



**Ssangyong Motor Company**

Financial statements

Years ended December 31, 2010 and 2009

with independent auditors' report

 **ERNST & YOUNG**

**Ssangyoung Motor Company**  
**December 31, 2010 and 2009**

**Contents**

	<b>Page</b>
Independent auditors' report	1
Statements of financial position	2-3
Statements of operations	4
Statements of disposition of accumulated deficit	5
Statements of changes in equity	6-7
Statements of cash flows	8-9
Notes to financial statements	10-34
Internal control over financial reporting review report	35
Report on the operations of the internal control over financial reporting	36

**Independent auditors' report**

The Board of Directors and Stockholders  
Ssangyoung Motor Company

We have audited the accompanying statements of financial position of Ssangyoung Motor Company (the "Company") as of December 31, 2010, and the related statements of operations, disposition of accumulated deficit, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended December 31, 2009, presented for comparative purposes, were audited by Deloitte Anjin LLC whose report dated February 19, 2010, expressed an unqualified opinion on those financial statements.

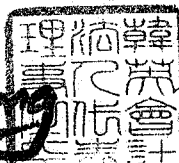
We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 provides 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 Ssangyoung Motor Company as of December 31, 2010, and the results of its financial performance, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying 2009 and 2010 financial statements and notes are expressed in Korean won, and solely for convenience of the reader, have been translated into Indian Rupee at the rate of W25 to INR1, the year-end exchange rate on the December 31, 2010. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into Indian Rupee at the exchange rate used for the purpose of such translation.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of financial performance, changes in equity 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 financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

February 18, 2011

*Ernst Young Han Young* 

This audit report is effective as of February 18, 2011, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Ssangyong Motor Company  
 Statements of financial position  
 As of December 31, 2010 and 2009

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents (Notes 4,17 and 30)	₩ 80,196,521,926	₩ 13,185,374,615	INR 3,207,860,877	INR 527,414,985
Short-term financial instruments (Note 4)	832,323,614	1,715,617,783	33,292,945	68,624,711
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩2,348,682,238 (INR 93,947,290) in 2010 (₩2,112,368,789 (INR 84,494,752) in 2009) and present value discount of nil in 2010 (₩23,573,333 (INR 942,933) in 2009) (Notes 17,18 and 25)	167,193,510,381	88,717,232,838	6,687,740,415	3,548,689,314
Short-term loans receivable, net of allowance for doubtful accounts of ₩13,583,899 (INR 543,356) in 2010 (₩23,462,195 (INR 938,488) in 2009) (Note 25)	2,213,284,869	2,322,757,314	88,531,395	92,910,293
Other accounts receivable, net of allowance for doubtful accounts of ₩2,057,839,736 (INR 82,313,589) in 2010 (₩3,528,838,204 (INR 141,153,528) in 2009) (Note 17)	16,942,538,728	21,663,166,285	677,701,549	866,526,651
Inventories (Notes 5 and 8)	215,394,565,546	214,175,872,661	8,615,782,622	8,567,034,906
Advance payments, net of allowance for doubtful accounts of ₩727,689,561 (INR 29,107,582) in 2010 (₩576,798,668 (INR 23,071,947) in 2009)	80,319,991,092	58,110,207,142	3,212,799,644	2,324,408,286
Prepaid expenses	3,022,479,624	2,745,364,919	120,899,185	109,814,597
Accrued income	4,720,800	290,897	188,832	11,636
Income tax refund receivables	58,554,515	139,576,746	2,342,181	5,583,070
<b>Total current assets</b>	<b>566,178,491,095</b>	<b>402,775,461,200</b>	<b>22,647,139,644</b>	<b>16,111,018,448</b>
<b>Non-current assets:</b>				
Long-term financial instruments (Note 4)	6,000,000	6,000,000	240,000	240,000
Available-for-sale securities (Note 6)	560,000,000	560,000,000	22,400,000	22,400,000
Equity method investments (Note 7)	3,845,153,075	3,666,291,283	153,806,123	146,651,651
Long-term loans, net of allowance for doubtful accounts of ₩89,318,133 (INR 3,572,525) in 2010 (₩169,997,423 (INR 6,799,900) in 2009) (Note 25)	14,552,998,708	16,829,744,867	582,119,948	673,189,795
Guarantee deposits, net of allowance for doubtful accounts of nil in 2010 (₩167,309,510 (INR 6,692,380) in 2009)	26,344,927,596	19,567,474,976	1,053,797,104	782,698,999
Advances for employee contribution	7,854,486,653	8,071,510,000	314,179,466	322,860,400
Other investments (Note 9)	212,454,251	30,413,243,953	8,498,170	1,216,529,758
Property, plant and equipment (Notes 8 and 10)	769,000,690,198	803,766,274,899	30,760,027,608	32,150,650,996
Intangible assets (Note 11)	86,704,335,335	102,818,219,056	3,468,173,413	4,112,728,762
<b>Total non-current assets</b>	<b>909,081,045,816</b>	<b>985,698,759,034</b>	<b>36,363,241,833</b>	<b>39,427,950,361</b>
<b>Total assets</b>	<b>₩ 1,475,259,536,911</b>	<b>₩ 1,388,474,220,234</b>	<b>INR 59,010,381,476</b>	<b>INR 55,538,968,809</b>

(Continued)

See accompanying notes.

Ssangyong Motor Company  
 Statements of financial position (cont'd)  
 As of December 31, 2010 and 2009

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
<b>Liabilities and equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (Notes 12 and 13)	₩ -	₩ 80,030,473,241	INR -	INR 3,201,218,930
Current portion of long-term borrowings net of present value discount of ₩79,436,962,240 (INR 3,177,478,490) in 2010 (nil in 2009) (Notes 12,13,14,17 and 31)	396,556,234,133	-	15,862,249,365	-
Trade accounts and notes payable (Notes 14,17,25 and 31)	162,820,193,202	68,118,420,260	6,512,807,728	2,724,736,810
Other accounts payable, net of present value discount of ₩48,358,613,394 (INR 1,934,344,536) in 2010 (nil in 2009) (Notes 14,17,18 and 31)	221,736,463,492	93,118,033,770	8,869,458,540	3,724,721,351
Advances received (Note 25)	6,615,596,780	3,802,608,726	264,623,871	152,104,349
Withholdings	21,740,707,697	20,427,874,559	869,628,308	817,114,982
Accrued expenses (Notes 14,17 and 31)	71,648,055,944	29,180,629,012	2,865,922,238	1,167,225,160
Current portion of accrued warranties (Note 15)	33,030,461,292	36,675,153,970	1,321,218,452	1,467,006,159
Other current liabilities (Notes 14,30 and 31)	53,369,866,828	2,851,834,256	2,134,794,673	114,073,370
<b>Total current liabilities</b>	<b>967,517,579,368</b>	<b>334,205,027,794</b>	<b>38,700,703,175</b>	<b>13,368,201,112</b>
<b>Non-current liabilities:</b>				
Long-term borrowings, net of present value discount of nil in 2010 (₩89,032,255,119 (INR 3,561,290,205) in 2009) (Notes 12,13,14,17 and 31)	-	403,847,556,717	-	16,153,902,269
Long-term other accounts payable, net of present value discount of nil in 2010 (₩61,639,736,646 (INR 2,465,589,466) in 2009) (Notes 17 and 31)	2,247,782,115	164,411,167,944	89,911,285	6,576,446,718
Long-term accrued expenses (Notes 17 and 31)	-	23,668,781,213	-	946,751,249
Severance and retirement benefits (Note 16)	156,498,450,503	130,127,165,404	6,259,938,020	5,205,086,616
Accrued warranties (Note 15)	40,110,054,411	31,593,046,076	1,604,402,176	1,263,721,843
<b>Total non-current liabilities</b>	<b>198,856,287,029</b>	<b>753,647,717,354</b>	<b>7,954,251,481</b>	<b>30,145,908,694</b>
<b>Total liabilities</b>	<b>1,166,373,866,397</b>	<b>1,087,852,745,148</b>	<b>46,654,954,656</b>	<b>43,514,109,806</b>
<b>Equity:</b>				
Capital stock (Notes 19 and 21)	182,688,005,000	542,052,155,000	7,307,520,200	21,682,086,200
Capital surplus (Notes 14 and 20)	839,222,348,992	473,604,796,813	33,568,893,960	18,944,191,873
Capital adjustments (Notes 14,21 and 31)	1,009,430,318	7,146,185,426	40,377,213	285,847,417
Accumulated other comprehensive income (Notes 7 and 24)	665,883,746	633,447,143	26,635,350	25,337,886
Accumulate deficit	(714,699,997,542)	(722,815,109,296)	(28,587,999,902)	(28,912,604,372)
<b>Total equity</b>	<b>308,885,670,514</b>	<b>300,621,475,086</b>	<b>12,355,426,821</b>	<b>12,024,859,003</b>
<b>Total liabilities and equity</b>	<b>₩ 1,475,259,536,911</b>	<b>₩ 1,388,474,220,234</b>	<b>INR 59,010,381,476</b>	<b>INR 55,538,968,809</b>

See accompanying notes.

