

SSANGYONG MOTOR COMPANY

SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011,
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying separate financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of December 31, 2012 and December 31, 2011, respectively, and the related separate statement of comprehensive income, separate statement of changes in stockholders' equity and separate statement of cash flows, all expressed in Korean won, for the years ended December 31, 2012 and 2011, respectively. The Company's management is responsible for the preparation and fair presentation of the separate financial statements and our responsibility is to express an opinion on these separate financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and December 31, 2011, respectively, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011, respectively, in conformity with K-IFRS.

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

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



March 11, 2013

Notice to Readers

This report is effective as of March 11, 2013, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

	Korean won		Indian- Rupee	
	December 31 , 2012	December 31, 2011	December 31 , 2012	December 31, 2011
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 35)	₩ 197,769,855	₩ 202,509,811	Rs. 10,244,478	Rs. 10,490,008
Trade and other receivables, net (Notes 7, 34 and 35)	223,530,412	175,943,753	11,578,876	9,113,886
Derivatives assets (Notes 27 and 35)	21,503,503	193,310	1,113,881	10,013
Inventories, net (Notes 8 and 26)	264,373,355	258,859,471	13,694,540	13,408,921
Other current assets (Note 10)	6,739,388	16,175,012	349,100	837,866
Total current assets	<u>713,916,513</u>	<u>653,681,357</u>	<u>36,980,875</u>	<u>33,860,694</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 35)	6,000	6,000	311	311
Non-current available-for-sale financial assets (Notes 6 and 35)	560,000	560,000	29,008	29,008
Non-current other receivables, net (Note 6 and 35)	30,171,905	37,593,793	1,562,905	1,947,358
Property, plant and equipment, net (Note 11)	1,051,358,997	1,038,426,146	54,460,396	53,790,475
Intangible assets (Note 12)	56,523,357	64,396,704	2,927,910	3,335,749
Investments in subsidiaries (Note 9)	4,720,009	4,456,554	244,496	230,849
Other non-current assets (Note 10)	360,542	569,242	18,676	29,487
Total non-current assets	<u>1,143,700,810</u>	<u>1,146,008,439</u>	<u>59,243,702</u>	<u>59,363,237</u>
TOTAL ASSETS	<u><u>1,857,617,323</u></u>	<u><u>1,799,689,796</u></u>	<u><u>96,224,577</u></u>	<u><u>93,223,931</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 19, 34 and 35)	580,411,368	401,121,176	30,065,309	20,778,077
Short-term borrowings (Notes 13, 19 and 35)	30,000,000	40,567,689	1,554,000	2,101,406
Provision for product warranties (Note 16)	46,214,861	47,093,611	2,393,930	2,439,449
Long-term employee benefits obligation	1,174,370	1,052,109	60,832	54,499
Other current liabilities (Notes 15, 17 and 35)	31,098,096	27,866,480	1,610,882	1,443,484
Total current liabilities	<u>₩ 688,898,695</u>	<u>₩ 517,701,065</u>	<u>Rs. 35,684,953</u>	<u>Rs. 26,816,915</u>

(Continued)

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

	Korean won		Indian- Rupee	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debtentures (Notes 19 and 35)	₩ 95,404,765	₩ 95,404,765	Rs. 4,941,967	Rs. 4,941,967
Other non-current payables(Note 35)	37,977,622	2,142,277	1,967,241	110,970
Non current liabilities (Notes 17)	8,270	8,270	428	428
Retirement benefit obligation (Note 18)	143,298,213	184,985,911	7,422,847	9,582,270
Other long-term employee benefits obligation	11,933,388	11,315,781	618,149	586,157
Provision for long-term product warranties (Note 16)	<u>72,384,068</u>	<u>74,914,225</u>	<u>3,749,496</u>	<u>3,880,558</u>
Total non-current liabilities	<u>361,006,326</u>	<u>368,771,229</u>	<u>18,700,128</u>	<u>19,102,350</u>
TOTAL LIABILITIES	<u>1,049,905,021</u>	<u>886,472,294</u>	<u>54,385,081</u>	<u>45,919,265</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 20)	613,373,205	609,809,205	31,772,732	31,588,117
Other capital surplus (Note 21)	122,584,976	125,496,967	6,349,901	6,500,743
Other capital adjustments(Note 22)	18,999,750	193,310	984,187	10,013
Retained earnings (accumulated deficit) (Notes 23 and 24)	<u>52,754,371</u>	<u>177,718,020</u>	<u>3,422,069</u>	<u>9,205,793</u>
TOTAL SHAREHOLDERS' EQUITY	<u>807,712,302</u>	<u>913,217,502</u>	<u>41,839,496</u>	<u>47,304,666</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,857,617,323</u>	<u>₩ 1,799,689,796</u>	<u>Rs. 96,224,577</u>	<u>Rs. 93,223,931</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean Won		Indian-Rupee	
	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
	(In thousands)		(In thousands)	
SALES (Notes 33 and 34)	₩ 2,863,805,547	₩ 2,773,120,073	Rs. 148,345,127	Rs. 143,647,620
COST OF SALES (Notes 26 and 34)	<u>2,526,439,713</u>	<u>2,456,694,947</u>	<u>130,869,577</u>	<u>127,256,798</u>
GROSS PROFIT	337,365,834	316,425,126	17,475,550	16,390,822
SELLING AND ADMINISTRATIVE EXPENSES (Notes 26 and 28)	<u>436,438,126</u>	<u>457,663,965</u>	<u>22,607,495</u>	<u>23,706,993</u>
OPERATING LOSS (Note 26)	(99,072,292)	(141,238,839)	(5,131,945)	(7,316,172)
NON-OPERATING INCOME (Note 29)	44,266,371	48,909,661	2,292,998	2,533,520
NON-OPERATING EXPENSES (Note 29)	62,808,136	60,996,381	3,253,461	3,159,613
FINANCIAL INCOME (Note 30)	26,244,582	56,307,534	1,359,469	2,916,730
FINANCIAL COST (Note 30)	<u>14,699,976</u>	<u>15,420,789</u>	<u>761,459</u>	<u>798,797</u>
LOSS BEFORE INCOME TAX	(106,069,451)	(112,438,814)	(5,494,398)	(5,824,331)
INCOME TAX EXPENSE (Note 25)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	(106,069,451)	(112,438,814)	(5,494,398)	(5,824,331)
OTHER COMPREHENSIVE LOSS	<u>(87,758)</u>	<u>(20,320,554)</u>	<u>(4,546)</u>	<u>(1,052,605)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ (106,157,209)</u>	<u>₩ (132,759,368)</u>	<u>Rs. (5,498,944)</u>	<u>Rs. (6,876,936)</u>
LOSS PER SHARE (Note 31) Basic and diluted loss per share	<u>₩ (867)</u>	<u>₩ (1,000)</u>	<u>Rs. (45)</u>	<u>Rs. (52)</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Korean won in thousands

	Other capital surplus							Retained earnings (accumulated deficit)	Total
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights	Debt to be swapped for equity	Other capital surplus	Other capital adjustments		
	(In thousands)								
Balance at January 1, 2011	182,688,005	4,170,771	805,577,535	29,474,043	1,009,430	-	-	(404,029,299)	618,890,485
Net loss	-	-	-	-	-	-	-	(112,438,814)	(112,438,814)
Actuarial losses	-	-	-	-	-	-	-	(20,513,864)	(20,513,864)
Capital increase with consideration	427,095,235	-	-	-	-	-	-	-	427,095,235
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	-	-
Deficit recovery	-	-	(685,225,954)	(29,474,043)	-	-	-	714,699,997	-
Stock issuance costs	-	(8,850)	-	-	-	-	-	-	(8,850)
gains on valuation of derivatives	-	-	-	-	-	-	193,310	-	193,310
Balance at December 31, 2011,	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,581</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ -</u>	<u>₩ 193,310</u>	<u>₩ 177,718,020</u>	<u>₩ 913,217,502</u>
Balance at January 1, 2012	609,809,205	4,213,878	120,351,581	-	931,508	-	193,310	177,718,020	913,217,502
Net loss	-	-	-	-	-	-	-	(106,069,451)	(106,069,451)
Actuarial losses	-	-	-	-	-	-	-	(18,894,198)	(18,894,198)
Capital increase with consideration	3,564,000	353,517	-	-	-	-	-	-	3,917,517
Stock issuance costs	-	(21,639)	-	-	-	-	-	-	(21,639)
Miscellaneous	-	-	-	-	-	(3,243,869)	-	-	(3,243,869)
gains on valuation of derivatives	-	-	-	-	-	-	18,806,440	-	18,806,440
Balance at December 31, 2012,	<u>₩ 613,373,205</u>	<u>₩ 4,545,756</u>	<u>₩ 120,351,581</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ (3,243,869)</u>	<u>₩ 18,999,750</u>	<u>₩ 52,754,371</u>	<u>₩ 807,712,302</u>

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SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Indian-Rupee in thousands									
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus	Consideration for conversion rights	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
	(In thousands)									
Balance at January 1, 2011	9,463,239	216,046	41,728,916	1,526,755	52,288	-	-	-	(20,928,717)	32,058,527
Net loss	-	-	-	-	-	-	-	-	(5,824,331)	(5,824,331)
Actuarial losses	-	-	-	-	-	-	-	-	(1,062,618)	(1,062,618)
Capital increase with consideration	22,123,533	-	-	-	-	-	-	-	-	22,123,533
Conversion of debt to equity	1,345	2,691	-	-	(4,036)	-	-	-	-	-
Deficit recovery	-	-	(35,494,704)	(1,526,755)	-	-	-	-	37,021,459	-
Stock issuance costs	-	(458)	-	-	-	-	-	-	-	(458)
gains on valuation of derivatives	-	-	-	-	-	-	-	10,013	-	10,013
Balance at December 31, 2011,	<u>Rs. 31,588,117</u>	<u>Rs. 218,279</u>	<u>Rs. 6,234,212</u>	<u>Rs. -</u>	<u>Rs. 48,252</u>	<u>Rs. -</u>	<u>Rs. 10,013</u>	<u>Rs. 10,013</u>	<u>Rs. 9,205,793</u>	<u>Rs. 47,304,666</u>
Balance at January 1, 2012	31,588,117	218,279	6,234,212	-	48,252	-	10,013	10,013	9,205,793	47,303,666
Net loss	-	-	-	-	-	-	-	-	(5,494,398)	(5,494,398)
Actuarial losses	-	-	-	-	-	-	-	-	(978,719)	(978,719)
Capital increase with consideration	184,615	18,312	-	-	-	-	-	-	-	202,927
Stock issuance costs	-	(1,121)	-	-	-	-	-	-	-	(1,121)
Miscellaneous	-	-	-	-	-	(168,032)	-	-	-	(168,032)
gains on valuation of derivatives	-	-	-	-	-	-	-	974,174	-	974,174
Balance at December 31, 2012,	<u>Rs. 31,772,732</u>	<u>Rs. 235,470</u>	<u>Rs. 6,234,212</u>	<u>Rs. -</u>	<u>Rs. 48,252</u>	<u>Rs. (168,032)</u>	<u>Rs. 984,187</u>	<u>Rs. 984,187</u>	<u>Rs. 2,732,676</u>	<u>Rs. 41,838,497</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean won		Indian-Rupee	
	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (106,069,451)	₩ (112,438,814)	Rs. (5,494,398)	Rs. (5,824,331)
Adjustment (Note 32)	197,913,326	125,991,127	10,251,910	6,526,340
Changes in net working capital (Note 32)	<u>56,480,668</u>	<u>186,802,628</u>	<u>2,925,699</u>	<u>9,676,376</u>
	148,324,543	200,354,941	7,683,211	10,378,385
Interests received	6,125,722	4,104,818	317,312	212,630
Interests paid	(8,886,715)	(6,985,481)	(460,332)	(361,848)
Dividend income received	<u>165,103</u>	<u>11,000</u>	<u>8,552</u>	<u>570</u>
Net cash provided by operating activities	<u>145,728,653</u>	<u>197,485,278</u>	<u>7,548,743</u>	<u>10,229,737</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	3,796,291	2,615,426	196,648	135,479
Disposal of property, plant and equipment	250,811	7,189,690	12,992	372,426
Decrease in other assets	<u>13,970</u>	<u>1,223,665</u>	<u>724</u>	<u>63,386</u>
	4,061,072	11,028,781	210,364	571,291
Cash outflows from investing activities:				
Increase in other receivables	2,445,000	870,000	126,651	45,066
Acquisition of property, plant and equipment	117,338,548	103,310,358	6,078,137	5,351,477
Acquisition of intangible assets	27,740,980	8,233,373	1,436,983	426,488
Acquisition of investments on subsidiary	263,455	-	13,647	-
Increase in other assets	-	4,010,012	-	207,719
	<u>(147,787,983)</u>	<u>(116,423,743)</u>	<u>(7,655,418)</u>	<u>(6,030,750)</u>
Net cash provided by(used in) in investing activities	<u>(143,726,911)</u>	<u>(105,394,962)</u>	<u>(7,445,054)</u>	<u>(5,459,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	-	40,932,185	-	2,120,287
Issuance of debentures	-	95,404,765	-	4,941,967
Capital increase with consideration	<u>3,917,517</u>	<u>374,763,556</u>	<u>202,927</u>	<u>19,412,752</u>
	3,917,517	511,100,506	202,927	26,475,006

