

SSANGYONG MOTOR COMPANY

Separate Interim Financial Statements

(Unaudited)

March 31, 2018 and 2017

(With Independent Auditors' Review Report Thereon)

Contents

	Page
Independent Auditors' Review Report	1
Separate Interim Statements of Financial Position	3
Separate Interim Statements of Comprehensive Loss	5
Separate Interim Statements of Changes in Equity	6
Separate Interim Statements of Cash Flows	8
Notes to the Separate Interim Financial Statements	9

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Ssangyong Motor Company

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company, expressed in Korea won, which comprise the separate interim statement of financial position as of March 31, 2018, the separate interim statements of comprehensive income for the three-month periods ended March 31, 2018 and 2017, the separate interim statements of changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

The separate statement of financial position of the Company as of December 31, 2017, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 16, 2018, expressed an unqualified opinion. The statement of financial position of the company as of December 31, 2017, presented for comparative purposes, is not different from the audited separate statements in all material respects.

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

The accompanying separate interim financial statements as of and for the three-month periods ended March 31, 2018 and 2017 have been translated into Indian Rupee solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the separate interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(1) to the separate interim financial statements.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 14, 2018

This report is effective as of May 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of March 31, 2018, and December 31, 2017

(In thousands of won and in thousands of rupee)

	<i>Note</i>	Korean won		Indian rupee	
		2018	2017	2018	2017
Assets					
Cash and cash equivalents	4,5,33 ₩	186,627,444	212,521,514	Rs 11,338,241	12,911,392
Trade and other receivables, net	7,32,33	181,781,483	211,750,192	11,043,833	12,864,532
Derivative assets	25,33	892,356	-	54,214	-
Inventories, net	8,24	225,228,039	223,537,426	13,683,356	13,580,646
Other current assets	10	14,684,059	7,497,721	892,105	455,511
Total current assets		609,213,381	655,306,853	37,011,749	39,812,081
Non-current financial instruments	5,33	4,000	4,000	243	243
Non-current other receivables, net	7,32,33	42,780,275	39,637,401	2,599,045	2,408,105
Available-for-sale financial assets	6,33	560,000	560,000	34,022	34,022
Property, plant and equipment, net	11,13	1,229,091,166	1,239,668,891	74,671,395	75,314,027
Intangible assets, net	11,12	307,337,221	303,268,722	18,671,762	18,424,588
Investments in subsidiaries	9	1,056,486	1,056,486	64,185	64,185
Investments in joint venture	9	10,200,000	10,200,000	619,684	619,684
Other non-current assets	10	273,261	273,283	16,602	16,603
Total non-current assets		1,591,302,409	1,594,668,783	96,676,938	96,881,457
Total assets		₩ 2,200,515,790	2,249,975,636	Rs 133,688,687	136,693,538

See accompanying notes to the separate interim financial statements.

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

As of March 31, 2018, and December 31, 2017

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2018	2017	2018	2017
Liabilities					
Trade and other payables	14,18,32,33	₩ 747,088,611	752,417,705	Rs 45,388,129	45,711,890
Short-term borrowings	13,18,30,33	151,311,765	163,840,987	9,192,695	9,953,887
Derivative liabilities	25,33	385,950	409,259	23,448	24,864
Provision of warranty for sale					
- current	15	50,928,139	53,046,748	3,094,055	3,222,767
Other long-term employee					
benefits liabilities- current		601,763	1,190,438	36,559	72,323
Other current liabilities	16	37,250,317	35,145,612	2,263,081	2,135,214
Total current liabilities		<u>987,566,545</u>	<u>1,006,050,749</u>	<u>59,997,967</u>	<u>61,120,945</u>
Long-term borrowings	13,18,30,33	70,000,000	70,000,000	4,252,734	4,252,734
Non-current other payables	33	3,005,134	3,374,007	182,573	204,981
Other non-current liabilities	16	2,923,793	-	177,630	-
Defined benefit liabilities	17	287,599,279	284,563,123	17,472,617	17,288,161
Other long-term employee					
benefits liabilities		15,469,770	15,138,490	939,840	919,714
Non-current provision of					
warranty for sale	15	89,694,381	93,192,809	5,449,233	5,661,775
Total non-current liabilities		<u>468,692,357</u>	<u>466,268,429</u>	<u>28,474,627</u>	<u>28,327,365</u>
Total liabilities		₩ <u>1,456,258,902</u>	<u>1,472,319,178</u>	<u>88,472,594</u>	<u>89,448,310</u>
Equity					
Capital stock	19	689,746,980	689,746,980	41,904,434	41,904,434
Other capital surplus	20	87,909,478	133,141,920	5,340,794	8,088,816
Other equity	21	770,560	-	46,814	-
Accumulated deficit	22	(34,170,130)	(45,232,442)	(2,075,949)	(2,748,022)
Total equity		₩ <u>744,256,888</u>	<u>777,656,458</u>	<u>45,216,093</u>	<u>47,245,228</u>
Total liabilities and equity		₩ <u>2,200,515,790</u>	<u>2,249,975,636</u>	Rs <u>133,688,687</u>	<u>136,693,538</u>

See accompanying notes to the separate interim financial statements.

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

For the three-month periods ended March 31, 2018 and 2017

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

	Note	Korean won		Indian rupee	
		2018	2017	2018	2017
Sales	31,32 ₩	806,787,584	787,173,805	49,015,042	47,823,439
Cost of sales	24,32	717,542,474	672,558,334	43,593,103	40,860,166
Gross profit		<u>89,245,110</u>	<u>114,615,471</u>	<u>5,421,939</u>	<u>6,963,273</u>
Selling, general and administrative expenses	24,26	120,365,926	130,624,092	7,312,633	7,935,850
Operating loss		<u>(31,120,816)</u>	<u>(16,008,621)</u>	<u>(1,890,694)</u>	<u>(972,577)</u>
Other income	27,32	3,381,705	8,057,790	205,450	489,538
Other expenses	27,32	2,028,451	9,795,880	123,235	595,133
Finance income	28	3,175,841	9,762,618	192,943	593,112
Finance costs	25,28	7,575,168	6,860,263	460,217	416,784
Loss before income taxes		<u>(34,166,889)</u>	<u>(14,844,356)</u>	<u>(2,075,753)</u>	<u>(901,844)</u>
Income tax expenses	23	-	-	-	-
Loss for the period		<u>(34,166,889)</u>	<u>(14,844,356)</u>	<u>(2,075,753)</u>	<u>(901,844)</u>
Other comprehensive income for the period	21,22	767,319	9,854,379	46,618	598,686
Items that will never be reclassified to loss:					
Defined benefit plan re-measurements	17	(3,241)	(2,811)	(196)	(171)
Items that are or may be reclassified subsequently to profit:					
Effective portion of changes in fair value of cash flow hedge	21,25	770,560	9,857,190	46,814	598,857
Total comprehensive loss for the period	₩	<u>(33,399,570)</u>	<u>(4,989,977)</u>	<u>(2,029,135)</u>	<u>(303,158)</u>
Losses per share					
Basic and diluted losses per share	29 ₩	(248)	(108)	Rs (15)	(7)

See accompanying notes to the separate interim financial statements.

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

For the three-month periods ended March 31, 2018 and 2017

(In thousands of won)

	Korean 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, 2017	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	(2,574,700)	4,965,820	820,169,960
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(14,844,356)	(14,844,356)
Defined benefit plan re-measurements	-	-	-	-	-	-	(2,811)	(2,811)
Changes in fair value of cash flow hedge	-	-	-	-	-	9,857,190	-	9,857,190
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 March 31, 2017	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	7,282,490	(9,881,347)	820,290,043
Balance at January 1, 2018	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	-	(45,232,442)	777,656,458
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(34,166,889)	(34,166,889)
Defined benefit plan re-measurements	-	-	-	-	-	-	(3,241)	(3,241)
Changes in fair value of cash flow hedge	-	-	-	-	-	770,560	-	770,560
Transactions with owners of the Parent Company, recognized directly in equity:								
Disposition of deficit	-	-	(44,127,304)	-	(1,105,138)	-	45,232,442	-
Balance at March 31, 2018	₩ 689,746,980	12,916,273	74,061,697	931,508	-	770,560	(34,170,130)	744,256,888

See accompanying notes to the separate interim financial statements.

