

SSANGYONG MOTOR COMPANY

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2017 and 2016

(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 condensed separate interim financial statements of Ssangyong Motor Company, which comprise the condensed separate statement of financial position as of June 30, 2017, the condensed separate statements of comprehensive income for the three-month and six-month periods ended June 30, 2017, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2017 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed 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 condensed 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 condensed 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 condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2016, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2016 were reviewed by other auditors, whose report thereon dated August 12, 2016, expressed that nothing came to their attention that caused them to believe that the condensed separate interim financial information as of June 30, 2016 was not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

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

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
August 11, 2017

This report is effective as of August 11, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the condensed 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.

SSANGYONG MOTOR COMPANY
Condensed Separate Statements of Financial Position
(Unaudited)

As of June 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

| | Note | Korean won | | Indian rupee | |
|-------------------------------------|---------|------------------------|----------------------|-----------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | |
| Cash and cash equivalents | 4,5,33 | ₩ 180,883,176 | 234,657,416 | Rs 10,265,788 | 13,317,674 |
| Trade and other receivables, net | 7,32,33 | 178,350,704 | 236,732,144 | 10,122,060 | 13,435,422 |
| Derivative assets | 25,33 | 813,561 | 756,035 | 46,173 | 42,908 |
| Inventories, net | 8,24 | 264,837,818 | 200,132,723 | 15,030,523 | 11,358,270 |
| Other current assets | 10 | 9,349,394 | 7,294,543 | 530,612 | 413,993 |
| Total current assets | | <u>634,234,653</u> | <u>679,572,861</u> | <u>35,995,156</u> | <u>38,568,267</u> |
| Non-current financial instruments | 5,33 | 4,000 | 6,000 | 227 | 341 |
| Non-current other receivables, net | 7,33 | 38,465,497 | 41,036,985 | 2,183,060 | 2,328,999 |
| Available-for-sale financial assets | 6,33 | 560,000 | 560,000 | 31,782 | 31,782 |
| Property, plant and equipment, net | 11,13 | 1,215,178,550 | 1,198,961,457 | 68,965,865 | 68,045,486 |
| Intangible assets, net | 11,12 | 269,750,558 | 234,344,498 | 15,309,339 | 13,299,915 |
| Investments in subsidiaries | 9 | 5,829,056 | 5,829,056 | 330,820 | 330,820 |
| Investments in joint venture | 9 | 10,200,000 | 10,200,000 | 578,888 | 578,888 |
| Other non-current assets | 10 | 273,317 | 273,319 | 15,512 | 15,512 |
| Total non-current assets | | <u>1,540,260,978</u> | <u>1,491,211,315</u> | <u>87,415,493</u> | <u>84,631,743</u> |
| Total assets | | ₩ <u>2,174,495,631</u> | <u>2,170,784,176</u> | Rs <u>123,410,649</u> | <u>123,200,010</u> |

See accompanying notes to the condensed separate interim financial statements.

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

As of June 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

| | Note | Korean won | | Indian rupee | |
|---|-----------------|------------------------|----------------------|-----------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Liabilities | | | | | |
| Trade and other payables | 14,18, 32,33 | ₩ 674,936,368 | 669,397,408 | Rs 38,305,129 | 37,990,772 |
| Short-term borrowings | 13,18,33 | 187,051,641 | 181,967,721 | 10,615,871 | 10,327,339 |
| Derivative liabilities | 25,33 | 3,995,122 | 5,798,806 | 226,738 | 329,104 |
| Provision of warranty for sale - current | 15 | 51,938,914 | 53,153,294 | 2,947,725 | 3,016,646 |
| Other long-term employee benefits liabilities- current | | 427,039 | 1,330,939 | 24,236 | 75,536 |
| Other current liabilities | 16 | 37,802,580 | 33,296,425 | 2,145,436 | 1,889,695 |
| Total current liabilities | | <u>956,151,664</u> | <u>944,944,593</u> | <u>54,265,135</u> | <u>53,629,092</u> |
| Long-term borrowings | 13,18,33 | 7,500,000 | 12,500,000 | 425,653 | 709,421 |
| Non-current other payables | 33 | 3,348,317 | 5,507,071 | 190,029 | 312,547 |
| Defined benefit liabilities | 17 | 289,159,855 | 279,609,200 | 16,410,888 | 15,868,854 |
| Other long-term employee benefits liabilities | | 16,012,137 | 15,357,662 | 908,748 | 871,603 |
| Non-current provision of warranty for sale | 15 | 93,168,066 | 92,695,690 | 5,287,631 | 5,260,822 |
| Total non-current liabilities | | <u>409,188,375</u> | <u>405,669,623</u> | <u>23,222,949</u> | <u>23,023,247</u> |
| Total liabilities | | <u>1,365,340,039</u> | <u>1,350,614,216</u> | <u>77,488,084</u> | <u>76,652,339</u> |
| Equity | | | | | |
| Capital stock | 19 | 689,746,980 | 686,100,480 | 39,145,686 | 38,938,733 |
| Other capital surplus | 20 | 133,141,919 | 131,678,359 | 7,556,295 | 7,473,233 |
| Other equity | 21,25 | 600,620 | (2,574,700) | 34,087 | (146,124) |
| Retained earnings (Accumulated deficit) | 22 | (14,333,927) | 4,965,821 | (813,503) | 281,829 |
| Total equity | | <u>809,155,592</u> | <u>820,169,960</u> | <u>45,922,565</u> | <u>46,547,671</u> |
| Total liabilities and equity | | ₩ <u>2,174,495,631</u> | <u>2,170,784,176</u> | Rs <u>123,410,649</u> | <u>123,200,010</u> |

See accompanying notes to the condensed separate interim financial statements.

SSANGYONG MOTOR COMPANY
Condensed Separate Statements of Comprehensive Income
(Unaudited)

For the three-month and six-month periods ended June 30, 2017 and 2016

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

| | Note | 2017 | | 2016 | |
|--|-------|-----------------------|---------------------|---------------------|--------------------|
| | | Three-month period | Six-month period | Three-month period | Six-month period |
| Sales | 31,32 | ₩ 901,512,957 | 1,688,686,762 | ₩ 962,553,933 | 1,774,532,596 |
| Cost of sales | 24,32 | 755,022,367 | 1,427,580,701 | 796,114,429 | 1,468,543,584 |
| Gross profit | | <u>146,490,590</u> | <u>261,106,061</u> | <u>166,439,504</u> | <u>305,989,012</u> |
| Selling, general and administrative expenses | 24,26 | 152,913,223 | 283,537,315 | 147,285,804 | 278,221,496 |
| Operating income (loss) | | <u>(6,422,633)</u> | <u>(22,431,254)</u> | <u>19,153,700</u> | <u>27,767,516</u> |
| Other income | 27,32 | 9,372,344 | 17,430,134 | 7,199,453 | 14,275,308 |
| Other expenses | 27,32 | 5,422,113 | 15,217,993 | 10,814,865 | 20,044,700 |
| Finance income | 25,28 | 3,965,385 | 13,728,004 | 6,931,433 | 10,607,002 |
| Finance costs | 25,28 | 5,942,660 | 12,802,923 | 6,097,117 | 14,166,786 |
| Profit (Loss) before income taxes | | <u>(4,449,677)</u> | <u>(19,294,032)</u> | <u>16,372,604</u> | <u>18,438,340</u> |
| Income tax expenses | 23 | - | - | - | - |
| Profit (Loss) for the period | | <u>(4,449,677)</u> | <u>(19,294,032)</u> | <u>16,372,604</u> | <u>18,438,340</u> |
| Other comprehensive income (loss) for the period | 21,22 | | | | |
| Items that will never be reclassified to profit or loss: | | | | | |
| Defined benefit plan re-measurements | | (2,904) | (5,716) | (3,561) | (6,847) |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Effective portion of changes in fair value of cash flow hedge | | (6,681,870) | 3,175,320 | (826,049) | 1,377,029 |
| Total comprehensive income(loss) for the period | | <u>₩ (11,134,451)</u> | <u>(16,124,428)</u> | <u>₩ 15,542,994</u> | <u>19,808,522</u> |
| Earnings (Losses) Per share | | | | | |
| Basic and diluted earnings (losses) per share | 29 | ₩ (32) | (140) | ₩ 119 | 134 |

See accompanying notes to the condensed separate interim financial statements.

SSANGYONG MOTOR COMPANY
Condensed Separate Statements of Comprehensive Income, Continued
(Unaudited)

For the three-month and six-month periods ended June 30, 2017 and 2016

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

| | <i>Note</i> | 2017 | | 2016 | |
|--|-------------|----------------------------|-------------------------|--------------------------|-------------------------|
| | | Three-month period | Six-month period | Three-month period | Six-month period |
| Sales | 31,32 | Rs 51,164,186 | 95,839,203 | Rs 54,628,487 | 100,711,271 |
| Cost of sales | 24,32 | 42,850,305 | 81,020,471 | 45,182,431 | 83,345,266 |
| Gross profit | | <u>8,313,881</u> | <u>14,818,732</u> | <u>9,446,056</u> | <u>17,366,005</u> |
| Selling, general and administrative expenses | 24,26 | 8,678,389 | 16,091,788 | 8,359,013 | 15,790,096 |
| Operating income (loss) | | <u>(364,508)</u> | <u>(1,273,056)</u> | <u>1,087,043</u> | <u>1,575,909</u> |
| Other income | 27,32 | 531,915 | 989,224 | 408,596 | 810,176 |
| Other expenses | 27,32 | 307,725 | 863,677 | 613,783 | 1,137,611 |
| Finance income | 25,28 | 225,050 | 779,115 | 393,384 | 601,987 |
| Finance costs | 25,28 | 337,268 | 726,613 | 346,034 | 804,017 |
| Profit (Loss) before income taxes | | <u>(252,536)</u> | <u>(1,095,007)</u> | <u>929,206</u> | <u>1,046,444</u> |
| Income tax expenses | 23 | - | - | - | - |
| Profit (Loss) for the period | | <u>(252,536)</u> | <u>(1,095,007)</u> | <u>929,206</u> | <u>1,046,444</u> |
| Other comprehensive income (loss) for the period | 21,22 | | | | |
| Items that will never be reclassified to profit or loss: | | | | | |
| Defined benefit plan re-measurements | | (164) | (325) | (203) | (389) |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Effective portion of changes in fair value of cash flow hedge | | <u>(379,221)</u> | <u>180,211</u> | <u>(46,881)</u> | <u>78,152</u> |
| Total comprehensive income(loss) for the period | | Rs <u><u>(631,921)</u></u> | <u><u>(915,121)</u></u> | Rs <u><u>882,122</u></u> | <u><u>1,124,207</u></u> |
| Earnings (Losses) Per share | | | | | |
| Basic and diluted earnings (losses) per share | 29 | Rs (2) | (8) | Rs 7 | 8 |

See accompanying notes to the condensed separate interim financial statements.

