

**SSANGYONG MOTOR COMPANY**

Separate Interim Financial Statements

(Unaudited)

September 30, 2018 and 2017

(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

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company, which comprise the separate interim statement of financial position as of September 30, 2018, the separate interim statements of comprehensive loss for the three-month and nine-month periods ended September 30, 2018 and 2017, the separate interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2018 and 2017 and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these separate 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 separate interim financial statements based on our review.

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate 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 separate statement of financial position of the Company as of December 31, 2017, and the related separate statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us, whose report thereon dated March 16, 2018, expressed an unqualified opinion. The statement of financial position of the company as of December 31, 2017, presented for comparative purposes, is not different from the audited separate financial statements in all material respects.

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

The accompanying separate interim financial statements as of and for the three-month and nine-month periods ended September 30, 2018 and 2017 have been translated into Indian Rupee solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the separate 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 separate interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
November 9, 2018

<p>This report is effective as of November 9, 2018, 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 separate 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.</p>
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SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Financial Position  
 (Unaudited)

**As of September 30, 2018 and December 31, 2017**

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

	<i>Note</i>	<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>					
Cash and cash equivalents	4,5,33	₩ 165,471,172	212,521,514	Rs 10,829,265	13,908,476
Trade and other receivables, net	7,32,33	187,892,154	211,750,192	12,296,607	13,857,997
Derivative assets	25,33	1,099,714	-	71,971	-
Inventories, net	8,24	206,034,565	223,537,426	13,483,938	14,629,413
Other current assets	10	18,738,855	7,497,721	1,226,364	490,688
<b>Total current assets</b>		<b>579,236,460</b>	<b>655,306,853</b>	<b>37,908,145</b>	<b>42,886,574</b>
Non-current financial instruments	5,33	4,000	4,000	262	262
Non-current other receivables, net	7,32,33	36,490,635	39,637,401	2,388,131	2,594,071
Non-current financial assets	6,33	560,000	560,000	36,649	36,649
Property, plant and equipment, net	11,13	1,228,437,512	1,239,668,891	80,395,125	81,130,163
Intangible assets, net	11,12	331,143,349	303,268,722	21,671,685	19,847,429
Investments in subsidiaries	9	1,868,786	1,056,486	122,303	69,142
Investments in joint venture	9	10,200,000	10,200,000	667,539	667,539
Other non-current assets	10	273,261	273,283	17,884	17,885
<b>Total non-current assets</b>		<b>1,608,977,543</b>	<b>1,594,668,783</b>	<b>105,299,578</b>	<b>104,363,140</b>
<b>Total assets</b>		<b>₩ 2,188,214,003</b>	<b>2,249,975,636</b>	<b>Rs 143,207,723</b>	<b>147,249,714</b>

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

SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Financial Position, Continued  
 (Unaudited)

As of September 30, 2018 and December 31, 2017

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2018	2017	2018	2017
<b>Liabilities</b>					
Trade and other payables	14, 18, 32, 33	₩ 752,133,592	752,417,705	Rs 49,223,403	49,241,996
Short-term borrowings	13, 18, 30, 33	153,735,654	163,840,987	10,061,234	10,722,578
Derivative liabilities	25, 33	3,417	409,259	224	26,784
Provision of warranty for sale - current	15	49,048,859	53,046,748	3,210,004	3,471,646
Other long-term employee benefits liabilities- current		917,549	1,190,438	60,048	77,908
Other current liabilities	16	28,754,791	35,145,612	1,881,858	2,300,105
<b>Total current liabilities</b>		<u>984,593,862</u>	<u>1,006,050,749</u>	<u>64,436,771</u>	<u>65,841,017</u>
Long-term borrowings	13, 18, 30, 33	70,000,000	70,000,000	4,581,152	4,581,152
Non-current other payables	33	2,059,024	3,374,007	134,753	220,812
Other long-term liabilities	16	10,158,148	-	664,800	-
Defined benefit liabilities	17	302,166,869	284,563,123	19,775,319	18,623,241
Other long-term employee benefits liabilities		15,001,496	15,138,490	981,773	990,739
Non-current provision of warranty for sale	15	85,444,791	93,192,809	5,591,937	6,099,006
<b>Total non-current liabilities</b>		<u>484,830,328</u>	<u>466,268,429</u>	<u>31,729,734</u>	<u>30,514,950</u>
<b>Total liabilities</b>		₩ <u>1,469,424,190</u>	<u>1,472,319,178</u>	Rs <u>96,166,505</u>	<u>96,355,967</u>
<b>Equity</b>					
Capital stock	19	689,746,980	689,746,980	45,140,509	45,140,509
Other capital surplus	20	87,909,478	133,141,920	5,753,238	8,713,476
Other equity	21	1,005,020	-	65,774	-
Accumulated deficit	22	(59,871,665)	(45,232,442)	(3,918,303)	(2,960,238)
<b>Total equity</b>		₩ <u>718,789,813</u>	<u>777,656,458</u>	Rs <u>47,041,218</u>	<u>50,893,747</u>
<b>Total liabilities and equity</b>		₩ <u>2,188,214,003</u>	<u>2,249,975,636</u>	Rs <u>143,207,723</u>	<u>147,249,714</u>

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Comprehensive Loss  
 (Unaudited)

**For the three-month and nine-month periods ended September 30, 2018 and 2017**

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

	<i>Note</i>	2018		2017	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32	₩ 901,868,857	2,648,526,168	₩ 899,407,219	2,588,093,981
Cost of sales	24,32	794,582,122	2,332,418,060	769,313,592	2,196,894,293
<b>Gross profit</b>		<u>107,286,735</u>	<u>316,108,108</u>	<u>130,093,627</u>	<u>391,199,688</u>
Selling, general and administrative expenses	24,26	129,732,317	377,671,011	147,412,629	430,949,943
<b>Operating loss</b>		<u>(22,445,582)</u>	<u>(61,562,903)</u>	<u>(17,319,002)</u>	<u>(39,750,255)</u>
Other income	27,32	2,439,554	8,068,471	6,217,055	23,647,189
Other expenses	27,32	993,057	5,803,636	4,663,899	19,881,892
Finance income	25,28	2,219,464	9,900,888	3,010,440	16,738,444
Finance costs	25,28	288,498	10,464,604	5,157,158	17,960,082
<b>Loss before income taxes</b>		<u>(19,068,119)</u>	<u>(59,861,784)</u>	<u>(17,912,564)</u>	<u>(37,206,596)</u>
Income tax expenses	23	-	-	-	-
<b>Loss for the period</b>		<u>(19,068,119)</u>	<u>(59,861,784)</u>	<u>(17,912,564)</u>	<u>(37,206,596)</u>
<b>Other comprehensive income (loss) for the period</b>					
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	17,22	(3,332)	(9,881)	(2,932)	(8,648)
<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	848,050	1,005,020	(962,230)	2,213,090
<b>Total comprehensive loss for the period</b>		<u>₩ (18,223,401)</u>	<u>(58,866,645)</u>	<u>₩ (18,877,726)</u>	<u>(35,002,154)</u>
<b>Losses per share</b>					
Basic and diluted losses per share	29	₩ (138)	(434)	₩ (130)	(270)

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Comprehensive Loss, Continued  
 (Unaudited)

**For the three-month and nine-month periods ended September 30, 2018 and 2017**

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

	<i>Note</i>	2018		2017	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32	Rs 59,022,831	173,332,864	Rs 58,861,729	169,377,879
Cost of sales	24,32	52,001,448	152,645,161	50,347,748	143,775,805
<b>Gross profit</b>		<u>7,021,383</u>	<u>20,687,703</u>	<u>8,513,981</u>	<u>25,602,074</u>
Selling, general and administrative expenses	24,26	8,490,335	24,716,689	9,647,423	28,203,530
<b>Operating loss</b>		<u>(1,468,952)</u>	<u>(4,028,986)</u>	<u>(1,133,442)</u>	<u>(2,601,456)</u>
Other income	27,32	159,657	528,041	406,875	1,547,591
Other expenses	27,32	64,991	379,819	305,229	1,301,172
Finance income	25,28	145,253	647,964	197,018	1,095,448
Finance costs	25,28	18,881	684,856	337,510	1,175,398
<b>Loss before income taxes</b>		<u>(1,247,914)</u>	<u>(3,917,656)</u>	<u>(1,172,288)</u>	<u>(2,434,987)</u>
Income tax expenses	23	-	-	-	-
<b>Loss for the period</b>		<u>(1,247,914)</u>	<u>(3,917,656)</u>	<u>(1,172,288)</u>	<u>(2,434,987)</u>
<b>Other comprehensive income (loss) for the period</b>					
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	17,22	(218)	(647)	(192)	(566)
<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	55,501	65,774	(62,973)	144,836
<b>Total comprehensive loss for the period</b>		<u>Rs (1,192,631)</u>	<u>(3,852,529)</u>	<u>Rs (1,235,453)</u>	<u>(2,290,717)</u>
<b>Losses per share</b>					
Basic and diluted losses per share	29	Rs (9)	(28)	Rs (9)	(18)

See accompanying notes to the separate interim financial statements.



SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Changes in Equity  
 (Unaudited)

For the nine-month periods ended September 30, 2018 and 2017

(In thousands of won)

	Korean won							
	Capital stock	Other capital surplus			Other equity	Accumulated deficit	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, 2017</b>	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	(2,574,700)	4,965,820	820,169,960
<b>Total comprehensive income(loss) for the period:</b>								
Loss for the period	-	-	-	-	-	-	(37,206,596)	(37,206,596)
Defined benefit plan re-measurements	-	-	-	-	-	-	(8,648)	(8,648)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	2,213,090	-	2,213,090
<b>Transactions with owners of the Company, recognized directly in equity:</b>								
Issue of ordinary shares	3,646,500	1,463,560	-	-	-	-	-	5,110,060
<b>Balance at September 30, 2017</b>	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	(361,610)	(32,249,424)	790,277,866
<b>Balance at January 1, 2018</b>	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	-	(45,232,442)	777,656,458
<b>Total comprehensive income(loss) for the period:</b>								
Loss for the period	-	-	-	-	-	-	(59,861,784)	(59,861,784)
Defined benefit plan re-measurements	-	-	-	-	-	-	(9,881)	(9,881)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	1,005,020	-	1,005,020
<b>Transactions with owners of the Company, recognized directly in equity:</b>								
Disposition of deficit	-	-	(44,127,304)	-	(1,105,138)	-	45,232,442	-
<b>Balance at September 30, 2018</b>	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,005,020	(59,871,665)	718,789,813

See accompanying notes to the separate interim financial statement

SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Changes in Equity, Continued  
 (Unaudited)

For the nine-month periods ended September 30, 2018 and 2017

(In thousands of rupee)

