

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Consolidated Interim Financial Statements

(Unaudited)

March 31, 2019 and 2018

(With Independent Auditors' Review Report Thereon)

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Ssangyong Motor Company:

### **Reviewed financial statements**

We have reviewed the accompanying consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2019, the consolidated statements of comprehensive loss, changes in equity and cash flows for the three-month periods ended March 31, 2019 and 2018, 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 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 consolidated interim financial statements based on our reviews.

We conducted our reviews 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 reviews, nothing has come to our attention that causes us to believe that the accompanying 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 accompanying consolidated statement of financial position of the Group as of December 31, 2018, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 12, 2019, expressed an unqualified opinion. The accompanying consolidated statement of financial position of the Group as of December 31, 2018, presented for comparative purposes, is consistent with the audited consolidated financial statements in all material respects.

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

The accompanying consolidated interim financial statements as of and for the three-month periods ended March 31, 2019 and 2018 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 cause us to believe that the consolidated interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(1) to the consolidated interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 14, 2019

This report is effective as of May 14, 2019, 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 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  
 Consolidated Interim Statements of Financial Position  
 (Unaudited)

**As of March 31, 2019, and December 31, 2018**

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

	<i>Note</i>	<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>					
Cash and cash equivalents	4,5,33 ₩	359,898,837	156,062,657	Rs 21,898,045	9,495,632
Trade and other receivables, net	7,32,33	161,838,811	174,203,955	9,847,082	10,599,440
Derivative assets	25,33	490,512	891,319	29,845	54,233
Inventories, net	8,24	255,543,108	228,612,470	15,548,520	13,909,926
Other current assets	10	13,585,701	11,299,802	826,623	687,536
<b>Total current assets</b>		<b>791,356,969</b>	<b>571,070,203</b>	<b>48,150,115</b>	<b>34,746,767</b>
Non-current financial instruments	5,33	4,000	4,000	243	243
Non-current other receivables, net	7,33	39,235,824	35,124,579	2,387,304	2,137,155
Non-current financial assets	6,33	560,000	560,000	34,073	34,073
Property, plant and equipment, net	11,13	1,251,352,367	1,228,125,718	76,138,535	74,725,309
Intangible assets, net	11,12	365,739,081	353,759,963	22,253,394	21,524,525
Investments in joint venture	9	16,852,444	16,706,345	1,025,387	1,016,498
Other non-current assets	10	8,708,582	291,258	529,874	17,722
<b>Total non-current assets</b>		<b>1,682,452,298</b>	<b>1,634,571,863</b>	<b>102,368,810</b>	<b>99,455,525</b>
<b>Total assets</b>		<b>₩ 2,473,809,267</b>	<b>2,205,642,066</b>	<b>Rs 150,518,925</b>	<b>134,202,292</b>

*See accompanying notes to the consolidated interim financial statements.*

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

As of March 31, 2019, and December 31, 2018

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
<b>Liabilities</b>					
Trade and other payables	14, 18, 32, 33	₩ 906,856,602	731,995,228	Rs 55,177,690	44,538,250
Short-term borrowings	13, 18, 30, 33	196,944,457	178,227,545	11,983,085	10,844,255
Derivative liabilities	25, 33	403,436	-	24,547	-
Provision of warranty for sale - current	15	49,265,976	49,209,826	2,997,588	2,994,172
Other long-term employee benefits liabilities- current		2,063,270	2,726,290	125,541	165,880
Other current liabilities	16	33,931,926	32,961,084	2,064,588	2,005,518
<b>Total current liabilities</b>		<u>1,189,465,667</u>	<u>995,119,973</u>	<u>72,373,039</u>	<u>60,548,075</u>
Long-term borrowings	13, 18, 30, 33	118,750,000	75,000,000	7,225,344	4,563,375
Non-current other payables	33	1,415,304	1,593,271	86,114	96,943
Other non-current liabilities	16	18,378,997	11,317,482	1,118,270	688,612
Defined benefit liabilities	17	331,682,405	329,181,466	20,181,216	20,029,046
Other long-term employee benefits liabilities -non current		14,623,331	14,313,193	889,756	870,886
Provision of warranty for sale -non-current	15	83,003,812	85,828,261	5,050,367	5,222,221
<b>Total non-current liabilities</b>		<u>567,853,849</u>	<u>517,233,673</u>	<u>34,551,067</u>	<u>31,471,083</u>
<b>Total liabilities</b>		₩ <u>1,757,319,516</u>	<u>1,512,353,646</u>	Rs <u>106,924,106</u>	<u>92,019,158</u>
<b>Equity</b>					
Capital stock	19	749,200,010	689,746,980	45,585,075	41,967,655
Other capital surplus	20	78,162,820	87,909,478	4,755,817	5,348,852
Other equity	21	858,595	1,242,618	52,241	75,607
Accumulated deficit	22	(111,731,674)	(85,610,656)	(6,798,314)	(5,208,980)
<b>Equity attributable to owners of the Company</b>		<u>716,489,751</u>	<u>693,288,420</u>	<u>43,594,819</u>	<u>42,183,134</u>
<b>Total equity</b>		₩ <u>716,489,751</u>	<u>693,288,420</u>	Rs <u>43,594,819</u>	<u>42,183,134</u>
<b>Total liabilities and equity</b>		₩ <u>2,473,809,267</u>	<u>2,205,642,066</u>	Rs <u>150,518,925</u>	<u>134,202,292</u>

See accompanying notes to the consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Interim Statements of Comprehensive Loss  
(Unaudited)

**For the three-month periods ended March 31, 2019 and 2018**

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

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Sales	31,32 ₩	933,209,041	808,764,822	Rs 56,781,104	49,209,296
Cost of sales	24	818,914,036	718,701,055	49,826,824	43,729,366
<b>Gross profit</b>		<u>114,295,005</u>	<u>90,063,767</u>	<u>6,954,280</u>	<u>5,479,930</u>
Selling, general and administrative expenses	24,26	142,097,311	121,321,365	8,645,911	7,381,799
<b>Operating loss</b>		<u>(27,802,306)</u>	<u>(31,257,598)</u>	<u>(1,691,631)</u>	<u>(1,901,869)</u>
Other income	27,32	3,116,317	3,381,705	189,611	205,760
Other expenses	27,32	1,902,916	2,028,451	115,783	123,421
Finance income	28	3,680,861	3,182,501	223,963	193,639
Finance costs	25,28	3,357,399	7,581,414	204,281	461,291
Share of profits of joint venture	9	146,161	65,591	8,893	3,991
<b>Loss before income taxes</b>		<u>(26,119,282)</u>	<u>(34,237,666)</u>	<u>(1,589,228)</u>	<u>(2,083,191)</u>
Income tax expenses	23	-	-	-	-
<b>Loss for the period</b>		<u>(26,119,282)</u>	<u>(34,237,666)</u>	<u>(1,589,228)</u>	<u>(2,083,191)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(26,119,282)	(34,237,666)	(1,589,228)	(2,083,191)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income(loss) for the period</b>		(385,759)	715,357	(23,471)	43,526
<b>Items that will never be reclassified to loss:</b>					
Defined benefit plan re-measurements	17,22	(1,675)	(3,241)	(102)	(198)
Defined benefit plan re-measurements of joint ventures	9	(61)	(8)	(4)	-
<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	21,25	(404,450)	770,560	(24,608)	46,885
Foreign currency translation difference for foreign operation		20,427	(51,954)	1,243	(3,161)
<b>Total comprehensive loss for the period</b>		<u>₩ (26,505,041)</u>	<u>(33,522,309)</u>	<u>Rs (1,612,699)</u>	<u>(2,039,665)</u>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		₩ (26,505,041)	(33,522,309)	Rs (1,612,699)	(2,039,665)
<b>Losses Per share</b>					
Basic and diluted losses per share (In won and In rupee)	29 ₩	(178)	(246)	Rs (11)	(15)

See accompanying notes to the consolidated interim financial statements.

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

For the three-month periods ended March 31, 2019 and 2018

(In thousands of won)

	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Accumulated deficit	Non-controlling interest	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity					
<b>Balance at January 1, 2018</b>	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	1,153,580	(48,887,556)	-	775,154,924
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period	-	-	-	-	-	-	(34,237,666)	-	(34,237,666)
Defined benefit plan re-measurements	-	-	-	-	-	-	(3,241)	-	(3,241)
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	-	(8)	-	(8)
Changes in fair value of cash flow hedge	-	-	-	-	-	770,560	-	-	770,560
Foreign currency translation difference for foreign operation	-	-	-	-	-	(51,954)	-	-	(51,954)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>									
Disposition of deficits	-	-	(44,127,304)	-	(1,105,138)	-	45,232,442	-	-
<b>Balance at March 31, 2018</b>	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,872,186	(37,896,029)	-	741,632,615
<b>Balance at January 1, 2019</b>	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,242,618	(85,610,656)	-	693,288,420
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period	-	-	-	-	-	-	(26,119,282)	-	(26,119,282)
Defined benefit plan re-measurements	-	-	-	-	-	-	(1,675)	-	(1,675)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	(404,450)	-	-	(404,450)
Foreign currency translation difference for foreign operation	-	-	-	-	-	20,427	-	-	20,427
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	-	(61)	-	(61)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>									
Issue of ordinary shares	59,453,030	(9,746,658)	-	-	-	-	-	-	49,706,372
<b>Balance at March 31, 2019</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	-	858,595	(111,731,674)	-	716,489,751

See accompanying notes to the consolidated interim financial statements.