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

For the six-month periods ended June 30, 2017 and 2016

(In thousands of won)

| | Capital stock | Other capital surplus | | | Gain on disposal of treasury stock | Other equity | Retained earnings (Accumulated deficit) | Total |
|---|---------------|--|---------------------------|-------------------------------|------------------------------------|--------------|---|--------------|
| | | Paid-in capital in excess of par value | Gain on capital reduction | Debt to be swapped for equity | | | | |
| Balance at January 1, 2016 | ₩ 686,100,480 | 11,452,713 | 118,189,001 | 931,508 | 1,105,137 | 227,341 | (92,196,978) | 725,809,202 |
| Total comprehensive income(loss) for the period: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 18,438,340 | 18,438,340 |
| Defined benefit plan re-measurements | - | - | - | - | - | - | (6,847) | (6,847) |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | - | 1,377,029 | - | 1,377,029 |
| Balance at June 30, 2016 | ₩ 686,100,480 | 11,452,713 | 118,189,001 | 931,508 | 1,105,137 | 1,604,370 | (73,765,485) | 745,617,724 |
| Balance at January 1, 2017 | ₩ 686,100,480 | 11,452,713 | 118,189,001 | 931,508 | 1,105,137 | (2,574,700) | 4,965,821 | 820,169,960 |
| Total comprehensive income(loss) for the period: | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (19,294,032) | (19,294,032) |
| Defined benefit plan re-measurements | - | - | - | - | - | - | (5,716) | (5,716) |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | - | 3,175,320 | - | 3,175,320 |
| Transactions with owners of the Parent Company, recognized directly in equity: | | | | | | | | |
| Issue of ordinary shares | 3,646,500 | 1,463,560 | - | - | - | - | - | 5,110,060 |
| Balance at June 30, 2017 | ₩ 689,746,980 | 12,916,273 | 118,189,001 | 931,508 | 1,105,137 | 600,620 | (14,333,927) | 809,155,592 |

See accompanying notes to the condensed separate interim financial statements.

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

For the six-month periods ended June 30, 2017 and 2016

(In thousands of rupee)

| | Capital stock | Other capital surplus | | | Gain on disposal of treasury stock | Other equity | Retained earnings (Accumulated deficit) | Total |
|---|---------------|--|---------------------------|-------------------------------|------------------------------------|--------------|---|-------------|
| | | Paid-in capital in excess of par value | Gain on capital reduction | Debt to be swapped for equity | | | | |
| Balance at January 1, 2016 | Rs 38,938,733 | 649,984 | 6,707,662 | 52,867 | 62,720 | 12,902 | (5,232,519) | 41,192,349 |
| Total comprehensive income(loss) for the period: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 1,046,444 | 1,046,444 |
| Defined benefit plan re-measurements | - | - | - | - | - | - | (389) | (389) |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | - | 78,152 | - | 78,152 |
| Balance at June 30, 2016 | Rs 38,938,733 | 649,984 | 6,707,662 | 52,867 | 62,720 | 91,054 | (4,186,464) | 42,316,556 |
| Balance at January 1, 2017 | Rs 38,938,733 | 649,984 | 6,707,662 | 52,867 | 62,720 | (146,124) | 281,829 | 46,547,671 |
| Total comprehensive income(loss) for the period: | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (1,095,007) | (1,095,007) |
| Defined benefit plan re-measurements | - | - | - | - | - | - | (325) | (325) |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | - | 180,211 | - | 180,211 |
| Transactions with owners of the Parent Company, recognized directly in equity: | - | | | | | | | |
| Issue of ordinary shares | 206,953 | 83,062 | - | - | - | - | - | 290,015 |
| Balance at June 30, 2017 | Rs 39,145,686 | 733,046 | 6,707,662 | 52,867 | 62,720 | 34,087 | (813,503) | 45,922,565 |

See accompanying notes to the condensed separate interim financial statements.

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

For the six-month periods ended June 30, 2017 and 2016

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|--|----------------------|---------------------|----------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flows from operating activities | | | | |
| Profit(loss) for the period | ₩ (19,294,032) | 18,438,340 | Rs (1,095,007) | 1,046,444 |
| Adjustment | 119,494,410 | 118,267,681 | 6,781,748 | 6,712,127 |
| Changes in assets and liabilities | (11,136,962) | (77,489,365) | (632,064) | (4,397,807) |
| Cash generated from operations (note 30) | 89,063,416 | 59,216,656 | 5,054,677 | 3,360,764 |
| Interest received | 1,382,777 | 1,354,048 | 78,478 | 76,847 |
| Interest paid | (1,578,031) | (1,968,109) | (89,559) | (111,697) |
| Dividends received | 6,000 | 11,000 | 341 | 624 |
| Net cash provided by operating activities | 88,874,162 | 58,613,595 | 5,043,937 | 3,326,538 |
| Cash flows from investing activities | | | | |
| Proceed from disposal of property, plant and equipment | 49,921 | 37,000 | 2,833 | 2,100 |
| Proceed from disposal of intangible assets | 763,636 | - | 43,339 | - |
| Acquisition of property, plant and equipment | (86,542,810) | (60,855,320) | (4,911,624) | (3,453,764) |
| Acquisition of intangible assets | (56,822,251) | (29,989,932) | (3,224,872) | (1,702,039) |
| Cash flow from other investing activities | (2,332,319) | (2,597,844) | (132,367) | (147,438) |
| Net cash used in investing activities | (144,883,823) | (93,406,096) | (8,222,691) | (5,301,141) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 7,091,351 | - | 402,460 | - |
| Proceeds from issuing capital stock | 5,110,060 | - | 290,015 | - |
| Cash Inflows from Government grants | 34,010 | - | 1,930 | - |
| Repayment of borrowings | (10,000,000) | (950,524) | (567,537) | (53,946) |
| Net cash provided by (used in) financing activities | 2,235,421 | (950,524) | 126,868 | (53,946) |
| Net decrease in cash and cash equivalents | (53,774,240) | (35,743,025) | (3,051,886) | (2,028,549) |
| Cash and cash equivalents at January 1 | 234,657,416 | 192,773,290 | 13,317,674 | 10,940,595 |
| Cash and cash equivalents at June 30 | ₩ 180,883,176 | 157,030,265 | Rs 10,265,788 | 8,912,047 |

See accompanying notes to the condensed separate interim financial statements.

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

June 30, 2017 and 2016

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 June 30, 2017, the Company's shareholders are as follows:

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

2. Basis of Preparation

(1) Statement of compliance

The condensed 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 condensed separate interim financial statements were prepared in accordance with K-IFRS No. 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, 2016. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.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.

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

June 30, 2017 and 2016

2. Basis of preparation, Continued

(2) Use of estimates and judgements

The preparation of the condensed 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.

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

(3) Changes in accounting policies

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

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

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

The amendments to K-IFRS 1012 clarify the following:

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

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

(4) Basis of Translating Condensed Separate Interim Financial Statements

The condensed separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 17.62 to INR 1 on June 30, 2017, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

3. Significant Accounting Policies

The accounting policies applied by the Company in these condensed 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, 2016.

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

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

June 30, 2017 and 2016

3. Significant Accounting Policies, Continued

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

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

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

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

a. Classification and measurement of financial assets

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

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

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

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

b. Classification and measurement of financial liabilities.

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

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3. Significant Accounting Policies, Continued

c. Impairment: Financial assets and contract assets

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

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

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

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

d. Hedge Accounting

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

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

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

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

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3. Significant Accounting Policies, Continued

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

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

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

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

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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 June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

| | Financial institution | Korean won | | Indian rupee | | Description |
|---------------------------------|-------------------------|-------------|---------|--------------|--------|---|
| | | 2017 | 2016 | 2017 | 2016 | |
| Cash and cash equivalents | Shinhan Bank and others | ₩ 444,728 | 177,208 | Rs 25,240 | 10,057 | Government grants and others |
| | Woori Bank and others | 1,573,002 | 746,591 | 89,274 | 42,372 | Unconfirmed reorganization debt pledged as collateral |
| Long-term financial instruments | Shinhan Bank and others | 4,000 | 6,000 | 227 | 341 | Overdraft deposit |
| | | ₩ 2,021,730 | 929,799 | Rs 114,741 | 52,770 | |

6. Available-for sale Financial Assets

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

(In thousands of won)

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

(In thousands of rupee)

| | Ownership (%) | | 2017 | | 2016 |
|--|---------------|----|------------------|-----------------|------------|
| | | | Acquisition cost | Net asset value | Book value |
| Kihyup Technology Banking Corporation (*) | 1.72 | Rs | 28,377 | 39,558 | 28,377 |
| Korea Management Consultants Association (*) | 1.50 | | 3,405 | 38,648 | 3,405 |
| | | Rs | 31,782 | 78,206 | 31,782 |

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

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7. Trade and Other Receivables

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

(In thousands of won)

| | 2017 | | 2016 | |
|---------------------------------------|---------------|-------------|-------------|-------------|
| | Current | Non-current | Current | Non-current |
| Trade receivables | ₩ 158,649,722 | 5,993,272 | 218,738,512 | 7,282,322 |
| Less: Allowance for doubtful accounts | (26,877) | - | (93,208) | - |
| Other receivables | 6,575,436 | 147,500 | 7,660,486 | 170,500 |
| Less: Allowance for doubtful accounts | (772) | (44,250) | (1,732) | (44,250) |
| Loans and others | 13,185,172 | 32,432,781 | 10,473,406 | 33,660,841 |
| Less: Allowance for doubtful accounts | (31,977) | (63,806) | (45,320) | (32,428) |
| | ₩ 178,350,704 | 38,465,497 | 236,732,144 | 41,036,985 |

(In thousands of rupee)

| | 2017 | | 2016 | |
|---------------------------------------|---------------|-------------|------------|-------------|
| | Current | Non-current | Current | Non-current |
| Trade receivables | Rs 9,003,957 | 340,140 | 12,414,217 | 413,298 |
| Less: Allowance for doubtful accounts | (1,525) | - | (5,290) | - |
| Other receivables | 373,180 | 8,371 | 434,761 | 9,677 |
| Less: Allowance for doubtful accounts | (44) | (2,511) | (98) | (2,511) |
| Loans and others | 748,307 | 1,840,681 | 594,404 | 1,910,375 |
| Less: Allowance for doubtful accounts | (1,815) | (3,621) | (2,572) | (1,840) |
| | Rs 10,122,060 | 2,183,060 | 13,435,422 | 2,328,999 |

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

(In thousands of won)

| | 2017 | | 2016 | |
|-----------------------|-------------------|------------|-------------------|------------|
| | Trade receivables | Others(*) | Trade receivables | Others(*) |
| Not past due | ₩ 164,546,186 | 48,380,779 | 225,924,026 | 47,765,695 |
| Past due over 90 days | 96,808 | 3,960,110 | 96,808 | 4,199,538 |
| | ₩ 164,642,994 | 52,340,889 | 226,020,834 | 51,965,233 |

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

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7. Trade and Other Receivables, Continued

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

(In thousands of rupee)

| | | 2017 | | 2016 | |
|-----------------------|----|-------------------|------------------|-------------------|------------------|
| | | Trade receivables | Others(*) | Trade receivables | Others(*) |
| Not past due | Rs | 9,338,603 | 2,745,788 | 12,822,021 | 2,710,878 |
| Past due over 90 days | | 5,494 | 224,751 | 5,494 | 238,339 |
| | Rs | <u>9,344,097</u> | <u>2,970,539</u> | <u>12,827,515</u> | <u>2,949,217</u> |

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

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

(In thousands of won and in thousands of rupee)

| | | Korean won | | Indian rupee | |
|--------------------------------|---|---------------|---------------|-----------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Beginning balance | ₩ | 93,208 | 44,462 | Rs 5,290 | 2,523 |
| (Reversal of) Bad debt expense | | (66,331) | 26,283 | (3,765) | 1,492 |
| Ending balance | ₩ | <u>26,877</u> | <u>70,745</u> | <u>Rs 1,525</u> | <u>4,015</u> |

8. Inventories

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

(In thousands of won and in thousands of rupee)

| | | Korean won | | Indian rupee | |
|------------------|---|--------------------|--------------------|----------------------|-------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Merchandises | ₩ | 35,679,110 | 36,986,821 | Rs 2,024,921 | 2,099,139 |
| Finished goods | | 111,149,977 | 46,638,240 | 6,308,171 | 2,646,892 |
| Work-in-process | | 32,285,284 | 28,203,922 | 1,832,309 | 1,600,677 |
| Raw materials | | 32,225,611 | 32,040,766 | 1,828,922 | 1,818,432 |
| Sub-materials | | 416,269 | 433,593 | 23,625 | 24,608 |
| Supplies | | 3,577,903 | 3,545,334 | 203,059 | 201,211 |
| Goods in transit | | 49,503,664 | 52,284,047 | 2,809,516 | 2,967,311 |
| | ₩ | <u>264,837,818</u> | <u>200,132,723</u> | <u>Rs 15,030,523</u> | <u>11,358,270</u> |

The Company has measured inventories at the lower of cost or net realizable value. The valuation loss on inventories recognized within cost of sales was ₩ 1,761,213 thousand (Rs 99,955 thousand) for the six-month period ended June 30, 2017.