	Indian rupee								
	Capital stock	Other capital surplus			Other equity	Accumulated deficit	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, 2017</b>	Rs	44,901,864	749,523	7,734,882	60,962	72,326	(168,501)	324,988	53,676,044
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period		-	-	-	-	-	-	(2,434,987)	(2,434,987)
Defined benefit plan re-measurements		-	-	-	-	-	-	(566)	(566)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	144,836	-	144,836
<b>Transactions with owners of the Company, recognized directly in equity:</b>									
Issue of ordinary shares		238,645	95,783	-	-	-	-	-	334,428
<b>Balance at September 30, 2017</b>	Rs	45,140,509	845,306	7,734,882	60,962	72,326	(23,665)	(2,110,565)	51,719,755
<b>Balance at January 1, 2018</b>	Rs	45,140,509	845,306	7,734,882	60,962	72,326	-	(2,960,238)	50,893,747
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period		-	-	-	-	-	-	(3,917,656)	(3,917,656)
Defined benefit plan re-measurements		-	-	-	-	-	-	(647)	(647)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	65,774	-	65,774
<b>Transactions with owners of the Company, recognized directly in equity:</b>									
Disposition of deficit		-	-	(2,887,912)	-	(72,326)	-	2,960,238	-
<b>Balance at September 30, 2018</b>	Rs	45,140,509	845,306	4,846,970	60,962	-	65,774	(3,918,303)	47,041,218

See accompanying notes to the separate interim financial statements

SSANGYONG MOTOR COMPANY  
 Separate Interim Statements of Cash Flows  
 (Unaudited)

For the nine-month periods ended September 30, 2018 and 2017

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Loss for the period	₩ (59,861,784)	(37,206,596)	Rs (3,917,656)	(2,434,987)
Adjustment	211,716,638	209,680,485	13,855,801	13,722,545
Changes in assets and liabilities	2,423,900	(142,310,061)	158,632	(9,313,486)
<b>Cash generated from operations (note 30)</b>	<u>154,278,754</u>	<u>30,163,828</u>	<u>10,096,777</u>	<u>1,974,072</u>
Interest received	1,753,532	2,164,302	114,760	141,643
Interest paid	(3,415,498)	(2,584,417)	(223,527)	(169,137)
Dividends received	11,000	6,000	720	393
<b>Net cash provided by operating activities</b>	<u>152,627,788</u>	<u>29,749,713</u>	<u>9,988,730</u>	<u>1,946,971</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	310,341	127,547	20,311	8,347
Proceed from disposal of intangible assets	-	763,636	-	49,976
Acquisition of property, plant and equipment	(109,692,366)	(115,101,492)	(7,178,820)	(7,532,820)
Acquisition of intangible assets	(78,806,248)	(84,907,697)	(5,157,477)	(5,556,786)
Acquisition of investments in subsidiaries	(812,300)	-	(53,161)	-
Cash flow from other investing activities	(1,693,924)	(3,097,248)	(110,860)	(202,700)
<b>Net cash used in investing activities</b>	<u>(190,694,497)</u>	<u>(202,215,254)</u>	<u>(12,480,007)</u>	<u>(13,233,983)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings (note 30)	3,496,367	77,710,376	228,820	5,085,758
Proceeds from issuing capital stock	-	5,110,060	-	334,428
Cash inflows from Government grants	20,000	73,610	1,309	4,817
Repayment of borrowings (note 30)	(12,500,000)	(15,000,000)	(818,063)	(981,675)
<b>Net cash provided by (used in) financing activities</b>	<u>(8,983,633)</u>	<u>67,894,046</u>	<u>(587,934)</u>	<u>4,443,328</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(47,050,342)</u>	<u>(104,571,495)</u>	<u>(3,079,211)</u>	<u>(6,843,684)</u>
Cash and cash equivalents at January 1	<u>212,521,514</u>	<u>234,657,416</u>	<u>13,908,476</u>	<u>15,357,161</u>
<b>Cash and cash equivalents at September 30</b>	<u>₩ 165,471,172</u>	<u>130,085,921</u>	<u>Rs 10,829,265</u>	<u>8,513,477</u>

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY  
Notes to the Separate Interim Financial Statements  
(Unaudited)

September 30, 2018 and 2017

## 1. General Description of the Company

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

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

### (2) Major shareholders

As of September 30, 2018, the Company's shareholders are as follows:

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

## 2. Basis of Preparation and Accounting Policies

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

The separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 15.28 to INR 1 on September 30, 2018, 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 separate 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 separate interim financial statements were prepared in accordance with K-IFRS 1034, 'Interim Financial Reporting' as part of the period covered by the Company'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 Company since the last annual separate financial statements as of and for the year ended December 31, 2017. These separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These separate interim financial statements are separate interim financial statements prepared in accordance with K-IFRS 1027, 'Separate 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 Company has initially applied K-IFRS 1109 'Financial Instruments' and K-IFRS 1115 'Revenue from Contracts with Customers' for preparation of the separate interim financial statements as of and for the nine-month periods ended September 30, 2018. The significant changes in accounting policies are described in note 2.(4).

**September 30, 2018 and 2017**

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

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

The preparation of the separate 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 separate interim financial statements, are the same as those applied to the separate financial statements as of and for the year ended December 31, 2017 except for main sources of uncertainty in estimates and judgements related to K-IFRS 1109 'Financial Instruments' and K-IFRS 1115 'Revenue from Contracts with Customers'.

### **(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 also reflected in the annual financial statements for the year ending December 31, 2018.

#### **① K-IFRS 1115, Revenue from Contracts with Customers**

K-IFRS 1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS 1018 Revenue, K-IFRS 1011 Construction Contracts, K-IFRS 2113 Customer Loyalty Programs, K-IFRS 2115 Agreements for the Construction of Real Estate and K-IFRS 2118 Transfers of assets from customers.

The Company adopted K-IFRS 1115 using the cumulative effect method, with the effect of initially applying this standard recognized and applied to the contracts that are not completed at the date of initial application (January 1, 2018).

There is no effect on retained earnings as of January 1, 2018 because the Company concluded that the contracts before adopting K-IFRS 1115 were completed before the date.

The effect of adoption of the K-IFRS 1115 on the separate interim statement of financial position as of September 30, 2018 the separate interim statement comprehensive loss for the nine-month periods ended September 30, 2018 are as follows. The effect on the separate interim statement of cash flow for the nine-month periods ended September 30, 2018 is not significant.

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

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

1) Impact on the separate interim statements of financial position as of September 30, 2018

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	₩	576,522,298	579,236,460	2,714,162
Non-current assets		1,608,977,543	1,608,977,543	-
<b>Total assets</b>		<b>2,185,499,841</b>	<b>2,188,214,003</b>	<b>2,714,162</b>
Current liabilities		981,005,229	984,593,862	3,588,633
Non-current liabilities		483,486,192	484,830,328	1,344,136
<b>Total liabilities</b>		<b>1,464,491,421</b>	<b>1,469,424,190</b>	<b>4,932,769</b>
<b>Total equity</b>	₩	<b>721,008,420</b>	<b>718,789,813</b>	<b>(2,218,607)</b>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	Rs	37,730,516	37,908,145	177,629
Non-current assets		105,299,578	105,299,578	-
<b>Total assets</b>		<b>143,030,096</b>	<b>143,207,723</b>	<b>177,629</b>
Current liabilities		64,201,913	64,436,771	234,858
Non-current liabilities		31,641,767	31,729,734	87,967
<b>Total liabilities</b>		<b>95,843,680</b>	<b>96,166,505</b>	<b>322,825</b>
<b>Total equity</b>	Rs	<b>47,186,416</b>	<b>47,041,218</b>	<b>(145,196)</b>

2) Impact on the separate interim statements of comprehensive loss for the nine-month periods ended September 30, 2018

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	₩	2,670,258,094	2,648,526,168	(21,731,926)
Cost of sales		2,313,580,928	2,332,418,060	18,837,132
Selling, general and administrative expenses		410,019,613	377,671,011	(32,348,602)
Loss for the period	₩	<b>(57,643,177)</b>	<b>(59,861,784)</b>	<b>(2,218,607)</b>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	Rs	174,755,111	173,332,864	(1,422,247)
Cost of sales		151,412,364	152,645,161	1,232,797
Selling, general and administrative expenses		26,833,744	24,716,689	(2,117,055)
Loss for the period	Rs	<b>(3,772,459)</b>	<b>(3,917,656)</b>	<b>(145,197)</b>

**September 30, 2018 and 2017**

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

### **(4) Changes in accounting Policies, continued**

The Company have identified distinct performance obligations for our products and merchandise contract with our customers, such as (1) sales of vehicles and merchandise, (2) transportation of vehicles, and (3) warranties. Revenues recognized at the time of the transfer of the risks and rewards of the goods under K-IFRS 1018 is to be realized at the time when the obligation to perform the transportation and warranty is identified and implemented in the contract of transfer of the goods under K-IFRS 1115.

Our sales contract with customers has the option of customers purchasing additional warranties. Also, depending on the sales policy, customers may be offered service warranty beyond the assurance warranty when selling a vehicle. When a customer purchases a warranty or provides a service warranty to a customer under a sales policy, sales recognition related to the performance obligations is deferred to the time the performance obligation is fulfilled, and is not recognized in provision of warranties.

Transaction price of a service warranty to a customer under a sales policy is allocated by relative individual sales price that is estimated by "expected cost plus a margin approach". The consideration paid to other customers defined in K-IFRS 1115 are recognized by deducting from related sales.

#### ② K-IFRS 1109 : Financial Instruments

Key features of the new standard, K-IFRS 1109, are 1) classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics, 2) impairment methodology that reflects 'expected credit loss' (ECL) model for financial assets, and 3) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships.

##### *Classification and measurement of financial assets*

K-IFRS 1109, Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces K-IFRS 1039 Financial Instruments: Recognition and Measurement.

Most of the requirements of K-IFRS 1039 for classification and measurement of financial liabilities are existed, but categories of held to maturity, loans and receivables and available for sales are deleted under K-IFRS 1109.

Under K-IFRS 1109, financial assets are classified into measured at amortised cost, debt investment measured at fair value through other comprehensive income, equity investment measured at fair value through other comprehensive income, and fair value through profit or loss (FVTPL).

K-IFRS 1109 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Derivatives embedded in hybrid contracts where the host is a financial asset are not bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows.
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company may irrevocably designate equity investment that is not held for trading as at FVOCI at initial recognition. The designation is made based on each investments.

Financial assets including derivatives, not classified as measured at amortised cost or FVOCI as described above, are measured at FVTPL. Financial assets may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The following accounting policies are applied to subsequent measurement of the financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.



