

**SSANGYONG MOTOR COMPANY**

Condensed Separate Interim Financial Statements

(Unaudited)

March 31, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Ssangyong Motor Company

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

### **Management's responsibility**

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

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

### **Other matters**

The condensed separate interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2016 were reviewed by other auditors, whose report thereon dated May 13, 2016, expressed that nothing came to their attention that caused them to believe that the condensed separate interim financial information as of March 31, 2016 was not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

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

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

The accompanying condensed separate interim financial statements as of and for the three-month period ended March 31, 2017 have been translated into Indian Rupee solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the condensed separate interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(4) to the condensed separate interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 12, 2017

This report is effective as of May 12, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

**As of March 31, 2017, and December 31, 2016**

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

	<i>Note</i>	<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>					
Cash and cash equivalents	4,5,33	₩ 182,311,421	234,657,416	Rs 10,593,341	13,634,945
Trade and other receivables, net	7,32,33	204,858,731	236,732,144	11,903,471	13,755,500
Derivative assets	25,33	7,484,301	756,035	434,881	43,930
Inventories, net	8,24	243,421,917	200,132,723	14,144,214	11,628,862
Other current assets	10	10,102,071	7,294,543	586,988	423,855
<b>Total current assets</b>		<u>648,178,441</u>	<u>679,572,861</u>	<u>37,662,895</u>	<u>39,487,092</u>
Non-current financial instruments	5,33	6,000	6,000	349	349
Non-current other receivables, net	7,33	37,861,390	41,036,985	2,199,965	2,384,485
Available-for-sale financial assets	6,33	560,000	560,000	32,539	32,539
Property, plant and equipment, net	11,13	1,186,402,023	1,198,961,457	68,936,782	69,666,558
Intangible assets, net	11,12	247,804,447	234,344,498	14,398,864	13,616,763
Investments in subsidiaries	9	5,829,056	5,829,056	338,702	338,702
Investments in joint venture	9	10,200,000	10,200,000	592,679	592,679
Other non-current assets	10	273,318	273,319	15,881	15,881
<b>Total non-current assets</b>		<u>1,488,936,234</u>	<u>1,491,211,315</u>	<u>86,515,761</u>	<u>86,647,956</u>
<b>Total assets</b>		₩ <u>2,137,114,675</u>	<u>2,170,784,176</u>	Rs <u>124,178,656</u>	<u>126,135,048</u>

See accompanying notes to the condensed separate interim financial statements.

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

**As of March 31, 2017, and December 31, 2016**

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

	<i>Note</i>	<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>					
Trade and other payables	14,18, 32,33	₩ 638,998,335	669,397,408	Rs 37,129,479	38,895,840
Short-term borrowings	13,18,33	189,567,825	181,967,721	11,014,981	10,573,371
Derivative liabilities	25,33	3,879,042	5,798,806	225,395	336,944
Provision of warranty for sale - current	15	51,940,785	53,153,294	3,018,058	3,088,512
Other long-term employee benefits liabilities- current		815,634	1,330,939	47,393	77,335
Other current liabilities	16	29,752,892	33,296,425	1,728,814	1,934,714
<b>Total current liabilities</b>		<u>914,954,513</u>	<u>944,944,593</u>	<u>53,164,120</u>	<u>54,906,716</u>
Long-term borrowings	13,18,33	10,000,000	12,500,000	581,058	726,322
Non-current other payables	33	4,338,885	5,507,071	252,114	319,993
Defined benefit liabilities	17	282,378,243	279,609,200	16,407,800	16,246,903
Other long-term employee benefits liabilities		15,684,900	15,357,662	911,383	892,369
Non-current provision of warranty for sale	15	89,468,091	92,695,690	5,198,611	5,386,152
<b>Total non-current liabilities</b>		<u>401,870,119</u>	<u>405,669,623</u>	<u>23,350,966</u>	<u>23,571,739</u>
<b>Total liabilities</b>		<u>1,316,824,632</u>	<u>1,350,614,216</u>	<u>76,515,086</u>	<u>78,478,455</u>
<b>Equity</b>					
Capital stock	19	689,746,980	686,100,480	40,078,268	39,866,385
Other capital surplus	20	133,141,919	131,678,359	7,736,311	7,651,270
Other equity	21,25	7,282,490	(2,574,700)	423,154	(149,605)
Retained earnings (Accumulated deficit)	22	(9,881,346)	4,965,821	(574,163)	288,543
<b>Total equity</b>		<u>820,290,043</u>	<u>820,169,960</u>	<u>47,663,570</u>	<u>47,656,593</u>
<b>Total liabilities and equity</b>		₩ <u>2,137,114,675</u>	<u>2,170,784,176</u>	Rs <u>124,178,656</u>	<u>126,135,048</u>