(Continued)

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean won		Indian-Rupee	
	Year ended December 31, 2012 (In thousands)	Year ended December 31, 2011 (In thousands)	Year ended December 31, 2012 (In thousands)	Year ended December 31, 2011 (In thousands)
Cash outflows for financing activities:				
Redemption of borrowings	₩ 10,567,689	₩ 310,934,562	Rs. 547,406	Rs. 16,106,410
Redemption of current portion of long-term borrowings	-	-	-	-
Redemption of troubled debts	-	170,294,152	-	8,821,237
Stock issuance cost	21,639	8,850	1,121	458
	<u>(10,589,328)</u>	<u>(481,237,564)</u>	<u>(548,527)</u>	<u>(24,928,105)</u>
Net cash provided by (used in) financing activities	<u>(6,671,811)</u>	<u>29,862,942</u>	<u>(345,600)</u>	<u>1,546,901</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(69,886)</u>	<u>(9,612)</u>	<u>(3,620)</u>	<u>(498)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,739,955)	121,943,646	(245,531)	6,316,681
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>202,509,810</u>	<u>80,566,145</u>	<u>10,490,009</u>	<u>4,173,327</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>₩ 197,769,855</u>	<u>₩ 202,509,810</u>	<u>Rs. 10,244,478</u>	<u>Rs. 10,490,008</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. GENERAL:

(1) Company overview and recent changes in business environment

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

On February 6, 2009, Seoul Central District Court (the "Court") made a decision on a corporate reorganization for the Company and approved the relevant reorganization plan on December 17, 2009. Subsequently, an amended reorganization plan in accordance with the merger and acquisition agreement with Mahindra & Mahindra Ltd., which was executed on November 23, 2011, was passed by Congregation of Related Persons in the creditors' meeting held on January 28, 2012 and received the formal consent from the Court on January 31, 2012. In accordance with the amended plan, payments for the capital increase through third-party allotment of 427.1 billion won (17.084 billion rupee) and unguaranteed corporate bonds of 95.4 billion won (3.816 billion rupee) were made to the Company on February 8 and February 9, in 2012, respectively.

Furthermore, the Company repaid rehabilitation security rights and bonds upon the approval of the Court and submitted a request to terminate reorganization proceedings to the Court. The court receivership was terminated as the request for termination of reorganization proceedings was approved on March 14, 2012.

(2) Major shareholders

The Company's shareholders as of December 31, 2012 are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
Mahindra & Mahindra Ltd.	85,419,047	69.63
Others	37,255,594	30.37
	122,674,641	100.00

2. SIGNIFICANT ACCCOUNTING POLICIES:

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

(1) Basis of preparation

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

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

The principal accounting policies are set out below.

The Company maintains its official accounting records in Republic of Korean won (“Won”) and prepares separate financial statements in conformity with Korean International Reporting Standards (“K-IFRS”), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices

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

Amendments to K-IFRS 1107 Disclosures – Transfers of Financial Assets

The Company may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Company is exposed, description of the nature of the relationship between the transferred assets and the associated liabilities and carrying value of the associated liabilities. When the Company continues its involvement on the transferred assets although the transferred assets are derecognized in their entirety, the Company discloses the carrying amounts of the transferred assets and the associated liabilities and information showing how the maximum exposure to loss. The amendments do not have impact on the Company’s financial statement.

Amendments to K-IFRS 1001 – Presentation of Financial Statements

In accordance with the amendments to K-IFRS 1001 *Presentation of Financial Statements*, the Company presented operating income by deducting cost of sales and selling and administrative expenses from revenue line item. The amendments have been applied retrospectively for the comparative period. The amendments have been applied retrospectively, and hence the presentation of items of operating income have been modified as follows (Unit: Korean Won in thousands)

	December 31, 2012		December 31, 2011	
	Before	After	Before	After
Sales	2,863,805,547	2,863,805,647	2,773,120,073	2,773,120,073
Cost of sales	<u>2,526,439,713</u>	<u>2,526,439,713</u>	<u>2,456,694,947</u>	<u>2,456,694,947</u>
Selling and administrative expenses	436,438,126	436,438,126	457,663,966	457,663,966
Other operating income	44,266,371	-	48,909,662	-
Other operating expenses	<u>62,808,136</u>	<u>-</u>	<u>60,996,381</u>	<u>-</u>
Operating income	(117,614,057)	(99,072,292)	(153,525,559)	(141,238,840)
Non-operating income	-	44,266,371	-	48,909,662
Non-operating expenses	-	62,808,136	-	60,996,381
Financial income	26,244,582	26,244,582	56,307,533	56,307,533
Financial cost	<u>14,699,975</u>	<u>14,699,975</u>	<u>15,420,788</u>	<u>15,420,788</u>
Loss before income tax	<u>(106,069,451)</u>	<u>(106,069,451)</u>	<u>(112,438,814)</u>	<u>(112,438,814)</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012		December 31, 2011	
	Before	After	Before	After
Sales	148,345,127	148,345,127	143,647,620	143,647,620
Cost of sales	<u>130,869,577</u>	<u>130,869,577</u>	<u>127,256,798</u>	<u>127,256,798</u>
Selling and administrative expenses	22,607,495	22,607,495	23,706,993	23,706,993
Other operating income	2,292,998	-	2,553,520	-
Other operating expenses	<u>3,253,461</u>	<u>-</u>	<u>3,159,613</u>	<u>-</u>
Operating income	(6,092,408)	(5,131,945)	(7,942,264)	(7,316,171)
Non-operating income	-	2,292,998	-	2,553,520
Non-operating expenses	-	3,253,461	-	3,159,613
Financial income	1,359,469	1,359,469	2,916,730	2,916,730
Financial cost	<u>761,459</u>	<u>761,459</u>	<u>798,797</u>	<u>798,797</u>
Loss before income tax	<u>(5,494,398)</u>	<u>(5,494,398)</u>	<u>(5,824,331)</u>	<u>(5,824,331)</u>

Amendments to K-IFRS 1012 – Income Taxes

The Company has applied the amendments to K-IFRS 1012 *Income Taxes* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with K-IFRS 1040 *Investment Property* are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. Also, the Company recognizes deferred income tax assets and deferred income tax liabilities on investment properties that were revalued in accordance with K-IFRS 1016 *Property, Plant and Equipments*, under a business model whose objective is to consume substantially all of the economic benefits embodied through sales. The amendments do not have impact on the Company's separate financial statements.

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 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments are effective annual periods beginning on or after July 1, 2012. The Company does not anticipate that these amendments referred above will have a significant effect on the Company's separate financial statements and disclosures.

Amendments to K-IFRS 1019 – Employee Benefits

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and the accelerate the recognition of past service costs. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that these amendments referred above will have a significant effect on the Company's separate financial statements and disclosures.

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

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

Company's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014. The Company does not anticipate that these amendments referred above will have a significant effect on the Company's separate financial statements and disclosures.

Amendments to K-IFRS 1107 – Financial Instruments: Disclosures

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that these amendments referred above will have a significant effect on the Company's separate financial statements and disclosures.

K-IFRS 1113 Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is reviewing the impact of the application of this standard on the financial statements.

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

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

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩ 1 to Rs. 0.0518 at December 31, 2012), solely for the convenience of the reader. These convenience translations into Indian-Rupees should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

(2) Accounting for investments in subsidiaries

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

(3) Revenue recognition

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

1) Sale of goods

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

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

Sales of goods that result in award credits for customers, under the Company's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

2) Rendering of services

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

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

3) Dividend and Interest income

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

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

(4) Foreign currencies

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

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

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

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

For the purpose of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are expressed in Currency Units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or

loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(5) Financial assets

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

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

1) Effective interest method

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

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

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

A financial asset is classified as held for trading if:

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

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

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

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

3) Held-to-maturity investments

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

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

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

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

5) Loans and receivables

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

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

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

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

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

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

7) Derecognition of financial assets

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

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

1) Classification as debt or equity

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

2) Equity instruments

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

3) Financial liabilities

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

4) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

5) Other financial liabilities

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

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

6) Derecognition of financial liabilities

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

(7) Derivative financial instruments

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

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

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

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of

comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

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

(8) Inventories

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

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

(9) Property, plant and equipment

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

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

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

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

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

(10) Intangible assets

Capitalized development cost

Expenditures on development activities are capitalized only when the result of a development plan is aimed at a development of a new product or for enhancement of capacity, there is high technical and commercial feasibility and the resources attributable to the development can be reliably measured. Capitalized expenditures on development activities include costs of raw materials, direct labor and overhead that were reasonably allocated. Capitalized development-related expenditures are recognized net of accumulated amortization and impairment losses. Development cost is amortized over the estimated useful life using the straight-line method and the amortization

expense is recognized in profit or loss. Expenditures related to development that do not satisfy the aforementioned criteria are recognized as an expense when occurred.

Membership

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

Other intangible assets

Patents, trademark rights and software for internal use are recognized at cost and amortized over the useful lives of 1 to 10 years using the straight-line method. When there is an indication of impairment, the Company assesses a carrying value of the asset, and in case the assessed value exceeds the recoverable amount, it reduces the carrying value of the asset to the recoverable amount.

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

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

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

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

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

(12) Defined benefit obligation

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

(13) Provisions and contingent liabilities

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

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

value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

(14) Lease

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

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

(15) Borrowing costs

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

(16) Government Subsidies

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

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

(17) Income tax expense and deferred income tax

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

1) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current income tax is

calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period

2) Deferred income tax

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

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

3) Current and deferred income tax for the year

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

(18) Segment information

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

(1) Provision for product warranties

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

(2) Retirement benefit obligation

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

4. CASH AND CASH EQUIVALENTS:

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

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	Financial institution	December 31, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 1,084,501	₩ 1,249,811	Government subsidies and others
	Woori Bank and others	14,848,647	14,415,666	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	Overdraft deposit
		<u>₩ 15,939,148</u>	<u>₩ 15,671,477</u>	

(Unit: Indian-Rupee in thousands):

	Financial institution	December 31, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 56,177	Rs. 64,740	Government subsidies and others
	Woori Bank and others	769,160	746,731	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	311	311	Overdraft deposit
		<u>Rs. 825,648</u>	<u>Rs. 811,782</u>	

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

The Company's long-term available-for-sale financial assets as of December 31, 2012 and 2011 are as follows: (Unit: Korean Won in thousands):

Classification	Ownership (%)	December 31, 2012		December 31, 2011	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 656,031	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	351,402	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,007,433</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	December 31, 2012		December 31, 2011	
		Acquisition Cost	Net asset Value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 25,900	Rs. 33,982	Rs. 25,900	Rs. 25,900
Korea Management Consultants Association (*)	1.50%	3,108	18,203	3,108	3,108
		<u>Rs. 29,008</u>	<u>Rs. 52,185</u>	<u>Rs. 29,008</u>	<u>Rs. 29,008</u>

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

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from December 31, 2012 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, 2012 and 2011 are as follows (Unit: Korean Won in thousands):

<u>Financial liabilities</u>	December 31, 2012			
	<u>Trade Receivables</u>	<u>Non-trade Receivables</u>	<u>Other receivables</u>	<u>Other long-term receivables</u>
Receivables – general	₩ 179,340,351	₩ 22,201,754	₩ 3,041,886	₩ 30,341,837
Receivables due from affiliated parties	17,823,315	5,150,572	-	-
Less: Allowance for doubtful accounts	(1,061,540)	(965,595)	(330)	(169,932)
	<u>₩ 196,102,126</u>	<u>₩ 24,386,731</u>	<u>₩ 3,041,556</u>	<u>₩ 30,171,905</u>

<u>Financial liabilities</u>	December 31, 2011			
	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>
Receivables – general	₩ 135,269,027	₩ 27,087,061	₩ 2,641,256	₩ 37,996,784
Receivables due from affiliated parties	9,390,769	4,770,122	-	232
Less: Allowance for doubtful accounts	(1,193,267)	(2,019,821)	(1,394)	(403,223)
	<u>₩ 143,466,529</u>	<u>₩ 29,837,362</u>	<u>₩ 2,639,862</u>	<u>₩ 37,593,793</u>

(Unit: Indian-Rupee in thousands):

<u>Financial liabilities</u>	December 31, 2012			
	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>
Receivables – general	Rs. 9,289,830	Rs. 1,046,451	Rs. 157,570	Rs. 1,571,707
Receivables due from affiliated parties	923,248	266,800	-	-
Less: Allowance for doubtful accounts	(54,988)	(50,018)	(17)	(8,802)
	<u>Rs. 10,158,090</u>	<u>Rs. 1,263,233</u>	<u>Rs. 157,553</u>	<u>Rs. 1,562,905</u>

<u>Financial liabilities</u>	December 31, 2011			
	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>	<u>Trade Receivables</u>
Receivables – general	Rs. 7,006,936	Rs. 1,403,110	Rs. 136,817	Rs. 1,986,233
Receivables due from affiliated parties	486,442	247,092	-	12
Less: Allowance for doubtful accounts	(61,811)	(104,627)	(72)	(20,887)
	<u>Rs. 7,431,567</u>	<u>Rs. 1,545,575</u>	<u>Rs. 136,745</u>	<u>Rs. 1,947,358</u>

(2) Credit risk and allowance for doubtful accounts

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

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

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

analysis, the Company estimates an allowance based on the historical loss rates.

