

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Condensed Consolidated Interim Financial Statements

(Unaudited)

September 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

# Contents

	<b>Page</b>
<b>Independent Auditors' Review Report</b>	1
Condensed Consolidated Statements of Financial Position	3
Condensed Consolidated Statements of Comprehensive Income	5
Condensed Consolidated Statements of Changes in Equity	7
Condensed Consolidated Statements of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Statements	10

## Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Ssangyong Motor Company:

We have reviewed the accompanying condensed consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of September 30, 2017, the condensed consolidated statements of comprehensive loss for the three-month and nine-month periods ended September 30, 2017, the condensed consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2017 and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' review responsibility**

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

### **Other matters**

The condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2016, the condensed consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2016 were reviewed by other auditors, whose report thereon dated November 14, 2016, stated that nothing had come to their attention that caused them to believe that the accompanying condensed consolidated interim financial information as of September 30, 2016 was not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

The consolidated statement of financial position of the Group as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors, whose report thereon dated March 16, 2017, expressed an unqualified opinion. The accompanying statement of financial position of the Group as of December 31, 2016, presented for comparative purposes, is not different from that audited by other auditors in all material respects.

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries.

The accompanying condensed consolidated interim financial statements as of and for the three-month and nine-month periods ended September 30, 2017 have been translated into Indian Rupee solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that causes us to believe that the condensed consolidated interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(4) to the condensed consolidated interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
November 13, 2017

This report is effective as of November 13, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Financial Position  
(Unaudited)

As of September 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

	<u>Note</u>	<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>					
Cash and cash equivalents	4,5,33 ₩	132,683,089	238,401,708	Rs 7,577,561	13,615,175
Trade and other receivables, net	7,32,33	198,429,671	230,321,041	11,332,363	13,153,686
Derivative assets	25,33	42,838	756,035	2,446	43,177
Inventories, net	8,24	265,378,023	204,979,632	15,155,798	11,706,432
Other current assets	10	18,769,074	7,337,940	1,071,906	419,072
<b>Total current assets</b>		<u>615,302,695</u>	<u>681,796,356</u>	<u>35,140,074</u>	<u>38,937,542</u>
Non-current financial instruments	5,33	4,000	6,000	228	343
Non-current trade and other receivables, net	7,33	33,308,472	33,754,663	1,902,255	1,927,737
Available-for-sale financial assets	6,33	560,000	560,000	31,982	31,982
Property, plant and equipment, net	11,13	1,215,345,924	1,199,006,450	69,408,676	68,475,525
Intangible assets, net	11,12	284,139,313	234,344,498	16,227,259	13,383,466
Investments in joint venture	9	15,180,136	13,681,894	866,941	781,376
Other non-current assets	10	273,288	273,319	15,608	15,609
<b>Total non-current assets</b>		<u>1,548,811,133</u>	<u>1,481,626,824</u>	<u>88,452,949</u>	<u>84,616,038</u>
<b>Total assets</b>		₩ <u>2,164,113,828</u>	<u>2,163,423,180</u>	Rs <u>123,593,023</u>	<u>123,553,580</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Financial Position, Continued  
(Unaudited)

As of September 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

	<u>Note</u>	<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Liabilities</b>					
Trade and other payables	14,18, 32,33	₩ 621,027,998	669,483,000	Rs 35,467,047	38,234,323
Short-term borrowings	13,18,33	190,118,822	181,967,721	10,857,728	10,392,217
Derivative liabilities	25,33	3,120,766	5,798,806	178,228	331,171
Provision of warranty for sale - current	15	50,233,477	53,153,294	2,868,845	3,035,596
Other long-term employee benefits liabilities- current		170,944	1,330,939	9,763	76,010
Other current liabilities	16	35,852,884	33,325,871	2,047,566	1,903,249
<b>Total current liabilities</b>		<u>900,524,891</u>	<u>945,059,631</u>	<u>51,429,177</u>	<u>53,972,566</u>
Long-term borrowings	13,18,33	70,000,000	12,500,000	3,997,716	713,878
Non-current other payables	33	2,585,218	5,507,071	147,642	314,510
Defined benefit liabilities	17	295,539,788	279,609,200	16,878,343	15,968,544
Other long-term employee benefits liabilities		16,339,373	15,357,662	933,145	877,079
Non-current provision of warranty for sale	15	94,883,955	92,695,690	5,418,844	5,293,872
<b>Total non-current liabilities</b>		<u>479,348,334</u>	<u>405,669,623</u>	<u>27,375,690</u>	<u>23,167,883</u>
<b>Total liabilities</b>		<u>1,379,873,225</u>	<u>1,350,729,254</u>	<u>78,804,867</u>	<u>77,140,449</u>
<b>Equity</b>					
Capital stock	19	689,746,980	686,100,480	39,391,604	39,183,351
Other capital surplus	20	133,141,920	131,678,360	7,603,765	7,520,181
Other equity	21,25	735,013	(1,285,813)	41,977	(73,434)
Accumulated deficit	22	(39,383,310)	(3,799,101)	(2,249,190)	(216,967)
<b>Equity attributable to owners of the Company</b>		<u>784,240,603</u>	<u>812,693,926</u>	<u>44,788,156</u>	<u>46,413,131</u>
<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>784,240,603</u>	<u>812,693,926</u>	<u>44,788,156</u>	<u>46,413,131</u>
<b>Total liabilities and equity</b>		<u>₩ 2,164,113,828</u>	<u>2,163,423,180</u>	<u>Rs 123,593,023</u>	<u>123,553,580</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Income (loss)  
(Unaudited)

**For the three-month and nine-month periods ended September 30, 2017 and 2016**

(In thousands of won, except earnings per share information)

	Note	2017		2016	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32 ₩	900,668,401	2,592,482,939 ₩	850,770,909	2,627,945,471
Cost of sales	24,32	769,773,782	2,198,066,513	726,912,538	2,196,447,028
<b>Gross profit</b>		<u>130,894,619</u>	<u>394,416,426</u>	<u>123,858,371</u>	<u>431,498,443</u>
Selling, general and administrative expenses	24,26	148,316,212	433,953,866	131,194,539	411,459,634
<b>Operating income (loss)</b>		<u>(17,421,593)</u>	<u>(39,537,440)</u>	<u>(7,336,168)</u>	<u>20,038,809</u>
Other income	27,32	6,217,055	23,647,189	26,683,429	40,960,352
Other expenses	27,32	4,665,018	19,883,011	9,720,956	29,765,656
Finance income	25,28	3,019,213	16,773,009	7,543,767	18,199,284
Finance costs	25,28	5,162,394	17,973,844	(59,938)	14,114,342
Share of profits of joint venture	9	326,133	1,498,242	1,084,327	3,352,525
<b>Profit (Loss) before income taxes</b>		<u>(17,686,604)</u>	<u>(35,475,855)</u>	<u>18,314,337</u>	<u>38,670,972</u>
Income tax expenses	23	2,525	99,707	-	26
<b>Profit (Loss) for the period</b>		<u>(17,689,129)</u>	<u>(35,575,562)</u>	<u>18,314,337</u>	<u>38,670,946</u>
<b>Profit (Loss) attributable to:</b>					
Owners of the Company		(17,689,129)	(35,575,562)	18,314,337	38,670,946
Non-controlling interests		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>	21,22				
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements		(2,932)	(8,648)	(3,621)	(10,469)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedge		(962,230)	2,213,090	(861,535)	515,494
Foreign currency translation difference for foreign operation		(53,453)	(192,263)	(36,342)	(150,653)
		<u>(1,018,615)</u>	<u>2,012,179</u>	<u>(901,498)</u>	<u>354,372</u>
<b>Total comprehensive income(loss) for the period</b>		<u>₩ (18,707,744)</u>	<u>(33,563,383) ₩</u>	<u>17,412,839</u>	<u>39,025,318</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the Company		₩ (18,707,744)	(33,563,383) ₩	17,412,839	39,025,318
Non-controlling interests		-	-	-	-
<b>Earnings (Losses) Per share</b>	29				
Basic and diluted earnings(losses) per share		₩ (128)	(258) ₩	133	282

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Income (loss), Continued  
(Unaudited)

**For the three-month and nine-month periods ended September 30, 2017 and 2016**

(In thousands of rupee, except earnings per share information)

	Note	2017		2016	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32 Rs	51,437,373	148,057,278	Rs 48,587,716	150,082,551
Cost of sales	24,32	43,961,952	125,532,068	41,514,137	125,439,579
<b>Gross profit</b>		<u>7,475,421</u>	<u>22,525,210</u>	<u>7,073,579</u>	<u>24,642,972</u>
Selling, general and administrative expenses	24,26	8,470,372	24,783,202	7,492,549	23,498,551
<b>Operating income (loss)</b>		<u>(994,951)</u>	<u>(2,257,992)</u>	<u>(418,970)</u>	<u>1,144,421</u>
Other income	27,32	355,057	1,350,496	1,523,897	2,339,255
Other expenses	27,32	266,421	1,135,523	555,166	1,699,923
Finance income	25,28	172,428	957,910	430,826	1,039,365
Finance costs	25,28	294,825	1,026,490	(3,423)	806,073
Share of profits of joint venture	9	18,626	85,565	61,926	191,463
<b>Profit (Loss) before income taxes</b>		<u>(1,010,086)</u>	<u>(2,026,034)</u>	<u>1,045,936</u>	<u>2,208,508</u>
Income tax expenses	23	144	5,694	-	2
<b>Profit (Loss) for the period</b>		<u>(1,010,230)</u>	<u>(2,031,728)</u>	<u>1,045,936</u>	<u>2,208,506</u>
<b>Profit (Loss) attributable to:</b>					
Owners of the Company		(1,010,230)	(2,031,728)	1,045,936	2,208,506
Non-controlling interests		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>	21,22				
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements		(167)	(494)	(207)	(598)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedge		(54,953)	126,390	(49,202)	29,440
Foreign currency translation difference for foreign operation		(3,053)	(10,980)	(2,076)	(8,603)
		<u>(58,173)</u>	<u>114,916</u>	<u>(51,485)</u>	<u>20,239</u>
<b>Total comprehensive income(loss) for the period</b>		<u>Rs (1,068,403)</u>	<u>(1,916,812)</u>	<u>Rs 994,451</u>	<u>2,228,745</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the Company	Rs	(1,068,403)	(1,916,812)	Rs 994,451	2,228,745
Non-controlling interests		-	-	-	-
<b>Earnings (Losses) Per share</b>					
Basic and diluted earnings(losses) per share	29 Rs	(7)	(15)	Rs 8	16

See accompanying notes to the condensed consolidated interim financial statements.