See accompanying notes to the condensed separate interim financial statements.

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

**For the three-month periods ended March 31, 2017 and 2016**

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

	Note	Korean won		Indian rupee	
		2017	2016	2017	2016
Sales	31,32	₩ 787,173,805	811,978,662	Rs 45,739,326	47,180,631
Cost of sales	24,32	672,558,334	672,429,154	39,079,508	39,072,002
<b>Gross profit</b>		<u>114,615,471</u>	<u>139,549,508</u>	<u>6,659,818</u>	<u>8,108,629</u>
Selling, general and administrative expenses	24,26	130,624,092	130,935,691	7,590,011	7,608,117
<b>Operating income (loss)</b>		<u>(16,008,621)</u>	<u>8,613,817</u>	<u>(930,193)</u>	<u>500,512</u>
Other income	27,32	8,057,790	7,075,854	468,204	411,148
Other expenses	27,32	(9,795,880)	(9,229,835)	(569,197)	(536,307)
Finance income	25,28	9,762,618	3,675,569	567,264	213,572
Finance costs	25,28	(6,860,263)	(8,069,669)	(398,621)	(468,894)
<b>Profit (Loss) before income taxes</b>		<u>(14,844,356)</u>	<u>2,065,736</u>	<u>(862,543)</u>	<u>120,031</u>
Income tax expenses	23	-	-	-	-
<b>Profit (Loss) for the period</b>		<u>(14,844,356)</u>	<u>2,065,736</u>	<u>(862,543)</u>	<u>120,031</u>
<b>Other comprehensive income (loss) for the period</b>	21,22				
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements		(2,811)	(3,287)	(163)	(191)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedge		9,857,190	2,203,079	572,759	128,012
<b>Total comprehensive income(loss) for the period</b>		<u>₩ (4,989,977)</u>	<u>4,265,528</u>	<u>Rs (289,947)</u>	<u>247,852</u>
<b>Earnings (Losses) Per share</b>					
Basic and diluted earnings (losses) per share	29	₩ (108)	15	Rs (6)	1

See accompanying notes to the condensed separate interim financial statements.

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

**For the three-month periods ended March 31, 2017 and 2016**

(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				
<b>Balance at January 1, 2016</b>	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,137	227,340	(92,196,977)	725,809,202
<b>Total comprehensive income(loss) for the period:</b>								
Profit for the period	-	-	-	-	-	-	2,065,736	2,065,736
Defined benefit plan re-measurements	-	-	-	-	-	-	(3,287)	(3,287)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	2,203,079	-	2,203,079
<b>Balance at March 31, 2016</b>	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,137	2,430,419	(90,134,528)	730,074,730
<b>Balance at January 1, 2017</b>	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,137	(2,574,700)	4,965,821	820,169,960
<b>Total comprehensive income(loss) for the period:</b>								
Loss for the period	-	-	-	-	-	-	(14,844,356)	(14,844,356)
Defined benefit plan re-measurements	-	-	-	-	-	-	(2,811)	(2,811)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	9,857,190	-	9,857,190
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>								
Issue of ordinary shares	3,646,500	1,463,560	-	-	-	-	-	5,110,060
<b>Balance at March 31, 2017</b>	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,137	7,282,490	(9,881,346)	820,290,043

See accompanying notes to the condensed separate interim financial statements.