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

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

The results of the classification and measurement of financial assets (excluding derivatives) held by the company as of September 30, 2018 are as follows:

(In thousands of won)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Book value	Classification	Book value
Cash and cash equivalents	Loan and receivables	₩ 165,471,172	Amortised cost	₩ 165,471,172
Trade receivables	Loan and receivables	173,053,589	Amortised cost	173,053,589
Other receivables	Loan and receivables	2,443,030	Amortised cost	2,443,030
Loans and others	Loan and receivables	10,689,710	Amortised cost	10,689,710
Long-term financial instruments	Loan and receivables	4,000	Amortised cost	4,000
Long-term loans and others	Loan and receivables	36,490,635	Amortised cost	36,490,635
Non-current financial assets(*)	AFS financial assets	560,000	FVTPL	560,000

(In thousands of rupee)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Book value	Classification	Book value
Cash and cash equivalents	Loan and receivables	Rs 10,829,265	Amortised cost	Rs 10,829,265
Trade receivables	Loan and receivables	11,325,497	Amortised cost	11,325,497
Other receivables	Loan and receivables	159,884	Amortised cost	159,884
Loans and others	Loan and receivables	699,588	Amortised cost	699,588
Long-term financial instruments	Loan and receivables	262	Amortised cost	262
Long-term loans and others	Loan and receivables	2,388,131	Amortised cost	2,388,131
Non-current financial assets(*)	AFS financial assets	36,649	FVTPL	36,649

(\*) The company judged that acquisition cost is the best estimate of fair values of available-for sale financial assets since these do not have a quoted market price in an active market and fair values of them cannot be reliably measured due to the excessively vast range of possible outcomes of the fair value measurement.

*Impairment: Financial assets and contract assets*

K-IFRS 1109 replaces the 'incurred loss' model in K-IFRS 1039 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under K-IFRS 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS 1039.

Under K-IFRS 1109, loss allowances will be measured on either of the following bases:

- 12-month ECLs: ECLs that result from possible default events within the 12 months after the reporting date
- lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

September 30, 2018 and 2017

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

### (4) Changes in accounting Policies, continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realizing security (if any is held)
- the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

As of September 30, 2018, the Company has recognized loss allowances amounting to ₩ 4,023 million (Rs 263 million) for loans and receivables. The Company has chosen its accounting policy to measure the loss allowance at an amount equal to lifetime expected assets if the trade receivables or contract assets contain a significant financing component, and plan to use practical simplification method that the credit risk on a financial instrument has not increased significantly at the reporting date.

#### *Hedge accounting*

K-IFRS 1109 retains the mechanics of hedge accounting (fair value hedge, cash flow hedge, hedging on net investment in a foreign operation) which was defined in the existing guidance in K-IFRS 1039, but provides principle-based and less complex guidance in hedging which focuses on the risk management activities. More hedged items and hedging instruments would qualify for hedge accounting, more qualitative and forward-looking approach will be taken to assessing hedge effectiveness, and qualitative threshold (80~125%) is removed under K-IFRS 1109.

## 3. Significant Accounting Policies

Except for the changes in accounting policies as described in note 2.(4), the accounting policies applied by the Company in these separate interim financial statements are the same as those applied by the Company in the separate financial statements as of and for the year ended December 31, 2017.

The following new standards, interpretations and amendments to existing standards, which have been published, are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however the Company has not early adopted them.

#### *Amendments to K-IFRS No.1116: Leases*

K-IFRS 1116 replaces existing lease guidance, including K-IFRS 1017 Leases and K-IFRS interpretation 2104 Determining whether an arrangement contains a lease. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply K-IFRS 1115 at or before the date of initial application of K-IFRS 1116.

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### 3. Significant Accounting Policies, Continued

K-IFRS 1116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemption for short-term leases and leases of low-value items. Lessor accounting is similar to the current standard, that classifies leases as finance or operating leases.

As a lessee, the Company can choose between retrospective application method and modified retrospective application method. The Company will perform a detailed assessment of the impact resulting from the application of K-IFRS 1116, and expects to disclose additional quantitative information in the notes to the financial statements.

### 4. Cash and Cash Equivalents

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

### 5. Restricted Financial Instruments

Restricted financial Instruments as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution	Korean won		Indian rupee		Description
		2018	2017	2018	2017	
Cash and cash equivalents	Shinhan Bank and others	₩ 2,597,329	1,108,695	Rs 169,982	72,559	Litigated asset, government grants and others
	Woori Bank	749,905	748,483	49,078	48,984	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	4,000	262	262	Bank account deposit
		₩ 3,351,234	1,861,178	Rs 219,322	121,805	

### 6. Non-current Financial Assets

Non-current financial assets as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	Ownership (%)		2018		2017
			Acquisition cost	Net asset value	Book value
Kihyup Technology Banking Corporation(*)	1.72	₩	500,000	708,599	500,000
Korea Management Consultants Association(*)	1.50		60,000	763,033	60,000
		₩	560,000	1,471,632	560,000

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**6. Non-current Financial Assets, Continued**

(In thousands of rupee)

	Ownership (%)		2018		2017
			Acquisition cost	Net asset value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	32,723	46,374	32,723
Korea Management Consultants Association(*)	1.50		3,926	49,937	3,926
		Rs	<u>36,649</u>	<u>96,311</u>	<u>36,649</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.

**7. Trade and Other Receivables**

(1) Details of trade and other receivables as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Trade receivables	₩	173,149,343	605,604	195,038,354	6,223,160
Less: Allowance for doubtful accounts		(95,755)	-	(126,715)	-
Other receivables		8,016,175	581,807	8,679,435	147,594
Less: Allowance for doubtful accounts		(3,867,319)	(44,250)	(3,723,780)	(44,250)
Loans and others		10,700,189	35,352,180	11,886,976	33,322,231
Less: Allowance for doubtful accounts		(10,479)	(4,706)	(4,078)	(11,334)
	₩	<u>187,892,154</u>	<u>36,490,635</u>	<u>211,750,192</u>	<u>39,637,401</u>

(In thousands of rupee)

		2018		2017	
		Current	Non-current	Current	Non-current
Trade receivables	Rs	11,331,763	39,634	12,764,290	407,275
Less: Allowance for doubtful accounts		(6,267)	-	(8,293)	-
Other receivables		524,619	38,076	568,026	9,659
Less: Allowance for doubtful accounts		(253,097)	(2,896)	(243,703)	(2,896)
Loans and others		700,275	2,313,625	777,944	2,180,775
Less: Allowance for doubtful accounts		(686)	(308)	(267)	(742)
	Rs	<u>12,296,607</u>	<u>2,388,131</u>	<u>13,857,997</u>	<u>2,594,071</u>

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

(2) Details of aging analysis of the trade and other receivables as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 173,754,947	50,628,807	201,261,514	50,164,648
Less than 30 days	-	1,879	-	-
More than 60 days	-	-	-	-
More than 90 days	-	4,019,665	-	3,871,588
	₩ 173,754,947	54,650,351	201,261,514	54,036,236

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs 11,371,397	3,313,405	13,171,565	3,283,028
Less than 30 days	-	123	-	-
More than 60 days	-	-	-	-
More than 90 days	-	263,067	-	253,376
	Rs 11,371,397	3,576,595	13,171,565	3,536,404

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

(3) Changes in allowance for trade and other receivables for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 126,715	3,783,442	93,208	123,730
Bad debt expense	-	149,940	-	40,200
Reversal of allowance for bad debts	(30,960)	(6,628)	(50,903)	(29,699)
Ending balance	₩ 95,755	3,926,754	42,305	134,231

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 8,293	247,608	6,100	8,098
Bad debt expense	-	9,813	-	2,631
Reversal of allowance for bad debts	(2,026)	(434)	(3,331)	(1,944)
Ending balance	Rs 6,267	256,987	2,769	8,785

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**8. Inventories**

Details of inventories as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Merchandises	₩ 38,308,347	34,648,961	Rs 2,507,091	2,267,602
Finished goods	63,050,399	66,624,320	4,126,335	4,360,230
Work-in-process	31,641,593	29,867,552	2,070,785	1,954,683
Raw materials	29,724,319	33,097,439	1,945,309	2,166,063
Sub-materials	424,556	414,413	27,785	27,121
Supplies	3,599,452	3,632,719	235,566	237,743
Goods in transit	39,285,899	55,252,022	2,571,067	3,615,971
	₩ <u>206,034,565</u>	<u>223,537,426</u>	Rs <u>13,483,938</u>	<u>14,629,413</u>

The Company has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 4,503,970 thousand (Rs 294,762 thousand) for the nine-month periods ended September 30, 2018 is included in cost of sales.

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

Details of investment in subsidiaries and a joint venture as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	Company	Location	Owner ship	Closing month	2018		2017
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	₩ 5,338,097	1,056,486	1,056,486
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	835,695	-	-
	Ssangyong Australia Pty Ltd.(*1)	Australia	100%	December	812,300	812,300	-
					<u>6,986,092</u>	<u>1,868,786</u>	<u>1,056,486</u>
Joint venture	SY Auto Capital Co., Ltd.(*2)	Korea	51%	December	<u>10,200,000</u>	<u>10,200,000</u>	<u>10,200,000</u>
					₩ <u>17,186,092</u>	<u>12,068,786</u>	<u>11,256,486</u>

(\*1) Ssangyong Australia Pty Ltd. has been established by investing ₩ 812,300 thousand for 100% of the shares.

(\*2) SY Auto Capital Co., Ltd. is a joint venture which were established under joint venture agreement, as joint venture since the Company has rights only to the net assets, and their legal structures of arrangements are separated.

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

(In thousands of rupee)

	Company	Location	Owner ship	Closing month		2018		2017
						Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Rs	349,352	69,142	69,142
	Ssangyong European Parts Center B.V.	Netherlands	100%	December		54,692	-	-
	Ssangyong Australia Pty Ltd.(*1)	Australia	100%	December		53,161	53,161	-
						<u>457,205</u>	<u>122,303</u>	<u>69,142</u>
Joint venture	SY Auto Capital Co., Ltd.(*2)	Korea	51%	December		<u>667,539</u>	<u>667,539</u>	<u>667,539</u>
					Rs	<u>1,124,744</u>	<u>789,842</u>	<u>736,681</u>

(\*1) Ssangyong Australia Pty Ltd. has been established by investing Rs 53,161 thousand for 100% of the shares.

(\*2) SY Auto Capital Co., Ltd. is a joint venture which were established under joint venture agreement, as joint venture since the Company has rights only to the net assets, and their legal structures of arrangements are separated.