Ssangyong Motor Company  
 Statements of operations  
 For the years ended December 31, 2010 and 2009

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
Sales (Notes 25 and 28)	₩ 2,070,482,363,639	₩ 1,066,816,481,285	INR 82,819,294,546	INR 42,672,659,251
Cost of sales (Notes 5,25 and 29)	1,703,129,709,447	1,003,079,442,393	68,125,188,378	40,123,177,696
Gross profit	367,352,654,192	63,737,038,892	14,694,106,168	2,549,481,556
Selling and administrative expenses (Notes 10,11,15,16,18 and 29)	422,389,449,157	357,158,677,343	16,895,577,966	14,286,347,094
Operating loss	(55,036,794,965)	(293,421,638,451)	(2,201,471,799)	(11,736,865,538)
Other income (expenses):				
Interest income	761,953,076	1,684,811,299	30,478,123	67,392,452
Interest expense (Note 14)	(45,295,779,299)	(106,989,870,931)	(1,811,831,172)	(4,279,594,837)
Dividend income	135,886,428	6,000,000	5,435,457	240,000
Loss on foreign currency transactions, net	(1,643,140,144)	(469,695,496)	(65,725,606)	(18,787,820)
Gain (loss) on foreign currency translation, net	12,474,565,543	(86,788,790,691)	498,982,622	(3,471,551,628)
Equity in earnings of equity method investments (Note 7)	146,425,189	218,228,746	5,857,008	8,729,150
Reserve for product warranty	5,019,188,156	7,776,849,636	200,767,526	311,073,985
Gain on disposal of available-for-sale securities	-	(121,269,508)	-	(4,850,780)
Commission income	3,673,213,791	1,643,383,016	146,928,552	65,735,321
Gain on disposal of property, plant and equipment, net	91,243,343,783	15,959,225,016	3,649,733,751	638,369,001
Recovery of impairment loss on property, plant and equipment	175,919,249	-	7,036,770	0
Reversal of allowance for doubtful accounts	1,728,868,502	190,667,838	69,154,740	7,626,714
Loss on disposal of trade receivables (Note 18)	(15,264,971,480)	(9,834,950,682)	(610,598,859)	(393,398,027)
Depreciation on assets not in use (Note 10)	(22,933,754)	(19,706,368)	(917,350)	(788,255)
Other bad debt expenses	(3,493,183,021)	(4,138,520,253)	(139,727,321)	(165,540,810)
Loss on impairment of property, plant and equipment (Note 10)	(8,538,903,545)	(9,939,834,619)	(341,556,142)	(397,593,385)
Loss on intangible assets (Note 11)	(33,218,573)	(36,338,656,402)	(1,328,743)	(1,453,546,256)
Gain (loss) on disposal of other investments, net (Note 9)	38,920,493,532	12,648,126,787	1,556,819,741	505,925,071
Gain from liabilities exempted (Note 14)	510,504,451	292,764,019,817	20,420,178	11,710,560,793
Others, net	(17,346,325,165)	(131,098,495,948)	(693,853,007)	(5,243,939,838)
	63,151,906,719	(52,848,478,743)	2,526,076,269	(2,113,939,150)
Income (loss) before income taxes	8,115,111,754	(346,270,117,194)	324,604,470	(13,850,804,688)
Provision for income taxes (Note 22)	-	34,646	-	1,386
Net income (loss)	₩ 8,115,111,754	₩ (346,270,151,840)	INR 324,604,470	INR (13,850,806,074)
Earnings (loss) per share (Note 23):				
Basic	₩ 224	₩ (32,499)	INR 9	INR (1,300)
Diluted	₩ 223	₩ (32,499)	INR 9	INR (1,300)

See accompanying notes.

**Ssangyong Motor Company**  
**Statements of disposition of accumulated deficit**  
**Years ended December 31, 2010 and 2009**

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
<b>Unappropriated deficit before appropriations:</b>				
Undisposed accumulated deficit carried forward from the prior year	₩ (722,815,109,296)	₩ (376,544,957,456)	INR (28,912,604,372)	INR (15,061,798,298)
Net income (loss)	8,115,111,754	(346,270,151,840)	324,604,470	(13,850,806,074)
	<u>(714,699,997,542)</u>	<u>(722,815,109,296)</u>	<u>(28,587,999,902)</u>	<u>(28,912,604,372)</u>
<b>Disposition:</b>				
Capital surplus	714,699,997,542	-	28,587,999,902	-
	<u>714,699,997,542</u>	<u>-</u>	<u>28,587,999,902</u>	<u>-</u>
<b>Undisposed accumulated deficit to be carried forward to the next year</b>	<b>₩ -</b>	<b>₩ (722,815,109,296)</b>	<b>INR -</b>	<b>INR (28,912,604,372)</b>

See accompanying notes.

Ssangyong Motor Company  
 Statements of changes in equity  
 For the years ended December 31, 2010 and 2009

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Accumulated deficit	Total
As of 1 January 2009	₩ 604,023,100,000	₩ 44,914,323,414	₩ -	₩ 917,808,496	₩ (391,985,238,052)	₩ 257,869,993,858
Net loss	-	-	-	-	(346,270,151,840)	(346,270,151,840)
Transfer of capital surplus to accumulated deficit	-	(15,440,280,596)	-	-	15,440,280,596	-
Capital reduction without any considerations	(444,128,160,000)	444,128,160,000	-	-	-	-
Debt-for-equity swap	382,157,215,000	2,593,995	-	-	-	382,159,808,995
Debt to be swapped for equity	-	-	7,146,185,426	-	-	7,146,185,426
Loss on valuation of available-for-sale securities	-	-	-	(91,339)	-	(91,339)
Change in equity adjustments in equity method	-	-	-	(284,270,014)	-	(284,270,014)
As of December 31, 2009	₩ 542,052,155,000	₩ 473,604,796,813	₩ 7,146,185,426	₩ 633,447,143	₩ (722,815,109,296)	₩ 300,621,475,086
As of January 1, 2010	₩ 542,052,155,000	₩ 473,604,796,813	₩ 7,146,185,426	₩ 633,447,143	₩ (722,815,109,296)	₩ 300,621,475,086
Net income	-	-	-	-	8,115,111,754	8,115,111,754
Capital reduction without any considerations	(361,449,375,000)	361,449,375,000	-	-	-	-
Debt-for-equity swap	2,085,225,000	4,170,771,174	(6,255,996,174)	-	-	119,267,241
Debt to be swapped for equity	-	-	119,267,241	-	-	(2,620,170)
Share issuance costs	-	(2,593,995)	(26,175)	-	-	32,436,603
Change in equity adjustments in equity method	-	-	-	32,436,603	-	32,436,603
As of December 31, 2010	₩ 182,688,005,000	₩ 839,222,348,992	₩ 1,009,430,318	₩ 665,883,746	₩ (714,699,997,542)	₩ 308,885,670,514

(Continued)  
 See accompanying notes.



Ssangyong Motor Company  
 Statements of changes in equity (cont'd)  
 For the years ended December 31, 2010 and 2009

	INR (Note2)					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Accumulated deficit	Total
As of 1 January 2009	INR 24,160,924,000	INR 1,796,572,937	INR -	INR 36,712,340	INR (15,679,409,522)	INR 10,314,799,754
Net loss	-	-	-	-	(13,850,806,074)	(13,850,806,074)
Transfer of capital surplus to accumulated deficit	-	(617,611,224)	-	-	617,611,224	-
Capital reduction without any considerations	(17,765,126,400)	17,765,126,400	-	-	-	-
Debt-for-equity swap	15,286,288,600	103,760	-	-	-	15,286,392,360
Debt to be swapped for equity	-	-	285,847,417	-	-	285,847,417
Loss on valuation of available-for-sale securities	-	-	-	(3,654)	-	(3,654)
Change in equity adjustments in equity method	-	-	-	(11,370,801)	-	(11,370,801)
As of December 31, 2009	INR 21,682,086,200	INR 18,944,191,873	INR 285,847,417	INR 25,337,886	INR - 28,912,604,372	INR 12,024,859,003
As of January 1, 2010	INR 21,682,086,200	INR 18,944,191,873	INR 285,847,417	INR 25,337,886	INR (28,912,604,372)	INR 12,024,859,003
Net income	-	-	-	-	324,604,470	324,604,470
Capital reduction without any considerations	(14,457,975,000)	14,457,975,000	-	-	-	-
Debt-for-equity swap	83,409,000	166,830,847	(250,239,847)	-	-	-
Debt to be swapped for equity	-	-	4,770,690	-	-	4,770,690
Share issuance costs	-	(103,760)	(1,047)	-	-	(104,807)
Change in equity adjustments in equity method	-	-	-	1,297,464	-	1,297,464
As of December 31, 2010	INR 7,307,520,200	INR 33,568,893,960	INR 40,377,213	INR 26,635,350	INR (28,587,999,902)	INR 12,355,426,821

See accompanying notes.

**Ssangyong Motor Company**  
**Statements of cash flows**  
**For the years ended December 31, 2010 and 2009**

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
<b>Cash flows from operating activities:</b>				
Net income (loss)	W 8,115,111,754	W (346,270,151,840)	INR 324,604,470	INR (13,850,806,074)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Provision for severance and retirement benefits	31,410,238,855	11,090,881,868	1,256,409,554	443,635,275
Depreciation of property, plant and equipment	72,663,846,962	71,441,917,238	2,906,553,878	2,857,676,690
Warranty expenses	66,739,907,208	42,201,564,344	2,669,596,288	1,688,062,574
Development expenses	-	6,451,833,744	-	258,073,350
Bad debt expenses	236,313,449	961,772,705	9,452,538	38,470,908
Amortization of intangible assets	41,715,098,918	30,484,768,326	1,668,603,957	1,219,390,733
Amortization of present value discounts	18,022,643,984	9,768,126,603	720,905,759	390,725,064
Reversal of present value discounts	(23,573,333)	(199,973,683)	(942,933)	(7,998,947)
Other bad debt expenses	3,493,183,021	4,148,868,367	139,727,321	165,954,735
Equity in earnings of equity method investments	(146,425,189)	(218,228,746)	(5,857,008)	(8,729,150)
Loss (gain) on foreign currency translation, net	(12,477,889,719)	86,788,790,691	(499,115,589)	3,471,551,628
Gain on disposal of property, plant and equipment, net	(91,243,343,783)	(15,959,225,016)	(3,649,733,751)	(638,369,001)
Depreciation of idle assets	22,933,754	19,706,368	917,350	788,255
Loss on retirement of bonds	-	38,300,892,552	-	1,532,035,702
Loss on disposal of investments, net	(38,920,493,532)	(12,648,126,407)	(1,556,819,741)	(505,925,056)
Gain on disposal of available-for-sale securities	-	121,269,508	-	4,850,780
Impairment loss on property, plant and equipment	8,538,903,545	9,939,834,619	341,556,142	397,593,385
Recovery of impairment loss on property, plant and equipment	(175,919,249)	-	(7,036,770)	-
Reversal of allowance for doubtful accounts	(1,728,868,502)	(201,015,952)	(69,154,740)	(8,040,638)
Gain from liabilities exempted	(510,504,451)	(292,764,019,817)	(20,420,178)	(11,710,560,793)
Impairment loss on intangible assets	33,218,573	36,338,656,402	1,328,743	1,453,546,256
Others, net	(1,045,869,335)	17,902,501,250	(41,834,773)	716,100,050
Changes in operating assets and liabilities:				
Trade accounts and notes receivable	(79,656,306,417)	22,460,547,663	(3,186,252,257)	898,421,907
Other accounts receivable	3,520,957,013	11,354,525,169	140,838,281	454,181,007
Accrued income	(4,426,965)	1,504,772	(177,079)	60,191
Advance payments	(22,360,674,843)	(41,656,618,929)	(894,426,994)	(1,666,264,757)
Prepaid expenses	(277,114,705)	(840,835,779)	(11,084,588)	(33,633,431)
Income tax refund receivables	81,022,231	1,022,540,998	3,240,889	40,901,640
Inventories	(1,218,499,385)	150,813,568,480	(48,739,975)	6,032,542,739
Trade accounts and notes payable	94,775,994,968	98,119,088,313	3,791,039,799	3,924,763,533
Other accounts payable	(20,127,582,522)	(2,080,553,798)	(805,103,301)	(83,222,152)
Advances received	2,812,988,054	(2,671,655,049)	112,519,522	(106,866,202)
Withholdings	1,312,833,138	12,874,109,266	52,513,326	514,964,371
Accrued expenses	(3,790,428,406)	53,616,925,637	(151,617,136)	2,144,677,025
Payment of accrued warranties	(61,867,591,551)	(62,645,433,997)	(2,474,703,662)	(2,505,817,360)
Other current liabilities	(2,110,145,775)	(2,726,967,673)	(84,405,831)	(109,078,707)
Payment of severance and retirement benefits	(3,967,586,383)	(64,726,329,354)	(158,703,455)	(2,589,053,174)
Deposits for severance and retirement benefits	(44,555,038)	1,209,776,209	(1,782,202)	48,391,048
Decrease in prepayments to the NPS	19,057,000	450,430,900	762,280	18,017,236
Long-term other accounts payable	(22,027,114,431)	(8,994,701,786)	(881,084,577)	(359,788,071)
Long-term accrued expenses	23,065,008,538	23,668,781,213	922,600,342	946,751,249
Use of government subsidy	(4,665,670,446)	-	(186,626,818)	-
Total adjustments	73,565,251	233,219,497,219	2,942,610	9,328,779,889
Net cash provided by (used in) operating activities	W 8,188,677,005	W (113,050,654,621)	INR 327,547,080	INR (4,522,026,185)