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

**For the three month periods ended March 31, 2017 and 2016**

(In thousands of rupee)

	Indian rupee								
	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Retained earnings (Accumulated deficit)	Total	
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity					
<b>Balance at January 1, 2016</b>	Rs	39,866,385	665,468	6,867,461	54,126	64,215	13,210	(5,357,175)	42,173,690
<b>Total comprehensive income(loss) for the period:</b>									
Profit for the period		-	-	-	-	-	-	120,031	120,031
Defined benefit plan re-measurements		-	-	-	-	-	-	(191)	(191)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	128,012	-	128,012
<b>Balance at March 31, 2016</b>	Rs	<u>39,866,385</u>	<u>665,468</u>	<u>6,867,461</u>	<u>54,126</u>	<u>64,215</u>	<u>141,222</u>	<u>(5,237,335)</u>	<u>42,421,542</u>
<b>Balance at January 1, 2017</b>	Rs	39,866,385	665,468	6,867,461	54,126	64,215	(149,605)	288,543	47,656,593
<b>Total comprehensive income(loss) for the period:</b>									
Loss for the period		-	-	-	-	-	-	(862,543)	(862,543)
Defined benefit plan re-measurements		-	-	-	-	-	-	(163)	(163)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	572,759	-	572,759
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>									
Issue of ordinary shares		<u>211,883</u>	<u>85,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,924</u>
<b>Balance at March 31, 2017</b>	Rs	<u><u>40,078,268</u></u>	<u><u>750,509</u></u>	<u><u>6,867,461</u></u>	<u><u>54,126</u></u>	<u><u>64,215</u></u>	<u><u>423,154</u></u>	<u><u>(574,163)</u></u>	<u><u>47,663,570</u></u>

See accompanying notes to the condensed separate interim financial statements.

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

**For the three months periods ended March 31, 2017 and 2016**

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Profit(loss) for the period	₩ (14,844,356)	2,065,736	Rs (862,543)	120,031
Adjustment	52,445,722	58,011,318	3,047,399	3,370,790
Changes in assets and liabilities	(50,783,029)	(147,413,106)	(2,950,786)	(8,565,548)
<b>Cash generated from operations (note 30)</b>	(13,181,663)	(87,336,052)	(765,930)	(5,074,727)
Interest received	738,583	723,019	42,916	42,012
Interest paid	(761,431)	(1,010,996)	(44,244)	(58,745)
Dividends received	6,000	6,000	349	349
<b>Net cash used in operating activities</b>	(13,198,511)	(87,618,029)	(766,909)	(5,091,111)
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	7,757	27,867	451	1,619
Acquisition of property, plant and equipment	(30,263,624)	(35,706,535)	(1,758,491)	(2,074,755)
Acquisition of intangible assets	(22,156,747)	(12,306,901)	(1,287,434)	(715,102)
Cash flow from other investing activities	(1,584,213)	(1,055,334)	(92,052)	(61,321)
<b>Net cash used in investing activities</b>	(53,996,827)	(49,040,903)	(3,137,526)	(2,849,559)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	9,739,283	-	565,907	-
Proceeds from issuing capital stock	5,110,060	-	296,924	-
Repayment of borrowings	-	(10,364,384)	-	(602,230)
<b>Net cash provided by (used in) financing activities</b>	14,849,343	(10,364,384)	862,831	(602,230)
<b>Net decrease in cash and cash equivalents</b>	(52,345,995)	(147,023,316)	(3,041,604)	(8,542,900)
Cash and cash equivalents at January 1	234,657,416	192,773,290	13,634,945	11,201,237
<b>Cash and cash equivalents at March 31</b>	₩ 182,311,421	45,749,974	Rs 10,593,341	2,658,337

See accompanying notes to the condensed separate interim financial statements.