**10. Other Assets**

Details of other assets as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won			Indian rupee	
		2018	2017		2018	2017
<b>Other current assets</b>						
Advance payments	₩	1,344,337	1,741,178	Rs	87,980	113,951
Prepaid expenses		17,180,779	5,423,950		1,124,397	354,971
Current tax assets		213,739	332,593		13,987	21,766
		<u>18,738,855</u>	<u>7,497,721</u>		<u>1,226,364</u>	<u>490,688</u>
<b>Other non-current assets</b>						
Other non-current assets	₩	273,261	273,283	Rs	17,884	17,885

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**11. Property, Plant and Equipment**

(1) Details of property, plant and equipment as of September 30, 2018 and December 31, 2017 are as follows:

(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	₩	475,102,821	-	-	-	475,102,821
Buildings		550,018,691	(1,800,027)	(225,777,723)	(148,366,786)	174,074,155
Structures		111,968,781	(95,314)	(65,440,596)	(28,913,882)	17,518,989
Machinery		1,316,769,695	(183,843)	(1,055,949,093)	(95,124,416)	165,512,343
Vehicles		7,622,428	(6,261)	(5,796,719)	(516,742)	1,302,706
Tools and molds		1,262,922,437	(27,213)	(809,164,187)	(158,619,983)	295,111,054
Equipment		69,174,255	(55,861)	(52,088,353)	(3,313,923)	13,716,118
Construction in progress		86,099,326	-	-	-	86,099,326
	₩	<u>3,879,678,434</u>	<u>(2,168,519)</u>	<u>(2,214,216,671)</u>	<u>(434,855,732)</u>	<u>1,228,437,512</u>

(In thousands of won)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	₩	475,062,920	-	-	-	475,062,920
Buildings		543,207,391	(1,845,609)	(217,544,488)	(148,366,786)	175,450,508
Structures		109,871,927	(111,068)	(64,129,824)	(28,913,882)	16,717,153
Machinery		1,298,011,168	(261,084)	(1,033,241,296)	(95,508,817)	168,999,971
Vehicles		7,669,974	(7,411)	(5,896,222)	(583,550)	1,182,791
Tools and molds		1,200,844,395	(31,214)	(743,644,745)	(158,770,322)	298,398,114
Equipment		67,497,396	(42,425)	(47,685,144)	(3,354,079)	16,415,748
Construction in progress		87,441,686	-	-	-	87,441,686
	₩	<u>3,789,606,857</u>	<u>(2,298,811)</u>	<u>(2,112,141,719)</u>	<u>(435,497,436)</u>	<u>1,239,668,891</u>



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September 30, 2018 and 2017

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

(1) Details of property, plant and equipment as of September 30, 2018 and December 31, 2017 are as follows, continued:

(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	31,093,117	-	-	-	31,093,117
Buildings		35,995,988	(117,803)	(14,776,029)	(9,709,868)	11,392,288
Structures		7,327,800	(6,238)	(4,282,762)	(1,892,270)	1,146,530
Machinery		86,176,027	(12,032)	(69,106,616)	(6,225,420)	10,831,959
Vehicles		498,849	(410)	(379,366)	(33,818)	85,255
Tools and molds		82,651,992	(1,781)	(52,955,771)	(10,380,889)	19,313,551
Equipment		4,527,111	(3,655)	(3,408,924)	(216,880)	897,652
Construction in progress		5,634,773	-	-	-	5,634,773
	Rs	<u>253,905,657</u>	<u>(141,919)</u>	<u>(144,909,468)</u>	<u>(28,459,145)</u>	<u>80,395,125</u>

(In thousands of rupee)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	31,090,505	-	-	-	31,090,505
Buildings		35,550,222	(120,786)	(14,237,205)	(9,709,868)	11,482,363
Structures		7,190,571	(7,269)	(4,196,978)	(1,892,270)	1,094,054
Machinery		84,948,375	(17,087)	(67,620,504)	(6,250,576)	11,060,208
Vehicles		501,962	(485)	(385,878)	(38,190)	77,409
Tools and molds		78,589,293	(2,043)	(48,667,850)	(10,390,728)	19,528,672
Equipment		4,417,369	(2,777)	(3,120,755)	(219,508)	1,074,329
Construction in progress		5,722,623	-	-	-	5,722,623
	Rs	<u>248,010,920</u>	<u>(150,446)</u>	<u>(138,229,170)</u>	<u>(28,501,140)</u>	<u>81,130,163</u>

SSANGYONG MOTOR COMPANY  
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September 30, 2018 and 2017

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(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	39,901	-	-	-	475,102,821
Buildings		175,450,508	86,864	(352)	(8,187,652)	6,724,787	174,074,155
Structures		16,717,153	262,198	-	(1,295,018)	1,834,656	17,518,989
Machinery		168,999,971	32,713	(7,226)	(24,618,639)	21,105,524	165,512,343
Vehicles		1,182,791	114,689	(231,390)	(290,383)	526,999	1,302,706
Tools and molds		298,398,114	625,500	(53,756)	(66,786,581)	62,927,777	295,111,054
Equipment		16,415,748	1,749,771	(35,612)	(4,702,990)	289,201	13,716,118
Construction in progress		87,441,686	90,806,819	-	-	(92,149,179)	86,099,326
	₩	<u>1,239,668,891</u>	<u>93,718,455</u>	<u>(328,336)</u>	<u>(105,881,263)</u>	<u>1,259,765</u>	<u>1,228,437,512</u>

(In thousands of won)

		<b>2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	128,405	(1,040)	(7,933,801)	3,411,467	177,197,418
Structures		16,779,735	503,212	(985)	(1,271,078)	317,800	16,328,684
Machinery		173,322,039	11,408	(66,260)	(23,144,844)	22,007,917	172,130,260
Vehicles		1,004,920	244,577	(5,253)	(334,377)	280,761	1,190,628
Tools and molds		227,760,362	4,576,725	(8,149)	(56,498,524)	133,789,304	309,619,718
Equipment		19,234,497	2,090,357	(45,018)	(5,187,943)	61,700	16,153,593
Construction in progress		103,179,053	101,997,471	-	-	(157,558,525)	47,617,999
Machinery in transit		1,016,181	389,149	-	-	(1,405,330)	-
	₩	<u>1,198,961,457</u>	<u>109,941,304</u>	<u>(126,705)</u>	<u>(94,370,567)</u>	<u>905,094</u>	<u>1,215,310,583</u>

(\*) Capitalized borrowing costs in respect of construction in progress are ₩ 760,765 thousand (2017: ₩ 653,210 thousand) and ₩ 519,000 thousand (2017: ₩ 251,884 thousand) which are transferred from inventory to vehicles during the nine-month periods ended September 30, 2018 and 2017, respectively. The government grant amounting to ₩ 20,000 thousand used for asset acquisition for the current nine-month periods was included in others.

SSANGYONG MOTOR COMPANY  
Notes to the Separate Interim Financial Statements  
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September 30, 2018 and 2017

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

(2) Changes in property, plant and equipment for the nine-month periods ended September 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		<b>2018</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	Rs	31,090,505	2,612	-	-	-	31,093,117
Buildings		11,482,363	5,685	(23)	(535,841)	440,104	11,392,288
Structures		1,094,054	17,159	-	(84,752)	120,069	1,146,530
Machinery		11,060,208	2,140	(473)	(1,611,168)	1,381,252	10,831,959
Vehicles		77,409	7,506	(15,143)	(19,005)	34,488	85,255
Tools and molds		19,528,672	40,936	(3,518)	(4,370,849)	4,118,310	19,313,551
Equipment		1,074,329	114,514	(2,331)	(307,787)	18,927	897,652
Construction in progress		5,722,623	5,942,855	-	-	(6,030,705)	5,634,773
	Rs	<u>81,130,163</u>	<u>6,133,407</u>	<u>(21,488)</u>	<u>(6,929,402)</u>	<u>82,445</u>	<u>80,395,125</u>

(In thousands of rupee)

		<b>2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	Rs	31,091,118	-	-	-	-	31,091,118
Buildings		11,884,319	8,403	(68)	(519,228)	223,264	11,596,690
Structures		1,098,150	32,933	(64)	(83,186)	20,798	1,068,631
Machinery		11,343,064	747	(4,336)	(1,514,715)	1,440,309	11,265,069
Vehicles		65,768	16,006	(344)	(21,883)	18,374	77,921
Tools and molds		14,905,783	299,524	(534)	(3,697,547)	8,755,845	20,263,071
Equipment		1,258,802	136,803	(2,946)	(339,525)	4,038	1,057,172
Construction in progress		6,752,555	6,675,228	-	-	(10,311,422)	3,116,361
Machinery in transit		66,505	25,467	-	-	(91,972)	-
	Rs	<u>78,466,064</u>	<u>7,195,111</u>	<u>(8,292)</u>	<u>(6,176,084)</u>	<u>59,234</u>	<u>79,536,033</u>

(\*) Capitalized borrowing costs in respect of construction in progress are Rs 49,788 thousand (2017: Rs 42,749 thousand) and Rs 33,966 thousand (2017: Rs 16,485 thousand) which are transferred from inventory to vehicles during the nine-month periods ended September 30, 2018 and 2017, respectively. The government grant amounting to Rs 1,309 thousand used for asset acquisition for the current nine-month periods was included in others.

SSANGYONG MOTOR COMPANY  
Notes to the Separate Interim Financial Statements  
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September 30, 2018 and 2017

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

(3) Details of pledged assets provided as collateral for the borrowings as of September 30, 2018 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	₩ 281,358,607		Rs 18,413,522	
Buildings and structures	52,368,401	195,000,000	3,427,251	12,761,780
Machinery and others	262,800		17,199	
	₩ <u>333,989,808</u>	<u>195,000,000</u>	Rs <u>21,857,972</u>	<u>12,761,780</u>

(4) Capitalized borrowing costs and capitalization interest rate for the nine-month periods ended September 30, 2018 and 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Capitalized interest expenses(*)	₩ 2,802,281	2,092,363	Rs 183,395	136,934
Capitalization interest rate	3.35%	3.27%	3.35%	3.27%

(\*) Capitalized borrowing costs for intangible assets are ₩ 2,041,516 thousand (Rs 133,607 thousand) and ₩ 1,439,153 thousand (Rs 94,185 thousand) for the nine-month periods ended September 30, 2018 and 2017, respectively.