(Continued)  
See accompanying notes.

**Ssangyong Motor Company**  
**Statements of cash flows (cont'd)**  
**For the years ended December 31, 2010 and 2009**

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
<b>Cash flows from investing activities:</b>				
Decrease in short-term financial instruments, net	W 883,294,169	W 3,713,381,250	INR 35,331,767	INR 148,535,250
Decrease in long-term financial instruments, net	-	3,000,000	-	120,000
Proceeds from disposal of available-for-sale securities	-	879,560,492	-	35,182,420
Acquisition of available-for-sale securities	-	(1,000,000,000)	-	(40,000,000)
Decrease in short-term loans receivable, net	2,363,588,990	9,042,417,086	94,543,560	361,696,683
Decrease in long-term loans receivable, net	113,187,200	1,631,610,300	4,527,488	65,264,412
Proceeds from disposal of property, plant and equipment	165,817,945,349	28,883,932,139	6,632,717,814	1,155,357,286
Proceeds from disposal of other investments	60,638,352,836	19,551,085,972	2,425,534,113	782,043,439
Decrease (increase) in guarantee deposits	(6,610,143,110)	8,673,210,817	(264,405,724)	346,928,433
Collection of advances for employee contribution	217,023,347	4,291,370,000	8,680,934	171,654,800
Acquisition of property, plant and equipment	(113,140,445,979)	(44,510,098,277)	(4,525,617,839)	(1,780,403,931)
Acquisition of intangible assets	(26,224,734,770)	(24,225,363,837)	(1,048,989,391)	(969,014,553)
Net cash provided by investing activities	84,058,068,032	6,934,105,942	3,362,322,721	277,364,238
<b>Cash flows from financing activities:</b>				
Drawdown of short-term borrowings	857,395,197,440	377,839,649,690	34,295,807,898	15,113,585,988
Drawdown of long-term borrowings	-	22,630,713,985	-	905,228,559
Increase in other current liabilities (for M&A implementation)	52,331,679,413	-	2,093,267,177	-
Receipt of government subsidy	3,125,816,272	-	125,032,651	-
Repayment of short-term borrowings	(937,425,670,681)	(326,333,334,733)	(37,497,026,827)	(13,053,333,389)
Repayment of long-term borrowings	(660,000,000)	(32,335,515,600)	(26,400,000)	(1,293,420,624)
Share issuance costs	(2,620,170)	-	(104,807)	-
Net cash provided by (used in) financing activities	(25,235,597,726)	41,801,513,342	(1,009,423,909)	1,672,060,534
<b>Net increase (decrease) in cash and cash equivalents</b>	67,011,147,311	(64,315,035,337)	2,680,445,892	(2,572,601,413)
<b>Cash and cash equivalents at the beginning of the year</b>	13,185,374,615	77,500,409,952	527,414,985	3,100,016,398
<b>Cash and cash equivalents at the end of the year</b>	W 80,196,521,926	W 13,185,374,615	INR 3,207,860,877	INR 527,414,985

See accompanying notes.

## **1. Corporate information**

Ssangyong Motor Company (the "Company") was incorporated on December 6, 1962, under the Commercial Code of the Republic of Korea, to manufacture and distribute automobiles and heavy equipment and related parts as well as service of automobiles and heavy equipment. The main office of the Company is located in Pyungtaek and its factories are located in Pyungtaek and Changwon. The Company's stock has been listed on the Korea Stock Exchange since May 1975.

The Seoul Central District Court (the "Court") approved the commencement of the Company's corporate reorganization procedures for business normalization on February 6, 2009. On December 17, 2009, the creditors have approved the corporate reorganization plan which entails a restructuring of troubled debt, capital reduction, cost cutting measures and a plan to increase the competitiveness of the Company's products. As of December 31, 2010, the Company has already completed its capital reduction and debt-to-equity conversion and, as a result, the Company's current capital stock amounts to ₩182,688 million.

On January 28, 2011, the Court approved the revised corporate reorganization plan, according to the agreement with the stockholders and the creditors.

The financial statements of the Company for the year ended December 31, 2010 will be approved by the court-appointed managers on March 10, 2011.

## **2. Summary of significant accounting policies**

### **Basis of financial statement preparation**

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including *Statements of Korea Accounting Standards ("SKAS") 1 to 23*, and the summary of significant account policies used for the preparation of the financial statements are as follows:

### **Revenue recognition**

Revenue from the sale of finished goods and merchandise is recognized when significant risk and rewards of ownership of goods have passed to the buyer.

### **Cash equivalents**

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

### **Financial instruments**

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

### **Allowance for doubtful accounts**

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

## **2. Summary of significant accounting policies (cont'd)**

### **Inventories**

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the gross weighted average method except for materials-in-transits, which are determined using the specific identification method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts performed at the end of the year.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales.

### **Investments in securities**

Investments in securities within the scope of *SKAS 8 Investments in Securities* are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the reporting date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the reporting date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to the statement of income.

### **Equity method investments**

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

**2. Summary of significant accounting policies (cont'd)**

**Equity method investments (cont'd)**

At the date of acquisition, the excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life of 5 years using the straight-line method. Conversely, negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized gains and losses resulting from transactions between the Company and its investee are eliminated to the extent of the interest in the investee.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the reporting date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, except for the property, plant and equipment revalued as noted below. Certain property, plant and equipment in existence as of January 1, 1997 were revalued according to the Korean Assets Revaluation Law ("KARL") and stated at revalued amounts less accumulated depreciation. In accordance with KARL, revaluation of assets is no longer allowed effective from January 1, 2001. Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows

	Years
Buildings	24 to 50
Structures	13 to 30
Machinery	10
Vehicles, Equipment, Furniture and fixtures	6 to 10

**Intangible assets**

Intangible assets consist of development cost, industrial proprietary rights and other intangible assets including software, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 3 years for development cost and 3~15 years for the other intangible assets and industrial proprietary rights.

**Impairment of assets**

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as asset impairment losses in the current year. The Company recorded asset impairment losses amounting to ₩8,572,122 thousand (INR 342,885 thousand) and ₩46,278,491 thousand (INR 1,851,140 thousand) for the year ended December 31, 2010 and 2009, respectively.

When the circumstances that previously unused the asset to be written down ceased to exist or there is an increase in net realizable value, the amount of written down reversed to the extent of the original written down amount so that the new carrying amount is the lower of cost and the revised net realizable. The Company recorded recovery of impairment losses amounting to ₩175,919 thousand (INR 7,037 thousand) for the year ended December 31, 2010.

## **2. Summary of significant accounting policies (cont'd)**

### **Government subsidy**

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the statement of financial position. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

### **Valuation of receivables or payables at present value**

Receivables or payables arising from long-term installment transactions are stated at present value. The difference between the carrying amount and present value of the receivables or payables is amortized using the effective-interest-rate method and credited or charged to the statement of income over the installment period.

When credit terms (e.g., principal, interest rate, payment period) of payables to creditors approving the corporate reorganization plan are favorably changed from the perspective of the Company, such payables are stated at present value calculated by discounting the future cash flows in accordance with the modified terms of the restructured payables by using the effective interest method from the origination date and the difference between the carrying amount and present value of such payables is credited to the statement of income.

### **Accrued warranty provisions**

The Company recognizes the estimated liability to repair or replace products sold with warranty at the reporting date. The provision is determined based on past experience of warranty claims and the level of repairs and returns.

### **Severance and retirement benefits**

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's severance and retirement benefits are partly funded through an insurance plan. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits.

### **Foreign currency translation**

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the reporting date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations. Non-monetary items that are re-measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### **Leases**

A lease is accounted for as either a capital lease or an operating lease. A lease is recognized as an operating lease if it does not transfer substantially to the Company all the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

**2. Summary of significant accounting policies (cont'd)**

**Income taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

**Per share amounts**

Basic earnings (loss) per share from continuing operations and basic earnings (loss) per share are computed by dividing net income (loss) from continuing operations and net income (loss), respectively, by the weighted-average number of shares of common stock outstanding during the year.

**Significant judgments and accounting estimates**

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the use of those estimates.

**3. Effect on adoption of Korea International Financing Reporting Standards ("K-IFRS")**

**(1) Preparation plan for adoption of K-IFRS and implementation status**

As all listed companies are required to adopt K-IFRS for the financial period beginning on or after January 1, 2011, the Group is currently preparing for the implementation of K-IFRS. As part of the implementation plan, the Group organized a Task Force Team (TFT) to manage all matters concerning K-IFRS. The TFT has completed the analysis of key accounting principal differences between Korean GAAP and K-IFRS and is currently in the process of reconfiguring its accounting information system to capture and generate information under K-IFRS. In addition, the TFT regularly conducts internal trainings and reports the status of K-IFRS implementation to management.

