

SSANGYONG MOTOR COMPANY

**SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SSANGYONG MOTOR COMPANY

Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2017.

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Ssangyong Motor Company (the "Company"), which comprise the separate statements of financial position as of December 31, 2016 and 2015, respectively, and the related separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the years ended December 31, 2016 and 2015, respectively, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS"), and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, respectively, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, respectively, in accordance with K-IFRS.

Deloitte.

Others

Our audits also comprehended the translation of Korean won amounts into Indian rupee amounts, and in our opinion, such translation has been made in conformity with the basis in Note 2. Such Indian rupee amounts are presented solely for the convenience of readers.

Deloitte Anjin LLC

March 16, 2017

Notice to Readers

This report is effective as of March 16, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying separate financial statements and may result in modifications to the auditors' report.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015

	Korean won		Indian rupee	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(In thousands)		(In thousands)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 34)	₩ 234,657,416	₩ 192,773,290	Rs. 13,211,213	Rs. 10,853,136
Trade and other receivables, net (Notes 7, 33 and 34)	236,732,144	161,044,205	13,328,020	9,066,789
Derivative assets (Notes 26 and 34)	756,035	1,707,695	42,565	96,143
Inventories, net (Notes 8 and 25)	200,132,723	243,631,536	11,267,472	13,716,455
Other current assets (Note 10)	7,294,543	6,537,137	410,682	368,041
Total current assets	<u>679,572,861</u>	<u>605,693,863</u>	<u>38,259,952</u>	<u>34,100,564</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 34)	6,000	6,000	338	338
Non-current AFS financial assets (Notes 6 and 34)	560,000	560,000	31,528	31,528
Non-current other receivables, net (Notes 7 and 34)	41,036,985	50,222,268	2,310,382	2,827,514
Property, plant and equipment, net (Note 11 and 13)	1,198,961,457	1,187,781,726	67,501,530	66,872,111
Intangible assets (Note 12)	234,344,498	186,944,585	13,193,595	10,524,980
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	328,176	328,176
Investments in joint ventures (Note 9 and 33)	10,200,000	10,200,000	574,260	574,260
Other non-current assets (Note 10)	273,318	352,984	15,387	19,873
Total non-current assets	<u>1,491,211,314</u>	<u>1,441,896,619</u>	<u>83,955,196</u>	<u>81,178,780</u>
TOTAL ASSETS	<u>₩2,170,784,175</u>	<u>₩2,047,590,482</u>	<u>Rs. 122,215,148</u>	<u>Rs. 115,279,344</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Notes 33 and 34)	₩ 669,397,406	₩ 637,482,214	Rs. 37,687,074	Rs. 35,890,249
Short-term borrowings (Notes 13, 18 and 34)	181,967,721	153,224,546	10,244,783	8,626,542
Derivatives liabilities (Notes 26 and 34)	5,798,806	24,074	326,473	1,355
Provision for product warranties (Note 15)	53,153,294	56,861,222	2,992,530	3,201,287
Long-term employee benefits obligation	1,330,939	1,960,778	74,932	110,392
Other current liabilities (Note 16)	33,296,425	28,855,529	1,874,589	1,624,566
Total current liabilities	<u>944,944,591</u>	<u>878,408,363</u>	<u>53,200,381</u>	<u>49,454,391</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2016 AND 2015

	Korean won		Indian rupee	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Long-term borrowing (Note 13)	₩ 12,500,000	₩ 37,500,000	Rs. 703,750	Rs. 2,111,250
Other non-current payables (Note 34)	5,507,071	12,612,614	310,048	710,090
Retirement benefit obligation (Note 17)	279,609,200	292,005,725	15,741,998	16,439,922
Other long-term employee benefits obligation	15,357,663	14,321,821	864,636	806,319
Provision for long-term product warranties (Note 15)	<u>92,695,690</u>	<u>86,932,757</u>	<u>5,218,767</u>	<u>4,894,314</u>
Total non-current liabilities	<u>405,669,624</u>	<u>443,372,917</u>	<u>22,839,199</u>	<u>24,961,895</u>
TOTAL LIABILITIES	<u>1,350,614,215</u>	<u>1,321,781,280</u>	<u>76,039,580</u>	<u>74,416,286</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 19)	686,100,480	686,100,480	38,627,457	38,627,457
Other capital surplus (Note 20)	131,678,359	131,678,359	7,413,492	7,413,492
Other capital adjustments (Notes 21 and 26)	(2,574,700)	227,340	(144,956)	12,799
Retained earnings (accumulated deficit) (Note 22)	<u>4,965,821</u>	<u>(92,196,977)</u>	<u>279,575</u>	<u>(5,190,690)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>820,169,960</u>	<u>725,809,202</u>	<u>46,175,568</u>	<u>40,863,058</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩2,170,784,175</u>	<u>₩2,047,590,482</u>	<u>Rs. 122,215,148</u>	<u>Rs. 115,279,344</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>Year ended December 31, 2016 (In thousands)</u>	<u>Year ended December 31, 2015 (In thousands)</u>	<u>Year ended December 31, 2016 (In thousands)</u>	<u>Year ended December 31, 2015 (In thousands)</u>
SALES (Notes 32 and 33)	₩ 3,626,340,467	₩ 3,385,555,598	Rs. 204,162,968	Rs. 190,606,780
COST OF SALES (Notes 25 and 33)	<u>3,035,871,861</u>	<u>2,868,337,736</u>	<u>170,919,586</u>	<u>161,487,415</u>
GROSS PROFIT	590,468,606	517,217,862	33,243,382	29,119,365
SELLING AND ADMINISTRATIVE EXPENSES (Notes 25 and 27)	<u>559,953,923</u>	<u>550,410,785</u>	<u>31,525,406</u>	<u>30,988,127</u>
OPERATING INCOME (LOSS)	30,514,683	(33,192,923)	1,717,976	(1,868,762)
NON-OPERATING INCOME (Note 28)	57,806,493	31,829,988	3,254,506	1,792,028
NON-OPERATING EXPENSES (Note 28)	38,569,094	29,824,657	2,171,440	1,679,128
FINANCIAL INCOME (Note 29)	28,244,307	17,730,732	1,590,154	998,240
FINANCIAL COST (Note 29)	<u>21,226,581</u>	<u>45,202,320</u>	<u>1,195,057</u>	<u>2,544,890</u>
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	56,769,808	(58,659,180)	3,196,139	(3,302,512)
INCOME TAX EXPENSE (Note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	56,769,808	(58,659,180)	3,196,139	(3,302,512)
OTHER COMPREHENSIVE INCOME (LOSS)	<u>37,590,950</u>	<u>(923,093)</u>	<u>2,116,371</u>	<u>(51,970)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>₩ 94,360,758</u>	<u>₩ (59,582,273)</u>	<u>Rs. 5,312,510</u>	<u>Rs. (3,354,482)</u>
INCOME (LOSS) PER SHARE (Note 30): Basic and diluted income (loss) per share	<u>₩ 414</u>	<u>₩ (428)</u>	<u>Rs. 23</u>	<u>Rs. (24)</u>

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won in thousands									
	Other capital surplus					Retained earnings (accumulated deficit)				
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Gain on disposal of treasury stocks	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ (1,189,820)	₩ -	₩ -	₩ (14,167,300)	₩ (18,220,064)	₩ 783,096,518
Net loss	-	-	-	-	-	-	-	-	(58,659,180)	(58,659,180)
Actuarial loss	-	-	-	-	-	-	-	-	(15,317,733)	(15,317,733)
Disposal in treasury stock	-	-	-	-	1,189,820	1,105,137	-	-	-	2,294,957
Gain on valuation of derivatives	-	-	-	-	-	-	14,394,640	-	-	14,394,640
Balance at December 31, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ 1,105,137	₩ -	₩ 227,340	₩ (92,196,977)	₩ 725,809,202
Balance at January 1, 2016	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ 1,105,137	₩ -	₩ 227,340	₩ (92,196,977)	₩ 725,809,202
Net income	-	-	-	-	-	-	-	-	56,769,808	56,769,808
Actuarial income	-	-	-	-	-	-	-	-	40,392,990	40,392,990
Loss on valuation of derivatives	-	-	-	-	-	-	-	(2,802,040)	-	(2,802,040)
Balance at December 31, 2016	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ 1,105,137	₩ -	₩ (2,574,700)	₩ 4,965,821	₩ 820,169,960

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Indian rupee in thousands										
	Other capital surplus			Gain on disposal of treasury stocks			Other capital surplus		Other capital adjustments		Retained earnings (accumulated deficit)
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Treasury stock	Gain on disposal of treasury stocks	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2015	Rs. 38,627,457	Rs. 644,788	Rs. 6,654,041	Rs. 52,444	Rs. (66,987)	Rs. -	Rs. -	Rs. -	Rs. (797,619)	Rs. (1,025,790)	Rs. 44,088,334
Net loss	-	-	-	-	-	-	-	-	-	(3,302,512)	(3,302,512)
Actuarial loss	-	-	-	-	-	-	-	-	-	(862,388)	(862,388)
Disposal in treasury stock	-	-	-	-	66,987	62,219	-	-	-	-	129,206
Gain on valuation of derivatives	-	-	-	-	-	-	-	810,418	-	-	810,418
Balance at December 31, 2015	Rs. 38,627,457	Rs. 644,788	Rs. 6,654,041	Rs. 52,444	Rs. -	Rs. -	Rs. 62,219	Rs. -	Rs. 12,799	Rs. (5,190,690)	Rs. 40,863,058
Balance at January 1, 2016	Rs. 38,627,457	Rs. 644,788	Rs. 6,654,041	Rs. 52,444	Rs. -	Rs. -	Rs. 62,219	Rs. -	Rs. 12,799	Rs. (5,190,690)	Rs. 40,863,058
Net income	-	-	-	-	-	-	-	-	-	3,196,139	3,196,139
Actuarial income	-	-	-	-	-	-	-	-	-	2,274,126	2,274,126
Loss on valuation of derivatives	-	-	-	-	-	-	-	-	(157,755)	-	(157,755)
Balance at December 31, 2016	Rs. 38,627,457	Rs. 644,788	Rs. 6,654,041	Rs. 52,444	Rs. -	Rs. -	Rs. 62,219	Rs. -	Rs. (144,956)	Rs. 279,575	Rs. 46,175,568

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won		Indian rupee	
	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ 56,769,808	₩ (58,659,180)	Rs. 3,196,139	Rs. (3,302,512)
Adjustment (Note 31)	225,017,704	216,863,010	12,668,497	12,209,387
Changes in net working capital (Note 31)	(35,185,714)	45,827,442	(1,980,956)	2,580,085
	246,601,798	204,031,272	13,883,680	11,486,960
Interests received	2,640,050	3,151,629	148,635	177,437
Interests paid	(3,636,291)	(3,520,527)	(204,723)	(198,206)
Dividend income received	11,000	480,229	619	27,037
Net cash provided by operating activities	245,616,557	204,142,603	13,828,211	11,493,228
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	2,999,564	7,836,121	168,876	441,174
Disposal of property, plant and equipment	2,010,394	718,827	113,185	40,470
Decrease in other assets	279	113,159	16	6,371
	5,010,237	8,668,107	282,077	488,015
Cash outflows for investing activities:				
Increase in other receivables	5,430,000	8,493,404	305,707	478,179
Acquisition of property, plant and equipment	127,492,681	151,090,305	7,177,838	8,506,384
Acquisition of intangible assets	82,779,869	66,873,343	4,660,507	3,764,969
Investments in associates and joint ventures	-	10,200,000	-	574,260
	215,702,550	236,657,052	12,144,052	13,323,792
Net cash used in investing activities	(210,692,313)	(227,988,945)	(11,861,975)	(12,835,777)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	24,030,389	70,163,042	1,352,911	3,950,179
Increase in government grants	429,493	70,401	24,180	3,964
Sales of treasury stock	-	2,294,957	-	129,206
	24,459,882	72,528,400	1,377,091	4,083,349

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won		Indian rupee	
	Year ended December 31, 2016 (In thousands)	Year ended December 31, 2015 (In thousands)	Year ended December 31, 2016 (In thousands)	Year ended December 31, 2015 (In thousands)
Cash outflows for financing activities:				
Redemption of borrowings	₩ 1,750,000	₩ 5,000,000	Rs. 985,250	Rs. 281,500
	17,500,000	5,000,000	985,250	281,500
Net cash provided by (used in) financing activities	6,959,882	67,528,400	391,841	3,801,849
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 41,884,126	 43,682,058	 2,358,077	 2,459,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	192,773,290	149,091,232	10,853,136	8,393,836
CASH AND CASH EQUIVALENTS, END OF YEAR	₩ 234,657,416	₩ 192,773,290	Rs. 13,211,213	Rs. 10,853,136

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. GENERAL:

(1) Company overview and recent changes in business environment

Ssangyong Motor Company (the "Company") was incorporated on December 6, 1962, in the Republic of Korea and listed its stocks on the Korea Stock Exchange in May 1975. The Company's headquarters is located at Dongsak-ro, Pyungtaek, and its factories are located in Pyungtaek, Kyeonggi-do, and Changwon, Kyeongsangnam-do, Republic of Korea. The Company manufactures and distributes motor vehicles and parts.