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

**For the nine-month periods ended September 30, 2017 and 2016**

(In thousands of won)

		Other capital surplus						Accumulated deficit	Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity			
<b>Balance at January 1, 2016</b>	₩	686,100,480	11,452,713	118,189,001	931,508	1,105,138	1,570,929	(102,294,592)	-	717,055,177
<b>Total comprehensive income(loss) for the period:</b>										
Profit for the period		-	-	-	-	-	-	38,670,946	-	38,670,946
Defined benefit plan re-measurements		-	-	-	-	-	-	(10,469)	-	(10,469)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	515,494	-	-	515,494
Foreign currency translation difference for foreign operation		-	-	-	-	-	(150,653)	-	-	(150,653)
<b>Balance at September 30, 2016</b>	₩	<u>686,100,480</u>	<u>11,452,713</u>	<u>118,189,001</u>	<u>931,508</u>	<u>1,105,138</u>	<u>1,935,770</u>	<u>(63,634,115)</u>	-	<u>756,080,495</u>
<b>Balance at January 1, 2017</b>	₩	686,100,480	11,452,713	118,189,001	931,508	1,105,138	(1,285,814)	(3,799,100)	-	812,693,926
<b>Total comprehensive income(loss) for the period:</b>										
Loss for the period		-	-	-	-	-	-	(35,575,562)	-	(35,575,562)
Defined benefit plan re-measurements		-	-	-	-	-	-	(8,648)	-	(8,648)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	2,213,090	-	-	2,213,090
Foreign currency translation difference for foreign operation		-	-	-	-	-	(192,263)	-	-	(192,263)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Issue of ordinary shares		<u>3,646,500</u>	<u>1,463,560</u>	-	-	-	-	-	-	<u>5,110,060</u>
<b>Balance at September 30, 2017</b>	₩	<u>689,746,980</u>	<u>12,916,273</u>	<u>118,189,001</u>	<u>931,508</u>	<u>1,105,138</u>	<u>735,013</u>	<u>(39,383,310)</u>	-	<u>784,240,603</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Changes in Equity, Continued  
(Unaudited)

**For the nine-month periods ended September 30, 2017 and 2016**

(In thousands of rupee)

	Rs	Other capital surplus							Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Accumulated deficit		
<b>Balance at January 1, 2016</b>		39,183,351	654,067	6,749,800	53,199	63,115	89,715	(5,842,067)	-	40,951,180
<b>Total comprehensive income(loss) for the period:</b>										
Profit for the period		-	-	-	-	-	-	2,208,506	-	2,208,506
Defined benefit plan re-measurements		-	-	-	-	-	-	(598)	-	(598)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	29,440	-	-	29,440
Foreign currency translation difference for foreign operation		-	-	-	-	-	(8,603)	-	-	(8,603)
<b>Balance at September 30, 2016</b>		<u>39,183,351</u>	<u>654,067</u>	<u>6,749,800</u>	<u>53,199</u>	<u>63,115</u>	<u>110,552</u>	<u>(3,634,159)</u>	-	<u>43,179,925</u>
<b>Balance at January 1, 2017</b>		39,183,351	654,067	6,749,800	53,199	63,115	(73,433)	(216,968)	-	46,413,131
<b>Total comprehensive income(loss) for the period:</b>										
Loss for the period		-	-	-	-	-	-	(2,031,728)	-	(2,031,728)
Defined benefit plan re-measurements		-	-	-	-	-	-	(494)	-	(494)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	126,390	-	-	126,390
Foreign currency translation difference for foreign operation		-	-	-	-	-	(10,980)	-	-	(10,980)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Issue of ordinary shares		208,253	83,584	-	-	-	-	-	-	291,837
<b>Balance at September 30, 2017</b>		<u>39,391,604</u>	<u>737,651</u>	<u>6,749,800</u>	<u>53,199</u>	<u>63,115</u>	<u>41,977</u>	<u>(2,249,190)</u>	-	<u>44,788,156</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

For the nine-month periods ended September 30, 2017 and 2016

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Profit(loss) for the period	₩ (35,575,562)	38,670,946	Rs (2,031,728)	2,208,506
Adjustment	177,430,651	164,199,544	10,133,104	9,377,472
Changes in assets and liabilities	(112,877,800)	(160,799,800)	(6,446,477)	(9,183,312)
<b>Cash generated from operations (note 30)</b>	<u>28,977,289</u>	<u>42,070,690</u>	<u>1,654,899</u>	<u>2,402,666</u>
Interest received	2,197,103	2,039,623	125,477	116,484
Interest paid	(2,593,998)	(2,816,557)	(148,144)	(160,854)
Dividends received	6,000	11,000	343	628
<b>Net cash provided by operating activities</b>	<u>28,586,394</u>	<u>41,304,756</u>	<u>1,632,575</u>	<u>2,358,924</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	127,547	790,920	7,284	45,170
Proceed from disposal of intangible assets	763,636	-	43,611	-
Acquisition of property, plant and equipment	(115,104,964)	(100,100,527)	(6,573,670)	(5,716,762)
Acquisition of intangible assets	(84,907,697)	(54,231,780)	(4,849,097)	(3,097,189)
Cash flow from other investing activities	(3,097,248)	(2,930,851)	(176,884)	(167,383)
<b>Net cash used in investing activities</b>	<u>(202,218,726)</u>	<u>(156,472,238)</u>	<u>(11,548,756)</u>	<u>(8,936,164)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	77,710,376	12,950,566	4,438,057	739,610
Government grants received	73,610	-	4,203	-
Proceeds from issuing capital stock	5,110,060	-	291,837	-
Repayment of borrowings	(15,000,000)	(12,500,000)	(856,653)	(713,878)
<b>Net cash provided by financing activities</b>	<u>67,894,046</u>	<u>450,566</u>	<u>3,877,444</u>	<u>25,732</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>19,667</u>	<u>(295,209)</u>	<u>1,123</u>	<u>(16,860)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(105,718,618)</u>	<u>(115,012,125)</u>	<u>(6,037,614)</u>	<u>(6,568,368)</u>
Cash and cash equivalents at January 1	<u>238,401,708</u>	<u>197,881,904</u>	<u>13,530,175</u>	<u>11,301,080</u>
<b>Cash and cash equivalents at September 30</b>	<u>₩ 132,683,089</u>	<u>82,869,779</u>	<u>Rs 7,577,561</u>	<u>4,732,712</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**1. General Description of the Company**

**(1) Group overview and recent changes in business environment**

Ssangyong Motor Company (the "Parent Company") was incorporated on December 6, 1962, in the Republic of Korea and listed its stocks on the Korea Stock Exchange in May 1975. The Company is headquartered in Dongsak-ro, Pyeongtaek, and its factories are located in Pyeongtaek, Gyeonggi-do and Changwon, Gyeongsangnam-do, Republic of Korea to manufacture, sell and fix multiple types of vehicle, heavy machinery and those parts.

**(2) Major shareholders**

As of September 30, 2017, the Company's shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>
Mahindra & Mahindra Ltd.	99,964,502	72.46%
Others	37,984,894	27.54%
	<u>137,949,396</u>	<u>100.00%</u>

**2. Basis of Preparation**

**(1) Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2016. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

**(2) Use of estimates and judgements**

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing for these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and estimation are the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2016.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**(3) Changes in accounting policies**

① Amendments to K-IFRS No. 1007 'Statement of cash flows'

The amendments to K-IFRS 1007 contain the requirement that changes in liabilities arising from financing activities to be disclosed (to the extent necessary). The management believes that the impact of the amendments on its condensed consolidated interim financial statements is not significant.

② Amendments to K-IFRS No. 1012 'Income taxes'

The amendments to K-IFRS 1012 clarify the following:

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

The management believes that the impact of the amendments on its condensed consolidated interim financial statements is not significant.

**(4) Basis of Translating Condensed Consolidated Interim Financial Statements**

The condensed consolidated interim financial statements are expressed in Korean won and have been translated into India rupees at the rate of ₩ 17.51 to INR 1 on September 30, 2017, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

**3. Significant Accounting Policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements as of and for the year ended December 31, 2016.

For better comparative purposes, certain comparative amounts in the condensed separate financial statements have been reclassified according to the condensed separate financial statements of the current year, which do not have an impact on either net profit or net equity of the prior year.

The following new standards, interpretations and amendments to existing standards, which have been published, are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however the Group has not early adopted them.

① Amendments to K-IFRS No. 1109, 'Financial Instruments'

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**3. Significant Accounting Policies, Continued**

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

K-IFRS 1109 will require the Group to assess the financial impact from application of K-IFRS 1109 and revise its accounting processes and internal controls related to financial instruments. Actual impact of adopting K-IFRS 1109 will be dependent on the financial instruments the Group holds and economic conditions at that time as well as accounting policy elections and judgment that it will make in the future.

The general impact of the new standard on the consolidated financial statements is as follows:

a. Classification and measurement of financial assets

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

<b>Business model</b>	<b>Contractual cash flow characteristic solely payments of principal and interests</b>	<b>All other cases</b>
To collect contractual cash flows	At amortized cost (*1)	
Both to collect contractual cash flows and sell financial assets	At FVOCI (*1)	FVTPL (*2)
For trading, and others	At FVTPL	

(\*1) The Group may irrevocably designate as at FVTPL to eliminate or significantly reduce an accounting mismatch.

(\*2) The Group may irrevocably designate equity investments that is not held for trading as at FVOCI.

b. Classification and measurement of financial liabilities.

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**3. Significant Accounting Policies, Continued**

c. Impairment: Financial assets and contract assets

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

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

	<b>Classification(*)</b>	<b>Loss allowances</b>
Stage 1	Credit risk has not increased significantly since the initial recognition(**)	12-month ECL: ECLs that resulted from possible default events within the 12 months after the reporting date
Stage 2	Credit risk has increase significantly since the initial recognition	Lifetime ECL: ECL that resulted from all possible default events over the expected life of a financial instrument
Stage 3	Credit-impaired financial assets	

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

d. Hedge Accounting

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

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

② Amendments to K-IFRS No. 1115, 'Revenue from Contracts with Customers'

The core principle under K-IFRS No. 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS No.1011 'Construction Contracts', K-IFRS No.1018 'Revenue', K-IFRS No. 2113 'Customer Loyalty Programs', K-IFRS No. 2115 'Agreements for the Construction of Real Estate', K-IFRS No. 2118 'Transfers of Assets from Customers' and K-IFRS No. 2031 'Revenue-Barter Transactions Involving Advertising Services'. The amendments are effective for annual periods beginning on or after January 1, 2018.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**3. Significant Accounting Policies, Continued**

The Group is reviewing to adopt for K-IFRS 1115 in 2017 and implement necessary internal process, as well as accounting system in parallel. The Group is planning to evaluate the potential impact of K-IFRS 1115 on the consolidated financial statements and disclose the financial impact of the adoption of the standard on the consolidated financial statements as of and for the year ending December 31, 2017.