**(2) Summary of main differences between Korean-GAAP and K-IFRS**

The following table summarizes the main differences identified between K-IFRS and Korean GAAP. This summary is not all-inclusive and additional differences may be identified or the current differences identified may be subject to change as the Company's implementation project progresses.

Subject	Korean-GAAP	K-IFRS
Scope of controlling interest in a subsidiary	A subsidiary whose total assets are less than ₩10 billion as of the preceding reporting date is excluded from consolidations	A controlled subsidiary is included regardless of its size.
Severance and retirement benefits	A provision is recognized based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.	The obligations for severance and retirement benefits are determined based on applying actuarial assumptions and discount rate using the projected unit credit method.
Accumulated compensated absence, profit-sharing and bonus plans	Recognized when an entity's obligation to pay cash is determined.	Recognized when the employees render their services.
Classification of membership	Recorded as a non-current asset.	Recorded as an intangible asset with an indefinite useful life.
Deferred income taxes	Deferred income tax assets and liabilities are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position.	Deferred income tax assets and liabilities are classified as non-current.



**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**4. Restricted deposits**

Deposits with withdrawal restrictions as of December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Financial institution	Korean won		INR (Note2)		Description
		2010	2009	2010	2009	
Cash and cash equivalents	Suhyup Bank	₩ 260,000	₩ 260,000	INR 10,400	INR 10,400	Usage limit on corporate credit card
Cash and cash equivalents	The Korea Development Bank	52,306,433	-	2,092,257	-	Deposit for implementation of M&A
Short-term financial instruments	Shinhan Bank and others	832,324	1,715,618	33,293	68,625	Government subsidies and others
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	240	240	Guarantee deposits for checking accounts
		<u>₩ 53,404,757</u>	<u>₩ 1,975,618</u>	<u>INR 2,136,190</u>	<u>INR 79,025</u>	

**5. Inventories**

Inventories as of December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Korean won		INR (Note2)	
	2010	2009	2010	2009
Merchandise	₩ 53,416,906	₩ 70,377,410	INR 2,136,676	INR 2,815,096
Finished goods	21,257,058	25,419,123	850,282	1,016,765
Work-in-process	25,046,329	34,026,958	1,001,853	1,361,078
Raw materials and sub-materials	74,541,952	109,855,519	2,981,678	4,394,221
Supplies	4,715,649	4,833,549	188,626	193,342
Materials-in-transits	47,196,170	22,370,000	1,887,847	894,800
Sub-total	226,174,064	266,882,559	9,046,963	10,675,302
Less valuation allowance	(10,779,499)	(52,706,686)	(431,180)	(2,108,267)
	<u>₩ 215,394,565</u>	<u>₩ 214,175,873</u>	<u>INR 8,615,783</u>	<u>INR 8,567,035</u>

The Company recorded a reversal of loss on valuation of inventories amounting to ₩41,927,187 thousand (INR 1,677,087 thousand) and ₩2,910,892 thousand (ING 116,436 thousand) for the years ended December 31, 2010 and 2009, respectively, related to previously written down inventories due to the increase in net realizable value of such inventories. The reversal was recorded as a deduction of cost of sales.

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**6. Available-for-sale securities**

Available-for-sale securities as of December 31, 2010 and 2009 consist of the following (Korean won and Indian rupee in thousands):

	Owner-ship (%)	Acquisition cost	Proportionate net asset value	Book Value	
				2010	2009
Non-marketable securities:					
Kihyup Technology Banking Corporation	1.72	₩ 500,000	₩ 645,224	₩ 500,000	₩ 500,000
Korea Management Consultants Association	1.50	60,000	221,969	60,000	60,000
		₩ 560,000	₩ 867,193	₩ 560,000	₩ 560,000
INR (Note 2)		INR 22,400	INR 34,688	INR 22,400	INR 22,400

Available-for-sale securities are stated at acquisition cost as the fair value of these securities cannot be reliably measured. Net asset value is the amount as of December 31, 2009 due to unavailability of financial information as of December 31, 2010.

**7. Equity method investments**

Investments in securities accounted for using the equity method as of December 31, 2010 and 2009 consist of the following (Korean won and Indian rupee in thousands):

	Ownership (%)	Acquisition cost	Proportionate net asset value	Book Value	
				2010	2009
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	100	₩ 1,618,803	₩ 3,048,089	₩ 3,033,430	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	100	235,700	814,939	811,723	726,659
Ssangyong European Parts Center B.V.	100	835,695	(5,318,883)	-	-
		₩ 2,690,198	₩ (1,455,855)	₩ 3,845,153	₩ 3,666,291
INR (Note 2)		INR 107,608	INR 58,234	INR 153,806	INR 146,652

Summaries of financial position of the investees as of December 31, 2010 and 2009 and the results of their financial performance for the year ended, are presented as follows (Korean won and Indian rupee in thousands):

<December 31, 2010>	Total assets	Total liabilities	Sales	Net income (loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 3,495,759	₩ 447,670	₩ 3,891,424	₩ 64,176
Ssangyong Motor (Shanghai) Co., Ltd.	3,107,610	2,292,671	10,636,152	76,001
Ssangyong European Parts Center B.V.	9,386,195	14,705,078	17,193,119	(398,044)
	₩ 15,989,564	₩ 17,445,419	₩ 31,720,695	₩ (257,867)
INR (Note 2)	INR 639,583	INR 697,817	INR 1,268,828	INR (10,315)

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**7. Equity method investments (cont'd)**

<December 31, 2009>	Total assets		Total liabilities		Sales		Net income (loss)	
Ssangyong (Yizheng) Auto- parts Manufacturing Co., Ltd.	₩	4,415,729	₩	1,457,348	₩	3,767,348	₩	86,387
Ssangyong Motor (Shanghai) Co., Ltd.		6,371,876		5,639,844		12,328,428		127,777
Ssangyong European Parts Center B.V.		5,781,582		11,109,171		17,810,447		(3,572,741)
	₩	16,569,187	₩	18,206,363	₩	33,906,223	₩	(3,358,577)
INR (Note 2)	INR	662,767	INR	728,255	INR	1,356,249	INR	(134,343)

Elimination of unrealized gain arising from inter-company transactions for the ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

Account	2010			
	Jan.1, 2010	Additions	Realized	Dec.31, 2010
Ssangyong (Yizheng) Auto- parts Manufacturing Co., Ltd. Machinery	₩ 18,750	₩ -	₩ 4,091	₩ 14,659
Ssangyong Motor (Shanghai) Co., Ltd. Inventories	5,374	3,216	5,374	3,216
Ssangyong European Parts Center B.V. Inventories	1,562,525	2,060,097	1,562,525	2,060,097
	₩ 1,586,649	₩ 2,063,313	₩ 1,571,990	₩ 2,077,972
INR (Note 2)	INR 63,466	INR 82,533	INR 62,880	INR 83,119

Account	2009			
	Jan.1, 2009	Additions	Realized	Dec.31, 2009
Ssangyong (Yizheng) Auto parts Manufacturing Co., Ltd. Machinery	₩ 22,840	₩ -	₩ 4,090	₩ 18,750
Ssangyong Motor (Shanghai) Co., Ltd. Inventories	5,347	5,374	5,347	5,374
Ssangyong European Parts Center B.V. Inventories	3,618,370	1,562,525	3,618,370	1,562,525
	₩ 3,646,557	₩ 1,567,899	₩ 3,627,807	₩ 1,586,649
INR (Note 2)	INR 145,862	INR 62,716	INR 145,112	INR 63,466

The details of changes in carrying amounts of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

<2010>	Jan. 1, 2010	Equity in earnings of investee	Changes in accumulated other comprehensive loss	Dec.31, 2010
Ssangyong (Yizheng) Auto parts Manufacturing Co., Ltd.	₩ 2,939,632	₩ 68,266	₩ 25,531	₩ 3,033,429
Ssangyong Motor (Shanghai) Co., Ltd.	726,659	78,159	6,906	811,724
Ssangyong European Parts Center B.V.(*)	-	-	-	-
	₩ 3,666,291	₩ 146,425	₩ 32,437	₩ 3,845,153
INR (Note 2)	INR 146,652	INR 5,857	INR 1,297	INR 153,806

**7. Equity method investments (cont'd)**

<2009>	Jan. 1, 2009	Equity in earnings of investee	Changes in accumulated other comprehensive loss	Dec.31, 2009
Ssangyong (Yizheng) Auto parts Manufacturing Co., Ltd.	₩ 3,075,776	₩ 90,478	₩ (226,622)	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	656,556	127,751	(57,648)	726,659
Ssangyong European Parts Center B.V.(*)	-	-	-	-
	₩ 3,732,332	₩ 218,229	₩ (284,270)	₩ 3,666,291
INR (Note 2)	INR 149,293	INR 8,729	INR (11,371)	INR 146,652

(\*) Application of the equity method of this investee was discontinued as the carrying value of the investment was less than zero due to accumulated losses. In addition, the unrecognized changes in equity of the investee amounted to ₩7,378,980 thousand (INR 295,159 thousand) and ₩6,890,115 thousand (INR 275,605 thousand) as of December 31, 2010 and 2009, respectively.

The Company used unaudited financial statements of the investees when applying the equity method of accounting. To assess the reliability of such financial information, the Company performed the below procedures.

- Obtain the signatures of CEO and investees' internal auditor on unaudited financial statements
- Make sure that significant events and transactions that are disclosed by the investees or the Company is aware of are adequately reflected in unaudited financial statements
- Understand the resolved audit issues between investees' management and its auditors and future direction for resolution
- Analyse the potential difference between unaudited and audited financial statements of the investees

**8. Insurance**

As of December 31, 2010, the Company carries the following insurance policies on its inventories, property, plant and equipment. (Korean won and Indian rupee in thousands):

Insurance policy	Insured amount	Period	Insurance company	Insured assets
Product indemnity liability	US\$1,561,242,782	2010.01.01 ~ 2011.01.01	Meritz Fire and Marine Insurance Co.,Ltd. and others	Product
Comprehensive Insurance	₩ 2,313,411,670	2010.12.20 ~ 2011.12.20	Meritz Fire and Marine Insurance Co., Ltd and others	Inventories, property, plant and equipment

The Company carries vehicle insurance, industrial accident insurance, medical insurance and unemployment insurance for its employees. The Company also carries indemnity insurance related to gas-accident, vehicle insurance and cargo insurance.