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

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of December 31, 2012 and 2011 are as follows (Unit: Korean Won in thousands):

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

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,568,793	₩ 4,444,478	₩ 20,660	₩ 7,033,931
Non-trade receivables	218,450	22,279	4,535,946	4,776,675
	<u>₩ 2,787,243</u>	<u>₩ 4,772,031</u>	<u>₩ 4,556,606</u>	<u>₩ 11,810,606</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 105,241	Rs. 223,429	Rs. 62,674	Rs. 391,344
Non-trade receivables	36,746	23,762	223,413	283,921
Other long-term receivables	-	-	5,348	5,348
	<u>Rs. 141,987</u>	<u>Rs. 247,191</u>	<u>Rs. 291,435</u>	<u>Rs. 680,613</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 133,063	Rs. 230,224	Rs. 1,071	Rs. 364,358
Non-trade receivables	11,316	1,154	234,962	247,432
	<u>Rs. 144,379</u>	<u>Rs. 231,378</u>	<u>Rs. 236,033</u>	<u>Rs. 611,790</u>

Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue but are impaired as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

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

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ 12,293	₩ 12,293
Non-trade receivables	-	-	2,011,543	2,011,543
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,023,836</u>	<u>₩ 2,023,836</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. 49,789	Rs. 49,789
Non-trade receivables	-	-	-	-
Other long-term receivables	-	-	2,292	2,292
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 52,081</u>	<u>Rs. 52,081</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. 637	Rs. 637
Non-trade receivables	-	-	104,198	104,198
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 104,835</u>	<u>Rs. 104,835</u>

(3) Changes in allowance for trade and other receivables for the years ended december 31, 2012 and 2011 is as follows (Unit: Korean won in thousands):

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

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

Classification	Year ended December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 2,348,682	₩ 2,057,840	₩ 13,584	₩ 89,318
Bad debt expense	-	3,059	470	398,681
Write-offs	-	(3,059)	-	(583)
Reversal of allowance	(1,155,415)	(38,019)	(12,660)	(84,193)
Ending balance	<u>₩ 1,193,267</u>	<u>₩ 2,019,821</u>	<u>₩ 1,394</u>	<u>₩ 403,223</u>

(Unit: Indian-Rupee in thousands):

Classification	Year ended December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 61,811	Rs. 104,627	Rs. 72	Rs. 20,887
Bad debt expense	-	-	-	2,295
Write-offs	-	(36,985)	-	-
Reversal of allowance (*)	(6,823)	(17,624)	(55)	(14,379)
Ending balance	<u>Rs. 54,988</u>	<u>Rs. 50,018</u>	<u>Rs. 17</u>	<u>Rs. 8,803</u>

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

Classification	Year ended December 31, 2011			
	Trad receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 121,662	Rs. 106,596	Rs. 704	Rs. 4,627
Bad debt expense	-	158	24	20,652
Write-offs	-	(158)	-	(30)
Reversal of allowance	(59,850)	(1,969)	(656)	(4,361)
Ending balance	Rs. 61,812	Rs. 104,627	Rs. 72	Rs. 20,888

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

8. INVENTORIES:

Details of the inventories as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	December 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 51,234,457	₩ (509,816)	₩ 50,724,641	₩ 47,095,880	₩ (1,635,191)	₩ 45,460,689
Finished goods	34,719,883	(3,838,867)	30,881,016	40,715,388	(2,519,949)	38,195,439
Work-in-process	22,463,202	(1,104,219)	21,358,983	27,910,491	(1,411,191)	26,499,300
Raw materials	92,839,434	(5,924,608)	86,914,826	73,442,261	(6,769,758)	66,672,503
Sub-materials	6,282,422	-	6,282,422	7,253,748	-	7,253,748
Supplies	4,642,578	(2,212)	4,640,366	4,609,418	(2,212)	4,607,206
Goods in transit	63,571,101	-	63,571,101	70,170,587	-	70,170,587
Total	₩ 275,753,077	₩ (11,379,722)	₩ 264,373,355	₩ 271,197,773	₩ (12,338,301)	₩ 258,859,472

(Unit: Indian-Rupee in thousands):

	December 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,653,945	Rs. (26,408)	Rs. 2,627,537	Rs. 2,439,567	Rs. (84,703)	Rs. 2,354,864
Finished goods	1,798,490	(198,853)	1,599,637	2,109,057	(130,533)	1,978,524
Work-in-process	1,163,594	(57,199)	1,106,395	1,445,763	(73,099)	1,372,664
Raw materials	4,809,083	(306,895)	4,502,188	3,804,309	(350,673)	3,453,636
Sub-materials	325,429	-	325,429	375,744	-	375,744
Supplies	240,486	(115)	240,371	238,768	(115)	238,653
Goods in transit	3,292,983	-	3,292,983	3,634,836	-	3,634,836
Total	Rs. 14,284,010	Rs. (589,470)	Rs. 13,694,540	Rs. 14,048,044	Rs. (639,123)	Rs. 13,408,921

The company is using the “lower of cost or market method” on the balance sheet in the case of inventories’ market value decrease under the acquisition cost. On the other hand, losses on valuation of inventories which was added to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩4,926,086 thousands (Rs 255,171 thousands).

9. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries

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

Name of subsidiary	Location	Ownership %	December 31, 2012	
			Acquisition cost	Book value (*1)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	₩ 1,618,803	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd. (*2)	China	100	1,289,417	1,780,377
Ssangyong European Parts Center B.V.	Netherland	100	835,695	-
			<u>₩ 3,743,915</u>	<u>₩ 4,720,009</u>

(Unit: Indian-Rupee in thousands)

Name of subsidiary	Location	Ownership %	December 31, 2012	
			Acquisition cost	Book value
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100	Rs. 83,854	Rs. 152,273
Ssangyong Motor (Shanghai) Co., Ltd. (*)	China	100	66,792	92,224
Ssangyong European Parts Center B.V.	Netherland	100	43,289	-
			<u>Rs. 193,935</u>	<u>Rs. 244,497</u>

(*) The Company has acquired the Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. stocks held by Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. amounted to ₩263,455 thousands (Rs. 13,647 thousands) as of December 31, 2012.

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries as of and for the year ended December 31, 2012 is as follows (Unit: Korean won in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 1,984,487	₩ -	₩ 3,140,864	₩ (174,928)
Ssangyong Motor (Shanghai) Co., Ltd	2,868,270	596,456	2,473,921	(453,553)
Ssangyong European Parts Center B.V.	9,128,065	13,575,167	13,702,148	123,228

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 102,796	Rs. -	Rs. 162,697	Rs. (9,061)
Ssangyong Motor (Shanghai) Co., Ltd	148,576	30,896	128,149	(23,494)
Ssangyong European Parts Center B.V.	472,834	703,194	709,771	6,383

(3) Summarized statements of financial position with the application of equity method as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current assets	₩ 713,916,513	₩ 653,681,356	Rs. 36,980,875	Rs. 33,860,694
Non-current assets	1,143,311,704	1,146,910,433	59,223,546	59,409,960
Total assets	<u>1,857,228,217</u>	<u>1,800,591,789</u>	<u>96,204,421</u>	<u>93,270,654</u>
Current liabilities	688,898,695	517,701,065	35,684,951	26,816,915
Non-current liabilities	361,006,325	368,771,229	18,700,128	19,102,350
Total liabilities	<u>1,049,905,020</u>	<u>886,472,294</u>	<u>54,385,079</u>	<u>45,919,265</u>
Total shareholders' equity	<u>807,323,197</u>	<u>914,119,495</u>	<u>41,819,342</u>	<u>47,351,390</u>
Total liabilities and shareholders' equity	<u>₩ 1,857,228,217</u>	<u>₩ 1,800,591,789</u>	<u>Rs. 96,204,421</u>	<u>Rs. 93,270,654</u>

(4) Summarized statements of comprehensive loss with application of equity method for the years ended december 31, 2012 and 2011 are as follows

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Operating income(loss)	₩ (99,072,292)	₩ (141,238,840)	Rs. (5,131,945)	Rs. (7,316,172)
Other operating profit	44,266,371	48,909,662	2,292,998	2,533,520
Other operating loss	62,808,136	60,996,381	3,253,461	3,159,612
Financial income	25,861,619	55,367,169	1,339,632	2,868,019
Financial cost	14,699,976	15,420,789	761,459	798,797
Loss on valuation of investment using the equity method of accounting	(622,458)	1,377,031	(32,243)	71,330
Loss before income tax	<u>(107,074,872)</u>	<u>(112,002,148)</u>	<u>(5,546,478)</u>	<u>(5,801,712)</u>
Income taxes	-	-	-	-
Net loss	<u>(107,074,872)</u>	<u>(112,002,148)</u>	<u>(5,546,478)</u>	<u>(5,801,712)</u>
Other comprehensive loss	(46,525)	(20,186,955)	(2,410)	(1,045,684)
Total other comprehensive loss	<u>₩ (107,121,397)</u>	<u>₩ (132,189,103)</u>	<u>Rs. (5,548,888)</u>	<u>Rs. (6,847,396)</u>

The Company discontinued applying the equity method on Ssangyong European Parts Center B.V., since the net book value of investments in this subsidiary was valued at zero due to accumulated loss; this was used as deemed cost on transition date. Meanwhile, the unrecognized accumulated change in equity would have amounted to ₩6,577,294 thousands (Rs. 340,704 thousands) assuming that equity method had been applied until Dec 31, 2012.

10. OTHER ASSETS:

The carrying values of the Company's other assets as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

Account	December 31, 2012		December 31, 2011	
Other current assets				
Advance payments	₩	3,343,151	₩	12,946,343
Less: Allowance for doubtful accounts		(12,285)		(72,869)
Prepaid expenses		2,590,858		2,748,375
Income tax refundable		817,664		553,163
		<u>6,739,388</u>		<u>16,175,012</u>
Other non-current assets				
Long-term prepaid expenses		-		207,628
Other non-current assets		360,542		361,614
	<u>₩</u>	<u>360,542</u>	<u>₩</u>	<u>569,242</u>

(Unit: Indian-Rupee in thousands):

Account	December 31, 2012		December 31, 2011	
Other current assets				
Advance payments	Rs.	173,175	Rs.	670,621
Less: Allowance for doubtful accounts		(636)		(3,775)
Prepaid expenses		134,206		142,366
Other current assets		42,355		28,654
		349,100		837,866
Other non-current assets				
Long-term prepaid expenses		-		10,755
Other non-current assets		18,676		18,732
	Rs.	18,676	Rs.	29,487

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 496,644,702
Buildings	518,052,585	1,743,291	167,223,845	148,652,850	200,432,599
Structures	107,121,068	196,654	59,473,892	29,817,703	17,632,819
Machinery	1,221,639,910	998,695	1,009,908,022	99,698,180	111,035,013
Vehicles	10,767,609	-	7,156,946	1,467,948	2,142,715
Tools and molds	810,373,198	57,221	449,941,667	164,093,871	196,280,439
Equipment	54,998,331	49,319	32,767,183	5,313,162	16,868,667
Construction in progress	37,322,042	-	-	-	37,322,042
	₩3,229,919,445	₩ 3,045,180	₩ 1,726,471,555	₩ 449,043,714	₩ 1,051,358,996
	December 31, 2011				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	506,326,230	1,828,072	158,258,412	148,713,692	197,526,054
Structures	105,540,140	215,212	58,002,840	29,850,469	17,471,619
Machinery	1,210,350,462	1,127,864	981,024,607	100,089,697	128,108,294
Vehicles	11,389,549	3	7,315,731	1,581,432	2,492,383
Tools and molds	742,363,803	85,803	397,546,437	164,184,360	180,547,203
Equipment	49,653,310	46,417	33,027,963	5,779,001	10,799,929
Construction in progress	31,748,336	-	-	-	31,748,336
Machinery in transit	87,626	-	-	-	87,626
	₩3,127,104,158	₩ 3,303,371	₩ 1,635,175,990	₩ 450,198,651	₩ 1,038,426,146