③ Amendments to K-IFRS No. 1102, 'Share-based Payment'

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

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, in which accounting for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations, where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, which is then transferred, normally in cash, to the tax authorities on the employee's behalf; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity settled, where if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss.



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**4. Cash and Cash Equivalents**

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

**5. Restricted Financial Instruments**

Restricted financial Instruments as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution	Korean won		Indian rupee		Description
		2017	2016	2017	2016	
Cash and cash equivalents	Shinhan Bank and others	₩ 1,119,343	177,208	Rs 63,926	10,120	Government grants and others
	Woori Bank	748,010	746,591	42,719	42,638	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	6,000	228	343	Overdraft deposit
		₩ 1,871,353	929,799	Rs 106,873	53,101	

**6. Available For Sale Financial Assets**

Available for sale ("AFS") financial assets as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	Ownership (%)		2017		2016	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩	500,000	697,010	500,000	500,000
Korea Management Consultants Association (*)	1.50		60,000	680,983	60,000	60,000
		₩	560,000	1,377,993	560,000	560,000

(In thousands of rupee)

	Ownership (%)		2017		2016	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs	28,555	39,806	28,555	28,555
Korea Management Consultants Association (*)	1.50		3,427	38,891	3,427	3,427
		Rs	31,982	78,697	31,982	31,982

(\*) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at acquisition cost.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**7. Trade and Other Receivables**

(1) Details of trade and other receivables as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 179,610,274	-	212,488,160	-
Less: Allowance for doubtful accounts	(42,305)	-	(93,208)	-
Other receivables	6,778,257	147,500	7,456,694	170,500
Less: Allowance for doubtful accounts	(1,033)	(44,250)	(1,732)	(44,250)
Loans and others	12,100,798	32,277,850	10,516,447	33,660,841
Less: Allowance for doubtful accounts	(16,320)	(72,628)	(45,320)	(32,428)
	₩ 198,429,671	33,308,472	230,321,041	33,754,663

(In thousands of rupee)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 10,257,583	-	12,135,246	-
Less: Allowance for doubtful accounts	(2,416)	-	(5,323)	-
Other receivables	387,108	8,424	425,853	9,737
Less: Allowance for doubtful accounts	(59)	(2,527)	(99)	(2,527)
Loans and others	691,079	1,900,506	600,597	1,922,379
Less: Allowance for doubtful accounts	(932)	(4,148)	(2,588)	(1,852)
	Rs 11,332,363	1,902,255	13,153,686	1,927,737

(2) Aging analysis of the trade and other receivables as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	2017		2016	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 179,610,274	48,319,622	212,391,352	47,604,944
Past due over 90 days	-	3,984,783	96,808	4,199,538
	₩ 179,610,274	52,304,405	212,488,160	51,804,482

(\*)Others consist of other receivables, loans and others.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

7. Trade and Other Receivables, Continued

(2) Aging analysis of the trade and other receivables as of September 30, 2017 and December 31, 2016 are as follows, continued:

(In thousands of rupee)

		2017		2016	
		Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs	10,257,583	2,759,545	12,129,717	2,718,729
Past due over 90 days		-	227,572	5,529	239,837
	Rs	<u>10,257,583</u>	<u>2,987,117</u>	<u>12,135,246</u>	<u>2,958,566</u>

(\*)Others consist of other receivables, loans and others.

3) Changes in allowance for trade receivables during the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Beginning balance	₩	93,208	44,462	Rs 5,323	2,539
(Reversal of) Bad debt expense		(50,903)	54,173	(2,907)	3,094
Ending balance	₩	<u>42,305</u>	<u>98,635</u>	<u>Rs 2,416</u>	<u>5,633</u>

8. Inventories

Details of inventories as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Merchandises	₩	39,040,182	39,769,744	Rs 2,229,593	2,271,259
Finished goods		93,068,415	46,638,240	5,315,158	2,663,520
Work-in-process		30,604,954	28,203,922	1,747,856	1,610,732
Raw materials		33,166,137	32,040,766	1,894,125	1,829,855
Sub-materials		458,668	433,593	26,196	24,763
Supplies		3,589,591	3,545,334	205,002	202,475
Goods in transit		<u>65,450,076</u>	<u>54,348,033</u>	<u>3,737,868</u>	<u>3,103,828</u>
	₩	<u>265,378,023</u>	<u>204,979,632</u>	<u>Rs 15,155,798</u>	<u>11,706,432</u>

The Group has measured inventories at the lower of cost or net realizable value. The valuation loss on inventories recognized within cost of sales was ₩ 289,087 thousand (Rs 16,510 thousand) for the nine-month period ended September 30, 2017.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of September 30, 2017 are as follows:

(In thousands of won)

	<u>Company</u>	<u>Owner ship</u>	<u>Location</u>	<u>Closing month</u>	<u>Industry</u>
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	100%	China	December	Sales of automobile
	Ssangyong European Parts Center B.V.	100%	Netherlands	December	A/S and sales
Joint venture	SY Auto Capital Co., Ltd. (*)	51%	Korea	December	Installment finance

(\*) SY Auto Capital Co., Ltd. is a joint arrangement whereby the Group and KB Capital Co., Ltd., that have joint control of the arrangement, have rights to the net assets of the joint arrangement.

(2) Changes in the carrying amounts of investments in a joint venture for the nine-month periods ended September 30, 2017 are as follows:

(In thousands of won)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Share of profit of a joint venture</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd. ₩	13,681,894	-	1,498,242	15,180,136

(In thousands of rupee)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Share of profit of a joint venture</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd. Rs	781,376	-	85,565	866,941

(3) Summarized financial information of subsidiaries and a joint venture

1) The summarized financial information of the Company's subsidiaries and joint venture as of and for the nine-month period ended September 30, 2017 is as follows:

(In thousands of won)

	<u>September 30, 2017</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Net income (loss)</u>
Ssangyong Motor (Shanghai) Co., Ltd. ₩	1,871,525	554,409	1,317,116	14,022	(992,959)
Ssangyong European Parts Center B.V.	13,020,238	15,466,014	(2,445,776)	13,276,128	1,224,829
SY Auto Capital Co., Ltd. (*)	64,350,503	35,100,466	29,250,037	8,820,965	2,939,104

(In thousands of rupee)

	<u>September 30, 2017</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Net income (loss)</u>
Ssangyong Motor (Shanghai) Co., Ltd. Rs	106,883	31,662	75,221	801	(56,708)
Ssangyong European Parts Center B.V.	743,589	883,268	(139,679)	758,203	69,950
SY Auto Capital Co., Ltd. (*)	3,675,072	2,004,596	1,670,476	503,767	167,853

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

9. Investments in Subsidiaries and a Joint venture, Continued

(\*) Additional financial information for the joint venture for the nine-month period ended September 30, 2017 is as follows:

<i>(In thousands of won)</i>		<b>Cash and cash equivalents</b>	<b>Financial liabilities</b>	<b>Depreciation</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Income tax expense</b>
SY Auto Capital Co., Ltd	₩	8,409,114	33,968,074	94,942	929,110	625,746	852,127
<i>(In thousands of rupee)</i>		<b>Cash and cash equivalents</b>	<b>Financial liabilities</b>	<b>Depreciation</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Income tax expense</b>
SY Auto Capital Co., Ltd	Rs	480,246	1,939,924	5,422	53,062	35,736	48,665

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

<i>(In thousands of won)</i>		<b>December 31, 2016</b>				
		<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net income (loss)</b>
Ssangyong Motor (Shanghai) Co., Ltd.	₩	3,012,220	661,474	2,350,746	144,453	(832,206)
Ssangyong European Parts Center B.V.		11,489,757	15,008,769	(3,519,012)	16,806,961	141,588
SY Auto Capital Co., Ltd. (*)		65,291,551	38,980,618	26,310,933	17,747,215	6,961,565

(3) Summarized financial information of subsidiaries and a joint venture, continued

<i>(In thousands of rupee)</i>		<b>December 31, 2016</b>				
		<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net income (loss)</b>
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	172,029	37,777	134,252	8,250	(47,527)
Ssangyong European Parts Center B.V.		656,183	857,155	(200,972)	959,849	8,086
SY Auto Capital Co., Ltd. (*)		3,728,815	2,226,192	1,502,623	1,013,547	397,577

(\*) Additional financial information for the joint venture for the year ended December 31, 2016 is as follows:

<i>(In thousands of won)</i>		<b>Cash and cash equivalents</b>	<b>Financial liabilities</b>	<b>Depreciation</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Income tax expense</b>
SY Auto Capital Co., Ltd	₩	6,033,165	37,592,961	116,454	897,492	717,765	1,860,316
<i>(In thousands of rupee)</i>		<b>Cash and cash equivalents</b>	<b>Financial liabilities</b>	<b>Depreciation</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Income tax expense</b>
SY Auto Capital Co., Ltd	Rs	344,555	2,146,942	6,651	51,256	40,992	106,243

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**9. Investments in Subsidiaries and a Joint venture, Continued**

(4) Reconciliation from the net assets of the Company's joint venture to the carrying amount of investments in joint venture as of September 30, 2017 is as follows:

(In thousands of won)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd ₩	29,250,037	51%	14,917,519	262,617	15,180,136

(In thousands of rupee)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd Rs	1,670,476	51%	851,943	14,998	866,941

**10. Other Assets**

Details of other assets as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

		<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Other current assets</b>					
Advance payments	₩	1,712,624	1,794,671	Rs 97,808	102,494
Less: Allowance for doubtful Accounts		(265)	(4,488)	(15)	(256)
Prepaid expenses		16,779,412	5,205,163	958,276	297,268
Current tax assets		<u>277,303</u>	<u>342,594</u>	<u>15,837</u>	<u>19,566</u>
		18,769,074	7,337,940	1,071,906	419,072
<b>Other non-current assets</b>					
Other non-current assets	₩	273,288	273,319	Rs 15,608	15,609

**11. Property, Plant and Equipment**

(1) Details of property, plant and equipment as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