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

March 31, 2017 and 2016

**1. General Description of the Company**

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

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

**(2) Major shareholders**

As of March 31, 2017, the Company's shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>
Mahindra & Mahindra Ltd.	99,964,502	72,46%
Others	37,984,894	27,54%
	<u>137,949,396</u>	<u>100.00%</u>

**2. Basis of Preparation**

**(1) Statement of compliance**

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

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

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

SSANGYONG MOTOR COMPANY  
Notes to the Condensed Separate Interim Financial Statements  
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March 31, 2017 and 2016

## 2. Basis of preparation, Continued

### (2) Use of estimates and judgements

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

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

### (3) Changes in accounting policies

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

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

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

The amendments to K-IFRS 1012 clarify the following:

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

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

### (4) Basis of Translating Condensed Separate Interim Financial Statements

The condensed separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 17.21 to INR 1 on March 31, 2017, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

## 3. Significant Accounting Policies

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

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

SSANGYONG MOTOR COMPANY  
Notes to the Condensed Separate Interim Financial Statements  
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March 31, 2017 and 2016

**3. Significant Accounting Policies, Continued**

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

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

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

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

a. Classification and measurement of financial assets

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

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

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

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

b. Classification and measurement of financial liabilities.

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

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

March 31, 2017 and 2016

**3. Significant Accounting Policies, Continued**

c. Impairment: Financial assets and contract assets

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

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

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

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

d. Hedge Accounting

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

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

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

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

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**3. Significant Accounting Policies, Continued**

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

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

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

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

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#### 4. Cash and Cash Equivalents

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

#### 5. Restricted Financial Instruments

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

(In thousands of won and in thousands of rupee)

	Financial institution	Korean won		Indian rupee		Description
		2017	2016	2017	2016	
Cash and cash equivalents	Shinhan Bank and others	₩ 84,470	177,208	Rs 4,908	10,297	Government grants and others
	Woori Bank	747,064	746,591	43,409	43,381	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	349	349	Overdraft deposit
		₩ <u>837,534</u>	<u>929,799</u>	Rs <u>48,666</u>	<u>54,027</u>	

#### 6. Available-for sale Financial Assets

Available-for sale financial assets as of March 31, 2017 and December 31, 2016 are as follows:

(In thousands of won)

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

(In thousands of rupee)

	Ownership (%)		2017		2016	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs	29,053	40,500	29,053	29,053
Korea Management Consultants Association (*)	1.50		3,486	39,569	3,486	3,486
		Rs	<u>32,539</u>	<u>80,069</u>	<u>32,539</u>	<u>32,539</u>

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



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**7. Trade and Other Receivables**

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

(In thousands of won)

		<b>March 31, 2017</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Receivables	₩	180,539,520	10,501,561	13,896,130	37,943,372
Less: Allowance for doubtful accounts		(22,952)	(2,907)	(52,621)	(81,982)
	₩	<u>180,516,568</u>	<u>10,498,654</u>	<u>13,843,509</u>	<u>37,861,390</u>

(In thousands of won)

		<b>December 31, 2016</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Receivables	₩	218,738,512	7,660,486	10,473,406	41,113,663
Less: Allowance for doubtful accounts		(93,208)	(1,732)	(45,320)	(76,678)
	₩	<u>218,645,304</u>	<u>7,658,754</u>	<u>10,428,086</u>	<u>41,036,985</u>

(In thousands of rupee)

		<b>March 31, 2017</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Receivables	Rs	10,490,385	610,201	807,445	2,204,728
Less: Allowance for doubtful accounts		(1,334)	(169)	(3,057)	(4,763)
	Rs	<u>10,489,051</u>	<u>610,032</u>	<u>804,388</u>	<u>2,199,965</u>

(In thousands of rupee)

		<b>December 31, 2016</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Receivables	Rs	12,709,966	445,118	608,565	2,388,940
Less: Allowance for doubtful accounts		(5,416)	(100)	(2,633)	(4,455)
	Rs	<u>12,704,550</u>	<u>445,018</u>	<u>605,932</u>	<u>2,384,485</u>

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

(2) Credit risk and allowance for doubtful accounts

The above-mentioned trade and other receivables are classified as loans and receivables and measured at amortized cost.

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 indexes, 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 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.

Some of the trade receivables that are over more than 90 days are included in the above-mentioned trade receivables (refer to the aging analysis below); the Company did not reserve an allowance for the aforementioned receivables since their credit ratings did not change materially and they are expected to be collected.