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

For the three-month periods ended March 31, 2018 and 2017

(In thousands of rupee)

	Indian rupee								
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Retained earnings (Accumulated deficit)	Total	
Balance at January 1, 2017	Rs	41,682,897	695,791	7,180,377	56,591	67,141	(156,422)	301,690	49,828,065
Total comprehensive income(loss) for the period:									
Loss for the period		-	-	-	-	-	-	(901,844)	(901,844)
Defined benefit plan re-measurements		-	-	-	-	-	-	(171)	(171)
Changes in fair value of cash flow hedge		-	-	-	-	-	598,857	-	598,857
Transactions with owners of the Parent Company, recognized directly in equity:									
Issue of ordinary shares		221,537	88,916	-	-	-	-	-	310,453
Balance at March 31, 2017	Rs	<u>41,904,434</u>	<u>784,707</u>	<u>7,180,377</u>	<u>56,591</u>	<u>67,141</u>	<u>442,435</u>	<u>(600,325)</u>	<u>49,835,360</u>
Balance at January 1, 2018	Rs	41,904,434	784,707	7,180,377	56,591	67,141	-	(2,748,022)	47,245,228
Total comprehensive income(loss) for the period:									
Loss for the period		-	-	-	-	-	-	(2,075,753)	(2,075,753)
Defined benefit plan re-measurements		-	-	-	-	-	-	(196)	(196)
Changes in fair value of cash flow hedge		-	-	-	-	-	46,814	-	46,814
Transactions with owners of the Parent Company, recognized directly in equity:									
Disposition of deficit		-	-	(2,680,881)	-	(67,141)	-	2,748,022	-
Balance at March 31, 2018	Rs	<u>41,904,434</u>	<u>784,707</u>	<u>4,499,496</u>	<u>56,591</u>	<u>-</u>	<u>46,814</u>	<u>(2,075,949)</u>	<u>45,216,093</u>

See accompanying notes to the separate interim financial statements.

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

For the three-month periods ended March 31, 2018 and 2017

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Cash flows from operating activities				
Loss for the period	₩ (34,166,889)	(14,844,356) Rs	(2,075,753)	(901,844)
Adjustment	73,648,343	58,500,818	4,474,383	3,554,120
Changes in assets and liabilities	13,397,609	(56,838,125)	813,950	(3,453,106)
Cash generated from operations (note 30)	52,879,063	(13,181,663)	3,212,580	(800,830)
Interest received	601,632	738,584	36,550	44,871
Interest paid	(1,166,324)	(761,432)	(70,858)	(46,260)
Dividends received	6,000	6,000	365	365
Net cash provided by (used in) operating activities	52,320,371	(13,198,511)	3,178,637	(801,854)
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	140,616	7,757	8,543	471
Acquisition of property, plant and equipment	(41,496,104)	(30,263,624)	(2,521,027)	(1,838,616)
Acquisition of intangible assets	(21,153,476)	(22,156,747)	(1,285,145)	(1,346,096)
Cash flow used in other investing activities	(43,910)	(1,584,212)	(2,666)	(96,246)
Net cash used in investing activities	(62,552,874)	(53,996,826)	(3,800,295)	(3,280,487)
Cash flows from financing activities				
Proceeds from borrowings	-	9,739,283	-	591,694
Proceeds from issuing capital stock	-	5,110,060	-	310,453
Repayment of borrowings	(15,661,567)	-	(951,493)	-
Net cash provided by (used in) financing activities	(15,661,567)	14,849,343	(951,493)	902,147
Net decrease in cash and cash equivalents	(25,894,070)	(52,345,994)	(1,573,151)	(3,180,194)
Cash and cash equivalents at January 1	212,521,514	234,657,416	12,911,392	14,256,222
Cash and cash equivalents at March 31	₩ 186,627,444	182,311,422 Rs	11,338,241	11,076,028

See accompanying notes to the separate interim financial statements.

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

For the three-month periods ended March 31, 2018 and 2017

1. General Description of the Company

(1) Organization and description of business of the Company

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

(2) Major shareholders

As of March 31, 2018, the Company's shareholders are as follows:

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

2. Basis of Preparation and Accounting Policies

(1) Basis of translating separate interim financial statements

The separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 16.46 to INR 1 on March 31, 2018, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

(2) Statement of compliance

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

These separate interim financial statements were prepared in accordance with K-IFRS 1034, 'Interim Financial Reporting' as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2017. These separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These separate interim financial statements are separate interim financial statements prepared in accordance with K-IFRS 1027, 'Separate Financial Statements' presented by a parent, an investor in an associate or a venturer in a joint venture, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Company has initially applied K-IFRS 1109 'Financial Instruments' and K-IFRS 1115 'Revenue from Contracts with Customers' for preparation of the separate interim financial statements as of and for the three months ended March 31, 2018. The significant changes in accounting policies are described in note 2.(4).

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(3) Use of estimates and judgments

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

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

(4) Changes in accounting Policies

New standard, interpretations, and changes in accounting policies resulting from the adoption of them are as follows. The changes in accounting policies described below will be also reflected in the annual financial statements for the year ending December 31, 2018.

① K-IFRS No.1115, Revenue from Contracts with Customers

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

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

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

The effect of adoption of the K-IFRS 1115 on the separate interim statement of financial position as of March 31, 2018 the separate interim statement comprehensive loss for the three-month period ended March 31, 2018 are as follows. The effect on the separate interim statement of cash flow for the three-month period ended March 31, 2018 is not significant.

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policy, continued

1) Impact on the separate interim statements of financial position

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	₩	606,299,621	609,213,381	2,913,760
Non-current assets		1,591,302,409	1,591,302,409	-
Total assets		<u>2,197,602,030</u>	<u>2,200,515,790</u>	<u>2,913,760</u>
Current liabilities		983,509,286	987,566,545	4,057,259
Non-current liabilities		467,627,165	468,692,357	1,065,192
Total liabilities		<u>1,451,136,451</u>	<u>1,456,258,902</u>	<u>5,122,451</u>
Total equity	₩	<u>746,465,579</u>	<u>744,256,888</u>	<u>(2,208,691)</u>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	Rs	36,834,729	37,011,749	177,020
Non-current assets		96,676,939	96,676,939	-
Total assets		<u>133,511,668</u>	<u>133,688,688</u>	<u>177,020</u>
Current liabilities		59,751,475	59,997,967	246,492
Non-current liabilities		28,409,913	28,474,627	64,714
Total liabilities		<u>88,161,388</u>	<u>88,472,594</u>	<u>311,206</u>
Total equity	Rs	<u>45,350,280</u>	<u>45,216,094</u>	<u>(134,186)</u>

2) Impact on the separate interim statements of comprehensive losses

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	₩	814,550,106	806,787,584	(7,762,522)
Cost of sales		713,494,098	717,542,474	4,048,376
Selling, general and administrative expenses		129,391,931	120,365,926	(9,026,005)
Loss for the period	₩	<u>(31,958,198)</u>	<u>(34,166,889)</u>	<u>(2,208,691)</u>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	Rs	49,486,641	49,015,042	(471,599)
Cost of sales		43,347,151	43,593,103	245,952
Selling, general and administrative expenses		7,860,992	7,312,632	(548,360)
Loss for the period	Rs	<u>(1,941,567)</u>	<u>(2,075,753)</u>	<u>(134,186)</u>

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policy, continued

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

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

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

② Amendments to K-IFRS No. 1109 : Financial Instruments

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

Classification and measurement of financial assets

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

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

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

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

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

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

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policy, continued

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

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

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

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

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

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

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

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policy, continued

The results of the classification and measurement of financial assets (excluding derivatives) held by the company as of March 31, 2018 are as follows:

(In thousands of won)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Carrying amount	Classification	Carrying amount
Cash and cash equivalents	Loan and receivables	₩ 186,627,444	Amortised cost	₩ 186,627,444
Trade receivables	Loan and receivables	168,112,659	Amortised cost	168,112,659
Other receivables	Loan and receivables	3,499,461	Amortised cost	3,499,461
Loans and others	Loan and receivables	8,452,758	Amortised cost	8,452,758
Long-term financial instruments	Loan and receivables	4,000	Amortised cost	4,000
Long-term loans and others	Loan and receivables	42,780,275	Amortised cost	42,780,275
AFS financial assets(*)	AFS financial assets	560,000	FVTPL	560,000

(In thousands of rupee)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Carrying amount	Classification	Carrying amount
Cash and cash equivalents	Loan and receivables	Rs 11,338,241	Amortised cost	Rs 11,338,241
Trade receivables	Loan and receivables	10,213,406	Amortised cost	10,213,406
Other receivables	Loan and receivables	212,604	Amortised cost	212,604
Loans and others	Loan and receivables	513,533	Amortised cost	513,533
Long-term financial instruments	Loan and receivables	243	Amortised cost	243
Long-term loans and others	Loan and receivables	2,599,045	Amortised cost	2,599,045
AFS financial assets(*)	AFS financial assets	34,022	FVTPL	34,022

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

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

For the three-month periods ended March 31, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policy, continued

Impairment: Financial assets and contract assets

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

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

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

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

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

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

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

As of March 31, 2018, the Company has recognized loss allowances amounting to ₩ 3,886 million for loans and receivables. The Company has chosen its accounting policy to measure the loss allowance at an amount equal to lifetime expected assets if the trade receivables or contract assets contain a significant financing component, and plan to use practical simplification method that the credit risk on a financial instrument has not increased significantly at the reporting date.