(Unit: Indian-Rupee in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 24,327,596	Rs. -	Rs. -	Rs. -	Rs. 24,327,596
Buildings	26,835,124	90,302	8,662,195	7,700,218	10,382,409
Structures	5,548,871	10,187	3,080,748	1,544,556	913,380
Machinery	63,280,947	51,732	52,313,236	5,164,365	5,751,614
Vehicles	557,762	-	370,730	76,040	110,992
Tools and molds	41,977,332	2,964	23,306,978	8,500,063	10,167,327
Equipment	2,848,914	2,555	1,697,340	275,222	873,797
Construction in progress	1,933,282	-	-	-	1,933,282
Machinery in transit	-	-	-	-	-
	<u>Rs. 167,309,828</u>	<u>Rs. 157,740</u>	<u>Rs. 89,431,227</u>	<u>Rs. 23,260,464</u>	<u>Rs. 54,460,396</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 24,327,596	Rs. -	Rs. -	Rs. -	Rs. 24,327,596
Buildings	26,227,699	94,694	8,197,786	7,703,369	10,231,850
Structures	5,466,979	11,148	3,004,547	1,546,254	905,030
Machinery	62,696,154	58,423	50,817,075	5,184,646	6,636,010
Vehicles	589,978	-	378,955	81,918	129,105
Tools and molds	38,454,445	4,445	20,592,905	8,504,750	9,352,345
Equipment	2,572,041	2,405	1,710,848	299,352	559,436
Construction in progress	1,644,564	-	-	-	1,644,564
Machinery in transit	4,539	-	-	-	4,539
	<u>Rs. 161,983,995</u>	<u>Rs. 171,115</u>	<u>Rs. 84,702,116</u>	<u>Rs. 23,320,289</u>	<u>Rs. 53,790,475</u>

(2) Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2012 and December 31, 2011 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2012					
	Beginning balance	Acquisition(*)	Disposal	Other	Depreciation(**)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,054	5,502,758	2,432	6,371,091	8,964,872	200,432,599
Structures	17,471,619	1,690,239	11,631	(1,281)	1,516,127	17,632,819
Machinery	128,108,292	6,025,633	29,835	10,146,028	33,215,105	111,035,013
Vehicles	2,492,383	250,718	33,624	(1,829)	564,934	2,142,714
Tools and molds	180,547,205	28,718,136	44,918	42,692,012	55,631,995	196,280,440
Equipment	10,799,929	9,243,636	146,469	353,986	3,382,415	16,868,667
Construction in progress	31,748,336	63,607,453	751,429	(56,742,318)	-	37,322,042
Machinery in transit	87,626	2,759,525	-	(2,883,151)	-	-
	<u>₩ 1,038,426,146</u>	<u>₩ 117,294,098</u>	<u>₩ 1,020,338</u>	<u>₩ (65,462)</u>	<u>₩ 103,275,448</u>	<u>₩ 1,051,358,996</u>

(*) Acquisition cost of machinery and equipment amount of ₩43,575 in thousands (Rs. 2,257 thousands) and ₩875 (Rs. 45 thousands) in thousands are excluded from the acquisition cost, respectively.

(**) Depreciation cost of suspended assets amount of ₩66,421 (Rs. 3,441 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow.

Year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	₩ 472,348,135	₩ -	₩ 3,171,965	₩ 468,532	₩ -	₩ 469,644,702
Buildings	199,962,373	4,013,950	900,380	2,985,266	8,535,155	197,526,054
Structures	18,225,114	1,275,549	439,326	(130,213)	1,459,505	17,471,619
Machinery	141,607,790	7,698,000	16,222	10,245,421	31,426,697	128,108,292
Vehicles	1,435,320	1,718,505	29,811	(1,948)	629,683	2,492,383
Tools and molds	173,542,418	24,482,892	43,463	28,945,198	46,379,840	180,547,205
Equipment	6,499,837	6,451,490	80,864	(3,814)	2,066,720	10,799,929
Construction in progress	16,413,955	54,098,401	188,733	(38,575,287)	-	31,748,336
Machinery in transit	-	3,571,571	-	(3,483,945)	-	87,626
	<u>₩ 1,030,034,942</u>	<u>₩ 103,310,358</u>	<u>₩ 4,870,764</u>	<u>₩ 449,210</u>	<u>₩ 90,497,600</u>	<u>₩ 1,038,426,146</u>

(*) Depreciation cost of suspended assets amount of ₩19,223(Rs. 996 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow.

(Unit: Indian-Rupee in thousands):

Year ended December 31, 2012						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 24,327,596	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 24,327,596
Buildings	10,231,850	285,043	126	330,022	464,380	10,382,409
Structures	905,030	87,554	602	(67)	78,535	913,380
Machinery	6,636,010	312,128	1,545	525,563	1,720,542	5,751,614
Vehicles	129,105	12,987	1,742	(94)	29,264	110,992
Tools and molds	9,352,345	1,487,599	2,327	2,211,447	2,881,737	10,167,327
Equipment	559,436	478,820	7,587	18,337	175,209	873,797
Construction in progress	1,644,564	3,266,894	38,924	(2,939,252)	-	1,933,282
Machinery in transit	4,539	144,808	-	(149,347)	-	-
	<u>Rs. 53,790,475</u>	<u>Rs. 6,075,833</u>	<u>Rs. 52,853</u>	<u>Rs. (3,391)</u>	<u>Rs. 5,349,667</u>	<u>Rs. 54,460,396</u>

Year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 24,467,633	Rs. -	Rs. 164,308	Rs. 24,271	Rs. -	Rs. 24,327,596
Buildings	10,358,051	207,923	46,640	154,637	442,121	10,231,850
Structures	944,061	66,073	22,757	(6,745)	75,602	905,030
Machinery	7,335,284	398,756	840	530,713	1,627,903	6,636,010
Vehicles	74,350	89,019	1,544	(102)	32,618	129,105
Tools and molds	8,989,497	1,268,214	2,251	1,499,361	2,402,476	9,352,345
Equipment	336,692	334,187	4,189	(198)	107,056	559,436
Construction in progress	850,243	2,802,297	9,776	(1,998,200)	-	1,644,564
Machinery in transit	-	185,007	-	(180,468)	-	4,539
	<u>Rs. 53,355,811</u>	<u>Rs. 5,351,476</u>	<u>Rs. 252,305</u>	<u>Rs. 23,269</u>	<u>Rs. 4,687,776</u>	<u>Rs. 53,790,475</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of December 31, 2012 are as follows (won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 464,918,494	195 billion Korean
Buildings	150-3 (factory site) and others	183,670,343	Won
Machinery and others	Pyeongtaek plant production facilities	49,572,754	
		<u>₩ 698,161,591</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 24,082,778	10.1 billion rupee
Buildings	150-3 (factory site) and others	9,514,124	
Machinery and others	Pyeongtaek plant production facilities	2,567,869	
		<u>Rs. 36,164,771</u>	

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 204,311,183	₩ -	₩ 156,314,870	₩ -	₩ 47,996,313
Patents	2,003,315	1,718	1,315,805	27,726	658,066
Other intangible assets	15,732,099	88,169	7,088,154	686,797	7,868,979
	<u>₩ 222,046,597</u>	<u>₩ 89,887</u>	<u>₩ 164,718,829</u>	<u>₩ 714,523</u>	<u>₩ 56,523,358</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 181,940,629	₩ -	₩ 123,176,033	₩ -	₩ 58,764,596
Patents	1,753,170	-	1,041,499	10,562	701,109
Other intangible assets	10,611,863	251,773	5,429,091	-	4,930,999
	<u>₩ 194,305,662</u>	<u>₩ 251,773</u>	<u>₩ 129,646,623</u>	<u>₩ 10,562</u>	<u>₩ 64,396,704</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 10,583,319	Rs. -	Rs. 8,097,110	Rs. -	Rs. 2,486,209
Patents	103,772	89	68,159	1,436	34,088
Other intangible assets	814,923	4,567	367,166	35,576	407,614
	<u>Rs. 11,502,014</u>	<u>Rs. 4,656</u>	<u>Rs. 8,532,435</u>	<u>Rs. 37,012</u>	<u>Rs. 2,927,911</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 9,424,525	Rs. -	Rs. 6,380,519	Rs. -	Rs. 3,044,006
Patents	90,814	-	53,950	547	36,317
Other intangible assets	549,695	13,042	281,227	-	255,426
	<u>Rs. 10,065,034</u>	<u>Rs. 13,042</u>	<u>Rs. 6,715,696</u>	<u>Rs. 547</u>	<u>Rs. 3,335,749</u>

(2) Changes in intangible assets for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

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

	Year ended December 31, 2011					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance	
Development cost	₩ 84,043,459	₩ 5,931,843	₩ 31,210,706	₩ -	₩ 58,764,596	
Patents	603,569	414,523	306,421	10,562	701,109	
Other intangible assets	4,524,104	1,887,007	1,480,112	-	4,930,999	
	<u>₩ 89,171,132</u>	<u>₩ 8,233,373</u>	<u>₩ 32,997,239</u>	<u>₩ 10,562</u>	<u>₩ 64,396,704</u>	

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2012					
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,044,006	Rs. 1,158,795	Rs. -	Rs. 1,716,592	Rs. -	Rs. 2,486,209
Patents	36,317	12,960	91	14,209	889	34,088
Other intangible assets	255,426	265,228	2,209	75,256	35,576	407,613
	<u>Rs. 3,335,749</u>	<u>Rs. 1,436,983</u>	<u>Rs. 2,300</u>	<u>Rs. 1,806,057</u>	<u>Rs. 36,465</u>	<u>Rs. 2,927,910</u>

	Year ended December 31, 2011					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance	
Development cost	Rs. 4,353,451	Rs. 307,270	Rs. 1,616,715	Rs. -	Rs. 3,044,006	
Patents	31,265	21,472	15,873	547	36,317	
Other intangible assets	234,349	97,747	76,670	-	255,426	
	<u>Rs. 4,619,065</u>	<u>Rs. 426,489</u>	<u>Rs. 1,709,258</u>	<u>Rs. 547</u>	<u>Rs. 3,335,749</u>	

(3) Amortization of the Company's intangible assets for the years ended december 31, 2012 and 2011 is as follows.

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Cost of goods manufactured	₩ 32,775,502	₩ 31,113,762	Rs. 1,697,771	Rs. 1,611,693
Selling and administrative expenses	2,090,462	1,883,477	108,286	97,564
	<u>₩ 34,865,964</u>	<u>₩ 32,997,239</u>	<u>Rs. 1,806,057</u>	<u>Rs. 1,709,257</u>

13. BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2012 and 2011 consist of the following (Unit: Korean won in thousands):

<u>Creditor</u>	<u>Type</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Korea Development Bank	Operating fund	CD 3.5%	₩ 30,000,000	₩ 30,000,000
Korea Development Bank	Banker's usance	EUR: 3.45% USD: 2.25% JPY: 2.14%	-	10,567,689
			<u>₩ 30,000,000</u>	<u>₩ 40,567,689</u>

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>kind</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Korea Development Bank	Operating fund	CD 3.5%	Rs. 1,554,000	Rs. 1,554,000
Korea Development Bank	Banker's usance	EUR: 3.45% USD: 2.25% JPY: 2.14%	-	547,406
			<u>Rs. 1,554,000</u>	<u>Rs. 2,101,406</u>

(2) The Company's bonds and current portion of long-term borrowings as of December 31, 2012 and 2011 consist of the following (Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	Rs. 4,941,967	Rs. 4,941,967

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

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (10.1 billion Rupee)

14. DEBT RESTRUCTURING:

The Company completed its debt restructuring, in accordance with the Court approval of the Company's reorganization plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩421,335,095 thousands (Rs. 21,825,158 thousands) as of December 31, 2011. In addition, the Company recognized a gain on exemption of debts amounting to ₩49,047,989 thousands (Rs. 2,540,686 thousands) for the year ended December 31, 2011, according to the revised corporate reorganization plan approved on January 28, 2011.

15. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of December 31, 2012 and 2011 are as follows:

<u>Classification</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Other current financial liabilities:				
Accrued expenses	₩ 16,409,144	₩ 16,599,583	Rs. 849,994	Rs. 859,858

16. 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, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>	<u>Non-current</u>
Dec. 31, 2012	₩ 122,007,836	₩ 69,299,562	₩ 72,708,469	₩ 118,598,929	₩ 46,214,861	₩ 72,384,068
Dec. 31, 2011	₩ 77,265,249	₩ 101,046,995	₩ 56,304,408	₩ 122,007,836	₩ 47,093,611	₩ 74,914,225

(Unit: Indian-Rupee in thousands):

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>	<u>Non-current</u>
Dec. 31, 2012	Rs. 6,320,006	Rs. 3,589,717	Rs. 3,766,298	Rs. 6,143,425	Rs. 2,393,930	Rs. 3,749,495
Dec. 31, 2011	Rs. 4,002,340	Rs. 5,324,234	Rs. 2,916,568	Rs. 6,320,006	Rs. 2,439,449	Rs. 3,880,557

17. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Company's other liabilities as of December 31, 2012 and 2011 are as follows:

<u>Classification</u>	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Other liabilities				
Advances from customers	₩ 6,712,542	₩ 5,730,529	Rs. 347,710	Rs. 296,841
Deposits received	436,043	469,498	22,587	24,320
Withholdings	16,778,055	17,578,565	869,103	910,570
Income in advance	7,171,457	4,087,888	371,481	211,753
	<u>₩ 31,098,097</u>	<u>₩ 27,866,480</u>	<u>Rs. 1,610,881</u>	<u>Rs. 1,443,484</u>
Other Long-term liabilities				
Withholdings	₩ 8,270	₩ 8,270	Rs. 428	Rs. 428

18. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the company's financial statements configuration items as of December 31, 2012 and 2011 are as follows :

<u>Classification</u>	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Present value of defined benefit obligation	₩ 144,823,054	₩ 188,058,593	Rs. 7,501,834	Rs. 9,741,435
Fair value of plan assets	(1,524,841)	(3,072,683)	(78,987)	(159,165)
	<u>₩ 143,298,213</u>	<u>₩ 184,985,910</u>	<u>Rs. 7,422,847</u>	<u>Rs. 9,582,270</u>

(2) Details of defined benefit plan recognized on the statements of operations for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Current service cost	₩	23,056,507	₩	19,571,687
Interest cost		7,393,121		8,541,555
Expected return on plan assets		(93,578)		(160,971)
Previous service cost		1,163,872		-
Curtailement cost		(1,594,787)		-
	₩	<u>29,925,135</u>	₩	<u>27,952,271</u>
			Rs.	<u>1,194,327</u>
			Rs.	<u>1,013,813</u>
				<u>382,964</u>
				<u>442,453</u>
				<u>(4,847)</u>
				<u>(8,338)</u>
				<u>60,289</u>
				<u>-</u>
				<u>(82,610)</u>
				<u>-</u>
				<u>1,550,123</u>
				<u>1,447,928</u>

(3) Expenses related to defined benefit plan for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Cost of goods manufactured	₩	19,115,749	₩	20,157,249
Development costs		820,446		-
Selling and administrative expenses		9,988,940		7,795,022
	₩	<u>29,925,135</u>	₩	<u>27,952,271</u>
			Rs.	<u>990,196</u>
			Rs.	<u>1,044,145</u>
				<u>42,499</u>
				<u>-</u>
				<u>517,427</u>
				<u>403,782</u>
				<u>1,550,122</u>
				<u>1,447,927</u>

(4) Changes in the Company's defined benefit obligation for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	₩	188,058,593	₩	151,897,559
Current service cost		23,056,507		19,571,687
Interest cost		7,393,121		8,541,555
Actuarial gains		18,896,792		20,473,482
Wages paid		(16,118,716)		(12,158,259)
Previous service costs		1,163,872		-
Wages paid from scheme assets		(1,594,787)		-
Curtailement costs		(75,710,929)		-
Settlements		(321,399)		(267,431)
Ending balance	₩	<u>144,823,054</u>	₩	<u>188,058,593</u>
			Rs.	<u>9,741,435</u>
			Rs.	<u>7,868,294</u>
				<u>1,194,327</u>
				<u>1,013,813</u>
				<u>382,964</u>
				<u>442,453</u>
				<u>978,854</u>
				<u>1,060,526</u>
				<u>(834,949)</u>
				<u>(629,798)</u>
				<u>60,289</u>
				<u>-</u>
				<u>(82,610)</u>
				<u>-</u>
				<u>(3,921,826)</u>
				<u>(16,648)</u>
				<u>(13,853)</u>
				<u>7,501,836</u>
				<u>9,741,435</u>

(5) Changes in the fair value of plan assets for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	₩	3,072,683	₩	3,219,524
Expected return on plan assets		93,578		160,971
Actuarial losses		2,594		(40,381)
Wages paid		(321,399)		-
Curtailement costs		(1,322,615)		(267,431)
Ending balance	₩	<u>1,524,841</u>	₩	<u>3,072,683</u>
			Rs.	<u>159,165</u>
			Rs.	<u>166,771</u>
				<u>4,847</u>
				<u>8,338</u>
				<u>134</u>
				<u>(2,092)</u>
				<u>(16,648)</u>
				<u>-</u>
				<u>(68,511)</u>
				<u>(13,853)</u>
				<u>78,987</u>
				<u>159,164</u>

(6) Actuarial assumptions used as of December 31, 2012 and 2011 are as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Discount rate (%)	3.93	4.80
Expected return on plan assets (%)	3.93	3.08
Expected rate of salary increase (%)	5.31	5.32

The expected rate of return on plan assets was derived from weighted average market values of each plan asset. A long-term historical rate of return, current market situation, and strategic asset allocation are equally considered for the calculation of the expected rate of return.

(7) The actual return on plan assets for the years ended december 31, 2012 and 2011 are as follows:

	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31,2012</u>	<u>December 31, 2011</u>	<u>December 31,2012</u>	<u>December 31, 2011</u>
Actual return on plan assets	₩ 96,172	₩ 120,590	Rs. 4,982	Rs. 6,247

(8) Company's plan assets as of December 31, 2012 and December 31, 2011 are composed of as follows:

	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Others	₩ 1,524,841	₩ 3,072,683	Rs. 78,987	Rs. 159,165

19. CONTINGENCIES AND COMMITMENTS:

The followings are the major commitments and contingent liabilities as of December 31, 2012.

- (1) The Company carries product liability insurance for all products which it sells domestically.
- (2) As of December 31, 2012, the company has been providing guarantees from WORRI BANK and etc amounting to USD 19,336,308, EUR 9,044,540 and JPY 300,752,750 related to import L/C.

<u>provided</u>	<u>Contract period</u>	<u>Contract price(USD)</u>	<u>Amount execution</u>	<u>Amount execution</u>
WOORIBANK	2012.8.23~2013.8.23	USD 40,000,000	USD 16,593,615	Usance import credit limit
			USD 2,742,693	
	2011.7.27~2013.7.27		EUR 9,044,540	Usance import credit limit
KDB	2012.7.27~2013.7.27	USD 65,000,000	JPY 300,752,750	Usance import credit limit
				Usance import credit limit
BOA	2012.12.27~2013.12.27	USD 30,000,000	USD -	limit
			USD 19,336,308	
			EUR 9,044,540	
Total		USD 135,000,000	JPY 300,752,750	

- (3) The followings are the major loan arrangements with the financial institutions as of December 31, 2012.
(Unit: Korean won in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	₩ 30,000,000	₩ 30,000,000

(Unit: Indian-Rupee in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	Rs 1,554,000	Rs 1,554,000

(4) Pending litigations

As of December 31, 2012, the Company has three pending litigations as a plaintiff with claims amounting to ₩15,270 million (Rs. 791 million) and twenty-five pending litigations as a defendant with claims amounting to ₩33,300 million (Rs. 1,725 million). Details of significant pending litigations as of December 31, 2012 are as follows:

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Wages	₩25,535,751	Rs.1,322,752	Sung-Ho Lee and 247 others	The Company	2 nd trial pending (1 st trial lost)
Compensation for damages	10,000,000	518,000	The Company	Federation of Korea Metal Worker's trade Union, Kap Deuk Jung and others	1 st trial pending
Compensation for damages	5,000,000	259,000	The Company	Suk-joo Noh and others	1 st trial pending 2 nd trial pending
Void dismissal	3,020,015	156,437	155 others	The Company	(1 st trial win) 3 rd trial pending
Objection to confirmation trial	1,560,000	80,808	SK E&C Co., Ltd.	The Company	(2 nd trial lose)
Debt non-existence confirmation	959,090	49,681	Telstar Hommel Lee, Jong Sik and others	The Company	2 nd trial pending (1 st trial win) 3 rd trial pending
Void dismissal	420,002	21,756	Han, Sang Kyun and others	The Company	(2 nd trial win)
Void dismissal	200,001	10,360	Samsung Fire and Marine Insurance	The Company	1 st trial pending 2 nd trial pending
Compensation for damages	₩ 40,385	Rs. 2,092		The Company	(1 st trial lose)

(*) For the above pending litigations, the Company recognized other payables amounting to ₩ 16,585,405 thousands (Rs. 859,124 thousands) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2012.

20. CAPITAL STOCK:

As of December 31, 2012, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2012	122,674,641	₩ 5,000	₩ 613,373,205
December 31, 2011	121,961,841	₩ 5,000	₩ 609,809,205

(Unit: Rupee in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2012	122,674,641	Rs. 259	Rs. 31,772,732
December 31, 2011	121,961,841	Rs. 259	Rs. 31,588,117

(1) As a plan for building co-employee-management culture, the Company decided at the board of directors meeting on May 2, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 644,550 shares for employees through the association. The Company exercised the paid-in capital increase on May 19, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩3,222,750 thousands (Rs. 166,938 thousands) and ₩328,852 thousands (Rs. 17,035 thousands) for the year ended December 31, 2012.

- (2) As a plan for supporting unpaid employee laid off, the Company decided at the board of directors meeting on July 25, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 68,250 shares for employees through the association. The Company exercised the paid-in capital increase on August 14, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩341,250 thousands (Rs. 17,677 thousands) and ₩3,026 thousands (Rs. 157 thousands) for the year ended December 31, 2012.

21. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of the Company's other capital surplus and retained earnings as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

Other Capital Surplus	Paid-in capital in excess of par value Gain on retirement of capital stock Consideration for conversion rights Debt converted to equity	December 31, 2012 (Korean Won in thousands)		December 31, 2011 (Indian-Rupee in thousands)	
		₩	₩	Rs.	Rs.
		4,545,756	4,213,878	235,470	218,279
		120,351,580	120,351,580	6,234,212	6,234,212
		(3,243,869)	-	(168,032)	-
		<u>931,508</u>	<u>931,508</u>	<u>48,252</u>	<u>48,252</u>
		<u>₩ 122,584,975</u>	<u>₩ 125,496,966</u>	<u>Rs. 6,349,902</u>	<u>Rs. 6,500,743</u>

(*) When the Company completed its debt restructuring as of December 17, 2019, it converted the debt of which SK Engineering and Construction Co., Ltd to equity as proportion of 40%. However, the debt amounts was decreased in accordance with the Court trial results and hence the number of shares was also proportionally decreased. Consequently the Company recognised the excessive debt amounts which come from cancellation of debt to equity as an other capital surplus as of December 31, 2013.

22. OTHER CAPITAL ADJUSTMENTS

- (1) Detail of the Company's other capital adjustments as of December 31, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

Classification		December 31, 2012	December 31, 2011
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ 18,999,750	₩ 193,310

(Unit: Rupee in thousands)

Classification		September 30, 2012	December 31, 2011
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. 984,187	Rs. 10,013

- (2) Changes in the Company's gains (losses) on valuation of derivatives for the year ended December 31, 2012 and the year ended December 31, 2011 are as follows:

	Won in thousands		Rupee in thousands	
	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2012	Year ended December 31, 2011
Beginning balance	₹ 193,310	₹ -	Rs. 10,013	Rs. -
Gains (losses) on valuation of derivatives	18,806,440	193,310	974,174	10,013
Ending balance	₹ 18,999,750	₹ 193,310	Rs. 984,187	Rs. 10,013

23. RETAINED EARNINGS

- (1) Details of the Company's retained earnings as of December 31, 2012 and December 31, 2011 are as follows:

(Unit: Won in thousands)

	December 31, 2012	December 31, 2011
Retained earnings	₹ 52,754,371	₹ 177,718,020

(Unit: Rupee in thousands)

	December 31, 2012	December 31, 2011
Retained earnings	Rs. 2,732,676	Rs. 9,205,793

- (2) Changes in retained earnings for the year ended December 31, 2012 and 2011 are as follows:

(Unit: Won in thousands)

	December 31, 2012	December 31, 2011
Beginning balance	₹ 77,718,020	₹ (404,029,299)
Loss on appropriated retained earnings	(106,069,451)	(112,438,814)
Actuarial losses	(18,894,198)	(20,513,864)
Appropriated retained earnings for deficit recovery	-	714,699,997
Ending balance	₹ 52,754,371	₹ 177,718,020

(Unit: Rupee in thousands)

	December 31, 2012	December 31, 2011
Beginning balance	Rs. 9,205,793	Rs. (20,928,718)
Loss on appropriated retained earnings	(5,494,398)	(5,824,331)
Actuarial losses	(978,719)	(1,062,618)
Appropriated retained earnings for deficit recovery	-	37,021,460
Ending balance	Rs. 2,732,676	Rs. 9,205,793

24. STATEMENT OF APPROPRIATION OF RETAINED EARNINGS(DISPOSITION OF DEFICIT):

Detail of the Company's statement of appropriation of retained earnings for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

SSANGYONG MOTOR COMPANY
STATEMENT OF APPROPRIATION OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Expected disposition date: 2013.03.27

Disposal fixed date: 2012. 03. 28

Accounts	Year ended December 31, 2012		Year ended December 31, 2011	
Unappropriated retained earning(undisposed deficit)	₩	52,754,371,403	₩	177,718,020,010
Undisposed retained earnings carried over from prior year	₩	177,718,020,010	₩	310,670,698,356
Current net loss	(106,069,450,792)		(112,438,814,048)	
Actuarial losses	(18,894,197,815)		(20,513,864,298)	
Unappropriated retained to be carried forward to subsequent year	₩	52,754,371,403	₩	177,718,020,010

(Unit: Korean won)

Accounts	Year ended December 31, 2012		Year ended December 31, 2011	
Unappropriated retained earning(undisposed deficit)	Rs.	2,732,676,439	Rs.	9,205,793,437
Undisposed retained earnings carried over from prior year	Rs.	9,205,793,437	Rs.	16,092,742,176
Current net loss	(5,494,397,551)		(5,824,330,568)	
Actuarial losses	(978,719,447)		(1,062,618,171)	
Unappropriated retained to be carried forward to subsequent year	Rs.	2,732,676,439	Rs.	9,205,793,437