(2) Major shareholders

The Company's shareholders as of December 31, 2016, are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	99,964,502	72.85
Others	37,255,594	27.15
	<u>137,220,096</u>	<u>100</u>

2. SIGNIFICANT ACCOUNTING POLICIES:

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

The Indian rupee amounts presented in these separate financial statements were computed by translating the Korean won into Indian rupees based on the Bank of Korea basic rate (₩1 to Rs. 0.05630 at December 31, 2016), solely for the convenience of the reader. These convenience translations into Indian rupees should not be construed as representations that the Korean won amounts have been, could have been or could in the future be converted at this or any other rate of exchange.

The separate financial statements as of and for the year ended December 31, 2016, to be submitted at the ordinary shareholders' meeting were authorized for issuance at the board of directors' meeting on February 15, 2017.

(1) Basis of preparation

The Company has prepared its separate financial statements in accordance with the K-IFRS.

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

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

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

1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year:

In the current year, the Company has applied a number of amendments to K-IFRSs and new interpretations issued that are mandatorily effective accounting periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1110 – Consolidated Financial Statements, K-IFRS 1112 Disclosure of interests in other entities and K-IFRS 1028 Investment in associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Amendments to K-IFRS 1111 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 Business Combinations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations.

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Amendments to K-IFRS 1016 – Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment.

Amendments to K-IFRS 1038 – Intangible Assets

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets; the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to K-IFRS 1027 – Separate Financial Statements

The following amendments discuss accounting for investment in subsidiaries, related parties and joint ventures at cost basis, as well as allowing application of K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, methods and application of equity method accounting under K-IFRS 1028, *Investment in Associates and Joint Ventures*.

Annual Improvements to K-IFRS 2012-2014 Cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments to the annual improvements include K-IFRS 1107 Financial Instruments: Disclosures, K-IFRS 1019 Employee Benefits and K-IFRS 1034 Interim Financial Reporting.

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

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

Amendments to K-IFRS 1109 – Financial Instruments

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

The general impact of the new standard on the separate financial statement is as follows:

A. Classification and measurement of financial assets

When the Company adopts new standard of K-IFRS 1109, the Company classifies financial assets as seen in the table below based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). If the host contract is determined in a hybrid contract, an entity may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract.

<u>Business model</u>	<u>Contractual cash flow characteristic</u>	
	<u>Solely payments of principal and interest</u>	<u>Otherwise</u>
Objective is to hold financial assets in order to collect contractual cash flows	Measured at amortized cost (*1)	FVTPL (*2)
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	FVOCI (*1)	
Objective is to sell financial assets and others	FVTPL	

(*1) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).

(*2) An entity may designate as FVOCI for investments in equity instruments that are not held for trading (irrevocable).

B. Classification and measurement of financial liabilities.

For financial liabilities designated as at FVTPL using the fair value option, K-IFRS 1109 requires the effects of changes in fair value attributable to an entity’s credit risk to be recognized in other comprehensive income. The amounts presented in other comprehensive income are not subsequently transferred to profit or loss, unless this treatment of the credit risk component creates or enlarges a measurement mismatch.

C. Impairment: Financial assets and contract assets

Under K-IFRS 1039, the impairment is recognized only when there is an objective evidence of impairment based on incurred loss model, but under K-IFRS 1109, impairment is recognized based on expected credit loss model for debt instrument, lease receivables, contract assets, loan contracts and financial guarantee contracts that are measured at amortized cost or FVOCI.

In K-IFRS 1109, financial assets are classified into three stages depending on the extent of increase in the credit risk on financial instruments since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit losses or the lifetime expected credit losses, and therefore, credit losses will be recognized earlier than under the incurred loss model of K-IFRS 1039.

	<u>Case</u>	<u>The loss allowance</u>
Stage 1	Non-significant increase in credit risk since initial recognition	12-month expected credit losses: The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

Under K-IFRS 1109, an entity shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

D. Hedge Accounting

The new standard, K-IFRS 1109, retains the mechanics of hedge accounting in K-IFRS 1039. Under the new model, it is possible for an entity to reflect its risk management activities on the financial statements by focusing on principle-based hedge effectiveness assessment instead of simply complying with a rule-based approach under the K-IFRS 1039. The new model introduced greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and overhauling the quantitative hedge effectiveness (80%–125%) test.

In accordance with the transition requirements, entities with initial application may continue to retain the existing requirements under K-IFRS 1039 as their accounting policy.

Amendments to K-IFRS 1115 – Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018- Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115-Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers and K-IFRS 2031-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

The Company is planning to prepare adoption for K-IFRS 1115 in a specific period of 2017 and set up corresponding internal management process, as well as accounting system in parallel. The Company is planning to evaluate the potential impact of K-IFRS 1115 on the separate financial statements and disclose the financial impact of the adoption of the standard on the separate financial statements as of and for the year ended on December 31, 2017.

Amendments to K-IFRS 1102 – Share-based Payment

The amendments to K-IFRS 1102 provide requirements on the accounting for the following:

1. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, in which accounting for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments;
2. share-based payment transactions with a net settlement feature for withholding tax obligations, where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to

- withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, which is then transferred, normally in cash, to the tax authorities on the employee's behalf; and
3. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity settled, where if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1007 – Statement of Cash Flows

The amendments to K-IFRS 1007 contain the requirement that changes in liabilities arising from financing activities to be disclosed (to the extent necessary). The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1012 – Income taxes

The amendments to K-IFRS 1012 clarify the following:

- The carrying value of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after January 1, 2017.

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

(2) Accounting for investments in subsidiaries and joint ventures

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

(3) Revenue recognition

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

1) *Sale of goods*

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) *Rendering of services*

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. Depending on the nature of the transaction, the Company determines the stage of completion by reference to surveys of work performed, services performed to date as a percentage of total services to be performed or the proportion that costs incurred to date bear to the estimated total costs of the transaction, as applicable.

3) *Dividend and interest income*

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

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

(4) Foreign currencies

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

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

(5) Financial Instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

1) Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

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

3) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

4) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

They are subsequently measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income (as investments revaluation reserve). When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity investments are measured at cost, less any identified impairment losses at the end of each reporting period.

5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as 'loans and receivables.' Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

6) Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment include:

- significant financial difficulty of the issuer or counterparty,
- default or delinquency in interest or principal payments,
- it becoming probable that the borrower will enter bankruptcy or financial reorganization or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of financial assets other than in its entirety (e.g., when the Company retains an option to repurchase part of a transferred asset or it retains a residual interest and such an retained interest indicates that the transferor has neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair value of those parts.

(6) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

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

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

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

5) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability, and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees and points paid or received (that form an integral part of the effective interest rate) and transaction costs and other premiums or discounts through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(7) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

1) Cash flow hedges

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

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

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

(8) Inventories

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

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(9) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Useful lives (Years)</u>
Buildings	24–50
Structures	13–30
Machinery and equipment	10
Vehicles	6–10
Others	6–10

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(10) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(11) Impairment of property, plant and equipment

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

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

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

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

(12) Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the separate statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the separate statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows: If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

(13) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(14) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the separate statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see Note 2. (12)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising from operating leases are recognized as an expense in the period in which they are incurred.

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

(15) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the separate statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(17) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred taxes for the year

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

(18) Fair value

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

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

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

(19) Segment information

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

(20) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Company classifies the emission rights as intangible assets. Emission right allowances the government allocated free of charge are measured at ₩0, and emission right allowances purchased are measured at cost that the Company paid to purchase the allowances. If emission rights that the government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at ₩0. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the application of the Company accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Provision for product warranties

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

(2) Retirement benefit obligation

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

4. CASH AND CASH EQUIVALENTS:

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

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	Financial institution	December 31, 2016	December 31, 2015	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 177,208	₩ 567,340	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank	746,591	957,689	
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 929,799</u>	<u>₩ 1,531,029</u>	

(Unit: Indian rupee in thousands)

	Financial institution	December 31, 2016	December 31, 2015	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 9,977	Rs. 31,941	Government subsidies and others Unconfirmed reorganization debt pledged as collateral
	Woori Bank	42,033	53,918	
Long-term financial instruments	Shinhan Bank and others	338	338	Overdraft deposit
		<u>Rs. 52,348</u>	<u>Rs. 86,197</u>	

6. AFS FINANCIAL ASSETS:

The Company's long-term, AFS financial assets as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Ownership (%)	December 31, 2016		December 31, 2015	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 685,246	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	603,782	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,289,028</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian rupee in thousands)

Classification	Ownership (%)	December 31, 2016		December 31, 2015	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 28,150	Rs. 38,579	Rs. 28,150	Rs. 28,150
Korea Management Consultants Association (*)	1.50	3,378	33,993	3,378	3,378
		<u>Rs. 31,528</u>	<u>Rs. 72,572</u>	<u>Rs. 31,528</u>	<u>Rs. 31,528</u>

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

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within one year from December 31, 2016, and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

(1) Details of current portion of trade and other receivables as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Financial assets	December 31, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 218,738,512	₩ 7,660,486	₩ 10,473,406	₩ 41,113,663
Less: Allowance for doubtful accounts	(93,208)	(1,732)	(45,320)	(76,678)
	<u>₩ 218,645,304</u>	<u>₩ 7,658,754</u>	<u>₩ 10,428,086</u>	<u>₩ 41,036,985</u>

Financial assets	December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 151,800,114	₩ 6,718,300	₩ 2,581,171	₩ 50,381,524
Less: Allowance for doubtful accounts	(44,462)	(2,252)	(8,666)	(159,256)
	<u>₩ 151,755,652</u>	<u>₩ 6,716,048</u>	<u>₩ 2,572,505</u>	<u>₩ 50,222,268</u>

(Unit: Indian rupee in thousands)

Financial assets	December 31, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 12,314,978	Rs. 431,285	Rs. 589,654	Rs. 2,314,699
Less: Allowance for doubtful accounts	(5,248)	(98)	(2,551)	(4,317)
	<u>Rs. 12,309,730</u>	<u>Rs. 431,187</u>	<u>Rs. 587,103</u>	<u>Rs. 2,310,382</u>

Financial assets	December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 8,546,346	Rs. 378,240	Rs. 145,320	Rs. 2,836,480
Less: Allowance for doubtful accounts	(2,503)	(127)	(487)	(8,966)
	<u>Rs. 8,543,843</u>	<u>Rs. 378,113</u>	<u>Rs. 144,833</u>	<u>Rs. 2,827,514</u>

(2) Credit risk and allowance for doubtful accounts

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

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

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

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

- 1) Aging analysis of the trade and non-trade receivables that are overdue, but not impaired as of December 31, 2016 and 2015, is as follows:

(Unit: Korean won in thousands)

December 31, 2016				
Classification	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₩ 1,417,422	₩ 4,925,009	₩ 1,483,229	₩ 7,825,660
Non-trade receivables	602,763	15,602	4,635,956	5,254,321
Other long-term receivables	3,741,144	-	103,250	3,844,394
	<u>₩ 5,761,329</u>	<u>₩ 4,940,611</u>	<u>₩ 6,222,435</u>	<u>₩ 16,924,375</u>

December 31, 2015				
Classification	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	₩ 502,783	₩ 316,971	₩ 467,374	₩ 1,287,128
Non-trade receivables	285,124	470,299	4,125,784	4,881,207
Other long-term receivables	2,894,991	4,843,854	103,250	7,842,095
	<u>₩ 3,682,898</u>	<u>₩ 5,631,124</u>	<u>₩ 4,696,408</u>	<u>₩ 14,010,430</u>

(Unit: Indian rupee in thousands)

December 31, 2016				
Classification	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 79,801	Rs. 277,278	Rs. 83,506	Rs. 440,585
Non-trade receivables	33,936	878	261,004	295,818
Other long-term receivables	210,626	-	5,813	216,439
	<u>Rs. 324,363</u>	<u>Rs. 278,156</u>	<u>Rs. 350,323</u>	<u>Rs. 952,842</u>

December 31, 2015				
Classification	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 28,307	Rs. 17,845	Rs. 26,313	Rs. 72,465
Non-trade receivables	16,052	26,478	232,282	274,812
Other long-term receivables	162,988	272,709	5,813	441,510
	<u>Rs. 207,347</u>	<u>Rs. 317,032</u>	<u>Rs. 264,408</u>	<u>Rs. 788,787</u>

- 2) Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue, but impaired as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

December 31, 2016				
Classification	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₩ -	₩ -	₩ 44,607	₩ 44,607

December 31, 2015				
Classification	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	₩ -	₩ -	₩ 47,349	₩ 47,349

(Unit: Indian rupee in thousands)

December 31, 2016				
Classification	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	Rs. -	Rs. -	Rs. 2,511	Rs. 2,511

December 31, 2015				
Classification	3-6 months	6-12 months	More than 1 year	Total
Other long-term receivables	Rs. -	Rs. -	Rs. 2,666	Rs. 2,666