SSANGYONG MOTOR COMPANY  
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September 30, 2018 and 2017

**12. Intangible Assets**

(1) Details of intangible assets as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	₩	345,185,015	-	(165,568,523)	-	179,616,492
Patents		4,272,575	(12,112)	(2,748,298)	(98,134)	1,414,031
Other intangible assets		180,170,887	(9,590)	(29,686,002)	(362,469)	150,112,826
	₩	<u>529,628,477</u>	<u>(21,702)</u>	<u>(198,002,823)</u>	<u>(460,603)</u>	<u>331,143,349</u>

(In thousands of won)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	₩	304,955,420	-	(115,794,054)	-	189,161,366
Patents		3,984,136	(18,286)	(2,294,527)	(78,338)	1,592,985
Other intangible assets		139,841,157	(20,628)	(26,943,689)	(362,469)	112,514,371
	₩	<u>448,780,713</u>	<u>(38,914)</u>	<u>(145,032,270)</u>	<u>(440,807)</u>	<u>303,268,722</u>

(In thousands of rupee)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs	22,590,642	-	(10,835,636)	-	11,755,006
Patents		279,619	(793)	(179,863)	(6,422)	92,541
Other intangible assets		11,791,289	(628)	(1,942,801)	(23,722)	9,824,138
	Rs	<u>34,661,550</u>	<u>(1,421)</u>	<u>(12,958,300)</u>	<u>(30,144)</u>	<u>21,671,685</u>

(In thousands of rupee)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs	19,957,815	-	(7,578,145)	-	12,379,670
Patents		260,742	(1,197)	(150,165)	(5,127)	104,253
Other intangible assets		9,151,909	(1,351)	(1,763,331)	(23,721)	7,363,506
	Rs	<u>29,370,466</u>	<u>(2,548)</u>	<u>(9,491,641)</u>	<u>(28,848)</u>	<u>19,847,429</u>

SSANGYONG MOTOR COMPANY  
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September 30, 2018 and 2017

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

		<b>2018</b>						
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Transfer</u>	<u>Others(*)</u>	<u>Ending balance</u>
<b>Internally created intangible assets:</b>								
Development cost	₩	189,161,366	-	(49,774,469)	-	40,229,595	-	179,616,492
Other intangible assets		104,765,438	76,530,406	-	-	(40,229,595)	2,041,516	143,107,765
	₩	<u>293,926,804</u>	<u>76,530,406</u>	<u>(49,774,469)</u>	<u>-</u>	<u>-</u>	<u>2,041,516</u>	<u>322,724,257</u>
<b>Individually acquired intangible assets:</b>								
Patents		1,592,985	288,439	(447,597)	(19,796)	-	-	1,414,031
Other intangible assets		7,748,933	1,987,403	(2,731,275)	-	-	-	7,005,061
		9,341,918	2,275,842	(3,178,872)	(19,796)	-	-	8,419,092
	₩	<u>303,268,722</u>	<u>78,806,248</u>	<u>(52,953,341)</u>	<u>(19,796)</u>	<u>-</u>	<u>2,041,516</u>	<u>331,143,349</u>

(In thousands of won)

		<b>2017</b>							
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Transfer</u>	<u>Others(*)</u>	<u>Ending balance</u>
<b>Internally created intangible assets:</b>									
Development cost	₩	101,512,605	-	-	(32,751,085)	-	109,624,135	-	178,385,655
Other intangible assets		123,384,189	81,569,535	-	-	-	(109,624,135)	1,439,153	96,768,742
	₩	<u>224,896,794</u>	<u>81,569,535</u>	<u>-</u>	<u>(32,751,085)</u>	<u>-</u>	<u>-</u>	<u>1,439,153</u>	<u>275,154,397</u>
<b>Individually acquired intangible assets:</b>									
Patents		1,709,533	396,559	-	(436,389)	(16,165)	-	-	1,653,538
Other intangible assets		7,738,171	2,941,603	(763,636)	(2,798,396)	213,636	-	-	7,331,378
		9,447,704	3,338,162	(763,636)	(3,234,785)	197,471	-	-	8,984,916
	₩	<u>234,344,498</u>	<u>84,907,697</u>	<u>(763,636)</u>	<u>(35,985,870)</u>	<u>197,471</u>	<u>-</u>	<u>1,439,153</u>	<u>284,139,313</u>

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩ 2,041,516 thousand and ₩ 1,439,153 thousand for the nine-month periods ended September 30, 2018 and 2017, respectively.

SSANGYONG MOTOR COMPANY  
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September 30, 2018 and 2017

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the nine-month periods ended September 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		<b>2018</b>						
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Transfer</b>	<b>Others(*)</b>	<b>Ending balance</b>
<b>Internally created intangible assets:</b>								
Development cost	Rs	12,379,670	-	(3,257,491)	-	2,632,827	-	11,755,006
Other intangible assets		6,856,377	5,008,534	-	-	(2,632,827)	133,607	9,365,691
	Rs	19,236,047	5,008,534	(3,257,491)	-	-	133,607	21,120,697
<b>Individually acquired intangible assets:</b>								
Patents		104,253	18,877	(29,293)	(1,296)	-	-	92,541
Other intangible assets		507,129	130,066	(178,748)	-	-	-	458,447
		611,382	148,943	(208,041)	(1,296)	-	-	550,988
	Rs	19,847,429	5,157,477	(3,465,532)	(1,296)	-	133,607	21,671,685

(In thousands of rupee)

		<b>2017</b>							
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Transfer</b>	<b>Others(*)</b>	<b>Ending balance</b>
<b>Internally created intangible assets:</b>									
Development cost	Rs	6,643,495	-	-	(2,143,396)	-	7,174,354	-	11,674,453
Other intangible assets		8,074,881	5,338,320	-	-	-	(7,174,354)	94,185	6,333,032
	Rs	14,718,376	5,338,320	-	(2,143,396)	-	-	94,185	18,007,485
<b>Individually acquired intangible assets:</b>									
Patents		111,880	25,953	-	(28,559)	(1,058)	-	-	108,216
Other intangible assets		506,425	192,513	(49,976)	(183,141)	13,981	-	-	479,802
		618,305	218,466	(49,976)	(211,700)	12,923	-	-	588,018
	Rs	15,336,681	5,556,786	(49,976)	(2,355,096)	12,923	-	94,185	18,595,503

(\*) Capitalized borrowing costs in respect of other intangible assets is Rs 133,607 thousand and Rs 94,185 thousand for the nine-month periods ended September 30, 2018 and 2017, respectively.

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**12. Intangible Assets, Continued**

(3) Details of capitalized development costs as of September 30, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	<b>Project name</b>	<b>Korean won</b>	<b>Indian rupee</b>	<b>Amortization period</b>
Development cost	RV(*1)	₩ 152,920,614	Rs 10,007,894	2~5 years
	Power train and others	26,695,878	1,747,112	2~5 years
Other intangible assets	RV(*2)	128,324,049	8,398,171	-
	Power train and others	14,783,716	967,520	-
		₩ 322,724,257	Rs 21,120,697	

(\*1) Development projects for vehicles that have been completed, which are on sale as of September 30, 2018.

(\*2) On-going development project for vehicles as of September 30, 2018 for consumer needs and market conditions.

(4) Details of expenditures for research and developments for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

		<b>Korean won</b>			<b>Indian rupee</b>	
		<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>
Capitalization of intangible assets	₩	78,571,922	83,008,688	Rs	5,142,141	5,432,505
Manufacturing costs		47,267,809	40,871,949		3,093,443	2,674,866
Selling and administrative expenses		10,802,554	14,397,739		706,974	942,261
	₩	<u>136,642,285</u>	<u>138,278,376</u>	Rs	<u>8,942,558</u>	<u>9,049,632</u>



SSANGYONG MOTOR COMPANY  
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**13. Borrowings**

(1) Details of short-term borrowings as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2018	2017	2018	2017
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,963,351	1,963,351
Woori Bank	Operating fund(*)	-	-	12,500,000	-	818,063
Citibank Korea and others	Banker's usance	0.30 ~ 3.31	123,735,654	121,340,987	8,097,883	7,941,164
			₩ 153,735,654	163,840,987	Rs 10,061,234	10,722,578

(\*) Current portion of long-term borrowing

(2) Details of long-term borrowing as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2018	2017	2018	2017
Korea Development Bank	Facility fund	CD+1.57	₩ 70,000,000	70,000,000	Rs 4,581,152	4,581,152
Woori Bank	Operating fund	-	-	12,500,000	-	818,063
Less: Current portion			-	(12,500,000)	-	(818,063)
			₩ 70,000,000	70,000,000	Rs 4,581,152	4,581,152

(3) Details of pledged assets as collateral for borrowings as of September 30, 2018 are as follows:

(In thousands of won)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 100,000,000	195,000,000

(In thousands of rupee)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	Rs 6,544,503	12,761,780

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**14. Other Financial Liabilities**

Details of other financial liabilities as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Accrued expenses	₩ 37,788,805	37,164,320	Rs 2,473,089	2,432,220

**15. Provision of Warranty for sale**

The Company 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 nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ 146,239,557	145,848,984	Rs 9,570,652	9,545,091
Increase	16,811,224	30,843,442	1,100,211	2,018,550
Decrease	(28,557,131)	(31,574,994)	(1,868,922)	(2,066,426)
Ending balance	₩ 134,493,650	145,117,432	Rs 8,801,941	9,497,215
Current	₩ 49,048,859	50,233,477	Rs 3,210,004	3,287,532
Non-current	85,444,791	94,883,955	5,591,937	6,209,683

**16. Other Liabilities**

Details of other liabilities as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 3,659,226	-	3,943,130	-
Deposits received	532,366	-	531,789	-
Withholdings	20,474,566	-	30,670,693	-
Deferred income	4,088,633	10,158,148	-	-
	₩ 28,754,791	10,158,148	35,145,612	-

(In thousands of rupee)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	Rs 239,478	-	258,058	-
Deposits received	34,841	-	34,803	-
Withholdings	1,339,959	-	2,007,244	-
Deferred income	267,580	664,800	-	-
	Rs 1,881,858	664,800	2,300,105	-

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17. Employee Benefits

(1) Details of defined benefit liabilities as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Present value of defined benefit obligations	₩ 303,194,812	285,658,090	Rs 19,842,593	18,694,901
Fair value of plan assets	(1,027,943)	(1,094,967)	(67,274)	(71,660)
	₩ 302,166,869	284,563,123	Rs 19,775,319	18,623,241

(2) Changes in defined benefit liabilities for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(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	27,240,603	-	27,240,603
Interest expense (income)	6,669,262	(25,525)	6,643,737
Sub-total	₩ 319,567,955	(1,120,492)	318,447,463
Re-measurement factors:			
Re-measurements of plan assets	-	9,881	9,881
Sub-total	₩ -	9,881	9,881
Benefit paid by plan	(82,668)	82,668	-
Benefit paid directly	(16,290,475)	-	(16,290,475)
Ending balance	₩ 303,194,812	(1,027,943)	302,166,869

(In thousands of won)

Details	2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,792,667	(1,183,467)	279,609,200
Current service cost	28,161,806	-	28,161,806
Interest expense (income)	6,047,887	(25,462)	6,022,425
Sub-total	₩ 315,002,360	(1,208,929)	313,793,431
Re-measurement factors:			
Re-measurements of plan assets	-	8,648	8,648
Sub-total	₩ -	8,648	8,648
Benefit paid by plan	(98,600)	98,600	-
Benefit paid directly	(18,262,290)	-	(18,262,290)
Ending balance	₩ 296,641,470	(1,101,681)	295,539,789

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**17. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the nine-month periods ended September 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 18,694,902	(71,660)	18,623,242
Current service cost	1,782,762	-	1,782,762
Interest expense (income)	436,470	(1,671)	434,799
Sub-total	Rs 20,914,134	(73,331)	20,840,803
Re-measurement factors:			
Re-measurements of plan assets	-	647	647
Sub-total	Rs -	647	647
Benefit paid by plan	(5,410)	5,410	-
Benefit paid directly	(1,066,131)	-	(1,066,131)
Ending balance	Rs 19,842,593	(67,274)	19,775,319

(In thousands of rupee)

Details	2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 18,376,483	(77,452)	18,299,031
Current service cost	1,843,050	-	1,843,050
Interest expense (income)	395,805	(1,667)	394,138
Sub-total	Rs 20,615,338	(79,119)	20,536,219
Re-measurement factors:			
Re-measurements of plan assets	-	566	566
Sub-total	Rs -	566	566
Benefit paid by plan	(6,453)	6,453	-
Benefit paid directly	(1,195,176)	-	(1,195,176)
Ending balance	Rs 19,413,709	(72,100)	19,341,609

(3) The components of plan assets as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Insurance contracts	₩ 1,027,943	1,094,967	Rs 67,274	71,660

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**17. Employee Benefits, Continued**

(4) Actuarial assumptions used related to plans as of September 30, 2018 and December 31, 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate (%)	3.15	3.15
Rate of future salary growth (%)	3.94	3.94

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 Company'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 September 30, 2018 are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of September 30, 2018, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 232,000 million(Rs 15,183 million) and USD 260 million.
- (3) As of September 30, 2018, the Company has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of September 30, 2018, two claims as a plaintiff were filled with the claim amount of ₩ 2,211 million (Rs 145 million) and twelve claims as a defendant were filled with the claims of ₩ 3,319 million (Rs 217 million). The Company made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 6,360 million (Rs 416 million) as other payable for the foregoing lawsuits and claims.