(Unit: Indian-Rupee)

25. INCOME TAX:

(1) Composition of income tax expense for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Yeras ended December 31, 2012	Yeras ended December 31, 2011	Yeras ended December 31, 2012	Yeras ended December 31, 2011
Current income tax payable	₩	-	₩	-
Income tax expense directly reflected to shareholders' equity	-	-	-	-
Income tax expense	₩	-	₩	-

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

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

Description	Beginning balance		Decrease		Increase		Ending balance	
(Temporary differences)								
Allowance for doubtful accounts	₩	(1,781,828)	₩	1,535,377	₩	3,365,494	₩	48,289
Government subsidies		5,565,857		2,176,043		922,441		4,312,255

Description	Beginning balance	Decrease	Increase	Ending balance
Provision for product warranties	122,007,836	122,007,836	118,598,929	118,598,929
Accrued severance indemnities	180,520,441	82,994,602	36,115,976	133,641,815
Loss on revaluation of property, plant and equipment	131,688,428	43,587,807	73,655,981	161,756,602
Development cost	42,473,990	21,865,556	40,117,033	60,725,467
Depreciation	9,532,068	2,341,226	3,225,461	10,416,303
Other payables	13,838,928	17,533,349	20,363,945	16,669,524
Accrued expenses	15,552,941	15,552,941	15,439,413	15,439,413
Investment in subsidiaries	2,684,828	-	178,862	2,863,690
Gain (loss) on foreign currency translation	1,212,429	(18,104,070)	(19,318,719)	(2,220)
Present value discount	(8,398,864)	(65,381,083)	(56,982,219)	-
Land	12,367,890	12,367,890	13,107,758	13,107,758
Other long-term employee benefit	(261,695,316)	-	988,077	(260,707,239)
Others	(628,420)	(218,540)	(19,487,130)	(19,834,010)
Deficit carried over	1,051,562,801	-	262,092,558	1,313,655,359
Total	1,316,504,009			1,570,091,935
Not recognized as deferred tax assets	1,316,504,009			1,570,091,935
Recognized as deferred tax assets	-			-
Statutory tax rate	24%(22%)			22%
Deferred tax assets resulting from temporary differences	-	-	-	-
Tax credit carry forwards	20,026,962	2,763,070	-	17,263,892
Not recognized as deferred tax assets	20,026,962	2,763,070	-	17,263,892
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Total deferred income tax	₹ -	₹ -	₹ -	₹ -

(Unit: Indian-Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. (92,299)	Rs. 79,533	Rs. 174,333	Rs. 2,501
Government subsidies	288,311	112,719	47,782	223,375
Provision for product warranties	6,320,006	6,320,006	6,143,425	6,143,425
Accrued severance indemnities	9,350,959	4,299,120	1,870,808	6,922,646
Loss on revaluation of property, plant and equipment	6,821,461	2,257,848	3,815,380	8,378,992
Development cost	2,200,153	1,132,636	2,078,062	3,145,579
Depreciation	493,761	121,276	167,079	539,564
Other payables	716,856	908,227	1,054,852	863,481
Accrued expenses	805,642	805,642	799,762	799,762
Investments in subsidiaries	139,074	-	9,265	148,339
Gain (loss) on foreign currency translation	62,804	(937,791)	(1,000,710)	(115)
Present value discount	(435,061)	(3,386,740)	(2,951,679)	-
Land	640,657	640,657	678,982	678,982
Other long-term employee benefit	(13,555,817)	-	51,182	(13,504,635)
Others	(32,552)	(14,584)	(1,009,433)	(1,027,402)
Deficit carried over	54,470,953		13,576,395	68,047,348
Total	68,194,908			81,361,842
Not recognized as deferred tax assets	68,194,908			81,361,842
Recognized as deferred tax assets				
Statutory tax rate	22%	-	-	22%
Deferred tax assets resulting from temporary differences	-	-	-	-
Tax credit carry forwards	1,037,397	143,127	-	894,270
Not recognized as deferred tax assets	1,037,397	143,127	-	894,270
Recognized as deferred tax assets				
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Total deferred income tax	₹ -	₹ -	₹ -	₹ -

The Company did not recognize deferred income tax assets related to the temporary differences, deficit carried

forward and tax credit carried forward since it could not estimate the income tax effect resulting from future taxable income.

26. EXPENSES BY CATEGORY:

Details of expenses classified by category for the the year ended December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2012				
	Changes in Inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative Expenses	Total
Changes in inventories:					
Manufactured goods	₩ 7,314,422	₩ -	₩ -	₩ -	₩ 7,314,422
Work-in-process	5,140,316	-	-	-	5,140,316
Merchandise goods	(5,263,952)	-	-	-	(5,263,952)
Raw materials used	-	1,843,171,581	-	-	1,843,171,581
Purchase of merchandise goods	-	229,131,254	-	-	229,131,254
Employee benefits	-	177,770,747	-	46,146,356	223,917,103
Depreciation	-	93,620,519	-	4,747,636	93,368,155
Amortization	-	32,775,503	-	2,090,462	34,865,965
Service fees	-	1,068,094	-	10,823,583	11,891,677
Ordinary development cost	-	94,689,993	-	14,176,234	108,866,227
Warranty expenses	-	-	50,028,856	-	50,028,856
Sales commission	-	-	115,310,966	-	115,310,966
Export expenses	-	-	77,957,317	-	77,957,317
Other	-	47,021,236	58,496,446	56,660,269	162,177,951
	<u>₩ 7,190,786</u>	<u>₩ 2,519,248,927</u>	<u>₩ 301,793,585</u>	<u>₩ 134,644,540</u>	<u>₩ 2,962,877,838</u>

	Year ended December 31, 2011				
	Changes in Inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative Expenses	Total
Changes in inventories:					
Manufactured goods	₩ 17,346,422	₩ -	₩ -	₩ -	₩ 17,346,826
Work-in-process	1,940,316	-	-	-	1,940,001
Merchandise goods	(3,415,026)	-	-	-	(3,415,026)
Raw materials used	-	1,786,268,618	-	-	1,786,268,618
Purchase of merchandise goods	-	215,987,252	-	-	215,987,252
Employee benefits	-	167,507,864	-	40,655,884	208,163,748
Depreciation	-	87,160,914	-	3,317,463	90,478,377
Amortization	-	31,113,762	-	1,883,477	32,997,239
Service fees	-	2,631,584	-	10,800,372	13,431,956
Ordinary development cost	-	100,240,229	-	17,541,439	117,781,668
Warranty expenses	-	-	101,046,995	-	101,046,995
Sales commission	-	-	93,747,947	-	93,747,947
Export expenses	-	-	85,613,528	-	85,613,528
Other	-	49,912,923	51,215,825	51,841,035	152,969,783
	<u>₩ 15,817,801</u>	<u>₩ 2,440,823,146</u>	<u>₩ 331,624,295</u>	<u>₩ 126,039,670</u>	<u>₩ 2,914,358,912</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2012				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. 378,887	Rs. -	Rs. -	Rs. -	Rs. 378,887
Work-in-process	266,268	-	-	-	266,268
Merchandise goods	(272,673)	-	-	-	(272,673)
Raw materials used	-	95,476,288	-	-	95,476,288
Purchase of merchandise goods	-	11,868,999	-	-	11,868,999
Employee benefits	-	9,208,525	-	2,390,381	11,598,906

Year ended December 31, 2012					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Depreciation	-	4,849,542	-	245,928	5,095,470
Amortization	-	1,697,771	-	108,286	1,806,057
Service fees	-	55,327	-	560,662	615,989
Ordinary development cost	-	4,904,942	-	734,329	5,639,271
Warranty expenses	-	-	2,591,495	-	2,591,495
Sales commission	-	-	5,973,108	-	5,973,108
Export expenses	-	-	4,038,189	-	4,038,189
Other	-	2,435,700	3,030,116	2,935,002	8,400,818
	<u>Rs. 372,482</u>	<u>Rs. 130,497,094</u>	<u>Rs. 15,632,908</u>	<u>Rs. 6,974,588</u>	<u>Rs. 153,477,072</u>

Year ended December 31, 2011					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. 898,566	Rs. -	Rs. -	Rs. -	Rs. 898,566
Work-in-process	100,492	-	-	-	100,492
Merchandise goods	(176,898)	-	-	-	(176,898)
Raw materials used	-	92,528,714	-	-	92,528,714
Purchase of merchandise goods	-	11,188,140	-	-	11,188,140
Employee benefits	-	8,676,907	-	2,105,975	10,782,882
Depreciation	-	4,514,935	-	171,845	4,686,780
Amortization	-	1,611,693	-	97,564	1,709,257
Service fees	-	136,316	-	559,459	695,775
Ordinary development cost	-	5,192,444	-	908,647	6,101,091
Warranty expenses	-	-	5,234,234	-	5,234,234
Sales commission	-	-	4,856,144	-	4,856,144
Export expenses	-	-	4,434,781	-	4,434,781
Other	-	2,585,489	2,652,980	2,685,366	7,923,835
	<u>Rs. 822,160</u>	<u>Rs. 126,434,638</u>	<u>Rs. 17,178,139</u>	<u>Rs. 6,528,856</u>	<u>Rs. 150,963,793</u>

27. DERIVATIVES FINANCIAL INSTRUMENTS:

The Company has a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments (hedging instrument). Cash flow risk aversion accounting treatment is applied on valuation of derivatives for ₩18,999,750 thousands (Rs. 984,187 thousands) recorded as other capitals components and also, ₩2,503,753 thousands (Rs. 129,694 thousands) was recognized as accumulated other comprehensive income for the year ended December 31, 2012.

28. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Warranty expenses	₩ 50,028,856	₩ 101,046,995	Rs. 2,591,495	Rs. 5,234,234
Sales commissions	115,310,966	93,747,947	5,973,108	4,856,144
Sales promotional expenses	23,612,024	18,545,163	1,223,103	960,639
Packaging expenses	3,824,913	3,745,273	198,130	194,005
Freight expenses	8,512,491	6,014,500	440,947	311,551
Advertising expenses	22,547,018	22,910,889	1,167,936	1,186,784
Export expenses	77,957,317	85,613,528	4,038,189	4,434,781
	<u>₩ 301,793,585</u>	<u>₩ 331,624,295</u>	<u>Rs. 15,632,908</u>	<u>Rs. 17,178,138</u>

(2) Administrative expenses for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Salaries	₩ 40,530,996	₩ 36,683,331	Rs. 2,099,506	Rs. 1,900,197
Post-employment benefits	5,615,360	3,972,553	290,876	205,778
Employee benefits	10,184,051	7,888,289	527,534	408,613
Travel expenses	1,079,126	1,027,847	55,899	53,242
Communication expenses	1,006,283	970,946	52,125	50,295
Electricity expenses	467,521	424,829	24,218	22,006
Utility expenses	247,239	251,658	12,807	13,036
Taxes and dues	3,542,343	2,852,154	183,493	147,742
Rent expense	13,137,007	12,815,752	680,497	663,856
Repair expenses	851,238	979,206	44,094	50,723
Insurance	184,869	164,477	9,576	8,520
Entertainment expenses	371,451	221,059	19,241	11,451
Vehicles	793,512	934,758	41,104	48,420
Overseas marketing expenses	317,929	326,738	16,469	16,925
Training	993,679	1,022,269	51,473	52,954
Printing	438,724	423,788	22,726	21,952
Supplies	358,159	486,211	18,553	25,186
Conference expense	193,224	116,169	10,009	6,018
Service fees	10,823,583	10,800,372	560,662	559,459
Legal expense	197,708	135,621	10,241	7,025
Outsourcing expense	16,514,964	15,121,513	855,475	783,294
Computing expense	5,048,549	5,021,324	261,515	260,105
Depreciation	4,747,636	3,317,463	245,928	171,845
Bad debt expense	864,222	656,427	44,777	34,003
R&D expenses	14,176,233	17,541,439	734,329	908,647
Amortization	2,090,461	1,883,477	108,286	97,564
Other administrative expenses	(131,727)	-	(6,823)	-
	₩ 134,644,540	₩ 126,039,670	Rs. 6,974,590	Rs. 6,528,856

29. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Company's non-operating income for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Commission income	₩ 11,333,513	₩ 2,096,350	Rs. 587,076	Rs. 108,591
Gain on foreign currency transactions	7,327,684	17,799,021	379,574	921,989
Gain on foreign currency translation	685,026	417,923	35,484	21,648
Gain on disposal of property, plant and equipment	210,020	3,274,453	10,879	169,617
Gain on disposal of investment assets	12,810	31,597	664	1,637
Product warranty reserve	5,368,557	9,199,888	278,091	476,554
Others, net	18,648,901	14,016,187	966,013	726,038
Insurance income	390	4,912	20	254
Reversal of Impairment loss on property, plant and equipment	-	124,224	-	6,435
Reversal of allowance for doubtful accounts	679,469	1,945,107	35,196	100,757
	₩ 44,266,370	₩ 48,909,662	Rs. 2,292,997	Rs. 2,533,520