3) Changes in allowance for trade and other receivables as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Years ended December 31, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 44,462	₩ 2,252	₩ 8,666	₩ 159,256
Bad debt expense	48,746	(520)	36,654	(82,578)
	₩ 93,208	₩ 1,732	₩ 45,320	₩ 76,678
Classification	Years ended December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 87,169	₩ 393,336	₩ 11,054	₩ 149,638
Bad debt expense	(42,707)	(30,821)	(2,388)	9,618
Write-offs	-	(360,263)	-	-
Ending balance	₩ 44,462	₩ 2,252	₩ 8,666	₩ 159,256

(Unit: Indian rupee in thousands)

Classification	December 31, 2016			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 2,503	Rs. 127	Rs. 487	Rs. 8,966
Bad debt expense	2,745	(29)	2,064	(4,649)
Ending balance	Rs. 5,248	Rs. 98	Rs. 2,551	Rs. 4,317
Classification	December 31, 2015			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 4,908	Rs. 22,145	Rs. 622	Rs. 8,425
Bad debt expense	(2,405)	(1,261)	(135)	541
Write-offs	-	(20,757)	-	-
Ending balance	Rs. 2,503	Rs. 127	Rs. 487	Rs. 8,966

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

8. INVENTORIES:

Details of inventories as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	December 31, 2016	December 31, 2015
Merchandises	₩ 36,986,821	₩ 38,356,970
Finished goods	46,638,240	56,174,620
Work in process	28,203,922	29,360,159
Raw materials	32,040,766	45,354,455
Submaterials	433,593	454,283
Supplies	3,545,334	3,740,522
Goods in transit	52,284,047	70,190,527
Total	₩ 200,132,723	₩ 243,631,536

(Unit: Indian rupee in thousands)

	December 31, 2016		December 31, 2015	
Merchandises	Rs.	2,082,358	Rs.	2,159,497
Finished goods		2,625,733		3,162,631
Work in process		1,587,881		1,652,977
Raw materials		1,803,895		2,553,456
Submaterials		24,411		25,576
Supplies		199,602		210,591
Goods in transit		<u>2,943,592</u>		<u>3,951,727</u>
Total	Rs.	<u>11,267,472</u>	Rs.	<u>13,716,455</u>

The Company uses the “lower of cost or market method” for the statements of financial position in case inventories’ market value decreases under the acquisition cost. On the other hand, loss on valuation of inventories, which was added to “cost of sales” during the current period due to the application of “lower of cost or market method,” amounted to ₩5,967,918 thousand (Rs. 335,994 thousand).

9. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE:

(1) Details of investment in subsidiaries and joint venture as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Classification	Company	Location	Ownership %	Closing month	December 31, 2016		December 31, 2015
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	₩ 5,338,097	₩ 5,829,056	₩ 5,829,056
	Ssangyong European Parts Center B.V.	Netherlands	100	December	835,695	-	-
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51	December	<u>10,200,000</u>	<u>10,200,000</u>	<u>10,200,000</u>
					₩ <u>16,373,792</u>	₩ <u>16,029,056</u>	₩ <u>16,029,056</u>

(Unit: Indian rupee in thousands)

Classification	Company	Location	Ownership %	Closing month	December 31, 2016		December 31, 2015
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	Rs. 300,535	Rs. 328,176	Rs. 328,176
	Ssangyong European Parts Center B.V.	Netherlands	100	December	47,050	-	-
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51	December	<u>574,260</u>	<u>574,260</u>	<u>574,260</u>
					Rs. <u>921,845</u>	Rs. <u>902,436</u>	Rs. <u>902,436</u>

(*) SY Auto Capital Co., Ltd. was incorporated in 2015, and is a joint arrangement whereby the Company and KB Capital Co., Ltd. have joint control, which is the contractually agreed sharing of control of an arrangement.

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries and joint venture as of and for the year ended December 31, 2016, is as follows:

(Unit: Korean won in thousands)

Classification	Company	Assets	Liabilities	Sales	Net income (loss)
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	₩ 3,012,220	₩ 661,474	₩ 144,453	₩ (832,206)
	Ssangyong European Parts Center B.V.	11,489,757	15,008,769	16,806,961	141,588
Joint venture	SY Auto Capital Co., Ltd.	65,291,551	38,980,618	897,492	6,961,565

(Unit: Indian rupee in thousands)

<u>Classification</u>	<u>Company</u>	<u>Assets</u>		<u>Liabilities</u>		<u>Sales</u>		<u>Net income</u> <u>(loss)</u>
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	Rs.	169,588	Rs.	37,241	Rs.	8,133	Rs. (46,853)
	Ssangyong European Parts Center B.V.		646,873		844,994		946,232	7,971
Joint venture	SY Auto Capital Co., Ltd.		3,675,914		2,194,609		50,529	391,936

10. OTHER ASSETS:

Carrying amounts of other assets as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

<u>Account</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
Other current assets				
Advance payments	₩	1,789,332	₩	1,077,125
Less: Allowance for doubtful accounts		(4,488)		(663)
Prepaid expenses		5,167,105		5,043,884
Income tax refundable		342,594		416,791
		<u>7,294,543</u>		<u>6,537,137</u>
Other non-current assets				
Other non-current assets		273,318		352,984
	₩	<u>273,318</u>	₩	<u>352,984</u>

(Unit: Indian rupee in thousands)

<u>Account</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
Other current assets				
Advance payments	Rs.	100,739	Rs.	60,642
Less: Allowance for doubtful accounts		(253)		(37)
Prepaid expenses		290,908		283,971
Other current assets		19,288		23,465
		<u>410,682</u>		<u>368,041</u>
Other non-current assets				
Other non-current assets		15,387		19,873
	Rs.	<u>15,387</u>	Rs.	<u>19,873</u>

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	<u>December 31, 2016</u>				
	<u>Acquisition cost</u>	<u>Government subsidies</u>	<u>Depreciation</u>	<u>Loss on valuation</u>	<u>Carrying amount</u>
Land	₩ 475,072,283	₩ -	₩ -	₩ -	₩ 475,072,283
Buildings	538,730,945	1,906,386	206,865,385	148,366,787	181,592,387
Structures	108,248,754	115,454	62,439,683	28,913,882	16,779,735
Machinery	1,281,190,863	333,844	1,011,171,267	96,363,713	173,322,039
Vehicles	7,820,106	8,944	6,125,570	680,672	1,004,920
Tools and molds	1,070,562,591	13,254	683,055,335	159,733,640	227,760,362
Equipment	68,375,740	18,479	45,517,322	3,605,442	19,234,497
Construction in progress	103,179,053	-	-	-	103,179,053
Machinery in transit	1,016,181	-	-	-	1,016,181
	<u>₩3,654,196,516</u>	<u>₩ 2,396,361</u>	<u>₩2,015,174,562</u>	<u>₩ 437,664,136</u>	<u>₩1,198,961,457</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	W 475,531,313	W -	W -	W -	W 475,531,313
Buildings	536,914,323	1,603,429	196,449,216	148,366,786	190,494,892
Structures	106,552,738	135,809	60,736,919	28,913,882	16,766,128
Machinery	1,312,354,742	453,057	1,027,789,268	98,337,509	185,774,908
Vehicles	8,732,094	-	6,455,442	896,350	1,380,302
Tools and molds	1,028,887,149	6,657	615,699,092	160,933,311	252,248,089
Equipment	67,272,687	6,874	40,414,354	4,056,990	22,794,469
Construction in progress	40,866,774	-	-	-	40,866,774
Machinery in transit	1,924,851	-	-	-	1,924,851
	<u>W3,579,036,671</u>	<u>W 2,205,826</u>	<u>W1,947,544,291</u>	<u>W 441,504,828</u>	<u>W1,187,781,726</u>

(Unit: Indian rupee in thousands)

December 31, 2016					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 26,746,570	Rs. -	Rs. -	Rs. -	Rs. 26,746,570
Buildings	30,330,552	107,330	11,646,521	8,353,050	10,223,651
Structures	6,094,405	6,500	3,515,354	1,627,852	944,699
Machinery	72,131,046	18,795	56,928,942	5,425,277	9,758,032
Vehicles	440,272	504	344,871	38,322	56,575
Tools and molds	60,272,674	746	38,456,016	8,993,004	12,822,908
Equipment	3,849,554	1,040	2,562,625	202,986	1,082,903
Construction in progress	5,808,981	-	-	-	5,808,981
Machinery in transit	57,211	-	-	-	57,211
	<u>Rs. 205,731,265</u>	<u>Rs. 134,915</u>	<u>Rs. 113,454,329</u>	<u>Rs. 24,640,491</u>	<u>Rs. 67,501,530</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 26,772,413	Rs. -	Rs. -	Rs. -	Rs. 26,772,413
Buildings	30,228,276	90,273	11,060,090	8,353,050	10,724,863
Structures	5,998,919	7,646	3,419,488	1,627,852	943,933
Machinery	73,885,572	25,507	57,864,536	5,536,402	10,459,127
Vehicles	491,617	-	363,441	50,465	77,711
Tools and molds	57,926,346	375	34,663,859	9,060,545	14,201,567
Equipment	3,787,452	387	2,275,327	228,409	1,283,329
Construction in progress	2,300,799	-	-	-	2,300,799
Machinery in transit	108,369	-	-	-	108,369
	<u>Rs. 201,499,763</u>	<u>Rs. 124,188</u>	<u>Rs. 109,646,741</u>	<u>Rs. 24,856,723</u>	<u>Rs. 66,872,111</u>

(2) Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Year ended December 31, 2016						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	W 475,531,313	W 9,502	W 468,532	W -	W -	W 475,072,283
Buildings	190,494,892	233,348	151,728	1,505,947	10,490,072	181,592,387
Structures	16,766,128	1,567,112	47,999	230,036	1,735,542	16,779,735
Machinery	185,774,908	58,198	26,658	16,672,969	29,157,378	173,322,039
Vehicles	1,380,302	64,752	32,145	112,051	520,040	1,004,920
Tools and molds	252,248,089	4,169,299	19,915	41,292,933	69,930,044	227,760,362
Equipment	22,794,469	2,711,179	23,460	692,881	6,940,572	19,234,497

Year ended December 31, 2016						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Construction in progress	₹ 40,866,774	₹ 118,971,315	₹ 120,000	₹ (56,539,036)	₹ -	₹ 103,179,053
Machinery in transit	1,924,851	2,239,081	-	(3,147,751)	-	1,016,181
	<u>₹ 1,187,781,726</u>	<u>₹ 13,0023,786</u>	<u>₹ 890,437</u>	<u>₹ 820,030</u>	<u>₹ 118,773,648</u>	<u>₹ 1,198,961,457</u>

Year ended December 31, 2015						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹ 475,531,313	₹ -	₹ -	₹ -	₹ -	₹ 475,531,313
Buildings	194,648,005	389,551	1,242	5,698,947	10,240,369	190,494,892
Structures	16,955,549	401,124	4,441	1,115,663	1,701,767	16,766,128
Machinery	148,061,878	2,388,507	26,128	64,241,637	28,890,986	185,774,908
Vehicles	1,587,353	279,503	30,812	97,040	552,782	1,380,302
Tools and molds	178,424,106	23,730,518	20,107	120,072,555	69,958,983	252,248,089
Equipment	24,525,850	4,639,573	112,757	357,732	6,615,929	22,794,469
Construction in progress	131,569,206	97,653,494	-	(188,355,926)	-	40,866,774
Machinery in transit	2,355,375	2,181,592	-	(2,612,116)	-	1,924,851
	<u>₹ 1,173,658,635</u>	<u>₹ 131,663,862</u>	<u>₹ 195,487</u>	<u>₹ 615,532</u>	<u>₹ 117,960,816</u>	<u>₹ 1,187,781,726</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is ₹1,119,030 thousand (2015: ₹752,552 thousand) for this period.

(**) Depreciation cost of suspended assets amount of ₹12,861 thousand (2015: ₹19,080 thousand) is included in the depreciation cost.

(Unit: Indian rupee in thousands)

Year ended December 31, 2016						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹. 26,772,413	₹. 535	₹. 26,378	₹. -	₹. -	₹. 26,746,570
Buildings	10,724,863	13,137	8,542	84,785	590,592	10,223,651
Structures	943,933	88,228	2,702	12,951	97,711	944,699
Machinery	10,459,127	3,277	1,501	938,689	1,641,560	9,758,032
Vehicles	77,711	3,646	1,810	6,306	29,278	56,575
Tools and molds	14,201,567	234,731	1,121	2,324,792	3,937,061	12,822,908
Equipment	1,283,329	152,639	1,321	39,010	390,754	1,082,903
Construction in progress	2,300,799	6,698,085	6,756	(3,183,147)	-	5,808,981
Machinery in transit	108,369	126,060	-	(177,218)	-	57,211
	<u>₹. 66,872,111</u>	<u>₹. 7,320,338</u>	<u>₹. 50,131</u>	<u>₹. 46,168</u>	<u>₹. 6,686,956</u>	<u>₹. 67,501,530</u>

Year ended December 31, 2015						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation (**)	Ending balance
Land	₹. 26,772,413	₹. -	₹. -	₹. -	₹. -	₹. 26,772,413
Buildings	10,958,683	21,932	70	320,851	576,533	10,724,863
Structures	954,597	22,583	250	62,812	95,809	943,933
Machinery	8,335,884	134,473	1,470	3,616,804	1,626,562	10,459,129
Vehicles	89,368	15,736	1,735	5,463	31,122	77,710
Tools and molds	10,045,277	1,336,028	1,132	6,760,085	3,938,691	14,201,567
Equipment	1,380,805	261,208	6,348	20,140	372,477	1,283,328
Construction in progress	7,407,346	5,497,892	-	(10,604,439)	-	2,300,799
Machinery in transit	132,608	122,823	-	(147,062)	-	108,369
	<u>₹. 66,076,981</u>	<u>₹. 7,412,675</u>	<u>₹. 11,005</u>	<u>₹. 34,654</u>	<u>₹. 6,641,194</u>	<u>₹. 66,872,111</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is ₹. 63,001 thousand (2015: ₹. 42,369 thousand) for this period.