		<u>September 30, 2017</u>				
		<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Land	₩	475,072,283	-	-	-	475,072,283
Buildings		542,269,776	(1,860,804)	(214,844,768)	(148,366,786)	177,197,418
Structures		109,081,669	(116,319)	(63,722,784)	(28,913,882)	16,328,684
Machinery		1,294,213,597	(261,082)	(1,026,068,911)	(95,753,344)	172,130,260
Vehicles		7,817,058	(7,794)	(5,998,872)	(598,962)	1,211,430
Tools and molds		1,192,471,307	(11,787)	(723,882,298)	(158,957,504)	309,619,718
Equipment		69,464,363	(38,732)	(49,747,176)	(3,510,323)	16,168,132
Construction in progress		<u>47,617,999</u>	-	-	-	<u>47,617,999</u>
	₩	<u>3,738,008,052</u>	<u>(2,296,518)</u>	<u>(2,084,264,809)</u>	<u>(436,100,801)</u>	<u>1,215,345,924</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of September 30, 2017 and December 31, 2016 are as follows, continued:

(In thousands of won)

		<b>December 31, 2016</b>			
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	₩ 475,072,283	-	-	-	475,072,283
Buildings	538,730,945	(1,906,386)	(206,865,385)	(148,366,787)	181,592,387
Structures	108,248,754	(115,454)	(62,439,683)	(28,913,882)	16,779,735
Machinery	1,281,190,863	(333,844)	(1,011,171,267)	(96,363,713)	173,322,039
Vehicles	7,884,450	(8,944)	(6,160,316)	(680,671)	1,034,519
Tools and molds	1,070,562,591	(13,254)	(683,055,335)	(159,733,640)	227,760,362
Equipment	68,495,631	(18,479)	(45,621,819)	(3,605,442)	19,249,891
Construction in progress	103,179,053	-	-	-	103,179,053
Machinery in transit	1,016,181	-	-	-	1,016,181
	<u>₩ 3,654,380,751</u>	<u>(2,396,361)</u>	<u>(2,015,313,805)</u>	<u>(437,664,135)</u>	<u>1,199,006,450</u>

(In thousands of rupee)

		<b>September 30, 2017</b>			
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs 27,131,484	-	-	-	27,131,484
Buildings	30,969,148	(106,271)	(12,269,833)	(8,473,260)	10,119,784
Structures	6,229,678	(6,643)	(3,639,222)	(1,651,278)	932,535
Machinery	73,912,827	(14,910)	(58,599,024)	(5,468,495)	9,830,398
Vehicles	446,434	(445)	(342,597)	(34,208)	69,184
Tools and molds	68,102,302	(673)	(41,341,079)	(9,078,098)	17,682,452
Equipment	3,967,124	(2,213)	(2,841,072)	(200,475)	923,364
Construction in progress	2,719,475	-	-	-	2,719,475
	<u>Rs 213,478,472</u>	<u>(131,155)</u>	<u>(119,032,827)</u>	<u>(24,905,814)</u>	<u>69,408,676</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of September 30, 2017 and December 31, 2016 are as follows, continued:

(In thousands of rupee)

		<b>December 31, 2016</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	27,131,484	-	-	-	27,131,484
Buildings		30,767,044	(108,874)	(11,814,128)	(8,473,260)	10,370,782
Structures		6,182,110	(6,594)	(3,565,944)	(1,651,278)	958,294
Machinery		73,169,096	(19,066)	(57,748,216)	(5,503,354)	9,898,460
Vehicles		450,283	(511)	(351,817)	(38,873)	59,082
Tools and molds		61,140,068	(757)	(39,009,442)	(9,122,424)	13,007,445
Equipment		3,911,801	(1,055)	(2,605,473)	(205,908)	1,099,365
Construction in progress		5,892,579	-	-	-	5,892,579
Machinery in transit		58,034	-	-	-	58,034
	Rs	<u>208,702,499</u>	<u>(136,857)</u>	<u>(115,095,020)</u>	<u>(24,995,097)</u>	<u>68,475,525</u>

(2) Changes in property, plant and equipment for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

		<b>September 30, 2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*)</b>	<b>Ending balance</b>
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	128,405	(1,040)	(7,933,801)	3,411,467	177,197,418
Structures		16,779,735	503,212	(985)	(1,271,078)	317,800	16,328,684
Machinery		173,322,039	11,408	(66,260)	(23,144,844)	22,007,917	172,130,260
Vehicles		1,034,519	244,576	(5,253)	(342,778)	280,366	1,211,430
Tools and molds		227,760,362	4,576,725	(8,149)	(56,498,524)	133,789,304	309,619,718
Equipment		19,249,891	2,093,846	(46,169)	(5,191,415)	61,979	16,168,132
Construction in progress		103,179,053	101,997,471	-	-	(157,558,525)	47,617,999
Machinery in transit		1,016,181	389,149	-	-	(1,405,330)	-
	₩	<u>1,199,006,450</u>	<u>109,944,792</u>	<u>(127,856)</u>	<u>(94,382,440)</u>	<u>904,978</u>	<u>1,215,345,924</u>

(In thousands of won)

		<b>September 30, 2016</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*)</b>	<b>Ending balance</b>
Land	₩	475,531,313	-	(468,532)	-	-	475,062,781
Buildings		190,494,892	109,725	(151,728)	(7,868,899)	664,157	183,248,147
Structures		16,766,128	568,399	(47,999)	(1,300,556)	230,037	16,216,009
Machinery		185,774,908	40,897	(25,664)	(21,775,176)	13,352,099	177,367,064
Vehicles		1,422,723	57,494	(6,914)	(398,564)	81,672	1,156,411
Tools and molds		252,248,089	3,578,201	(13,189)	(54,795,969)	39,858,742	240,875,874
Equipment		22,815,144	1,828,299	(15,021)	(5,189,266)	620,664	20,059,820
Construction in progress		40,866,774	83,421,288	-	-	(50,797,011)	73,491,051
Machinery in transit		1,924,851	1,223,377	-	-	(3,147,752)	476
	₩	<u>1,187,844,822</u>	<u>90,827,680</u>	<u>(729,047)</u>	<u>(91,328,430)</u>	<u>862,608</u>	<u>1,187,477,633</u>



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the nine-month periods ended September 30, 2017 and 2016 are as follows, continued:

(\*) Capitalized borrowing costs in respect of construction in progress is ~~₩~~ 653,210 thousand (2016: ~~₩~~ 822,878 thousand) and ~~₩~~ 251,884 thousand (2016: ~~₩~~ 43,655 thousand) was transferred from inventory to vehicles during the nine-month period ended September 30, 2017.

(In thousands of rupee)

		<b>September 30, 2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*)</b>	<b>Ending balance</b>
Land	Rs	27,131,484	-	-	-	-	27,131,484
Buildings		10,370,782	7,333	(60)	(453,101)	194,830	10,119,784
Structures		958,294	28,739	(56)	(72,592)	18,150	932,535
Machinery		9,898,460	652	(3,784)	(1,321,807)	1,256,877	9,830,398
Vehicles		59,082	13,968	(300)	(19,576)	16,010	69,184
Tools and molds		13,007,445	261,378	(465)	(3,226,643)	7,640,737	17,682,452
Equipment		1,099,365	119,580	(2,637)	(296,483)	3,539	923,364
Construction in progress		5,892,579	5,825,098	-	-	(8,998,202)	2,719,475
Machinery in transit		58,034	22,224	-	-	(80,258)	-
	Rs	<u>68,475,525</u>	<u>6,278,972</u>	<u>(7,302)</u>	<u>(5,390,202)</u>	<u>51,683</u>	<u>69,408,676</u>

(In thousands of rupee)

		<b>September 30, 2016</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*)</b>	<b>Ending balance</b>
Land	Rs	27,157,699	-	(26,758)	-	-	27,130,941
Buildings		10,879,206	6,266	(8,665)	(449,395)	37,930	10,465,342
Structures		957,517	32,461	(2,741)	(74,275)	13,137	926,099
Machinery		10,609,646	2,336	(1,466)	(1,243,585)	762,541	10,129,472
Vehicles		81,252	3,283	(395)	(22,762)	4,664	66,042
Tools and molds		14,405,945	204,352	(753)	(3,129,410)	2,276,342	13,756,476
Equipment		1,302,978	104,416	(858)	(296,360)	35,446	1,145,622
Construction in progress		2,333,911	4,764,208	-	-	(2,901,029)	4,197,090
Machinery in transit		109,929	69,867	-	-	(179,769)	27
	Rs	<u>67,838,083</u>	<u>5,187,189</u>	<u>(41,636)</u>	<u>(5,215,787)</u>	<u>49,262</u>	<u>67,817,111</u>

(\*) Capitalized borrowing costs in respect of construction in progress is Rs 37,305 thousand (2016: Rs 50,421 thousand) and Rs 14,385 thousand (2016: Rs 2,493 thousand) was transferred from inventory to vehicles during the nine-month period ended September 30, 2017.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**11. Property, Plant and Equipment, Continued**

(3) Details of pledged assets provided as collateral for the borrowings as of September 30, 2017 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won			Indian rupee	
	Book value	Collateralized amount (Maximum)		Book value	Collateralized amount (Maximum)
Land	₩ 366,132,440	267,000,000	Rs	20,909,905	15,248,429
Buildings and structures	71,864,410			4,104,192	
Machinery and others	2,151,271			122,860	
	<u>440,148,121</u>	<u>267,000,000</u>		<u>25,136,957</u>	<u>15,248,429</u>

(4) Capitalized borrowing costs and capitalization interest rate for the nine-month periods ended September 30, 2017 and 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won			Indian rupee	
	2017	2016		2017	2016
Capitalized borrowing costs (*)	₩ 2,092,363	2,188,635	Rs	119,495	124,993
Capitalization interest rate	3.27%	3.68%		3.27%	3.68%

(\*) Capitalized borrowing costs for intangible assets are ₩ 1,439,153 thousand (Rs 82,190 thousand) and ₩ 1,365,757 thousand (Rs 77,998 thousand) for the nine-month periods ended September 30, 2017 and 2016, respectively.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

12. Intangible Assets

(1) Details of intangible assets as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

		September 30, 2017				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	280,417,626	-	(102,031,971)	-	178,385,655
Patents		3,885,621	(18,994)	(2,142,297)	(70,792)	1,653,538
Other intangible assets		130,493,017	(24,308)	(26,006,120)	(362,469)	104,100,120
	₩	<u>414,796,264</u>	<u>(43,302)</u>	<u>(130,180,388)</u>	<u>(433,261)</u>	<u>284,139,313</u>

(In thousands of won)

		December 31, 2016				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	170,793,491	-	(69,280,886)	-	101,512,605
Patents		3,489,061	(21,119)	(1,703,782)	(54,627)	1,709,533
Other intangible assets		154,930,497	(37,464)	(23,194,568)	(576,105)	131,122,360
	₩	<u>329,213,049</u>	<u>(58,583)</u>	<u>(94,179,236)</u>	<u>(630,732)</u>	<u>234,344,498</u>

