202	(1,104,219)	21,358,983
Raw materials	83,499,004	(17,746,485)	65,752,519	92,839,434	(5,924,608)	86,914,826
Sub-materials	510,850	-	510,850	6,282,422	-	6,282,422
Supplies	4,235,253	(2,212)	4,233,041	4,642,578	(2,212)	4,640,366
Goods in transit	81,135,536	-	81,135,536	63,571,101	-	63,571,101
Total	₩ 299,441,503	₩ (22,370,555)	₩ 277,070,948	₩ 275,753,077	₩ (11,379,722)	₩ 264,373,355

(Unit: Indian-Rupee in thousands):

	December 31, 2013			December 31, 2012		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 3,126,483	Rs. (30,908)	Rs. 3,095,575	Rs. 3,010,332	Rs. (29,955)	Rs. 2,980,377
Finished goods	3,020,116	(200,459)	2,819,657	2,040,001	(225,556)	1,814,445
Work-in-process	1,495,257	(40,195)	1,455,062	1,319,848	(64,879)	1,254,969
Raw materials	4,906,067	(1,042,712)	3,863,355	5,454,874	(348,106)	5,106,768
Sub-materials	30,016	-	30,016	369,130	-	369,130
Supplies	248,847	(131)	248,716	272,779	(130)	272,649
Goods in transit	4,767,200	-	4,767,200	3,735,184	-	3,735,184
Total	Rs. 17,593,986	Rs. (1,314,404)	Rs. 16,279,581	Rs. 16,202,148	Rs. (668,626)	Rs. 15,533,522

The company is using the “lower of cost or market method” on the balance sheet in the case of inventories’ market value decrease under the acquisition cost. On the other hand, losses on valuation of inventories which was added to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩11,102,920 thousands (Rs. 652,363 thousands).

## 9. INVESTMENTS IN SUBSIDIARIES:

### (1) Details of investments in subsidiaries

Details of investment in subsidiaries accounted for using equity method as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

Name of subsidiary	Location	Ownership %	December 31, 2013		December 31, 2012
			Acquisition cost	Book value	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. (*)	China	100	₩ -	₩ -	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	5,338,097	5,829,056	1,780,377
Ssangyong European Parts Center B.V.	Netherland	100	835,695	-	-
			<u>₩ 6,173,792</u>	<u>₩ 5,829,056</u>	<u>₩ 4,720,009</u>

(Unit: Indian-Rupee in thousands)

Name of subsidiary	Location	Ownership %	December 31, 2013		December 31, 2012
			Acquisition cost	Book value	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. (*)	China	100	Rs. -	Rs. -	Rs. 172,721
Ssangyong Motor (Shanghai) Co., Ltd.	China	100	313,645	342,492	104,608
Ssangyong European Parts Center B.V.	Netherland	100	49,102	-	-
			<u>Rs. 362,747</u>	<u>Rs. 342,492</u>	<u>Rs. 277,329</u>

(\*) During this year, the Company liquidated Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.

### (2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries as of and for the year ended December 31, 2013 is as follows (Unit: Korean won in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ -	₩ -	₩ -	₩ (14,720)	₩ (262,511)
Ssangyong Motor (Shanghai) Co., Ltd	6,609,412	255,069	3,814,332	900,465	809,326
Ssangyong European Parts Center B.V.	7,940,806	12,388,132	13,852,837	177,732	125,145

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Sales	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. -	Rs. -	Rs. -	Rs. (865)	Rs. (15,424)
Ssangyong Motor (Shanghai) Co., Ltd	388,343	14,987	224,115	52,908	47,553
Ssangyong European Parts Center B.V.	466,570	727,877	813,937	10,443	7,353

**10. OTHER ASSETS:**

The carrying values of the Company's other assets as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

Account	December 31, 2013		December 31, 2012	
Other current assets				
Advance payments	₩	2,035,601	₩	3,343,151
Less: Allowance for doubtful accounts		(1,147)		(12,285)
Prepaid expenses		4,127,302		2,590,858
Income tax refundable		983,619		817,664
		7,145,375		6,739,388
Other non-current assets				
Long-term prepaid expenses		-		-
Other non-current assets		357,350		360,542
	₩	357,350	₩	360,542

(Unit: Indian-Rupee in thousands):

Account	December 31, 2013		December 31, 2012	
Other current assets				
Advance payments	Rs.	119,604	Rs.	196,430
Less: Allowance for doubtful accounts		(67)		(722)
Prepaid expenses		242,504		152,228
Other current assets		57,793		48,043
		419,834		395,979
Other non-current assets				
Long-term prepaid expenses		-		-
Other non-current assets		20,996		21,184
	Rs.	20,996	Rs.	21,184

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

(1) Carrying amounts of property, plant and equipment as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	December 31, 2013				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 475,305,570	₩ -	₩ -	₩ -	₩ 475,305,570
Buildings	520,204,787	1,696,822	176,446,878	148,371,912	193,689,175
Structures	103,715,045	176,520	57,532,368	29,156,376	16,849,781
Machinery	1,229,675,167	789,603	1,030,309,009	99,310,297	99,266,258
Vehicles	9,989,170	-	6,895,721	1,243,655	1,849,794
Tools and molds	873,276,231	31,508	507,905,818	163,823,074	201,515,831
Equipment	62,680,485	26,413	33,950,667	4,924,001	23,779,404
Construction in progress	70,917,106	-	-	-	70,917,106
Machinery in transit	862,440	-	-	-	862,440
	₩3,346,626,001	₩ 2,720,866	₩ 1,813,040,461	₩446,829,315	₩ 1,084,035,359

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 469,644,702	₹ -	₹ -	₹ -	₹ 469,644,702
Buildings	518,052,585	1,743,291	167,223,845	148,652,850	200,432,599
Structures	107,121,068	196,654	59,473,892	29,817,703	17,632,819
Machinery	1,221,639,910	998,695	1,009,908,022	99,698,180	111,035,013
Vehicles	10,767,609	-	7,156,946	1,467,948	2,142,715
Tools and molds	810,373,198	57,221	449,941,667	164,093,871	196,280,439
Equipment	54,998,331	49,319	32,767,183	5,313,162	16,868,667
Construction in progress	37,322,043	-	-	-	37,322,043
	<u>₹ 3,229,919,446</u>	<u>₹ 3,045,180</u>	<u>₹ 1,726,471,555</u>	<u>₹ 449,043,714</u>	<u>₹ 1,051,358,997</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2013				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹. 27,927,054	₹. -	₹. -	₹. -	₹. 27,927,054
Buildings	30,565,152	99,698	10,367,313	8,717,740	11,380,401
Structures	6,093,881	10,372	3,380,372	1,713,112	990,025
Machinery	72,250,794	46,394	60,536,836	5,835,076	5,832,488
Vehicles	586,924	-	405,165	73,072	108,687
Tools and molds	51,310,218	1,851	29,842,514	9,625,589	11,840,264
Equipment	3,682,855	1,552	1,994,805	289,315	1,397,183
Construction in progress	4,166,805	-	-	-	4,166,805
Machinery in transit	50,675	-	-	-	50,675
	<u>₹. 196,634,358</u>	<u>₹. 159,867</u>	<u>₹. 106,527,005</u>	<u>₹. 26,253,904</u>	<u>₹. 63,693,582</u>

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹. 27,594,444	₹. -	₹. -	₹. -	₹. 27,594,444
Buildings	30,438,698	102,429	9,825,404	8,734,247	11,776,618
Structures	6,294,005	11,555	3,494,448	1,751,969	1,036,033
Machinery	71,778,675	58,679	59,338,156	5,857,866	6,523,974
Vehicles	632,662	-	420,514	86,251	125,897
Tools and molds	47,614,288	3,362	26,436,773	9,641,499	11,532,654
Equipment	3,231,482	2,898	1,925,269	312,180	991,135
Construction in progress	2,192,893	-	-	-	2,192,893
	<u>₹. 189,777,147</u>	<u>₹. 178,923</u>	<u>₹. 101,440,564</u>	<u>₹. 26,384,012</u>	<u>₹. 61,773,648</u>

(2) Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2013 and December 31, 2012 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2013					
	Beginning balance	Acquisition(*)	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ 19,360	₩ 154,021	₩ 5,795,529	₩ -	₩ 475,305,570
Buildings	200,432,599	1,335,708	129,642	1,447,294	9,396,784	193,689,175
Structures	17,632,819	93,830	120,297	835,011	1,591,582	16,849,781
Machinery	111,035,013	4,401,773	91,672	20,116,918	36,195,774	99,266,258
Vehicles	2,142,714	351,060	97,319	8,996	555,657	1,849,794
Tools and molds	196,280,440	28,206,687	41,641	42,669,046	65,598,701	201,515,831
Equipment	16,868,667	10,384,065	59,809	1,237,289	4,650,808	23,779,404
Construction in progress	37,322,043	106,584,628	134,908	(72,854,657)	-	70,917,106
Machinery in transit	-	862,440	-	-	-	862,440
	<u>₩ 1,051,358,997</u>	<u>₩ 152,239,551</u>	<u>₩ 829,309</u>	<u>₩ (744,574)</u>	<u>₩ 117,989,306</u>	<u>₩ 1,084,035,359</u>