Hedge accounting

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

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

For the three-month periods ended March 31, 2018 and 2017

3. Significant Accounting Policies

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

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

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

Amendments to K-IFRS No.1116: Leases

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

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

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

4. Cash and Cash Equivalents

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

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

For the three-month periods ended March 31, 2018 and 2017

5. Restricted Financial Instruments

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

(In thousands of won and in thousands of rupee)

	Financial institution		Korean won		Indian rupee		Description
			2018	2017	2018	2017	
Cash and cash equivalents	Shinhan Bank and others	₩	926,518	1,108,695	Rs 56,289	67,357	Litigated asset, government grants and others
Long-term financial instruments	Woori Bank		748,957	748,483	45,502	45,473	Unconfirmed reorganization debt pledged as collateral
	Shinhan Bank and others		4,000	4,000	243	243	Bank account deposit
		₩	<u>1,679,475</u>	<u>1,861,178</u>	Rs <u>102,034</u>	<u>113,073</u>	

6. Available-for sale Financial Assets

Available-for sale financial assets as of March 31, 2018 and December 31, 2017 are as follows:

(In thousands of won)

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

(In thousands of rupee)

	Ownership (%)		2018			2017
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	30,377	43,050	30,377	30,377
Korea Management Consultants Association(*)	1.50		3,645	46,357	3,645	3,645
		Rs	<u>34,022</u>	<u>89,407</u>	<u>34,022</u>	<u>34,022</u>

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

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

For the three-month periods ended March 31, 2018 and 2017

7. Trade and Other Receivables

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

(In thousands of won)

	2018		2017	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 168,230,842	6,282,632	195,038,354	6,223,160
Less: Allowance for doubtful accounts	(118,183)	-	(126,715)	-
Other receivables	8,922,840	147,500	8,679,435	147,594
Less: Allowance for doubtful accounts	(3,706,774)	(44,250)	(3,723,780)	(44,250)
Loans and others	8,456,157	36,406,655	11,886,976	33,322,231
Less: Allowance for doubtful accounts	(3,399)	(12,262)	(4,078)	(11,334)
	₩ 181,781,483	42,780,275	211,750,192	39,637,401

(In thousands of rupee)

	2018		2017	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 10,220,586	381,691	11,849,232	378,078
Less: Allowance for doubtful accounts	(7,180)	-	(7,698)	-
Other receivables	542,092	8,961	527,305	8,967
Less: Allowance for doubtful accounts	(225,199)	(2,688)	(226,232)	(2,688)
Loans and others	513,741	2,211,826	722,173	2,024,437
Less: Allowance for doubtful accounts	(207)	(745)	(248)	(689)
	Rs 11,043,833	2,599,045	12,864,532	2,408,105

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

(In thousands of won)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 174,513,474	50,074,700	201,261,514	50,164,648
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	-	3,858,452	-	3,871,588
	₩ 174,513,474	53,933,152	201,261,514	54,036,236

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs 10,602,277	3,042,206	12,227,310	3,047,670
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	-	234,414	-	235,212
	Rs 10,602,277	3,276,620	12,227,310	3,282,882

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

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

For the three-month periods ended March 31, 2018 and 2017

7. Trade and Other Receivables, Continued

(3) Changes in allowance for trade and other receivables for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 126,715	3,783,442	93,208	123,730
Bad debt expense	-	928	-	13,780
Reversal of allowance for bad debts	(8,532)	(17,685)	(70,256)	-
Ending balance	₩ 118,183	3,766,685	22,952	137,510

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 7,698	229,857	5,663	7,517
Bad debt expense	-	56	-	837
Reversal of allowance for bad debts	(518)	(1,074)	(4,268)	-
Ending balance	Rs 7,180	228,839	1,395	8,354

8. Inventories

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Merchandises	₩ 37,531,700	34,648,961	Rs 2,280,176	2,105,040
Finished goods	68,917,789	66,624,320	4,186,986	4,047,650
Work-in-process	35,558,969	29,867,552	2,160,326	1,814,554
Raw materials	30,229,023	33,097,439	1,836,514	2,010,780
Sub-materials	407,650	414,413	24,766	25,177
Supplies	3,629,573	3,632,719	220,509	220,700
Goods in transit	48,953,335	55,252,022	2,974,079	3,356,745
	₩ 225,228,039	223,537,426	Rs 13,683,356	13,580,646

The Company has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 2,118,748 thousand (Rs 128,721 thousand) for the three-month periods ended March 31, 2018 is included in cost of sales.

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

For the three-month periods ended March 31, 2018 and 2017

9. Investments in Subsidiaries and a Joint venture

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

(In thousands of won)

	Company	Location	Owner ship	Closing month		2018		2017
						Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	₩	5,338,097	1,056,486	1,056,486
	Ssangyong European Parts Center B.V.	Netherlands	100%	December		835,695	-	-
						6,173,792	1,056,486	1,056,486
Joint venture	SY Auto Capital Co., Ltd.(*)	Korea	51%	December		10,200,000	10,200,000	10,200,000
					₩	16,373,792	11,256,486	11,256,486

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

(In thousands of rupee)

	Company	Location	Owner ship	Closing month		2018		2017
						Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Rs	324,307	64,185	64,185
	Ssangyong European Parts Center B.V.	Netherlands	100%	December		50,771	-	-
						375,078	64,185	64,185
Joint venture	SY Auto Capital Co., Ltd.(*)	Korea	51%	December		619,684	619,684	619,684
					Rs	994,762	683,869	683,869

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

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

For the three-month periods ended March 31, 2018 and 2017

10. Other Assets

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Other current assets				
Advance payments	₩ 2,193,907	1,741,178	Rs 133,286	105,782
Prepaid expenses	12,080,487	5,423,950	733,930	329,523
Current tax assets	409,665	332,593	24,889	20,206
	<u>14,684,059</u>	<u>7,497,721</u>	<u>892,105</u>	<u>455,511</u>
Other non-current assets				
Other non-current assets	₩ 273,261	273,283	Rs 16,602	16,603

11. Property, Plant and Equipment

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

(In thousands of won)

	2018				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,062,920	-	-	-	475,062,920
Buildings	543,315,735	(1,830,415)	(220,269,083)	(148,366,786)	172,849,451
Structures	111,559,074	(105,816)	(64,584,275)	(28,913,882)	17,955,101
Machinery	1,312,029,763	(228,630)	(1,041,284,572)	(95,272,222)	175,244,339
Vehicles	7,932,658	(7,028)	(5,841,425)	(574,178)	1,510,027
Tools and molds	1,251,362,346	(29,880)	(765,706,085)	(158,759,823)	326,866,558
Equipment	67,711,517	(40,405)	(49,292,404)	(3,351,229)	15,027,479
Construction in progress	44,575,291	-	-	-	44,575,291
	<u>₩ 3,813,549,304</u>	<u>(2,242,174)</u>	<u>(2,146,977,844)</u>	<u>(435,238,120)</u>	<u>1,229,091,166</u>

(In thousands of won)