(In thousands of rupee)

		September 30, 2017				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	16,014,713	-	(5,827,069)	-	10,187,644
Patents		221,909	(1,085)	(122,347)	(4,043)	94,434
Other intangible assets		7,452,485	(1,388)	(1,485,215)	(20,701)	5,945,181
	Rs	<u>23,689,107</u>	<u>(2,473)</u>	<u>(7,434,631)</u>	<u>(24,744)</u>	<u>16,227,259</u>

(In thousands of rupee)

		December 31, 2016				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	9,754,054	-	(3,956,647)	-	5,797,407
Patents		199,261	(1,206)	(97,303)	(3,120)	97,632
Other intangible assets		8,848,115	(2,140)	(1,324,647)	(32,901)	7,488,427
	Rs	<u>18,801,430</u>	<u>(3,346)</u>	<u>(5,378,597)</u>	<u>(36,021)</u>	<u>13,383,466</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

12. Intangible Assets, Continued

(2) Changes in intangible assets for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

		September 30, 2017							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	101,512,605	-	-	(32,751,085)	-	109,624,135	-	178,385,655
Patents		1,709,533	396,559	-	(436,389)	(16,165)	-	-	1,653,538
Other intangible assets		131,122,360	84,511,138	(763,636)	(2,798,396)	213,636	(109,624,135)	1,439,153	104,100,120
	₩	234,344,498	84,907,697	(763,636)	(35,985,870)	197,471	-	1,439,153	284,139,313

(In thousands of won)

		September 30, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	109,536,141	-	(22,858,833)	-	22,707,210	-	109,384,518
Patents		1,584,610	562,863	(393,987)	(15,191)	-	-	1,738,295
Other intangible assets		75,823,834	53,668,917	(4,784,226)	-	(22,707,210)	1,365,757	103,367,072
	₩	186,944,585	54,231,780	(28,037,046)	(15,191)	-	1,365,757	214,489,885

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩ 1,439,153 thousand and ₩ 1,365,757 thousand for the nine-month periods ended September 30, 2017 and 2016, respectively.

(In thousands of rupee)

		September 30, 2017							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	5,797,407	-	-	(1,870,422)	-	6,260,659	-	10,187,644
Patents		97,632	22,648	-	(24,922)	(924)	-	-	94,434
Other intangible assets		7,488,427	4,826,449	(43,611)	(159,817)	12,202	(6,260,659)	82,190	5,945,181
	Rs	13,383,466	4,849,097	(43,611)	(2,055,161)	11,278	-	82,190	16,227,259

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

12. Intangible Assets, Continued

(2) Changes in intangible assets for the nine-month periods ended September 30, 2017 and 2016 are as follows, continued:

(In thousands of rupee)

		September 30, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	6,255,633	-	(1,305,473)	-	1,296,814	-	6,246,974
Patents		90,497	32,145	(22,501)	(868)	-	-	99,273
Other intangible assets		4,330,316	3,065,044	(273,228)	-	(1,296,814)	77,999	5,903,317
	Rs	10,676,446	3,097,189	(1,601,202)	(868)	-	77,999	12,249,564

(\*) Capitalized borrowing costs in respect of other intangible assets is Rs 82,190 thousand and Rs 77,999 thousand for the nine-month periods ended September 30, 2017 and 2016, respectively.

(3) Details of amortization for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Cost of goods manufactured	₩	32,751,085	22,858,833	Rs 1,870,422	1,305,473
Selling and administrative expenses		3,234,785	5,178,213	184,739	295,729
	₩	35,985,870	28,037,046	Rs 2,055,161	1,601,202

13. Borrowings

(1) Details of short-term borrowings as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2017	2016	2017	2016
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,713,307	1,713,307
Woori Bank	Operating fund(*)	CD+2.00	22,500,000	25,000,000	1,284,980	1,427,756
Bank Of America and other	Banker's usance	0.66 ~1.35	137,618,822	126,967,721	7,859,441	7,251,154
			₩ 190,118,822	181,967,721	Rs 10,857,728	10,392,217

(\*) Current portion of long-term borrowing

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

13. Borrowings, Continued

(2) Details of long-term borrowing as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2017	2016	2017	2016
Korea Development Bank	Operating fund	CD+1.57	₩ 70,000,000	-	Rs 3,997,716	-
Woori Bank	Operating fund	CD+2.00	22,500,000	37,500,000	1,284,980	2,141,634
Less: Current portion			(22,500,000)	(25,000,000)	(1,284,980)	(1,427,756)
			₩ 70,000,000	12,500,000	Rs 3,997,716	713,878

(3) Details of pledged assets as collateral for borrowings as of September 30, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Pledged assets	Pledged date	Maximum credit amount	
			Korean won	Indian rupee
Korea Development Bank	Land, buildings, structures and machinery	2009-08-13	₩ 195,000,000	Rs 11,136,493
Woori Bank	Land, buildings and machinery	2014-10-29	36,000,000	2,055,968
		2015-08-07	36,000,000	2,055,968
			₩ 267,000,000	Rs 15,248,429

14. Other Financial Liabilities

Details of other financial liabilities as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Accrued expenses	₩	37,528,239	34,519,616	Rs 2,143,246	1,971,423

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**15. Provision of Warranty for sale**

The Company provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for nine-month periods ended September 30, 2017 and 2016 are as follows:

*(In thousands of won and in thousands of rupee, except for par value)*

	Korean won			Indian rupee	
	2017	2016		2017	2016
Beginning balance	₩ 145,848,984	143,793,979	Rs	8,329,468	8,212,106
Increase	30,843,442	26,815,934		1,761,476	1,531,464
Decrease	(31,574,994)	(31,175,950)		(1,803,255)	(1,780,465)
Ending balance	₩ 145,117,432	139,433,963	Rs	8,287,689	7,963,105
Current	₩ 50,233,477	52,039,451	Rs	2,868,845	2,971,985
Non-current	94,883,955	87,394,512		5,418,844	4,991,120

**16. Other Liabilities**

Details of other liabilities as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won			Indian rupee	
	2017	2016		2017	2016
Advances from customers	₩ 4,004,976	3,359,440	Rs	228,725	191,858
Deposits received	537,855	613,895		30,717	35,060
Withholdings	31,310,053	29,352,536		1,788,124	1,676,331
	₩ 35,852,884	33,325,871	Rs	2,047,566	1,903,249

**17. Employee Benefits**

(1) Details of defined benefit liabilities as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won			Indian rupee	
	2017	2016		2017	2016
Present value of defined benefit obligations	₩ 296,641,470	280,792,667	Rs	16,941,260	16,036,132
Fair value of plan assets	(1,101,682)	(1,183,467)		(62,917)	(67,588)
	₩ 295,539,788	279,609,200	Rs	16,878,343	15,968,544

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

17. Employee Benefits, Continued

(2) Changes in defined benefit obligation ("DBO") for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

Details	September 30, 2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,792,667	(1,183,467)	279,609,200
Current service cost	28,161,806	-	28,161,806
Interest cost (income)	6,047,887	(25,462)	6,022,425
Sub-total	315,002,360	(1,208,929)	313,793,431
Re-measurements of plan assets	-	8,647	8,647
Benefit paid by plan	(98,600)	98,600	-
Benefit paid directly	(18,262,290)	-	(18,262,290)
Ending balance	₩ 296,641,470	(1,101,682)	295,539,788

(In thousands of won)

Details	September 30, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 293,343,081	(1,337,356)	292,005,725
Current service cost	30,632,604	-	30,632,604
Interest cost (income)	6,390,106	(29,079)	6,361,027
Sub-total	330,365,791	(1,366,435)	328,999,356
Re-measurements of plan assets	-	10,469	10,469
Benefit paid by plan	(150,462)	150,462	-
Benefit paid directly	(18,666,871)	-	(18,666,871)
Ending balance	₩ 311,548,458	(1,205,504)	310,342,954

(In thousands of rupee)

Details	September 30, 2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 16,036,132	(67,588)	15,968,544
Current service cost	1,608,327	-	1,608,327
Interest cost (income)	345,396	(1,454)	343,942
Sub-total	17,989,855	(69,042)	17,920,813
Re-measurements of plan assets	-	494	494
Benefit paid by plan	(5,631)	5,631	-
Benefit paid directly	(1,042,964)	-	(1,042,964)
Ending balance	Rs 16,941,260	(62,917)	16,878,343



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

17. Employee Benefits, Continued

(2) Changes in defined benefit obligation for the nine-month periods ended September 30, 2017 and 2016 are as follows, continued:

(In thousands of rupee)

Details	September 30, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 16,752,889	(76,377)	16,676,512
Current service cost	1,749,435	-	1,749,435
Interest cost (income)	364,940	(1,660)	363,280
Sub-total	18,867,264	(78,037)	18,789,227
Re-measurements of plan assets	-	598	598
Benefit paid by plan	(8,593)	8,593	-
Benefit paid directly	(1,066,069)	-	(1,066,069)
Ending balance	Rs 17,792,602	(68,846)	17,723,756

(3) Actuarial assumptions used related to plans as of September 30, 2017 and December 31, 2016 are as follows:

	2017	2016
Discount rate (%)	2.89	2.89
Rate of future salary growth (%)	3.95	3.95

The discount rate is the market yield at the end of the reporting period on high quality corporate bonds(AA+) that have maturity which approximates the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The discount rate for the calculation of the present value of defined benefit obligations is also used as expected return on plan assets.