  

	Year ended December 31, 2012					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,054	5,502,758	2,432	6,371,091	8,964,872	200,432,599
Structures	17,471,619	1,690,239	11,631	(1,281)	1,516,127	17,632,819
Machinery	128,108,292	6,025,633	29,835	10,146,028	33,215,105	111,035,013
Vehicles	2,492,383	250,718	33,624	(1,829)	564,934	2,142,714
Tools and molds	180,547,205	28,718,136	44,918	42,692,012	55,631,995	196,280,440
Equipment	10,799,929	9,243,636	146,469	353,986	3,382,415	16,868,667
Construction in progress	31,748,336	63,067,454	751,429	(56,742,318)	-	37,322,043
Machinery in transit	87,626	2,795,525	-	(2,883,151)	-	-
	<u>₩ 1,038,426,146</u>	<u>₩ 117,294,099</u>	<u>₩ 1,020,338</u>	<u>₩ (65,462)</u>	<u>₩ 103,275,448</u>	<u>₩ 1,051,358,997</u>

(\*) Depreciation cost of suspended assets amount of ₩37,502 in thousands (Rs. 2,203 thousands) and ₩66,421 in thousands (Rs. 3,903 thousands) in each year is excluded from the depreciation cost in Statement of Cash flow.

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2013					
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 27,594,444	Rs. 1,138	Rs. 9,050	Rs. 340,522	Rs. -	Rs. 27,927,054
Buildings	11,776,618	78,480	7,617	85,037	552,117	11,380,401
Structures	1,036,034	5,512	7,068	49,062	93,515	990,025
Machinery	6,523,973	258,630	5,386	1,181,990	2,126,719	5,832,488
Vehicles	125,897	20,627	5,718	529	32,648	108,687
Tools and molds	11,532,654	1,657,312	2,447	2,507,062	3,854,317	11,840,264
Equipment	991,135	610,127	3,514	72,698	273,263	1,397,183
Construction in progress	2,192,893	6,262,487	7,927	(4,280,648)	-	4,166,805
Machinery in transit	-	50,675	-	-	-	50,675
	<u>Rs. 61,773,648</u>	<u>Rs. 8,944,988</u>	<u>Rs. 48,727</u>	<u>Rs. (43,748)</u>	<u>Rs. 6,932,579</u>	<u>Rs. 63,693,582</u>

Year ended December 31, 2012

	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	27,594,444	-	-	-	-	27,594,444
Buildings	11,605,841	323,320	143	374,340	526,740	11,776,618
Structures	1,026,562	99,312	683	(75)	89,082	1,036,034
Machinery	7,527,131	354,042	1,753	596,140	1,951,587	6,523,973
Vehicles	146,442	14,731	1,976	(107)	33,193	125,897
Tools and molds	10,608,232	1,687,362	2,639	2,508,412	3,268,713	11,532,654
Equipment	634,561	543,118	8,606	20,799	198,737	991,135
Construction in progress	1,865,405	3,705,591	44,151	(3,333,952)	-	2,192,893
Machinery in transit	5,149	164,253	-	(169,402)	-	-
	<u>Rs. 61,013,767</u>	<u>Rs. 6,891,729</u>	<u>Rs. 59,951</u>	<u>Rs. (3,845)</u>	<u>Rs. 6,068,052</u>	<u>Rs. 61,773,651</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of December 31, 2013 are as follows (won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 281,318,706	195 billion Korean Won
Buildings	150-3 (factory site) and others	62,581,357	
Machinery and others	Pyeongtaek plant production facilities	14,040,979	
		<u>₩ 357,941,042</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 16,529,162	11 billion rupee
Buildings	150-3 (factory site) and others	3,677,030	
Machinery and others	Pyeongtaek plant production facilities	824,992	
		<u>Rs. 21,031,184</u>	

**12. INTANGIBLE ASSETS:**

(1) Details of intangible assets as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,684	₩ -	₩ 9,371,382	₩ -	₩ 5,107,302
Patents	1,217,210	5,802	475,150	-	736,258
Other intangible assets	88,692,583	21,608	4,347,597	686,796	83,636,582
	<u>₩ 104,388,477</u>	<u>₩ 27,410</u>	<u>₩ 14,194,129</u>	<u>₩ 686,796</u>	<u>₩ 89,480,142</u>
	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 204,311,183	₩ -	₩ 156,314,870	₩ -	₩ 47,996,313
Patents	2,003,315	1,718	1,315,805	27,726	658,066
Other intangible assets	15,732,099	88,169	7,088,154	686,797	7,868,979
	<u>₩ 222,046,597</u>	<u>₩ 89,887</u>	<u>₩ 164,718,829</u>	<u>₩ 714,523</u>	<u>₩ 56,523,358</u>



(Unit: Indian-Rupee in thousands):

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 850,710	Rs. -	Rs. 550,625	Rs. -	Rs. 300,085
Patents	71,518	341	27,918	-	43,259
Other intangible assets	5,211,221	1,270	255,447	40,353	4,914,151
	<u>Rs. 6,133,449</u>	<u>Rs. 1,611</u>	<u>Rs. 833,990</u>	<u>Rs. 40,353</u>	<u>Rs. 5,257,495</u>

  

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 12,004,508	Rs. -	Rs. 9,184,438	Rs. -	Rs. 2,820,070
Patents	117,707	101	77,311	1,629	38,666
Other intangible assets	924,355	5,180	416,472	40,353	462,350
	<u>Rs. 13,046,570</u>	<u>Rs. 5,281</u>	<u>Rs. 9,678,221</u>	<u>Rs. 41,982</u>	<u>Rs. 3,321,086</u>

(2) Changes in intangible assets for the years ended December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2013						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 47,996,313	₩ -	₩ (21,240,402)	₩ 21,648,609	₩ -	₩ -	₩ 5,107,302
Patents	658,066	344,860	-	231,598	35,070	-	736,258
Other intangible assets	7,868,979	57,266,957	21,240,402	3,456,886	5,194	722,323	83,636,581
	<u>₩ 56,523,358</u>	<u>₩ 57,611,817</u>	<u>₩ -</u>	<u>₩ 25,337,093</u>	<u>₩ 40,264</u>	<u>₩ 722,323</u>	<u>₩ 89,480,141</u>

  

	Year ended December 31, 2012						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 58,764,596	₩ 22,370,553	₩ -	₩ 33,138,836	₩ -	₩ -	₩ 47,996,313
Patents	701,109	250,192	(1,764)	274,307	17,164	-	658,066
Other intangible assets	4,930,999	5,120,236	(42,639)	1,452,821	686,796	-	7,868,979
	<u>₩ 64,396,704</u>	<u>₩ 27,740,981</u>	<u>₩ (44,403)</u>	<u>₩ 34,865,964</u>	<u>₩ 703,960</u>	<u>₩ -</u>	<u>₩ 56,523,358</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2013						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 2,820,071	Rs. -	Rs. (1,248,001)	Rs. 1,271,986	Rs. -	Rs. -	Rs. 300,084
Patents	38,665	20,263	-	13,608	2,061	-	43,259
Other intangible assets	462,350	3,364,777	1,248,001	203,113	305	42,441	4,914,151
	<u>Rs. 3,321,086</u>	<u>Rs. 3,385,040</u>	<u>Rs. -</u>	<u>Rs. 1,488,707</u>	<u>Rs. 2,366</u>	<u>Rs. 42,441</u>	<u>Rs. 5,257,494</u>

  

	Year ended December 31, 2012						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 3,452,773	Rs. 1,314,404	Rs. -	Rs. 1,947,105	Rs. -	Rs. -	Rs. 2,820,072
Patents	41,194	14,700	(104)	16,117	1,008	-	38,665
Other intangible assets	289,726	300,845	(2,505)	85,362	40,353	-	462,351
	<u>Rs. 3,783,693</u>	<u>Rs. 1,629,949</u>	<u>Rs. (2,609)</u>	<u>Rs. 2,048,584</u>	<u>Rs. 41,361</u>	<u>Rs. -</u>	<u>Rs. 3,321,088</u>

(3) Amortization of the Company's intangible assets for the years ended December 31, 2013 and 2012 is as follows.