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

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

For the three-month periods ended March 31, 2018 and 2017

11. Property, Plant and Equipment, Continued

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

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	28,861,660	-	-	-	28,861,660
Buildings		33,008,246	(111,204)	(13,382,083)	(9,013,778)	10,501,181
Structures		6,777,587	(6,429)	(3,923,711)	(1,756,615)	1,090,832
Machinery		79,710,192	(13,890)	(63,261,517)	(5,788,106)	10,646,679
Vehicles		481,935	(427)	(354,886)	(34,883)	91,739
Tools and molds		76,024,444	(1,815)	(46,519,203)	(9,645,190)	19,858,236
Equipment		4,113,701	(2,455)	(2,994,678)	(203,598)	912,970
Construction in progress		2,708,098	-	-	-	2,708,098
	Rs	<u>231,685,863</u>	<u>(136,220)</u>	<u>(130,436,078)</u>	<u>(26,442,170)</u>	<u>74,671,395</u>

(In thousands of rupee)

		2017				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	28,861,660	-	-	-	28,861,660
Buildings		33,001,664	(112,127)	(13,216,555)	(9,013,778)	10,659,204
Structures		6,675,087	(6,748)	(3,896,101)	(1,756,615)	1,015,623
Machinery		78,858,515	(15,862)	(62,772,861)	(5,802,479)	10,267,313
Vehicles		465,977	(450)	(358,215)	(35,453)	71,859
Tools and molds		72,955,309	(1,896)	(45,178,903)	(9,645,828)	18,128,682
Equipment		4,100,692	(2,577)	(2,897,032)	(203,772)	997,311
Construction in progress		5,312,375	-	-	-	5,312,375
	Rs	<u>230,231,279</u>	<u>(139,660)</u>	<u>(128,319,667)</u>	<u>(26,457,925)</u>	<u>75,314,027</u>

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

For the three-month periods ended March 31, 2018 and 2017

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩	475,062,920	-	-	-	-	475,062,920
Buildings		175,450,508	-	(352)	(2,709,401)	108,696	172,849,451
Structures		16,717,153	-	-	(449,200)	1,687,148	17,955,101
Machinery		168,999,971	22,000	(4,768)	(8,205,326)	14,432,462	175,244,339
Vehicles		1,182,791	83,297	(174,948)	(100,114)	519,001	1,510,027
Tools and molds		298,398,114	449,900	(52,384)	(22,101,490)	50,172,418	326,866,558
Equipment		16,415,748	263,605	(5,332)	(1,646,542)	-	15,027,479
Construction in progress		87,441,686	23,344,073	-	-	(66,210,468)	44,575,291
	₩	<u>1,239,668,891</u>	<u>24,162,875</u>	<u>(237,784)</u>	<u>(35,212,073)</u>	<u>709,257</u>	<u>1,229,091,166</u>

(In thousands of won)

		2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	18,611	(1,039)	(2,630,274)	807,000	179,786,685
Structures		16,779,735	-	(230)	(438,594)	-	16,340,911
Machinery		173,322,039	-	(1,215)	(7,470,897)	1,899,123	167,749,050
Vehicles		1,004,920	49,570	(4)	(127,054)	178,983	1,106,415
Tools and molds		227,760,362	640,460	(739)	(15,998,515)	9,529,625	221,931,193
Equipment		19,234,497	427,755	(8,926)	(1,746,010)	-	17,907,316
Construction in progress		103,179,053	14,059,544	-	-	(11,545,272)	105,693,325
Machinery in transit		1,016,181	239,637	-	-	(440,973)	814,845
	₩	<u>1,198,961,457</u>	<u>15,435,577</u>	<u>(12,153)</u>	<u>(28,411,344)</u>	<u>428,486</u>	<u>1,186,402,023</u>

(*) Capitalized borrowing costs in respect of construction in progress are ₩ 190,256 thousand (2017: ₩ 249,503 thousand) and ₩ 519,001 thousand (2017: ₩ 178,983 thousand) which are transferred from inventory to vehicles during the three-month periods ended March 31, 2018 and 2017, respectively.

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

For the three-month periods ended March 31, 2018 and 2017

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,861,660	-	-	-	-	28,861,660
Buildings		10,659,204	-	(21)	(164,605)	6,603	10,501,181
Structures		1,015,623	-	-	(27,291)	102,500	1,090,832
Machinery		10,267,313	1,336	(289)	(498,501)	876,820	10,646,679
Vehicles		71,859	5,061	(10,630)	(6,082)	31,531	91,739
Tools and molds		18,128,682	27,333	(3,183)	(1,342,739)	3,048,143	19,858,236
Equipment		997,311	16,015	(323)	(100,033)	-	912,970
Construction in progress		5,312,375	1,418,230	-	-	(4,022,507)	2,708,098
	Rs	<u>75,314,027</u>	<u>1,467,975</u>	<u>(14,446)</u>	<u>(2,139,251)</u>	<u>43,090</u>	<u>74,671,395</u>

(In thousands of rupee)

		2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,862,229	-	-	-	-	28,862,229
Buildings		11,032,344	1,131	(63)	(159,798)	49,028	10,922,642
Structures		1,019,425	-	(14)	(26,646)	-	992,765
Machinery		10,529,894	-	(74)	(453,882)	115,377	10,191,315
Vehicles		61,052	3,012	-	(7,719)	10,873	67,218
Tools and molds		13,837,203	38,909	(44)	(971,963)	578,957	13,483,062
Equipment		1,168,560	25,987	(542)	(106,076)	-	1,087,929
Construction in progress		6,268,472	854,165	-	-	(701,414)	6,421,223
Machinery in transit		61,736	14,559	-	-	(26,791)	49,504
	Rs	<u>72,840,915</u>	<u>937,763</u>	<u>(737)</u>	<u>(1,726,084)</u>	<u>26,030</u>	<u>72,077,887</u>

(*) Capitalized borrowing costs in respect of construction in progress are Rs 11,559 thousand (2017: Rs 15,157 thousand) and Rs 31,531 thousand (2017: Rs 10,873 thousand) which are transferred from inventory to vehicles for the three-month periods ended March 31, 2018 and 2017, respectively.

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

For the three-month periods ended March 31, 2018 and 2017

11. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of March 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Book value	Collateralized amount	Book value	Collateralized amount
Land	₩ 366,132,440		Rs 22,243,769	
Buildings and structures	69,555,607	267,000,000	4,225,736	16,221,142
Machinery and others	1,159,058		70,416	
	₩ 436,847,105	267,000,000	Rs 26,539,921	16,221,142

(4) Capitalized borrowing costs and capitalization interest rate for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Capitalized interest expenses (*)	₩ 783,721	578,984	Rs 47,614	35,175
Capitalization interest rate	3.34%	3.45%	3.34%	3.45%

(*) Capitalized borrowing costs for intangible assets are ₩ 593,465 thousand (Rs 36,055 thousand) and ₩ 329,481 thousand (Rs 20,017 thousand) for the three-month periods ended March 31, 2018 and 2017, respectively.

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

For the three-month periods ended March 31, 2018 and 2017

12. Intangible Assets

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

(In thousands of won)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	345,185,015	-	(132,385,544)	-	212,799,471
Patents		4,037,176	(17,577)	(2,445,683)	(78,653)	1,495,263
Other intangible assets		121,305,465	(16,950)	(27,883,559)	(362,469)	93,042,487
	₩	<u>470,527,656</u>	<u>(34,527)</u>	<u>(162,714,786)</u>	<u>(441,122)</u>	<u>307,337,221</u>

(In thousands of won)

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

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	20,971,143	-	(8,042,865)	-	12,928,278
Patents		245,272	(1,068)	(148,583)	(4,779)	90,842
Other intangible assets		7,369,712	(1,030)	(1,694,019)	(22,021)	5,652,642
	Rs	<u>28,586,127</u>	<u>(2,098)</u>	<u>(9,885,467)</u>	<u>(26,800)</u>	<u>18,671,762</u>

(In thousands of rupee)

		2017				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	18,527,061	-	(7,034,876)	-	11,492,185
Patents		242,049	(1,111)	(139,400)	(4,759)	96,779
Other intangible assets		8,495,817	(1,253)	(1,636,919)	(22,021)	6,835,624
	Rs	<u>27,264,927</u>	<u>(2,364)</u>	<u>(8,811,195)</u>	<u>(26,780)</u>	<u>18,424,588</u>

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

For the three-month periods ended March 31, 2018 and 2017

12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won)

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

(In thousands of won)

	2017						Ending balance
	Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	
Internally created intangible assets:							
Development cost	₩ 101,512,605	-	(7,871,914)	-	-	-	93,640,691
Other intangible assets	123,384,189	21,182,645	-	-	-	329,481	144,896,315
	<u>224,896,794</u>	<u>21,182,645</u>	<u>(7,871,914)</u>	<u>-</u>	<u>-</u>	<u>329,481</u>	<u>238,537,006</u>
Individually acquired intangible assets:							
Patents	1,709,533	135,360	(141,171)	(9,929)	-	-	1,693,793
Other intangible assets	7,738,171	838,742	(1,003,265)	-	-	-	7,573,648
	<u>9,447,704</u>	<u>974,102</u>	<u>(1,144,436)</u>	<u>(9,929)</u>	<u>-</u>	<u>-</u>	<u>9,267,441</u>
	<u>₩ 234,344,498</u>	<u>22,156,747</u>	<u>(9,016,350)</u>	<u>(9,929)</u>	<u>-</u>	<u>329,481</u>	<u>247,804,447</u>

(*) Capitalized borrowing costs in respect of other intangible assets are ₩ 593,465 thousand and ₩ 329,481 thousand for the three-month periods ended March 31, 2018 and 2017, respectively.