18. Commitments and Contingencies

Details of main commitments and contingencies as of September 30, 2017 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of September 30, 2017, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of KRW 254,500 million(Rs 14,535 million) and USD 260 million.
- (3) As of September 30, 2017, the Group has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of September 30, 2017, there are two pending claims which the Group is involved as a plaintiff with the claim amount of W 2,258 million (Rs 129 million) and 14 claims which the Group is involved as a defendant with the claim amount of W 3,921 million (Rs 224 million). The Group made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of W 7,228 million (Rs 413 million) as other payable for the foregoing lawsuits and claims.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**19. Capital Stock**

The Group's capital stock as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee, except for par value)*

	Korean won		Indian rupee	
	2017	2016	2017	2016
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,220,096	137,949,396	137,220,096
Par value	5,000	5,000	286	286
Capital stock	₩ 689,746,980	686,100,480	Rs 39,391,604	39,183,351

**20. Other Capital Surplus and Retained Earnings**

Details of other capital surplus and retained earnings as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won		Indian rupee	
	2017	2016	2017	2016
Paid-in capital in excess of par value	₩ 12,916,273	11,452,713	Rs 737,651	654,067
Gain on capital reduction	118,189,001	118,189,001	6,749,800	6,749,800
Debt to be swapped for equity	931,508	931,508	53,199	53,199
Gain on disposal of treasury stock	1,105,138	1,105,138	63,115	63,115
	₩ 133,141,920	131,678,360	Rs 7,603,765	7,520,181

**21. Other Equity**

(1) Details of the Group's other equity as of September 30, 2017 and December 31, 2016, are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won		Indian rupee	
	2017	2016	2017	2016
Losses on valuation of derivatives	₩ (361,610)	(2,574,700)	Rs (20,652)	(147,042)
Gains on overseas operation translation	1,096,623	1,288,887	62,629	73,609
	₩ 735,013	(1,285,813)	Rs 41,977	(73,433)

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

21. Other Equity, Continued

(2) Changes in the Group's gains (losses) on valuation of derivatives for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ (2,574,700)	227,340	Rs (147,042)	12,983
Gains(losses) on valuation of derivatives	(361,610)	742,834	(20,652)	42,423
Reclassified to net income (losses)	2,574,700	(227,340)	147,042	(12,983)
Ending balance	₩ <u>(361,610)</u>	<u>742,834</u>	Rs <u>(20,652)</u>	<u>42,423</u>

(3) Changes in the Group's gains (losses) on overseas operation translation credit for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 1,288,887	1,343,590	Rs 73,609	76,733
Cumulative effect of foreign currency translation	(192,264)	(150,653)	(10,980)	(8,603)
Ending balance	₩ <u>1,096,623</u>	<u>1,192,937</u>	Rs <u>62,629</u>	<u>68,130</u>

22. Accumulated Deficit

(1) Details of accumulated deficit as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Accumulated deficit	₩ (39,383,310)	(3,799,100)	Rs (2,249,190)	(216,968)

(2) Changes in accumulated deficit for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ (3,799,100)	(102,294,592)	Rs (216,968)	(5,842,067)
Profit(Loss) for the period	(35,575,562)	38,670,946	(2,031,728)	2,208,506
Defined benefit plan re-measurement	(8,648)	(10,469)	(494)	(598)
Ending balance	₩ <u>(39,383,310)</u>	<u>(63,634,115)</u>	Rs <u>(2,249,190)</u>	<u>(3,634,159)</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**23. Income Tax Expense**

Composition of income tax expense for the nine-month periods ended September 30, 2017 and 2016 is as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won		Indian rupee	
	2017	2016	2017	2016
Income tax expense of parent company (*)	₩ -	- Rs	-	-
Income tax expense of subsidiary	99,706	26	5,694	1
	₩ 99,706	26 Rs	5,694	1

(\*)Deferred income tax effect related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized since taxable profit will not be available against which they can be utilized as of September 30, 2017.

**24. Nature of Expenses**

Details of nature of expenses for the nine-month periods ended September 30, 2017 and 2016 are as follows:

*(In thousands of won)*

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	₩ 15,883,723	(48,101,645)	₩ 16,472,971	3,077,639
Raw materials consumed and purchase of merchandise	590,666,553	1,776,255,199	570,062,741	1,763,384,982
Employee benefits	136,145,086	395,350,181	132,743,969	389,500,923
Depreciation	33,718,547	94,382,440	28,839,733	91,328,430
Amortization	14,413,992	35,985,870	9,280,867	28,037,046
Others	127,262,093	378,148,334	100,706,796	332,577,642
	₩ 918,089,994	2,632,020,379	₩ 858,107,077	2,607,906,662

*(In thousands of rupee)*

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	Rs 907,123	(2,747,096)	Rs 940,775	175,765
Raw materials consumed and purchase of merchandise	33,733,098	101,442,330	32,556,410	100,707,309
Employee benefits	7,775,276	22,578,537	7,581,038	22,244,484
Depreciation	1,925,674	5,390,202	1,647,044	5,215,787
Amortization	823,186	2,055,161	530,032	1,601,202
Others	7,267,967	21,596,136	5,751,387	18,993,583
	Rs 52,432,324	150,315,270	Rs 49,006,686	148,938,130

These expenses are the sum of cost of sales and selling, general and administrative expenses

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**25. Derivatives**

The Group holds derivative contracts to minimize foreign exchange risk. As of September 30, 2017, effective portion of changes in fair value of cash flow hedge is ₩ 361,610 thousand (Rs 20,652 thousand) which is classified as other equity. Ineffective portion of change in fair value of cash flow hedge recognized in current profit or loss is net amounting to ₩ 30,240 thousand (Rs 1,727 thousand) which is recognized in current profit for the nine-month period ended September 30, 2017. Changes in fair value of derivative not designated as hedging instrument for the nine-month periods ended September 30, 2017 is net amounting to ₩ 2,949,443 thousand (Rs 168,444 thousand) which is recognized in current loss.

**26. Selling, General and Administrative Expenses**

(1) Details of selling expenses for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	₩ 17,325,582	48,163,171	₩ 13,011,791	46,166,011
Commissions	59,320,644	173,530,438	50,738,664	160,364,218
Advertising	4,888,483	15,734,658	5,197,922	15,752,119
Export expenses	8,667,243	24,158,718	9,905,826	29,689,603
Others	9,187,916	29,663,905	8,694,089	26,729,369
	₩ 99,389,868	291,250,890	₩ 87,548,292	278,701,320

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	Rs 989,468	2,750,609	Rs 743,106	2,636,551
Commissions	3,387,815	9,910,362	2,897,696	9,158,436
Advertising	279,182	898,610	296,854	899,607
Export expenses	494,988	1,379,710	565,724	1,695,580
Others	524,724	1,694,112	496,522	1,526,520
	Rs 5,676,177	16,633,403	Rs 4,999,902	15,916,694

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

26. Selling, General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	₩ 13,557,030	39,719,901	₩ 13,219,379	39,665,339
Retirement benefit costs	1,434,878	4,294,370	1,828,091	6,147,553
Employee welfare	3,543,103	9,413,131	3,452,818	9,461,123
Rent expense	2,933,201	8,696,145	2,621,677	7,657,017
Service fees	8,663,144	26,024,355	5,771,644	18,641,776
Depreciation	3,826,206	9,963,414	2,835,262	8,553,531
R&D expenses	4,706,800	14,397,739	3,666,064	11,319,313
Amortization	1,060,872	3,234,785	1,408,954	5,178,213
(Reversal of) bad debt expense	15,428	(50,903)	27,891	54,173
Others	9,185,682	27,010,039	8,814,467	26,080,276
	₩ 48,926,344	142,702,976	₩ 43,646,247	132,758,314

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	Rs 774,245	2,268,412	Rs 754,962	2,265,296
Retirement benefit costs	81,946	245,252	104,403	351,088
Employee welfare	202,347	537,586	197,191	540,327
Rent expense	167,516	496,639	149,725	437,294
Service fees	494,754	1,486,257	329,620	1,064,636
Depreciation	218,515	569,013	161,922	488,494
R&D expenses	268,806	822,258	209,370	646,448
Amortization	60,587	184,739	80,466	295,729
(Reversal of) bad debt expense	881	(2,907)	1,593	3,094
Others	524,598	1,542,550	503,395	1,489,451
	Rs 2,794,195	8,149,799	Rs 2,492,647	7,581,857

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

27. Other Income and Expenses

(1) Details of other income for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	₩ 2,272,174	8,954,492	₩ 4,880,824	11,419,215
Foreign exchange translation gain	221,829	1,155,502	382,944	559,671
Gain on disposal of property, plant and equipment	49,872	95,255	135,881	157,248
Others	3,673,180	13,441,940	21,283,780	28,824,218
	₩ <u>6,217,055</u>	<u>23,647,189</u>	₩ <u>26,683,429</u>	<u>40,960,352</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	Rs 129,764	511,393	Rs 278,745	652,154
Foreign exchange translation gain	12,669	65,991	21,870	31,963
Gain on disposal of property, plant and equipment	2,848	5,440	7,760	8,981
Others	209,776	767,672	1,215,522	1,646,157
	Rs <u>355,057</u>	<u>1,350,496</u>	Rs <u>1,523,897</u>	<u>2,339,255</u>

(2) Details of other expenses for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	₩ 1,086,490	7,179,130	₩ 5,058,493	11,462,687
Foreign exchange translation loss (gain)	(31,058)	521,406	350,527	1,505,105
Loss on disposal of property, plant and equipment	61,417	95,532	30,208	95,320
Loss on disposal of trade receivables	3,177,028	10,485,809	4,029,868	15,433,171
Others	371,141	1,601,134	251,860	1,269,373
	₩ <u>4,665,018</u>	<u>19,883,011</u>	₩ <u>9,720,956</u>	<u>29,765,656</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**27. Other Income and Expenses, Continued**

(2) Details of other expenses for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	Rs 62,050	410,002	Rs 288,892	654,637
Foreign exchange translation loss (gain)	(1,774)	29,778	20,019	85,957
Loss on disposal of property, plant and equipment	3,509	5,456	1,725	5,444
Loss on disposal of trade receivables	181,441	598,847	230,147	881,392
Others	21,195	91,440	14,383	72,493
	<u>Rs 266,421</u>	<u>1,135,523</u>	<u>Rs 555,166</u>	<u>1,699,923</u>

**28. Finance Income and Costs**

(1) Details of finance income for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	₩ 799,533	2,193,841	₩ 601,715	1,919,816
Dividend income	-	6,000	-	11,000
Foreign exchange transaction gain	1,037,736	5,686,948	1,804,041	4,023,466
Foreign exchange translation gain	41,354	321,221	1,983,936	2,785,437
Realized gain of financial derivatives	1,232,730	8,489,978	4,485,682	7,794,538
Unrealized gain(loss) of financial derivatives	(92,140)	75,021	(1,331,607)	1,665,027
	<u>₩ 3,019,213</u>	<u>16,773,009</u>	<u>₩ 7,543,767</u>	<u>18,199,284</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	Rs 45,662	125,291	Rs 34,364	109,641
Dividend income	-	343	-	628
Foreign exchange transaction gain	59,265	324,783	103,028	229,781
Foreign exchange translation gain	2,362	18,345	113,303	159,077
Realized gain of financial derivatives	70,401	484,864	256,179	445,148
Unrealized gain(loss) of financial derivatives	(5,262)	4,284	(76,048)	95,090
	<u>Rs 172,428</u>	<u>957,910</u>	<u>Rs 430,826</u>	<u>1,039,365</u>