**19. Capital Stock**

The Company's capital stock as of September 30, 2018 and December 31, 2017 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,949,396	137,949,396	137,949,396
Par value	5,000	5,000	327	327
Capital stock	₩ 689,746,980	689,746,980	Rs 45,140,509	45,140,509

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

Details of other capital surplus and retained earnings as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Paid-up capital in excess of par value	₩ 12,916,273	12,916,273	Rs 845,306	845,306
Gain on capital reduction	74,061,697	118,189,001	4,846,970	7,734,882
Debt to be swapped for equity	931,508	931,508	60,962	60,962
Gain on disposal of treasury stock	-	1,105,138	-	72,326
	₩ <u>87,909,478</u>	<u>133,141,920</u>	Rs <u>5,753,238</u>	<u>8,713,476</u>

**21. Other Equity**

(1) Details of the Company's other equity as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Gains on valuation of derivatives	₩ 1,005,020	-	Rs 65,774	-

(2) Changes in the Company's gains (losses) on valuation of derivatives for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ -	(2,574,700)	Rs -	(168,501)
Gains (Losses) on valuation of derivatives	1,005,020	(361,610)	65,774	(23,666)
Reclassified to net income	-	2,574,700	-	168,502
Ending balance	₩ <u>1,005,020</u>	<u>(361,610)</u>	Rs <u>65,774</u>	<u>(23,665)</u>

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**22. Accumulated deficit**

(1) Details of deficit as of September 30, 2018 and December 31, 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Deficit	₩ (59,871,665)	(45,232,442)	Rs (3,918,303)	(2,960,238)

(2) Changes in deficit for the nine-month periods ended September 30, 2018 and 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ (45,232,442)	4,965,820	Rs (2,960,238)	324,988
Loss for the period	(59,861,784)	(37,206,596)	(3,917,656)	(2,434,987)
Defined benefit plan re-measurement	(9,881)	(8,648)	(647)	(566)
Disposition of deficit	45,232,442	-	2,960,238	-
Ending balance	₩ (59,871,665)	(32,249,424)	Rs (3,918,303)	(2,110,565)

**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 September 30, 2018.

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**24. Nature of Expenses**

Details of nature of expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	₩ 2,372,337	(1,859,506)	₩ 20,132,199	(47,153,189)
Raw materials consumed and purchase of merchandise	614,909,038	1,805,731,207	590,398,364	1,778,575,000
Employee benefits	138,496,573	402,770,382	135,841,202	394,502,770
Depreciation	35,570,850	105,881,263	33,714,575	94,370,567
Amortization	17,612,539	52,953,341	14,413,992	35,985,870
Others	115,353,102	344,612,384	122,225,889	371,563,218
	₩ <u>924,314,439</u>	<u>2,710,089,071</u>	₩ <u>916,726,221</u>	<u>2,627,844,236</u>

(In thousands of Rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	Rs 155,258	(121,696)	Rs 1,317,552	(3,085,942)
Raw materials consumed and purchase of merchandise	40,242,738	118,176,126	38,638,636	116,398,887
Employee benefits	9,063,912	26,359,318	8,890,131	25,818,244
Depreciation	2,327,935	6,929,402	2,206,451	6,176,084
Amortization	1,152,653	3,465,532	943,324	2,355,096
Others	7,549,287	22,553,168	7,999,077	24,316,966
	Rs <u>60,491,783</u>	<u>177,361,850</u>	Rs <u>59,995,171</u>	<u>171,979,335</u>

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

**25. Derivatives**

The Company holds derivative contracts to minimize foreign exchange risk. As of September 30, 2018, effective portion of changes in fair value of cash flow hedge is ₩ 1,005,020 thousand (Rs 65,774 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 ₩ 133,072 thousand (Rs 8,709 thousand) recognized in current profit. And, changes in fair value of derivative not designated as hedging instrument for the nine-month periods ended September 30, 2018 are net amounting to ₩ 41,796 thousand (Rs 2,735 thousand) recognized in current loss.



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

(1) Details of selling expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	₩ 13,884,676	32,720,673	₩ 17,325,579	48,162,644
Commissions	58,971,628	168,306,737	59,320,644	173,530,438
Advertising	2,873,978	13,506,912	4,888,483	15,734,658
Export expenses	3,074,512	6,406,079	8,667,243	24,158,718
Others	5,326,580	17,291,377	9,179,746	29,196,214
	₩ <u>84,131,374</u>	<u>238,231,778</u>	₩ <u>99,381,695</u>	<u>290,782,672</u>

(In thousands of Rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	Rs 908,683	2,141,405	Rs 1,133,873	3,152,005
Commissions	3,859,400	11,014,839	3,882,241	11,356,704
Advertising	188,088	883,960	319,927	1,029,755
Export expenses	201,212	419,246	567,228	1,581,068
Others	348,597	1,131,635	600,769	1,910,747
	Rs <u>5,505,980</u>	<u>15,591,085</u>	Rs <u>6,504,038</u>	<u>19,030,279</u>

(2) Details of general and administrative expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	₩ 12,625,869	38,652,738	₩ 13,329,257	39,086,431
Retirement benefit costs	1,483,146	4,426,315	1,434,878	4,294,370
Employee welfare	3,862,514	9,681,915	3,466,991	9,199,189
Rent expense	3,047,023	9,032,106	2,901,852	8,603,245
Service fees	8,963,427	27,182,638	8,607,484	25,861,192
Depreciation	3,868,150	11,602,343	3,822,234	9,951,541
R&D expenses	2,644,863	10,802,554	4,706,800	14,397,739
Amortization	1,025,150	3,097,582	1,060,872	3,234,785
(Reversal of) Bad debt expense	(32,816)	(30,960)	15,428	(50,903)
Others	8,113,617	24,992,002	8,685,138	25,589,682
	₩ <u>45,600,943</u>	<u>139,439,233</u>	₩ <u>48,030,934</u>	<u>140,167,271</u>

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

(2) Details of general and administrative expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	Rs 826,300	2,529,629	Rs 872,334	2,558,013
Retirement benefit costs	97,065	289,680	93,906	281,045
Employee welfare	252,782	633,633	226,897	602,041
Rent expense	199,413	591,106	189,912	563,040
Service fees	586,612	1,778,968	563,317	1,692,486
Depreciation	253,151	759,316	250,146	651,279
R&D expenses	173,093	706,973	308,037	942,260
Amortization	67,091	202,721	69,429	211,701
(Reversal of) Bad debt expense	(2,148)	(2,026)	1,010	(3,331)
Others	530,996	1,635,604	568,397	1,674,717
	Rs <u>2,984,355</u>	<u>9,125,604</u>	Rs <u>3,143,385</u>	<u>9,173,251</u>

**27. Other Income and Expenses**

(1) Details of other income for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	₩ 1,152,511	4,014,152	₩ 2,272,174	8,954,492
Foreign exchange translation gain	73,356	487,024	221,829	1,155,502
Gain on disposal of property, plant and equipment	5,255	135,100	49,872	95,255
Others	1,208,432	3,432,195	3,673,180	13,441,940
	₩ <u>2,439,554</u>	<u>8,068,471</u>	₩ <u>6,217,055</u>	<u>23,647,189</u>

(In thousands of rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	Rs 75,426	262,706	Rs 148,702	586,027
Foreign exchange translation gain	4,801	31,873	14,518	75,622
Gain on disposal of property, plant and equipment	344	8,842	3,264	6,234
Others	79,086	224,620	240,391	879,708
	Rs <u>159,657</u>	<u>528,041</u>	Rs <u>406,875</u>	<u>1,547,591</u>

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

(2) Details of other expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

*(In thousands of won)*

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	₩ 1,171,349	4,209,685	₩ 1,086,490	7,179,130
Foreign exchange translation loss	(396,727)	224,707	(31,058)	521,406
Loss on disposal of property, plant and equipment	17,533	153,095	60,298	94,413
Loss on disposal of trade receivables	16,052	53,695	3,177,028	10,485,809
Others	184,850	1,162,454	371,141	1,601,134
	₩ 993,057	5,803,636	₩ 4,663,899	19,881,892

*(In thousands of rupee)*

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	Rs 76,659	275,503	Rs 71,105	469,838
Foreign exchange translation loss	(25,964)	14,706	(2,033)	34,123
Loss on disposal of property, plant and equipment	1,147	10,019	3,946	6,179
Loss on disposal of trade receivables	1,051	3,514	207,921	686,244
Others	12,098	76,077	24,290	104,788
	Rs 64,991	379,819	Rs 305,229	1,301,172

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**28. Finance Income and Costs**

(1) Details of finance income for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	₩ 706,378	1,719,578	₩ 791,340	2,161,041
Dividend income	-	11,000	-	6,000
Foreign exchange transaction gain	547,370	3,293,872	1,037,408	5,686,187
Foreign exchange translation gain	1,183,449	1,590,109	41,102	320,217
Realized gain of financial derivatives	660,510	3,153,257	1,232,730	8,489,978
Unrealized gain of financial derivatives	(878,243)	133,072	(92,140)	75,021
	₩ 2,219,464	9,900,888	₩ 3,010,440	16,738,444

(In thousands of rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	Rs 46,229	112,538	Rs 51,789	141,429
Dividend income	-	720	-	393
Foreign exchange transaction gain	35,823	215,568	67,893	372,133
Foreign exchange translation gain	77,451	104,065	2,690	20,957
Realized gain of financial derivatives	43,227	206,364	80,676	555,626
Unrealized gain of financial derivatives	(57,477)	8,709	(6,030)	4,910
	Rs 145,253	647,964	Rs 197,018	1,095,448

(2) Details of finance costs for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	₩ 167,115	664,422	₩ 229,487	705,637
Foreign exchange transaction loss	1,875,102	7,845,688	3,216,099	5,982,068
Foreign exchange translation loss	(2,156,764)	488,410	(10,743)	3,260,941
Realized loss of financial derivatives	398,500	1,424,288	2,855,548	5,017,212
Unrealized loss of financial derivatives	4,545	41,796	(1,133,233)	2,994,224
	₩ 288,498	10,464,604	₩ 5,157,158	17,960,082