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

For the three-month periods ended March 31, 2018 and 2017

12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		2018						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Internally created intangible assets:								
Development cost	Rs	11,492,185	-	(1,007,989)	-	2,444,082	-	12,928,278
Other intangible assets		6,364,851	1,272,092	-	-	(2,444,082)	36,055	5,228,916
		<u>17,857,036</u>	<u>1,272,092</u>	<u>(1,007,989)</u>	<u>-</u>	<u>-</u>	<u>36,055</u>	<u>18,157,194</u>
Individually acquired intangible assets:								
Patents		96,779	3,223	(9,140)	(20)	-	-	90,842
Other intangible assets		470,773	9,830	(56,877)	-	-	-	423,726
		<u>567,552</u>	<u>13,053</u>	<u>(66,017)</u>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>514,568</u>
	Rs	<u>18,424,588</u>	<u>1,285,145</u>	<u>(1,074,006)</u>	<u>(20)</u>	<u>-</u>	<u>36,055</u>	<u>18,671,762</u>

(In thousands of rupee)

		2017						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Internally created intangible assets:								
Development cost	Rs	6,167,230	-	(478,245)	-	-	-	5,688,985
Other intangible assets		7,496,002	1,286,916	-	-	-	20,017	8,802,935
		<u>13,663,232</u>	<u>1,286,916</u>	<u>(478,245)</u>	<u>-</u>	<u>-</u>	<u>20,017</u>	<u>14,491,920</u>
Individually acquired intangible assets:								
Patents		103,860	8,224	(8,577)	(603)	-	-	102,904
Other intangible assets		470,120	50,956	(60,952)	-	-	-	460,124
		<u>573,980</u>	<u>59,180</u>	<u>(69,529)</u>	<u>(603)</u>	<u>-</u>	<u>-</u>	<u>563,028</u>
	Rs	<u>14,237,212</u>	<u>1,346,096</u>	<u>(547,774)</u>	<u>(603)</u>	<u>-</u>	<u>20,017</u>	<u>15,054,948</u>

(*) Capitalized borrowing costs in respect of other intangible assets are Rs 36,055 thousand and Rs 20,017 thousand for the three-month periods ended March 31, 2018 and 2017, respectively.

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

For the three-month periods ended March 31, 2018 and 2017

12. Intangible Assets, Continued

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

(In thousands of won and in thousands of rupee)

	<u>Project name</u>		<u>Korean won</u>	<u>Indian rupee</u>	<u>Remaining amortization period</u>
Development costs	RV(*1) Power train and others	₩	180,630,194 32,169,277	Rs 10,973,887 1,954,391	2~5 years 2~5 years
Other intangible assets	RV(*2) Power train and others		76,466,687 9,601,266	4,645,607 583,309	- -
		₩	<u>298,867,424</u>	<u>Rs 18,157,194</u>	

(*1) Development projects for vehicles that have been completed, which are on sale as of March 31, 2018.

(*2) On-going development project for vehicles as of March 31, 2018 for consumer needs and market conditions.

(4) Details of expenditures for research and developments for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

		<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Capitalization of intangible assets	₩	21,532,110	21,512,126	Rs 1,308,148	1,306,934
Manufacturing costs		19,658,739	11,649,142	1,194,334	707,724
Selling and administrative expenses		3,939,321	5,500,817	239,327	334,193
	₩	<u>45,130,170</u>	<u>38,662,085</u>	<u>Rs 2,741,809</u>	<u>2,348,851</u>

13. Borrowings

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

(In thousands of won and in thousands of rupee)

<u>Creditor</u>	<u>Type</u>	<u>Interest rate (%)</u>	<u>Korean won</u>		<u>Indian rupee</u>	
			<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,822,600	1,822,600
Woori Bank	Operating fund(*)	CD+2.00	10,000,000	12,500,000	607,533	759,417
Citibank Korea and others	Banker's usance	0.42 ~ 3.13	<u>111,311,765</u>	<u>121,340,987</u>	<u>6,762,562</u>	<u>7,371,870</u>
			₩ <u>151,311,765</u>	<u>163,840,987</u>	Rs <u>9,192,695</u>	<u>9,953,887</u>

(*) Current portion of long-term borrowing

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

For the three-month periods ended March 31, 2018 and 2017

13. Borrowings, Continued

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

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2018	2017	2018	2017
Korea Development Bank	Facility fund	CD+1.57	₩ 70,000,000	70,000,000	Rs 4,252,734	4,252,734
Woori Bank	Operating fund	CD+2.00	10,000,000	12,500,000	607,533	759,417
Less: Current portion			(10,000,000)	(12,500,000)	(607,533)	(759,417)
			₩ 70,000,000	70,000,000	Rs 4,252,734	4,252,734

(3) Details of pledged assets as collateral for borrowings as of March 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Pledged assets	Korean won		Indian rupee	
		Borrowings amount	Maximum credit amount	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 100,000,000	195,000,000	Rs 6,075,334	11,846,902
Woori Bank	Land, buildings and machinery	10,000,000	72,000,000	607,533	4,374,240
		₩ 110,000,000	267,000,000	Rs 6,682,867	16,221,142

14. Other Financial Liabilities

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Accrued expenses	₩ 23,154,730	37,164,320	Rs 1,406,727	2,257,857

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

For the three-month periods ended March 31, 2018 and 2017

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 the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ 146,239,557	145,848,984	Rs 8,884,542	8,860,813
Increase	4,425,412	6,055,096	268,858	367,867
Decrease	(10,042,449)	(10,495,204)	(610,112)	(637,619)
Ending balance	₩ 140,622,520	141,408,876	Rs 8,543,288	8,591,061
Current	₩ 50,928,139	51,940,785	Rs 3,094,055	3,155,576
Non-current	89,694,381	89,468,091	5,449,233	5,435,485

16. Other Liabilities

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

(In thousands of won)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 7,479,290	-	3,943,130	-
Deposits received	543,772	-	531,789	-
Withholdings	24,669,996	-	30,670,693	-
Deferred income	4,557,259	2,923,793	-	-
	₩ 37,250,317	2,923,793	35,145,612	-

(In thousands of rupee)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	Rs 454,391	-	239,559	-
Deposits received	33,036	-	32,308	-
Withholdings	1,498,785	-	1,863,347	-
Deferred income	276,869	177,630	-	-
	Rs 2,263,081	177,630	2,135,214	-

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

For the three-month periods ended March 31, 2018 and 2017

17. Employee Benefits

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Present value of defined benefit obligations	₩ 288,656,692	285,658,090	Rs 17,536,858	17,354,684
Fair value of plan assets	(1,057,413)	(1,094,967)	(64,241)	(66,523)
	₩ 287,599,279	284,563,123	Rs 17,472,617	17,288,161

(2) Changes in defined benefit liabilities for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won)

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

(In thousands of won)

Details	2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,792,667	(1,183,467)	279,609,200
Current service cost	9,387,269	-	9,387,269
Interest expense (income)	2,015,962	(8,488)	2,007,474
Sub-total	₩ 292,195,898	(1,191,955)	291,003,943
Re-measurement factors:			
Re-measurements of plan assets	-	2,811	2,811
Sub-total	₩ -	2,811	2,811
Benefit paid by plan	(50,409)	50,409	-
Benefit paid directly	(8,628,511)	-	(8,628,511)
Ending balance	₩ 283,516,978	(1,138,735)	282,378,243