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

**For the three-month periods ended March 31, 2019 and 2018**

(In thousands of rupee)

	Capital stock	Other capital surplus				Other equity	Accumulated deficit	Non-controlling interest	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock				
<b>Balance at January 1, 2018</b>	Rs 41,967,655	785,891	7,191,210	56,677	67,242	70,190	(2,974,563)	-	47,164,302
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period	-	-	-	-	-	-	(2,083,191)	-	(2,083,191)
Defined benefit plan re-measurements	-	-	-	-	-	-	(198)	-	(198)
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	-	-	-	-
Changes in fair value of cash flow hedge	-	-	-	-	-	46,885	-	-	46,885
Foreign currency translation difference for foreign operation	-	-	-	-	-	(3,161)	-	-	(3,161)
Loss for the period									
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>									
Disposition of deficits	-	-	(2,684,926)	-	(67,242)	-	2,752,168	-	-
<b>Balance at March 31, 2018</b>	Rs 41,967,655	785,891	4,506,284	56,677	-	113,914	(2,305,784)	-	45,124,637
<b>Balance at January 1, 2019</b>	Rs 41,967,655	785,891	4,506,284	56,677	-	75,607	(5,208,980)	-	42,183,134
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period	-	-	-	-	-	-	(1,589,228)	-	(1,589,228)
Defined benefit plan re-measurements	-	-	-	-	-	-	(102)	-	(102)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	(24,609)	-	-	(24,609)
Foreign currency translation difference for foreign operation	-	-	-	-	-	1,243	-	-	1,243
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	-	(4)	-	(4)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>									
Issue of ordinary shares	3,617,420	(593,035)	-	-	-	-	-	-	3,024,385
<b>Balance at March 31, 2019</b>	Rs 45,585,075	192,856	4,506,284	56,677	-	52,241	(6,798,314)	-	43,594,819

See accompanying notes to the consolidated interim financial statements.

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

For the three-month periods ended March 31, 2019 and 2018

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Loss for the period	₩ (26,119,282)	(34,237,666)	Rs (1,589,228)	(2,083,191)
Adjustment	76,369,728	73,586,542	4,646,717	4,477,373
Changes in assets and liabilities	133,623,523	12,851,845	8,130,323	781,971
<b>Cash generated from operations (note 30)</b>	<u>183,873,969</u>	<u>52,200,721</u>	<u>11,187,812</u>	<u>3,176,153</u>
Interest received	969,487	607,943	58,988	36,990
Interest paid	(1,358,112)	(1,170,044)	(82,634)	(71,191)
Dividends received	6,000	6,000	365	365
<b>Net cash provided by operating activities</b>	<u>183,491,344</u>	<u>51,644,620</u>	<u>11,164,531</u>	<u>3,142,317</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	282,731	140,966	17,204	8,579
Acquisition of property, plant and equipment	(55,764,635)	(41,496,104)	(3,392,999)	(2,524,830)
Acquisition of intangible assets	(31,591,896)	(21,153,476)	(1,922,208)	(1,287,083)
Cash flow used in other investing activities	(1,388,145)	(43,909)	(84,464)	(2,674)
<b>Net cash used in investing activities</b>	<u>(88,461,945)</u>	<u>(62,552,523)</u>	<u>(5,382,467)</u>	<u>(3,806,008)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	62,639,471	-	3,811,299	-
Receive government grants	40,932	-	2,491	-
paid-in capital increase	49,999,998	-	3,042,250	-
Repayment of borrowings	(1,250,000)	(15,661,567)	(76,056)	(952,928)
Decrease in leasing license liability	(2,431,683)	-	(147,955)	-
Proceeds from issuing capital stock	(293,626)	-	(17,867)	-
<b>Net cash provided by (used in) financing activities</b>	<u>108,705,092</u>	<u>(15,661,567)</u>	<u>6,614,162</u>	<u>(952,928)</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>101,689</u>	<u>85,565</u>	<u>6,187</u>	<u>5,206</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>203,836,180</u>	<u>(26,483,905)</u>	<u>12,402,413</u>	<u>(1,611,413)</u>
Cash and cash equivalents at January 1	<u>156,062,657</u>	<u>215,443,730</u>	<u>9,495,632</u>	<u>13,108,674</u>
<b>Cash and cash equivalents at March 31</b>	<u>₩ 359,898,837</u>	<u>188,959,825</u>	<u>Rs 21,898,045</u>	<u>11,497,261</u>

See accompanying notes to the consolidated interim financial statements.

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

For the three-month periods ended March 31, 2019 and 2018

## 1. General Description of the Company

### (1) Organization and description of business of the Company

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 Parent 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 March 31, 2019, the Parent Company's shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>
Mahindra & Mahindra Ltd.	111,855,108	74.65%
Others	37,984,894	25.35%
	<u>149,840,002</u>	<u>100.00%</u>

The consolidated financial statements comprise the Company and its subsidiaries (the "Group") and the Group's interest in associates and joint ventures.

## 2. Basis of Preparation and Accounting Policies

### (1) Basis of translating consolidated interim financial statements

The consolidated interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of INR 0.060845 to ₩1 on March 31, 2019, 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.

### (2) Statement of compliance

The 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 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, 2018. These consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

These consolidated interim financial statements are prepared in accordance with K-IFRS No.1027, 'Consolidated Financial Statements' presented by a parent, an investor in an associate or a venturer in a joint venture, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Group has initially applied K-IFRS No.1116 'Leases' for preparation of the consolidated interim financial statements as of and for the three months ended March 31, 2019. The significant changes in accounting policies are described in note 2.(4).

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

**For the three-month periods ended March 31, 2019 and 2018**

**2. Basis of Preparation and Accounting policies, Continued**

**(3) Use of estimates and judgments**

The preparation of the 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.

Management's judgments in applying accounting policies and estimation, used in consolidated interim financial statements, are the same as those applied to the separate interim financial statements as of and for the year ended December 31, 2018 except for main sources of uncertainty in estimates and new significant judgements related to lessee accounting under K-IFRS No.1116, which are described in note 2.(4).

**(4) Changes in accounting policies**

New standard, interpretations, and changes in accounting policies resulting from the adoption of them are as follows. The changes in accounting policies described below will be reflected in the annual financial statements for the year ending December 31, 2019.

The Group has initially adopted K-IFRS No.1116 Leases from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

K-IFRS No.1116 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The comparative information presented for 2018 has not been restated. It is presented, as previously reported, under K-IFRS No.1017 and related interpretations. The details of the changes in accounting policies are disclosed below.

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under K-IFRS No.2104 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS No.1116, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS No.1116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied K-IFRS No.1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No.1017 and K-IFRS No.2104 were not reassessed. Therefore, the definition of a lease under K-IFRS No.1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of land and Buildings in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No.1116, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

*(In millions of won)*

		<b>Property, plant and equipment</b>		
		<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Balance at January 1, 2019	₩	3,990	5,471	9,461
Balance at March 31, 2019		3,441	4,977	8,418

*(In millions of rupee)*

		<b>Property, plant and equipment</b>		
		<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Balance at January 1, 2019	Rs	242	333	575
Balance at March 31, 2019		209	303	512

The Group presents lease liabilities in 'other liabilities' in the consolidated statements of financial position.

① Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group measures Right-of-use asset's useful lives based on the lease period and, recognises amortisation costs using a straight-line method based on that useful lives.

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**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

② Transition

Previously, the Group classified property leases as operating leases under K-IFRS No.1017. These include Land and Buildings, Vehicles. The leases typically run for lease period according to lease contract. Some leases include termination option or an option to renew the lease for an additional period after the end of the non-cancellable period.

At transition, for leases classified as operating leases under K-IFRS No.1017, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate and the interest rate implicit in the lease as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group used the following practical expedients when applying K-IFRS No.1116 to leases previously classified as operating leases under K-IFRS No.1017.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

③ As a lessor

The Group leases out some of right-of-use assets.

The accounting policies applicable to the Group as a lessor are not different from those under K-IFRS No.1017. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group is not required to make any adjustments on transition to K-IFRS No.1116 for leases in which it acts as a lessor.

The Group sub-leases some of Land and Buildings. On transition to K-IFRS No.1116, the right-of-use assets recognized from the head leases are presented in finance leases, and the sub-lease contracts are classified as finance leases under K-IFRS No.1116.

④ Impacts on financial statements

i) Impacts on transition

On transition to K-IFRS No.1116, the impact on-balance sheet is summarized below.

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

	<u>Korean won</u>	<u>Indian rupee</u>
	January 1, 2019	January 1, 2019
Right-of-use assets	₩ 9,461	Rs 577
Sub-lease receivables	6,006	365
Lease liability	15,467	942

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate and the interest rate implicit in the lease at January 1, 2019. The weighted-average rate of incremental borrowing applied is 3.93%, and the weighted-average rate of the interest rate implicit in the lease applied is 10.36%.

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

	<u>Korean won</u>	<u>Indian rupee</u>
	January 1, 2019	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's financial statements	₩ 10,269	Rs 625
Discounted using the incremental borrowing rate at January 1, 2019	8,257	502
– Recognition exemption for leases of low-value assets	(2,829)	(172)
– Recognition exemption for leases with less than 12 months of lease term at transition	(267)	(16)
– Sub-lease liabilities recognized and adjustment extension options reasonably certain to be exercised	10,306	627
Lease liabilities recognized at January 1, 2019	15,467	941

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**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

ii) Impacts for the period

As a result of initially applying K-IFRS No.1116, in relation to the leases that were previously classified as operating leases, the Group recognized ₩ 8,418 million (Rs 512 million) of right-of-use assets and ₩ 8,435 million (Rs 513 million) of lease liabilities and respectively ₩ 4,600 million (Rs 280 million) of sub-lease receivables and sub-lease liabilities as of March 31, 2019.

Also in relation to those leases under K-IFRS No.1116, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the three month ended March 31, 2019, the Group recognized ₩ 1,043 million (Rs 63 million) of depreciation costs and ₩ 80 million (Rs 5 million) of interest costs from these leases.

**3. Significant Accounting Policies**

Except for the changes in accounting policies as described in note 2.(4), the accounting policies applied by the Group in these 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, 2018.

For better comparative purposes, certain comparative amounts in the consolidated interim financial statements have been reclassified according to the consolidated 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, 2019 and earlier application is permitted; however the Group has not early adopted them.

The following amendment standards will not have a material impact on the Group.