(**) Depreciation cost of suspended assets in the amount of ₹. 724 thousand (2015: ₹. 1,074 thousand) is included in the depreciation cost.

(3) The assets pledged as collateral for the Company's borrowings as of December 31, 2016, are as follows:

(Unit: Korean won in thousands)

Assets pledged as collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 366,132,440	
Buildings	150-3 (factory site) and others	72,985,591	₩267,000,000
Machinery and others	Pyeongtaek plant production facilities	4,003,143	
		₩ 443,121,174	

(Unit: Indian rupee in thousands)

Assets pledged as Collateral	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 20,613,256	
Buildings	150-3 (factory site) and others	4,109,089	Rs. 15,032,100
Machinery and others	Pyeongtaek plant production facilities	225,377	
		Rs. 24,947,722	

(4) Borrowing costs and capitalized interest, which are capital of the fiscal year, are as follows:

(Unit: Korean won in thousands)

Account	December 31, 2016	December 31, 2015
Capitalized interest expenses (*)	₩ 2,810,875	₩ 2,335,308
Capitalization interest rate	3.58%	3.84%

(*) Borrowing costs that have been capitalized during the year in development costs is ₩1,691,845 thousand (2015: ₩1,582,756 thousand).

(Unit: Indian rupee in thousands)

Account	December 31, 2016	December 31, 2015
Capitalized interest expenses (*)	Rs. 158,252	Rs. 131,478
Capitalization interest rate	3.58%	3.84%

(*) Borrowing costs that have been capitalized during the year in development costs is Rs. 95,251 thousand (2015: Rs. 89,109 thousand).

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	December 31, 2016				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 170,793,491	₩ -	₩ 69,280,886	₩ -	₩ 101,512,605
Patents	3,489,061	21,119	1,703,782	54,627	1,709,533
Other intangible assets	154,930,497	37,464	23,194,568	576,105	131,122,360
	₩ 329,213,049	₩ 58,583	₩ 94,179,236	₩ 630,732	₩ 234,344,498
	December 31, 2015				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 148,086,281	₩ -	₩ 38,550,140	₩ -	₩ 109,536,141
Patents	2,816,199	22,335	1,170,064	39,190	1,584,610
Other intangible assets	93,785,206	21,283	17,363,984	576,105	75,823,834
	₩ 244,687,686	₩ 43,618	₩ 57,084,188	₩ 615,295	₩ 186,944,585

(Unit: Indian rupee in thousands)

December 31, 2016					
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated Impairment loss	Book value
Development cost	Rs. 9,615,674	Rs. -	Rs. 3,900,514	Rs. -	Rs. 5,715,160
Patents	196,434	1,189	95,923	3,076	96,246
Other intangible assets	<u>8,722,587</u>	<u>2,109</u>	<u>1,305,854</u>	<u>32,435</u>	<u>7,382,189</u>
	<u>Rs. 18,534,695</u>	<u>Rs. 3,298</u>	<u>Rs. 5,302,291</u>	<u>Rs. 35,511</u>	<u>Rs. 13,193,595</u>

December 31, 2015					
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated Impairment loss	Book value
Development cost	Rs. 8,337,258	Rs. -	Rs. 2,170,373	Rs. -	Rs. 6,166,885
Patents	158,552	1,257	65,875	2,206	89,214
Other intangible assets	<u>5,280,107</u>	<u>1,198</u>	<u>977,592</u>	<u>32,436</u>	<u>4,268,881</u>
	<u>Rs. 13,775,917</u>	<u>Rs. 2,455</u>	<u>Rs. 3,213,840</u>	<u>Rs. 34,642</u>	<u>Rs. 10,524,980</u>

(2) Changes in intangible assets for the years ended December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Year ended December 31, 2016								
	Beginning balance	Acquisition (*)	Transfer	Disposal	Depreciation	Impairment loss	Other (**)	Ending balance
Development cost	₩ 109,536,141	₩ -	₩ 22,707,210	₩ -	₩ 30,730,746	₩ -	₩ -	₩ 101,512,605
Patents	1,584,610	671,369	-	-	531,010	15,436	-	1,709,533
Other intangible assets	<u>75,823,834</u>	<u>82,107,006</u>	<u>(22,687,810)</u>	<u>-</u>	<u>5,812,515</u>	<u>-</u>	<u>1,691,845</u>	<u>131,122,360</u>
	<u>₩ 186,944,585</u>	<u>₩ 82,778,375</u>	<u>₩ 19,400</u>	<u>₩ -</u>	<u>₩ 37,074,271</u>	<u>₩ 15,436</u>	<u>₩ 1,691,845</u>	<u>₩ 234,344,498</u>

Year ended December 31, 2015								
	Beginning balance	Acquisition (*)	Transfer	Disposal	Depreciation	Impairment loss	Other (**)	Ending balance
Development cost	₩ 14,223,033	₩ 1,881,970	₩ 118,722,632	₩ -	₩ 25,298,599	₩ -	₩ 7,105	₩ 109,536,141
Patents	1,063,611	940,187	-	-	411,376	7,812	-	1,584,610
Other intangible assets	<u>135,628,790</u>	<u>64,038,417</u>	<u>(118,722,632)</u>	<u>-</u>	<u>6,769,957</u>	<u>-</u>	<u>1,649,216</u>	<u>75,823,834</u>
	<u>₩ 150,915,434</u>	<u>₩ 66,860,574</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 32,479,932</u>	<u>₩ 7,812</u>	<u>₩ 1,656,321</u>	<u>₩ 186,944,585</u>

(*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩1,493 thousand (2015: ₩12,769 thousand).

(**) Of the current-year development costs, the amount that has flowed into the capital of the cost is ₩1,691,845 thousand (2015: ₩1,582,756 thousand), including difference of change in exchange rate.

(Unit: Indian rupee in thousands)

Year ended December 31, 2016								
	Beginning balance	Acquisition	Transfer	Disposal	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 6,166,885	Rs. -	Rs. 1,278,416	Rs. -	Rs. 1,730,141	Rs. -	Rs. -	Rs. 5,715,160
Patents	89,214	37,799	-	-	29,896	871	-	96,246
Other intangible assets	<u>4,268,881</u>	<u>4,622,624</u>	<u>(1,277,324)</u>	<u>-</u>	<u>327,244</u>	<u>-</u>	<u>95,252</u>	<u>7,382,189</u>
	<u>Rs. 10,524,980</u>	<u>Rs. 4,660,423</u>	<u>Rs. 1,092</u>	<u>Rs. -</u>	<u>Rs. 2,087,281</u>	<u>Rs. 871</u>	<u>Rs. 95,252</u>	<u>Rs. 13,193,595</u>

Year ended December 31, 2015								
	Beginning balance	Acquisition	Transfer	Disposal	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 800,757	Rs. 105,955	Rs. 6,684,084	Rs. -	Rs. 1,424,311	Rs. -	Rs. 400	Rs. 6,166,885
Patents	59,881	52,933	-	-	23,160	440	-	89,214
Other intangible assets	<u>7,635,901</u>	<u>3,605,362</u>	<u>(6,684,084)</u>	<u>-</u>	<u>381,149</u>	<u>-</u>	<u>92,851</u>	<u>4,268,881</u>
	<u>Rs. 8,496,539</u>	<u>Rs. 3,764,250</u>	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 1,828,620</u>	<u>Rs. 440</u>	<u>Rs. 93,251</u>	<u>Rs. 10,524,980</u>

- (*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is Rs. 84 thousand (2015: Rs. 719 thousand).
- (**) Of the current-year development costs, the amount that has flowed into the capital of the cost is Rs. 95,251 thousand (2015: Rs. 89,109 thousand), including difference of change in exchange rate.
- (3) Amortization of intangible assets for the years ended December 31, 2016 and 2015, is as follows:

Account	Korean won in thousands		Indian rupee in thousands	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Cost of goods manufactured	₩ 30,730,746	₩ 25,298,599	Rs. 1,730,141	Rs. 1,424,311
Selling and administrative expenses	6,343,525	7,181,333	357,140	404,309
	<u>₩ 37,074,271</u>	<u>₩ 32,479,932</u>	<u>Rs. 2,087,281</u>	<u>Rs. 1,828,620</u>

- (4) Changes in volume and book value of emission rights for the years ended December 31, 2017, 2016 and 2015, are as follows:

(Unit: tCo2/Korean won in thousands)

	2015		2016		2017		Total	
	Volume	Book value	Volume	Book value	Volume	Book value	Volume	Book value
Beginning balance	129,076	₩ -	127,422	₩ -	124,838	₩ -	381,336	₩ -
Allowance allocated free of charge	12,428	-	-	-	-	-	12,428	-
Ending balance	<u>141,504</u>	<u>₩ -</u>	<u>127,422</u>	<u>₩ -</u>	<u>124,838</u>	<u>₩ -</u>	<u>393,764</u>	<u>₩ -</u>

There are no pledged emission rights for the Company's borrowings as of December 31, 2016.

- (5) Changes in emission liability for the year ended December 31, 2016, is as follows:

(Unit: Korean won in thousands)

Account	Beginning balance	Increase	Decrease	Ending balance
Emission liability	₩ 153,050	₩ 58,226	₩ -	₩ 211,276

(Unit: Indian rupee in thousands)

Account	Beginning balance	Increase	Decrease	Ending balance
Emission liability	Rs. 8,617	Rs. 3,278	Rs. -	Rs. 11,895

Estimated amount of greenhouse gas that is discharged during the year is 149,585 tCo2.

13. **BORROWINGS:**

- (1) The Company's short-term borrowings as of December 31, 2016 and 2015, consist of the following:

(Unit: Korean won in thousands)

Creditor	Type	Interest rate	December 31, 2016	December 31, 2015
Korea Development Bank	Operating fund	CD + 2.12%	₩ 30,000,000	₩ 30,000,000
Woori Bank (*)	Operating fund	CD + 2.00%	25,000,000	17,500,000
Bank of America ("BOA") and others	Banker's usance	0.30%–1.42%	<u>126,967,721</u>	<u>105,724,546</u>
			<u>₩ 181,967,721</u>	<u>₩ 153,224,546</u>

(Unit: Indian rupee in thousands)

Creditor	Type	Interest rate	December 31, 2016	December 31, 2015
Korea Development Bank	Operating fund	CD + 2.12%	Rs. 1,689,000	Rs. 1,689,000
Woori Bank (*)	Operating fund	CD + 2.00%	1,407,500	985,250
BOA and others	Banker's usance	0.30%–1.42%	<u>7,148,283</u>	<u>5,952,292</u>
			<u>Rs. 10,244,783</u>	<u>Rs. 8,626,542</u>

(*) Of the amount of long-term borrowings, the amount is within one-year arrival worth.