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

For the three-month periods ended March 31, 2018 and 2017

17. Employee Benefits, Continued

(2) Changes in defined benefit obligation for the three-month periods ended March 31, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,354,683	(66,523)	17,288,160
Current service cost	551,653	-	551,653
Interest expense (income)	135,060	(516)	134,544
Sub-total	Rs 18,041,396	(67,039)	17,974,357
Re-measurement factors:			
Re-measurements of plan assets	-	196	196
Sub-total	Rs -	196	196
Benefit paid by plan	(2,602)	2,602	-
Benefit paid directly	(501,936)	-	(501,936)
Ending balance	Rs 17,536,858	(64,241)	17,472,617

(In thousands of rupee)

Details	2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,059,093	(71,900)	16,987,193
Current service cost	570,309	-	570,309
Interest expense (income)	122,476	(516)	121,960
Sub-total	Rs 17,751,878	(72,416)	17,679,462
Re-measurement factors:			
Re-measurements of plan assets	-	171	171
Sub-total	Rs -	171	171
Benefit paid by plan	(3,063)	3,063	-
Benefit paid directly	(524,211)	-	(524,211)
Ending balance	Rs 17,224,604	(69,182)	17,155,422

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Insurance contracts	₩ 1,057,413	1,094,967	Rs 64,241	66,523

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

For the three-month periods ended March 31, 2018 and 2017

17. Employee Benefits, Continued

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

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

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

18. Commitments and Contingencies

Details of commitments and contingencies as of March 31, 2018 are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of March 31, 2018, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 265,000 million (Rs 161 million) and USD 240 million.
- (3) As of March 31, 2018, the Company has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of March 31, 2018, two claims as a plaintiff were filed with the claim amount of ₩ 2,301 million (Rs 140 million) and nine claims as a defendant were filed with the claims of ₩ 4,058 million (Rs 247 million). The Company made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 7,583 million (Rs 461 million) as other payable for the foregoing lawsuits and claims.

19. Capital Stock

The Company's capital stock as of March 31, 2018 and December 31, 2017 are as follows:

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

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,949,396	137,949,396	137,949,396
Par value	5,000	5,000	304	304
Capital stock	₩ 689,746,980	689,746,980	Rs 41,904,434	41,904,434

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

For the three-month periods ended March 31, 2018 and 2017

20. Other Capital Surplus and Retained Earnings

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Paid-in capital in excess of par value	₩ 12,916,273	12,916,273	Rs 784,707	784,707
Gain on capital reduction	74,061,697	118,189,001	4,499,496	7,180,377
Debt to be swapped for equity	931,508	931,508	56,591	56,591
Gain on disposal of treasury stock	-	1,105,138	-	67,141
	₩ <u>87,909,478</u>	<u>133,141,920</u>	Rs <u>5,340,794</u>	<u>8,088,816</u>

21. Other Equity

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Gains on valuation of derivatives	₩ 770,560	-	Rs 46,814	-

(2) Changes in the Company's gains (losses) on valuation of derivatives for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ -	(2,574,700)	Rs -	(156,422)
Gains on valuation of derivatives	770,560	8,241,310	46,814	500,687
Reclassified to net income	-	1,615,880	-	98,170
Ending balance	₩ <u>770,560</u>	<u>7,282,490</u>	Rs <u>46,814</u>	<u>442,435</u>

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

For the three-month periods ended March 31, 2018 and 2017

22. Accumulated deficit

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Deficit	₩ (34,170,130)	(45,232,442)	Rs (2,075,949)	(2,748,022)

(2) Changes in deficit for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ (45,232,442)	4,965,820	Rs (2,748,022)	301,690
Loss for the period	(34,166,889)	(14,844,356)	(2,075,753)	(901,844)
Defined benefit plan re-measurement	(3,241)	(2,811)	(196)	(171)
Disposition of deficit	45,232,442	-	2,748,022	-
Ending balance	₩ (34,170,130)	(9,881,347)	Rs (2,075,949)	(600,325)

23. Income Tax Expense

Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of March 31, 2018.

24. Nature of Expenses

Details of nature of expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Changes in inventories	₩ (10,867,625)	(38,202,323)	Rs (660,245)	(2,320,919)
Raw materials consumed and purchase of merchandise	552,459,383	566,547,495	33,563,754	34,419,653
Employee benefits	128,373,387	127,487,948	7,799,112	7,745,319
Depreciation	35,212,073	28,411,344	2,139,251	1,726,084
Amortization	17,678,127	9,016,350	1,074,006	547,774
Others	115,053,055	109,921,612	6,989,858	6,678,105
	₩ 837,908,400	803,182,426	Rs 50,905,736	48,796,016

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

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

For the three-month periods ended March 31, 2018 and 2017

25. Derivatives

The Company holds derivative contracts to minimize foreign exchange risk. As of March 31, 2018, effective portion of changes in fair value of cash flow hedge is ₩ 770,650 thousand (Rs 46,814 thousand) classified as other equity. Ineffective portion of change in fair value of cash flow hedge recognized in current profit or loss is net amounting to ₩ 70,967 thousand (Rs 4,311 thousand) recognized in current profit. And, changes in fair value of derivative not designated as hedging instrument for the three-month period ended March 31, 2018 are net amounting to ₩ 335,121 thousand (Rs 20,360 thousand) recognized in current loss.

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Warranty expenses	₩ 9,124,874	10,882,103	Rs 554,367	661,124
Commissions	49,885,139	51,102,268	3,030,689	3,104,634
Advertising	6,922,555	5,336,111	420,568	324,187
Export expenses	1,450,129	8,916,209	88,100	541,689
Others	7,151,904	9,831,475	434,502	597,295
	₩ 74,534,601	86,068,166	Rs 4,528,226	5,228,929

(2) Details of general and administrative expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Salaries	₩ 12,680,527	12,971,415	Rs 770,384	788,057
Retirement benefit costs	1,463,778	1,428,949	88,929	86,813
Employee welfare	2,856,059	2,858,213	173,515	173,646
Rent expense	2,996,099	2,809,030	182,023	170,658
Service fees	9,380,079	7,748,627	569,871	470,755
Depreciation	3,942,154	2,769,994	239,499	168,286
R&D expenses	3,939,321	5,500,817	239,327	334,193
Amortization	1,086,638	1,144,437	66,017	69,528
Bad debt expense	(8,532)	(70,256)	(518)	(4,268)
Others	7,495,202	7,394,700	455,360	449,253
	₩ 45,831,325	44,555,926	Rs 2,784,407	2,706,921

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

For the three-month periods ended March 31, 2018 and 2017

27. Other Income and Expenses

(1) Details of other income for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Foreign exchange transaction gain	₩ 1,502,713	3,644,530	Rs 91,295	221,417
Foreign exchange translation gain	537,240	574,757	32,639	34,918
Gain on disposal of property, plant and equipment	12,573	5,912	764	360
Others	1,329,179	3,832,591	80,752	232,843
	₩ <u>3,381,705</u>	<u>8,057,790</u>	Rs <u>205,450</u>	<u>489,538</u>

(2) Details of other expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Foreign exchange transaction loss	₩ 1,573,281	4,150,854	Rs 95,582	252,178
Foreign exchange translation loss	112,421	1,408,112	6,830	85,548
Loss on disposal of property, plant and equipment	109,741	10,308	6,667	626
Loss on disposal of trade receivables	22,750	3,372,521	1,382	204,892
Others	210,258	854,085	12,774	51,889
	₩ <u>2,028,451</u>	<u>9,795,880</u>	Rs <u>123,235</u>	<u>595,133</u>

28. Finance Income and Costs

(1) Details of finance income for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Interest income	₩ 547,960	786,802	Rs 33,290	47,801
Dividend income	6,000	6,000	365	365
Foreign exchange transaction gain	1,168,456	1,008,485	70,988	61,268
Foreign exchange translation gain	272,591	4,640,494	16,561	281,926
Realized gain of financial derivatives	1,109,867	2,736,882	67,428	166,275
Unrealized gain of financial derivatives	70,967	583,955	4,311	35,477
	₩ <u>3,175,841</u>	<u>9,762,618</u>	Rs <u>192,943</u>	<u>593,112</u>