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9. Investments in Subsidiaries and a Joint venture

Details of investment in subsidiaries and a joint venture as of June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

| | Company | Location | Owner ship | Closing month | 2017 | | 2016 |
|---------------|--------------------------------------|-------------|------------|---------------|---------------------|-------------------|-------------------|
| | | | | | Acquisition cost | Book value | Book value |
| Subsidiaries | Ssangyong Motor (Shanghai) Co., Ltd. | China | 100% | December | ₩ 5,338,097 | 5,829,056 | 5,829,056 |
| | Ssangyong European Parts Center B.V. | Netherlands | 100% | December | 835,695 | - | - |
| | | | | | <u>6,173,792</u> | <u>5,829,056</u> | <u>5,829,056</u> |
| Joint venture | SY Auto Capital Co., Ltd.(*) | Korea | 51% | December | <u>10,200,000</u> | <u>10,200,000</u> | <u>10,200,000</u> |
| | | | | | ₩ <u>16,373,792</u> | <u>16,029,056</u> | <u>16,029,056</u> |

(In thousands of rupee)

| | Company | Location | Owner ship | Closing month | 2017 | | 2016 |
|---------------|--------------------------------------|-------------|------------|---------------|-------------------|----------------|----------------|
| | | | | | Acquisition cost | Book value | Book value |
| Subsidiaries | Ssangyong Motor (Shanghai) Co., Ltd. | China | 100% | December | Rs 302,957 | 330,820 | 330,820 |
| | Ssangyong European Parts Center B.V. | Netherlands | 100% | December | 47,429 | - | - |
| | | | | | <u>350,386</u> | <u>330,820</u> | <u>330,820</u> |
| Joint venture | SY Auto Capital Co., Ltd.(*) | Korea | 51% | December | <u>578,888</u> | <u>578,888</u> | <u>578,888</u> |
| | | | | | Rs <u>929,274</u> | <u>909,708</u> | <u>909,708</u> |

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

10. Other Assets

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|---------------------------------------|----------------|----------------|--------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Other current assets | | | | |
| Advance payments | ₩ 1,492,029 | 1,789,332 | Rs 84,678 | 101,552 |
| Less: Allowance for doubtful Accounts | (3,714) | (4,488) | (211) | (255) |
| Prepaid expenses | 7,685,531 | 5,167,105 | 436,182 | 293,252 |
| Current tax assets | <u>175,548</u> | <u>342,594</u> | <u>9,963</u> | <u>19,444</u> |
| | 9,349,394 | 7,294,543 | 530,612 | 413,993 |
| Other non-current assets | | | | |
| Other non-current assets | ₩ 273,317 | 273,319 | Rs 15,512 | 15,512 |

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11. Property, Plant and Equipment

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

(In thousands of won)

| | | June 30, 2017 | | | | |
|--------------------------|---|-----------------------------|------------------------------|-------------------------------------|--|----------------------|
| | | Acquisition cost | Government grants | Accumulated depreciation | Accumulated impairment losses | Book value |
| Land | ₩ | 475,072,283 | - | - | - | 475,072,283 |
| Buildings | | 540,539,983 | (1,875,998) | (212,170,106) | (148,366,786) | 178,127,093 |
| Structures | | 108,248,525 | (105,276) | (63,314,515) | (28,913,882) | 15,914,852 |
| Machinery | | 1,296,186,941 | (295,401) | (1,025,199,548) | (95,799,555) | 174,892,437 |
| Vehicles | | 7,942,713 | (8,178) | (6,240,104) | (656,433) | 1,037,998 |
| Tools and molds | | 1,188,179,128 | (12,276) | (704,264,118) | (159,269,197) | 324,633,537 |
| Equipment | | 68,619,450 | (16,835) | (48,154,119) | (3,577,696) | 16,870,800 |
| Construction in progress | | 28,629,550 | - | - | - | 28,629,550 |
| | ₩ | <u>3,713,418,573</u> | <u>(2,313,964)</u> | <u>(2,059,342,510)</u> | <u>(436,583,549)</u> | <u>1,215,178,550</u> |

(In thousands of won)

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

(In thousands of rupee)

| | | June 30, 2017 | | | | |
|--------------------------|----|-----------------------------|------------------------------|-------------------------------------|--|-------------------|
| | | Acquisition cost | Government grants | Accumulated depreciation | Accumulated impairment losses | Book value |
| Land | Rs | 26,962,105 | - | - | - | 26,962,105 |
| Buildings | | 30,677,638 | (106,470) | (12,041,436) | (8,420,362) | 10,109,370 |
| Structures | | 6,143,503 | (5,975) | (3,593,332) | (1,640,969) | 903,227 |
| Machinery | | 73,563,391 | (16,765) | (58,183,856) | (5,436,979) | 9,925,791 |
| Vehicles | | 450,778 | (464) | (354,149) | (37,255) | 58,910 |
| Tools and molds | | 67,433,549 | (697) | (39,969,587) | (9,039,114) | 18,424,151 |
| Equipment | | 3,894,405 | (955) | (2,732,924) | (203,048) | 957,478 |
| Construction in progress | | 1,624,833 | - | - | - | 1,624,833 |
| | Rs | <u>210,750,202</u> | <u>(131,326)</u> | <u>(116,875,284)</u> | <u>(24,777,727)</u> | <u>68,965,865</u> |

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11. Property, Plant and Equipment, Continued

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

(In thousands of rupee)

| | | December 31, 2016 | | | | |
|--------------------------|----|--------------------------|--------------------------|---------------------------------|--------------------------------------|-------------------|
| | | Acquisition cost | Government grants | Accumulated depreciation | Accumulated impairment losses | Book value |
| Land | Rs | 26,962,105 | - | - | - | 26,962,105 |
| Buildings | | 30,574,969 | (108,194) | (11,740,374) | (8,420,363) | 10,306,038 |
| Structures | | 6,143,516 | (6,552) | (3,543,682) | (1,640,970) | 952,312 |
| Machinery | | 72,712,308 | (18,947) | (57,387,700) | (5,468,996) | 9,836,665 |
| Vehicles | | 443,820 | (508) | (347,648) | (38,631) | 57,033 |
| Tools and molds | | 60,758,376 | (752) | (38,765,910) | (9,065,473) | 12,926,241 |
| Equipment | | 3,880,575 | (1,049) | (2,583,276) | (204,622) | 1,091,628 |
| Construction in progress | | 5,855,792 | - | - | - | 5,855,792 |
| Machinery in transit | | 57,672 | - | - | - | 57,672 |
| | Rs | <u>207,389,133</u> | <u>(136,002)</u> | <u>(114,368,590)</u> | <u>(24,839,055)</u> | <u>68,045,486</u> |

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

(In thousands of won)

| | | June 30, 2017 | | | | | |
|--------------------------|---|--------------------------|--------------------|-----------------|---------------------|-------------------|-----------------------|
| | | Beginning balance | Acquisition | Disposal | Depreciation | Others (*) | Ending balance |
| Land | ₩ | 475,072,283 | - | - | - | - | 475,072,283 |
| Buildings | | 181,592,387 | 119,213 | (1,040) | (5,274,333) | 1,690,866 | 178,127,093 |
| Structures | | 16,779,735 | - | (229) | (864,654) | - | 15,914,852 |
| Machinery | | 173,322,039 | 13,724 | (1,247) | (15,282,346) | 16,840,267 | 174,892,437 |
| Vehicles | | 1,004,920 | 58,233 | (10) | (247,699) | 222,554 | 1,037,998 |
| Tools and molds | | 227,760,362 | 3,321,490 | (1,484) | (35,510,873) | 129,064,042 | 324,633,537 |
| Equipment | | 19,234,497 | 1,114,533 | (34,643) | (3,476,087) | 32,500 | 16,870,800 |
| Construction in progress | | 103,179,053 | 71,283,126 | - | - | (145,832,629) | 28,629,550 |
| Machinery in transit | | 1,016,181 | 389,149 | - | - | (1,405,330) | - |
| | ₩ | <u>1,198,961,457</u> | <u>76,299,468</u> | <u>(38,653)</u> | <u>(60,655,992)</u> | <u>612,270</u> | <u>1,215,178,550</u> |

(In thousands of won)

| | | June 30, 2016 | | | | | |
|--------------------------|---|--------------------------|--------------------|-----------------|---------------------|-------------------|-----------------------|
| | | Beginning balance | Acquisition | Disposal | Depreciation | Others (*) | Ending balance |
| Land | ₩ | 475,531,313 | - | - | - | - | 475,531,313 |
| Buildings | | 190,494,892 | 86,834 | (2,285) | (5,246,787) | 178,063 | 185,510,717 |
| Structures | | 16,766,128 | 222,851 | (47,999) | (865,089) | 149,037 | 16,224,928 |
| Machinery | | 185,774,908 | 26,497 | (65) | (14,456,700) | 9,489,884 | 180,834,524 |
| Vehicles | | 1,380,302 | 15,034 | (6,897) | (258,387) | 56,945 | 1,186,997 |
| Tools and molds | | 252,248,089 | 2,474,401 | (12,364) | (38,219,341) | 34,292,648 | 250,783,433 |
| Equipment | | 22,794,469 | 885,182 | (11,134) | (3,433,095) | 103,700 | 20,339,122 |
| Construction in progress | | 40,866,774 | 51,568,037 | (17,405) | - | (42,804,075) | 49,613,331 |
| Machinery in transit | | 1,924,851 | 798,959 | - | - | (894,423) | 1,829,387 |
| | ₩ | <u>1,187,781,726</u> | <u>56,077,795</u> | <u>(98,149)</u> | <u>(62,479,399)</u> | <u>571,779</u> | <u>1,181,853,752</u> |

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11. Property, Plant and Equipment, Continued

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

(*) Capitalized borrowing costs in respect of construction in progress is ~~₩~~ 408,194 thousand (2016: ~~₩~~ 523,935 thousand) and ~~₩~~ 204,076 thousand (2016: ~~₩~~ 47,844 thousand) was transferred from inventory to vehicles during the six-month period ended June 30, 2017.