(2) The Company's long-term borrowings as of December 31, 2016 and 2015, consist of the following:

(Unit: Korean won in thousands)

<u>Creditor</u>	<u>Type</u>	<u>Interest rate</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Woori Bank	Operating fund	CD + 2.00%	₩ 37,500,000	₩ 55,000,000
Net: within one-year arrival worth			<u>(25,000,000)</u>	<u>(17,500,000)</u>
			<u>₩ 12,500,000</u>	<u>₩ 37,500,000</u>

(Unit: Indian rupee in thousands)

<u>Creditor</u>	<u>Type</u>	<u>Interest rate</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Woori Bank	Operating fund	CD + 2.00%	Rs. 2,111,250	Rs. 3,096,500
Net: within one-year arrival worth			<u>(1,407,500)</u>	<u>(985,250)</u>
			<u>Rs. 703,750</u>	<u>Rs. 2,111,250</u>

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

<u>Creditor</u>	<u>Assets pledged as collateral</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	₩ 195 billion (Rs. 11 billion)
Woori Bank	Land, buildings and machinery	2014-10-29	₩ 36 billion (Rs. 2 billion)
Woori Bank	Land, buildings and machinery	2015-08-07	₩ 36 billion (Rs. 2 billion)

14. **OTHER FINANCIAL LIABILITIES:**

Carrying amounts of other financial liabilities as of December 31, 2016 and 2015, are as follows:

<u>Classification</u>	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other current financial liabilities:				
Accrued expenses	₩ 34,519,616	₩ 32,484,211	Rs. 1,943,454	Rs. 1,828,861

15. **PROVISION FOR PRODUCT WARRANTIES:**

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
December 31, 2016	₩ 143,793,979	₩ 101,824,464	₩ 99,769,459	₩ 145,848,984	₩ 53,153,294	₩ 92,695,690
December 31, 2015	₩ 137,866,039	₩ 116,275,567	₩ 110,347,627	₩ 143,793,979	₩ 56,861,222	₩ 86,932,757

(Unit: Indian rupee in thousands)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
December 31, 2016	Rs. 8,095,601	Rs. 5,732,717	Rs. 5,617,021	Rs. 8,211,297	Rs. 2,992,530	Rs. 5,218,767
December 31, 2015	Rs. 7,761,858	Rs. 6,546,314	Rs. 6,212,571	Rs. 8,095,601	Rs. 3,201,287	Rs. 4,894,314

16. OTHER LIABILITIES:

Carrying amounts of other liabilities as of December 31, 2016 and 2015, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Advances from customers	₩ 3,359,440	₩ 2,572,498	Rs. 189,136	Rs. 144,832
Deposits received	613,895	733,742	34,562	41,310
Withholdings	29,323,090	25,549,289	1,650,891	1,438,424
	<u>₩ 33,296,425</u>	<u>₩ 28,855,529</u>	<u>Rs. 1,874,589</u>	<u>Rs. 1,624,566</u>

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the Company's separate financial statements' configuration items as of December 31, 2016 and 2015, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	December 31, 2015	December 31, 2015	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	₩ 280,792,667	₩ 293,343,081	Rs. 15,808,627	Rs. 16,515,215
Fair value of plan assets	(1,183,467)	(1,337,356)	(66,629)	(75,293)
	<u>₩ 279,609,200</u>	<u>₩ 292,005,725</u>	<u>Rs. 15,741,998</u>	<u>Rs. 16,439,922</u>

(2) Changes in the Company's defined benefit obligation for the years ended December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	Year ended December 31, 2016		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	₩ 293,343,081	₩ (1,337,356)	₩ 292,005,725
Net current service cost	40,843,479	-	40,843,479
Interest cost (income) on DBO	8,520,142	(38,774)	8,481,368
Subtotal	342,706,702	(1,376,130)	341,330,572
Remeasurements:			
Asset (gain) loss	-	22,825	22,825
DBO (gain) loss due to experience	(5,804,730)	-	(5,804,730)
DBO (gain) loss due to changes in financial assumptions	(34,853,925)	-	(34,853,925)
DBO (gain) loss due to changes in demographic assumptions	242,840	-	242,840
Total remeasurements recognized in other comprehensive income	(40,415,815)	22,825	(40,392,990)
Payments:			
Benefit payment from plan assets	(169,838)	169,838	-
Benefit payment from the Company	(21,328,382)	-	(21,328,382)
Ending balance	<u>₩ 280,792,667</u>	<u>₩ (1,183,467)</u>	<u>₩ 279,609,200</u>

Year ended December 31, 2015			
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	₹ 248,189,001	₹ (1,440,612)	₹ 246,748,389
Net current service cost	37,641,084	-	37,641,084
Interest cost (income) on DBO	8,400,978	(48,648)	8,352,330
Past service cost	-	-	-
Subtotal	<u>294,231,063</u>	<u>(1,489,260)</u>	<u>292,741,803</u>
Remeasurements:			
Asset (gain) loss	-	29,230	29,230
DBO (gain) loss due to experience	8,334,817	-	8,334,817
DBO (gain) loss due to changes in financial assumptions	4,103,602	-	4,103,602
DBO (gain) loss due to changes in demographic assumptions	<u>2,850,084</u>	<u>-</u>	<u>2,850,084</u>
Total remeasurements recognized in other comprehensive income	15,288,503	29,230	15,317,733
Payments:			
Benefit payment from plan assets	(122,674)	122,674	-
Benefit payment from the Company	(16,053,811)	-	(16,053,811)
Replaced with accounts payable	-	-	-
Ending balance	<u>₹ 293,343,081</u>	<u>₹ (1,337,356)</u>	<u>₹ 292,005,725</u>

(Unit: Indian rupee in thousands)

Year ended December 31, 2016			
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	Rs. 16,515,215	Rs. (75,293)	Rs. 16,439,922
Net current service cost	2,299,488	-	2,299,488
Interest cost (income) on DBO	479,684	(2,183)	477,501
Subtotal	<u>19,294,387</u>	<u>(77,476)</u>	<u>19,216,911</u>
Remeasurements:			
Asset (gain) loss	-	1,285	1,285
DBO (gain) loss due to Experience	(326,806)	-	(326,806)
DBO (gain) loss due to changes in financial assumptions	(1,962,276)	-	(1,962,276)
DBO (gain) loss due to changes in demographic assumptions	<u>13,672</u>	<u>-</u>	<u>13,672</u>
Total remeasurements recognized in other comprehensive income	(2,275,410)	1,285	(2,274,125)
Payments:			
Benefit payment from plan assets	(9,562)	9,562	-
Benefit payment from the Company	<u>(1,200,788)</u>	<u>-</u>	<u>(1,200,788)</u>
Ending balance	<u>Rs. 15,808,627</u>	<u>Rs. (66,629)</u>	<u>Rs. 15,741,998</u>

Year ended December 31, 2015			
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Beginning balance	Rs. 13,973,041	Rs. (81,106)	Rs. 13,891,935
Net current service cost	2,119,193	-	2,119,193
Interest cost (income) on DBO	472,975	(2,739)	470,236
Past service cost	-	-	-
Subtotal	<u>16,565,209</u>	<u>(83,845)</u>	<u>16,481,364</u>

	Year ended December 31, 2016		
	Present value of defined benefit obligations	Fair value of scheme assets	Total
Remeasurements:			
Asset (gain) loss	Rs. -	Rs. 1,645	Rs. 1,645
DBO (gain) loss due to experience	469,250	-	469,250
DBO (gain) loss due to changes in financial assumptions	231,033	-	231,033
DBO (gain) loss due to changes in demographic assumptions	160,460	-	160,460
Total remeasurements recognized in other comprehensive income	860,743	1,645	862,388
Payments:			
Benefit payment from plan assets	(6,907)	6,907	-
Benefit payment from the Company	(903,830)	-	(903,830)
Replaced with accounts payable	-	-	-
Ending balance	Rs. 16,515,215	Rs. (75,293)	Rs. 16,439,922

(3) Actuarial assumptions used as of December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Discount rate (%)	2.89	2.92
Expected rate of salary increase (%)	3.95	4.92

(4) As of December 31, 2016, if the significant actuarial assumption changes reasonably and acceptably while the others remain unchanged, the defined benefit obligation will be affected as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	Increase	Decrease	Increase	Decrease
Change 1% in discount rate	₩ (32,679,458)	₩ 38,449,404	Rs (1,839,853)	Rs 2,164,701
Changes 1% in expected rate of salary increase	₩ 36,473,348	₩ (31,605,713)	Rs 2,053,449	Rs (1,779,402)

As the actuarial assumptions are correlated and not changed independently, the sensitivity analysis does not indicate the actual change in the amounts of defined benefit obligation. The present value of defined benefit obligations on the sensitivity analysis is measured by the same method as the projected unit credit method used in calculating net defined benefit liability recognized in the separate statements of financial position.

18. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of December 31, 2016:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of December 31, 2016, the Company has been providing guarantees from Korea Development Bank, etc., amounting to USD 232 million (amount execution USD 162 million) related to import L/C.
- (3) The following are the major loan arrangements with the financial institutions as of December 31, 2016:

(Unit: Korean won in thousands)

Financial institution	Classification	Limit	Exercise price
KDB	Operating purpose loans	₩ 30,000,000	₩ 30,000,000
Woori Bank	Operating purpose loans	15,000,000	15,000,000
Woori Bank	Operating purpose loans	22,500,000	22,500,000
JP Morgan	Limit purpose loans	50,000,000	-
BNP Paribas	Limit purpose loans	50,000,000	-

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
Deutsche Bank	Limit purpose loans	₩ 17,000,000	₩ -
BOA	Limit purpose loans	15,000,000	-
Total		<u>₩ 199,500,000</u>	<u>₩ 67,500,000</u>

(Unit: Indian rupee in thousands)

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	Rs 1,689,000	Rs 1,689,000
Woori Bank	Operating purpose loans	844,500	844,500
Woori Bank	Operating purpose loans	1,266,750	1,266,750
JP Morgan	Limit purpose loans	2,815,000	-
BNP Paribas	Limit purpose loans	2,815,000	-
Deutsche Bank	Limit purpose loans	957,100	-
BOA	Limit purpose loans	844,500	-
Total		<u>Rs 11,231,850</u>	<u>Rs 3,800,250</u>

(4) As of December 31, 2016, the Company has provided payment guarantee of USD 24,342,427 from Standard Chartered Bank Korea Limited in connection with advance refund guarantee and performance bond.

(5) Pending litigations

As of December 31, 2016, the Company has three pending litigations as a plaintiff with claims amounting to ₩2,435 million (Rs. 137 million) and 16 pending litigations as a defendant with claims amounting to ₩4,455 million (Rs. 251 million). The Company recognized other payables amounting to ₩6,479 million (Rs. 365 million) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2016.

19. CAPITAL STOCK:

As of December 31, 2016 and 2015, the number of authorized shares is 3 billion. Details of capital stock are as follows:

(Unit: Korean won in thousands, except for par value)

<u>Classification</u>	<u>Number of shares</u>		<u>Par value</u>	<u>Capital stock</u>
	<u>authorized</u>	<u>Shares outstanding</u>		
December 31, 2016	3,000,000,000	137,220,096	₩ 5,000	₩ 686,100,480
December 31, 2015	3,000,000,000	137,220,096	₩ 5,000	₩ 686,100,480

(Unit: Indian rupee in thousands, except for par value)

<u>Classification</u>	<u>Number of shares</u>		<u>Par value</u>	<u>Capital stock</u>
	<u>authorized</u>	<u>Shares outstanding</u>		
December 31, 2016	3,000,000,000	137,220,096	Rs. 282	Rs. 38,627,457
December 31, 2015	3,000,000,000	137,220,096	Rs. 282	Rs. 38,627,457

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of December 31, 2016 and 2015, are as follows:

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	(Korean won in thousands)		(Korean won in thousands)		(Indian rupee in thousands)		(Indian rupee in thousands)	
Other capital surplus	₩	11,452,713	₩	11,452,713	Rs.	644,788	Rs.	644,788
Paid-in capital in excess of par value								
Gain on capital reduction		118,189,001		118,189,001		6,654,041		6,654,041
Debt to be swapped for equity		931,508		931,508		52,444		52,444
Treasury stock		-		-		-		-
Gain on disposal of treasury stocks		1,105,138		1,105,138		62,219		62,219
	₩	<u>131,678,359</u>	₩	<u>131,678,359</u>	Rs.	<u>7,413,492</u>	Rs.	<u>7,413,492</u>

21. OTHER CAPITAL ADJUSTMENTS:

(1) Details of the Company's other capital adjustments as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Classification	December 31, 2016	December 31, 2015
Other capital adjustments	₩ (2,574,700)	₩ 227,340
Gains (losses) on valuation of derivatives		

(Unit: Indian rupee in thousands)

Classification	December 31, 2016	December 31, 2015
Other capital adjustments	Rs. (144,956)	Rs. 12,799
Gains (losses) on valuation of derivatives		

(2) Changes in the Company's gains (losses) on valuation of derivatives as for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Beginning balance	₩ 227,340	₩ (14,167,300)	Rs. 12,799	Rs. (797,619)
Gains (losses) on valuation of derivatives	(2,574,700)	227,340	(144,956)	12,799
Reclassified to net income	(227,340)	14,167,300	(12,799)	797,619
Ending balance	₩ (2,574,700)	₩ 227,340	Rs. (144,956)	Rs. 12,799

22. RETAINED EARNINGS (DEFICIT):

(1) Details of retained earnings (deficit) as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	December 31, 2016	December 31, 2015
Retained earnings (deficit)	₩ 4,965,821	₩ (92,196,977)

(Unit: Indian rupee in thousands)

	December 31, 2016	December 31, 2015
Retained earnings (deficit)	Rs. 279,575	Rs. (5,190,690)

(2) Changes in retained earnings (deficit) for the years ended December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	December 31, 2016		December 31, 2015	
Beginning balance	₩	(92,196,978)	₩	(18,220,064)
Net profit (loss)		56,769,808		(58,659,180)
Actuarial profit (loss)		40,392,991		(15,317,733)
Ending balance	₩	4,965,821	₩	(92,196,977)

(Unit: Indian rupee in thousands)

	December 31, 2016		December 31, 2015	
Beginning balance	Rs.	(5,190,690)	Rs.	(1,025,790)
Net profit (loss)		3,196,139		(3,302,512)
Actuarial profit (loss)		2,274,126		(862,388)
Ending balance	Rs.	279,575	Rs.	(5,190,690)

23. SEPARATE STATEMENTS OF DISPOSITION OF RETAINED EARNINGS (DEFICIT):

Details of the Company's separate statements of disposition of retained earnings (deficit) for the years ended December 31, 2016 and 2015, are as follows:

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF DISPOSITION OF DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Expected disposition date: 2017.03.31