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Cost of goods manufactured	₩ 21,307,066	₩ 32,775,502	Rs. 1,251,918	Rs. 1,925,757
Selling and administrative expenses	4,030,027	2,090,462	236,788	122,827
	<u>₩ 25,337,093</u>	<u>₩ 34,865,964</u>	<u>Rs. 1,488,706</u>	<u>Rs. 2,048,584</u>

### 13. BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2013 and 2012 consist of the following (Unit: Korean won in thousands):

Creditor	Type	Interest rate (%)	December 31, 2013	December 31, 2012
Korea Development Bank	Operating fund	CD rate + 2.26%	₩ 30,000,000	₩ 30,000,000
Standard Chartered Bank	Banker's usance	EUR: 1.07% JPY: 0.95%	1,951,103	-
Korea Development Bank	Banker's usance	EUR: 1.23% JPY: 1.50%	7,185,047	-
Bank of America	Banker's usance	EUR: 0.91% USD: 0.96% JPY: 0.86%	12,471,886	-
			<u>₩ 51,608,036</u>	<u>₩ 30,000,000</u>

(Unit: Indian-Rupee in thousands):

Creditor	Type	Interest rate (%)	December 31, 2013	December 31, 2012
Korea Development Bank	Operating fund	CD rate + 2.26%	Rs. 1,762,680	Rs. 1,762,680
Standard Chartered Bank	Banker's usance	EUR: 1.07% JPY: 0.95%	114,639	
Korea Development Bank	Banker's usance	EUR: 1.23% JPY: 1.50%	422,165	
Bank of America	Banker's usance	EUR: 0.91% USD: 0.96% JPY: 0.86%	732,798	
			<u>Rs. 3,032,282</u>	<u>Rs. 1,762,680</u>

(2) The Company's bonds and current portion of long-term borrowings as of December 31, 2013 and 2012 consist of the following (Unit: Korean won in thousands):

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2013	December 31, 2012
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	₩ 95,404,765	₩ 95,404,765

(Unit: Indian-Rupee in thousands):

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2013	December 31, 2012
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	Rs. 5,605,602	Rs. 5,605,602

(3) 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 ( 11 billion Rupee)

#### **14. OTHER FINANCIAL LIABILITIES:**

Carrying amounts of the Company's other financial liabilities as of December 31, 2013 and 2012 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>		<u>Indian Rupee in thousands</u>	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Other current financial liabilities:				
Accrued expenses	₩ 20,352,993	₩ 16,409,144	Rs. 1,195,860	Rs. 964,136

#### **15. PROVISION FOR PRODUCT WARRANTIES:**

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of December 31, 2013 and 2012 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>
Dec. 31, 2013	₩ 118,598,929	₩ 82,634,200	₩ 75,753,148	₩ 125,479,981	₩ 48,780,982	₩ 76,698,999
Dec. 31, 2012	₩ 122,007,836	₩ 69,299,562	₩ 72,708,469	₩ 118,598,929	₩ 46,214,861	₩ 72,384,068

(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>
Dec. 31, 2013	Rs. 6,968,399	Rs. 4,855,255	Rs. 4,450,952	Rs. 7,372,702	Rs. 2,866,175	Rs. 4,506,527
Dec. 31, 2012	Rs. 7,168,692	Rs. 4,071,765	Rs. 4,272,059	Rs. 6,968,398	Rs. 2,715,400	Rs. 4,252,998

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

Carrying amounts of the Company's other liabilities as of December 31, 2013 and 2012 are as follows:

<u>Classification</u>	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Other liabilities				
Advances from customers	₩ 5,689,992	₩ 6,712,542	Rs. 334,321	Rs. 394,402
Deposits received	1,507,995	436,043	88,604	25,620
Withholdings	19,520,134	16,778,055	1,146,925	985,811
Income in advance	-	7,171,456	-	421,367
	<u>₩ 26,718,121</u>	<u>₩ 31,098,096</u>	<u>Rs. 1,569,850</u>	<u>Rs. 1,827,200</u>
Other Long-term liabilities				
Withholdings	₩ -	₩ 8,270	Rs. -	Rs. 486

**17. RETIREMENT BENEFIT OBLIGATION:**

- (1) Defined benefit plans and related liabilities arising from the company's financial statements configuration items as of December 31, 2013 and 2012 are as follows:

Classification	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Present value of defined benefit obligation	₩ 176,130,156	₩ 144,823,054	Rs. 10,348,703	Rs. 8,509,223
Fair value of plan assets	(1,474,038)	(1,524,841)	(86,608)	(89,593)
	<u>₩ 174,656,118</u>	<u>₩ 143,298,213</u>	<u>Rs. 10,262,095</u>	<u>Rs. 8,419,630</u>

- (2) Changes in the Company's defined benefit obligation for the year ended December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2013		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	₩ 144,823,054	₩ (1,524,841)	₩ 143,298,213
Net current service cost	28,664,682	-	28,664,682
Interest cost(income) on DBO	5,629,710	(59,122)	5,570,588
Past service cost	1,689,737	-	1,689,737
Subtotal	180,807,183	(1,583,963)	179,223,220
Remeasurements			
DBO (Gain)/Loss due to Experience	9,191,487	23,883	9,215,370
DBO (Gain)/Loss due to Changes in Demographic Assumptions	2,767,538	-	2,767,538
DBO (Gain)/Loss due to Changes in Financial Assumptions	(10,732,545)	-	(10,732,545)
Subtotal	1,226,480	23,883	1,250,363
Payments			
Benefit payment from plan assets	(86,042)	86,042	-
Benefit payment from company	(5,817,465)	-	(5,817,465)
Subtotal	(5,903,507)	86,042	(5,817,465)
Ending balance	<u>₩ 176,130,156</u>	<u>₩ (1,474,038)</u>	<u>₩ 174,656,118</u>
	Year ended December 31, 2012		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	₩ 188,058,593	₩ (3,072,683)	₩ 184,985,910
Net current service cost	23,056,507	-	23,056,507
Interest cost(income) on DBO	7,393,121	(93,578)	7,299,543
Past service cost	1,163,872	-	1,163,872
Subtotal	219,672,093	(3,166,261)	216,505,832
Remeasurements			
DBO (Gain)/Loss due to Experience	18,896,792	(2,594)	18,894,198
Subtotal	18,896,792	(2,594)	18,894,198
Payments			
Benefit payment from plan assets	(321,399)	321,399	-
Benefit payment from company	(16,118,716)	-	(16,118,716)
Subtotal	(16,440,115)	321,399	(16,118,716)
Business Merger, Acquisition, and Termination			
Curtailments	(1,594,787)	-	(1,594,787)
Settlements	(75,710,929)	1,322,615	(74,388,314)
Subtotal	(77,305,716)	1,322,615	(75,983,101)
Ending balance	<u>₩ 144,823,054</u>	<u>₩ (1,524,841)</u>	<u>₩ 143,298,213</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2013		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	Rs. 8,509,223	Rs. (89,594)	Rs. 8,419,629
Net current service cost	1,684,222	-	1,684,222
Interest cost(income) on DBO	330,779	(3,474)	327,305
Past service cost	99,282	-	99,282
Subtotal	10,623,506	(93,068)	10,530,438
Remeasurements			
DBO (Gain)/Loss due to Experience	540,055	1,405	541,460
DBO (Gain)/Loss due to Changes in Demographic Assumptions	162,609	-	162,609
DBO (Gain)/Loss due to Changes in Financial Assumptions	(630,601)	-	(630,601)
Subtotal	72,063	1,405	73,468
Payments			
Benefit payment from company	(5,055)	5,055	-
Benefit payment from plan assets	(341,811)	-	(341,811)
Subtotal	(346,866)	5,055	(341,811)
Ending balance	Rs. 10,348,703	Rs. (86,608)	Rs. 10,262,095

	Year ended December 31, 2012		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	Rs. 11,049,571	Rs. (180,539)	Rs. 10,869,032
Net current service cost	1,354,708	-	1,354,708
Interest cost(income) on DBO	434,390	(5,498)	428,892
Past service cost	68,384	-	68,384
Subtotal	12,907,053	(186,037)	12,721,016
Remeasurements			
DBO (Gain)/Loss due to Experience	1,110,300	(152)	1,110,148
Subtotal	1,110,300	(152)	1,110,148
Payments			
Benefit payment from company	(18,884)	18,884	-
Benefit payment from plan assets	(947,071)	-	(947,071)
Subtotal	(965,955)	18,884	(947,071)
Business Merger, Acquisition, and Termination			
Curtailments	(93,703)	-	(93,703)
Settlements	(4,448,471)	77,712	(4,370,759)
Subtotal	(4,542,174)	77,712	(4,464,462)
Ending balance	Rs. 8,509,224	Rs. (89,593)	Rs. 8,419,631

(3) Actuarial assumptions used as of December 31, 2012 and December 31, 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate (%)	4.39	3.93
Expected rate of salary increase (%)	5.32	5.31

(4) As of December 31, 2013, if the significant actuarial assumption changes reasonably and acceptably while the others remain unchanged, the defined benefit obligation will be affected as follows:

Classification	Korean won in thousands		Indian-Rupee in thousands	
	Increase	Decrease	Increase	Decrease
Change 1% in Discount rate	₩ (23,664,177)	₩ 28,368,014	Rs. (1,390,412)	Rs. 1,666,791
Changes 1% in Expected rate of salary increase	26,841,874	(22,849,852)	1,577,121	(1,342,566)

The above sensitivity analysis doesn't mean the actual change of defined benefit obligation because any actuarial assumption may not occur independently due to the correlation each other. And the present value of defined benefit obligation has been calculated by the Method of Estimated Unit Accumulation which was applied to the due account in the financial statements.