- K-IFRS No.2123 'Uncertainty of tax treatment'
- K-IFRS No.1109 'Financial instruments' revision
- K-IFRS No.1028 'Investing in affiliated and joint ventures'
- K-IFRS No.1019 'employee salary'
- K-IFRS No.1117 'Insurance contract'

**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.



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## 5. Restricted Financial Instruments

Restricted financial Instruments as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution		Korean won		Indian rupee		Description	
			2019	2018	2019	2018		
Cash and cash equivalents	Shinhan Bank and others	₩	965,268	1,086,949	Rs	58,732	66,135	Litigated asset, government grants and others Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Woori Bank Shinhan Bank and others		750,855	750,379		45,686	45,658	Bank account deposit
			4,000	4,000		243	243	
		₩	<u>1,720,123</u>	<u>1,841,328</u>	Rs	<u>104,661</u>	<u>112,036</u>	

## 6. Non-Current Financial Assets

Non-Current financial assets as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	Ownership (%)		2019		2018	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	₩	500,000	722,313	500,000	500,000
Korea Management Consultants Association(*)	1.50		60,000	854,342	60,000	60,000
		₩	<u>560,000</u>	<u>1,576,655</u>	<u>560,000</u>	<u>560,000</u>

(In thousands of rupee)

	Ownership (%)		2019		2018	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	30,422	43,950	30,422	30,422
Korea Management Consultants Association(*)	1.50		3,651	51,982	3,651	3,651
		Rs	<u>34,073</u>	<u>95,932</u>	<u>34,073</u>	<u>34,073</u>

(\*) 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.

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7. Trade and Other Receivables

(1) Details of trade and other receivables as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 141,463,630	559,281	157,304,034	1,332,414
Less: Allowance for doubtful accounts	(223,332)	(2,689)	(122,904)	(1,395)
Other receivables	10,729,562	179,115	8,760,688	147,500
Less: Allowance for doubtful accounts	(3,995,325)	(59,230)	(3,918,799)	(44,250)
Loans and others(*)	13,864,276	38,559,704	12,180,936	33,690,667
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	₩ 161,838,811	39,235,824	174,203,955	35,124,579

(\*) The other receivables listed above include ₩ 4,599,767 thousand for sub-lease receivables and the interest revenue received by the sub-lease contract is ₩ 164,916 thousand.

(In thousands of rupee)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 8,607,355	34,029	9,571,164	81,071
Less: Allowance for doubtful accounts	(13,588)	(163)	(7,478)	(85)
Other receivables	652,839	10,898	533,044	8,975
Less: Allowance for doubtful accounts	(243,096)	(3,603)	(238,439)	(2,693)
Loans and others(*)	843,572	2,346,165	741,149	2,049,909
Less: Allowance for doubtful accounts	-	(22)	-	(22)
	Rs 9,847,082	2,387,304	10,599,440	2,137,155

(\*) The other receivables listed above include Rs 279,873 thousand for sub-lease receivables and the interest revenue received by the sub-lease contract is Rs 10,034 thousand.

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**7. Trade and Other Receivables, Continued**

(2) Details of aging analysis of the trade and other receivables as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 141,928,896	59,246,845	158,545,766	50,741,857
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	94,015	4,085,812	90,682	4,037,934
	₩ 142,022,911	63,332,657	158,636,448	54,779,791

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs 8,635,664	3,604,874	9,646,717	3,087,388
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	5,720	248,600	5,518	245,689
	Rs 8,641,384	3,853,474	9,652,235	3,333,077

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

(3) Changes in allowance for trade and other receivables for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 124,299	3,963,407	126,715	3,783,442
Bad debt expense	101,722	91,505	-	928
Reversal of allowance for bad debts	-	-	(8,532)	(17,685)
Ending balance	₩ 226,021	4,054,912	118,183	3,766,685

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 7,563	241,153	7,710	230,204
Bad debt expense	6,188	5,568	-	56
Reversal of allowance for bad debts	-	-	(519)	(1,076)
Ending balance	Rs 13,751	246,721	7,191	229,184

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**8. Inventories**

Details of inventories as of March 31, 2019 and December 31, 2018 are as follows:

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

	<b>Korean won</b>		<b>Indian rupee</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Merchandises	₩ 41,066,767	44,349,645	Rs 2,498,707	2,698,454
Finished goods	96,273,921	83,787,753	5,857,787	5,098,067
Work-in-process	27,330,251	27,069,755	1,662,909	1,647,059
Raw materials	33,543,202	31,654,571	2,040,936	1,926,022
Sub-materials	389,635	413,615	23,707	25,166
Supplies	3,587,386	3,611,193	218,275	219,723
Goods in transit	53,351,946	37,725,938	3,246,199	2,295,435
	₩ <u>255,543,108</u>	<u>228,612,470</u>	Rs <u>15,548,520</u>	<u>13,909,926</u>

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 1,884,958 thousand (Rs 114,690 thousand) for the three months ended March 31, 2019 is included in cost of sales.

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

(1) Details of investment in subsidiaries and a joint venture as of March 31, 2019 are as follows:

(In thousands of won)

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

(\*) SY Auto Capital Co., Ltd. is a joint venture which was established under joint venture agreement, as joint venture since the Group has rights only to the net assets, and their legal structures of arrangements are separated.

(2) Changes in the carrying amounts of investments in a joint venture for the three-month period ended March 31, 2019 is as follows:

(In thousands of won)

		<b>Beginning balance</b>	<b>Share of profit of a joint venture</b>	<b>Changes in defined benefit plan re-measurements</b>	<b>Ending balance</b>
SY Auto Capital Co., Ltd.	₩	16,706,344	146,161	(61)	16,852,444

(In thousands of rupee)

		<b>Beginning balance</b>	<b>Share of profit of a joint venture</b>	<b>Changes in defined benefit plan re-measurements</b>	<b>Ending balance</b>
SY Auto Capital Co., Ltd.	Rs	1,016,498	8,893	(4)	1,025,387

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the three-month period ended March 31, 2019 is as follows:

(In thousands of won)

		<b>2019</b>				<b>Net income (loss)</b>
		<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	868,110	646,053	222,057	100,633	(85,110)
Ssangyong European Parts Center B.V.		12,481,810	15,228,825	(2,747,015)	4,989,877	499,817
Ssangyong Australia Pty Ltd		26,633,903	26,848,010	(214,107)	6,734,931	(692,831)
SY Auto Capital Co., Ltd.		83,772,417	52,009,823	31,762,594	2,950,847	643,176

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

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the three-month period ended March 31, 2019 is as follows:, continued

(In thousands of rupee)

		2019				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	52,820	39,309	13,511	6,123	(5,179)
Ssangyong European Parts Center B.V.		759,457	926,599	(167,142)	303,609	30,411
Ssangyong Australia Pty Ltd		1,620,540	1,633,567	(13,027)	409,787	(42,155)
SY Auto Capital Co., Ltd. (*)		5,097,133	3,164,538	1,932,595	179,544	39,134

(\*) Additional financial information for the joint venture for the three-month period ended March 31, 2019 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	3,461,001	50,107,953	252,394	590,707	338,153	188,726

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	210,585	3,048,818	15,357	35,942	20,575	11,483

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

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

2) The summarized financial information of the Group's subsidiaries and a joint venture as of and for the year ended 2018 is as follows:

(In thousands of won)

		2018				Net income (loss)
		Assets	Liabilities	Equity	Sales	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	857,388	559,977	297,411	117,767	(770,177)
Ssangyong European Parts Center B.V.		10,573,792	13,824,773	(3,250,981)	19,240,893	157,039
Ssangyong Australia Pty Ltd		11,298,929	10,826,727	472,202	3,311,392	(2,455,680)
SY Auto Capital Co., Ltd.(*)		89,948,057	58,812,195	31,135,862	13,564,131	2,728,552

(In thousands of rupee)

		2018				Net income (loss)
		Assets	Liabilities	Equity	Sales	
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	52,168	34,072	18,096	7,166	(46,861)
Ssangyong European Parts Center B.V.		643,362	841,168	(197,806)	1,170,712	9,555
Ssangyong Australia Pty Ltd		687,483	658,752	28,731	201,482	(149,416)
SY Auto Capital Co., Ltd.(*)		5,472,890	3,578,428	1,894,462	825,310	166,019

(\*) Additional financial information for the joint venture for the year ended 2018 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	2,032,075	57,730,337	821,860	2,356,269	1,298,471	914,140

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	123,642	3,512,602	50,006	143,367	79,005	55,621

(4) Reconciliation from the net assets of the Company's joint venture to the carrying amount of investments in joint venture as of March 31, 2019 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Company	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩	31,762,594	51%	16,198,923	653,521	16,852,444

(In thousands of rupee)

		Net assets	Percentage of ownership	Share of the net assets of the Company	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	Rs	1,932,595	51%	985,624	39,763	1,025,387

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**10. Other Assets**

Details of other assets as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
<b>Other current assets</b>				
Advance payments	₩ 1,321,017	1,028,309	Rs 80,377	62,567
Prepaid expenses	11,835,846	9,947,199	720,153	605,237
Current tax assets	428,838	324,294	26,093	19,732
	₩ 13,585,701	11,299,802	Rs 826,623	687,536
<b>Other non-current assets</b>				
Other non-current assets	₩ 290,240	291,258	Rs 17,660	17,722
Right-of-use assets(*)	8,418,342	-	512,214	-
	₩ 8,708,582	291,258	Rs 529,874	17,722

(\*)The details and depreciation costs for right-of-use assets are as follows:

		Beginning balance	Increase	Depreciation	Ending balance
<i>(In thousands of won)</i>					
Land and building	₩	3,990,125	-	(549,059)	3,441,066
Vehicle		5,470,948	-	(493,672)	4,977,276
Total	₩	9,461,073	-	(1,042,731)	8,418,342
<i>(In thousands of rupee)</i>					
Land and building	Rs	242,779	-	(33,408)	209,371
Vehicle		332,880	-	(30,037)	302,843
Total	Rs	575,659	-	(63,445)	512,214



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**11. Property, Plant and Equipment**

(1) Details of property, plant and equipment as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

		<b>2019</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	₩	475,116,992	(7,354)	-	-	475,109,638
Buildings		551,171,569	(3,709,714)	(231,382,765)	(148,366,786)	167,712,304
Structures		112,236,387	(84,812)	(66,276,134)	(28,862,964)	17,012,477
Machinery		1,297,151,261	(153,958)	(1,030,709,245)	(92,201,337)	174,086,721
Vehicles		9,381,014	(5,494)	(5,838,270)	(446,780)	3,090,470
Tools and molds		1,355,871,156	(22,705)	(845,111,572)	(156,638,001)	354,098,878
Equipment		68,110,584	(70,496)	(51,921,170)	(2,899,144)	13,219,774
Construction in progress		45,696,635	-	-	-	45,696,635
Machinery in transit		1,325,470	-	-	-	1,325,470
	₩	<u>3,916,061,068</u>	<u>(4,054,533)</u>	<u>(2,231,239,156)</u>	<u>(429,415,012)</u>	<u>1,251,352,367</u>