(In thousands of rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	Rs 10,937	43,483	Rs 15,019	46,180
Foreign exchange transaction loss	122,716	513,461	210,478	391,497
Foreign exchange translation loss	(141,149)	31,964	(703)	213,412
Realized loss of financial derivatives	26,080	93,213	186,880	328,352
Unrealized loss of financial derivatives	297	2,735	(74,164)	195,957
	Rs 18,881	684,856	Rs 337,510	1,175,398

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**28. Finance Income and Costs, Continued**

(3) Details of the Company's financial net profit or loss for the three-month and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Amortised cost of financial assets and financial liabilities	₩ 2,551,744	(2,394,961)	₩ (1,564,993)	(1,781,201)
Non-current financial assets	-	11,000	-	6,000
Derivatives	(620,778)	1,820,245	(581,725)	553,563
	₩ 1,930,966	(563,716)	₩ (2,146,718)	(1,221,638)

(In thousands of rupee)

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Amortised cost of financial assets and financial liabilities	Rs 166,999	(156,737)	Rs (102,422)	(116,570)
Non-current financial assets	-	720	-	393
Derivatives	(40,627)	119,125	(38,070)	36,227
	Rs 126,372	(36,892)	Rs (140,492)	(79,950)

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**29. Losses per Share**

(1) Basic losses per share for the three-month and nine-month periods ended September 30, 2018 and 2017 are calculated as follows:

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

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loss for the period	₩ (19,068,119)	(59,861,784)	₩ (17,912,564)	(37,206,596)
Loss contributed to common stocks	(19,068,119)	(59,861,784)	(17,912,564)	(37,206,596)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,751,710
Basic losses per share(*)	₩ (138)	(434)	₩ (130)	(270)

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

	2018		2017	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loss for the period	Rs (1,247,914)	(3,917,656)	Rs (1,172,288)	(2,434,987)
Loss contributed to common stocks	(1,247,914)	(3,917,656)	(1,172,288)	(2,434,987)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,751,710
Basic losses per share(*)	Rs (9)	(28)	Rs (9)	(18)

(\*) Diluted losses per share are not calculated ended September 30, 2018 and 2017, because there are no dilutive shares as of September 30, 2018 and 2017.

(2) Weighted average number of common shares outstanding ended September 30, 2018 and 2017 are calculated as follows:

	Outstanding period	2018		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2018-01-01 ~ 2018-09-30	137,949,396	273/273	137,949,396
	Outstanding period	2017		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2017-01-01 ~ 2017-03-15	137,220,096	74/273	37,195,191
Issuing	2017-03-16 ~ 2017-09-30	137,949,396	199/273	100,556,519
				<u>137,751,710</u>

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**30. Cash Flows**

(1) Details of cash flows from operating activities for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
<b>Loss for the period</b>	₩ (59,861,784)	(37,206,596)	Rs (3,917,656)	(2,434,987)
<b>Adjustments for:</b>				
Retirement benefit costs	33,884,340	34,184,231	2,217,561	2,237,188
Depreciation	105,881,263	94,370,567	6,929,402	6,176,084
Amortization	52,953,341	35,985,870	3,465,532	2,355,096
Losses on disposal of trade receivables	53,695	10,485,809	3,514	686,244
Foreign exchange translation gain and loss, net	(1,364,016)	2,306,628	(89,268)	150,956
Losses (Gains) on disposal of property, plant and equipment	17,995	(842)	1,177	(55)
Interest expense and income, net	(1,055,156)	(1,455,404)	(69,055)	(95,249)
Dividends income	(11,000)	(6,000)	(720)	(393)
Unrealized gain and loss of financial derivatives, net	(91,276)	2,919,203	(5,974)	191,047
Losses on valuation of inventories	4,503,970	289,087	294,762	18,919
Increase in provision of warranty for sale	16,811,224	30,843,442	1,100,211	2,018,550
Others	132,258	(242,106)	8,659	(15,842)
	<u>211,716,638</u>	<u>209,680,485</u>	<u>13,855,801</u>	<u>13,722,545</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	27,366,827	24,100,547	1,791,023	1,577,261
Other receivables	366,706	554,561	23,999	36,293
Inventories	12,479,890	(60,267,817)	816,747	(3,944,229)
Trade payables	23,986,123	(43,496,723)	1,569,772	(2,846,644)
Other payables	(10,025,247)	(6,394,367)	(656,103)	(418,480)
Accrued expenses	573,278	2,795,040	37,518	182,921
Usage of provision of warranty for sale	(28,557,131)	(31,574,994)	(1,868,922)	(2,066,426)
Payment of retirement benefits	(16,290,475)	(18,262,290)	(1,066,131)	(1,195,176)
Others	(7,476,071)	(9,764,018)	(489,271)	(639,006)
	<u>2,423,900</u>	<u>(142,310,061)</u>	<u>158,632</u>	<u>(9,313,486)</u>
<b>Net cash provided by operating activities</b>	₩ <u>154,278,754</u>	<u>30,163,828</u>	Rs <u>10,096,777</u>	<u>1,974,072</u>

(2) Significant non-cash activities for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Changes in other payables related to the acquisition of property, plant and equipment	₩ (15,973,911)	(5,160,188)	Rs (1,045,413)	(337,709)

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**30. Cash Flows, Continued**

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the nine-month periods ended September 30, 2018 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(*)	₩ 121,340,987	3,496,367	-	-	(1,101,700)	123,735,654
Short-term borrowings	42,500,000	-	(12,500,000)	-	-	30,000,000
Long-term borrowings	70,000,000	-	-	-	-	70,000,000
	₩ 233,840,987	3,496,367	(12,500,000)	-	(1,101,700)	223,735,654

(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 7,941,164	228,820	-	-	(72,101)	8,097,883
Short-term borrowings	2,781,414	-	(818,063)	-	-	1,963,351
Long-term borrowings	4,581,152	-	-	-	-	4,581,152
	Rs 15,303,730	228,820	(818,063)	-	(72,101)	14,642,386

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

**31. Segment Information**

(1) The Company 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 Company 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 Company for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

<b>Sales region</b>	<b>Korean won</b>		<b>Indian rupee</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Republic of Korea	₩ 2,157,818,489	2,038,772,111	Rs 141,218,488	133,427,494
Europe	202,546,657	266,747,824	13,255,671	17,457,318
Asia Pacific	79,193,527	128,017,601	5,182,822	8,378,115
Others	208,967,495	154,556,445	13,675,883	10,114,952
	₩ 2,648,526,168	2,588,093,981	Rs 173,332,864	169,377,879

Non-current assets are not separately disclosed since those are 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.



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**31. Segment Information, Continued**

(3) Information of sales of goods and service for the nine-month ended September 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Automobile	₩ 2,327,405,699	2,315,400,041	Rs 152,317,127	151,531,416
Merchandise and parts	249,108,647	243,392,480	16,302,922	15,928,827
Others	72,011,822	29,301,460	4,712,815	1,917,636
	₩ 2,648,526,168	2,588,093,981	Rs 173,332,864	169,377,879

(4) Balance of Contracts as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Receivables from contracts with customers	₩ 172,541,192	197,176,300	Rs 11,291,963	12,904,208
Contract assets	1,118,000	3,958,500	73,168	259,064
Contract liabilities	14,246,781	1,776,567	932,381	116,267

The contract assets are related to technical service contracts which are executed over periods. The contract liabilities related to service warranties and transportation contracts that are executed over periods, that are recognized in deferred income and advances from customers.

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

(1) Details of related parties as of September 30, 2018 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V. Ssangyong Australia Pty 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.

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

(2) Transactions with related parties for the nine-month periods ended September 30, 2018 and 2017 are as follows:

(In thousands of won)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2018</b>	<b>2017</b>
Parent	Mahindra & Mahindra Ltd.	Sales	₩	4,808,743	6,859,288
		Other income		-	59,733
		Purchases		103,581	745,879
		Other expenses		891,819	527,752
Subsidiaries	Ssangyong European Parts Center B.V.	Sales		9,023,562	8,901,193
		Other expenses		-	9,951
Joint venture	Ssangyong Australia Pty Ltd. SY Auto Capital Co., Ltd.	Sales		2,206,848	-
		Other expenses		14,277,026	10,374,941
Others	Mahindra Vehicle Manufacturing Ltd.	Sales		15,541,474	596,032
		Other expenses		2,516,203	-
	Mahindra Electric Mobility Ltd.	Sales		42,805	52,504
		Other income		-	5,179
	Mahindra & Mahindra South Africa Ltd.	Other expenses		-	15,828
		PININFARINA S.p.A.	Other expenses		525,391

(In thousands of rupee)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2018</b>	<b>2017</b>
Parent	Mahindra & Mahindra Ltd.	Sales	Rs	314,708	448,906
		Other income		-	3,909
		Purchases		6,779	48,814
		Other expenses		58,365	34,539
Subsidiaries	Ssangyong European Parts Center B.V.	Sales		590,547	582,539
		Other expenses		-	651
Joint venture	Ssangyong Australia Pty Ltd. SY Auto Capital Co., Ltd.	Sales		144,427	-
		Other expenses		934,360	678,988
Others	Mahindra Vehicle Manufacturing Ltd.	Sales		1,017,112	39,007
		Other expenses		164,673	-
	Mahindra Electric Mobility Ltd.	Sales		2,801	3,436
		Other income		-	339
	Mahindra & Mahindra South Africa Ltd.	Other expenses		-	1,036
		PININFARINA S.p.A.	Other expenses		34,384

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

(3) Account balances with related parties as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	2,803,624	4,120,559
		Other receivables	36,972	77,342
		Other payables	2,276,974	2,308,472
Subsidiaries	Ssangyong European Parts Center B.V.	Trade receivables	12,559,599	15,239,822
		Other payables	-	1,613
	Ssangyong Australia Pty Ltd.	Trade receivables	2,258,340	-
		Other receivables	36,392	-
	Ssangyong Motor (Shanghai) Co., Ltd.	Other payables	67,639	-
		Other receivables	403,401	408,064
Joint venture	SY Auto Capital Co., Ltd.	Other payables	39,879	19,397
Others	Mahindra Vehicle Manufacturing Ltd.	Other payables	168,302	450,795
		Trade receivables	4,830,916	37,279
	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	2,625,000	-
		Other payables	32,739	-
		Other payables	35,889	18,250

(In thousands of rupee)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	183,483	269,670
		Other receivables	2,420	5,062
		Other payables	149,017	151,078
Subsidiaries	Ssangyong European Parts Center B.V.	Trade receivables	821,963	997,371
		Other payables	-	106
	Ssangyong Australia Pty Ltd.	Trade receivables	147,797	-
		Other receivables	2,382	-
	Ssangyong Motor (Shanghai) Co., Ltd.	Other payables	4,427	-
		Other receivables	26,401	26,706
Joint venture	SY Auto Capital Co., Ltd.	Other payables	2,610	1,269
Others	Mahindra Vehicle Manufacturing Ltd.	Other payables	11,015	29,502
		Trade receivables	316,159	2,440
	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	171,793	-
		Other payables	2,143	-
		Other payables	2,349	1,194

Allowance for receivables from related parties are not recognized as of September 30, 2018 and December 31, 2017.