### 18. CONTINGENCIES AND COMMITMENTS:

The followings are the major commitments and contingent liabilities as of December 31, 2013.

- (1) The Company carries product liability insurance for all products which it sells domestically.
- (2) As of December 31, 2013, the company has been providing guarantees from Woori Bank and etc. amounting to USD 65,607,000 related to import L/C.

provided	Contract period	Contract price(USD)	Amount execution	Amount execution
Korea Development Bank	2013.7.27~2014.7.27	USD 65,000,000	USD 9,483,000 USD 4,954,000	Usance/Sight import credit limit
Woori Bank	2013.8.23~2014.8.23	USD 40,000,000	USD 7,797,000	Sight import credit limit
Bank of America	2013.11.5~2014.11.5	USD 50,000,000	USD 27,844,000 USD 293,000	Usance/Sight import credit limit
JP Morgan	2013.11.5~2014.11.5	USD 30,000,000	-	Usance import credit limit
Standard Chartered Bank	2013.11.5~2014.11.5	USD 20,000,000	USD 15,236,000	Usance import credit limit
Total		USD 205,000,000	USD 65,607,000	

- (3) The followings are the major loan arrangements with the financial institutions as of December 31, 2013.  
(Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

Financial institution	Classification	Limit	Exercise price
KDB	Operating purpose loans	Rs 1,762,680	Rs 1,762,680

(4) Pending litigations

As of December 31, 2013, the Company has 4 pending litigations as a plaintiff with claims amounting to ₩ 15,525 million (Rs. 912 million) and 28 pending litigations as a defendant with claims amounting to ₩ 21,679 million (Rs. 1,274 million). Details of significant pending litigations as of December 31, 2013 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Wages	₩ 12,785,493	Rs. 751,224	Sung-Ho Lee and 243 others	The Company	2nd trial pending (1st trial partially lost)
Compensation for damages	(10,000,000)	587,560	The Company	Federation of Korea Metal Worker's trade Union	2nd trial pending (1st trial partially win)
Compensation for damages	(5,000,000)	293,780	The Company	Labor Union, Kap Deuk Jung and others	2nd trial pending (1st trial partially win)
Void dismissal	3,020,015	177,444	Suk-joo Noh and 150 others	The Company	3rd trial preparing (2nd trial lost)
Objection to confirmation trial	1,238,517	72,770	SK E&C Co., Ltd.	The Company	3rd trial pending (1st trial win, 2nd trial lost)
Wages	572,698	33,649	Sang-sik Lee and 12 others	The Company	1st trial pending

For the above pending litigations, the Company recognized other payables amounting to ₩ 38,299,446 thousands (Rs. 2,252,007 thousands) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2013.

As of December 31, 2013, the Company has a pending representative suit for claims related to the ordinary wage. The Company predicts very low possibility of additional expenditure due to this claim. This is based upon the Supreme Court judgment as of December 18, 2013 which says any additional retroactive wage claim from the labor union should not be allowed on the ground of Principle of Good Faith in case regular bonus is categorized in the ordinary wage and causes crucial managerial difficulty and unexpected financial burden to the company. But the Company has recognized expected expenses with respect to the other allowances except regular bonuses where Principle of Good Faith may not be applicable.

**19. CAPITAL STOCK:**

As of December 31, 2013, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2013	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2012	122,674,641	₩ 5,000	₩ 613,373,205

(Unit: Rupee in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2013	137,220,096	Rs. 294	Rs. 40,312,520
December 31, 2012	122,674,641	Rs. 294	Rs. 36,039,356

(\*) The Company increased paid-in capital amounting to ₩80,000,003 thousands and issued 4,545,455 stocks, per ₩5,500 (Rs. 4,700,480 thousands, and per Rs. 323) to Mahindra & Mahindra Ltd., in accordance with the Board of Director on February 14, 2013.

## 20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of the Company's other capital surplus and retained earnings as of December 31, 2013 and 2012 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Paid-in capital in excess of par value	₩ 11,452,713	₩ 4,545,757	Rs. 672,916	Rs. 267,091
Gain on retirement of capital stock	120,351,580	120,351,580	7,071,377	7,071,377
Debt converted to equity	931,508	931,508	54,732	54,732
Treasury stock	(108,530)	-	(6,377)	-
Consideration for conversion rights	(3,243,869)	(3,243,869)	(190,597)	(190,597)
	<u>₩ 129,383,402</u>	<u>₩ 122,584,976</u>	<u>Rs. 7,602,051</u>	<u>Rs. 7,202,603</u>

(\*) The Company acquired treasury stock by getting back a part of stock(21,706 shares), which it had converted debt into on the approval of the relevant reorganization plan of the court in 2009, in accordance with a decision of the court for the year ended December 31, 2013.

## 21. OTHER CAPITAL ADJUSTMENTS

(1) Detail of the Company's other capital adjustments as of December 31, 2013 and December 31, 2012 are as follows:

(Unit: Won in thousands)

Classification	December 31, 2013	December 31, 2012
Other capital adjustments Gains on valuation of derivatives	₩ 26,833,680	₩ 18,999,750

(Unit: Rupee in thousands)

Classification	December 31, 2013	December 31, 2012
Other capital adjustments Gains on valuation of derivatives	Rs. 1,576,640	Rs. 1,116,349

(2) Changes in the Company's gains on valuation of derivatives for the year ended December 31, 2013 and the year ended December 31, 2012 are as follows:

	Korean Won in thousands		Indian Rupee in thousands	
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Beginning balance	₩ 18,999,750	₩ 193,310	Rs. 1,116,349	Rs. 11,358
Gains on valuation of derivatives	26,833,680	18,999,750	1,576,640	1,116,349
Reclassification to Net income/loss	(18,999,750)	(193,310)	(1,116,349)	(11,358)
Ending balance	<u>₩ 26,833,680</u>	<u>₩ 18,999,750</u>	<u>Rs. 1,576,640</u>	<u>Rs. 1,116,349</u>



## **22. RETAINED EARNINGS**

(1) Details of the Company's retained earnings as of December 31, 2013 and December 31, 2012 are as follows:

(Unit: Won in thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Retained earnings	₩ 47,725,964	₩ 52,754,371

(Unit: Rupee in thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Retained earnings	Rs. 2,804,186	Rs. 3,099,636

(2) Changes in retained earnings for the year ended December 31, 2013 and 2012 are as follows:

(Unit: Won in thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Beginning balance	₩ 52,754,371	₩ 177,718,020
Loss on appropriated retained earnings	(3,778,045)	(106,069,451)
Actuarial losses	(1,250,362)	(18,894,198)
Appropriated retained earnings for deficit recovery	-	-
Ending balance	<u>₩ 47,725,964</u>	<u>₩ 52,754,371</u>

(Unit: Rupee in thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Beginning balance	Rs. 3,099,636	Rs. 10,442,000
Loss on appropriated retained earnings	(221,983)	(6,232,217)
Actuarial losses	(73,467)	(1,110,147)
Appropriated retained earnings for deficit recovery	-	-
Ending balance	<u>Rs. 2,804,186</u>	<u>Rs. 3,099,636</u>

**23. STATEMENT OF APPROPRIATION OF RETAINED EARNINGS:**

Detail of the Company's statement of appropriation of retained earnings for the years ended December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

SSANGYONG MOTOR COMPANY  
STATEMENT OF APPROPRIATION OF RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Expected disposition date: 2014.03.26

Disposal fixed date: 2013. 03. 27

Accounts	Year ended December 31, 2013		Year ended December 31, 2012	
Unappropriated retained earning	₩	47,725,963,330	₩	52,754,371,403
Undisposed retained earnings carried over from prior year	₩	52,754,371,403	₩	177,718,020,010
Current net loss		(3,778,044,742)		(106,069,450,792)
Actuarial losses		(1,250,363,331)		(18,894,197,815)
Appropriation retained earning		-		-
Unappropriated retained to be carried forward to subsequent year	₩	<u>47,725,963,330</u>	₩	<u>52,754,371,403</u>

(Unit: Korean won)