(In thousands of won)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	₩	475,116,992	(7,354)	-	-	475,109,638
Buildings		550,322,646	(3,734,723)	(228,576,444)	(148,366,786)	169,644,693
Structures		112,176,542	(90,063)	(65,850,786)	(28,862,964)	17,372,729
Machinery		1,276,272,698	(166,908)	(1,023,019,261)	(92,390,513)	160,696,016
Vehicles		8,195,311	(5,878)	(5,821,277)	(516,742)	1,851,414
Tools and molds		1,261,396,400	(24,038)	(826,949,338)	(157,469,741)	276,953,283
Equipment		69,709,884	(74,248)	(52,108,182)	(3,203,583)	14,323,871
Construction in progress		110,855,937	-	-	-	110,855,937
Machinery in transit		1,318,137	-	-	-	1,318,137
	₩	<u>3,865,364,547</u>	<u>(4,103,212)</u>	<u>(2,202,325,288)</u>	<u>(430,810,329)</u>	<u>1,228,125,718</u>

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

(1) Details of property, plant and equipment as of March 31, 2019 and December 31, 2018 are as follows, continued:

(In thousands of rupee)

		<b>2019</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	28,908,493	(447)	-	-	28,908,046
Buildings		33,536,034	(225,719)	(14,078,484)	(9,027,377)	10,204,454
Structures		6,829,023	(5,160)	(4,032,571)	(1,756,167)	1,035,125
Machinery		78,925,168	(9,368)	(62,713,504)	(5,609,990)	10,592,306
Vehicles		570,870	(334)	(355,312)	(27,184)	188,040
Tools and molds		82,497,980	(1,381)	(51,420,814)	(9,530,639)	21,545,146
Equipment		4,144,188	(4,289)	(3,159,144)	(176,399)	804,356
Construction in progress		2,780,413	-	-	-	2,780,413
Machinery in transit		80,649	-	-	-	80,649
	Rs	<u>238,272,818</u>	<u>(246,698)</u>	<u>(135,759,829)</u>	<u>(26,127,756)</u>	<u>76,138,535</u>

(In thousands of rupee)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	28,908,493	(447)	-	-	28,908,046
Buildings		33,484,381	(227,239)	(13,907,734)	(9,027,377)	10,322,031
Structures		6,825,382	(5,480)	(4,006,691)	(1,756,167)	1,057,044
Machinery		77,654,812	(10,156)	(62,245,607)	(5,621,501)	9,777,548
Vehicles		498,644	(358)	(354,196)	(31,441)	112,649
Tools and molds		76,749,664	(1,463)	(50,315,732)	(9,581,246)	16,851,223
Equipment		4,241,499	(4,518)	(3,170,522)	(194,922)	871,537
Construction in progress		6,745,028	-	-	-	6,745,028
Machinery in transit		80,203	-	-	-	80,203
	Rs	<u>235,188,106</u>	<u>(249,661)</u>	<u>(134,000,482)</u>	<u>(26,212,654)</u>	<u>74,725,309</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
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For the three-month periods ended March 31, 2019 and 2018

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

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won)

		<b>2019</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	₩	475,109,638	-	-	-	-	475,109,638
Buildings		169,644,693	-	-	(2,781,313)	848,924	167,712,304
Structures		17,372,729	-	(2,408)	(423,523)	65,679	17,012,477
Machinery		160,696,016	77,568	(258,869)	(8,715,792)	22,287,798	174,086,721
Vehicles		1,851,414	223,939	(27,033)	(164,346)	1,206,496	3,090,470
Tools and molds		276,953,283	287,200	(477)	(24,079,406)	100,938,278	354,098,878
Equipment		14,323,871	249,488	(18,331)	(1,440,164)	104,910	13,219,774
Construction in progress		110,855,937	58,973,971	-	-	(124,133,273)	45,696,635
Machinery in transit		1,318,137	7,333	-	-	-	1,325,470
	₩	<u>1,228,125,718</u>	<u>59,819,499</u>	<u>(307,118)</u>	<u>(37,604,544)</u>	<u>1,318,812</u>	<u>1,251,352,367</u>

(In thousands of won)

		<b>2018</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	₩	475,062,920	-	-	-	-	475,062,920
Buildings		175,450,508	-	(352)	(2,709,401)	108,696	172,849,451
Structures		16,717,153	-	-	(449,200)	1,687,148	17,955,101
Machinery		168,999,971	22,000	(4,768)	(8,205,326)	14,432,462	175,244,339
Vehicles		1,199,808	83,297	(174,948)	(102,930)	519,609	1,524,836
Tools and molds		298,398,114	449,900	(52,384)	(22,101,490)	50,172,418	326,866,558
Equipment		16,433,791	263,605	(5,682)	(1,647,888)	548	15,044,374
Construction in progress		87,441,686	23,344,073	-	-	(66,210,468)	44,575,291
	₩	<u>1,239,703,951</u>	<u>24,162,875</u>	<u>(238,134)</u>	<u>(35,216,235)</u>	<u>710,413</u>	<u>1,229,122,870</u>

(\*) Capitalized borrowing costs in respect of construction in progress are ₩ 376,981 thousand (2018: ₩ 190,256 thousand) and ₩ 1,154,281 thousand (2018: ₩ 519,001 thousand) which are transferred from inventory to vehicles during the three-month periods ended March 31, 2019 and 2018, respectively.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
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For the three-month periods ended March 31, 2019 and 2018

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

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

		2019					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,908,046	-	-	-	-	28,908,046
Buildings		10,322,031	-	-	(169,230)	51,653	10,204,454
Structures		1,057,044	-	(147)	(25,768)	3,996	1,035,125
Machinery		9,777,548	4,720	(15,751)	(530,312)	1,356,101	10,592,306
Vehicles		112,649	13,626	(1,645)	(9,999)	73,409	188,040
Tools and molds		16,851,223	17,475	(29)	(1,465,113)	6,141,590	21,545,146
Equipment		871,537	15,179	(1,116)	(87,628)	6,384	804,356
Construction in progress		6,745,028	3,588,271	-	-	(7,552,886)	2,780,413
Machinery in transit		80,203	446	-	-	-	80,649
	Rs	<u>74,725,309</u>	<u>3,639,717</u>	<u>(18,688)</u>	<u>(2,288,050)</u>	<u>80,247</u>	<u>76,138,535</u>

(In thousands of rupee)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,905,203	-	-	-	-	28,905,203
Buildings		10,675,286	-	(21)	(164,854)	6,614	10,517,025
Structures		1,017,155	-	-	(27,332)	102,655	1,092,478
Machinery		10,282,803	1,339	(290)	(499,253)	878,143	10,662,742
Vehicles		73,002	5,067	(10,645)	(6,263)	31,617	92,778
Tools and molds		18,156,034	27,375	(3,189)	(1,344,765)	3,052,741	19,888,196
Equipment		999,914	16,039	(346)	(100,267)	33	915,373
Construction in progress		5,320,390	1,420,370	-	-	(4,028,576)	2,712,184
	Rs	<u>75,429,787</u>	<u>1,470,190</u>	<u>(14,491)</u>	<u>(2,142,734)</u>	<u>43,227</u>	<u>74,785,979</u>

(\*) Capitalized borrowing costs in respect of construction in progress are Rs 22,937 thousand (2018: Rs 11,576 thousand) and Rs 70,232 thousand (2018: Rs 31,579 thousand) which are transferred from inventory to vehicles during the three-month periods ended March 31, 2019 and 2018, respectively.

(3) Details of pledged assets provided as collateral for the borrowings as of March 31, 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Book value	Collateralized amount	Book value	Collateralized amount
Land	₩ 340,125,850		Rs 20,694,957	
Buildings and structures	52,572,218	219,000,000	3,198,757	13,325,055
Machinery and others	7,167		436	
	<u>₩ 392,705,235</u>	<u>219,000,000</u>	<u>Rs 23,894,150</u>	<u>13,325,055</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
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**11. Property, Plant and Equipment, Continued**

(4) Capitalized borrowing costs and capitalization interest rate for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Capitalized interest expenses(*) ₩	1,103,036	783,721	Rs 67,114	47,686
Capitalization interest rate	3.61%	3.34%	3.61%	3.34%

(\*) Capitalized borrowing costs for intangible assets are ₩ 726,055 thousand (Rs 44,177 thousand) and ₩ 593,465 thousand (Rs 36,109 thousand) for the three-month periods ended March 31, 2019 and 2018, respectively.

**12. Intangible Assets**

(1) Details of intangible assets as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost ₩	484,347,133	-	(201,760,165)	-	282,586,968
Patents	4,484,940	(11,005)	(3,064,943)	(120,915)	1,288,077
Other intangible assets	114,647,095	(3,332)	(31,370,277)	(1,409,450)	81,864,036
₩	<u>603,479,168</u>	<u>(14,337)</u>	<u>(236,195,385)</u>	<u>(1,530,365)</u>	<u>365,739,081</u>

(In thousands of won)

	2018				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost ₩	345,185,015	-	(182,160,013)	-	163,025,002
Patents	4,360,730	(11,558)	(2,907,159)	(107,788)	1,334,225
Other intangible assets	221,383,684	(6,186)	(30,567,312)	(1,409,450)	189,400,736
₩	<u>570,929,429</u>	<u>(17,744)</u>	<u>(215,634,484)</u>	<u>(1,517,238)</u>	<u>353,759,963</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
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**12. Intangible Assets, Continued**

(1) Details of intangible assets as of March 31, 2019 and December 31, 2018 are as follows, continued:

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	29,470,101	-	(12,276,097)	-	17,194,004
Patents		272,886	(670)	(186,486)	(7,357)	78,373
Other intangible assets		6,975,702	(202)	(1,908,725)	(85,758)	4,981,017
	Rs	<u>36,718,689</u>	<u>(872)</u>	<u>(14,371,308)</u>	<u>(93,115)</u>	<u>22,253,394</u>

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	21,002,782	-	(11,083,526)	-	9,919,256
Patents		265,330	(703)	(176,886)	(6,558)	81,183
Other intangible assets		13,470,089	(377)	(1,859,868)	(85,758)	11,524,086
	Rs	<u>34,738,201</u>	<u>(1,080)</u>	<u>(13,120,280)</u>	<u>(92,316)</u>	<u>21,524,525</u>

(2) Changes in intangible assets for the three-month periods ended March 31, 2019 and March 31, 2018 are as follows:

(In thousands of won)

		2019						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>								
Development cost	₩	163,025,002	-	(19,600,152)	-	139,162,118	-	282,586,968
Other intangible assets		181,843,818	31,192,506	-	-	(139,162,118)	726,055	74,600,261
		<u>344,868,820</u>	<u>31,192,506</u>	<u>(19,600,152)</u>	<u>-</u>	<u>-</u>	<u>726,055</u>	<u>357,187,229</u>
<b>Individually acquired intangible assets:</b>								
Patents		1,334,224	124,210	(157,230)	(13,127)	-	-	1,288,077
Other intangible assets		7,556,919	275,180	(800,068)	-	230,258	1,486	7,263,775
		<u>8,891,143</u>	<u>399,390</u>	<u>(957,298)</u>	<u>(13,127)</u>	<u>230,258</u>	<u>1,486</u>	<u>8,551,852</u>
	₩	<u>353,759,963</u>	<u>31,591,896</u>	<u>(20,557,450)</u>	<u>(13,127)</u>	<u>230,258</u>	<u>727,541</u>	<u>365,739,081</u>

(\*) Included in other intangible assets during the current quarter was capitalization cost of ₩ 726,055 thousand and ₩ 230,258 thousand of the property, plant and equipment under construction.