Disposal fixed date: 2016.03.23

	Year ended December 31, 2016		Year ended December 31, 2015	
Accounts				
Unappropriated retained earnings (deficit)	₩	4,965,820,653	₩	(92,196,977,649)
Undisposed retained earnings (deficit) carried over from prior year		(92,196,977,649)		(18,220,064,486)
Current net income (loss)		56,769,807,819		(58,659,179,889)
Actuarial income (loss)		40,392,990,483		(15,317,733,274)
Appropriation earnings (deficit)	₩	-	₩	-
Unappropriated earnings (deficit) to be carried forward to subsequent year	₩	4,965,820,653	₩	(92,196,977,649)

	Year ended December 31, 2016		Year ended December 31, 2015	
Accounts				
Unappropriated retained earnings (deficit)	Rs.	279,575,702	Rs.	(5,190,689,842)
Undisposed retained earnings (deficit) carried over from prior year	Rs.	(5,190,689,842)	Rs.	(1,025,789,631)
Current net income (loss)		3,196,140,180		(3,302,511,828)
Actuarial income (loss)		2,274,125,364		(862,388,383)
Appropriation earnings (deficit)	Rs.	-	Rs.	-
Unappropriated earnings (deficit) to be carried forward to subsequent year	Rs.	279,575,702	Rs.	(5,190,689,842)

24. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2016 and 2015, is as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended	Year ended	Year ended	Year ended
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current income tax payable	₩ -	₩ -	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity	-	-	-	-
Income tax expense	₩ -	₩ -	Rs. -	Rs. -

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

The changes in temporary differences and deferred income tax assets for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

Description	Year ended December 31, 2016			
	Beginning balance	Decrease	Increase	Ending balance
Temporary differences				
Government subsidies	₩ 2,731,892	₩ 2,263,431	₩ 2,557,043	₩ 3,025,504
Provision for product warranties	143,793,978	143,793,979	145,848,984	145,848,983
Accrued severance indemnities	284,249,024	10,572,282	8,660,684	282,337,426
Loss on revaluation of property, plant and equipment	108,779,594	9,442,781	-	99,336,813
Development cost	27,324,177	27,099,587	6,692	231,282
Depreciation	16,394,313	5,598,188	732,152	11,528,277
Other payables	39,537,402	39,537,402	26,297,688	26,297,688
Accrued expenses	32,207,735	32,207,735	34,274,171	34,274,171
Investment in subsidiaries	4,184,519	-	-	4,184,519
Gain (loss) on valuation of derivatives	(1,683,621)	(1,683,621)	5,042,771	5,042,771
Other long-term employee benefit	16,282,599	16,282,600	16,688,602	16,688,601
Land	(260,713,528)	-	-	(260,713,528)
Others	1,795,498	873,040	(35,061)	887,397
Deficit carried over	1,175,500,028	61,509,426	-	1,113,990,602
Total	1,590,383,610			1,482,960,506
Not recognized as deferred tax assets	1,590,383,610			1,482,960,506
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carryforwards	9,235,834	6,012,782	-	3,223,052
Not recognized as deferred tax assets	9,235,834	6,012,782	-	3,223,052
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carryforwards	-			-
Total deferred income tax	₩ -			₩ -

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

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
Temporary differences				
Government subsidies	₩ 3,564,826	₩ 4,638,187	₩ 3,805,253	₩ 2,731,892
Provision for product warranties	137,866,039	137,866,039	143,793,978	143,793,978
Accrued severance indemnities	247,625,171	15,151,272	51,775,125	284,249,024
Loss on revaluation of property, plant and equipment	128,280,968	19,506,600	5,226	108,779,594
Development cost	45,150,056	17,827,324	1,445	27,324,177
Depreciation	16,273,804	2,811,316	2,931,825	16,394,313
Other payables	50,366,223	50,366,223	39,537,402	39,537,402

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
Accrued expenses	₹ 29,561,974	₹ 29,561,974	₹ 32,207,735	₹ 32,207,735
Investment in subsidiaries	4,184,519	-	-	4,184,519
Gain (loss) on valuation of derivatives	13,741,600	13,741,600	(1,683,621)	(1,683,621)
Other long-term employee benefit	15,619,578	15,619,578	16,282,599	16,282,599
Land	(260,713,528)	-	-	(260,713,528)
Others	836,817	284,279	1,242,960	1,795,498
Deficit carried over	1,104,944,088	-	70,555,940	1,175,500,028
Total	1,537,302,135			1,590,383,610
Not recognized as deferred tax assets	1,537,302,135			1,590,383,610
Recognized as deferred tax assets				
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carryforwards	11,751,644	2,515,810	-	9,235,834
Not recognized as deferred tax assets	11,751,644	2,515,810	-	9,235,834
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carryforwards	-	-	-	-
Total deferred income tax	₹ -			₹ -

(Unit: Indian rupee in thousands)

Description	Year ended December 31, 2016			
	Beginning balance	Decrease	Increase	Ending balance
Temporary differences				
Government subsidies	Rs. 153,806	Rs. 127,432	Rs. 143,962	Rs. 170,336
Provision for product warranties	8,095,601	8,095,601	8,211,298	8,211,298
Accrued severance indemnities	16,003,220	595,220	487,597	15,895,597
Loss on revaluation of property, plant and equipment	6,124,291	531,628	-	5,592,663
Development cost	1,538,351	1,525,707	377	13,021
Depreciation	923,000	315,178	41,220	649,042
Other payables	2,225,956	2,225,956	1,480,560	1,480,560
Accrued expenses	1,813,295	1,813,295	1,929,636	1,929,636
Investment in subsidiaries	235,588	-	-	235,588
Gain (loss) on valuation of derivatives	(94,788)	(94,788)	283,908	283,908
Other long-term employee benefit	916,710	916,710	939,568	939,568
Land	(14,678,172)	-	-	(14,678,172)
Others	101,087	49,153	(1,974)	49,960
Deficit carried over	66,180,652	3,462,981	-	62,717,671
Total	89,538,597			83,490,676
Not recognized as deferred tax assets	89,538,597			83,490,676
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carryforwards	519,977	338,520	-	181,458
Not recognized as deferred tax assets	519,977	338,520	-	181,458
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carryforwards	-	-	-	-
Total deferred income tax	Rs. -			Rs. -

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
Temporary differences				
Government subsidies	Rs. 200,700	Rs. 261,130	Rs. 214,236	Rs. 153,806
Provision for product warranties	7,761,858	7,761,858	8,095,601	8,095,601
Accrued severance indemnities	13,941,297	853,017	2,914,940	16,003,220
Loss on revaluation of property, plant and equipment	7,222,218	1,098,221	294	6,124,291
Development cost	2,541,948	1,003,678	81	1,538,351
Depreciation	916,215	158,277	165,062	923,000
Other payables	2,835,618	2,835,618	2,225,956	2,225,956

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
Accrued expenses	Rs. 1,664,339	Rs. 1,664,339	Rs. 1,813,295	Rs. 1,813,295
Investments in subsidiaries	235,588	-	-	235,588
Gain (loss) on foreign currency translation				
Gain (loss) on valuation of derivatives	773,652	773,652	(94,788)	(94,788)
Other long-term employee benefit	879,382	879,382	916,710	916,710
Land	(14,678,172)	-	-	(14,678,172)
Others	47,113	16,005	69,979	101,087
Deficit carried over	<u>62,208,352</u>	<u>-</u>	<u>3,972,300</u>	<u>66,180,652</u>
Total	<u>86,550,108</u>			<u>89,538,597</u>
Not recognized as deferred tax assets	86,550,108			89,538,597
Recognized as deferred tax assets	-			-
Statutory tax rate	<u>22%</u>			<u>22%</u>
Deferred tax assets resulting from temporary differences				
Tax credit carryforwards	<u>661,618</u>	<u>141,640</u>	<u>-</u>	<u>519,977</u>
Not recognized as deferred tax assets	661,618	141,640	-	519,977
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carryforwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred income tax	<u>Rs. -</u>			<u>Rs. -</u>

25. EXPENSES BY CATEGORY:

Details of expenses classified by category for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended	Year ended	Year ended	Year ended
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Changes in inventories	₩ 12,062,765	₩ 1,512,535	Rs. 679,134	Rs. 85,156
Raw materials and merchandise goods used	2,430,416,134	2,299,372,955	136,832,428	129,454,697
Employee benefits	526,882,450	481,595,523	29,663,483	27,113,828
Depreciation	118,773,648	117,960,816	6,686,956	6,641,194
Amortization	37,074,271	32,479,932	2,087,281	1,828,620
Other	<u>470,616,515</u>	<u>485,826,761</u>	<u>26,495,710</u>	<u>27,352,047</u>
Total (*)	<u>₩ 3,595,825,783</u>	<u>₩ 3,418,748,522</u>	<u>Rs. 202,444,992</u>	<u>Rs. 192,475,542</u>

(*) It is sum of cost of sales and selling and administrative expenses.

26. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company has a derivative contract with financial institutions, such as SC Bank, to minimize the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency transactions (hedged items). Loss on valuation of derivatives for ₩2,574,700 thousand (Rs. 144,956 thousand) applied to cash flow risk aversion accounting treatment is recognized as other capital components, and loss on valuation of derivatives for ₩80,701 thousand (Rs. 4,543 thousand), which is an inefficient part, is recognized as current income for the year ended December 31, 2016. Loss on valuation of derivatives for ₩2,387,370 thousand (Rs. 134,409 thousand) applied to financial asset at FVTPL is recognized as current income for the year ended December 31, 2016.

27. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Warranty expenses	₩ 70,110,525	₩ 76,173,469	Rs. 3,947,223	Rs. 4,288,566
Sales commissions	221,325,357	205,359,570	12,460,618	11,561,744
Advertising expenses	18,239,964	17,723,231	1,026,910	997,818
Export expenses	40,766,448	44,323,023	2,295,151	2,495,386
Others	34,396,663	36,281,517	1,936,532	2,042,649
	<u>₩ 384,838,957</u>	<u>₩ 379,860,810</u>	<u>Rs. 21,666,434</u>	<u>Rs. 21,386,163</u>

(2) Administrative expenses for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Salaries	₩ 51,639,556	₩ 49,055,088	Rs. 2,907,307	Rs. 2,761,801
Postemployment benefits	7,689,824	7,649,820	432,937	430,685
Employee benefits	12,680,033	11,241,331	713,886	632,887
Rent expense	10,280,359	11,367,918	578,784	640,014
Service fees	28,000,497	27,122,623	1,576,428	1,527,004
Depreciation	11,328,016	11,548,569	637,767	650,184
R&D expenses	15,535,921	15,830,768	874,672	891,272
Amortization	6,343,525	7,181,333	357,140	404,309
Bad debt expense	48,747	(42,707)	2,744	(2,404)
Other administrative expenses	31,568,488	29,595,232	1,777,307	1,666,212
	<u>₩ 175,114,966</u>	<u>₩ 170,549,975</u>	<u>Rs. 9,858,972</u>	<u>Rs. 9,601,964</u>

28. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Company's non-operating income for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Gain on foreign currency transactions	₩ 15,020,958	₩ 11,851,649	Rs. 845,680	Rs. 667,248
Gain on foreign currency translation	964,567	631,365	54,305	35,546
Gain on disposal of property, plant and equipment	1,241,347	697,191	69,888	39,252
Others	40,579,621	18,649,783	2,284,633	1,049,982
	<u>₩ 57,806,493</u>	<u>₩ 31,829,988</u>	<u>Rs. 3,254,506</u>	<u>Rs. 1,792,028</u>

(2) Details of the Company's non-operating expense for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Loss on foreign currency transactions	₩ 13,534,228	₩ 11,297,206	Rs. 761,977	Rs. 636,033
Loss on foreign currency translation	796,917	241,518	44,866	13,597
Loss on disposal of property, plant and equipment	121,335	173,845	6,831	9,787
Loss on disposal of trade receivables	17,212,495	11,769,712	969,063	662,635
Others	6,904,119	6,342,376	388,703	357,076
	<u>₩ 38,569,094</u>	<u>₩ 29,824,657</u>	<u>Rs. 2,171,440</u>	<u>Rs. 1,679,128</u>

29. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Interest income	₩ 2,550,914	₩ 3,225,111	Rs. 143,616	Rs. 181,574
Dividend income	11,000	480,229	619	27,037
Gain on foreign currency transactions	9,341,735	9,329,055	525,939	525,227
Gain on foreign currency translation	3,524,018	788,879	198,403	44,412
Gain on disposal of derivatives	12,339,373	2,427,103	694,707	136,646
Gain on valuation of derivatives	477,267	1,480,355	26,870	83,344
	<u>₩ 28,244,307</u>	<u>₩ 17,730,732</u>	<u>Rs. 1,590,154</u>	<u>Rs. 998,240</u>

(2) Details of the Company's financial cost for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Interest expense	₩ 794,387	₩ 1,308,344	Rs. 44,724	Rs. 73,660
Loss on foreign currency translation	11,435,400	11,643,652	643,813	655,538
Loss on foreign currency translation	736,804	1,810,370	41,483	101,923
Loss on disposal of AFS financial assets	-	10,089	-	568
Loss on disposal of derivatives	5,314,653	30,405,790	299,215	1,711,846
Loss on valuation of derivatives	2,945,337	24,074	165,822	1,355
	<u>₩ 21,226,581</u>	<u>₩ 45,202,319</u>	<u>Rs. 1,195,057</u>	<u>Rs. 2,544,890</u>

(3) Details of the Company's financial net profit for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Loan and receivables	₩ 2,450,076	₩ (1,419,321)	Rs. 137,939	Rs. (79,908)
AFS financial assets	11,000	470,140	619	26,469
Other financial liabilities	4,556,650	(26,522,406)	256,539	(1,493,211)
	<u>₩ 7,017,726</u>	<u>₩ (27,471,587)</u>	<u>Rs. 395,097</u>	<u>Rs. (1,546,650)</u>

30. EARNING (LOSS) PER SHARE:

(1) Basic earning (loss) per share for the years ended December 31, 2016 and 2015, is calculated as follows:

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

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
Net income(loss)	₩ 56,769,808	₩ (58,659,180)	Rs. 3,196,139	Rs. (3,302,512)
Income (loss) contributed to common stocks	56,769,808	(58,659,180)	3,196,139	(3,302,512)
Number of common stocks outstanding	<u>137,220,096</u>	<u>137,182,087</u>	<u>137,220,096</u>	<u>137,182,087</u>
Basic and diluted earning (loss) per share (*)	<u>₩ 414</u>	<u>₩ (428)</u>	<u>Rs. 23</u>	<u>Rs. (24)</u>

(*) Basic and diluted earnings (loss) per share for the years ended December 31, 2016 and 2015, are identical as there are no dilutive potential common shares.