1) Aging analysis of the trade and other receivables that are not impaired as of March 31, 2017 and December 31, 2016 is as follows:

*(In thousands of won)*

		<b>March 31, 2017</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Trade receivables	₩	4,806,777	6,557,625	1,451,184	12,815,586
Other receivables		806,357	119,968	4,287,126	5,213,451
Long-term loans and others		3,331,685	-	103,250	3,434,935
	₩	<u>8,944,819</u>	<u>6,677,593</u>	<u>5,841,560</u>	<u>21,463,972</u>

*(In thousands of won)*

		<b>December 31, 2016</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Trade receivables	₩	1,417,422	4,925,009	1,483,229	7,825,660
Other receivables		602,763	15,602	4,635,956	5,254,321
Long-term loans and others		3,741,144	-	103,250	3,844,394
	₩	<u>5,761,329</u>	<u>4,940,611</u>	<u>6,222,435</u>	<u>16,924,375</u>

*(In thousands of rupee)*

		<b>March 31, 2017</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Trade receivables	Rs	279,301	381,036	84,322	744,659
Other receivables		46,854	6,971	249,107	302,932
Long-term loans and others		193,590	-	5,999	199,589
	Rs	<u>519,745</u>	<u>388,007</u>	<u>339,428</u>	<u>1,247,180</u>

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

(In thousands of rupee)

		<b>December 31, 2016</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Trade receivables	Rs	82,360	286,171	86,184	454,715
Other receivables		35,024	907	269,376	305,307
Long-term loans and others		217,382	-	5,999	223,381
	Rs	<u>334,766</u>	<u>287,078</u>	<u>361,559</u>	<u>983,403</u>

2) Aging analysis of the trade and other receivables that are impaired as of March 31, 2017 and December 31, 2016 are as follows:

(In thousands of won)

		<b>March 31, 2017</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Other receivables	₩	-	-	574	574
Long-term loans and others		-	-	44,607	44,607
	₩	<u>-</u>	<u>-</u>	<u>45,181</u>	<u>45,181</u>

(In thousands of won)

		<b>December 31, 2016</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Long-term loans and others	₩	-	-	44,607	44,607

(In thousands of rupee)

		<b>March 31, 2017</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Other receivables	Rs	-	-	33	33
Long-term loans and others		-	-	2,592	2,592
	Rs	<u>-</u>	<u>-</u>	<u>2,625</u>	<u>2,625</u>

(In thousands of rupee)

		<b>December 31, 2016</b>			
		<b>3-6 months</b>	<b>6-12 months</b>	<b>More than 1 year</b>	<b>Total</b>
Long-term loans and others	Rs	-	-	2,592	2,592

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

3) Changes in allowance for trade and other receivables for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won)

		<b>March 31, 2017</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Beginning balance	₩	93,208	1,732	45,320	76,678
(Reversal of) Bad debt expense		(70,256)	1,175	7,301	5,304
Ending balance	₩	<u>22,952</u>	<u>2,907</u>	<u>52,621</u>	<u>81,982</u>

(In thousands of won)

		<b>March 31, 2016</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Beginning balance	₩	44,462	2,252	8,666	159,256
(Reversal of) Bad debt expense		49,845	(74)	(244)	(2,749)
Ending balance	₩	<u>94,307</u>	<u>2,178</u>	<u>8,422</u>	<u>156,507</u>

(In thousands of rupee)

		<b>March 31, 2017</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Beginning balance	Rs	5,416	100	2,633	4,455
(Reversal of) Bad debt expense		(4,082)	69	424	308
Ending balance	Rs	<u>1,334</u>	<u>169</u>	<u>3,057</u>	<u>4,763</u>

(In thousands of rupee)

		<b>March 31, 2016</b>			
		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loans and others</b>	<b>Long-term loans and others</b>
Beginning balance	Rs	2,583	131	504	9,254
(Reversal of) Bad debt expense		2,897	(4)	(15)	(160)
Ending balance	Rs	<u>5,480</u>	<u>127</u>	<u>489</u>	<u>9,094</u>

The Company estimates allowances for doubtful accounts through individual analysis for significant receivables, and an allowance for the receivables that are not subject to individual analysis is estimated based on the historical loss rates. For receivables to be impaired by following reasons: default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc., the Company assesses collectability of each receivable through an individual analysis. 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 period; 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.