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

28. Finance Income and Costs, Continued

(2) Details of finance costs for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	₩ 232,710	715,218	₩ 214,817	593,623
Foreign exchange transaction loss	3,216,545	5,982,874	3,016,917	10,934,419
Foreign exchange translation loss (gain)	(9,176)	3,264,316	(3,647,559)	470,975
Realized loss of financial derivatives	2,855,548	5,017,212	598,484	2,035,777
Unrealized loss(gain) of financial derivatives	(1,133,233)	2,994,224	(242,597)	79,548
	₩ 5,162,394	17,973,844	₩ (59,938)	14,114,342

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	Rs 13,290	40,846	Rs 12,268	33,902
Foreign exchange transaction loss	183,696	341,683	172,297	624,468
Foreign exchange translation loss (gain)	(524)	186,426	(208,313)	26,897
Realized loss of financial derivatives	163,082	286,534	34,180	116,263
Unrealized loss(gain) of financial derivatives	(64,719)	171,001	(13,855)	4,543
	Rs 294,825	1,026,490	Rs (3,423)	806,073

(3) Details of the Group's financial net profit or loss for the three-month and nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loan and receivables	₩ (1,561,456)	(1,760,399)	₩ 4,805,516	(3,270,299)
AFS financial assets	-	6,000	-	11,000
Derivatives financial assets (liabilities)	(581,725)	553,564	2,798,189	7,344,241
	₩ (2,143,181)	(1,200,835)	₩ 7,603,705	4,084,942

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loan and receivables	Rs (89,175)	(100,537)	Rs 274,444	(186,767)
AFS financial assets	-	343	-	628
Derivatives financial assets (liabilities)	(33,222)	31,614	159,805	419,431
	Rs (122,397)	(68,580)	Rs 434,249	233,292

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

29. Earnings (losses) per Share

(1) Basic earnings (losses) per share for the three-month and nine-month periods ended September 30, 2017 and 2016 are calculated as follows:

(In thousands of won, except per share information)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Profit (loss) for the period	₩ (17,689,129)	(35,575,562)	₩ 18,314,337	38,670,946
Profit (loss) contributed to common stocks	(17,689,129)	(35,575,562)	18,314,337	38,670,946
Weighted average number of common shares	137,949,396	137,751,710	137,220,096	137,220,096
Basic and diluted earnings (losses) per share (*)	₩ (128)	(258)	₩ 133	282

(In thousands of rupee, except per share information)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Profit (loss) for the period	Rs (1,010,230)	(2,031,728)	Rs 1,045,936	2,208,506
Profit (loss) contributed to common stocks	(1,010,230)	(2,031,728)	1,045,936	2,208,506
Weighted average number of common shares	137,949,396	137,751,710	137,220,096	137,220,096
Basic and diluted earnings (losses) per share (*)	Rs (7)	(15)	Rs 8	16

(\*)Diluted earnings (losses) per share are not calculated for the three-month and nine-month periods ended September 30, 2017 and 2016, because there are no dilutive shares as of September 30, 2017 and 2016.

(2) Weighted average number of common shares outstanding for the nine-month periods ended September 30, 2017 and 2016 are calculated as follows:

September 30, 2017			
	Outstanding period	Common shares issued	Common shares outstanding
Beginning	2017-01-01~2017-03-15	137,220,096	37,195,191
Issuing	2017-03-16~2017-09-30	137,949,396	100,556,519
		Total	137,751,710

  

September 30, 2016			
	Outstanding period	Common shares issued	Common shares outstanding
Beginning	2016-01-01~2016-09-30	137,220,096	137,220,096

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**30. Cash Flow from operating activities**

(1) Details of cash flows from operating activities for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
<b>Profit (loss) for the period</b>	₩ (35,575,562)	38,670,946	Rs (2,031,728)	2,208,506
<b>Adjustments for:</b>				
Retirement benefit costs	34,184,231	36,993,631	1,952,269	2,112,715
Depreciation	94,382,440	91,328,430	5,390,202	5,215,787
Amortization	35,985,870	28,037,046	2,055,161	1,601,202
Loss on disposal of trade receivables	10,485,809	15,433,171	598,847	881,392
Foreign exchange translation gain (loss)	2,308,999	(1,369,028)	131,868	(78,186)
Loss (Gain) on disposal of property, plant and equipment	276	(61,928)	16	(3,537)
Interest income	(1,478,623)	(1,326,193)	(84,445)	(75,739)
Dividends income	(6,000)	(11,000)	(343)	(628)
Unrealized loss(gain) of financial derivatives	2,919,203	(1,585,479)	166,717	(90,547)
Losses on valuation of inventories	289,087	29,841	16,510	1,704
Equity income on investments	(1,498,242)	(3,352,525)	(85,565)	(191,463)
Others	(142,399)	83,578	(8,133)	4,772
	<u>177,430,651</u>	<u>164,199,544</u>	<u>10,133,104</u>	<u>9,377,472</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	24,152,392	(44,467,446)	1,379,348	(2,539,546)
Other receivables	999,311	(5,550,538)	57,071	(316,992)
Inventories	(60,326,766)	20,625,048	(3,445,275)	1,177,901
Trade payables	(45,079,299)	(58,914,967)	(2,574,489)	(3,364,647)
Other payables	(6,555,271)	(36,287,613)	(374,373)	(2,072,394)
Accrued expenses	2,795,040	2,804,652	159,625	160,174
Provision of warranty for sale	(731,552)	(4,360,015)	(41,779)	(249,001)
Payment of retirement benefits	(18,262,290)	(18,666,871)	(1,042,964)	(1,066,069)
Others	(9,869,365)	(15,982,050)	(563,641)	(912,738)
	<u>(112,877,800)</u>	<u>(160,799,800)</u>	<u>(6,446,477)</u>	<u>(9,183,312)</u>
<b>Net cash used in operating activities</b>	₩ <u>28,977,289</u>	<u>42,070,690</u>	Rs <u>1,654,899</u>	<u>2,402,666</u>

(2) Significant non-cash activities for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Changes in other payables related to the acquisition of property, plant and equipment and others	₩ (5,160,188)	(9,272,846)	Rs (294,699)	(529,574)

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**31. Segment Information**

(1) The Group determined itself as a single reportable segment considering nature of goods and service as well as characteristic of assets which is used in providing service. The Group has not disclosed separately operating income or loss, profit or loss before income taxes and total assets and liabilities by reportable segment.

(2) Geographic sales information of the Group for the nine-month periods ended September 30, 2017 and 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

Sales region	Korean won		Indian rupee	
	2017	2016	2017	2016
Republic of Korea	₩ 2,038,772,111	1,829,339,605	Rs 116,434,729	104,473,992
Europe	280,023,952	422,059,619	15,992,230	24,103,919
Asia Pacific	128,031,624	212,963,869	7,311,915	12,162,414
Others	154,556,445	173,222,530	8,826,753	9,892,777
Consolidated adjustment	(8,901,193)	(9,640,152)	(508,349)	(550,551)
	₩ 2,592,482,939	2,627,945,471	Rs 148,057,278	150,082,551

Non-current assets are not separately disclosed since those are located in Korea. Major customer which are over 10% of sales doesn't exist since most sales are occurred through contracts with individual customers and authorized foreign agencies.

(3) Information of sales of goods and service for the nine-month periods ended September 30, 2017 and 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	Korean won		Indian rupee	
	2017	2016	2017	2016
Automobile	₩ 2,315,400,041	2,306,586,136	Rs 132,233,012	131,729,648
Merchandise and parts	246,844,054	254,560,313	14,097,319	14,537,996
Others	30,238,844	66,799,022	1,726,947	3,814,907
	₩ 2,592,482,939	2,627,945,471	Rs 148,057,278	150,082,551

**32. Transactions and Balances with Related Parties**

(1) Details of related parties as of September 30, 2017 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
Joint venture	SY Auto Capital Co., Ltd.
Others	Mahindra Vehicle Manufacturing Ltd., Mahindra & Mahindra South Africa Ltd., PININFARINA S.P.A

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**32. Transactions and Balances with Related Parties, Continued**

(2) Transactions with related parties for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In thousands of won)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2017</b>	<b>2016</b>
		Sales	₩ 6,859,288	43,504,834
Parent	Mahindra & Mahindra Ltd.	Other income	59,733	248,341
		Purchases	745,879	406,278
		Other expenses	527,752	91,747
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	10,374,941	15,113,931
		Sales	648,536	189,502
Others	Mahindra Vehicle Manufacturing Ltd. and others	Other income	5,179	26,442
		Other expenses	961,919	60,334

(In thousands of rupee)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2017</b>	<b>2016</b>
		Sales	Rs 391,735	2,484,571
Parent	Mahindra & Mahindra Ltd.	Other income	3,411	14,183
		Purchases	42,597	23,203
		Other expenses	30,140	5,240
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	592,515	863,160
		Sales	37,038	10,823
Others	Mahindra Vehicle Manufacturing Ltd. and other	Other income	296	1,510
		Other expenses	54,934	3,446

(3) Account balances with related parties as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2017</b>	<b>2016</b>
Parent	Mahindra & Mahindra Ltd.	Trade receivables	₩ 2,741,643	2,693,260
		Other receivables	73,604	60,430
		Other payables	2,037,233	1,781,004
Joint venture	SY Auto Capital Co., Ltd.	Other payables	168,082	91,887
		Trade receivables	11,716	15,977
Others	Mahindra Vehicle Manufacturing Ltd. and others	Other payables	54,021	36,773

(In thousands of rupee)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2017</b>	<b>2016</b>
Parent	Mahindra & Mahindra Ltd.	Trade receivables	Rs 156,576	153,813
		Other receivables	4,204	3,451
		Other payables	116,347	101,714
Joint venture	SY Auto Capital Co., Ltd.	Other payables	9,599	5,248
		Trade receivables	669	912
Others	Mahindra Vehicle Manufacturing Ltd. and other	Other payables	3,085	2,100

Allowance for receivables from related parties has not been recognized as of September 30, 2017 and December 31, 2016.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**32. Transactions and Balances with Related Parties, Continued**

- (4) Loan and borrowing transaction with related parties for the nine-month periods ended September 30, 2017 and 2016 does not exist.
- (5) Executive compensation of the Company for the nine-month periods ended September 30, 2017 and 2016, are as follows:

*(In thousands of won and in thousands of rupee)*

		Korean won		Indian rupee	
		2017	2016	2017	2016
Short-term employee benefits	₩	469,545	443,881	Rs 26,816	25,350
Retirement benefits		16,284	17,691	930	1,010

**33. Financial Instruments**

- (1) Capital risk management

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

The Group 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 condensed consolidated interim financial statements.