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

(4) Financing transactions with related parties for the nine-month periods ended September 30, 2018 and 2017 are as follows:

*(In thousands of won)*

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2018</b>	<b>2017</b>
Subsidiary	Ssangyong Australia Pty Ltd.	Capital investment	₩	812,300	-

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

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2018</b>	<b>2017</b>
Subsidiary	Ssangyong Australia Pty Ltd.	Capital investment	Rs	53,161	-

(5) Executive compensation of the Company for the nine-month periods ended September 30, 2018 and 2017, are as follows:

*(In thousands of rupee)*

		<b>Korean won</b>			<b>Indian rupee</b>	
		<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>
Short-term employee benefits	₩	5,318,064	5,659,499	Rs	348,041	370,386
Retirement benefits		394,381	405,986		25,810	26,570

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**33. Financial Instruments**

(1) Capital risk management

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

Debt-to-equity ratio as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Debt (A)	₩	1,469,424,190	1,472,319,178	Rs 96,166,505	96,355,967
Equity (B)		718,789,813	777,656,458	47,041,218	50,893,747
Debt-to-equity ratio (A/B)		204.43%	189.33%	204.43%	189.33%

(2) Details of financial assets and liabilities by category as of September 30, 2018 and December 31, 2017 are as follows:

1) Financial assets

(In thousands of won)

		2018				
		Amortized cost	Financial assets at FVTPL	Derivatives designated to hedge cash flow	Total	Fair value
Cash and cash equivalents	₩	165,471,172	-	-	165,471,172	165,471,172
Long-term financial instruments		4,000	-	-	4,000	4,000
Trade and other receivables		222,676,964	-	-	222,676,964	222,676,964
Non-current financial assets		-	560,000	-	560,000	560,000
Derivative assets		-	57,095	1,042,619	1,099,714	1,099,714
	₩	<u>388,152,136</u>	<u>617,095</u>	<u>1,042,619</u>	<u>389,811,850</u>	<u>389,811,850</u>

(In thousands of won)

		2017			
		Amortized cost	Financial assets at FVTPL	Total	Fair value
Cash and cash equivalents	₩	212,521,514	-	212,521,514	212,521,514
Long-term financial instruments		4,000	-	4,000	4,000
Trade and other receivables		249,625,174	-	249,625,174	249,625,174
Non-current financial assets		-	560,000	560,000	560,000
	₩	<u>462,150,688</u>	<u>560,000</u>	<u>462,710,688</u>	<u>462,710,688</u>

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**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of September 30, 2018 and December 31, 2017 are as follows, continued:

1) Financial assets, continued

(In thousands of rupee)

		<b>2018</b>				
		<b>Amortized cost</b>	<b>Financial assets at FVTPL</b>	<b>Derivatives designated to hedge cash flow</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	10,829,265	-	-	10,829,265	10,829,265
Long-term financial instruments		262	-	-	262	262
Trade and other receivables		14,573,100	-	-	14,573,100	14,573,100
Non-current financial assets		-	36,649	-	36,649	36,649
Derivative assets		-	3,737	68,234	71,971	71,971
	Rs	<u>25,402,627</u>	<u>40,386</u>	<u>68,234</u>	<u>25,511,247</u>	<u>25,511,247</u>

(In thousands of rupee)

		<b>2017</b>			
		<b>Amortized cost</b>	<b>Financial assets at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	13,908,476	-	13,908,476	13,908,476
Long-term financial instruments		262	-	262	262
Trade and other receivables		16,336,726	-	16,336,726	16,336,726
Non-current financial assets		-	36,649	36,649	36,649
	Rs	<u>30,245,464</u>	<u>36,649</u>	<u>30,282,113</u>	<u>30,282,113</u>

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**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of September 30, 2018 and December 31, 2017 are as follows, continued:

2) Financial liabilities

(In thousands of won)

		<b>2018</b>			
		<b>Derivatives designated to</b>			
		<b>Amortized cost</b>	<b>hedge cash flow</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	716,728,708	-	716,728,708	716,728,708
Borrowings		223,735,654	-	223,735,654	223,735,654
Derivative liabilities		-	3,417	3,417	3,417
	₩	<u>940,464,362</u>	<u>3,417</u>	<u>940,467,779</u>	<u>940,467,779</u>

(In thousands of won)

		<b>2017</b>			
		<b>Amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	717,494,834	-	717,494,834	717,494,834
Borrowings		233,840,987	-	233,840,987	233,840,987
Derivative liabilities		-	409,259	409,259	409,259
	₩	<u>951,335,821</u>	<u>409,259</u>	<u>951,745,080</u>	<u>951,745,080</u>

(In thousands of rupee)

		<b>2018</b>			
		<b>Derivatives designated to</b>			
		<b>Amortized cost</b>	<b>hedge cash flow</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	46,906,328	-	46,906,328	46,906,328
Borrowings		14,642,386	-	14,642,386	14,642,386
Derivative liabilities		-	224	224	224
	Rs	<u>61,548,714</u>	<u>224</u>	<u>61,548,938</u>	<u>61,548,938</u>

(In thousands of rupee)

		<b>2017</b>			
		<b>Amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	46,956,468	-	46,956,468	46,956,468
Borrowings		15,303,730	-	15,303,730	15,303,730
Derivative liabilities		-	26,784	26,784	26,784
	Rs	<u>62,260,198</u>	<u>26,784</u>	<u>62,286,982</u>	<u>62,286,982</u>

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**33. Financial Instruments, Continued**

(3) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring and responds to each risk 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 Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company assesses, manages and reports, on a regular basis, the foreign exchange risk for its receivables and payables denominated in foreign currency.

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of September 30, 2018.

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

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,676,994	(2,676,994)	Rs 175,196	(175,196)
EUR	(2,136,863)	2,136,863	(139,847)	139,847
JPY	(7,839,449)	7,839,449	(513,053)	513,053
Others	1,520,226	(1,520,226)	99,491	(99,491)
	₩ (5,779,092)	5,779,092	Rs (378,213)	378,213

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 Company's current income will decrease or increase in ₩ 373,973 thousand (Rs 24,475 thousand) for the nine-month periods ended September 30, 2018, 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 Company regularly assesses credit ratings of its customers and transacting parties based on their financial status and past experiences, and establishes credit limit for each customer or transacting party.

If a credit risk occurs with respect to a dealership sale, which is a major type of the Company's sales, the respective dealership bears all of the risk; the Company manages credit risk on product sales using two management 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 Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days.

The Company 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 Company 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 Company estimates an allowance based on the historical loss rates.

Maximum exposure in respect of credit risk as of September 30, 2018 and December 31, 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Trade and other receivables	₩ 222,676,964	249,625,174	Rs 14,573,100	16,336,726

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	<b>2018</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 550,177,364	-	550,177,364
Other payables	163,514,001	-	163,514,001
Short-term borrowings(*)	153,977,989	-	153,977,989
Derivatives liabilities	3,417	-	3,417
Other payables	978,319	-	978,319
Long-term borrowings(*)	-	74,001,660	74,001,660
Long-term other payables	-	2,059,024	2,059,024
	<u>₩ 868,651,090</u>	<u>76,060,684</u>	<u>944,711,774</u>

(In thousands of won)

	<b>2017</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 526,467,392	-	526,467,392
Other payables	186,726,912	-	186,726,912
Short-term borrowings(*)	165,030,362	-	165,030,362
Derivatives liabilities	409,259	-	409,259
Other payables	926,535	-	926,535
Long-term borrowings(*)	-	75,719,767	75,719,767
Long-term other payables	-	3,374,008	3,374,008
	<u>₩ 879,560,460</u>	<u>79,093,775</u>	<u>958,654,235</u>

(\*) Including expected interest expenses.

(In thousands of rupee)

	<b>2018</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	Rs 36,006,372	-	36,006,372
Other payables	10,701,178	-	10,701,178
Short-term borrowings(*)	10,077,094	-	10,077,094
Derivatives liabilities	224	-	224
Other payables	64,025	-	64,025
Long-term borrowings(*)	-	4,843,041	4,843,041
Long-term other payables	-	134,753	134,753
	<u>Rs 56,848,893</u>	<u>4,977,794</u>	<u>61,826,687</u>

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2017		
		Within a year	Over 1 year	Total
Trade payables	Rs	34,454,672	-	34,454,672
Other payables		12,220,348	-	12,220,348
Short-term borrowings(*)		10,800,416	-	10,800,416
Derivatives liabilities		26,784	-	26,784
Other payables		60,637	-	60,637
Long-term borrowings(*)		-	4,955,482	4,955,482
Long-term other payables		-	220,812	220,812
	Rs	<u>57,562,857</u>	<u>5,176,294</u>	<u>62,739,151</u>

(\*) Including expected interest expenses.

Details of commitments for borrowings as of September 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Limitation of commitments for borrowings	Used	₩ 100,000,000	112,500,000	Rs 6,544,503	7,362,565
	Unused	<u>132,000,000</u>	<u>155,000,000</u>	<u>8,638,743</u>	<u>10,143,980</u>
		<u>₩ 232,000,000</u>	<u>267,500,000</u>	<u>Rs 15,183,246</u>	<u>17,506,545</u>

(4) Fair value of financial instruments

1) The Company's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost on financial statements is not significant.

2) Valuation methods and assumptions applied in fair value measurement

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

The fair values of derivatives where no active market exists or where quoted prices are not otherwise available are determined 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 amortized costs. The company deem that its book value are similar to its fair values calculated by generally accepted valuation models based on discounts cash flow analysis.

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**33. Financial Instruments, Continued**

(4) Fair value of financial instruments, continued

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

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

Fair values of financial instruments by hierarchy level as of September 30, 2018 and December 31, 2017 are as follows:

*(In thousands of won)*

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of September 30, 2018</b>					
Derivatives assets	₩	-	1,099,714	-	1,099,714
Derivatives liabilities		-	3,417	-	3,417
<b>As of December 31, 2017</b>					
Derivatives liabilities	₩	-	409,259	-	409,259

*(In thousands of rupee)*

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of September 30, 2018</b>					
Derivatives assets	Rs	-	71,971	-	71,971
Derivatives liabilities		-	224	-	224
<b>As of December 31, 2017</b>					
Derivatives liabilities	Rs	-	26,784	-	26,784

4) The Company measures the foreign exchange forward contract derivative assets: ₩ 1,099,714 thousand (Rs 71,971 thousand) derivative liabilities: ₩ 3,417 thousand (Rs 224 thousand) based on the forward rate announced officially in the market as of September 30, 2018. In the event that no corresponding forward rate with residual year of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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

**34. Subsequent events**

Issuing registered ordinary shares less than par value was resolved at the shareholder's meeting on October 25, 2018.