- (2) The number of shares outstanding for the years ended December 31, 2016 and 2015, is calculated as follows:

December 31, 2016						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
	Common stock	2016-01-01	2016-12-31	137,220,096	137,220,096	366/366
Total						<u>137,220,096</u>
December 31, 2015						
	Time interval		Outstanding	Accumulated outstanding	Weighted- average impact	Outstanding
	Common stock	2015-01-01	2015-12-31	137,220,096	137,220,096	365/365
Treasury stock	2015-01-01	2015-02-22	(237,964)	(237,964)	53/365	(34,554)
	2015-02-23	2015-02-23	(221,997)	(221,997)	1/365	(608)
	2015-02-24	2015-02-24	(191,997)	(191,997)	1/365	(526)
	2015-02-25	2015-02-25	(161,997)	(161,997)	1/365	(444)
	2015-02-26	2015-02-26	(121,997)	(121,997)	1/365	(334)
	2015-02-27	2015-03-01	(71,997)	(71,997)	3/365	(592)
	2015-03-02	2015-03-17	(21,706)	(21,706)	16/365	(951)
Total						<u>137,182,087</u>

31. CASH FLOWS FROM OPERATING ACTIVITIES:

Details of cash flows from operating activities for the years ended December 31, 2016 and 2015, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2016	2015	2016	2015
1. Net Income (loss)	₩ 56,769,808	₩ (58,659,180)	Rs. 3,196,139	Rs. (3,302,512)
2. Adjustments	225,017,704	216,863,010	12,668,497	12,209,387
Postemployment benefits	49,324,847	45,993,414	2,776,989	2,589,429
Depreciation	118,760,787	117,941,736	6,686,232	6,640,120
Amortization	37,074,271	32,479,932	2,087,281	1,828,620
Loss on disposal of trade receivables	17,212,495	11,769,712	969,063	662,635
Gain/loss on foreign currency translation	(2,954,865)	631,644	(166,359)	35,562
Gain/loss on disposal of property, plant and equipment	(1,120,012)	(523,346)	(63,057)	(29,465)
Interest income/expense	(1,756,527)	(1,916,767)	(98,892)	(107,914)
Gain on dividends	(11,000)	(480,229)	(619)	(27,037)
Loss on valuation of inventories	5,967,918	12,559,291	335,994	707,088
Others	2,519,790	(1,592,377)	141,865	(89,651)
3. Changes in working capital	(35,185,714)	45,827,442	(1,980,956)	2,580,085
Increase in trade receivables, net	(83,438,131)	(5,553,031)	(4,697,567)	(312,636)
Decrease (increase) in non-trade receivables, net	(852,934)	11,927,192	(48,020)	671,501
Decrease in inventories	37,430,245	1,331,880	2,107,323	74,985
Decrease (increase) in other assets	4,493,201	(59,452)	252,967	(3,347)
Increase in trade payables	49,527,501	65,298,440	2,788,398	3,676,302
Decrease in other payables	(22,819,320)	(31,163,394)	(1,284,728)	(1,754,499)
Increase in accrued charges	2,066,435	2,645,761	116,340	148,956
Increase in provision of product warranties	2,055,006	5,927,939	115,697	333,743
Payment of severance indemnities	(21,328,382)	(16,053,811)	(1,200,788)	(903,830)
Increase (decrease) in other liabilities	(2,319,335)	11,525,918	(130,578)	648,910
Net cash (used in) provided by operating activities	₩ 246,601,798	₩ 204,031,272	Rs. 13,883,680	Rs. 11,486,960

32. SEGMENT INFORMATION:

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

(2) Information of each sales region for the years ended December 31, 2016 and 2015, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales region	December 31, 2016		
Republic of Korea	₩	2,553,029,090 Rs.	143,735,538
Europe		554,661,696	31,227,453
Asia Pacific		286,887,952	16,151,792
Others		231,761,729	13,048,185
	₩	3,626,340,467 Rs.	204,162,968

Sales region	December 31, 2015		
Republic of Korea	₩	2,500,492,302 Rs	140,777,717
Europe		459,834,288	25,888,670
Asia Pacific		162,431,746	9,144,907
Others		262,797,262	14,795,486
	₩	3,385,555,598 Rs	190,606,780

Non-current assets are not separately disclosed as all are located in Korea, and main customer information is not disclosed as most of the Company sales are generated through contracting with individuals and foreign authorized agencies.

(3) Information of each sales product and service for the years ended December 31, 2016 and 2015, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales	December 31, 2016		
Automobile	₩	3,206,664,894 Rs.	180,535,234
Products		345,292,355	19,439,958
Others		74,383,218	4,187,776
	₩	3,626,340,467 Rs.	204,162,968

Sales	December 31, 2015		
Automobile	₩	3,014,054,040 Rs.	169,691,242
Products		347,665,543	19,573,570
Others		23,836,015	1,341,968
	₩	3,385,555,598 Rs.	190,606,780

33. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2016, are as follows:

	Related parties
Controlling company	Mahindra & Mahindra Ltd.
Subsidiary companies	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Joint venture company	SY Auto Capital Co., Ltd.
Other affiliate companies	Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd.

(2) Major transactions with related parties for the years ended December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Related party	Company	Description	Year ended	
			December 31, 2016	December 31, 2015
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	₩ 49,184,486	₩ 2,014,865
		Other income	308,320	58,513
		Purchases	697,879	1,793,813
		Other expenses	1,973,780	151,410
Transactions with subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. and one other	Sales	₩ 14,755,334	₩ 11,536,315
		Other income	-	469,229
		Other expenses	137	792
Transactions with joint venture	SY Auto Capital Co., Ltd.	Other expenses	₩ 16,376,188	₩ -
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. and one other	Sales	₩ 288,975	₩ 5,790,253
		Other income	26,442	9,937
		Other expenses	85,809	234,044

(Unit: Indian rupee in thousands)

Related party	Company	Description	Year ended	
			December 31, 2016	December 31, 2015
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	Rs. 2,769,087	Rs. 113,437
		Other income	17,358	3,294
		Purchases	39,291	100,992
		Other expenses	111,124	8,524
Transactions with subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. and one other	Sales	Rs. 830,725	Rs. 649,495
		Other income	-	26,418
		Other expenses	8	45
Transactions with joint venture	SY Auto Capital Co., Ltd.	Other expenses	Rs. 921,979	Rs. -
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. and one other	Sales	Rs. 16,269	Rs. 325,991
		Other income	1,489	559
		Other expenses	4,831	13,177

The bad debt expense recognized for the years ended December 31, 2016 and 2015, does not exist.

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivables from and payables to controlling company:		
Trade receivables	₩ 2,693,260	₩ 89,823
Non-trade receivables	60,430	54,959
Trade payables	-	207,149
Non-trade payables	1,781,004	2,808
Receivables from and payables to subsidiaries:		
Trade receivables	₩ 15,079,280	₩ 12,200,938
Non-trade receivables	454,765	468,466
Non-trade payables	450,982	511,041
Receivables from and payables to Joint venture:		
Non-trade receivables	₩ -	₩ 96,000
Non-trade payables	91,887	-
Receivables from and payables to affiliates:		
Trade receivables	₩ 15,977	₩ 20,769
Non-trade receivables	-	-
Non-trade payables	36,773	89,314

(Unit: Indian rupee in thousands)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivables from and payables to controlling company:		
Trade receivables	Rs. 151,631	Rs. 5,057
Non-trade receivables	3,402	3,094
Trade payables	-	11,662
Non-trade payables	100,271	158
Receivables from and payables to subsidiaries:		
Trade receivables	Rs. 848,963	Rs. 686,913
Non-trade receivables	25,603	26,375
Non-trade payables	25,390	28,772
Receivables from and payables to Joint venture:		
Non-trade receivables	Rs. -	Rs. 5,405
Non-trade payables	5,173	-
Receivables from and payables to affiliates:		
Trade receivables	Rs. 900	Rs. 1,169
Non-trade receivables	-	-
Non-trade payables	2,070	5,028

The Company did not recognize allowance for the above-mentioned receivables, and no bad debt expense was recognized for the year ended December 31, 2016.

(4) The Company did not have loan and borrowing transactions with related parties for the years ended December 31, 2016 and 2015.

(5) Stock trading with the related parties for the years ended December 31, 2016 and 2015, is as follows:

(Unit: Korean won in thousands)

	<u>Company</u>	<u>Description</u>	<u>Year ended</u> <u>December 31, 2016</u>	<u>Year ended</u> <u>December 31, 2015</u>
Joint venture company	SY Auto Capital Co., Ltd.	Paid-in capital increase	₩ -	₩ 10,200,000

(Unit: Indian rupee in thousands):

	<u>Company</u>	<u>Description</u>	<u>Year ended</u> <u>December 31, 2016</u>	<u>Year ended</u> <u>December 31, 2015</u>
Joint venture company	SY Auto Capital Co., Ltd.	Paid-in capital increase	Rs. -	Rs. 574,260

(6) Details of compensation for key executives for the years ended December 31, 2016 and 2015, are as follows:

	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	₩ 579,790	₩ 688,877	Rs. 32,642	Rs. 38,784
Postemployment benefits	23,588	28,507	1,328	1,605

34. FINANCIAL INSTRUMENTS:

(1) Capital risk management

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

The Company uses debt ratio as a capital management index, and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the separate financial statements.

The Company is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of December 31, 2016 and 2015, is as follows:

(Unit: Korean won in thousands)

	December 31, 2016		December 31, 2015	
Debt (A)	₩	1,350,614,215	₩	1,321,781,280
Equity (B)		<u>820,169,960</u>		<u>725,809,202</u>
Debt ratio (A/ B)		<u>164.67%</u>		<u>182.11%</u>

(Unit: Indian rupee in thousands)

	December 31, 2016		December 31, 2015	
Debt (A)	Rs.	76,039,580	Rs.	74,416,286
Equity (B)		<u>46,175,568</u>		<u>40,863,058</u>
Debt ratio (A/ B)		<u>164.67%</u>		<u>182.11%</u>

(2) The significant accounting policies adopted by classifications, such as financial assets, financial liabilities and equities are disclosed in Note 2.