**9. Other investments**

The Company is continuing to dispose of its property, plant and equipment not in use as part of its corporate reorganization plan and classifies such assets that are intended to be disposed of as other investments at the reporting date. When the recoverable amount of such property, plant and equipment is less than its carrying amount due to the decline in the fair value of the asset, the decline in value is deducted from the carrying amount and recognized as an asset impairment loss in the current period. The Company recorded a gross gain and loss on disposal of other investments amounting to ₩39,487,302 thousand (INR 1,579,492 thousand) and ₩566,809 thousand (INR 22,672 thousand), respectively for the year ended December 31, 2010 (₩12,717,245 thousand (INR 508,690 thousand) gain and ₩69,119 thousand (INR 2,765 thousand) loss for the year ended December 31, 2009).

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**10. Property, plant and equipment**

Details of property, plant and equipment as of December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	2010				
	Cost	Government subsidy	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 211,121,351	₩ -	₩ -	₩ -	₩ 211,121,351
Building	519,612,655	(1,876,263)	(159,219,200)	(158,362,289)	200,154,903
Structure	105,444,400	(235,189)	(57,048,579)	(29,935,519)	18,225,113
Machinery	1,202,644,051	(1,255,959)	(959,555,702)	(100,224,599)	141,607,791
Vehicles	11,192,675	(962)	(7,956,950)	(1,799,442)	1,435,321
Tools	690,788,668	(111,214)	(352,710,189)	(164,424,847)	173,542,418
Equipment	52,078,370	(208,758)	(39,119,170)	(6,250,604)	6,499,838
Construction in-progress	16,413,955	-	-	-	16,413,955
	₩ 2,809,296,125	₩ (3,688,345)	₩ (1,575,609,790)	₩ (460,997,300)	₩ 769,000,690
INR (Note 2)	INR 112,371,845	INR (147,534)	INR (63,024,392)	INR (18,439,892)	INR 30,760,028

	2009				
	Cost	Government subsidy	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 258,628,058	₩ -	₩ -	₩ -	₩ 258,628,058
Building	567,605,885	(1,893,449)	(171,914,358)	(188,639,160)	205,158,918
Structure	112,211,112	(255,166)	(59,146,872)	(32,787,416)	20,021,658
Machinery	1,153,490,984	(1,329,892)	(946,601,372)	(103,172,387)	102,387,333
Vehicles	11,956,773	(15,491)	(8,586,590)	(1,931,737)	1,422,955
Tools	584,743,235	(83,870)	(321,264,905)	(164,558,630)	98,835,830
Equipment	52,505,278	(404,728)	(40,119,399)	(6,643,157)	5,337,994
Construction in-progress	111,973,335	-	-	-	111,973,335
Machinery-in-transit	194	-	-	-	194
	₩ 2,853,114,854	₩ (3,982,596)	₩ (1,547,633,496)	₩ (497,732,487)	₩ 803,766,275
INR (Note 2)	INR 114,124,594	INR (159,304)	INR (61,905,340)	INR (19,909,299)	INR 32,150,651

Changes in net book value of property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	December 31, 2010						
	Jan 1, 2010	Additions	Disposals	Transfers, etc.	Depreciation	Impairment	Dec 31, 2010
Land	₩ 258,628,058	₩ -	₩ (51,264,451)	₩ 3,757,743	₩ -	₩ -	₩ 211,121,350
Building	205,158,918	6,408,816	(21,017,600)	17,853,433	(8,248,662)	-	200,154,905
Structure	20,021,658	583,405	(1,304,975)	408,541	(1,483,516)	-	18,225,113
Machinery	102,387,333	11,798,145	(842,466)	55,618,037	(27,353,259)	-	141,607,790
Vehicles	1,422,955	429,381	(45,844)	148,193	(519,364)	-	1,435,321
Tools	98,835,830	30,030,649	(64,049)	78,054,581	(33,314,593)	-	173,542,418
Equipment	5,337,994	2,824,323	(35,217)	117,191	(1,744,453)	-	6,499,838
Construction in-progress	111,973,335	60,825,126	(523,800)	(147,353,519)	-	(8,507,187)	16,413,955
Machinery-in-transit	194	-	-	(194)	-	-	-
	₩ 803,766,275	₩ 112,899,845	₩ (75,098,402)	₩ 8,604,006	₩ (72,663,847)	₩ (8,507,187)	₩ 769,000,690
INR (Note 2)	INR 32,150,651	INR 4,915,994	INR (3,003,936)	INR 344,160	INR (2,906,554)	INR (340,287)	INR 30,760,028

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**10. Property, plant and equipment (cont'd)**

	December 31, 2009						
	Jan 1, 2009	Additions	Disposals	Transfers, etc.	Depreciation	Impairment	Dec 31, 2009
Land	₩ 290,701,166	₩ -	₩ (13,115,630)	₩ (18,957,478)	₩ -	₩ -	₩ 258,628,058
Building	213,029,301	900,652	(405,163)	25,508	(8,391,380)	-	205,158,918
Structure	22,306,505	149,826	(257,812)	(314,411)	(1,862,450)	-	20,021,658
Machinery	125,471,784	2,283,885	(142,594)	3,413,006	(28,636,288)	(2,460)	102,387,333
Vehicles	2,195,882	163,614	(226,605)	764	(710,634)	(66)	1,422,955
Tools	129,037,885	901,458	(133,723)	767,840	(31,734,858)	(2,772)	98,835,830
Equipment	5,166,567	2,725,184	(682,367)	125,235	(1,988,683)	(7,942)	5,337,994
Construction in-progress	77,683,793	47,120,274	-	(2,904,137)	-	(9,926,595)	111,973,335
Machinery-in-transit	2,163,343	595,862	-	(2,759,011)	-	-	194
	₩ 867,756,226	₩ 54,840,755	₩ (14,963,894)	₩ (20,602,684)	₩ (73,324,293)	₩ (9,939,835)	₩ 803,766,275
INR (Note 2)	INR 34,710,249	INR 2,193,630	INR (598,556)	INR (824,107)	INR (2,932,972)	INR (397,593)	INR 32,150,651

The assessment value of the Company's land, as determined by the government of the Republic of Korea for tax administration purposes, as of December 31, 2010, are as follows (Korean won and Indian rupee in thousands):

Location	Land classification	Area (m <sup>2</sup> )	Book value	Assessment value
Pyungtaek	Land	1,131,374	₩ 191,814,376	₩ 346,555,879
Changwon		119,468	19,306,974	46,394,427
		1,250,842	₩ 211,121,350	₩ 392,950,306
INR (Note 2)			INR 8,444,854	INR 15,718,012

**11. Intangible assets**

Changes in the net book value of intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	2010				
	Jan. 1, 2010	Additions	Amortization	Impairment	Dec. 31, 2010
Industrial proprietary rights	₩ 737,651	₩ 175,423	₩ (276,286)	₩ (33,219)	₩ 603,569
Development costs	99,657,678	23,805,472	(39,419,691)	-	84,043,459
Other intangible assets	2,422,890	1,653,539	(2,019,122)	-	2,057,307
	₩ 102,818,219	₩ 25,634,434	₩ (41,715,099)	₩ (33,219)	₩ 86,704,335
INR (Note 2)	INR 4,112,729	INR 1,025,377	INR (1,668,604)	INR (1,329)	INR 3,468,173

	2009					
	Jan. 1, 2009	Additions	Transfers	Amortization	Impairment	Dec. 31, 2009
Industrial proprietary rights	₩ 977,098	₩ 96,062	₩ -	₩ (335,509)	₩ -	₩ 737,651
Electricity and gas available right	144	-	-	(144)	-	-
Development costs	129,877,283	23,371,682	10,324,776	(27,638,657)	(36,277,406)	99,657,678
Other intangible assets	4,240,007	757,620	-	(2,513,487)	(61,250)	2,422,890
	₩ 135,094,532	₩ 24,225,364	₩ 10,324,776	₩ (30,487,797)	₩ (36,338,656)	₩ 102,818,219
INR (Note 2)	INR 5,403,781	INR 969,015	INR 412,991	INR (1,219,512)	INR (1,453,546)	INR 4,112,729

**11. Intangible assets (cont'd)**

Development costs incurred for the years ended December 31, 2010 and 2009 which were capitalized as part of intangible assets amounted to ₩23,805,472 thousand (INR 952,219 thousand) and ₩23,371,682 thousand (INR 934,867 thousand), respectively, and other research and development costs charged to selling and administrative expenses amounted to ₩75,789,532 thousand (INR 3,031,581 thousand) and ₩55,410,713 thousand (INR 2,216,429 thousand), respectively.

**12. Borrowings**

Short-term borrowings as of December 31, 2010 and 2009 consist of the following (Korean won and Indian rupee in thousands):

Financial institution	Description	Annual interest rate as of Dec. 31, 2010 (%)	2010		2009	
			₩	-	₩	-
Korea Development Bank	Operation financing	KDB's standard rate of overdrafts+3.62				

Long-term borrowings as of December 31, 2010 and December 31, 2009 consist of the following (Korean won and Indian rupee in thousands):

Financial institution	Description	Annual interest rate (%)	Korean won		INR (Note 2)	
			2010 (current)	2009 (non-current)	2010 (current)	2009 (non-current)
Community Credit Cooperatives and others	Liabilities from financial institutions	3.25	₩ 75,533,485	₩ 76,193,485	INR 3,021,339	INR 3,047,739
Individuals	General loans	3.25	4,434,874	4,434,874	177,395	177,395
Korea Development Bank and others	Collateral loans	7	242,745,140	242,745,140	9,709,806	9,709,806
Citibank N.A., London branch and others	Borrowings from foreign financial institutions	3.25	153,122,783	169,332,742	6,124,911	6,773,310
Korea Development Bank	Collateral loans in foreign currency	7	156,914	173,571	6,277	6,943
Total			4,759,933,196	492,879,812	19,039,728	19,715,192
Less present value discount			(79,436,962)	(89,032,255)	(3,177,478)	(3,561,290)
			₩ 396,556,234	₩ 403,847,557	INR 15,862,249	INR 16,153,902

Long-term borrowings include borrowings related to the Company's restructured collateralized debt and restructured unsecured debt pursuant to the original corporate reorganization plan as approved by creditors on December 17, 2009.

Long-term borrowings as of December 31, 2010 will be repaid in 2011 based on the revised corporate reorganization plan, therefore, the Company classified those as current liabilities.

**13. Pledged assets**

Details of assets pledged by the Company as collateral for its borrowings as of December 31, 2010 are as follows (Korean won and Indian rupee in thousands)

Pledged to	Description of pledged assets	Date of collateral	Pledged amount	Relation
Korea Development Bank	Land, buildings, structures and machinery	2006.08.01. /2009.08.13.	₩ 546,000,000	Borrowings
			INR 21,840,000	

Above collateral provided to KDB will be released upon repayment of borrowings under the revised corporate reorganization plan.