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

For the three-month periods ended March 31, 2018 and 2017

28. Finance Income and Costs, Continued

(2) Details of finance costs for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Interest expense	₩ 405,291	219,552	Rs 24,623	13,338
Foreign exchange transaction loss	3,293,223	2,492,355	200,074	151,419
Foreign exchange translation loss	3,404,935	1,315	206,861	80
Realized loss of financial derivatives	136,598	649,608	8,299	39,466
Unrealized loss of financial derivatives	335,121	3,497,433	20,360	212,481
	₩ 7,575,168	6,860,263	Rs 460,217	416,784

(3) Details of the Company's financial net profit or loss for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Amortised cost of financial assets and financial liabilities	₩ (5,114,442)	3,722,559	Rs (310,719)	226,158
AFS financial assets	6,000	6,000	365	365
Derivatives financial assets (liabilities)	709,115	(826,204)	43,080	(50,195)
	₩ (4,399,327)	2,902,355	Rs (267,274)	176,328

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

For the three-month periods ended March 31, 2018 and 2017

29. Earnings (losses) per Share

(1) Basic earnings (losses) per share for the three-month periods ended March 31, 2018 and 2017 are calculated as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Loss for the period	₩ (34,166,889)	(14,844,356)	Rs (2,075,753)	(901,844)
Loss contributed to common stocks	(34,166,889)	(14,844,356)	(2,075,753)	(901,844)
Weighted average number of common shares	137,949,396	137,349,749	137,949,396	137,349,749
Basic losses per share(*)	₩ (248)	(108)	Rs (15)	(7)

(*) Diluted earnings (losses) per share are not calculated for the three-month periods ended March 31, 2018 and 2017, because there are no dilutive shares as of March 31, 2018 and 2017.

(2) Weighted average number of common shares outstanding for the three-month periods ended March 31, 2018 and 2017 is calculated as follows:

		2018		
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2018-01-01~2018-03-31	137,949,396	90/90	137,949,396
		2017		
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2017-01-01~2017-03-16	137,220,096	74/90	112,825,412
Issuing	2017-03-16~2017-03-31	137,949,396	16/90	24,524,337
				137,349,749

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

For the three-month periods ended March 31, 2018 and 2017

30. Cash Flows

(1) Details of cash flows from operating activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Loss for the period	₩ (34,166,889)	(14,844,356)	Rs (2,075,753)	(901,844)
Adjustments for:				
Retirement benefit costs	11,294,780	11,394,743	686,197	692,269
Depreciation	35,212,073	28,411,344	2,139,251	1,726,084
Amortization	17,678,127	9,016,350	1,074,006	547,774
Losses on disposal of trade receivables	22,750	3,372,521	1,382	204,892
Foreign exchange translation gain and loss, net	2,707,525	(3,805,824)	164,491	(231,216)
Losses on disposal of property, plant and equipment	97,168	4,396	5,903	266
Interest expense and income, net	(142,669)	(567,250)	(8,667)	(34,463)
Dividends income	(6,000)	(6,000)	(365)	(365)
Unrealized gain and loss of financial derivatives, net	264,154	2,913,478	16,049	177,004
Losses on valuation of inventories	2,118,748	1,760,039	128,721	106,928
Increase in provision of warranty for sale	4,425,412	6,055,096	268,858	367,867
Others	(23,725)	(48,075)	(1,443)	(2,920)
	<u>73,648,343</u>	<u>58,500,818</u>	<u>4,474,383</u>	<u>3,554,120</u>
Changes in assets and liabilities				
Trade receivables	27,001,094	35,114,630	1,640,407	2,133,331
Other receivables	(223,832)	(3,164,656)	(13,599)	(192,263)
Inventories	(4,328,362)	(45,228,217)	(262,962)	(2,747,765)
Trade payables	29,990,958	20,377,159	1,822,051	1,237,980
Other payables	(4,216,899)	(24,423,873)	(256,191)	(1,483,832)
Accrued expenses	(14,032,280)	(12,191,657)	(852,508)	(740,684)
Usage of provision of warranty for sale	(10,042,449)	(10,495,204)	(610,112)	(637,619)
Payment of retirement benefits	(8,261,865)	(8,628,511)	(501,936)	(524,211)
Others	(2,488,756)	(8,197,796)	(151,200)	(498,043)
	<u>13,397,609</u>	<u>(56,838,125)</u>	<u>813,950</u>	<u>(3,453,106)</u>
Net cash provided by (used in) operating activities	₩ <u>52,879,063</u>	<u>(13,181,663)</u>	Rs <u>3,212,580</u>	<u>(800,830)</u>

(2) Significant non-cash activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Changes in other payables related to the acquisition of property, plant and equipment	₩ (17,333,229)	(14,828,047)	Rs (1,053,052)	(900,853)

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

For the three-month periods ended March 31, 2018 and 2017

30. Cash Flows, Continued

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the three-month period ended March 31, 2018 is as follows:

(In thousands of won)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Liquidity</u>	<u>Exchange rate effect</u>	<u>Ending balance</u>
Banker's usance (*)	₩ 121,340,987	-	(13,161,566)	-	3,132,344	111,311,765
Short-term borrowings	42,500,000	-	(2,500,000)	-	-	40,000,000
Long-term borrowings	70,000,000	-	-	-	-	70,000,000
	<u>₩ 233,840,987</u>	<u>-</u>	<u>(15,661,566)</u>	<u>-</u>	<u>3,132,344</u>	<u>221,311,765</u>

(In thousands of rupee)

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Liquidity</u>	<u>Exchange rate effect</u>	<u>Ending balance</u>
Banker's usance (*)	Rs 7,371,870	-	(799,609)	-	190,300	6,762,561
Short-term borrowings	2,582,017	-	(151,883)	-	-	2,430,134
Long-term borrowings	4,252,734	-	-	-	-	4,252,734
	<u>Rs 14,206,621</u>	<u>-</u>	<u>(951,492)</u>	<u>-</u>	<u>190,300</u>	<u>13,445,429</u>

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

31. Segment Information

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

(2) Geographic sales information of the Company for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

<u>Sales region</u>	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Republic of Korea	₩ 665,871,215	594,602,152	Rs 40,453,901	36,124,068
Europe	80,217,194	107,778,174	4,873,463	6,547,884
Asia Pacific	13,229,243	13,296,442	803,721	807,803
Others	47,469,932	71,497,037	2,883,957	4,343,684
	<u>₩ 806,787,584</u>	<u>787,173,805</u>	<u>Rs 49,015,042</u>	<u>47,823,439</u>

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

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

For the three-month periods ended March 31, 2018 and 2017

31. Segment Information, Continued

(3) Information of sales of goods and service for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Automobile	₩ 711,392,479	700,305,006	Rs 43,219,470	42,545,869
Merchandise and parts	76,327,175	78,063,158	4,637,131	4,742,598
Others	19,067,930	8,805,641	1,158,441	534,972
	₩ 806,787,584	787,173,805	Rs 49,015,042	47,823,439

32. Transactions and Balances with Related Parties

(1) Details of related parties as of March 31, 2018 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.

(2) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows:

(In thousands of won)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Sales	₩ 1,103,639	2,565,872
		Other income	-	65,608
		Purchases	-	231,046
		Other expenses	599,684	19,079
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	2,815,438	2,699,954
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	3,111,551	3,372,521
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	1,089,136	44,312
		Other expenses	-	257,507

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

For the three-month periods ended March 31, 2018 and 2017

32. Transactions and Balances with Related Parties, Continued

(2) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Sales	Rs 67,050	155,885
		Other income	-	3,986
		Purchases	-	14,037
		Other expenses	36,433	1,159
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	171,047	164,031
		Other expenses	189,037	204,892
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	189,037	204,892
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	66,169	2,692
		Other expenses	-	15,644

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

(In thousands of won)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables	₩ 720,162	4,120,559
		Other receivables	11,323	77,342
		Other payables	2,123,894	2,308,472
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	16,043,893	15,239,822
		Other receivables	423,100	408,064
		Other payables	1,712,355	21,010
Joint venture	SY Auto Capital Co., Ltd.	Other payables	364,897	450,795
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	639,150	37,279
		Other payables	1,385,111	18,250