(3) Details of financial assets and liabilities by category as of December 31, 2016 and 2015, are as follows:

1) Financial assets

(Unit: Korean won in thousands)

Financial assets	December 31, 2016					
	Loans and receivables	AFS financial assets	Financial assets at FVTPL	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 234,657,416	₩ -	₩ -	₩ -	₩ 234,657,416	₩ 234,657,416
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	277,769,129	-	-	-	277,769,129	277,769,129
Long-term AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	445,691	310,344	756,035	756,035
	<u>₩ 512,432,545</u>	<u>₩ 560,000</u>	<u>₩ 445,691</u>	<u>₩ 310,344</u>	<u>₩ 513,748,580</u>	<u>₩ 513,748,580</u>

Financial assets	December 31, 2015					
	Loans and receivables	AFS financial assets	Financial assets at FVTPL	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 192,773,290	₩ -	₩ -	₩ -	₩ 192,773,290	₩ 192,773,290
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	211,266,473	-	-	-	211,266,473	211,266,473
Long-term AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	1,429,088	278,607	1,707,695	1,707,695
	<u>₩ 404,045,763</u>	<u>₩ 560,000</u>	<u>₩ 1,429,088</u>	<u>₩ 278,607</u>	<u>₩ 406,313,458</u>	<u>₩ 406,313,458</u>

(Unit: Indian rupee in thousands)

Financial assets	December 31, 2016					
	Loans and receivables	AFS financial assets	Financial assets at FVTPL	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 13,211,213	Rs. -	Rs. -	Rs. -	Rs. 13,211,213	Rs. 13,211,213
Long-term financial instruments	338	-	-	-	338	338
Trade receivables and other receivables	15,638,402	-	-	-	15,638,402	15,638,402
Long-term AFS financial assets	-	31,528	-	-	31,528	31,528
Derivative assets	-	-	25,093	17,472	42,565	42,565
	<u>Rs. 28,849,953</u>	<u>Rs. 31,528</u>	<u>Rs. 25,093</u>	<u>Rs. 17,472</u>	<u>Rs. 28,924,046</u>	<u>Rs. 28,924,046</u>

December 31, 2015						
Financial assets	Loans and receivables	AFS financial assets	Financial assets at FVTPL	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,853,136	Rs. -	Rs. -	Rs. -	Rs. 10,853,136	Rs. 10,853,136
Long-term financial instruments	338	-	-	-	338	338
Trade receivables and other receivables	11,894,303	-	-	-	11,894,303	11,894,303
Long-term AFS financial assets	-	31,528	-	-	31,528	31,528
Derivative assets	-	-	80,457	15,686	96,143	96,143
	<u>Rs. 22,747,777</u>	<u>Rs. 31,528</u>	<u>Rs. 80,457</u>	<u>Rs. 15,686</u>	<u>Rs. 22,875,448</u>	<u>Rs. 22,875,448</u>

2) Financial liabilities

(Unit: Korean won in thousands)

December 31, 2016					
Financial liabilities	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Designated to hedge item	Total	Fair value
Trade payables and other payables	₩ 674,904,477	₩ -	₩ -	₩ 674,904,477	₩ 674,904,477
Debt	194,467,721	-	-	194,467,721	194,467,721
Derivative liabilities	-	2,833,061	2,965,745	5,798,806	5,798,806
	<u>₩ 869,372,198</u>	<u>₩ 2,833,061</u>	<u>₩ 2,965,745</u>	<u>₩ 875,171,004</u>	<u>₩ 875,171,004</u>

December 31, 2015				
Financial liabilities	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade payables and other payables	₩ 650,094,828	₩ -	₩ 650,094,828	₩ 650,094,828
Debt	190,724,546	-	190,724,546	190,724,546
Derivative liabilities	-	24,074	24,074	24,074
	<u>₩ 840,819,374</u>	<u>₩ 24,074</u>	<u>₩ 840,843,448</u>	<u>₩ 840,843,448</u>

(Unit: Indian rupee in thousands)

December 31, 2016					
Financial liabilities	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Designated to hedge item	Total	Fair value
Trade payables and other payables	Rs. 37,997,122	Rs. -	Rs. -	Rs. 37,997,122	Rs. 37,997,122
Debt	10,948,533	-	-	10,948,533	10,948,533
Derivative liabilities	-	159,502	166,971	326,473	326,473
	<u>Rs. 48,945,655</u>	<u>Rs. 159,502</u>	<u>Rs. 166,971</u>	<u>Rs. 49,272,128</u>	<u>Rs. 49,272,128</u>

December 31, 2015				
Financial liabilities	Financial liability measured at amortized cost	Derivatives designated to hedge item	Total	Fair value
Trade payables and other payables	Rs. 36,600,339	Rs. -	Rs. 36,600,339	Rs. 36,600,339
Debt	10,737,792	-	10,737,792	10,737,792
Derivative liabilities	-	1,355	1,355	1,355
	<u>Rs. 47,338,131</u>	<u>Rs. 1,355</u>	<u>Rs. 47,339,486</u>	<u>Rs. 47,339,486</u>

(5) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% at for the year ended December 31, 2016.

Current income will increase when FX rate increases (weaker Korean won), and likewise, current loss will increase when FX rate decreases (stronger Korean won) with respect to the relevant currency as per following table:

(Unit: Korean won in thousands)

Currency	Korean won in thousands		Indian rupee in thousands	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 4,368,386	₩ (4,368,386)	Rs. 245,940	Rs. (245,940)
EUR	(749,642)	749,642	(42,205)	42,205
JPY	(10,523,918)	10,523,918	(592,497)	592,497
Others	2,019,818	(2,019,818)	113,716	(113,716)
	₩ (4,885,356)	₩ 4,885,356	Rs. (275,046)	Rs. 275,046

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

Details of non-payment forward contracts for the year ended December 31, 2016, are as follows:

(Unit: Korean won in thousands, EUR in thousands, USD in thousands, JPY in thousands and GBP in thousands)

Cash flow hedges		Average exchange rate contracted	Amount of foreign currency	Amount of contract	Fair value
Short position in EUR	Within 3 months	₩ 1,298.68	EUR 6,000	₩ 7,787,620	₩ 165,645
Long position in Korean won	3-6 months	1,304.82	EUR 4,000	₩ 5,219,280	₩ 118,572
Short position in USD	Within 3 months	1,177.45	USD 47,000	₩ 55,204,700	₩ (1,591,526)
Long position in Korean won	3-6 months	1,188.90	USD 53,000	₩ 62,941,950	₩ (1,060,397)
	6-9 months	1,206.95	USD 10,000	₩ 12,070,200	₩ 9,527
Short position in GBP	Within 3 months	1,463.12	GBP 9,000	₩ 13,168,060	₩ (174,575)
Long position in Korean won	3-6 months	1,472.40	GBP 6,000	₩ 8,834,400	₩ (84,237)
	6-9 months	1,480.67	GBP 6,000	₩ 8,884,010	₩ (54,562)
	9-12 months	1,497.87	GBP 3,000	₩ 4,493,620	₩ 16,151

			Average exchange rate contracted	Amount of foreign currency	Amount of contract	Fair value
<u>Held for trading</u>						
Short position in Korean won	Within 3 months	₩	10.53	₩ 19,234,815	JPY 1,810,000	₩ (440,525)
Long position in JPY	3-6 months		10.51	₩ 35,343,690	JPY 3,355,000	₩ (361,818)
	6-9 months		10.46	₩ 27,205,840	JPY 2,600,000	₩ 3,414
	9-12 months		10.40	₩ 20,792,900	JPY 2,000,000	₩ 218,265
Short position in USD	Within 3 months		106.96	USD 1,400,000	JPY 149,740,000	₩ (1,279,217)
Long position in JPY	3-6 months		106.94	USD 600,000	JPY 64,176,000	₩ (527,488)

(Unit: Indian rupee in thousands, EUR in thousands, USD in thousands, JPY in thousands and GBP in thousands)

			Average exchange rate contracted	Amount of foreign Currency	Amount of Contract	Fair value
<u>Cash flow hedges</u>						
Short position in EUR	Within 3 months	₩	1,298.68	EUR 96,000	Rs. 438,443	Rs. 9,326
Long position in Korean won	3-6 months		1,304.82	EUR 4,000	Rs. 293,845	Rs. 6,676
Short position in USD	Within 3 months		1,177.45	USD 47,000	Rs. 3,108,025	Rs. (89,603)
Long position in Korean won	3-6 months		1,188.90	USD 53,000	Rs. 3,543,632	Rs. (59,700)
	6-9 months		1,206.95	USD 10,000	Rs. 679,552	Rs. 536
Short position in GBP	Within 3 months		1,463.12	GBP 9,000	Rs. 741,362	Rs. (9,829)
Long position in Korean won	3-6 months		1,472.40	GBP 6,000	Rs. 497,377	Rs. (4,743)
	6-9 months		1,480.67	GBP 6,000	Rs. 500,170	Rs. (3,072)
	9-12 months		1,497.87	GBP 3,000	Rs. 252,991	Rs. 909
<u>Held for trading</u>						
Short position in Korean won	Within 3 months	₩	10.53	₩ 19,234,815	JPY 1,810,000	Rs. (24,802)
Long position in JPY	3-6 months		10.51	₩ 35,343,690	JPY 3,355,000	Rs. (20,370)
	6-9 months		10.46	₩ 27,205,840	JPY 2,600,000	Rs. 192
	9-12 months		10.40	₩ 20,792,900	JPY 2,000,000	Rs. 12,288
Short position in USD	Within 3 months		106.96	USD 1,400,000	JPY 149,740,000	Rs. (72,020)
Long position in JPY	3-6 months		106.94	USD 600,000	JPY 64,176,000	Rs. (29,698)

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity amount to ₹2,574,700 thousand (Rs. 144,956 thousand), and this amount will be reclassified as current income or loss when the contracts are settled. Future transactions related to forward transactions will occur within 12 months at the latest starting from the end of current period.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease/increase ₹188,836 thousand (Rs. 10,631 thousand) for the year ended December 31, 2016, due to floating-rate debt's interest rate risk.

2) Credit risk

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

As of December 31, 2016 and 2015, the maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows.

	<u>December 31, 2016</u>		<u>December 31, 2015</u>		<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	(Korean won in thousands)		(Korean won in thousands)		(Indian rupee in thousands)		(Indian rupee in thousands)	
Trade and other receivables	₩	277,769,129	₩	211,266,473	Rs.	15,638,402	Rs.	11,894,302

3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of December 31, 2016 and 2015, is as follows:

(Unit: Korean won in thousands)

	<u>December 31, 2016</u>		
	<u>Within 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 482,375,280	₩ -	₩ 482,375,280
Non-trade payables	152,502,510	-	152,502,510
Short-term borrowings(*)	183,588,225	-	183,588,225
Derivatives liabilities	5,798,806	-	5,798,806
Other payables	34,519,616	-	34,519,616
Long-term borrowings(*)	-	13,145,534	13,145,534
Long-term non-trade payables	-	5,507,071	5,507,071
	<u>₩ 858,784,437</u>	<u>₩ 18,652,605</u>	<u>₩ 877,437,042</u>

	<u>December 31, 2015</u>		
	<u>Within 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 432,415,649	₩ -	₩ 432,415,649
Non-trade payables	172,582,355	-	172,582,355
Short-term borrowings(*)	154,713,544	-	154,713,544
Derivatives liabilities	24,074	-	24,074
Other payables	32,484,211	-	32,484,211
Long-term borrowings(*)	-	40,037,205	40,037,205
Long-term non-trade payables	-	12,612,614	12,612,614
	<u>₩ 792,219,833</u>	<u>₩ 52,649,819</u>	<u>₩ 844,869,652</u>

(Unit: Indian rupee in thousands)

	December 31, 2016		
	Within 1 year	More than 1 year	Total
Trade payables	Rs. 27,157,728	Rs. -	Rs. 27,157,728
Non-trade payables	8,585,891	-	8,585,891
Short-term borrowings(*)	10,336,017	-	10,336,017
Derivatives liabilities	326,473	-	326,473
Other payables	1,943,455	-	1,943,455
Long-term borrowings(*)	-	740,094	740,094
Long-term non-trade payables	-	310,048	310,048
	<u>Rs. 48,349,564</u>	<u>Rs. 1,050,142</u>	<u>Rs. 49,399,706</u>

	December 31, 2015		
	Within 1 year	More than 1 year	Total
Trade payables	Rs. 24,345,001	Rs. -	Rs. 24,345,001
Non-trade payables	9,716,387	-	9,716,387
Short-term borrowings(*)	8,710,373	-	8,710,373
Derivatives liabilities	1,355	-	1,355
Other payables	1,828,861	-	1,828,861
Long-term borrowings(*)	-	2,254,095	2,254,095
Long-term non-trade payables	-	710,090	710,090
	<u>Rs. 44,601,977</u>	<u>Rs. 2,964,185</u>	<u>Rs. 47,566,162</u>

(*) Expected interest expense included in maturity analysis.

Funding arrangements as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

		December 31, 2016	December 31, 2015
Borrowing limit commitments	Used	₩ 67,500,000	₩ 85,000,000
	Unused	<u>132,000,000</u>	<u>112,000,000</u>
	Total	<u>₩ 199,500,000</u>	<u>₩ 197,000,000</u>

(Unit: Indian rupee in thousands)

		December 31, 2016	December 31, 2015
Borrowing limit commitments	Used	Rs. 3,800,250	Rs. 4,785,500
	Unused	<u>7,431,600</u>	<u>6,305,600</u>
	Total	<u>Rs. 11,231,850</u>	<u>Rs. 11,091,100</u>

(6) Fair value of financial instruments

- 1) The Company's management deems that the difference between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost on financial statements is not significant.
- 2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs that are not based on observable market data

Fair values of financial instruments by hierarchy level as of December 31, 2016 and 2015, are as follows:

(Unit: Korean won in thousands)

Type	December 31, 2016			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 756,035	₩ -	₩ 756,035
Derivative liabilities designated to hedge item	-	5,798,806	-	5,798,806

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 1,707,695	₩ -	₩ 1,707,695
Derivative liabilities designated to hedge item	-	24,074	-	24,074

(Unit: Indian rupee in thousands)

Type	December 31, 2016			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 42,565	Rs. -	Rs. 42,565
Derivative liabilities designated to hedge item	-	326,473	-	326,473

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 96,143	Rs. -	Rs. 96,143
Derivative liabilities designated to hedge item	-	Rs. 1,355	Rs. -	Rs. 1,355

- 4) The Company measures the foreign exchange forward contract (derivative assets: ₩756,035 thousand (Rs. 42,565 thousand) and derivative liabilities: ₩5,798,806 thousand (Rs. 326,473 thousand) based on the forward rate announced officially in the market as of December 31, 2016. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

As input factors used in measuring market value of foreign exchange forward are from observable exchange forward rate, the Company classified the fair value of the foreign exchange forward as Level 2.