(2) Details of the Company's non-operating expense for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Loss on foreign currency transactions	₩ 11,274,390	₩ 18,793,094	Rs. 584,013	Rs. 973,482
Loss on foreign currency translation	893,171	958,881	46,266	49,670
Non-operating assets and depreciation	66,421	19,223	3,441	996
Loss on disposal of property, plant and equipment	207,532	955,527	10,750	49,496
Loss on disposal of investment assets	17,259	9,714	894	503
Loss on disposal of trade receivables	9,219,242	16,598,763	477,557	859,816
Impairment loss on property, plant and equipment	156,011	2,029	8,081	105
Impairment loss on investments	-	162,969	-	8,442
Impairment loss on intangible assets	703,960	10,562	36,465	547
Other bad debt expense	44,296	402,210	2,295	20,834
Donations	163,324	111,500	8,460	5,776
Others	<u>40,062,530</u>	<u>22,971,908</u>	<u>2,075,239</u>	<u>1,189,945</u>
	<u>₩ 62,808,136</u>	<u>₩ 60,996,380</u>	<u>Rs. 3,253,461</u>	<u>Rs. 3,159,612</u>

30. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest income	₩ 6,803,896	₩ 4,723,136	Rs. 352,442	Rs. 244,658
Dividend income	388,963	11,000	20,148	570
Gain on foreign currency transactions	1,459,088	33,917	75,581	1,757
Gain on foreign currency translation	-	1,345,442	-	69,694
Gain on disposal of derivatives	14,494,530	1,146,050	750,817	59,365
Gain on valuation of derivatives	2,503,753	-	129,694	-
Gain on debt exemption	<u>594,352</u>	<u>49,047,989</u>	<u>30,787</u>	<u>2,540,686</u>
	<u>₩ 26,244,582</u>	<u>₩ 56,307,534</u>	<u>Rs. 1,359,469</u>	<u>Rs. 2,916,730</u>

(2) Details of the Company's financial cost for the years ended december 31, 2012 and 2011 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest expense	₩ 8,809,804	₩ 10,120,131	Rs. 456,348	Rs. 524,223
Loss on foreign currency translation	2,538,576	63,995	131,498	3,315
Loss on disposal of derivatives	69,886	2,016,913	3,620	104,476
Loss on valuation of derivatives	<u>3,281,710</u>	<u>3,219,750</u>	<u>169,993</u>	<u>166,783</u>
	<u>₩ 14,699,976</u>	<u>₩ 15,420,789</u>	<u>Rs. 761,459</u>	<u>Rs. 798,797</u>

(3) Details of the Company's financial net profit for the years ended december 31, 2012 and 2011 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Loan and receivables	₩ 287,650	₩ 326,549	Rs. 14,900	Rs. 16,915
Available-for-sale financial assets	6,000	11,000	311	570
Derivatives	-	(870,863)	-	(45,111)
Other financial liabilities	11,250,956	41,420,059	582,800	2,145,559
	<u>₩ 11,544,606</u>	<u>₩ 40,886,745</u>	<u>Rs. 598,011</u>	<u>Rs. 2,117,933</u>

31. INCOME(LOSS) PER SHARE:

Basic income (loss) per share for the years ended december 31, 2012 and 2011 is calculated as follows (Unit: Won in thousands, except for earnings per share):

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Net loss	₩ (106,069,451)	₩ (112,438,814)	Rs. (5,494,398)	Rs. (5,824,331)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(106,069,451)	(112,438,814)	(5,494,398)	(5,824,331)
Number of common stocks outstanding	122,387,523	112,412,636	122,387,523	112,412,636
Basic and diluted loss per share(*1)	<u>₩ (867)</u>	<u>₩ (1,000)</u>	<u>Rs. (45)</u>	<u>Rs. (52)</u>

(*1) Basic and diluted losses per share for the years ended december 31, 2012 and 2011 are identical since there are no dilutive potential common shares.

The numbers of shares outstanding for the year ended December 31, 2012 and September 30, 2011 are calculated as follows:

		December 31, 2012					
		Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock		2012-01-01	2012-05-18	121,961,841	121,961,841	139/366	46,318,841
Additional Share		2012-05-19	2012-08-14	644,550	122,606,391	88/366	29,479,133
Additional Share		2012-08-15	2012-12-31	68,250	122,674,641	139/366	46,589,549
	Total						<u>122,387,523</u>
		December 31, 2011					
		Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock		2011-01-01	2011-02-08	36,120,556	36,120,556	39/365	3,859,456
Additional Share		2011-02-09	2011-12-31	85,419,047	121,539,603	326/365	108,553,180
	Total						<u>112,412,636</u>

32. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
1. Cash flows from operating activities	₩ 148,324,544	₩ 200,354,941	Rs. 7,683,213	Rs. 10,378,384
1) Net loss	(106,069,451)	(112,438,814)	(5,494,398)	(5,824,331)
2) Adjustments	197,913,326	125,991,127	10,251,910	6,526,340
(1) Addition of expenses	209,880,355	190,953,011	10,871,801	9,891,366
Loss on foreign currency translation	963,057	2,975,794	49,886	154,146
Loss on disposal of trade receivables	9,219,242	16,598,763	477,555	859,816
Loss on disposal of derivatives	-	3,219,750	-	166,783
Loss on valuation of inventories	4,926,086	4,594,340	255,171	237,987
Rent expense	207,629	311,443	10,755	16,133
Bad debt expense	(131,727)	-	(6,823)	-
Other bad debt expense	44,296	402,210	2,295	20,834
Depreciation	103,209,027	90,478,377	5,346,228	4,686,780
Loss on disposal of investment assets	17,259	9,714	894	503
Loss on disposal of property, plant and equipment	207,532	955,527	10,750	49,496
Impairment loss on property, plant and equipment	-	2,029	-	105
Impairment loss on investment assets	156,011	162,969	8,081	8,442
Amortization	34,865,964	32,997,239	1,806,057	1,709,257
Impairment loss on intangible assets	703,960	10,562	36,465	547
Interest expense	8,809,804	10,120,131	456,348	524,223
Post-employment benefits	29,925,135	27,952,271	1,550,122	1,447,928
Depreciation expenses on assets not in use	66,421	19,223	3,441	996
Miscellaneous losses	16,690,659	142,669	864,576	7,390
(2) Deduction of revenue	(11,967,029)	(64,961,884)	(619,891)	(3,365,026)
Gain on foreign currency translation	685,026	1,763,365	35,484	91,342
Reversal of allowance for doubtful accounts	679,469	1,945,107	35,196	100,757
Reversal of loss on valuation of inventories	-	2,905,964	-	150,529
Interest income	6,803,896	4,723,136	352,442	244,658
Gain on dividends	388,963	-	20,148	-
Gain on disposal of derivatives	-	1,146,050	-	59,365
Gain on valuation of derivatives	2,503,753	-	129,694	-
Gain on disposal of investment assets	12,810	31,597	664	1,637
Gain on disposal of property, plant and equipment	210,020	3,274,453	10,879	169,617
Recovery of property, plant impairment loss account	-	124,224	-	6,435
Gain on debt exemption	594,352	49,047,988	30,787	2,540,686
Miscellaneous gains	88,740	-	4,597	-
3) Changes in working capital	56,480,668	186,802,628	2,925,699	9,676,376
Decrease(increase) in trade receivables, net	(62,284,802)	7,676,632	(3,226,353)	397,651
Decrease (Increase) in other receivables, net	5,778,123	(12,883,499)	299,307	(667,365)
Increase(Decrease) in deposits	-	276,939	-	14,345

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Decrease (Increase) in advanced payments	9,603,193	68,101,337	497,445	3,527,649
Decrease (Increase) in prepaid expenses	157,518	274,104	8,159	14,199
Increase (Decrease) in income tax refundable	(264,501)	(494,608)	(13,701)	(25,621)
Decrease (Increase) in inventories	(10,439,970)	(45,023,707)	(540,790)	(2,332,228)
Increase in long-term receivables	(147,500)	-	(7,641)	-
Increase in long security	6,728,933	(1,813,926)	348,559	(93,961)
Increase (Decrease) in trade payables	115,867,333	101,857,991	6,001,928	5,276,244
Increase (Decrease) in other payables	81,510,065	38,515,142	4,222,221	1,995,084
Decrease in accrued charges	(113,528)	(2,725,569)	(5,881)	(141,184)
Increase in deposits received	(33,455)	(120,145)	(1,733)	(6,224)
Decrease (Increase) in current other long term benefit	122,261	(1,335,107)	6,333	(69,159)
Increase (Decrease) in advances from customers	982,013	(885,068)	50,868	(45,847)
Decrease in withholdings	(800,510)	(4,153,873)	(41,466)	(215,171)
Increase (Decrease) in unearned revenue	2,861,044	4,523,086	148,202	234,296
Increase (Decrease) in government subsidies	311,382	(408,959)	16,130	(21,184)
Decrease in short-term provision of product warranties	(3,408,908)	13,002,747	(176,581)	673,542
Decrease in long-term other payables	(58,598)	(96,383)	(3,035)	(4,993)
Increase in other long term benefit	617,607	2,993,913	31,992	151,977
Payment of severance indemnities	(90,507,030)	(12,158,259)	(4,688,264)	(629,798)
Increase in long-term provision of product warranties	-	31,739,840	-	1,644,124
2. Interest received	6,125,722	4,104,818	317,312	212,630
3. Interest paid	(8,886,715)	(6,985,481)	(460,332)	(361,848)
4. Dividends received	165,103	11,000	8,552	570
Net cash provided by operating activities	₩ 145,728,653	₩ 197,485,278	Rs. 7,548,743	Rs. 10,229,737

33. SEGMENT INFORMATION:

(1) Information of each sales region for the the year ended December 31, 2012 is as follows: follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2012	
Republic of Korea	₩ 1,428,582,336	Rs. 74,000,565
Europe	782,716,304	40,544,705
Asia Pacific	130,536,828	6,761,808
Others	521,970,079	27,038,050
	₩ 2,863,805,547	Rs. 148,345,128

Information of each sales region for the the year ended December 31, 2011 is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2011	
Republic of Korea	₩ 1,288,837,366	Rs. 66,761,776
Europe	750,918,287	38,897,567
Asia Pacific	186,569,982	9,664,325
Others	546,794,438	28,323,952
	₩ 2,773,120,073	Rs. 143,647,620

(2) Sales revenue by type of automobile for the years ended december 31, 2012 and 2011 are as follows
(Unit: Korean won in thousands):

Type of automobile	Year ended December 31, 2012		
	Domestic	Export	Total
CHAIRMAN H	₩ 62,829,602	₩ -	₩ 62,829,602
CHAIRMAN W	128,523,146	6,450,069	134,973,215
ACTYON	-	33,875,287	33,875,287
ACTYON SPORTS	2,182	541,801	543,983
KORANDO C	348,485,069	586,066,887	934,551,956
KORANDO SPORTS	454,380,409	277,040,024	731,420,433
KYRON	22,671	258,338,048	258,360,719
REXTON	140,097,730	141,299,164	281,396,894
RODIUS	24,226,048	22,519,295	46,745,343
	<u>₩ 1,158,566,857</u>	<u>₩ 1,326,130,575</u>	<u>₩ 2,484,697,432</u>

Type of automobile	Year ended December 31, 2011		
	Domestic	Export	Total
CHAIRMAN H	₩ 93,536,532	₩ -	₩ 93,536,532
CHAIRMAN W	211,503,599	3,985,322	215,488,921
ACTYON	442,241	83,053,360	83,495,601
ACTYON SPORTS	224,164,337	185,838,591	410,002,928
KORANDO C	224,271,570	598,076,174	822,347,744
KORANDO SPORTS	-	-	-
KYRON	2,826,685	331,335,453	334,162,138
REXTON	202,050,295	157,120,136	359,170,431
RODIUS	37,767,283	45,433,947	83,201,230
	<u>₩ 996,562,542</u>	<u>₩ 1,404,842,983</u>	<u>₩ 2,401,405,525</u>

(Unit: Indian-Rupee in thousands):

Type of automobile	Year ended December 31, 2012		
	Domestic	Export	Total
CHAIRMAN H	Rs. 3,254,573	Rs. -	Rs. 3,254,573
CHAIRMAN W	6,657,499	334,114	6,991,613
ACTYON	-	1,754,740	1,754,740
ACTYON SPORTS	113	28,065	28,178
KORANDO C	18,051,527	30,358,265	48,409,792
KORANDO SPORTS	23,536,905	14,350,673	37,887,578
KYRON	1,174	13,381,911	13,383,085
REXTON	7,257,062	7,319,297	14,576,359
RODIUS	1,254,909	1,166,499	2,421,408
	<u>Rs. 60,013,762</u>	<u>Rs. 68,693,564</u>	<u>Rs. 128,707,326</u>