(In thousands of rupee)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables	Rs 43,752	250,338
		Other receivables	688	4,699
		Other payables	129,034	140,247
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	974,720	925,870
		Other receivables	25,705	24,791
		Other payables	104,031	1,276
Joint venture	SY Auto Capital Co., Ltd.	Other payables	22,169	27,387
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	38,830	2,265
		Other payables	84,150	1,109

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

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

For the three-month periods ended March 31, 2018 and 2017

32. Transactions and Balances with Related Parties, Continued

- (4) No borrowing with related parties for the three-month period ended March 31, 2018 and 2017.
- (5) Executive compensation of the Company for the three-month periods ended March 31, 2018 and 2017, is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Short-term employee benefits	₩ 2,103,319	2,357,981	Rs 127,784	143,255
Retirement benefits	140,845	135,329	8,557	8,222

33. Financial Instruments

- (1) Capital risk management

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

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

Debt-to-equity ratio as of March 31, 2018 and December 31, 2017 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Debt (A)	₩ 1,456,258,902	1,472,319,178	Rs 88,472,594	89,448,310
Equity (B)	744,256,888	777,656,458	45,216,093	47,245,228
Debt-to-equity ratio (A/B)	195.67%	189.33%	195.67%	189.33%

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

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

1) Financial assets
(In thousands of won)

	2018				
	Amortized cost	Financial assets at FVTPL	Derivatives designated to hedge cash flow	Total	Fair value
Cash and cash equivalents	₩ 186,627,444	-	-	186,627,444	186,627,444
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	222,845,153	-	-	222,845,153	222,845,153
AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	12,508	879,848	892,356	892,356
	<u>₩ 409,476,597</u>	<u>572,508</u>	<u>879,848</u>	<u>410,928,953</u>	<u>410,928,953</u>

(In thousands of won)

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

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

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

1) Financial assets, continued

(In thousands of rupee)

		2018				
		Amortized cost	Financial assets at FVTPL	Derivatives designated to hedge cash flow	Total	Fair value
Cash and cash equivalents	Rs	11,338,241	-	-	11,338,241	11,338,241
Long-term financial instruments		243	-	-	243	243
Trade and other receivables		13,538,588	-	-	13,538,588	13,538,588
AFS financial assets		-	34,022	-	34,022	34,022
Derivative assets		-	760	53,454	54,214	54,214
	Rs	<u>24,877,072</u>	<u>34,782</u>	<u>53,454</u>	<u>24,965,308</u>	<u>24,965,308</u>

(In thousands of rupee)

		2017			
		Amortized cost	Financial assets at FVTPL	Total	Fair value
Cash and cash equivalents	Rs	12,911,392	-	12,911,392	12,911,392
Long-term financial instruments		243	-	243	243
Trade and other receivables		15,165,563	-	15,165,563	15,165,563
AFS financial assets		-	34,022	34,022	34,022
	Rs	<u>28,077,198</u>	<u>34,022</u>	<u>28,111,220</u>	<u>28,111,220</u>

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

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

2) Financial liabilities

(In thousands of won)

		2018				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	723,304,261	-	-	723,304,261	723,304,261
Borrowings		221,311,765	-	-	221,311,765	221,311,765
Derivative liabilities		-	302,003	83,947	385,950	385,950
	₩	944,616,026	302,003	83,947	945,001,976	945,001,976

(In thousands of won)

		2017				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	717,494,834	-	-	717,494,834	717,494,834
Borrowings		233,840,987	-	-	233,840,987	233,840,987
Derivative liabilities		-	409,259	-	409,259	409,259
	₩	951,335,821	409,259	-	951,745,080	951,745,080

(In thousands of rupee)

		2018				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	44,345,243	-	-	44,345,243	44,345,243
Borrowings		13,445,429	-	-	13,445,429	13,445,429
Derivative liabilities		-	18,348	5,100	23,448	23,448
	Rs	57,790,672	18,348	5,100	57,814,120	57,814,120

(In thousands of rupee)

		2017				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	43,590,209	-	-	43,590,209	43,590,209
Borrowings		14,206,621	-	-	14,206,621	14,206,621
Derivative liabilities		-	24,864	-	24,864	24,864
	Rs	57,796,830	24,864	-	57,821,694	57,821,694

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

The 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 March 31, 2018.

(In thousands of won and in thousands of rupee)

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,200,827	(2,200,827) Rs	133,708	(133,708)
EUR	(381,619)	381,619	(23,185)	23,185
JPY	(8,131,890)	8,131,890	(494,039)	494,039
Others	702,033	(702,033)	42,650	(42,650)
	₩ (5,610,649)	5,610,649 Rs	(340,866)	340,866

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease or increase in ₩ 135,616 thousand (Rs 8,239 thousand) for the three-month periods ended March 31, 2018, due to floating rate debt's interest rate risk.

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk

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

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

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

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

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Trade and other receivables	₩ 222,845,153	249,625,174	Rs 13,538,588	15,165,563

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk

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

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

(In thousands of won)

	2018		
	Within a year	Over 1 year	Total
Trade payables	₩ 556,337,784	-	556,337,784
Other payables	163,543,907	-	163,543,907
Short-term borrowings(*)	152,183,839	-	152,183,839
Derivatives liabilities	385,950	-	385,950
Other payables	417,436	-	417,436
Long-term borrowings(*)	-	74,690,096	74,690,096
Long-term other payables	-	3,005,134	3,005,134
	₩ 872,868,916	77,695,230	950,564,146

(*) Including expected interest expenses.

(In thousands of won)

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

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2018		
		Within a year	Over 1 year	Total
Trade payables	Rs	33,799,379	-	33,799,379
Other payables		9,935,838	-	9,935,838
Short-term borrowings(*)		9,245,677	-	9,245,677
Derivatives liabilities		23,448	-	23,448
Other payables		25,361	-	25,361
Long-term borrowings(*)		-	4,537,673	4,537,673
Long-term other payables		-	182,572	182,572
	Rs	<u>53,029,703</u>	<u>4,720,245</u>	<u>57,749,948</u>

(In thousands of rupee)

		2017		
		Within a year	Over 1 year	Total
Trade payables	Rs	31,984,653	-	31,984,653
Other payables		11,344,284	-	11,344,284
Short-term borrowings(*)		10,026,146	-	10,026,146
Derivatives liabilities		24,864	-	24,864
Other payables		56,290	-	56,290
Long-term borrowings(*)		-	4,600,229	4,600,229
Long-term other payables		-	204,982	204,982
	Rs	<u>53,436,237</u>	<u>4,805,211</u>	<u>58,241,448</u>

(*) Including expected interest expenses.

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Limitation of commitments for borrowings	Used	₩ 110,000,000	112,500,000	Rs 6,682,868	6,834,751
	Unused	<u>155,000,000</u>	<u>155,000,000</u>	<u>9,416,767</u>	<u>9,416,768</u>
		<u>₩ 265,000,000</u>	<u>267,500,000</u>	<u>Rs 16,099,635</u>	<u>16,251,519</u>

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(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 amortised cost on separate interim financial statements is not significant.

2) Valuation methods and assumptions applied in fair value measurement

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

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

Fair values of other financial assets and liabilities (except those stated above) are calculated by generally accepted valuation models based on discounted cash flow analysis. In case of borrowings, its fair value are disclosed, but estimated in amortised costs. The company deem that its book value are similar to its fair values calculated by generally accepted valuation models based on discounts cash flow analysis.

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)

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

For the three-month periods ended March 31, 2018 and 2017

33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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

(In thousands of won)

		Level 1	Level 2	Level 3	Fair value
As of March 31, 2018					
Derivatives assets	₩	-	892,356	-	892,356
Derivatives liabilities		-	385,950	-	385,950

As of December 31, 2017

Derivatives liabilities	₩	-	409,259	-	409,259
-------------------------	---	---	---------	---	---------

(In thousands of rupee)

		Level 1	Level 2	Level 3	Fair value
As of March 31, 2018					
Derivatives assets	Rs	-	54,214	-	54,214
Derivatives liabilities		-	23,448	-	23,448

As of December 31, 2017

Derivatives liabilities	Rs	-	24,864	-	24,864
-------------------------	----	---	--------	---	--------

4) The Company measures the foreign exchange forward contract derivative assets: ₩ 892,356 thousand (Rs 54,214 thousand), derivative liabilities: ₩ 385,950 thousand (Rs 23,448 thousand) based on the forward rate announced officially in the market as of March 31, 2018. In the event that no corresponding forward rate with residual year of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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