Accounts	Year ended December 31, 2013		Year ended December 31, 2012	
Unappropriated retained earning	Rs.	2,804,186,701	Rs.	3,099,635,846
Undisposed retained earnings carried over from prior year	Rs.	3,099,635,846	Rs.	10,441,999,984
Current net loss		(221,982,797)		(6,232,216,651)
Actuarial losses		(73,466,348)		(1,110,147,487)
Appropriation retained earning		-		-
Unappropriated retained to be carried forward to subsequent year	Rs.	<u>2,804,186,701</u>	Rs.	<u>3,099,635,846</u>

(Unit: Indian-Rupee)

**24. INCOME TAX:**

(1) Composition of income tax expense for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Current income tax payable	₩	-	₩	-
Income tax expense directly reflected to shareholders' equity		-		-
Income tax expense	₩	<u>-</u>	₩	<u>-</u>

(2) Changes in temporary differences and deferred income tax assets

The changes in temporary differences and deferred income tax assets for the year ended December 31, 2013 and 2012 are as follows (Unit: Korean Won in thousands):

Description	Year ended December 31, 2013			
	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ 48,289	₩ -	₩ (48,289)	₩ -
Government subsidies	4,312,255	1,222,435	1,470,193	4,560,013
Provision for product warranties	118,598,929	118,598,929	125,479,981	125,479,981
Accrued severance indemnities	133,641,815	17,264,982	91,472,071	207,848,904
Loss on revaluation of property, plant and equipment	161,756,602	23,470,585	7,496,445	145,782,462
Development cost	60,725,467	10,344,539	9,669,659	60,050,587
Depreciation	10,416,303	292,063	4,551,622	14,675,862
Other payables	16,669,524	33,171,381	91,941,151	75,439,294
Accrued expenses	15,439,413	15,439,413	19,385,586	19,385,586
Investment in subsidiaries	2,863,690	(1,320,829)	-	4,184,519
Gain (loss) on foreign currency translation	(2,220)	(28,840)	-	26,620
Gain (loss) on valuation of derivatives	(18,999,750)	-	(12,488,563)	(31,488,313)
Other long-term employee benefit	13,107,758	13,107,758	16,281,616	16,281,616
Land	(260,707,239)	-	-	(260,707,239)
Others	(834,260)	(772,950)	(450,966)	(512,276)
Deficit carried over	1,313,655,359	-	(257,527,729)	1,056,127,630
Total	1,570,691,935			1,437,135,246
Not recognized as deferred tax assets	1,570,691,935			1,437,135,246
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	17,263,892	1,077,626	-	16,186,266
Not recognized as deferred tax assets	17,263,892	1,077,626	-	16,186,266
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	₩ -			₩ -

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.

Description	Year ended December 31, 2012			
	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ (1,781,828)	₩ 1,535,377	₩ 3,365,494	₩ 48,289
Government subsidies	5,565,857	2,176,043	922,441	4,312,255
Provision for product warranties	122,007,836	122,007,836	118,598,929	118,598,929
Accrued severance indemnities	180,520,441	82,994,602	36,115,976	133,641,815
Loss on revaluation of property, plant and equipment	131,688,428	43,587,807	73,655,981	161,756,602
Development cost	42,473,990	21,865,556	40,117,033	60,725,467
Depreciation	9,532,068	2,341,226	3,225,461	10,416,303
Other payables	13,838,928	17,533,349	20,363,945	16,669,524
Accrued expenses	15,552,941	15,552,941	15,439,413	15,439,413
Investment in subsidiaries	2,684,828	-	178,862	2,863,690
Gain (loss) on foreign currency translation	1,212,429	(18,104,070)	(19,318,719)	(2,220)
Present value discount	(8,398,864)	(65,381,083)	(56,982,219)	-
Other long-term employee benefit	12,367,890	12,367,890	13,107,758	13,107,758
Land	(261,695,316)	-	988,077	(260,707,239)
Others	(628,420)	(218,540)	(19,487,130)	(19,834,010)
Deficit carried over	1,051,562,801	-	262,092,558	1,313,655,359
Total	1,316,504,009			1,570,691,935

Year ended December 31, 2012				
Description	Beginning balance	Decrease	Increase	Ending balance
Not recognized as deferred tax assets	1,316,504,009			1,570,691,935
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	20,026,962	2,763,070	-	17,263,892
Not recognized as deferred tax assets	20,026,962	2,763,070	-	17,263,892
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	₹ -			₹ -

(Unit: Indian-Rupee in thousands):

Year ended December 31, 2013						
Description	Beginning balance	Decrease	Increase	Ending balance		
(Temporary differences)						
Allowance for doubtful accounts	Rs. 2,837	Rs. -	Rs. (2,837)	Rs. -		
Government subsidies	253,371	71,825	86,383	267,928		
Provision for product warranties	6,968,399	6,968,399	7,372,702	7,372,702		
Accrued severance indemnities	7,852,258	1,014,421	5,374,533	12,212,370		
Loss on revaluation of property, plant and equipment	9,504,171	1,379,038	440,461	8,565,594		
Development cost	3,567,986	607,804	568,150	3,528,332		
Depreciation	612,020	17,160	267,435	862,295		
Other payables	979,435	1,949,018	5,402,094	4,432,511		
Accrued expenses	907,158	907,158	1,139,019	1,139,019		
Investments in subsidiaries	168,259	(77,607)	-	245,866		
Gain (loss) on foreign currency translation	(130)	(1,695)	-	1,564		
Gain (loss) on valuation of derivatives	(1,116,349)	-	(733,778)	(1,850,127)		
Other long-term employee benefit	770,159	770,159	956,643	956,643		
Land	(15,318,115)	-	-	(15,318,115)		
Others	(49,018)	(45,415)	(26,497)	(30,099)		
Deficit carried over	77,185,134		(15,131,299)	62,053,835		
Total	92,287,575			84,440,319		
Not recognized as deferred tax assets	92,287,575			84,440,319		
Recognized as deferred tax assets						
Statutory tax rate	22%			22%		
Deferred tax assets resulting from temporary differences	-			-		
Tax credit carry forwards	1,014,357	63,317	-	951,040		
Not recognized as deferred tax assets	1,014,357	63,317	-	951,040		
Recognized as deferred tax assets						
Deferred tax assets resulting from tax credit carry forwards	-			-		
Total deferred income tax	₹ -			₹ -		

Description	Year ended December 31, 2012			
	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. (104,693)	Rs. 90,213	Rs. 197,743	Rs. 2,837
Government subsidies	327,027	127,856	54,199	253,371
Provision for product warranties	7,168,692	7,168,692	6,968,399	6,968,399
Accrued severance indemnities	10,606,659	4,876,431	2,122,030	7,852,258
Loss on revaluation of property, plant and equipment	7,737,485	2,561,045	4,327,731	9,504,171
Development cost	2,495,602	1,284,733	2,357,116	3,567,986
Depreciation	560,066	137,561	189,515	612,020
Other payables	813,120	1,030,189	1,196,504	979,435
Accrued expenses	913,829	913,829	907,158	907,158
Investments in subsidiaries	157,750	-	10,509	168,259
Gain (loss) on foreign currency translation	71,237	(1,063,723)	(1,135,091)	(130)
Present value discount	(493,484)	(3,841,531)	(3,348,047)	-
Other long-term employee benefit	726,688	726,688	770,159	770,159
Land	(15,376,170)	-	58,055	(15,318,115)
Others	(36,923)	(16,542)	(1,144,986)	(1,165,367)
Deficit carried over	61,785,624		15,399,510	77,185,134
Total	77,352,510			92,287,575
Not recognized as deferred tax assets	77,352,510			92,287,575
Recognized as deferred tax assets				
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	1,176,704	162,347	-	1,014,357
Not recognized as deferred tax assets	1,176,704	162,347	-	1,014,357
Recognized as deferred tax assets				
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	Rs. -			Rs. -

## 25. EXPENSES BY CATEGORY:

Details of expenses classified by category for the the year ended December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	Korean won in thousands		Indian-Rupee in thousands	
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Changes in inventories	₩ (22,474,362)	₩ 7,190,786	Rs. (1,320,504)	Rs. 422,502
Raw materials and Merchandise goods used	2,513,588,345	2,072,302,835	147,688,397	121,760,225
Employee benefits	284,462,084	223,917,103	16,713,854	13,156,473
Depreciation	117,951,804	103,209,027	6,930,376	6,064,150
Amortization	25,337,092	34,865,964	1,488,706	2,048,585
Other	566,933,965	521,392,123	33,310,772	30,634,916
	₩ 3,485,798,928	₩ 2,962,877,838	Rs. 204,811,602	Rs. 174,086,850

## 26. DERIVATIVES FINANCIAL INSTRUMENTS:

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument). Cash flow risk aversion accounting treatment is applied on valuation of derivatives for ₩26,833,680 thousands (Rs. 1,576,640 thousands) recorded as other capitals components and also, ₩2,150,880 thousands (Rs. 126,377 thousands) was recognized as profit or loss for the year ended December 31, 2013.