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**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the three-month periods ended March 31, 2019 and March 31, 2018 are as follows, continued:

(In thousands of won)

		2018						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>								
Development cost	₩	189,161,366	-	(16,591,490)	-	40,229,595	-	212,799,471
Other intangible assets		104,765,438	20,938,645	-	-	(40,229,595)	593,465	86,067,953
		293,926,804	20,938,645	(16,591,490)	-	-	593,465	298,867,424
<b>Individually acquired intangible assets:</b>								
Patents		1,592,985	53,040	(150,447)	(315)	-	-	1,495,263
Other intangible assets		7,748,933	161,791	(936,190)	-	-	-	6,974,534
		9,341,918	214,831	(1,086,637)	(315)	-	-	8,469,797
	₩	303,268,722	21,153,476	(17,678,127)	(315)	-	593,465	307,337,221

(\*) Included in other intangible assets during the prior quarter was capitalization cost of ₩ 593,465 thousand

(In thousands of rupee)

		2019						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>								
Development cost	Rs	9,919,256	-	(1,192,571)	-	8,467,319	-	17,194,004
Other intangible assets		11,064,286	1,897,908	-	-	(8,467,319)	44,178	4,539,053
		20,983,542	1,897,908	(1,192,571)	-	-	44,178	21,733,057
<b>Individually acquired intangible assets:</b>								
Patents		81,183	7,558	(9,569)	(799)	-	-	78,373
Other intangible assets		459,800	16,742	(48,678)	-	14,010	90	441,964
		540,983	24,300	(58,247)	(799)	14,010	90	520,337
	Rs	21,524,525	1,922,208	(1,250,818)	(799)	14,010	44,268	22,253,394

(\*) Included in other intangible assets during the current quarter was capitalization cost of Rs 44,178 thousand and Rs 14,010 thousand of the property, plant and equipment under construction.

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**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the three-month periods ended March 31, 2019 and March 31, 2018 are as follows, continued:

(In thousands of rupee)

		2018						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>								
Development cost	Rs	11,509,523	-	(1,009,509)	-	2,447,770	-	12,947,784
Other intangible assets		6,374,453	1,274,012	-	-	(2,447,770)	36,109	5,236,804
		17,883,976	1,274,012	(1,009,509)	-	-	36,109	18,184,588
<b>Individually acquired intangible assets:</b>								
Patents		96,925	3,227	(9,154)	(19)	-	-	90,979
Other intangible assets		471,484	9,844	(56,962)	-	-	-	424,366
		568,409	13,071	(66,116)	(19)	-	-	515,345
	Rs	18,452,385	1,287,083	(1,075,625)	(19)	-	36,109	18,699,933

(\*) Included in other intangible assets during the prior quarter was capitalization cost of Rs 36,109 thousand.

(3) Details of capitalized development costs as of March 31, 2018 are as follows.

(In thousands of won and in thousands of rupee)

		Project name	Korean won	Indian rupee	Remaining amortization period(*1)
Development costs		RV(*2)	₩ 261,364,489	Rs 15,902,722	1~4 years
		Power train and others	21,222,479	1,291,282	1~4 years
Other intangible assets		RV(*3)	55,519,570	3,378,088	-
		Power train and others	19,080,691	1,160,965	-
			₩ 357,187,229	Rs 21,733,057	

(\*1) If the amortization is initiated, the remaining amortization period is recorded. If the amortization is not started, it is marked with "-" only.

(\*2) Development projects for vehicles that have been completed, which are on sale as of March 31, 2019.

(\*3) On-going development project for vehicles as of March 31, 2019 for consumer needs and market conditions.



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## 12. Intangible Assets, Continued

(4) Details of expenditures for research and developments for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won			Indian rupee	
		2019	2018		2019	2018
Capitalization of intangible assets	₩	30,463,355	21,532,110	Rs	1,853,543	1,310,121
Manufacturing costs		16,253,136	19,658,739		988,922	1,196,136
Selling and administrative expenses		4,511,348	3,939,321		274,493	239,688
	₩	<u>51,227,839</u>	<u>45,130,170</u>	Rs	<u>3,116,958</u>	<u>2,745,945</u>

## 13. Borrowings

(1) Details of short-term borrowings as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2019	2018	2019	2018
Korea						
Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,825,350	1,825,350
Kookmin Bank	Operating fund(*)	CD+2.00	10,000,000	5,000,000	608,450	304,225
Citi Bank Korea and others	Banker's usance	0.30 ~3.53	<u>156,944,457</u>	<u>143,227,545</u>	<u>9,549,285</u>	<u>8,714,680</u>
			₩ <u>196,944,457</u>	<u>178,227,545</u>	Rs <u>11,983,085</u>	<u>10,844,255</u>

(\*) Current portion of long-term borrowing

(2) Details of long-term borrowing as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2019	2018	2019	2018
Korea						
Development Bank	Facility fund	CD+1.57	₩ 70,000,000	70,000,000	Rs 4,259,150	4,259,150
JP Morgan	Facility fund	CD+2.00	40,000,000	-	2,433,800	-
Kookmin Bank	Operating fund	CD+2.00	18,750,000	10,000,000	1,140,844	608,450
Less: Current portion			<u>(10,000,000)</u>	<u>(5,000,000)</u>	<u>(608,450)</u>	<u>(304,225)</u>
			₩ <u>118,750,000</u>	<u>75,000,000</u>	Rs <u>7,225,344</u>	<u>4,563,375</u>

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**13. Borrowings, Continued**

(3) Details of pledged assets as collateral for borrowings as of March 31, 2019 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Pledged assets	Korean won		Indian rupee	
		Borrowings amount	Maximum credit amount	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 100,000,000	195,000,000	Rs 6,084,500	11,864,775
Kookmin Bank	Land, buildings and machinery	18,750,000	24,000,000	1,140,844	1,460,280
		₩ 118,750,00	219,000,000	Rs 7,225,344	13,325,055

**14. Other Financial Liabilities**

Details of other financial liabilities as of March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Accrued expenses	₩	24,097,411	38,053,382	Rs 1,466,207	2,315,358

**15. Provision of Warranty for sale**

The Group generally 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 three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Beginning balance	₩	135,038,087	146,239,557	Rs 8,216,392	8,897,946
Increase		5,807,450	4,425,412	353,354	269,264
Decrease		(8,575,749)	(10,042,449)	(521,791)	(611,032)
Ending balance	₩	132,269,788	140,622,520	Rs 8,047,955	8,556,178
Current	₩	49,265,976	50,928,139	Rs 2,997,588	3,098,723
Non-current		83,003,812	89,694,381	5,050,367	5,457,455

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**16. Other Liabilities**

Details of other liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

		2019		2018	
		Current	Non-current	Current	Non-current
Advances from customers	₩	3,359,288	-	3,817,676	-
Deposits received		663,755	-	525,166	-
Withholdings		19,455,670	-	22,650,209	-
Deferred income		3,509,112	12,288,358	5,968,033	11,317,482
Lease liabilities(*)		6,944,101	6,090,639	-	-
	₩	<u>33,931,926</u>	<u>18,378,997</u>	<u>32,961,084</u>	<u>11,317,482</u>

(\*) The total amount of lease liabilities paid in the current term is ₩ 2,563,122 thousand and interests expenses is ₩ 133,497 thousand.

(In thousands of rupee)

		2019		2018	
		Current	Non-current	Current	Non-current
Advances from customers	Rs	204,396	-	232,286	-
Deposits received		40,386	-	31,954	-
Withholdings		1,183,780	-	1,378,153	-
Deferred income		213,512	747,685	363,125	688,612
Lease liabilities(*)		422,514	370,585	-	-
	Rs	<u>2,064,588</u>	<u>1,118,270</u>	<u>2,005,518</u>	<u>688,612</u>

(\*) The total amount of lease liabilities paid in the current term is Rs 155,953 thousand and interests expenses is Rs 8,123 thousand.