(In thousands of rupee)

| | | June 30, 2017 | | | | | |
|--------------------------|----|------------------------------|--------------------|-----------------|---------------------|-------------------|---------------------------|
| | | Beginning balance | Acquisition | Disposal | Depreciation | Others (*) | Ending balance |
| Land | Rs | 26,962,105 | - | - | - | - | 26,962,105 |
| Buildings | | 10,306,038 | 6,766 | (59) | (299,338) | 95,963 | 10,109,370 |
| Structures | | 952,312 | - | (13) | (49,072) | - | 903,227 |
| Machinery | | 9,836,665 | 779 | (70) | (867,330) | 955,747 | 9,925,791 |
| Vehicles | | 57,033 | 3,305 | (1) | (14,058) | 12,631 | 58,910 |
| Tools and molds | | 12,926,241 | 188,507 | (84) | (2,015,373) | 7,324,860 | 18,424,151 |
| Equipment | | 1,091,628 | 63,254 | (1,966) | (197,281) | 1,844 | 957,479 |
| Construction in progress | | 5,855,792 | 4,045,580 | - | - | (8,276,539) | 1,624,833 |
| Machinery in transit | | 57,672 | 22,086 | - | - | (79,758) | - |
| | Rs | <u>68,045,486</u> | <u>4,330,277</u> | <u>(2,193)</u> | <u>(3,442,452)</u> | <u>34,748</u> | <u>68,965,865</u> |

(In thousands of rupee)

| | | June 30, 2016 | | | | | |
|--------------------------|----|------------------------------|--------------------|-----------------|---------------------|-------------------|---------------------------|
| | | Beginning balance | Acquisition | Disposal | Depreciation | Others (*) | Ending balance |
| Land | Rs | 26,988,156 | - | - | - | - | 26,988,156 |
| Buildings | | 10,811,288 | 4,928 | (130) | (297,775) | 10,106 | 10,528,417 |
| Structures | | 951,540 | 12,648 | (2,724) | (49,097) | 8,458 | 920,825 |
| Machinery | | 10,543,411 | 1,504 | (4) | (820,471) | 538,586 | 10,263,026 |
| Vehicles | | 78,337 | 853 | (391) | (14,664) | 3,232 | 67,367 |
| Tools and molds | | 14,316,010 | 140,431 | (702) | (2,169,088) | 1,946,234 | 14,232,885 |
| Equipment | | 1,293,670 | 50,238 | (632) | (194,841) | 5,885 | 1,154,320 |
| Construction in progress | | 2,319,340 | 2,926,676 | (988) | - | (2,429,288) | 2,815,740 |
| Machinery in transit | | 109,242 | 45,344 | - | - | (50,762) | 103,824 |
| | Rs | <u>67,410,994</u> | <u>3,182,622</u> | <u>(5,571)</u> | <u>(3,545,936)</u> | <u>32,451</u> | <u>67,074,560</u> |

(*) Capitalized borrowing costs in respect of construction in progress is Rs 23,166 thousand (2016: Rs 29,735 thousand) and Rs 11,581 thousand (2016: Rs 2.716 thousand) was transferred from inventory to vehicles for the six-month periods ended June 30, 2017.

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11. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of June 30, 2017 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 | ₩ 366,132,440 | | Rs 20,779,367 | |
| Buildings | 71,840,511 | 267,000,000 | 4,077,214 | 15,153,235 |
| Machinery and others | 2,804,939 | | 159,190 | |
| | <u>440,777,890</u> | <u>267,000,000</u> | <u>25,015,771</u> | <u>15,153,235</u> |

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-----------------------------------|-------------|-----------|--------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Capitalized interest expenses (*) | ₩ 1,123,810 | 1,520,676 | Rs 63,780 | 86,304 |
| Capitalization interest rate | 3.42% | 3.74% | 3.42% | 3.74% |

(*) Capitalized borrowing costs for intangible assets are ₩ 715,616 thousand (Rs 40,614 thousand) and ₩ 996,741 thousand (Rs 56,569 thousand) for the six-month periods ended June 30, 2017 and 2016, respectively.

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12. Intangible Assets

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

(In thousands of won)

| June 30, 2017 | | | | | |
|-------------------------|-----------------------------|------------------------------|-------------------------------------|--|--------------------|
| | Acquisition cost | Government grants | Accumulated amortization | Accumulated impairment losses | Book value |
| Development cost | ₩ 280,417,626 | - | (88,678,851) | - | 191,738,775 |
| Patents | 3,751,473 | (19,702) | (1,991,679) | (64,556) | 1,675,536 |
| Other intangible assets | 101,818,181 | (27,987) | (25,091,478) | (362,469) | 76,336,247 |
| | ₩ 385,987,280 | (47,689) | (115,762,008) | (427,025) | 269,750,558 |

(In thousands of won)

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

(In thousands of rupee)

| June 30, 2017 | | | | | |
|-------------------------|-----------------------------|------------------------------|-------------------------------------|--|-------------------|
| | Acquisition cost | Government grants | Accumulated amortization | Accumulated impairment losses | Book value |
| Development cost | Rs 15,914,735 | - | (5,032,852) | - | 10,881,883 |
| Patents | 212,910 | (1,118) | (113,035) | (3,664) | 95,093 |
| Other intangible assets | 5,778,557 | (1,589) | (1,424,034) | (20,571) | 4,332,363 |
| | Rs 21,906,202 | (2,707) | (6,569,921) | (24,235) | 15,309,339 |

(In thousands of rupee)

| December 31, 2016 | | | | | |
|--------------------------|-----------------------------|------------------------------|-------------------------------------|--|-------------------|
| | Acquisition cost | Government grants | Accumulated amortization | Accumulated impairment losses | Book value |
| Development cost | Rs 9,693,161 | - | (3,931,946) | - | 5,761,215 |
| Patents | 198,017 | (1,199) | (96,696) | (3,100) | 97,022 |
| Other intangible assets | 8,792,877 | (2,126) | (1,316,377) | (32,696) | 7,441,678 |
| | Rs 18,684,055 | (3,325) | (5,345,019) | (35,796) | 13,299,915 |

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June 30, 2017 and 2016

12. Intangible Assets, Continued

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

(In thousands of won)

| | | June 30, 2017 | | | | | | | |
|-------------------------|---|--------------------|-------------------|------------------|---------------------|----------------|---------------|----------------|--------------------|
| | | Beginning balance | Acquisition | Disposal | Amortization | Impairment | Transfer | Others (*) | Ending balance |
| Development cost | ₩ | 101,512,605 | - | - | (19,397,965) | - | 109,624,135 | - | 191,738,775 |
| Patents | | 1,709,533 | 262,412 | - | (286,480) | (9,929) | - | - | 1,675,536 |
| Other intangible assets | | 131,122,360 | 56,559,839 | (763,636) | (1,887,433) | 213,636 | (109,624,135) | 715,616 | 76,336,247 |
| | ₩ | <u>234,344,498</u> | <u>56,822,251</u> | <u>(763,636)</u> | <u>(21,571,878)</u> | <u>203,707</u> | <u>-</u> | <u>715,616</u> | <u>269,750,558</u> |

(In thousands of won)

| | | June 30, 2016 | | | | | | |
|-------------------------|---|--------------------|-------------------|---------------------|-----------------|--------------|----------------|--------------------|
| | | Beginning balance | Acquisition | Amortization | Impairment | Transfer | Others (*) | Ending balance |
| Development cost | ₩ | 109,536,141 | - | (14,986,920) | - | 22,707,210 | - | 117,256,431 |
| Patents | | 1,584,610 | 345,243 | (258,024) | (14,878) | - | - | 1,656,951 |
| Other intangible assets | | 75,823,834 | 29,644,689 | (3,511,235) | - | (22,707,210) | 996,741 | 80,246,819 |
| | ₩ | <u>186,944,585</u> | <u>29,989,932</u> | <u>(18,756,179)</u> | <u>(14,878)</u> | <u>-</u> | <u>996,741</u> | <u>199,160,201</u> |

(*) Capitalized borrowing costs in respect of other intangible assets is ₩ 715,616 thousand and ₩ 996,741 thousand for the six-month periods ended June 30, 2017 and 2016, respectively.

(In thousands of rupee)

| | | June 30, 2017 | | | | | | | |
|-------------------------|----|-------------------|------------------|-----------------|--------------------|---------------|-------------|---------------|-------------------|
| | | Beginning balance | Acquisition | Disposal | Amortization | Impairment | Transfer | Others (*) | Ending balance |
| Development cost | Rs | 5,761,215 | - | - | (1,100,906) | - | 6,221,574 | - | 10,881,883 |
| Patents | | 97,022 | 14,893 | - | (16,259) | (563) | - | - | 95,093 |
| Other intangible assets | | 7,441,678 | 3,209,979 | (43,339) | (107,119) | 12,124 | (6,221,574) | 40,614 | 4,332,363 |
| | Rs | <u>13,299,915</u> | <u>3,224,872</u> | <u>(43,339)</u> | <u>(1,224,284)</u> | <u>11,561</u> | <u>-</u> | <u>40,614</u> | <u>15,309,339</u> |

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June 30, 2017 and 2016

12. Intangible Assets, Continued

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

(In thousands of rupee)

| | | June 30, 2016 | | | | | | |
|-------------------------|----|--------------------------|--------------------|---------------------|-------------------|-----------------|-------------------|-----------------------|
| | | Beginning balance | Acquisition | Amortization | Impairment | Transfer | Others (*) | Ending balance |
| Development cost | Rs | 6,216,580 | - | (850,563) | - | 1,288,718 | - | 6,654,735 |
| Patents | | 89,932 | 19,594 | (14,644) | (844) | - | - | 94,038 |
| Other intangible assets | | 4,303,282 | 1,682,445 | (199,275) | - | (1,288,718) | 56,569 | 4,554,303 |
| | Rs | <u>10,609,794</u> | <u>1,702,039</u> | <u>(1,064,482)</u> | <u>(844)</u> | <u>-</u> | <u>56,569</u> | <u>11,303,076</u> |

(*) Capitalized borrowing costs in respect of other intangible assets is Rs 40,614 thousand and Rs 56,569 thousand for the six-month periods ended June 30, 2017 and 2016, respectively.