## 27. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Warranty expenses	₩ 62,874,460	₩ 50,028,856	Rs. 3,694,252	Rs. 2,939,495
Sales commissions	151,138,511	115,310,966	8,880,294	6,775,211
Advertising expenses	19,407,649	22,547,018	1,140,316	1,324,773
Export expenses	74,705,679	77,957,317	4,389,407	4,580,460
Other sales expenses	37,346,915	35,949,428	2,194,355	2,112,245
	<u>₩ 345,473,214</u>	<u>₩ 301,793,585</u>	<u>Rs. 20,298,624</u>	<u>Rs. 17,732,184</u>

(2) Administrative expenses for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Salaries	₩ 46,890,174	₩ 40,530,996	Rs. 2,755,079	Rs. 2,381,439
Post-employment benefits	6,125,022	5,615,360	359,882	329,936
Employee benefits	12,690,914	10,184,051	745,667	598,374
Rent expense	10,385,156	13,137,007	610,190	771,878
Service fees	21,311,172	10,823,583	1,252,159	635,950
Depreciation	5,712,570	4,747,636	335,648	278,952
R&D expenses	18,321,478	14,176,233	1,076,497	832,939
Amortization	4,030,027	2,090,461	236,788	122,827
Bad debt expenses	(852,839)	(131,727)	(50,109)	(7,740)
Other administrative expenses	35,302,445	33,470,940	2,074,230	1,966,619
	<u>₩ 159,916,119</u>	<u>₩ 134,644,540</u>	<u>Rs. 9,396,031</u>	<u>Rs. 7,911,175</u>

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

(1) Details of the Company's non-operating income for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Commission income	₩ 14,797,763	₩ 11,333,513	Rs. 869,457	Rs. 665,912
Gain on foreign currency transactions	12,868,034	7,327,684	756,074	430,545
Gain on foreign currency translation	389,131	685,026	22,864	40,249
Reversal of allowance for doubtful accounts	23,739	679,469	1,395	39,923
Gain on disposal of property, plant and equipment	248,334	210,020	14,591	12,340
Gain on disposal of investments on subsidiary	12,950		761	
Gain on disposal of investment assets	8,861	12,810	521	753
Others	17,576,389	24,017,849	1,032,718	1,411,193
	<u>₩ 45,925,201</u>	<u>₩ 44,266,371</u>	<u>Rs. 2,698,381</u>	<u>Rs. 2,600,915</u>

(2) Details of the Company's non-operating expense for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Loss on foreign currency transactions	₩ 13,234,225	₩ 11,274,390	Rs. 777,590	Rs. 662,438
Loss on foreign currency translation	753,724	893,171	44,286	52,479
Other bad debt expense	71,341	44,296	4,192	2,603
Non-operating assets and depreciation	37,502	66,421	2,203	3,903
Loss on disposal of property, plant and equipment	447,538	207,532	26,296	12,194
Loss on disposal of investment assets	6,866	17,259	403	1,014
Loss on disposal of trade receivables	12,682,235	9,219,242	745,157	541,686
Impairment loss on property, plant and equipment	712,503	156,011	41,864	9,167
Impairment loss on intangible assets	40,264	703,960	2,366	41,362
Impairment loss on investments on subsidiary	1,192,710	-	70,079	-
Others	<u>32,507,632</u>	<u>40,225,854</u>	<u>1,910,018</u>	<u>2,363,510</u>
	<u>₩ 61,686,540</u>	<u>₩ 62,808,136</u>	<u>Rs. 3,624,454</u>	<u>Rs. 3,690,355</u>

## 29. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Interest income	₩ 7,644,866	₩ 6,803,896	Rs. 449,182	Rs. 399,770
Dividend income	726,318	388,963	42,676	22,854
Gain on foreign currency transactions	5,776,888	1,459,088	339,427	85,730
Gain on foreign currency translation	264,050	-	15,515	-
Gain on disposal of derivatives	25,648,865	14,494,530	1,507,025	851,641
Gain on valuation of derivatives	2,150,880	2,503,753	126,377	147,111
Gain on debt exemption	-	<u>594,352</u>	-	<u>34,922</u>
	<u>₩ 42,211,867</u>	<u>₩ 26,244,582</u>	<u>Rs. 2,480,200</u>	<u>Rs. 1,542,027</u>

(2) Details of the Company's financial cost for the years ended December 31, 2013 and 2012 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Interest expense	₩ 8,718,983	₩ 8,809,804	Rs. 512,293	Rs. 517,629
Loss on foreign currency translation	6,237,205	2,538,576	366,473	149,157
Loss on foreign currency translation	382,542	69,886	22,477	4,106
Loss on disposal of derivatives	<u>4,276,898</u>	<u>3,281,710</u>	<u>251,293</u>	<u>192,820</u>
	<u>₩ 19,615,628</u>	<u>₩ 14,699,976</u>	<u>Rs. 1,152,536</u>	<u>Rs. 863,712</u>

(3) Details of the Company's financial net profit for the years ended December 31, 2013 and 2012 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Loan and receivables	₩ 367,464	₩ 287,650	Rs. 21,591	Rs. 16,901
Available-for-sale financial assets	6,000	6,000	353	353
Other financial liabilities	<u>22,222,776</u>	<u>11,250,956</u>	<u>1,305,721</u>	<u>661,061</u>
	<u>₩ 22,596,240</u>	<u>₩ 11,544,606</u>	<u>Rs. 1,327,665</u>	<u>Rs. 678,315</u>

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

(1) Basic income (loss) per share for the years ended December 31, 2013 and 2012 is calculated as follows (Unit: Won in thousands, except for earnings per share):

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Net loss	₩ (3,778,045)	₩ (106,069,451)	Rs. (221,983)	Rs. (6,232,217)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(3,778,045)	(106,069,451)	(221,983)	(6,232,217)
Number of common stocks outstanding	131,584,991	122,387,523	131,584,991	122,387,523
Basic and diluted loss per share(*)	₩ (29)	₩ (867)	Rs. (2)	Rs. (51)

(\*) Basic and diluted losses per share for the years ended December 31, 2013 and 2012 are identical since there are no dilutive potential common shares.

(2) The numbers of shares outstanding for the year ended December 31, 2013 and 2012 are calculated as follows:

December 31, 2013						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2013-01-01	2013-04-03	122,674,641	122,674,641	93/365	31,256,826
Additional Share	2013-04-04	2013-05-21	(21,706)	122,652,935	48/365	16,129,701
Additional Share	2013-05-22	2013-12-31	14,545,455	137,198,390	224/365	84,198,464
Total						<u>131,584,991</u>
December 31, 2012						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2012-01-01	2012-05-18	121,961,841	121,961,841	139/366	46,318,841
Additional Share	2012-05-19	2012-08-14	644,550	122,606,391	88/366	29,479,133
Additional Share	2012-08-15	2012-12-31	68,250	122,674,641	139/366	46,589,549
Total						<u>122,387,523</u>