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**17. Employee Benefits**

(1) Details of defined benefit liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Present value of defined benefit obligations	₩ 332,668,475	330,195,117	Rs 20,241,213	20,090,722
Fair value of plan assets	(986,070)	(1,013,651)	(59,997)	(61,676)
	₩ 331,682,405	329,181,466	Rs 20,181,216	20,029,046

(2) Changes in defined benefit liabilities for the three months ended March 31, 2019 and 2018 are as follows:

(In thousands of won)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 330,195,117	(1,013,651)	329,181,466
Current service cost	9,930,550	-	9,930,550
Interest expense (income)	2,147,698	(6,579)	2,141,119
Sub-total	₩ 342,273,365	(1,020,230)	341,253,135
Re-measurement factors:			
Re-measurements of plan assets	-	1,675	1,675
Sub-total	₩ -	1,675	1,675
Benefit paid by plan	(32,485)	32,485	-
Benefit paid directly	(9,572,405)	-	(9,572,405)
Ending balance	₩ 332,668,475	(986,070)	331,682,405

(In thousands of won)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 285,658,090	(1,094,967)	284,563,123
Current service cost	9,080,201	-	9,080,201
Interest expense (income)	2,223,087	(8,508)	2,214,579
Sub-total	₩ 296,961,378	(1,103,475)	295,857,903
Re-measurement factors:			
Re-measurements of plan assets	-	3,241	3,241
Sub-total	₩ -	3,241	3,241
Benefit paid by plan	(42,821)	42,821	-
Benefit paid directly	(8,261,865)	-	(8,261,865)
Ending balance	₩ 288,656,692	(1,057,413)	287,599,279

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**17. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the three months ended March 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 20,090,722	(61,676)	20,029,046
Current service cost	604,224	-	604,224
Interest expense (income)	130,677	(400)	130,277
Sub-total	Rs 20,825,623	(62,076)	20,763,547
Re-measurement factors:			
Re-measurements of plan assets	-	102	102
Sub-total	Rs -	102	102
Benefit paid by plan	(1,977)	1,977	-
Benefit paid directly	(582,433)	-	(582,433)
Ending balance	Rs 20,241,213	(59,997)	20,181,216

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,380,866	(66,623)	17,314,243
Current service cost	552,485	-	552,485
Interest expense (income)	135,264	(518)	134,746
Sub-total	Rs 18,068,615	(67,141)	18,001,474
Re-measurement factors:			
Re-measurements of plan assets	-	198	198
Sub-total	Rs -	198	198
Benefit paid by plan	(2,605)	2,605	-
Benefit paid directly	(502,694)	-	(502,694)
Ending balance	Rs 17,563,316	(64,338)	17,498,978

(3) The components of plan assets as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Insurance contracts	₩ 986,070	1,013,651	Rs 59,997	61,676

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### 17. Employee Benefits, Continued

(4) Actuarial assumptions used related to plans as of March 31, 2019 and December 31, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate (%)	2.63	2.63
Rate of future salary growth (%)	3.95	3.95

The discount rate is the market yield at the end of the reporting year 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 commitments and contingencies as of March 31, 2019 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of March 31, 2019, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 305,750 million (Rs 18,603 million) and USD 254 million.
- (3) As of March 31, 2019, 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 March 31, 2019, two claims as a plaintiff were filed with the claim amount of ₩ 4,592 million (Rs 279 million) and nine claims as a defendant were filed with the claims of ₩ 3,951 million (Rs 240 million). The Group made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 6,806 million (Rs 414 million) as other payable for the foregoing lawsuits and claims.

### 19. Capital Stock

(1) The Group's capital stock as of March 31, 2019 and December 31, 2018 are as follows:

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

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Number of shares authorized (In shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (In shares)	149,840,002	137,949,396	149,840,002	137,949,396
Par value (In won)	₩ 5,000	5,000	Rs 304	304
Capital stock	749,200,010	689,746,980	45,585,075	41,967,655

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**19. Capital Stock, Continued**

(2) Changes in the Company's shares outstanding for the years ended March 31, 2019 and 2018 are as follows:

(In share)

	<u>2019</u>	<u>2018</u>
Beginning Shares outstanding	137,949,396	137,949,396
Paid-up capital	11,890,606	-
Ending Shares outstanding	149,840,002	137,949,396

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

Details of other capital surplus and retained earnings as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Paid-in capital in excess of par value	₩ 3,169,616	12,916,274	Rs 192,856	785,891
Gain on capital reduction	74,061,696	74,061,696	4,506,284	4,506,284
Debt to be swapped for equity	931,508	931,508	56,677	56,677
	<u>₩ 78,162,820</u>	<u>87,909,478</u>	<u>Rs 4,755,817</u>	<u>5,348,852</u>

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**21. Other Equity**

(1) Details of the Group's other equity as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Gains on valuation of derivatives	₩ (301,450)	103,000	Rs (18,342)	6,267
Accumulated foreign currency translation difference for foreign operation	1,160,045	1,139,618	70,583	69,340
	₩ 858,595	1,242,618	Rs 52,241	75,607

(2) Changes in the Group's gains (losses) on valuation of derivatives for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ 103,000	-	Rs 6,267	-
Gains on valuation of derivatives	(301,450)	770,560	(18,342)	46,885
Reclassified to net income	(103,000)	-	(6,267)	-
Ending balance	₩ (301,450)	770,560	Rs (18,342)	46,885

(3) Changes in the foreign currency translation difference for foreign operation for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ 1,139,618	1,153,581	Rs 69,340	70,189
Foreign currency translation difference for foreign operation	20,427	(51,954)	1,243	(3,161)
Ending balance	₩ 1,160,045	1,101,627	Rs 70,583	67,028



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## 22. Accumulated deficit

(1) Details of deficit as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Deficit	₩ (111,731,674)	(85,610,656)	Rs (6,798,314)	(5,208,980)

(2) Changes in deficit for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ (85,610,656)	(48,887,556)	Rs (5,208,980)	(2,974,563)
Disposition of deficit	-	45,232,442	-	2,752,168
Profit (Loss) for the period	(26,119,282)	(34,237,666)	(1,589,228)	(2,083,191)
Defined benefit plan re-measurement	(1,675)	(3,241)	(102)	(198)
Defined benefit plan re-measurement from joint venture	(61)	(8)	(4)	-
Ending balance	₩ (111,731,674)	(37,896,029)	Rs (6,798,314)	(2,305,784)

## 23. Income Tax Expense

Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of March 31, 2019.

## 24. Nature of Expenses

Details of nature of expenses for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Changes in inventories	₩ (9,463,785)	(11,774,521)	Rs (575,824)	(716,421)
Raw materials consumed and purchase of merchandise	653,392,508	555,918,017	39,755,667	33,824,832
Employee benefits	139,072,087	128,719,003	8,461,841	7,831,908
Depreciation	37,604,544	35,216,235	2,288,050	2,142,732
Amortization	20,557,450	17,678,127	1,250,818	1,075,625
Others	119,848,543	114,265,559	7,292,183	6,952,489
	₩ 961,011,347	840,022,420	Rs 58,472,735	51,111,165

Total expenses are equal to the sum of cost of sales and selling, general and administrative expenses.

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## 25. Derivatives

The Group holds derivative contracts to minimize foreign exchange risk. As of March 31, 2019, effective portion of changes in fair value of cash flow hedge is ₩301,450 thousand (Rs 18,342 thousand) 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 ₩222,320 thousand (Rs 13,527 thousand) recognized in current profit. And, changes in fair value of derivative not designated as hedging instrument for the three-month period ended March 31, 2019 are net amounting to ₩48,218 thousand (Rs 2,934 thousand) recognized in current loss.

## 26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Warranty expenses	₩ 12,126,156	9,124,874	Rs 737,816	555,203
Commissions	59,287,018	49,885,139	3,607,319	3,035,261
Advertising	6,859,830	6,922,555	417,386	421,203
Export expenses	3,773,098	1,450,129	229,574	88,233
Others	7,730,468	7,152,451	470,361	435,192
	₩ 89,776,570	74,535,148	Rs 5,462,456	4,535,092

(2) Details of general and administrative expenses for the three periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Salaries	₩ 14,201,521	12,946,725	Rs 864,092	787,743
Retirement benefit costs	1,523,952	1,463,778	92,725	89,064
Employee welfare	3,222,950	2,935,477	196,100	178,609
Rent expense	2,533,457	3,031,273	154,147	184,438
Service fees	9,336,481	9,424,630	568,078	573,442
Depreciation	7,241,443	3,946,314	440,606	240,113
R&D expenses	4,511,348	3,939,321	274,493	239,688
Amortization	957,300	1,086,638	58,247	66,116
Bad debt expense	101,722	(8,532)	6,189	(519)
Others	8,690,567	8,020,592	528,779	488,013
	₩ 52,320,741	46,786,216	Rs 3,183,456	2,846,707

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**27. Other Income and Expenses**

(1) Details of other income for the three-month periods ended March 31, 2019 and 2018 are as follows:

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

	Korean won		Indian rupee	
	2019	2018	2019	2018
Foreign exchange transaction gain	₩ 792,405	1,502,713	Rs 48,214	91,433
Foreign exchange translation gain	329,418	537,240	20,043	32,688
Gain on disposal of property, plant and equipment	255,975	12,573	15,575	765
Others	1,738,519	1,329,179	105,779	80,874
	₩ <u>3,116,317</u>	<u>3,381,705</u>	Rs <u>189,611</u>	<u>205,760</u>

(2) Details of other expenses for the three-month periods ended March 31, 2019 and 2018 are as follows:

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

	Korean won		Indian rupee	
	2019	2018	2019	2018
Foreign exchange transaction loss	₩ 859,354	1,573,281	Rs 52,287	95,726
Foreign exchange translation loss	240,777	112,421	14,650	6,840
Loss on disposal of property, plant and equipment	280,362	109,741	17,059	6,677
Loss on disposal of trade receivables	27,693	22,750	1,685	1,384
Others	494,730	210,258	30,102	12,794
	₩ <u>1,902,916</u>	<u>2,028,451</u>	Rs <u>115,783</u>	<u>123,421</u>

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**28. Finance Income and Costs**

(1) Details of finance income for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Interest income	₩ 1,133,757	554,271	Rs 68,983	33,725
Dividend income	6,000	6,000	365	365
Foreign exchange transaction gain	1,855,514	1,168,806	112,899	71,116
Foreign exchange translation gain	202,726	272,591	12,336	16,585
Realized gain of financial derivatives	260,544	1,109,866	15,853	67,530
Unrealized gain of financial derivatives	222,320	70,967	13,527	4,318
	₩ 3,680,861	3,182,501	Rs 223,963	193,639

(2) Details of finance costs for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Interest expense	₩ 399,947	409,011	Rs 24,333	24,887
Foreign exchange transaction loss	1,592,352	3,293,528	96,887	200,395
Foreign exchange translation loss	1,281,325	3,407,156	77,963	207,307
Realized loss of financial derivatives	35,557	136,598	2,163	8,311
Unrealized loss of financial derivatives	48,218	335,121	2,935	20,391
	₩ 3,357,399	7,581,414	Rs 204,281	461,291

(3) Details of the Group's financial net profit or loss for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Amortised cost of financial assets and financial liabilities	₩ (81,627)	(5,114,028)	Rs (4,965)	(311,163)
Non-Current financial assets	6,000	6,000	365	365
Derivatives financial assets (liabilities)	399,089	709,115	24,282	43,146
	₩ 323,462	(4,398,913)	Rs 19,682	(267,652)

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**29. Losses per Share**

(1) Basic losses per share for the three-month periods ended March 31, 2019 and 2018 are calculated as follows:

(In thousands of won and in thousands of rupee, except per share information)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Loss for the periods	₩ (26,119,282)	(34,237,666)	Rs (1,589,228)	(2,083,191)
Loss contributed to common stocks	(26,119,282)	(34,237,666)	(1,589,228)	(2,083,191)
Weighted average number of common shares	146,824,272	138,983,372	146,824,272	138,983,372
Basic losses per share(*) (In won and In rupee)	₩ (178)	(246)	Rs (11)	(15)

(\*) Diluted earnings (losses) per share are not calculated for the three-month periods ended March 31, 2019 and 2018, because there are no dilutive shares as of March 31, 2019 and 2018.