**14. Troubled debt restructuring**

The Company has restructured its troubled debt according to the corporate reorganization plan approved by the creditors on December 17, 2009. As a result of the troubled debt restructuring, the Company has reduced its capital stock by ₩359,364 million (INR 14,375 million) and ₩61,971 million (INR 2,479 million) for the years ended December 31, 2010 and 2009, respectively. As a result, the Company recognized gain on debt restructuring amounting to ₩511 million (INR 20.44 million) and ₩292,764 million (INR 11,711 million) for the years ended December 31, 2010 and 2009, respectively

Debt restructured as of December 31, 2010 will be repaid or extinguished in 2011 pursuant to revised corporate reorganization plan approved on January 28, 2011 (See note 31). Details of restructured debt outstanding as of December 31, 2010 are as follows (Korean won and Indian rupee in thousands):

Classification	Other accounts payable	Current portion of long-term borrowings	Accrued expenses, etc.	Total
Nominal Amount	₩ 198,372,591	₩ 475,993,196	₩ 47,008,824	₩ 721,374,611
Less Present value discounts	48,358,613	(79,436,962)	0	(127,795,575)
	₩ 150,013,978	₩ 396,556,234	₩ 47,008,824	₩ 593,579,036
INR (Note 2)	INR 6,000,559	INR 15,862,249	INR 1,880,353	INR 23,743,161

**15. Accrued warranties**

The Company provides warranties for repair and replacement of products sold during the warranty period. Changes in the carrying amount of accrued warranties for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Jan. 1	Provision	Utilization	Dec. 31	Current	Non-current
2010	₩ 68,268,200	₩ 66,739,907	₩ (61,867,591)	₩ 73,140,516	₩ 33,030,461	₩ 40,110,055
2009	₩ 88,868,899	₩ 118,332,289	₩ (128,932,988)	₩ 68,268,200	₩ 36,675,154	₩ 31,593,046
2010 INR (Note 2)	INR 2,730,728	INR 2,669,596	INR (2,474,704)	INR 2,925,621	INR 1,321,218	INR 1,604,402
2009 INR (Note 2)	INR 3,554,756	INR 4,733,292	INR (5,157,320)	INR 2,730,728	INR 1,467,006	INR 1,263,722



**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**16. Severance and retirement benefits**

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
As of January 1,	₩ 133,408,750	₩ 185,008,771	INR 5,336,350	INR 7,400,351
Provision during the year	31,410,239	13,263,648	1,256,410	530,546
Payments during the year	(3,967,587)	(64,863,669)	(158,703)	(2,594,547)
	160,851,402	133,408,750	6,434,056	5,336,350
Presented net of:				
Insurance deposits	(3,219,524)	(3,174,970)	(128,781)	(126,999)
Accumulated prepayments to the NPS	(1,133,428)	(106,615)	(45,337)	(4,265)
As of December 31,	₩ 156,498,450	₩ 130,127,165	INR (174,118)	INR 5,205,087

**17. Monetary assets and liabilities denominated in foreign currencies**

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows:

	Foreign currencies	2010		2009		
		Korean won equivalent (in thousands)	Indian rupee equivalent (in thousands)	Korean won equivalent (in thousands)	Indian rupee equivalent (in thousands)	
<b>Assets:</b>						
<b>Cash and Cash equivalents</b>						
	AUD	-	-	AUD	146,865	153,482
	EUR	79,368	120,132	EUR	3,543,326	5,932,520
	JPY	8,069,312	112,735	JPY	-	-
	USD	693,642	789,989	USD	1,671,029	1,951,093
			31,600			78,044
<b>Trade accounts and notes receivable</b>						
	AUD	3,199,005	3,704,192	AUD	214,254	223,908
	EUR	29,445,374	44,568,519	EUR	8,403,850	14,070,397
	JPY	5,517,359	77,082	JPY	24,108,300	304,444
	USD	46,770,341	53,266,741	USD	11,717,790	13,681,692
			2,130,670			547,268
<b>Other accounts receivable</b>						
	EUR	4,718	7,141	EUR	129,527	216,864
	USD	513,596	584,934	USD	9,572,209	11,176,511
<b>Total</b>						
	AUD	3,199,005	3,704,192	AUD	361,119	377,391
	EUR	29,529,460	44,695,792	EUR	12,076,703	20,219,781
	JPY	13,586,671	189,817	JPY	24,108,300	304,444
	USD	47,977,579	54,641,664	USD	22,961,028	26,809,296
			2,185,667			1,072,372
<b>Liabilities:</b>						
<b>Trade accounts and notes payable</b>						
	AUD	48,682	56,369	AUD	24,682	25,794
	EUR	2,459,103	3,722,099	EUR	3,142,337	5,261,151
	JPY	10,392,283	145,189	JPY	48,834,923	616,697
	USD	374,333	426,328	USD	637,247	744,049
			17,053			29,762

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**17. Monetary assets and liabilities denominated in foreign currencies (cont'd)**

	2010			2009		
	Foreign currencies	Korean won equivalent (in thousands)	Indian rupee equivalent (in thousands)	Foreign currencies	Korean won equivalent (in thousands)	Indian rupee equivalent (in thousands)
<b>Liabilities:</b>						
<b>Other accounts payable</b>						
	AUD	880	1019	AUD	-	-
	CNY	2,356,768	406,543	CNY	-	-
	DEM	99,471	76,979	DEM	-	-
	EUR	7,329,749	11,094,308	EUR	4,985,723	8,347,496
	GBP	58,387	102,627	GBP	-	-
	JPY	14,949,819	208,861	JPY	11,080,000	139,920
	USD	10,933,116	12,451,725	USD	5,160,209	6,025,059
	Other		449	Other		241,002
<b>Current portion of long-term debt</b>						
	EUR	72,350,459	109,509,654	EUR	70,275,611	117,661,050
	JPY	11,513,589	160,854	JPY	11,309,219	142,815
	USD	42,845	48,796	USD	42,072	49,123
<b>Long-term accounts payable</b>						
	AUD	36,652	42,440	AUD	36,652	38,303
	CNY	-	-	CNY	2,203,279	376,893
	DEM	611,999	473,620	DEM	704,972	603,484
	EUR	522,276	790,517	EUR	6,831,291	11,437,493
	GBP	184,742	324,725	GBP	198,280	372,316
	JPY	-	-	JPY	11,776,633	148,718
	USD	133,029	151,506	USD	2,491,893	2,909,535
	Other		1,435	Other		1,966
<b>Accrued expenses</b>						
	EUR	6,254,978	9,467,534	EUR	2,965,256	4,964,669
	JPY	892,834	12,474	JPY	423,260	5,345
	USD	3,333	3,796	USD	1,580	1,845
<b>Total</b>						
	AUD	86,214	99,828	AUD	61,334	64,097
	CNY	2,356,768	406,543	CNY	2,203,279	376,893
	DEM	711,470	550,599	DEM	704,972	603,484
	EUR	88,916,565	134,584,112	EUR	88,200,218	147,671,859
	GBP	243,129	427,352	GBP	198,280	372,316
	JPY	37,748,525	527,378	JPY	83,424,035	1,053,495
	USD	11,486,655	13,082,152	USD	8,333,001	9,729,611
	Other		1,885	Other		1,966

**18. Commitments and contingencies**

- (1) The Company's line of credit entered with Korea Development Bank as of December 31, 2010 is as follows (Korean won and Indian rupee in thousands):

Lender	Description	Credit line	Outstanding balance
Korea Development Bank	Loan for operating funds	₩ 54,370,000	₩ -
			INR -

- (2) The Company recognized loss on disposal of trade accounts receivable amounting to ₩15,264,971 thousand (INR 610,599 thousand) and ₩9,834,951 thousand (INR 393,398 thousand) for the years ended December 31, 2010 and 2009, respectively, arising from sale of trade accounts receivable under factoring arrangement with Aju Capital Co., Ltd. and others.

- (3) As of December 31, 2010, the Company is a plaintiff in three litigations with claims amounting to ₩15,985 million (INR 639 million) and is a defendant in 30 litigations with claims amounting to ₩12,078 million (INR 483 million). Details of significant pending lawsuits as of December 31, 2010 are as follows (Korean won and Indian rupee in thousands):

**18. Commitments and contingencies (cont'd)**

Description	Claimed amount	Plaintiff	Defendant	Remarks
Confirmation of no obligation for debt	₩ 959,090	Telstar-hommel Corp.	The Company	Pending in the 1st trial
Annulment of levy imposed	985,000	The Company	Fair Trade Commission	Winning the case in the 1st trial, pending in the 2nd trial
Air pollution emission prohibition claim	710,000	Individuals	The Company	Pending in the 1st trial
Appeal for confirmed trial	1,560,000	SK Construction inc.	The Company	Pending in the 1st trial
Indemnity for damages	2,792,258	Daewoo-Bundang Service inc. and others	The Company	Pending in the 1st trial
Indemnity for damages	10,000,000	The Company	Labor union and others	Pending in the 1st trial
Indemnity for damages	5,000,000	The Company	Individuals and labor union	Pending in the 1st trial
Wages	4,464,000	Individuals	The Company	Pending in the 1st trial

The Company recorded ₩1,628,956 thousand (INR 65,158 thousand) in other accounts payable expected loss arising from above litigations that are probable and can be measured reliably.

**19. Capital stock**

Details of capital stock as of December 31, 2010 are as follows (Korean won and Indian rupee in thousands):

Number of stocks authorized:	3 billion shares
Number of common shares issued:	36,537,601 shares (108,410,431 shares as of December 31, 2009)
Par value per share (Korean won):	₩5,000
Common stock:	₩182,688,005 (₩542,052,155 as of December 31, 2009)

Changes in capital stock for year ended December 31, 2010 are as follows (Korean won and Indian rupee in thousands)

Date	Description	Issued shares	Capital stock
Jan. 1, 2010	Beginning of the period	108,410,431	₩ 542,052,155
Jan. 27, 2010	Reduction of capital stock without consideration	(72,289,875)	(361,449,375)
Jul. 21, 2010	Debt-for-equity swap	417,045	2,085,225
Dec. 31, 2010	End of year	36,537,601	₩ 182,688,005
			INR 7,307,520

As a result of the first reduction of capital stock without consideration, and debt-to-equity conversion in accordance with the corporate reorganization plan in the prior period, capital stock decreased by ₩61,971 million (INR 2,478 million), and a gain on capital reduction of ₩444,128 million (INR 17,765 million) was recorded as capital surplus. As of January 27, 2010, the Company executed its second reduction of capital stock without consideration. As a result, capital stock further decreased by ₩361,449 million (INR 14,458 million), and the same amount was recorded as a gain in capital surplus. Also, the Company executed a debt-for-equity swap amounting to ₩6,256 million (INR 250 million) resulting in an increase in capital stock amounting to ₩2,085 million (INR 83 million) in accordance with the court-approved reorganization plan dated July 21, 2010.