### 31. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands					
	2013	2012	2013	2012				
1. Cash flows from operating activities	₩	275,499,439	₩	148,324,544	Rs.	16,187,244	Rs.	8,714,956
1) Net loss		(3,778,045)		(106,069,451)		(221,983)		(6,232,217)
2) Adjustments		203,175,972		197,913,326		11,937,807		11,628,595
(1) Addition of expenses		214,645,100		209,880,355		12,611,687		12,331,730
Loss on foreign currency translation		1,136,266		963,057		66,762		56,585
Loss on disposal of trade receivables		12,682,235		9,219,242		745,157		541,686
Loss on valuation of inventories		11,102,920		4,926,086		652,363		289,437
Bad debt expense		(852,839)		(131,727)		(50,109)		(7,740)
Other bad debt expense		71,341		44,296		4,192		2,603
Depreciation		117,951,804		103,209,027		6,930,376		6,064,150
Loss on disposal of investment assets		6,866		17,259		403		1,014
Loss on disposal of property, plant and equipment		447,538		207,532		26,296		12,194
Impairment loss on investment assets		712,503		156,011		41,864		9,166
Amortization		25,337,092		34,865,964		1,488,706		2,048,585
Impairment loss on intangible assets		40,264		703,960		2,366		41,362
Impairment loss on investments on subsidiary		1,192,710		-		70,078		-
Interest expense		8,718,983		8,809,804		512,293		517,629
Post-employment benefits		35,925,008		29,925,135		2,110,810		1,758,281
Depreciation expenses on assets not in use		37,502		66,421		2,203		3,902
Miscellaneous losses		134,907		16,898,288		7,927		992,876
(2) Deduction of revenue		(11,469,128)		(11,967,029)		(673,880)		(703,135)
Gain on foreign currency translation		653,180		685,026		38,378		40,249
Reversal of allowance for doubtful accounts		23,739		679,469		1,395		39,923
Interest income		7,644,866		6,803,896		449,182		399,770
Gain on dividends		726,318		388,963		42,675		22,854
Gain on valuation of derivatives		2,150,880		2,503,753		126,377		147,110
Gain on disposal of investments on subsidiary		12,950		-		761		-
Gain on disposal of investment assets		8,861		12,810		521		753
Gain on disposal of property, plant and equipment		248,334		210,020		14,591		12,340
Miscellaneous gains		-		683,092		-		40,136
3) Changes in working capital		76,101,512		56,480,669		4,471,421		3,318,579
Increase in trade receivables, net		(15,338,393)		(62,284,803)		(901,222)		(3,659,605)
Decrease (Increase) in other receivables, net		(7,836,579)		5,778,123		(460,446)		339,499
Decrease (Increase) in other assets		(394,850)		9,496,210		(23,200)		557,959
Decrease in derivatives assets		2,503,753		-		147,111		-
Increase in inventories		(23,800,513)		(10,439,970)		(1,398,423)		(613,411)
Decrease (Increase) in long-term receivables and security		(3,313,610)		6,581,433		(194,694)		386,699
Increase in trade payables		75,754,592		115,867,333		4,451,037		6,807,901
Increase in other payables		43,686,890		81,510,065		2,566,867		4,789,205
Increase (Decrease) in accrued charges		3,946,173		(113,528)		231,861		(6,670)
Increase (Decrease) in other liabilities		(4,388,244)		3,320,474		(257,836)		195,098
Increase (Decrease) in current other long term benefit		(1,701,310)		122,261		(99,962)		7,184
Increase (Decrease) in short-term provision of product warranties		2,566,121		(3,408,908)		150,775		(200,294)
Increase (Decrease) in long-term other payables		1,044,849		(58,598)		61,391		(3,443)
Increase in other long term benefit		4,875,168		617,607		286,445		36,288
Payment of severance indemnities		(5,817,466)		(90,507,030)		(341,811)		(5,317,831)
Increase in long-term provision of product		4,314,931		-		253,528		-

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
warranties				
2. Interest received	7,249,544	6,125,722	425,954	359,923
3. Interest paid	(8,721,307)	(8,886,715)	(512,429)	(522,148)
4. Dividends received	1,100,280	165,103	64,648	9,701
Net cash provided by operating activities	₩ 275,127,956	₩ 145,728,654	Rs. 16,165,418	Rs. 8,562,433

### 32. SEGMENT INFORMATION:

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

(2) Information of each sales region for the year ended December 31, 2013 is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2013	
Republic of Korea	₩ 1,920,660,629	Rs. 112,850,336
Europe	848,652,565	49,863,430
Asia Pacific	265,835,844	15,619,451
Others	440,036,945	25,854,811
	₩ 3,475,185,983	Rs. 204,188,028

Sales region	Year ended December 31, 2012	
Republic of Korea	₩ 1,428,582,336	Rs. 83,937,784
Europe	782,716,304	45,989,279
Asia Pacific	130,536,828	7,669,822
Others	521,970,079	30,668,874
	₩ 2,863,805,547	Rs. 168,265,759

The report of non-current assets is omitted due to the location in domestic, so is the report about the information of major customers because almost sales grow from each private person and abroad branches.

(3) Information of sales of goods and service region for the year ended December 31, 2013 is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2013	
Vehicle	₩ 3,053,604,697	Rs. 179,417,598
Merchandise	403,879,483	23,730,343
Others	17,701,803	1,040,087
	₩ 3,475,185,983	Rs. 204,188,028

Sales region	Year ended December 31, 2012	
Vehicle	₩ 2,484,697,431	Rs. 145,990,882
Merchandise	355,914,322	20,912,102
Others	23,193,794	1,362,775
	₩ 2,863,805,547	Rs. 168,265,759

### 33. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of December 31, 2013 are as follows:

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

(2) Major transactions with the related parties for the years ended December 31, 2013 and 2012 are as follows  
(Unit: Korean won in thousands):

	<u>December 31,2013</u>		<u>December 31,2012</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	₩ 2,909,025	₩ 8,210,408	₩ 1,922,370	₩ 6,789,262
Transactions with subsidiaries	8,693,337	393,647	9,467,586	-
Transaction with other affiliates	61,927,632	161,017	41,343,061	52,172

(Unit: Indian-Rupee in thousands):

	<u>December 31,2013</u>		<u>December 31,2012</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	Rs. 170,923	Rs. 482,411	Rs. 112,951	Rs. 398,910
Transactions with subsidiaries	510,786	23,129	556,277	-
Transactions with other affiliates	3,638,620	9,461	2,429,153	3,065

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 761,788	₩ 377,097
Payables and others	96,377,681	96,501,477
Receivables from and payables to subsidiaries:		
Receivables and others	12,977,768	14,248,992
Payables and others	943,407	633,884
Receivables from and payables to affiliates:		
Receivables and others	466,300	8,347,797
Payables and others	47,315	1,081,824

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 44,760	Rs. 22,157
Payables and others	5,662,767	5,670,041
Receivables from and payables to subsidiaries:		
Receivables and others	762,522	837,214
Payables and others	55,431	37,244
Receivables from and payables to affiliates:		
Receivables and others	27,398	490,483
Payables and others	2,780	63,564

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the year ended December 31, 2013.

(4) Details of compensation for key executives for the years ended December 31, 2013 and 2012 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2013	2012	2013	2012
Short-term employee benefits	₩ 491,531	₩ 471,698	Rs. 28,880	Rs. 27,715
Post-employment benefits	14,575	32,661	856	1,919

### 34. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as, debt to equity ratio and net borrowings to equity ratio on a monthly basis and implements capital structure improvement plan when necessary. There is no change on the overall capital risk management strategy of the company compared with last year.

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 December 31, 2013 and 2012 are as follows (Unit: Korean won in thousands):

	December 31, 2013		December 31, 2012	
Debt (A)	₩	1,233,769,275	₩	1,049,905,021
Equity (B)		890,043,526		807,712,302
Debt ratio (A/ B)		138.62%		129.99%

(Unit: Indian-Rupee in thousands):

	December 31, 2013		December 31, 2012	
Debt (A)	Rs.	72,491,348	Rs.	61,688,219
Equity (B)		52,295,397		47,457,944
Debt ratio (A/ B)		138.62%		129.99%

(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 December 2012 and 2012 are as follows (Unit: Korean won in thousands):

1) Financial assets

Financial asset	December 31, 2013				Total	Fair value
	Loans and Receivables	AFS financial assets	Designated to hedge item			
Cash and cash equivalents	₩ 359,712,082	₩ -	₩ -		₩ 359,712,082	₩ 359,712,082
Long-term financial instruments	6,000	-	-		6,000	6,000
Trade receivables and Other receivables	270,631,929	-	-		270,631,929	270,631,929
AFS financial assets on sales	-	560,000	-		560,000	560,000
Derivatives assets	-	-	28,984,560		28,984,560	28,984,560
	₩ 630,350,011	₩ 560,000	₩ 28,984,560		₩ 659,894,571	₩ 659,894,571

December 31, 2012					
Financial asset	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 197,769,855	₩ -	₩ -	₩ 197,769,855	₩ 197,769,855
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	253,702,317	-	-	253,702,317	253,702,317
AFS financial assets on sales	-	560,000	-	560,000	560,000
Derivatives assets	-	-	21,503,503	21,503,503	21,503,503
	<u>₩ 451,478,172</u>	<u>₩ 560,000</u>	<u>₩ 21,503,303</u>	<u>₩ 473,541,675</u>	<u>₩ 473,541,675</u>

(Unit: Indian-Rupee in thousands):

December 31, 2013					
Financial asset	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 21,135,243	Rs. -	Rs. -	Rs. 21,135,243	Rs. 21,135,243
Long-term financial instruments	353	-	-	353	353
Trade receivables and Other receivables	15,901,250	-	-	15,901,250	15,901,250
AFS financial assets on sales	-	32,903	-	32,903	32,903
Derivatives assets	-	-	1,703,017	1,703,017	1,703,017
	<u>Rs. 37,036,846</u>	<u>Rs. 32,903</u>	<u>Rs. 1,703,017</u>	<u>Rs. 38,772,766</u>	<u>Rs. 38,772,766</u>

December 31, 2012					
Financial asset	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 11,620,166	Rs. -	Rs. -	Rs. 11,620,166	Rs. 11,620,166
Long-term financial instruments	353	-	-	353	353
Trade receivables and Other receivables	14,906,533	-	-	14,906,533	14,906,533
AFS financial assets on sales	-	32,903	-	32,903	32,903
Derivatives assets	-	-	1,263,460	1,263,460	1,263,460
	<u>Rs. 26,527,052</u>	<u>Rs. 32,903</u>	<u>Rs. 1,263,460</u>	<u>Rs. 27,823,415</u>	<u>Rs. 27,823,415</u>

2) Financial liabilities

Financial liability measured at amortized cost				
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade payables and Other payables	₩ 743,620,638	₩ 618,388,989	Rs. 43,692,174	Rs. 36,334,063
Debt	<u>147,012,801</u>	<u>125,404,765</u>	<u>8,637,884</u>	<u>7,368,282</u>
Total	<u>₩ 890,633,439</u>	<u>₩ 743,793,754</u>	<u>Rs. 52,330,058</u>	<u>Rs. 43,702,346</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 performs close monitoring of and responding to each risk factors. Financial assets that are subject to the financial risk management consist of cash and cash equivalents, AFS financial assets, trade receivables, other receivables and others; financial liabilities subject to the financial risk management consist of trade payables, other payables, borrowings, bonds and others.