The Group is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

		Korean won		Indian rupee	
		2017	2016	2017	2016
Debt (A)	₩	1,379,873,225	1,350,729,254	Rs 78,804,867	77,140,449
Equity (B)		784,240,603	812,693,926	44,788,156	46,413,131
Debt-to-equity ratio (A/B)		175.95%	166.20%	175.95%	166.20%

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of September 30, 2017 and December 31, 2016 are as follows:

1) Financial assets

(In thousands of won)

		September 30, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value	
Cash and cash equivalents	₩ 132,683,089	-	-	-	132,683,089	132,683,089	
Long-term financial instruments	4,000	-	-	-	4,000	4,000	
Trade and other receivables	230,008,518	-	-	-	230,008,518	230,008,518	
AFS financial assets	-	560,000	-	-	560,000	560,000	
Derivative assets	-	-	42,838	-	42,838	42,838	
	₩ 362,695,607	560,000	42,838	709,367	363,298,445	363,298,445	

(In thousands of won)

		December 31, 2016					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value	
Cash and cash equivalents	₩ 238,401,708	-	-	-	238,401,708	238,401,708	
Long-term financial instruments	6,000	-	-	-	6,000	6,000	
Trade and other receivables	262,331,429	-	-	-	262,331,429	262,331,429	
AFS financial assets	-	560,000	-	-	560,000	560,000	
Derivative assets	-	-	445,691	310,344	756,035	756,035	
	₩ 500,739,137	560,000	445,691	310,344	502,055,172	502,055,172	

(In thousands of rupee)

		September 30, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value	
Cash and cash equivalents	Rs 7,577,561	-	-	-	7,577,561	7,577,561	
Long-term financial instruments	228	-	-	-	228	228	
Trade and other receivables	13,135,838	-	-	-	13,135,838	13,135,838	
AFS financial assets	-	31,982	-	-	31,982	31,982	
Derivative assets	-	-	2,446	-	2,446	2,446	
	Rs 20,713,627	31,982	2,446	-	20,748,055	20,748,055	

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of September 30, 2017 and December 31, 2016 are as follows, continued:

1) Financial assets, continued

(In thousands of rupee)

		December 31, 2016					
		Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	Rs	13,615,175	-	-	-	13,615,175	13,615,175
Long-term financial instruments		343	-	-	-	343	343
Trade and other receivables		14,981,806	-	-	-	14,981,806	14,981,806
AFS financial assets		-	31,982	-	-	31,982	31,982
Derivative assets		-	-	25,453	17,724	43,177	43,177
	Rs	<u>28,597,324</u>	<u>31,982</u>	<u>25,453</u>	<u>17,724</u>	<u>28,672,483</u>	<u>28,672,483</u>

2) Financial liabilities

(In thousands of won)

		September 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	584,769,370	-	-	584,769,370	584,769,370
Borrowings		260,118,822	-	-	260,118,822	260,118,822
Derivative liabilities		-	2,774,016	346,750	3,120,766	3,120,766
	₩	<u>844,888,192</u>	<u>2,774,016</u>	<u>346,750</u>	<u>848,008,958</u>	<u>848,008,958</u>

(In thousands of won)

		December 31, 2016				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	641,329,795	-	-	641,329,795	641,329,795
Borrowings		194,467,721	-	-	194,467,721	194,467,721
Derivative liabilities		-	2,833,061	2,965,745	5,798,806	5,798,806
	₩	<u>835,797,516</u>	<u>2,833,061</u>	<u>2,965,745</u>	<u>841,596,322</u>	<u>841,596,322</u>

(In thousands of rupee)

		September 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	33,396,308	-	-	33,396,308	33,396,308
Borrowings		14,855,444	-	-	14,855,444	14,855,444
Derivative liabilities		-	158,425	19,803	178,228	178,228
	Rs	<u>48,251,752</u>	<u>158,425</u>	<u>19,803</u>	<u>48,429,980</u>	<u>48,429,980</u>



SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of September 30, 2017 and December 31, 2016 are as follows, continued:

2) Financial liabilities, continued

(In thousands of rupee)

		<b>December 31, 2016</b>				
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	36,626,487	-	-	36,626,487	36,626,487
Borrowings		11,106,095	-	-	11,106,095	11,106,095
Derivative liabilities		-	161,797	169,374	331,171	331,171
	Rs	<u>47,732,582</u>	<u>161,797</u>	<u>169,374</u>	<u>48,063,753</u>	<u>48,063,753</u>

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of September 30, 2017.

Current income will increase when foreign exchange rate ('FX rate') increases (weaker KRW); likewise, current loss will increase, when FX rate decreases (stronger KRW) with respect to the relevant currency as per following table.

(In thousands of won and in thousands of rupee)

<b>Currency</b>	<b>Korean won</b>			<b>Indian rupee</b>	
	<b>10% increase</b>	<b>10% decrease</b>		<b>10% increase</b>	<b>10% decrease</b>
USD	₩ 3,328,416	(3,328,416)	Rs	190,087	(190,087)
EUR	(2,778,160)	2,778,160		(158,661)	158,661
JPY	(7,831,396)	7,831,396		(447,253)	447,253
Others	<u>1,509,445</u>	<u>(1,509,445)</u>		<u>86,204</u>	<u>(86,204)</u>
	₩ (5,771,695)	5,771,695	Rs	<u>(329,623)</u>	<u>329,623</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

1) Market risk, continued

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to ₩ 361,610 thousand (Rs 20,652 thousand), and this amount will be recognized as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months from the end of current period.

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Group's current income will decrease or increase in ₩ 332,979 thousand (Rs 19,017 thousand) for the three-month period ended September 30, 2017 due to floating rate debt's interest rate risk.

2) Credit risk

Credit risk arises from transactions in the ordinary course of business and investment activities and when a customer or a transacting party fails to perform obligations defined by respective contract terms. In order to manage the aforementioned credit risk, the Group 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.

Maximum exposures in respect of credit risk as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won and in thousands of rupee)*

	<b>Korean won</b>		<b>Indian rupee</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Trade and other receivables	₩ 230,008,518	262,331,429	Rs 13,135,838	14,981,806

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk

The Group has managed liquidity risk to maintain adequate level of liquidity by periodically projecting cash outflow. To manage the risks, the Group has entered into a factoring agreement with capital financial institutions.

The contractual maturities of financial liabilities as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	<b>September 30, 2017</b>		
	<b>Within a year</b>	<b>1 year ~ 5 years</b>	<b>Total</b>
Trade payables	₩ 438,937,131	-	438,937,131
Other payables	142,250,137	-	142,250,137
Short-term borrowings(*)	190,723,118	-	190,723,118
Derivatives liabilities	3,120,766	-	3,120,766
Other payables	996,884	-	996,884
Long-term borrowings(*)	-	75,719,767	75,719,767
Long-term other payables	-	2,585,218	2,585,218
	<b>₩ 776,028,036</b>	<b>78,304,985</b>	<b>854,333,021</b>

(In thousands of won)

	<b>December 31, 2016</b>		
	<b>Within a year</b>	<b>1 year ~ 5 years</b>	<b>Total</b>
Trade payables	₩ 482,391,330	-	482,391,330
Other payables	152,572,053	-	152,572,053
Short-term borrowings(*)	183,588,225	-	183,588,225
Derivatives liabilities	5,798,806	-	5,798,806
Other payables	859,341	-	859,341
Long-term borrowings(*)	-	13,145,534	13,145,534
Long-term other payables	-	5,507,071	5,507,071
	<b>₩ 825,209,755</b>	<b>18,652,605</b>	<b>843,862,360</b>

(In thousands of rupee)

	<b>September 30, 2017</b>		
	<b>Within a year</b>	<b>1 year ~ 5 years</b>	<b>Total</b>
Trade payables	Rs 25,067,797	-	25,067,797
Other payables	8,123,937	-	8,123,937
Short-term borrowings(*)	10,892,240	-	10,892,240
Derivatives liabilities	178,228	-	178,228
Other payables	56,932	-	56,932
Long-term borrowings(*)	-	4,324,373	4,324,373
Long-term other payables	-	147,642	147,642
	<b>Rs 44,319,134</b>	<b>4,472,015</b>	<b>48,791,149</b>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		December 31, 2016		
		Within a year	1 year ~ 5 years	Total
Trade payables	Rs	27,549,476	-	27,549,476
Other payables		8,713,425	-	8,713,425
Short-term borrowings(*)		10,484,764	-	10,484,764
Derivatives liabilities		331,171	-	331,171
Other payables		49,077	-	49,077
Long-term borrowings(*)		-	750,744	750,744
Long-term other payables		-	314,510	314,510
	Rs	<u>47,127,913</u>	<u>1,065,254</u>	<u>48,193,167</u>

(\*) Including expected interest expenses.

Details of commitments as of September 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

			Korean won			Indian rupee	
			2017	2016		2017	2016
Limitation of commitments for Borrowings	Used	₩	122,500,000	67,500,000	Rs	6,996,003	3,854,940
	Unused		<u>132,000,000</u>	<u>132,000,000</u>		<u>7,538,549</u>	<u>7,538,549</u>
		₩	<u>254,500,000</u>	<u>199,500,000</u>	Rs	<u>14,534,552</u>	<u>11,393,489</u>

(4) Fair value of financial instruments

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

**September 30, 2017 and 2016**

**33. Financial Instruments, Continued**

(4) Fair value of financial instruments, continued

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

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or in indirectly (i.e. derived from prices)
Level 3	input for the asset or liability that are not based on observable market data (unobservable inputs)

Fair values of financial instruments by hierarchy level as of September 30, 2017 and December 31, 2016 are as follows:

*(In thousands of won)*

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value</b>
<b>As of September 30, 2017</b>					
Derivatives assets	₩	-	42,838	-	42,838
Derivatives liabilities		-	3,120,766	-	3,120,766
<b>As of December 31, 2016</b>					
Derivatives assets	₩	-	756,035	-	756,035
Derivatives liabilities		-	5,798,806	-	5,798,806

*(In thousands of rupee)*

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value</b>
<b>As of September 30, 2017</b>					
Derivatives assets	Rs	-	2,446	-	2,446
Derivatives liabilities		-	178,228	-	178,228
<b>As of December 31, 2016</b>					
Derivatives assets	Rs	-	43,177	-	43,177
Derivatives liabilities		-	331,171	-	331,171

4) The Group measures the foreign exchange forward contract (derivative assets: ₩ 42,838 thousand (Rs 2,446 thousand), derivative liabilities: ₩ 3,120,766 thousand (Rs 178,228 thousand) based on the forward rate announced officially in the market as of September 30, 2017. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Group measured the market value through interpolation method.

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