**20. Capital surplus**

Accumulated changes in other capital surplus are as follows (Korean won and Indian rupee in thousands):

Date	Description	Amount	
2002.06.04	Reduction of capital stock without consideration (10:1 shares)	₩	5,149,844,305
2003.03.27	Offset against accumulated deficit		(5,134,404,024)
2007.07.03	Consideration for conversion rights		29,474,043
2009.03.31	Offset against accumulated deficit		(15,440,281)
2009.12.28	First reduction of capital stock without consideration		444,128,160
2010.01.27	Second reduction of capital stock without consideration		361,449,375
		₩	835,051,578
		INR	33,402,063

The Company executed its first reduction of capital stock without consideration at a ratio of 5:1 for the major shareholders and 3:1 for other shareholders and its second reduction of capital stock without consideration at the rate of 3:1 for all shareholders.

**21. Limit of shareholders' rights and capital adjustments**

Limit of shareholder's rights

Pursuant to the corporate reorganization plan approved as of December 17, 2009, the Company may not distribute dividends to its shareholders, and not hold a shareholders' meeting to exercise any voting rights until the Company's troubled debt has been resolved.

Capital adjustments

The nominal amount ₩7,146,185 thousand for which the debt-to-equity conversion was deferred was recorded as a debt to be swapped for equity in capital adjustment in 2009. During the year ended December 31, 2010, the creditors approved an additional ₩119,267 thousand (INR 4,771 thousand) as a debt to be swapped for equity. The Company recorded ₩510,504 thousand (INR 20,420 thousand) as a gain on extinguishment of debt in current year operations. Moreover, for the year ended December 31, 2010, ₩6,256,022 thousand (INR 250,241 thousand) was converted to equity from debt to swapped for equity. As a result, debt to be swapped for equity as of December 31, 2010 amounted to ₩1,009,430 thousand (INR 40,377 thousand).

**22. Income taxes**

The major components of provision for income taxes for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	2010	2009
Current income taxes	₩ -	₩ -
Current income taxes recognized directly to equity:		35
Provision for income taxes	₩ -	₩ 35
	INR -	INR 1

A reconciliation of provision for income taxes applicable to income(loss) before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won and Indian rupee in thousands):

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**22. Income taxes (cont'd)**

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
Income (loss) before income taxes	₩ 8,115,112	₩ (346,270,117)	INR 324,604	INR (13,850,805)
Tax at the statutory income tax rate of 23.9% (2009: 22.0%)	1,937,457	(76,179,426)	77,498	(3,047,177)
Adjustments:				
Expenses not deductible for tax purposes	1,754,835	4,786,234	70,193	191,449
Income not subject to tax	(113,269)	(30,113,445)	(4,531)	(1,204,538)
Deferred tax assets not recognized	(2,767,904)	97,832,678	(110,716)	3,913,307
Tax rate adjustments, etc.	(811,119)	3,673,994	(32,445)	146,960
Provision for income tax	₩ -	₩ 35	INR -	INR 1

Significant changes in tax loss carry forwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	2010				
	As of Jan. 1, 2010	Net changes	As of Dec. 31, 2010	Deferred income taxes	
				Current	Non-current
Deductible temporary differences:					
Allowance for doubtful accounts	₩ 7,155,669	₩ (4,915,401)	₩ 2,240,268	₩ 542,145	₩ -
Accrued warranty expenses	68,268,200	4,872,316	73,140,516	7,993,372	8,097,542
Severance and retirement benefits	122,674,379	21,175,028	143,849,407	-	31,646,870
Impairment loss	349,294,306	(96,105,782)	253,188,524	-	55,701,475
Development cost	63,031,019	(2,090,913)	60,940,106	-	13,406,823
Accumulated depreciation	6,887,797	4,393,276	11,281,073	-	2,481,836
Accrued expense	32,434,506	5,733,207	38,167,713	9,236,587	-
Investments in securities	2,863,690	(178,861)	2,684,829	-	590,662
Foreign currency translation	141,830,712	(135,830,730)	5,999,982	1,451,996	-
Others, net	11,415,653	(5,758,972)	5,656,681	-	1,244,470
Tax loss carryforwards	1,060,036,614	65,627,518	1,125,664,132	-	247,646,109
	1,865,892,545	(143,079,314)	1,722,813,231	19,224,100	360,815,787
Taxable temporary differences:					
Foreign currency translation	₩ (58,503,515)	₩ 40,028,968	₩ (18,474,547)	₩ (4,470,840)	₩ -
Present value discount	-	(127,795,576)	(127,795,576)	(30,926,529)	-
Others, net	(294)	(4,427)	(4,721)	(1,142)	-
	(58,503,809)	(87,771,035)	(146,274,844)	(35,398,511)	-
Tax credit carryforwards	29,794,378	(10,702,696)	19,091,682	889,676	18,202,006
Deferred income taxes recognized					
Deferred income taxes, net	₩ -	₩ -	₩ -	₩ -	₩ -
	INR -	INR -	INR -	INR -	INR -

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**22. Income taxes (cont'd)**

	2009				
	As of Jan. 1, 2009	Net changes	As of Dec. 31, 2009	Deferred income taxes	
				Current	Non-current
<b>Deductible temporary differences:</b>					
Allowance for doubtful accounts	₩ 3,260,280	₩ 3,895,389	₩ 7,155,669	₩ 511,193	₩ 1,109,526
Accrued warranty expenses	88,868,899	(20,600,699)	68,268,200	8,875,387	6,950,470
Severance and retirement benefits	141,278,977	(18,604,598)	122,674,379	-	26,988,363
Impairment loss	475,578,242	(126,283,936)	349,294,306	-	76,844,747
Development cost	30,865,294	32,165,725	63,031,019	-	13,866,824
Accumulated depreciation	10,825,805	(3,938,008)	6,887,797	-	1,515,315
Accrued expense	29,737,529	2,696,977	32,434,506	7,849,150	-
Investments in securities	2,797,649	66,041	2,863,690	-	630,012
Foreign currency translation	4,867,580	136,963,132	141,830,712	34,323,032	-
Others, net	75,265,807	(63,850,154)	11,415,653	415,180	2,134,007
Tax loss carryforwards	395,868,266	664,168,348	1,060,036,614	-	233,208,055
	<u>1,259,214,328</u>	<u>606,678,217</u>	<u>1,865,892,545</u>	<u>51,973,942</u>	<u>363,247,319</u>
<b>Taxable temporary differences:</b>					
Foreign currency translation	₩ (6,195,069)	₩ (52,308,446)	₩ (58,503,515)	₩ (14,157,851)	-
Present value discount	-	-	-	-	-
Others, net	(66,741,881)	66,741,587	(294)	(71)	-
	<u>(72,936,950)</u>	<u>14,433,141</u>	<u>(58,503,515)</u>	<u>(14,157,922)</u>	<u>-</u>
Tax credit carryforwards	28,192,907	1,601,471	29,794,378	10,529,188	19,265,190
Deferred income taxes recognized					
Deferred income taxes, net	₩ -	₩ -	₩ -	₩ -	-
	INR -	INR -	INR -	INR -	-

The Company did not recognize deferred income tax assets as of December 31, 2010, as it is not probable that the Company will be able to realize all the net deferred income tax assets in the future periods.

Expiration date of tax loss carryforwards and tax credit carryforwards for which deferred income tax assets have not been recognized as of December 31, 2010 are as follows (Korean won and Indian rupee in thousands):

	Jan. 1, 2010	Net increase (decrease)	Dec. 31, 2010	Expiration date
<Tax loss carryforwards>	₩ 1,060,036,614	₩ 65,627,518	₩ 1,125,664,132	December 31, 2011 ~December 31, 2019
	INR 42,401,465	INR 2,625,101	INR 45,026,565	
<Tax credit carryforwards>	₩ 31,686,968	₩ (12,595,286)	₩ 19,091,682	December 31, 2011 ~ December 31, 2015
	INR 1,267,479	INR (503,811)	INR 763,667	

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**23. Per share amounts**

The Company's per share amounts for the years ended December 31, 2010 and 2009 are computed as follows (Korean won):

Basic income(loss) per share

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
Net income (loss)	₩ 8,115,112	₩ (346,270,152)	INR 324,604	INR (13,850,806)
Weighted-average number of shares of common stock outstanding	36,309,083	10,654,868	1,452,363	426,195
Basic income (loss) per share	₩ 224	₩ (32,499)	INR 9	INR (1,300)

Details of the computation of weighted-average number of shares of common stock outstanding as of December 31, 2010 and 2009 are as follows:

	2010	2009
Number of shares of common stock outstanding as of January 1, 2010	36,120,556 shares	10,654,868 shares
Debt-for-equity swap on July 21, 2010	188,527 shares	-
Number of shares of common stock outstanding as of December 31, 2010	36,309,083 shares	10,654,868 shares

Pursuant to reorganization plan, second round of capital reduction was enforced during the current year, reducing number of common stock to 36,120,556 from 108,410,431 which was assumed to be occurred at the beginning of the year. Number of shares of common stock outstanding as of December 31, 2009 was 120,804,620 which was then adjusted to 10,654,868 as weighted-average number of shares of common stock outstanding taking into account first and second capital reductions.

Diluted earnings per share for the year ended December 31, 2010 are ₩223 (INR 9) taking into account 67,295 shares from the debt-for-equity swap. As the Company incurred net loss thus anti-dilutive effect in prior year, no dilutive earnings per share is calculated for the year ended December 31, 2009.

**24. Comprehensive gain (loss)**

The details of comprehensive gain (loss) for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
Net income (loss)	₩ 8,115,112	₩ (346,270,152)	INR 324,604	INR (13,850,806)
Other comprehensive income:				
Gain on valuation of available-for-sale securities	-	(126)	-	(5)
Less: tax effect	-	35	-	1
Equity adjustments in equity method	32,437	(284,270)	1,297	(11,371)
Comprehensive gain (loss)	₩ 8,147,549	₩ (346,554,513)	INR 325,902	INR (13,862,181)

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**25. Related party disclosures**

In accordance with the corporate reorganization plan approved on December 17, 2009, Shanghai Automotive Industry Corporation and SAIC Motor Corporation Limited cease to own the Company's shares as of December 31, 2009 through capital reduction without consideration and debt-for-equity swap. All the related parties as of December 31, 2010 are subsidiaries of the Company.