Type of automobile	Year ended December 31, 2011		
	Domestic	Export	Total
CHAIRMAN H	Rs. 4,845,192	Rs. -	Rs. 4,845,192
CHAIRMAN W	10,955,886	206,440	11,162,326
ACTYON	22,908	4,302,164	4,325,072
ACTYON SPORTS	11,611,713	9,626,439	21,238,152
KORANDO C	11,617,267	30,980,346	42,597,613
KORANDO SPORTS	-	-	-
KYRON	146,422	17,163,176	17,309,598
REXTON	10,466,205	8,138,823	18,605,028
RODIUS	1,956,345	2,353,478	4,309,823
	<u>Rs. 51,621,938</u>	<u>Rs. 72,770,866</u>	<u>Rs. 124,392,804</u>

34. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of December 31, 2012 are as follows:

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

(2) Major transactions with the related parties for the years ended december 31, 2012 and 2011 are as follows
(Unit: Korean won in thousands):

	<u>December 31,2012</u>		<u>December 31,2011</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	₩ 1,922,370	₩ 6,789,262	₩ 454,808	₩ 5,964,758
Transactions with subsidiaries	9,467,586	-	11,995,790	691,120
Transaction with other affiliates	41,343,061	52,172	-	-

(Unit: Indian-Rupee in thousands):

	<u>December 31,2012</u>		<u>December 31,2011</u>	
	<u>Sales and others</u>	<u>Purchases and others</u>	<u>Sales and others</u>	<u>Purchases and others</u>
Transactions with controlling company	Rs. 99,579	Rs. 351,684	Rs. 23,559	Rs. 308,974
Transactions with subsidiaries	490,421	-	621,382	35,800
Transactions with other affiliates	2,141,571	2,703	-	-

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Receivables from and payables to controlling company:		
Receivables and others	₩ 377,097	₩ 91,687
Payables and others	96,501,477	96,459,115
Receivables from and payables to subsidiaries:		
Receivables and others	14,248,992	14,069,436
Payables and others	633,884	668,723
Receivables from and payables to affiliates:		
Receivables and others	8,347,797	-
Payables and others	1,081,824	-

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 19,534	Rs. 4,749
Payables and others	4,998,777	4,996,582
Receivables from and payables to subsidiaries:		
Receivables and others	738,098	728,797
Payables and others	32,835	34,640
Receivables from and payables to affiliates:		
Receivables and others	432,416	-
Payables and others	56,038	-

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the year ended December 31, 2012.

(4) Details of compensation for key executives for the years ended december 31, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Short-term employee benefits	₩ 471,698	₩ 634,112	Rs. 24,434	Rs. 32,847
Post-employment benefits	32,661	93,200	1,692	4,828

35. FINANCIAL INSTRUMENTS:

(1) Capital risk management

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

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the financial statements. The Company is not subject to externally enforced capital regulation.

Debt ratio as of December 31, 2012 and 2011 are as follows (Unit: Korean won in thousands):

	December 31, 2012		December 31, 2011	
Debt (A)	₩	1,049,905,021	₩	886,472,294
Equity (B)		807,712,302		913,217,502
Debt ratio (A/ B)		129.99%		97.07%

(Unit: Indian-Rupee in thousands):

	December 31, 2012		December 31, 2011	
Debt (A)	Rs.	54,385,080	Rs.	45,919,265
Equity (B)		41,839,497		47,304,667
Debt ratio (A/ B)		126.26%		97.07%

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

(3) Details of financial assets and liabilities by category as of December 2012 and 2011 are as follows (Unit: Korean won in thousands):

1) Financial assets

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

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 202,509,810	₩ -	₩ -	₩ 202,509,810	₩ 202,509,810
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	213,537,547	-	-	213,537,547	213,537,547
Derivatives assets	-	-	193,310	193,310	193,310
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 416,053,367</u>	<u>₩ 560,000</u>	<u>₩ 193,310</u>	<u>₩ 416,806,667</u>	<u>₩ 416,806,667</u>

(Unit: Indian-Rupee in thousands):

Financial asset	December 31, 2012				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,244,478	Rs. -	Rs. -	Rs. 10,244,478	Rs. 10,244,478
Long-term financial instruments	311	-	-	311	311
Trade receivables and Other receivables	13,141,780	-	-	13,141,780	13,141,780
Derivatives assets	-	-	1,113,881	1,113,881	1,113,881
Long-term AFS financial assets	-	29,008	-	29,008	29,008
	<u>Rs. 23,386,569</u>	<u>Rs. 29,008</u>	<u>Rs. 1,113,881</u>	<u>Rs. 24,529,458</u>	<u>Rs. 24,529,458</u>

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,490,008	Rs. -	Rs. -	Rs. 10,490,008	Rs. 10,490,008
Long-term financial instruments	311	-	-	311	311
Trade receivables and Other receivables	11,061,245	-	-	11,061,245	11,061,245
Derivatives assets	-	-	10,013	10,013	10,013
Long-term AFS financial assets	-	29,008	-	29,008	29,008
	<u>Rs. 21,551,564</u>	<u>Rs. 29,008</u>	<u>Rs. 10,013</u>	<u>Rs. 21,590,585</u>	<u>Rs. 21,590,585</u>

2) Financial liabilities

	Financial liability measured at amortized cost			
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade payables and Other payables	₩ 618,388,989	₩ 403,263,454	Rs. 32,032,550	Rs. 20,889,047
Debt	<u>125,404,765</u>	<u>135,972,454</u>	<u>6,495,967</u>	<u>7,043,373</u>
Total	<u>₩ 743,793,754</u>	<u>₩ 539,235,908</u>	<u>Rs. 38,528,517</u>	<u>Rs. 27,932,420</u>

(4) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring of and responding to each risk factors. Financial assets that are subject to the financial risk management consist of cash and cash equivalents, AFS financial assets, trade receivables, other receivables and others; financial liabilities subject to the financial risk management consist of trade payables, other payables, borrowings, bonds and others.

1) Market risk

a. Foreign currency risk

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

Details of the Company held foreign currency denominated monetary assets and monetary liabilities of the carrying amount for the year ended December 31, 2012 and 2011 are as follows:

(Unit: Korean won in thousands):

	Assets		Liabilities	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
USD	₩ 113,042,936	₩ 52,740,827	₩ 9,685,534	₩ 11,298,102
EUR	25,724,783	23,535,845	19,021,629	27,538,450
JPY	113,024	250,167	6,468,799	5,203,875
Others	5,366,589	12,810,347	1,901,227	7,563,035
Total	₩ 144,247,332	₩ 89,337,186	₩ 37,077,189	₩ 51,603,462

(Unit: Indian-Rupee in thousands)

	Assets		Liabilities	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
USD	Rs. 5,855,624	Rs. 2,731,975	Rs. 501,711	Rs. 585,242
EUR	1,332,544	1,219,157	985,320	1,426,492
JPY	5,855	12,959	335,084	269,561
Others	277,989	663,576	98,484	391,765
Total	Rs. 7,472,012	Rs. 4,627,667	Rs. 1,920,599	Rs. 2,673,060

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that is not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of December 31, 2012.

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

(Unit: Korean won in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 11,304,294	₩ (11,304,294)	₩ (968,553)	₩ 968,553
EUR	2,572,478	(2,572,478)	(1,902,163)	1,902,163
JPY	11,302	(11,302)	(646,880)	646,880
Others	536,659	(536,659)	(190,123)	190,123
	₩ 14,424,733	₩ (14,424,733)	₩ (3,707,719)	₩ 3,707,719

(Unit: Indian-Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 585,562	Rs. (585,562)	Rs. (50,171)	Rs. 50,171
EUR	133,254	(133,254)	(98,532)	98,532
JPY	585	(585)	(33,508)	33,508
Others	27,799	(27,799)	(9,848)	9,848
	Rs. 747,200	Rs. (747,200)	Rs. (192,059)	Rs. 192,059

In order to avoid the risk of foreign exchange debt payments and foreign exchange receivables collected foreign exchange risk within the range of 30 to 50 percent, the company has a policy of making a foreign exchange forward agreement. Also in order to manage sales transactions and purchase transactions to foreign exchange risk that are expected to occur within the next three months that are within the range of 30 to 50 percent, the Company makes a foreign exchange forward.

Details of non-payment forward contracts for the year ended December 31, 2012 are as follows:

(Unit: Korean won in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1157.41	USD 120,000,000	₩ 138,889,550	₩ 9,983,789
	1163.65	119,000,000	138,565,800	10,152,864
	1151.96	20,000,000	23,039,200	1,366,850
		USD 259,000,000	₩ 300,494,550	₩ 21,503,503

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1157.41	USD 120,000,000	Rs. 7,194,479	Rs. 517,160
	1163.65	119,000,000	7,177,708	525,918
	1151.96	20,000,000	1,193,431	70,803
		USD 259,000,000	Rs. 15,565,618	Rs. 1,113,881

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 18,999,750 thousands won(Rs. 984,187 thousands). Sales transaction is expected to occur within the first three months after December 31, 2012, and this amount that is deferred in equity will be reclassified as Current income.

b. Interest rate risk.

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

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase ₩37,397 thousands won(Rs. 1,937 thousands rupee) for the year ended Dec 31, 2012, due to floating rate debt's interest rate risk.

2) Credit risk

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

As of December 31, 2012 and 2011, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows. However, the value of acquired collaterals and the effects from other credit enhancement is not considered.

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade and other receivables	₩	253,702,317	₩	213,537,547
	Rs.	13,141,780	Rs.	11,061,245

3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of December 31, 2012, 2011 is as follows (Unit: Korean won in thousands):

	<u>December 31, 2012</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 380,244,210	₩ -	₩ 380,244,210
Non-trade payables	183,758,014	-	183,758,014
Short-term borrowings	32,067,863	-	32,067,863
Other payables	16,409,144	-	16,409,144
Long-term other payables	-	37,977,622	37,977,622
Bonds	6,678,334	96,136,637	102,814,971
	<u>₩ 619,157,565</u>	<u>₩ 134,114,259</u>	<u>₩ 753,271,824</u>
	<u>December 31, 2011</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 264,594,196	₩ -	₩ 264,594,196
Non-trade payables	119,927,398	-	119,927,398
Short-term borrowings	40,567,689	-	40,567,689
Other payables	16,599,583	-	16,599,583
Long-term other payables	-	2,142,277	2,142,277
Bonds	6,678,334	103,196,154	109,874,488
	<u>₩ 448,367,200</u>	<u>₩ 105,338,431</u>	<u>₩ 553,705,631</u>

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2012</u>		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	Rs. 19,696,650	Rs. -	Rs. 19,696,650
Non-trade payables	9,518,665	-	9,518,665
Short-term borrowings	1,661,115	-	1,661,115
Other payables	849,994	-	849,994
Long-term other payables	-	1,967,241	1,967,241
Bonds	345,938	4,979,878	5,325,816
	<u>Rs. 32,072,362</u>	<u>Rs. 6,947,119</u>	<u>Rs. 39,019,481</u>

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	Rs. 13,705,979	Rs. -	Rs. 13,705,979
Non-trade payables	6,212,239	-	6,212,239
Short-term borrowings	2,101,406	-	2,101,406
Other payables	859,858	-	859,858
Long-term other payables	-	110,970	110,970
Bonds	345,939	5,345,561	5,691,500
	<u>Rs. 23,225,421</u>	<u>Rs. 5,456,531</u>	<u>Rs. 28,681,952</u>

Funding arrangements as of December 31, 2012 and 2011 are as follows:

(Unit: Korean won in thousands):

		December 31, 2012	December 31, 2011
Borrowing limit commitments	Used	₩ 30,000,000	₩ -
	Unused	-	50,000,000
	Total	₩ 30,000,000	₩ 50,000,000

(Unit: Indian-Rupee in thousands):

		December 31, 2012	December 31, 2011
Borrowing limit commitments	Used	Rs 1,554,000	Rs -
	Unused	-	2,590,000
	Total	Rs 1,554,000	Rs 2,590,000

(5) Fair value of financial instruments

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

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

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

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

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

Fair values of financial instruments by hierarchy level as of December 31, 2012, are as follows (Unit: Korean won in thousands):

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

(Unit: Indian-Rupee in thousands):

Type	December 31, 2012			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs.	Rs. 1,113,881	Rs.	Rs. 1,113,881

36. EVENTS AFTER THE REPORTING PERIOD:

After the end of the reporting period, with the Board of Directors resolution dated 14th February 2013 (the first Board of Directors meeting of 2013), the company authorized a paid-in capital increase for a third-party allotment that corresponds to ₩80,000,003 thousands (Rs. 4,144,000 thousands) for the major shareholder (Mahindra & Mahindra Ltd.) to raise operating fund.

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

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Ssangyong Motor Company

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Ssangyong Motor Company (the "Company") as of December 31, 2012. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2012, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2012, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2012, and we did not review its IACS subsequent to December 31, 2012. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



March 11, 2013

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2012, and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operation of the Internal Accounting Management System

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

I, as the Internal Accounting Manager ("IAM") of Ssangyong Motor Company ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Accounting Management System ("IAMS") for the year ending December 31, 2012.

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

Based on the assessment results, I believe that the Company's IAMS, as of December 31, 2012, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline .

February 14th, 2013
The Internal Accounting Manager
Dilip Sundaram (Sign)