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

(In thousands of won and in thousands of rupee)

| | | Korean won | | Indian rupee | |
|-------------------------------------|---|-------------------|-------------------|---------------------|------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Cost of goods manufactured | ₩ | 19,397,965 | 14,986,920 | Rs 1,100,906 | 850,563 |
| Selling and administrative expenses | | 2,173,913 | 3,769,259 | 123,378 | 213,919 |
| | ₩ | <u>21,571,878</u> | <u>18,756,179</u> | Rs <u>1,224,284</u> | <u>1,064,482</u> |

13. Borrowings

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

(In thousands of won and in thousands of rupee)

| Creditor | Type | Interest rate (%) | Korean won | | Indian rupee | |
|---------------------------|-------------------|--------------------------|----------------------|--------------------|----------------------|-------------------|
| | | | 2017 | 2016 | 2017 | 2016 |
| Korea Development Bank | Operating fund | CD+1.98 | ₩ 30,000,000 | 30,000,000 | Rs 1,702,611 | 1,702,611 |
| Woori Bank | Operating fund(*) | CD+2.00 | 20,000,000 | 25,000,000 | 1,135,074 | 1,418,842 |
| Bank Of America and other | Banker's usance | 0.66 ~1.35 | <u>137,051,641</u> | <u>126,967,721</u> | <u>7,778,186</u> | <u>7,205,886</u> |
| | | | ₩ <u>187,051,641</u> | <u>181,967,721</u> | Rs <u>10,615,871</u> | <u>10,327,339</u> |

(*) Current portion of long-term borrowing

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June 30, 2017 and 2016

13. Borrowings, Continued

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

(In thousands of won and in thousands of rupee)

| Creditor | Type | Interest rate(%) | Korean won | | Indian rupee | |
|-----------------------|----------------|------------------|--------------|--------------|--------------|-------------|
| | | | 2017 | 2016 | 2017 | 2016 |
| Woori Bank | Operating fund | CD+2.00 | ₩ 27,500,000 | ₩ 37,500,000 | Rs 1,560,727 | 2,128,263 |
| Less: Current portion | | | (20,000,000) | (25,000,000) | (1,307,379) | (1,452,644) |
| | | | ₩ 7,500,000 | ₩ 12,500,000 | Rs 425,653 | 709,421 |

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

(In thousands of won and in thousands of rupee)

| Creditor | Pledged assets | Pledged date | Maximum credit amount | |
|------------------------|---|--------------|-----------------------|---------------|
| | | | Korean won | Indian rupee |
| Korea Development Bank | Land, buildings, structures and machinery | 2009-08-13 | ₩ 195,000,000 | Rs 11,066,969 |
| Woori Bank | Land, buildings and machinery | 2014-10-29 | 36,000,000 | 2,043,133 |
| | | 2015-08-07 | 36,000,000 | 2,043,133 |
| | | | ₩ 267,000,000 | Rs 15,153,235 |

14. Other Financial Liabilities

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|------------------|--------------|--------------|--------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Accrued expenses | ₩ 28,561,613 | ₩ 34,519,616 | Rs 1,620,977 | 1,959,116 |

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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 six-month periods ended June 30, 2017 and 2016 are as follows:

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

| | Korean won | | Indian rupee | |
|-------------------|---------------|--------------|--------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Beginning balance | ₩ 145,848,984 | 143,793,979 | Rs 8,277,468 | 8,160,839 |
| Increase | 27,579,131 | 29,861,274 | 1,565,217 | 1,694,737 |
| Decrease | (28,321,135) | (29,275,672) | (1,607,329) | (1,661,502) |
| Ending balance | ₩ 145,106,980 | 144,379,581 | Rs 8,235,356 | 8,194,074 |
| Current | ₩ 51,938,914 | 54,244,260 | Rs 2,947,725 | 3,078,562 |
| Non-current | 93,168,066 | 90,135,321 | 5,287,631 | 5,115,512 |

16. Other Liabilities

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-------------------------|--------------|------------|--------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Advances from customers | ₩ 4,013,198 | 3,359,440 | Rs 227,764 | 190,661 |
| Deposits received | 551,655 | 613,895 | 31,308 | 34,840 |
| Withholdings | 33,237,727 | 29,323,090 | 1,886,364 | 1,664,194 |
| | ₩ 37,802,580 | 33,296,425 | Rs 2,145,436 | 1,889,695 |

17. Employee Benefits

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|--|---------------|-------------|---------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Present value of defined benefit obligations | ₩ 290,280,139 | 280,792,667 | Rs 16,474,469 | 15,936,020 |
| Fair value of plan assets | (1,120,284) | (1,183,467) | (63,581) | (67,166) |
| | ₩ 289,159,855 | 279,609,200 | Rs 16,410,888 | 15,868,854 |

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17. Employee Benefits, Continued

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

(In thousands of won)

| Details | June 30, 2017 | | |
|--------------------------------|----------------------------------|-------------|--------------|
| | PV of defined benefit obligation | Plan assets | Total |
| Beginning balance | ₩ 280,792,667 | (1,183,467) | 279,609,200 |
| Current service cost | 18,774,537 | - | 18,774,537 |
| Interest cost (income) | 4,031,924 | (16,975) | 4,014,949 |
| Sub-total | 303,599,128 | (1,200,442) | 302,398,686 |
| Re-measurements of plan assets | - | 5,716 | 5,716 |
| Benefit paid by plan | (74,442) | 74,442 | - |
| Benefit paid directly | (13,244,547) | - | (13,244,547) |
| Ending balance | ₩ 290,280,139 | (1,120,284) | 289,159,855 |

(In thousands of won)

| Details | June 30, 2016 | | |
|--------------------------------|----------------------------------|-------------|--------------|
| | PV of defined benefit obligation | Plan assets | Total |
| Beginning balance | ₩ 293,343,081 | (1,337,356) | 292,005,725 |
| Current service cost | 20,421,739 | - | 20,421,739 |
| Interest cost (income) | 4,260,071 | (19,386) | 4,240,685 |
| Sub-total | 318,024,891 | (1,356,742) | 316,668,149 |
| Re-measurements of plan assets | - | 6,847 | 6,847 |
| Benefit paid by plan | (115,568) | 115,568 | - |
| Benefit paid directly | (13,971,785) | - | (13,971,785) |
| Ending balance | ₩ 303,937,538 | (1,234,327) | 302,703,211 |

(In thousands of rupee)

| Details | June 30, 2017 | | |
|--------------------------------|----------------------------------|-------------|------------|
| | PV of defined benefit obligation | Plan assets | Total |
| Beginning balance | Rs 15,936,020 | (67,167) | 15,868,853 |
| Current service cost | 1,065,524 | - | 1,065,524 |
| Interest cost (income) | 228,827 | (964) | 227,863 |
| Sub-total | 17,230,371 | (68,131) | 17,162,240 |
| Re-measurements of plan assets | - | 325 | 325 |
| Benefit paid by plan | (4,225) | 4,225 | - |
| Benefit paid directly | (751,677) | - | (751,677) |
| Ending balance | Rs 16,474,469 | (63,581) | 16,410,888 |

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17. Employee Benefits, Continued

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

(In thousands of rupee)

| Details | June 30, 2016 | | |
|--------------------------------|----------------------------------|-------------|------------|
| | PV of defined benefit obligation | Plan assets | Total |
| Beginning balance | Rs 16,648,302 | (75,900) | 16,572,402 |
| Current service cost | 1,159,009 | - | 1,159,009 |
| Interest cost (income) | 241,775 | (1,100) | 240,675 |
| Sub-total | 18,049,086 | (77,000) | 17,972,086 |
| Re-measurements of plan assets | - | 389 | 389 |
| Benefit paid by plan | (6,559) | 6,559 | - |
| Benefit paid directly | (792,950) | - | (792,950) |
| Ending balance | Rs 17,249,577 | (70,052) | 17,179,525 |

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

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

The discount rate is the market yield at the end of the reporting period on high quality corporate bonds(AA+) that have maturity which approximates the terms of the 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 main commitments and contingencies as of June 30, 2017 are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of June 30, 2017, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of KRW 189,500 million and USD 264 million.
- (3) As of June 30, 2017, 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 June 30, 2017, there are three pending claims which the Company is involved as a plaintiff with the claim amount of ₩ 2,435 million (Rs 138 million) and 16 claims which the Company is involved as a defendant with the claim amount of ₩ 4,721 million (Rs 268 million). The Company made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 7,043 million (Rs 400 million) as other payable for the foregoing lawsuits and claims.

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19. Capital Stock

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

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

| | Korean won | | Indian rupee | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Number of shares authorized | 3,000,000,000 | 3,000,000,000 | 3,000,000,000 | 3,000,000,000 |
| Shares outstanding | 137,949,396 | 137,220,096 | 137,949,396 | 137,220,096 |
| Par value | 5,000 | 5,000 | 284 | 284 |
| Capital stock | ₩ 689,746,980 | 686,100,480 | Rs 39,145,686 | 38,938,733 |

20. Other Capital Surplus and Retained Earnings

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|--|---------------|-------------|--------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Paid-up capital in excess of par value | ₩ 12,916,273 | 11,452,713 | Rs 733,046 | 649,984 |
| Gain on capital reduction | 118,189,001 | 118,189,001 | 6,707,662 | 6,707,662 |
| Debt to be swapped for equity | 931,508 | 931,508 | 52,867 | 52,867 |
| Gain on disposal of treasury stock | 1,105,137 | 1,105,137 | 62,720 | 62,720 |
| | ₩ 133,141,919 | 131,678,359 | Rs 7,556,295 | 7,473,233 |

21. Other Equity

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|--|------------|-------------|--------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Gains (losses) on valuation of derivatives | ₩ 600,620 | (2,574,700) | Rs 34,087 | (146,124) |

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21. Other Equity, Continued

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-------------------------------------|---------------|-----------|--------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Beginning balance | ₩ (2,574,700) | 227,341 | Rs (146,124) | 12,902 |
| Gains on valuation of derivatives | 585,940 | 1,572,989 | 33,254 | 89,273 |
| Reclassified to net income (losses) | 2,589,380 | (195,960) | 146,957 | (11,121) |
| Ending balance | ₩ 600,620 | 1,604,370 | Rs 34,087 | 91,054 |

22. Retained Earnings (Deficit)

(1) Details of retained earnings (deficit) as of June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-----------------------------|----------------|-----------|--------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Retained earnings (Deficit) | ₩ (14,333,927) | 4,965,821 | Rs (813,503) | 281,829 |

(2) Changes in retained earnings (deficit) for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-------------------------------------|----------------|--------------|--------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Beginning balance | ₩ 4,965,821 | (92,196,978) | Rs 281,829 | (5,232,519) |
| Profit (Loss) for the period | (19,294,032) | 18,438,340 | (1,095,007) | 1,046,444 |
| Defined benefit plan re-measurement | (5,716) | (6,847) | (325) | (389) |
| Ending balance | ₩ (14,333,927) | (73,765,485) | Rs (813,503) | (4,186,464) |

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 June 30, 2017.

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24. Nature of Expenses

Details of nature of expenses for the three-month and six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won)

| | 2017 | | 2016 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Changes in inventories | ₩ (29,083,065) | (67,285,388) | ₩ 1,053,140 | (10,797,384) |
| Raw materials consumed and purchase of merchandise | 621,629,141 | 1,188,176,636 | 645,723,849 | 1,189,733,385 |
| Employee benefits | 131,173,620 | 258,661,568 | 134,405,652 | 256,061,871 |
| Depreciation | 32,244,648 | 60,655,992 | 31,725,386 | 62,479,399 |
| Amortization | 12,555,528 | 21,571,878 | 9,735,805 | 18,756,179 |
| Others | 139,415,718 | 249,337,330 | 120,756,401 | 230,531,630 |
| | ₩ <u>907,935,590</u> | <u>1,711,118,016</u> | ₩ <u>943,400,233</u> | <u>1,746,765,080</u> |

(In thousands of rupee)

| | 2017 | | 2016 | |
|--|----------------------|-------------------|----------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Changes in inventories | Rs (1,650,571) | (3,818,693) | Rs 59,770 | (612,791) |
| Raw materials consumed and purchase of merchandise | 35,279,747 | 67,433,407 | 36,647,210 | 67,521,759 |
| Employee benefits | 7,444,587 | 14,679,998 | 7,628,017 | 14,532,456 |
| Depreciation | 1,830,003 | 3,442,452 | 1,800,533 | 3,545,936 |
| Amortization | 712,573 | 1,224,284 | 552,543 | 1,064,482 |
| Others | 7,912,355 | 14,150,811 | 6,853,371 | 13,083,520 |
| | Rs <u>51,528,694</u> | <u>97,112,259</u> | Rs <u>53,541,444</u> | <u>99,135,362</u> |

These expenses are 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 June 30, 2017, effective portion of changes in fair value of cash flow hedge is ₩ 600,620 thousand (Rs 34,087 thousand) which is classified as other equity. Ineffective portion of change in fair value of cash flow hedge recognized in current profit or loss is net amounting to ₩ 38,875 thousand (Rs 2,206 thousand) which is recognized in current profit for the six-month period ended June 30, 2017. Changes in fair value of derivative not designated as hedging instrument for the six-month periods ended June 30, 2017 is net amounting to ₩ 3,999,171 thousand (Rs 226,968 thousand) which is recognized in current loss.