1) Market risk

a. Foreign currency risk

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

Details of the Company held foreign currency denominated monetary assets and monetary liabilities of the carrying amount for the year ended December 31, 2013 and 2012 are as follows:

(Unit: Korean won in thousands):

	Assets			
	December 31, 2013		December 31, 2012	
USD	₩	125,466,442	₩	113,042,936
EUR		26,210,594		25,724,783
JPY		174,480		113,024
Others		5,927,589		5,366,589
Total	₩	157,779,105	₩	144,247,332

  

	Liabilities			
	December 31, 2013		December 31, 2012	
USD	₩	13,896,981	₩	9,685,534
EUR		32,196,251		19,021,629
JPY		8,936,980		6,468,799
Others		1,569,878		1,901,227
Total	₩	56,600,090	₩	37,077,189

(Unit: Indian-Rupee in thousands)

	Assets			
	December 31, 2013		December 31, 2012	
USD	Rs.	7,371,906	Rs.	6,641,951
EUR		1,540,030		1,511,485
JPY		10,252		6,641
Others		348,281		315,319
Total	Rs.	9,270,469	Rs.	8,475,396

  

	Liabilities			
	December 31, 2013		December 31, 2012	
USD	Rs.	816,531	Rs.	569,083
EUR		1,891,723		1,117,635
JPY		525,101		380,081
Others		92,240		111,708
Total	Rs.	3,325,595	Rs.	2,178,507

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that is not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of December 31, 2013.

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

(Unit: Korean won in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 12,546,644	₩ (12,546,644)	₩ (1,389,698)	₩ 1,389,698
EUR	2,621,059	(2,621,059)	(3,219,625)	3,219,625
JPY	17,448	(17,448)	(893,698)	893,698
Others	592,760	(592,760)	(156,988)	156,988
	₩ 15,777,911	₩ (15,777,911)	₩ (5,660,009)	₩ 5,660,009

(Unit: Indian-Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 737,191	Rs. (737,191)	Rs. (81,653)	Rs. 81,653
EUR	154,003	(154,003)	(189,172)	189,172
JPY	1,025	(1,025)	(52,510)	52,510
Others	34,828	(34,828)	(9,224)	9,224
	Rs. 927,047	Rs. (927,047)	Rs. (332,559)	Rs. 332,559

In order to avoid the risk of foreign exchange receivables collected foreign exchange risk within the range of 70 percent, the company has a policy of making a foreign exchange forward agreement. Also in order to manage sales transactions to foreign exchange risk that are expected to occur within the next twelve months that are within the range of 70 percent, the Company makes a foreign exchange forward.

Details of non-payment forward contracts for the year ended December 31, 2013 are as follows:

(Unit: Korean won in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD	₩ 1,130.61	USD 185,000,000	₩ 209,163,450	₩ 13,319,610
	1,133.10	185,000,000	209,532,030	12,825,218
	1,160.53	30,000,000	34,815,750	2,839,732
		USD 400,000,000	₩ 453,511,230	₩ 28,984,560

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD	Rs. 66.4301	USD 185,000,000	Rs. 12,289,608	Rs. 782,607
	66.5764	185,000,000	12,311,264	753,559
	68.1881	30,000,000	2,045,634	166,851
		USD 400,000,000	Rs. 26,646,506	Rs. 1,703,017

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 26,833,680 thousands won (Rs. 1,576,640 thousands). Sales transaction is expected to occur within the first three months after December 31, 2013, and this amount that is deferred in equity will be reclassified as Current income.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase ₩36,986 thousands won (Rs. 2,173 thousands rupee) for the year ended Dec 31, 2013, due to floating rate debt's interest rate risk.

## 2) Credit risk

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

As of December 31, 2013 and 2012, the maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows. However, the value of acquired collaterals and the effects from other credit enhancement is not considered.

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade and other receivables	₩	270,631,929	₩	253,702,317
	Rs.	15,901,250	Rs.	14,906,533

## 3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of December 31, 2013, 2012 is as follows (Unit: Korean won in thousands):

	<u>December 31, 2013</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 455,995,938	₩ -	₩ 455,995,938
Non-trade payables	247,048,242	-	247,048,242
Short-term borrowings	51,971,981	-	51,971,981
Other payables	20,352,993	-	20,352,993
Long-term other payables	-	20,223,465	20,223,465
Bonds	96,136,637	-	96,136,637
	<u>₩ 871,505,791</u>	<u>₩ 20,223,465</u>	<u>₩ 891,729,256</u>

	<u>December 31, 2012</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 380,244,210	₩ -	₩ 380,244,210
Non-trade payables	183,758,014	-	183,758,014
Short-term borrowings	32,067,863	-	32,067,863
Other payables	16,409,144	-	16,409,144
Long-term other payables	-	37,977,622	37,977,622
Bonds	6,678,334	96,136,637	102,814,971
	<u>₩ 619,157,565</u>	<u>₩ 134,114,259</u>	<u>₩ 753,271,824</u>

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2013</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	Rs. 26,792,497	Rs. -	Rs. 26,792,497
Non-trade payables	14,515,567	-	14,515,567
Short-term borrowings	3,053,666	-	3,053,666
Other payables	1,195,860	-	1,195,860
Long-term other payables	-	1,188,250	1,188,250
Bonds	5,648,604	-	5,648,604
	<u>Rs. 51,206,194</u>	<u>Rs. 1,188,250</u>	<u>Rs. 52,394,444</u>



	December 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	Rs. 22,341,629	Rs. -	Rs. 22,341,629
Non-trade payables	10,796,886	-	10,796,886
Short-term borrowings	1,884,179	-	1,884,179
Other payables	964,136	-	964,136
Long-term other payables	-	2,231,413	2,231,413
Bonds	392,392	5,648,604	6,040,996
	<u>Rs. 36,379,222</u>	<u>Rs. 7,880,017</u>	<u>Rs. 44,259,239</u>

Funding arrangements as of December 31, 2013 and 2012 are as follows:

(Unit: Korean won in thousands):

		December 31, 2013		December 31, 2012	
Borrowing limit commitments	Used	₩ 30,000,000	₩ 30,000,000		
	Unused	-	-		
	Total	₩ 30,000,000	₩ 30,000,000		

(Unit: Indian-Rupee in thousands):

		December 31, 2013		December 31, 2012	
Borrowing limit commitments	Used	Rs 1,762,680	Rs 1,762,680		
	Unused	-	-		
	Total	Rs 1,762,680	Rs 1,762,680		

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

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

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

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

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

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

Fair values of financial instruments by hierarchy level as of December 31, 2013, are as follows (Unit: Korean won in thousands):

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

Type	December 31, 2012			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	₩	₩ 21,503,503	₩	₩ 21,503,503

(Unit: Indian-Rupee in thousands):

Type	December 31, 2013			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs.	Rs. 1,703,017	Rs.	Rs. 1,703,017

Type	December 31, 2012			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs.	Rs. 1,263,460	Rs.	Rs. 1,263,460

## **Independent Accountant's Review Report on Internal Accounting Control System ("IACS")**

### **English Translation of a Report Originally Issued in Korean**

To the Representative Director of  
Ssangyong Motor Company

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Ssangyong Motor Company (the "Company") as of December 31, 2013. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2013, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2013, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of separate financial statements prepared, in accordance with K-IFRS in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the separate financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2013, and we did not review its IACS subsequent to December 31, 2013. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



March 17, 2014

### Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2013, and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

**Report on the operations of the Internal Accounting Management System**

To the Board of Directors and Audit Committee of Ssangyong Motor Company

I, as the Internal Accounting Manager ("IAM") of Ssangyong Motor Company ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Accounting Management System ("IAMS") for the year ending December 31, 2013.

The Company's management, including myself, is responsible for designing and operating an IAMS. I assessed the design and operational effectiveness of the IAMS in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline to assess the effectiveness of the IAMS design and operation.

Based on the assessment results, I believe that the Company's IAMS, as of December 31, 2013, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline .

February 20<sup>th</sup>, 2014  
The Internal Accounting Manager  
Vasudev Tumble (Sign)