Significant transactions with related parties for the years ended December 30, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Description	Korean won		INR (Note 2)	
		2010	2009	2010	2009
Ssangyong Motor (Shanghai) Co., Ltd.	Purchases	₩ 574,967	₩ 352,682	INR 22,999	INR 14,107
Ssangyong European Parts Center B.V.	Sales	14,336,813	7,593,728	573,473	303,749

Outstanding balances with related parties as of December 31, 2010 and December 31, 2009 are as follows (Korean won and Indian rupee in thousands):

	Description	Korean won		INR (Note 2)	
		2010	2009	2010	2009
Ssangyong Motor (Shanghai) Co., Ltd	Trade payable	₩ 163,052	₩ 9,458	INR 6,522	INR 371
Ssangyong European Parts Center B.V.	Trade receivables	14,194,364	11,775,498	567,775	471,021
	Advances received	-	753,892	-	30,150

Loans to employees as of December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

Account	Description	Korean won		INR (Note 2)	
		2010	2009	2010	2009
Short-term loans	Housing loans	₩ 2,226,869	₩ 2,043,611	INR 89,075	INR 81,744
Long-term loans	Housing loans	10,892,919	13,137,157	435,717	525,486
Long-term loans	Debt-for-equity swap loans and others	3,749,398	3,862,585	149,976	154,503
		<u>₩ 16,869,186</u>	<u>₩ 19,043,353</u>	<u>INR 674,767</u>	<u>INR 761,734</u>



**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**26. Supplementary cash flow information**

Significant transactions not involving cash flows for the years ended December 31, 2010 and 2009 are as follows (Korean won and Indian rupee in thousands):

	Korean won		INR (Note 2)	
	2010	2009	2010	2009
Transfer of current portion of long-term loans	₩ 2,244,238	₩ 8,331,387	INR 89,770	INR 333,255
Transfer to other investments from property, plant and equipment	5,020,964	39,370,869	200,839	1,574,835
Transfer to property, plant and equipment from other investments	13,449,243	-	537,970	-
Transfer to property, plant and equipment from construction in-progress	153,233,296	148,322,975	6,129,332	5,932,919
Transfer to capital surplus from capital stock (reduction of capital stock without consideration)	361,449,375	-	14,457,975	-
Debt-for-equity swap	6,256,022	-	250,241	-
Transfer to non-current portion of restructured debt (original plan)	-	732,039,384	-	29,281,575
Transfer to current portion of restructured debt (revised plan)	592,914,590	-	23,716,584	-

Certain amounts in the comparative statement of cash flows for the year ended December 31, 2009 have been reclassified to conform with the current year presentation. Such reclassifications had no effect on the Company's total amount of cash flows by activity previously reported.

**27. Operating results of the final interim period (unaudited)**

Summary of operating results for the three months ended December 31, 2010 and 2009 are as follows (Korean won in thousands except per share amounts):

	Korean won		INR (Note 2)	
	Oct.1.-Dec.31., 2010	Oct.1.-Dec.31., 2009	Oct.1.-Dec.31., 2010	Oct.1.-Dec.31., 2009
Sales	₩ 620,569,401	₩ 383,712,208	INR 24,822,776	INR 15,348,488
Gross profit	116,272,800	42,454,472	4,650,912	1,698,179
Operating loss	(9,947,241)	(98,553,764)	(397,890)	(3,942,151)
Net income (loss)	(13,366,680)	186,285,483	(534,667)	7,451,419
Earnings (loss) per share	(366)	1,560	(15)	62

**Ssangyong Motor Company**  
**Notes to financial statements**  
**December 31, 2010 and 2009**

**28. Segment information**

The following table presents the sales of the Company by geographical segment for the years ended December 31, 2010 and 2009 (Korean won and Indian rupee in thousands):

Region	Korean won		INR (Note2)	
	2010	2009	2010	2009
Domestic sales	₩ 1,107,353,144	₩ 784,046,577	INR 44,294,126	INR 31,361,863
Export sales				
Europe	385,472,012	70,975,960	15,418,880	2,839,038
Asia	99,083,090	46,093,736	3,963,324	1,843,749
Others	394,527,050	109,177,568	15,781,082	4,367,103
Other export sales	84,047,068	56,522,640	3,361,883	2,260,906
Total sales	₩ 2,070,482,364	₩ 1,066,816,481	INR 82,819,295	INR 42,672,659

**29. Value added information**

In accordance with SKAS 21 *Preparation and Presentation of Financial Statements*, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2010 and 2009, are as follows (Korean won and Indian rupee in thousands):

	Korean won		INR (Note2)	
	2010	2009	2010	2009
Labor costs	₩ 191,039,058	₩ 244,122,804	INR 7,641,562	INR 9,764,912
Severance and retirement benefits	31,410,238	4,079,224	1,256,410	163,169
Employee benefits	26,390,681	29,955,195	1,055,627	1,198,208
Rental expense	9,907,018	9,661,422	396,281	386,457
Taxes and dues	13,344,061	15,903,511	533,762	636,140
Depreciation	71,503,455	61,843,957	2,860,138	2,473,758
Total	₩ 343,594,511	₩ 365,566,113	INR 13,743,780	INR 14,622,645

**30. M&A agreement**

As of November 23, 2010, the Company entered into the agreement for its acquisition by Mahindra & Mahindra Ltd, an Indian Company. Total purchase consideration is ₩522,500 million (INR 20,900 million) and details of the acquisition procedure are as follows:

- 1) Issuing common stock
  - Increase common stock: ₩427,095 million (INR 17,084 million)
  - Controlling stake: 70.0% based on total number of shares issued and outstanding after acquisition
- 2) Issuing corporate bonds at par value
  - Non-registered, unsecured (maturity: 3 years, coupon rate: 7%)
  - Total amounts: ₩95,405 million (INR 3,816 million)

The Company recorded the received deposit of ₩52,306 million (INR 2,092 million) for implementation of M&A as cash and cash equivalents and other current liabilities as of December 31, 2010.

### 31. Subsequent events

#### Approval of the revised corporate reorganization plan

At the meeting of the stockholders and the creditors held on January 28, 2011, three fourths of secured creditors, two thirds of unsecured creditors and half of stockholders approved the revised corporate reorganization plan.

#### Details of the revised corporate reorganization plan

Details of repayment resources for creditors are as follows (Korean won in millions):

	Amounts	
Total purchase consideration	₩	522,500
Less M&A fees		(1,752)
Less restructured troubled debt repaid in 2010		(22,993)
Repayment resources for creditors	₩	497,755
INR (Note 2)	INR	19,910

#### Details of the revised corporate reorganization plan (cont'd)

The restructured troubled debts under the revised corporate reorganization plan consist of the following (Korean won and Indian rupee in thousands):

	Debts as of		Debts as of January		Exemption	Payment amount
	December 31, 2010		27, 2011			
The restructured troubled debt	₩	721,374,611	₩	723,788,288	₩ (239,570,794)	₩ 484,217,494
Less present value discount		(127,795,575)		(123,974,888)	123,974,888	-
Grand total	₩	593,579,036	₩	599,813,400	₩ (115,595,906)	₩ 484,217,494
INR (Note 2)	INR	23,743,161	INR	23,992,536	INR (4,623,836)	INR 19,368,700

Secured restructured debts, rent debts and debts related to operation deposits will be paid 100% of the present value discounted at the rate of 6.9% and other unsecured debts will be paid 65.7% of the present value discounted at the rate of 7.0%. As a result, the Company expects to recognize gain on debt restructuring of ₩115,595,906 thousand (INR 4,623,836 thousand) for the year ended December 31, 2011.

In addition, the Company reserves ₩13,537 million (INR 541 million) for contingent liabilities payable upon completion of pending litigations.

#### Issuance of common stock

On February 9, 2011, the Company issued common stocks to Mahindra and Mahindra Ltd. in accordance with approval of the revised corporate reorganization plan.

Details of new common stock issued are as follows:

Initial date of share dividend: January 1, 2011

Expected date of public listing: February 23, 2011

Par value and issuance price: ₩5,000

Number of new common stocks issued and outstanding: 85,419,047 shares

#### Others

On February 7, 2011, the Company appointed Dillip Sundaram the co-manager, as a representative of Mahindra until termination of the corporate reorganization procedure.

The co-managers of the Company plans to apply for the termination of reorganization procedure upon full repayment of restructured debts.

**31. Subsequent events (cont'd)**

**Debt-for-equity swap**

On January 5, 2011, the Company executed a debt-for-equity swap amounting to ₩77,895 thousand resulting in an increase in common stocks of 5,193 shares (issuance price: ₩15,000).

### Internal Control over Financial Reporting Review Report

The Chief Executive Officer  
Ssangyong Motor Company


We have reviewed the accompanying management's report on the operations of the Internal Control over Financial Reporting ("ICFR") of Ssangyong Motor Company (the "Company") as of December 31, 2010. The Company's management is responsible for design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review the management's ICFR report and issue a report based on our review. The management's report on the operations of the ICFR of the Company states that "Based on its assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the Best Practice Guideline for ICFR."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of the management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that the management's report referred to above is not presented fairly, in all material respects, in accordance with the Best Practice Guideline for ICFR.

We conducted our review of the ICFR in existence as of December 31, 2010, and we did not review the ICFR subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit of Stock Companies, and may not be appropriate for other purposes or for other users.

*Ernst & Young Han Young* 

February 18, 2011

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2010 and the review of internal control over financial reporting pursuant to Article 2-3 of the Act on External Audit of Stock Companies of the Republic of Korea.

**Report on the operations of the internal control over financial reporting**

The court-appointed managers and internal auditor of Ssangyong Motor Company

I, as the internal control over financial reporting officer ("ICFR Officer") of Ssangyong Motor Company ("the Company"), assessed the effectiveness of the design and operations of the Company's internal control over financial reporting ("ICFR") for the year ended December 31, 2010.

The Company's management, including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements, based on the report on the design and operations of the ICFR, as submitted by the ICFR Officer. I followed the Best Practice Guideline for ICFR to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment of ICFR as of December 31, 2010, no material weakness, in any material respects, has been identified from the standpoint of the Best Practice Guideline for ICFR.

February 7, 2011

Choi Sang-Jin



Internal Control over Financial Reporting Officer