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26. Selling, General and Administrative Expenses

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

(In thousands of won)

| | 2017 | | 2016 | |
|-------------------|----------------------|--------------------|----------------------|--------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Warranty expenses | ₩ 19,954,963 | 30,837,065 | ₩ 19,311,286 | 33,128,742 |
| Commissions | 63,107,525 | 114,209,794 | 59,653,356 | 109,625,554 |
| Advertising | 5,510,065 | 10,846,175 | 5,011,417 | 10,554,197 |
| Export expenses | 6,575,265 | 15,491,474 | 10,168,795 | 19,783,777 |
| Others | 10,184,994 | 20,016,469 | 8,955,754 | 17,940,920 |
| | <u>₩ 105,332,812</u> | <u>191,400,977</u> | <u>₩ 103,100,608</u> | <u>191,033,190</u> |

(In thousands of rupee)

| | 2017 | | 2016 | |
|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Warranty expenses | Rs 1,132,518 | 1,750,117 | Rs 1,095,987 | 1,880,178 |
| Commissions | 3,581,585 | 6,481,827 | 3,385,548 | 6,221,655 |
| Advertising | 312,717 | 615,560 | 284,416 | 598,990 |
| Export expenses | 373,171 | 879,198 | 577,117 | 1,122,802 |
| Others | 578,035 | 1,136,009 | 508,272 | 1,018,213 |
| | <u>Rs 5,978,026</u> | <u>10,862,711</u> | <u>Rs 5,851,340</u> | <u>10,841,838</u> |

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

(In thousands of won)

| | 2017 | | 2016 | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Salaries | ₩ 12,785,759 | 25,757,174 | ₩ 13,186,491 | 25,954,285 |
| Retirement benefit costs | 1,430,544 | 2,859,492 | 1,972,464 | 4,319,462 |
| Employee welfare | 2,873,985 | 5,732,199 | 2,747,962 | 5,804,897 |
| Rent expense | 2,892,363 | 5,701,393 | 2,536,208 | 4,967,141 |
| Service fees | 9,505,080 | 17,253,707 | 6,769,765 | 12,763,249 |
| Depreciation | 3,359,313 | 6,129,307 | 2,843,749 | 5,708,971 |
| R&D expenses | 4,190,121 | 9,690,938 | 3,132,039 | 7,653,249 |
| Amortization | 1,029,477 | 2,173,913 | 1,863,892 | 3,769,259 |
| (Reversal of) bad debt expense | 3,925 | (66,331) | (23,562) | 26,283 |
| Others | 9,509,844 | 16,904,546 | 9,156,188 | 16,221,510 |
| | <u>₩ 47,580,411</u> | <u>92,136,338</u> | <u>₩ 44,185,196</u> | <u>87,188,306</u> |

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26. Selling, General and Administrative Expenses, Continued

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

(In thousands of rupee)

| | 2017 | | 2016 | |
|--------------------------------|---------------------|------------------|---------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Salaries | Rs 725,639 | 1,461,815 | Rs 748,382 | 1,473,001 |
| Retirement benefit costs | 81,189 | 162,287 | 111,945 | 245,145 |
| Employee welfare | 163,109 | 325,323 | 155,957 | 329,449 |
| Rent expense | 164,152 | 323,575 | 143,939 | 281,904 |
| Service fees | 539,448 | 979,212 | 384,209 | 724,361 |
| Depreciation | 190,653 | 347,861 | 161,393 | 324,005 |
| R&D expenses | 237,805 | 549,996 | 177,755 | 434,350 |
| Amortization | 58,427 | 123,378 | 105,783 | 213,919 |
| (Reversal of) bad debt expense | 223 | (3,765) | (1,337) | 1,492 |
| Others | 539,718 | 959,395 | 519,647 | 920,632 |
| | Rs <u>2,700,363</u> | <u>5,229,077</u> | Rs <u>2,507,673</u> | <u>4,948,258</u> |

27. Other Income and Expenses

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

(In thousands of won)

| | 2017 | | 2016 | |
|---|--------------------|-------------------|--------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Foreign exchange transaction gain | ₩ 3,037,788 | 6,682,318 | ₩ 3,519,290 | 6,538,391 |
| Foreign exchange translation gain | 358,916 | 933,673 | (621,905) | 176,727 |
| Gain on disposal of property, plant and equipment | 39,471 | 45,383 | 9,085 | 21,368 |
| Others | 5,936,169 | 9,768,760 | 4,292,983 | 7,538,822 |
| | ₩ <u>9,372,344</u> | <u>17,430,134</u> | ₩ <u>7,199,453</u> | <u>14,275,308</u> |

(In thousands of rupee)

| | 2017 | | 2016 | |
|---|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Foreign exchange transaction gain | Rs 172,406 | 379,246 | Rs 199,733 | 371,078 |
| Foreign exchange translation gain | 20,370 | 52,989 | (35,295) | 10,030 |
| Gain on disposal of property, plant and equipment | 2,240 | 2,576 | 516 | 1,212 |
| Others | 336,899 | 554,413 | 243,642 | 427,856 |
| | Rs <u>531,915</u> | <u>989,224</u> | Rs <u>408,596</u> | <u>810,176</u> |

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27. Other Income and Expenses, Continued

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

(In thousands of won)

| | 2017 | | 2016 | |
|---|--------------------|-------------------|---------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Foreign exchange transaction loss | ₩ 1,941,785 | 6,092,640 | ₩ 2,996,498 | 6,404,194 |
| Foreign exchange translation loss | (855,648) | 552,463 | 778,486 | 1,154,578 |
| Loss on disposal of property, plant and equipment | 23,806 | 34,115 | 50,616 | 65,113 |
| Loss on disposal of trade receivables | 3,936,260 | 7,308,780 | 6,608,827 | 11,403,302 |
| Others | 375,910 | 1,229,995 | 380,438 | 1,017,513 |
| | ₩ <u>5,422,113</u> | <u>15,217,993</u> | ₩ <u>10,814,865</u> | <u>20,044,700</u> |

(In thousands of rupee)

| | 2017 | | 2016 | |
|---|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Foreign exchange transaction loss | Rs 110,203 | 345,780 | Rs 170,062 | 363,462 |
| Foreign exchange translation loss | (48,561) | 31,354 | 44,182 | 65,527 |
| Loss on disposal of property, plant and equipment | 1,351 | 1,936 | 2,873 | 3,695 |
| Loss on disposal of trade receivables | 223,397 | 414,800 | 375,075 | 647,179 |
| Others | 21,335 | 69,807 | 21,591 | 57,748 |
| | Rs <u>307,725</u> | <u>863,677</u> | Rs <u>613,783</u> | <u>1,137,611</u> |

28. Finance Income and Costs

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

(In thousands of won)

| | 2017 | | 2016 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Interest income | ₩ 582,899 | 1,369,701 | ₩ 647,415 | 1,276,764 |
| Dividend income | - | 6,000 | 5,000 | 11,000 |
| Foreign exchange transaction gain | 3,640,294 | 4,648,779 | 1,518,696 | 2,214,527 |
| Foreign exchange translation gain(loss) | (4,361,379) | 279,115 | (470,769) | 799,221 |
| Realized gain of financial derivatives | 4,520,365 | 7,257,248 | 2,318,349 | 3,308,856 |
| Unrealized gain(loss) of financial derivatives | (416,794) | 167,161 | 2,912,742 | 2,996,634 |
| | ₩ <u>3,965,385</u> | <u>13,728,004</u> | ₩ <u>6,931,433</u> | <u>10,607,002</u> |

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28. Finance Income and Costs, Continued

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

(In thousands of rupee)

| | 2017 | | 2016 | |
|--|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Interest income | Rs 33,082 | 77,736 | Rs 36,743 | 72,461 |
| Dividend income | - | 341 | 284 | 624 |
| Foreign exchange transaction gain | 206,600 | 263,835 | 86,192 | 125,683 |
| Foreign exchange translation gain(loss) | (247,524) | 15,841 | (26,718) | 45,359 |
| Realized gain of financial derivatives | 256,547 | 411,875 | 131,574 | 187,790 |
| Unrealized gain(loss) of financial derivatives | (23,655) | 9,487 | 165,309 | 170,070 |
| | Rs <u>225,050</u> | <u>779,115</u> | Rs <u>393,384</u> | <u>601,987</u> |

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

(In thousands of won)

| | 2017 | | 2016 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Interest expense | ₩ 256,597 | 476,150 | ₩ 183,175 | 372,206 |
| Foreign exchange transaction loss | 273,615 | 2,765,969 | 4,504,917 | 7,917,501 |
| Foreign exchange translation loss | 3,270,369 | 3,271,683 | 2,214,054 | 4,117,641 |
| Realized loss of financial derivatives | 1,512,055 | 2,161,664 | 602,825 | 1,437,293 |
| Unrealized loss(gain) of financial derivatives | 630,024 | 4,127,457 | (1,407,854) | 322,145 |
| | ₩ <u>5,942,660</u> | <u>12,802,923</u> | ₩ <u>6,097,117</u> | <u>14,166,786</u> |

(In thousands of rupee)

| | 2017 | | 2016 | |
|--|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Interest expense | Rs 14,563 | 27,023 | Rs 10,396 | 21,124 |
| Foreign exchange transaction loss | 15,529 | 156,979 | 255,671 | 449,347 |
| Foreign exchange translation loss | 185,606 | 185,680 | 125,656 | 233,691 |
| Realized loss of financial derivatives | 85,814 | 122,683 | 34,212 | 81,572 |
| Unrealized loss(gain) of financial derivatives | 35,756 | 234,248 | (79,901) | 18,283 |
| | Rs <u>337,268</u> | <u>726,613</u> | Rs <u>346,034</u> | <u>804,017</u> |

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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 six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won)

| | 2017 | | 2016 | |
|--|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Loan and receivables | ₩ (3,938,768) | (216,207) | ₩ (5,206,804) | (8,116,836) |
| AFS financial assets | - | 6,000 | 5,000 | 11,000 |
| Derivatives financial assets (liabilities) | 1,961,494 | 1,135,288 | 6,036,120 | 4,546,052 |
| | ₩ (1,977,274) | 925,081 | ₩ 834,316 | (3,559,784) |

(In thousands of rupee)

| | 2017 | | 2016 | |
|--|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Loan and receivables | Rs (223,540) | (12,271) | Rs (295,505) | (460,660) |
| AFS financial assets | - | 341 | 284 | 624 |
| Derivatives financial assets (liabilities) | 111,322 | 64,432 | 342,572 | 258,005 |
| | Rs (112,218) | 52,502 | Rs 47,351 | (202,031) |

29. Earnings (losses) per Share

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

(In thousands of won, except per share information)

| | 2017 | | 2016 | |
|---|--------------------|------------------|--------------------|------------------|
| | Three-month period | Six-month period | Three-month period | Six-month period |
| Profit (loss) for the period | ₩ (4,449,677) | (19,294,032) | ₩ 16,372,604 | 18,438,340 |
| Profit (loss) contributed to common stocks | (4,449,677) | (19,294,032) | 16,372,604 | 18,438,340 |
| Weighted average number of common shares | 137,949,396 | 137,651,229 | 137,182,087 | 137,182,087 |
| Basic and diluted earnings (losses) per share (*) | ₩ (32) | (140) | ₩ 119 | 134 |

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29. Earnings (losses) per Share, Continued

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

(In thousands of rupee, except per share information)

| | | 2017 | | 2016 | |
|---|----|--------------------|------------------|--------------------|------------------|
| | | Three-month period | Six-month period | Three-month period | Six-month period |
| Profit (loss) for the period | Rs | (252,536) | (1,095,007) | Rs 929,206 | 1,046,444 |
| Profit (loss) contributed to common stocks | | (252,536) | (1,095,007) | 929,206 | 1,046,444 |
| Weighted average number of common shares | | 137,949,396 | 137,651,229 | 137,182,087 | 137,182,087 |
| Basic and diluted earnings (losses) per share (*) | Rs | (2) | (8) | Rs 7 | 8 |

(*) Diluted earnings (losses) per share for the six-month periods ended June 30, 2017 is the same as basic earnings (losses) per share, since there are no dilutive potential common shares.