(2) Weighted average number of common shares outstanding for the three-month periods ended March 31, 2019 and 2018 is calculated as follows:

(In shares)

	Outstanding period	2019		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2019-01-01~2019-03-31	137,949,396	90/90	137,949,396
Issuing(*)	2019-01-01~2019-03-31	1,033,976	90/90	1,033,976
Issuing	2019-01-26~2019-03-31	10,856,630	65/90	7,840,900
				<u>146,824,272</u>

(\*) In accordance with K-IFRS 1033, when the rights offering is less than fair value, the shares issued below the fair value are considered as free shares and the number of shares outstanding is retroactively calculated.

(In shares)

	Outstanding period	2018		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2018-01-01~2018-03-31	137,949,396	90/90	137,949,396
Issuing(*)	2018-01-01~2018-03-31	1,033,976	90/90	1,033,976
				<u>138,983,372</u>

(\*) In accordance with K-IFRS 1033, when the rights offering is less than fair value, the shares issued below fair value are considered as free shares and the number of shares outstanding is retroactively applied.

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**30. Cash Flows**

(1) Details of cash flows from operating activities for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
<b>Loss for the period</b>	₩ (26,119,282)	(34,237,666)	Rs (1,589,228)	(2,083,191)
<b>Adjustments for:</b>				
Retirement benefit costs	12,071,668	11,294,780	734,501	687,231
Depreciation	37,604,544	35,216,235	2,288,050	2,142,734
Amortization	20,557,450	17,678,127	1,250,818	1,075,625
Losses on disposal of trade receivables	27,693	22,750	1,685	1,384
Foreign exchange translation gain and loss, net	989,958	2,709,746	60,234	164,874
Losses on disposal of property, plant and equipment	24,387	97,168	1,484	5,912
Interest expense and income, net	(736,012)	(145,260)	(44,784)	(8,835)
Dividends income	(6,000)	(6,000)	(365)	(365)
Unrealized gain and loss of financial derivatives, net	(174,102)	264,154	(10,592)	16,073
Losses on valuation of inventories	(1,884,958)	2,118,748	(114,690)	128,915
Increase in provision of warranty for sale	6,721,628	4,425,412	408,977	269,264
Equity profit on investments	(146,160)	(65,591)	(8,893)	(3,991)
Others	1,319,632	(23,727)	80,292	(1,448)
	<u>76,369,728</u>	<u>73,586,542</u>	<u>4,646,717</u>	<u>4,477,373</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	(11,142,269)	27,840,804	(677,951)	1,693,974
Other receivables	(1,378,142)	(200,734)	(83,853)	(12,214)
Inventories	(26,981,693)	(3,564,427)	(1,641,701)	(216,878)
Trade payables	163,144,266	29,596,880	9,926,513	1,800,822
Other payables	48,379,852	(4,288,146)	2,943,672	(260,912)
Accrued expenses	(14,097,181)	(14,032,280)	(857,743)	(853,794)
Usage of provision of warranty for sale	(8,575,749)	(10,042,449)	(521,791)	(611,033)
Payment of retirement benefits	(9,572,405)	(8,261,865)	(582,433)	(502,694)
Others	(6,153,156)	(4,195,938)	(374,390)	(255,300)
	<u>133,623,523</u>	<u>12,851,845</u>	<u>8,130,323</u>	<u>781,971</u>
<b>Net cash provided by operating activities</b>	₩ <u>183,873,969</u>	<u>52,200,721</u>	Rs <u>11,187,812</u>	<u>3,176,153</u>

(2) Significant non-cash activities for the three month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Changes in other payables related to the acquisition of property, plant and equipment	₩ 4,054,862	(17,333,229)	Rs 246,718	(1,054,640)

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**30. Cash Flows, Continued**

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the three-month period ended March 31, 2019 is as follows:

*(In thousands of won)*

	<b>Beginning balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Liquidity</b>	<b>Exchange rate effect</b>	<b>Ending balance</b>
Banker's usance(*)	₩ 143,227,545	12,639,471	-	-	1,077,441	156,944,457
Short-term borrowings	35,000,000	-	(1,250,000)	6,250,000	-	40,000,000
Long-term borrowings	75,000,000	50,000,000	-	(6,250,000)	-	118,750,000
	<u>₩ 253,227,545</u>	<u>62,639,471</u>	<u>(1,250,000)</u>	<u>-</u>	<u>1,077,441</u>	<u>315,694,457</u>

*(In thousands of rupee)*

	<b>Beginning balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Liquidity</b>	<b>Exchange rate effect</b>	<b>Ending balance</b>
Banker's usance(*)	Rs 8,714,680	769,049	-	-	65,556	9,549,285
Short-term borrowings	2,129,575	-	(76,056)	380,281	-	2,433,800
Long-term borrowings	4,563,375	3,042,250	-	(380,281)	-	7,225,344
	<u>Rs 15,407,630</u>	<u>3,811,299</u>	<u>(76,056)</u>	<u>-</u>	<u>65,556</u>	<u>19,208,429</u>

(\*) The changes in usance borrowings are presented by net amounts.

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**31. Segment Information**

(1) The Group determined itself as a single reportable segment by considering the nature of goods and service as well as the characteristic of assets providing service. The Group has not disclosed 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 three-month periods ended March 31, 2019 and 2018 are as follows:

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

Sales region	Korean won		Indian rupee	
	2019	2018	2019	2018
Republic of Korea	₩ 761,928,535	665,871,215	Rs 46,359,542	40,514,934
Europe	72,838,212	85,006,618	4,431,841	5,172,228
Asia Pacific	78,479,123	13,232,495	4,775,062	805,131
Others	41,270,011	47,469,932	2,511,074	2,888,308
Consolidated adjustment	(21,306,840)	(2,815,438)	(1,296,415)	(171,305)
	₩ 933,209,041	808,764,822	Rs 56,781,104	49,209,296

Non-current assets are not separately disclosed since those are mostly located in Korea. Main customer over 10% of sales is not disclosed since most sales are occurred through contract with individual customer and authorized foreign agencies.

(3) Information of sales of goods and service for the three-month periods ended March 31, 2019 and 2018 are as follows:

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

	Korean won		Indian rupee	
	2019	2018	2019	2018
Automobile	₩ 796,128,165	711,392,479	Rs 48,440,418	43,284,675
Merchandise and parts	109,556,811	77,951,803	6,665,984	4,742,978
Others	27,524,065	19,420,540	1,674,702	1,181,643
	₩ 933,209,041	808,764,822	Rs 56,781,104	49,209,296

(4) Balance of Contracts as of March 31, 2019 and 2018 are as follows:

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

	Korean won		Indian rupee	
	2019	2018	2019	2018
Receivables from contracts with customers	₩ 141,769,890	158,512,150	Rs 8,625,989	9,644,672
Contract liabilities	16,055,035	17,311,822	976,869	1,053,338



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

(1) Details of related parties as of March 31, 2019 are as follows:

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

(2) Transactions with related parties for the three month period ended March 31, 2019 and 2018 are as follows:

*(In thousands of won)*

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Sales	₩ 11,465,860	1,103,639
		Other expenses	382,508	599,684
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	7,276,737	3,111,551
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	25,426,618	1,080,997
		Other expenses	67,442	-
	Mahindra & Mahindra South Africa Ltd. PININFARINA S.p.A	Sales	3,292	8,139
		Other expenses	303,049	-

*(In thousands of rupee)*

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Sales	Rs 697,640	67,151
		Other expenses	23,274	36,488
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	442,753	189,322
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	1,547,083	65,773
		Other expenses	4,104	-
	Mahindra & Mahindra South Africa Ltd. PININFARINA S.p.A	Sales	200	495
		Other expenses	18,439	-

No bad debt expense was recognized for the three month period ended March 31, 2019 and 2018.

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

(3) Account balances with related parties as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	5,267,714	4,171,953
		Other receivables	32,084	30,314
		Other payables	626,027	669,683
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	109,597	79,755
		Other payables	245,146	242,805
		Trade receivables	7,121,679	5,405,701
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	2,375,000	2,500,000
		Other payables	22,756	44,724
		Other payables	8,268	11,560

(In thousands of rupee)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	320,514	253,842
		Other receivables	1,952	1,844
		Other payables	38,091	40,747
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	6,668	4,853
		Other payables	14,916	14,773
		Trade receivables	433,319	328,910
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	144,507	152,113
		Other payables	1,385	2,721
		Other payables	503	703

Allowance for receivables from related parties are not recognized as of March 31, 2019 and December 31, 2018.