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**8. Inventories**

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Merchandises	₩ 37,305,586	36,986,821	Rs 2,167,669	2,149,147
Finished goods	83,094,940	46,638,240	4,828,294	2,709,950
Work-in-process	29,630,780	28,203,922	1,721,719	1,638,810
Raw materials	32,581,146	32,040,766	1,893,152	1,861,753
Sub-materials	411,790	433,593	23,927	25,194
Supplies	3,588,364	3,545,334	208,505	206,004
Goods in transit	56,809,311	52,284,047	3,300,948	3,038,004
	₩ <u>243,421,917</u>	<u>200,132,723</u>	Rs <u>14,144,214</u>	<u>11,628,862</u>

The Company has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 1,760,039 thousand (Rs 102,268 thousand) for the three-month periods ended March 31, 2017 is included in 'cost of sales'.

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

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

(In thousands of won)

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

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

(In thousands of rupee)

	Company	Location	Owner ship	Closing month	Acquisition cost	2017	2016
						Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Rs 310,174	338,702	338,702
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	48,559	-	-
					358,733	338,702	338,702
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51%	December	592,679	592,679	592,679
					Rs 951,412	931,381	931,381

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

**10. Other Assets**

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
<b>Other current assets</b>					
Advance payments	₩	1,176,036	1,789,332	Rs 68,334	103,970
Less: Allowance for doubtful Accounts		(2,959)	(4,488)	(172)	(261)
Prepaid expenses		8,492,212	5,167,105	493,446	300,239
Current tax assets		436,782	342,594	25,380	19,907
		10,102,071	7,294,543	586,988	423,855
<b>Other non-current assets</b>					
Other non-current assets	₩	273,318	273,319	Rs 15,881	15,881

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**11. Property, Plant and Equipment**

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

(In thousands of won)

		<b>March 31, 2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	₩	475,072,283	-	-	-	475,072,283
Buildings		539,555,516	(1,891,192)	(209,510,853)	(148,366,786)	179,786,685
Structures		108,248,525	(110,365)	(62,883,367)	(28,913,882)	16,340,911
Machinery		1,282,559,985	(297,691)	(1,018,346,406)	(96,166,838)	167,749,050
Vehicles		8,008,875	(8,561)	(6,219,402)	(674,497)	1,106,415
Tools and molds		1,067,501,346	(12,763)	(685,897,259)	(159,660,131)	221,931,193
Equipment		68,506,137	(17,652)	(46,985,853)	(3,595,316)	17,907,316
Construction in progress		105,693,325	-	-	-	105,693,325
Machinery in transit		814,845	-	-	-	814,845
	₩	<u>3,655,960,837</u>	<u>(2,338,224)</u>	<u>(2,029,843,140)</u>	<u>(437,377,450)</u>	<u>1,186,402,023</u>

(In thousands of won)

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

(In thousands of rupee)

		<b>March 31, 2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	27,604,432	-	-	-	27,604,432
Buildings		31,351,279	(109,888)	(12,173,786)	(8,620,964)	10,446,641
Structures		6,289,862	(6,413)	(3,653,885)	(1,680,063)	949,501
Machinery		74,524,113	(17,298)	(59,171,784)	(5,587,846)	9,747,185
Vehicles		465,362	(497)	(361,384)	(39,192)	64,289
Tools and molds		62,027,969	(742)	(39,854,576)	(9,277,172)	12,895,479
Equipment		3,980,601	(1,026)	(2,730,148)	(208,909)	1,040,518
Construction in progress		6,141,390	-	-	-	6,141,390
Machinery in transit		47,347	-	-	-	47,347
	Rs	<u>212,432,355</u>	<u>(135,864)</u>	<u>(117,945,563)</u>	<u>(25,414,146)</u>	<u>68,936,782</u>

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

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

(In thousands of rupee)