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

| June 30, 2017 | | | |
|-------------------|-----------------------|----------------------|---------------------------|
| | Outstanding period | Common shares issued | Common shares outstanding |
| Beginning Issuing | 2017-01-01~2017-03-15 | 137,220,096 | 56,101,034 |
| | 2017-03-16~2017-06-30 | 137,949,396 | 81,550,195 |
| | | Total | 137,651,229 |

| June 30, 2016 | | | |
|---------------|-----------------------|----------------------|---------------------------|
| | Outstanding period | Common shares issued | Common shares outstanding |
| Beginning | 2016-01-01~2016-06-30 | 137,182,087 | 137,182,087 |

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30. Cash Flow from operating activities

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|---|---------------------|---------------------|---------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Profit (loss) for the period | ₩ (19,294,032) | 18,438,340 | Rs (1,095,007) | 1,046,444 |
| Adjustments for: | | | | |
| Retirement benefit costs | 22,789,486 | 24,662,424 | 1,293,387 | 1,399,684 |
| Depreciation | 60,655,992 | 62,479,399 | 3,442,452 | 3,545,936 |
| Amortization | 21,571,878 | 18,756,179 | 1,224,284 | 1,064,482 |
| Loss on disposal of trade receivables | 7,308,780 | 11,403,302 | 414,800 | 647,179 |
| Foreign exchange translation gain (loss) | 2,611,358 | 4,296,271 | 148,204 | 243,829 |
| Loss (Gain) on disposal of property, plant and equipment | (11,268) | 43,745 | (640) | 2,483 |
| Interest expense (income) | (893,551) | (904,558) | (50,713) | (51,337) |
| Dividends income | (6,000) | (11,000) | (341) | (624) |
| Unrealized loss(gain) of financial derivatives | 3,960,296 | (2,674,489) | 224,761 | (151,787) |
| Losses on valuation of inventories | 1,761,213 | 168,132 | 99,955 | 9,542 |
| Others | (253,774) | 48,276 | (14,401) | 2,740 |
| | <u>119,494,410</u> | <u>118,267,681</u> | <u>6,781,748</u> | <u>6,712,127</u> |
| Changes in assets and liabilities | | | | |
| Trade receivables | 54,775,812 | (47,572,406) | 3,108,729 | (2,699,910) |
| Other receivables | 877,331 | (746,675) | 49,792 | (42,377) |
| Inventories | (66,670,384) | 1,138,951 | (3,783,790) | 64,640 |
| Trade payables | (30,850,340) | (5,314,676) | (1,750,871) | (301,627) |
| Other payables | 50,302,476 | (17,571,979) | 2,854,851 | (997,275) |
| Accrued expenses | (5,979,932) | (5,683,320) | (339,383) | (322,549) |
| Provision of warranty for sale | (742,004) | 585,603 | (42,111) | 33,235 |
| Payment of retirement benefits | (13,244,547) | (13,971,785) | (751,677) | (792,950) |
| Others | 394,626 | 11,646,922 | 22,396 | 661,006 |
| | <u>(11,136,962)</u> | <u>(77,489,365)</u> | <u>(632,064)</u> | <u>(4,397,807)</u> |
| Net cash used in operating activities | ₩ <u>89,063,416</u> | <u>59,216,656</u> | Rs <u>5,054,677</u> | <u>3,360,764</u> |

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|---|--------------|-----------|--------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Changes in other payables related to the acquisition of property, plant and equipment | ₩ 10,243,342 | 4,777,525 | Rs 581,347 | 271,142 |

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31. Segment Information

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

2) Geographic sales information of the Company for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

| Sales region | Korean won | | Indian rupee | |
|-------------------|-----------------|---------------|---------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Republic of Korea | ₩ 1,355,091,828 | 1,248,555,927 | Rs 76,906,460 | 70,860,155 |
| Europe | 168,204,605 | 273,215,761 | 9,546,232 | 15,506,002 |
| Asia Pacific | 67,860,524 | 141,966,902 | 3,851,335 | 8,057,145 |
| Others | 97,529,805 | 110,794,006 | 5,535,176 | 6,287,969 |
| | ₩ 1,688,686,762 | 1,774,532,596 | Rs 95,839,203 | 100,711,271 |

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

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-----------------------|-----------------|---------------|---------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Automobile | ₩ 1,512,375,783 | 1,554,441,082 | Rs 85,832,905 | 88,220,266 |
| Merchandise and parts | 156,918,819 | 164,850,892 | 8,905,722 | 9,355,896 |
| Others | 19,392,160 | 55,240,622 | 1,100,576 | 3,135,109 |
| | ₩ 1,688,686,762 | 1,774,532,596 | Rs 95,839,203 | 100,711,271 |

32. Transactions and Balances with Related Parties

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

| Relationship | Company |
|---------------|---|
| Parent | Mahindra & Mahindra Ltd. |
| Subsidiaries | Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V. |
| Joint venture | SY Auto Capital Co., Ltd. |
| Others | Mahindra Vehicle Manufacturing 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 six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won)

| Relationship | Company | Description | 2017 | 2016 |
|---------------|---|----------------|-------------|------------|
| Parent | Mahindra & Mahindra Ltd. | Sales | ₩ 4,896,053 | 43,093,656 |
| | | Other income | 59,733 | - |
| | | Purchases | 437,299 | 406,278 |
| | | Other expenses | 312,434 | 32,195 |
| Subsidiaries | Ssangyong European Parts Center B.V. and other | Sales | 5,659,469 | 5,955,373 |
| | | Other expenses | - | 137 |
| Joint venture | SY Auto Capital Co., Ltd. | Other expenses | 7,221,104 | 10,619,750 |
| Others | Mahindra Vehicle Manufacturing Ltd. and others | Sales | 430,798 | 118,782 |
| | | Other expenses | 742,202 | 43,269 |

(In thousands of rupee)

| Relationship | Company | Description | 2017 | 2016 |
|---------------|---|----------------|------------|-----------|
| Parent | Mahindra & Mahindra Ltd. | Sales | Rs 277,869 | 2,445,724 |
| | | Other income | 3,390 | - |
| | | Purchases | 24,818 | 23,058 |
| | | Other expenses | 17,732 | 1,827 |
| Subsidiaries | Ssangyong European Parts Center B.V. and other | Sales | 321,196 | 337,989 |
| | | Other expenses | - | 8 |
| Joint venture | SY Auto Capital Co., Ltd. | Other expenses | 409,824 | 602,710 |
| Others | Mahindra Vehicle Manufacturing Ltd. and other | Sales | 24,449 | 6,741 |
| | | Other expenses | 42,123 | 2,456 |

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

(In thousands of won)

| Relationship | Company | Description | 2017 | 2016 |
|---------------|---|-------------------|-------------|------------|
| Parent | Mahindra & Mahindra Ltd. | Trade receivables | ₩ 4,001,722 | 2,693,260 |
| | | Other receivables | 224,666 | 60,430 |
| | | Other payables | 1,770,833 | 1,781,004 |
| Subsidiaries | Ssangyong European Parts Center B.V. and other | Trade receivables | 15,029,386 | 15,079,280 |
| | | Other receivables | 418,387 | 454,765 |
| | | Other payables | 27,373 | 450,982 |
| Joint venture | SY Auto Capital Co., Ltd. | Other payables | 319,142 | 91,887 |
| Others | Mahindra Vehicle Manufacturing Ltd. and others | Trade receivables | 132,145 | 15,977 |
| | | Other payables | 12,740 | 36,773 |

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32. Transactions and Balances with Related Parties, Continued

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

(In thousands of rupee)

| Relationship | Company | Description | 2017 | 2016 |
|---------------|---|----------------------|---------|---------|
| Parent | Mahindra & Mahindra Ltd. | Trade receivables Rs | 227,112 | 152,852 |
| | | Other receivables | 12,751 | 3,430 |
| | | Other payables | 100,501 | 101,079 |
| Subsidiaries | Ssangyong European Parts Center B.V. and other | Trade receivables | 852,973 | 855,805 |
| | | Other receivables | 23,745 | 25,810 |
| | | Other payables | 1,554 | 25,595 |
| Joint venture | SY Auto Capital Co., Ltd. | Other payables | 18,112 | 5,215 |
| Others | Mahindra Vehicle Manufacturing Ltd. and other | Trade receivables | 7,500 | 907 |
| | | Other payables | 723 | 2,087 |

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

(4) Loan and borrowing transaction with related parties for the six-month periods ended June 30, 2017 and 2016, does not exist.

(5) Executive compensation of the Company for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In thousands of won and in thousands of rupee)

| | | Korean won | | Indian rupee | |
|------------------------------|---|------------|---------|--------------|--------|
| | | 2017 | 2016 | 2017 | 2016 |
| Short-term employee benefits | ₩ | 324,545 | 303,972 | Rs 18,419 | 17,252 |
| Retirement benefits | | 10,856 | 11,786 | 616 | 669 |

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 and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary. There is no change in the overall capital risk management strategy of the Company compared to last year.

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

The Company is not subject to externally enforced capital regulation.