(4) Details of transactions with related parties for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Parent	Mahindra & Mahindra Ltd.	₩ 49,706,372	-	Rs 3,024,385	-

(5) Executive compensation of the Group for the three-month period ended March 31, 2019 and 2018, is as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Short-term employee benefits	₩	2,398,977	2,182,316	Rs 145,966	132,783
Retirement benefits		37,823	35,211	2,301	2,142

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### 33. Financial Instruments

#### (1) Capital risk management

The Group manages capital risk in order to maximize shareholders' profit by maintaining sound or optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Group uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity on financial statements. The Group is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of March 31, 2019 and December 31, 2018 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Debt (A)	₩ 1,757,319,516	1,512,353,646	Rs 106,924,106	92,019,158
Equity (B)	716,489,751	693,288,420	43,594,819	42,183,134
Debt-to-equity ratio (A/B)	245.27%	218.14%	245.27%	218.14%

(2) Details of financial assets and liabilities by category as of March 31, 2019 and December 31, 2018 are as follows:

#### 1) Financial assets

(In thousands of won)

	2019				
	Amortised cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	₩ 359,898,837	-	-	359,898,837	359,898,837
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	198,768,064	-	-	198,768,064	198,768,064
Non-current financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	436,411	54,101	490,512	490,512
	₩ 558,670,901	996,411	54,101	559,721,413	559,721,413

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**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of March 31, 2019 and December 31, 2018 are as follows, continued:

1) Financial assets, continued

(In thousands of won)

	<b>2018</b>				
	<b>Amoritsed cost</b>	<b>Measured at FVTPL</b>	<b>Derivatives cash flow hedge</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	₩ 156,062,657	-	-	156,062,657	156,062,657
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	207,545,265	-	-	207,545,265	207,545,265
Non-current financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	806,894	84,425	891,319	891,319
	<u>₩ 363,611,922</u>	<u>1,366,894</u>	<u>84,425</u>	<u>365,063,241</u>	<u>365,063,241</u>

(In thousands of rupee)

	<b>2019</b>				
	<b>Amoritsed cost</b>	<b>Measured at FVTPL</b>	<b>Derivatives cash flow hedge</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs 21,898,045	-	-	21,898,045	21,898,045
Long-term financial instruments	243	-	-	243	243
Trade and other receivables	12,094,043	-	-	12,094,043	12,094,043
Non-current financial assets	-	34,073	-	34,073	34,073
Derivative assets	-	26,553	3,292	29,845	29,845
	<u>Rs 33,992,331</u>	<u>60,626</u>	<u>3,292</u>	<u>34,056,249</u>	<u>34,056,249</u>

(In thousands of rupee)

	<b>2018</b>				
	<b>Amoritsed cost</b>	<b>Measured at FVTPL</b>	<b>Derivatives cash flow hedge</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs 9,495,632	-	-	9,495,632	9,495,632
Long-term financial instruments	243	-	-	243	243
Trade and other receivables	12,628,092	-	-	12,628,092	12,628,092
Non-current financial assets	-	34,073	-	34,073	34,073
Derivative assets	-	49,095	5,138	54,233	54,233
	<u>Rs 22,123,967</u>	<u>83,168</u>	<u>5,138</u>	<u>22,212,273</u>	<u>22,212,273</u>

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**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of March 31, 2019 and December 31, 2018 are as follows, continued:

2) Financial liabilities

(In thousands of won)

		<b>2019</b>			
	<b>Financial liability measured at amortised 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	₩ 897,105,460	-	-	897,105,460	897,105,460
Borrowings	315,694,457	-	-	315,694,457	315,694,457
Derivative liabilities	-	-	403,436	403,436	403,436
	<b>₩ 1,212,799,917</b>	<b>-</b>	<b>403,436</b>	<b>1,213,203,353</b>	<b>1,213,203,353</b>

(In thousands of won)

		<b>2018</b>			
	<b>Financial liability measured at amortised 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	₩ 693,223,692	-	-	693,223,692	693,223,692
Borrowings	253,227,545	-	-	253,227,545	253,227,545
	<b>₩ 946,451,237</b>	<b>-</b>	<b>-</b>	<b>946,451,237</b>	<b>946,451,237</b>

(In thousands of rupee)

		<b>2019</b>			
	<b>Financial liability measured at amortised 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 54,584,382	-	-	54,584,382	54,584,382
Borrowings	19,208,429	-	-	19,208,429	19,208,429
Derivative liabilities	-	-	24,547	24,547	24,547
	<b>Rs 73,792,811</b>	<b>-</b>	<b>24,547</b>	<b>73,817,358</b>	<b>73,817,358</b>

(In thousands of rupee)

		<b>2018</b>			
	<b>Financial liability measured at amortised 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 42,179,196	-	-	42,179,196	42,179,196
Borrowings	15,407,630	-	-	15,407,630	15,407,630
	<b>Rs 57,586,826</b>	<b>-</b>	<b>-</b>	<b>57,586,826</b>	<b>57,586,826</b>

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**33. Financial Instruments, Continued**

(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 factors.

Financial assets that are subject to the financial risk management consist of cash and cash equivalents, non-current 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 March 31, 2019.

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

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,437,983	(1,437,983)	Rs 87,494	(87,494)
EUR	(3,893,485)	3,893,485	(236,899)	236,899
JPY	(11,438,050)	11,438,050	(695,948)	695,948
Others	801,901	(801,901)	48,791	(48,791)
	₩ (13,091,651)	13,091,651	Rs (796,562)	796,562

b. Interest rate risk

Sensitivity analysis was conducted assuming floating rate debt current balance is the same during the whole reporting year. 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 ₩ 195,719 thousand (Rs 11,909 thousand) for the three-month periods ended March 31, 2019, due to floating rate debt's interest rate risk.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

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.

If a credit risk occurs with respect to a dealership sale, which is a major type of the Group's sales, the respective dealership bears all of the risk; the Group manages credit risk on product sales using two management index, agreed liability rate and agreed excess rate, and when the management index exceeds the agreed rate, it imposes a release restriction on the respective dealership and transfers a credit risk arising from product sales. The Group's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days.

The Group estimates allowances for doubtful accounts (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.) through individual analysis for the receivables that are over more than 90 days.

For the receivables that are not subject to individual analysis, the allowance is estimated by applying the average loss rate for the past three years to the remaining balance of the receivables at the end of a reporting year; the average loss rate for the past three-years is calculated by dividing the amount of actual loss occurred in the past three years by the average balance of the receivables.

The Group estimates an allowance for the receivables that are over more than 90 days, but less than one year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Group estimates an allowance based on the historical loss rates.

Maximum exposure in respect of credit risk as of March 31, 2019 and December 31, 2018 are as follows:

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

	<b>Korean won</b>		<b>Indian rupee</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Trade and other receivables	₩ 198,768,064	207,545,265	Rs 12,094,043	12,628,092

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**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 periodic 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 March 31, 2019 and December 31, 2018 are as follows:

*(In thousands of won)*

	<b>2019</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 670,671,661	-	670,671,661
Other payables	210,591,545	-	210,591,545
Short-term borrowings(*)	198,061,852	-	198,061,852
Derivatives liabilities	403,436	-	403,436
Other payables	1,392,210	-	1,392,210
Long-term borrowings(*)	-	125,461,223	125,461,223
Long-term other payables	-	1,415,304	1,415,304
	<b>₩ 1,081,120,704</b>	<b>126,876,527</b>	<b>1,207,997,231</b>

*(In thousands of won)*

	<b>2018</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 534,943,259	-	534,943,259
Other payables	155,611,475	-	155,611,475
Short-term borrowings(*)	179,518,770	-	179,518,770
Other payables	1,057,821	-	1,057,821
Long-term borrowings(*)	-	78,760,222	78,760,222
Long-term other payables	-	1,593,271	1,593,271
	<b>₩ 871,131,325</b>	<b>80,353,493</b>	<b>951,484,818</b>

(\*) Including expected interest expenses.



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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2019		
		Within a year	Over 1 year	Total
Trade payables	Rs	40,807,017	-	40,807,017
Other payables		12,813,443	-	12,813,443
Short-term borrowings(*)		12,051,073	-	12,051,073
Derivatives liabilities		24,547	-	24,547
Other payables		84,709	-	84,709
Long-term borrowings(*)		-	7,633,688	7,633,688
Long-term other payables		-	86,114	86,114
	Rs	<u>65,780,789</u>	<u>7,719,802</u>	<u>73,500,591</u>

(In thousands of rupee)

		2018		
		Within a year	Over 1 year	Total
Trade payables	Rs	32,548,623	-	32,548,623
Other payables		9,468,179	-	9,468,179
Short-term borrowings(*)		10,922,820	-	10,922,820
Other payables		64,363	-	64,363
Long-term borrowings(*)		-	4,792,166	4,792,166
Long-term other payables		-	96,943	96,943
	Rs	<u>53,003,985</u>	<u>4,889,109</u>	<u>57,893,094</u>

(\*) Including expected interest expenses.

Details of commitments for borrowings as of March 31, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Limitation of commitments for borrowings	Used	₩ 158,750,000	110,000,000	Rs 9,659,144	6,692,950
	Unused	<u>147,000,000</u>	<u>147,000,000</u>	<u>8,944,215</u>	<u>8,944,215</u>
		<u>₩ 305,750,000</u>	<u>257,000,000</u>	<u>Rs 18,603,359</u>	<u>15,637,165</u>

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**33. Financial Instruments, Continued**

(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 amortised 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. In case of borrowings, its fair value are disclosed, but estimated in amortised costs. The Group deem that its book value are similar to its fair values calculated by generally accepted valuation models based on discounts cash flow analysis.

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

Level 1	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)

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**33. Financial Instruments, Continued**

(4) Fair value of financial instruments, continued

Fair values of financial instruments by hierarchy level as of March 31, 2019 and December 31, 2018 are as follows:

*(In thousands of won)*

		Level 1	Level 2	Level 3	Fair value
<b>As of March 31, 2019</b>					
Derivatives assets	₩	-	490,512	-	490,512
Derivatives liabilities		-	403,436	-	403,436
<b>As of December 31, 2018</b>					
Derivatives liabilities	₩	-	891,319	-	891,319

*(In thousands of rupee)*

		Level 1	Level 2	Level 3	Fair value
<b>As of March 31, 2019</b>					
Derivatives assets	Rs	-	29,845	-	29,845
Derivatives liabilities		-	24,547	-	24,547
<b>As of December 31, 2018</b>					
Derivatives liabilities	Rs	-	54,233	-	54,233

4) The Group measures the foreign exchange forward contract derivative assets: ₩ 490,512 thousand (Rs 29,845 thousand) derivative liabilities: ₩ 403,436 thousand (Rs 24,547 thousand) based on the forward rate announced officially in the market as of March 31, 2019. In the event that no corresponding forward rate with residual year 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 foreign exchange forward as level 2.