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June 30, 2017 and 2016

33. Financial Instruments, Continued

(1) Capital risk management, continued

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|----------------------------|-----------------|---------------|---------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Debt (A) | ₩ 1,365,340,039 | 1,350,614,216 | Rs 77,488,084 | 76,652,339 |
| Equity (B) | 809,155,592 | 820,169,960 | 45,922,565 | 46,547,671 |
| Debt-to-equity ratio (A/B) | 168.74% | 164.67% | 168.74% | 164.67% |

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

1) Financial assets

(In thousands of won)

| | June 30, 2017 | | | | | |
|---------------------------------|-----------------------|----------------------|---------------------------|---------------------------------|-------------|-------------|
| | Loans and Receivables | AFS financial assets | Financial assets at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Cash and cash equivalents | ₩ 180,883,176 | - | - | - | 180,883,176 | 180,883,176 |
| Long-term financial instruments | 4,000 | - | - | - | 4,000 | 4,000 |
| Trade and other receivables | 215,751,101 | - | - | - | 215,751,101 | 215,751,101 |
| AFS financial assets | - | 560,000 | - | - | 560,000 | 560,000 |
| Derivative assets | - | - | 104,194 | 709,367 | 813,561 | 813,561 |
| | ₩ 396,638,277 | 560,000 | 104,194 | 709,367 | 398,011,838 | 398,011,838 |

(In thousands of won)

| | December 31, 2016 | | | | | |
|---------------------------------|-----------------------|----------------------|---------------------------|---------------------------------|-------------|-------------|
| | Loans and Receivables | AFS financial assets | Financial assets at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Cash and cash equivalents | ₩ 234,657,416 | - | - | - | 234,657,416 | 234,657,416 |
| Long-term financial instruments | 6,000 | - | - | - | 6,000 | 6,000 |
| Trade and other receivables | 276,024,854 | - | - | - | 276,024,854 | 276,024,854 |
| AFS financial assets | - | 560,000 | - | - | 560,000 | 560,000 |
| Derivative assets | - | - | 445,691 | 310,344 | 756,035 | 756,035 |
| | ₩ 510,688,270 | 560,000 | 445,691 | 310,344 | 512,004,305 | 512,004,305 |

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June 30, 2017 and 2016

33. Financial Instruments, Continued

(1) Capital risk management, continued

1) Financial assets, continued

(In thousands of rupee)

| | | June 30, 2017 | | | | | |
|---------------------------------|----|----------------------------------|---------------------------------|--|--|-------------------|-------------------|
| | | Loans and Receivables | AFS financial assets | Financial assets at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Cash and cash equivalents | Rs | 10,265,788 | - | - | - | 10,265,788 | 10,265,788 |
| Long-term financial instruments | | 227 | - | - | - | 227 | 227 |
| Trade and other receivables | | 12,244,671 | - | - | - | 12,244,671 | 12,244,671 |
| AFS financial assets | | - | 31,782 | - | - | 31,782 | 31,782 |
| Derivative assets | | - | - | 5,913 | 40,259 | 46,172 | 46,172 |
| | Rs | <u>22,510,686</u> | <u>31,782</u> | <u>5,913</u> | <u>40,259</u> | <u>22,588,640</u> | <u>22,588,640</u> |

(In thousands of rupee)

| | | December 31, 2016 | | | | | |
|---------------------------------|----|----------------------------------|---------------------------------|--|--|-------------------|-------------------|
| | | Loans and Receivables | AFS financial assets | Financial assets at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Cash and cash equivalents | Rs | 13,317,674 | - | - | - | 13,317,674 | 13,317,674 |
| Long-term financial instruments | | 341 | - | - | - | 341 | 341 |
| Trade and other receivables | | 15,665,429 | - | - | - | 15,665,429 | 15,665,429 |
| AFS financial assets | | - | 31,782 | - | - | 31,782 | 31,782 |
| Derivative assets | | - | - | 25,295 | 17,613 | 42,908 | 42,908 |
| | Rs | <u>28,983,444</u> | <u>31,782</u> | <u>25,295</u> | <u>17,613</u> | <u>29,058,134</u> | <u>29,058,134</u> |

2) Financial liabilities

(In thousands of won)

| | | June 30, 2017 | | | | |
|--------------------------|---|---|---|--|--------------------|--------------------|
| | | Financial liability measured at amortized cost | Financial liabilities at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Trade and other payables | ₩ | 649,484,031 | - | - | 649,484,031 | 649,484,031 |
| Borrowings | | 194,551,641 | - | - | 194,551,641 | 194,551,641 |
| Derivative liabilities | | - | 3,881,686 | 113,436 | 3,995,122 | 3,995,122 |
| | ₩ | <u>844,035,672</u> | <u>3,881,686</u> | <u>113,436</u> | <u>848,030,794</u> | <u>848,030,794</u> |

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33. Financial Instruments, Continued

(1) Capital risk management, continued

2) Financial liabilities, continued

(In thousands of won)

| | | December 31, 2016 | | | | |
|--------------------------|---|---|---|--|--------------------|--------------------|
| | | Financial liability measured at amortized cost | Financial liabilities at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Trade and other payables | ₩ | 641,244,202 | - | - | 641,244,202 | 641,244,202 |
| Borrowings | | 194,467,721 | - | - | 194,467,721 | 194,467,721 |
| Derivative liabilities | | - | 2,833,061 | 2,965,745 | 5,798,806 | 5,798,806 |
| | ₩ | <u>835,711,923</u> | <u>2,833,061</u> | <u>2,965,745</u> | <u>841,510,729</u> | <u>841,510,729</u> |

(In thousands of rupee)

| | | June 30, 2017 | | | | |
|--------------------------|----|---|---|--|-------------------|-------------------|
| | | Financial liability measured at amortized cost | Financial liabilities at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Trade and other payables | Rs | 36,860,615 | - | - | 36,860,615 | 36,860,615 |
| Borrowings | | 11,041,523 | - | - | 11,041,523 | 11,041,523 |
| Derivative liabilities | | - | 220,300 | 6,438 | 226,738 | 226,738 |
| | Rs | <u>47,902,138</u> | <u>220,300</u> | <u>6,438</u> | <u>48,128,876</u> | <u>48,128,876</u> |

(In thousands of rupee)

| | | December 31, 2016 | | | | |
|--------------------------|----|---|---|--|-------------------|-------------------|
| | | Financial liability measured at amortized cost | Financial liabilities at FVTPL | Derivatives designated to hedge | Total | Fair value |
| Trade and other payables | Rs | 36,392,974 | - | - | 36,392,974 | 36,392,974 |
| Borrowings | | 11,036,761 | - | - | 11,036,761 | 11,036,761 |
| Derivative liabilities | | - | 160,787 | 168,316 | 329,103 | 329,103 |
| | Rs | <u>47,429,735</u> | <u>160,787</u> | <u>168,316</u> | <u>47,758,838</u> | <u>47,758,838</u> |

(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 factor.

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

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33. Financial Instruments, Continued

(3) Financial risk management, continued

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 June 30, 2017.

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

(In thousands of won and in thousands of rupee)

| Currency | Korean won | | Indian rupee | |
|----------|---------------|----------------|--------------|--------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | ₩ 1,732,843 | (1,732,843) Rs | 98,345 | (98,345) |
| EUR | (2,637,537) | 2,637,537 | (149,690) | 149,690 |
| JPY | (9,267,568) | 9,267,568 | (525,969) | 525,969 |
| Others | 1,100,430 | (1,100,430) | 62,454 | (62,454) |
| | ₩ (9,071,832) | 9,071,832 Rs | (514,860) | 514,860 |

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to ₩ 600,620 thousand (Rs 34,087 thousand), and this amount will be recognized as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months from the end of current period.

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease or increase in ₩ 142,568 thousand (Rs 8,091 thousand) for the six-month periods ended June 30, 2017, due to floating rate debt's interest rate risk.

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June 30, 2017 and 2016

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.

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

(In thousands of won and in thousands of rupee)

| | Korean won | | Indian rupee | |
|-----------------------------|---------------|-------------|---------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Trade and other receivables | ₩ 215,751,101 | 276,024,854 | Rs 12,244,671 | 15,665,429 |

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 June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

| | June 30, 2017 | | |
|--------------------------|---------------|-------------|-------------|
| | Within a year | Over 1 year | Total |
| Trade payables | ₩ 451,544,764 | - | 451,544,764 |
| Other payables | 193,771,920 | - | 193,771,920 |
| Short-term borrowings(*) | 187,865,274 | - | 187,865,274 |
| Derivatives liabilities | 3,995,122 | - | 3,995,122 |
| Other payables | 819,030 | - | 819,030 |
| Long-term borrowings(*) | - | 7,796,741 | 7,796,741 |
| Long-term other payables | - | 3,348,317 | 3,348,317 |
| | ₩ 837,996,110 | 11,145,058 | 849,141,168 |

(*) Including expected interest expenses.

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June 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

| | | December 31, 2016 | | |
|--------------------------|---|--------------------------|--------------------|--------------------|
| | | Within a year | Over 1 year | Total |
| Trade payables | ₩ | 482,375,280 | - | 482,375,280 |
| Other payables | | 152,502,510 | - | 152,502,510 |
| Short-term borrowings(*) | | 183,588,225 | - | 183,588,225 |
| Derivatives liabilities | | 5,798,806 | - | 5,798,806 |
| Other payables | | 859,341 | - | 859,341 |
| Long-term borrowings(*) | | - | 13,145,534 | 13,145,534 |
| Long-term other payables | | - | 5,507,071 | 5,507,071 |
| | ₩ | <u>825,124,162</u> | <u>18,652,605</u> | <u>843,776,767</u> |

(In thousands of rupee)

| | | June 30, 2017 | | |
|--------------------------|----|----------------------|--------------------|-------------------|
| | | Within a year | Over 1 year | Total |
| Trade payables | Rs | 25,626,831 | - | 25,626,831 |
| Other payables | | 10,997,272 | - | 10,997,272 |
| Short-term borrowings(*) | | 10,662,047 | - | 10,662,047 |
| Derivatives liabilities | | 226,738 | - | 226,738 |
| Other payables | | 46,483 | - | 46,483 |
| Long-term borrowings(*) | | - | 442,494 | 442,494 |
| Long-term other payables | | - | 190,029 | 190,029 |
| | Rs | <u>47,559,371</u> | <u>632,523</u> | <u>48,191,894</u> |

(In thousands of rupee)

| | | December 31, 2016 | | |
|--------------------------|----|--------------------------|--------------------|-------------------|
| | | Within a year | Over 1 year | Total |
| Trade payables | Rs | 27,376,577 | - | 27,376,577 |
| Other payables | | 8,655,079 | - | 8,655,079 |
| Short-term borrowings(*) | | 10,419,309 | - | 10,419,309 |
| Derivatives liabilities | | 329,104 | - | 329,104 |
| Other payables | | 48,771 | - | 48,771 |
| Long-term borrowings(*) | | - | 746,057 | 746,057 |
| Long-term other payables | | - | 312,547 | 312,547 |
| | Rs | <u>46,828,840</u> | <u>1,058,604</u> | <u>47,887,444</u> |

(*) Including expected interest expenses.

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June 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

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

(In thousands of won and in thousands of rupee)

| | | Korean won | | Indian rupee | |
|--|--------|---------------|-------------|---------------|------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Limitation of commitments for Borrowings | Used | ₩ 57,500,000 | 67,500,000 | Rs 3,263,337 | 3,830,874 |
| | Unused | 132,000,000 | 132,000,000 | 7,491,487 | 7,491,487 |
| | | ₩ 189,500,000 | 199,500,000 | Rs 10,754,824 | 11,322,361 |

(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.

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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 June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair value</u> |
|--------------------------------|---|----------------|----------------|----------------|-------------------|
| As of June 30, 2017 | | | | | |
| Derivatives assets | ₩ | - | 813,561 | - | 813,561 |
| Derivatives liabilities | | - | 3,995,122 | - | 3,995,122 |
| As of December 31, 2016 | | | | | |
| Derivatives assets | ₩ | - | 756,035 | - | 756,035 |
| Derivatives liabilities | | - | 5,798,806 | - | 5,798,806 |

(In thousands of rupee)

| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair value</u> |
|--------------------------------|----|----------------|----------------|----------------|-------------------|
| As of June 30, 2017 | | | | | |
| Derivatives assets | Rs | - | 46,173 | - | 46,173 |
| Derivatives liabilities | | - | 226,738 | - | 226,738 |
| As of December 31, 2016 | | | | | |
| Derivatives assets | Rs | - | 42,908 | - | 42,908 |
| Derivatives liabilities | | - | 329,104 | - | 329,104 |

4) The Company measures the foreign exchange forward contract derivative assets: ₩ 813,561 thousand (Rs 46,173 thousand), derivative liabilities: ₩ 3,995,122 thousand (Rs 226,738 thousand) based on the forward rate announced officially in the market as of June 30, 2017. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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