		<b>December 31, 2016</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	27,604,432	-	-	-	27,604,432
Buildings		31,303,367	(110,772)	(12,020,069)	(8,620,964)	10,551,562
Structures		6,289,875	(6,708)	(3,628,105)	(1,680,063)	974,999
Machinery		74,444,559	(19,399)	(58,754,867)	(5,599,286)	10,071,007
Vehicles		454,393	(519)	(355,931)	(39,551)	58,392
Tools and molds		62,205,845	(770)	(39,689,444)	(9,281,443)	13,234,188
Equipment		3,973,024	(1,074)	(2,644,818)	(209,497)	1,117,635
Construction in progress		5,995,297	-	-	-	5,995,297
Machinery in transit		59,046	-	-	-	59,046
	Rs	<u>212,329,838</u>	<u>(139,242)</u>	<u>(117,093,234)</u>	<u>(25,430,804)</u>	<u>69,666,558</u>

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won)

		<b>March 31, 2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation (*1)</b>	<b>Others (*2)</b>	<b>Ending balance</b>
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>

(In thousands of won)

		<b>March 31, 2016</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation (*1)</b>	<b>Others (*2)</b>	<b>Ending balance</b>
Land	₩	475,531,313	-	-	-	-	475,531,313
Buildings		190,494,892	6,805	(2,285)	(2,622,793)	-	187,876,619
Structures		16,766,128	167,800	(1,132)	(431,677)	17,100	16,518,219
Machinery		185,774,908	26,800	(15)	(7,178,159)	7,792,042	186,415,576
Vehicles		1,380,302	-	(6,888)	(130,373)	-	1,243,041
Tools and molds		252,248,089	2,170,200	(9,861)	(18,675,086)	33,520,739	269,254,081
Equipment		22,794,469	348,684	(9,899)	(1,715,926)	62,000	21,479,328
Construction in progress		40,866,774	30,411,556	-	-	(40,560,229)	30,718,101
Machinery in transit		1,924,851	384,226	-	-	(578,385)	1,730,692
	₩	<u>1,187,781,726</u>	<u>33,516,071</u>	<u>(30,080)</u>	<u>(30,754,014)</u>	<u>253,267</u>	<u>1,190,766,970</u>



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

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2017 and 2016 are as follows, continued:

(\*1) Depreciation of suspended assets amounting to ₩ 1,504 thousand (2016: ₩ 5,279 thousand) is excluded from the depreciation in the condensed separated interim statement of cash flows.

(\*2) Capitalized borrowing costs in respect of construction in progress is ₩ 249,503 thousand (2016: ₩ 253,267 thousand) and ₩ 178,983 thousand was transferred from inventory to vehicles during the three-month period ended March 31, 2017.

(In thousands of rupee)

		March 31, 2017					
		Beginning balance	Acquisition	Disposal	Depreciation (*1)	Others (*2)	Ending balance
Land	Rs	27,604,432	-	-	-	-	27,604,432
Buildings		10,551,562	1,082	(60)	(152,834)	46,891	10,446,641
Structures		974,999	-	(13)	(25,485)	-	949,501
Machinery		10,071,008	-	(71)	(434,102)	110,350	9,747,186
Vehicles		58,392	2,880	-	(7,383)	10,400	64,289
Tools and molds		13,234,187	37,214	(43)	(929,606)	553,727	12,895,479
Equipment		1,117,635	24,855	(519)	(101,453)	-	1,040,518
Construction in progress		5,995,297	816,940	-	-	(670,847)	6,141,390
Machinery in transit		59,046	13,924	-	-	(25,623)	47,347
	Rs	69,666,558	896,895	(706)	(1,650,863)	24,898	68,936,782

(In thousands of rupee)

		March 31, 2016					
		Beginning balance	Acquisition	Disposal	Depreciation (*1)	Others (*2)	Ending balance
Land	Rs	27,631,105	-	-	-	-	27,631,105
Buildings		11,068,849	395	(133)	(152,399)	-	10,916,712
Structures		974,208	9,750	(65)	(25,083)	994	959,804
Machinery		10,794,591	1,557	(1)	(417,092)	452,762	10,831,817
Vehicles		80,203	-	(400)	(7,575)	-	72,228
Tools and molds		14,657,065	126,101	(573)	(1,085,130)	1,947,748	15,645,211
Equipment		1,324,489	20,262	(575)	(99,706)	3,603	1,248,073
Construction in progress		2,374,595	1,767,086	-	-	(2,356,783)	1,784,898
Machinery in transit		111,845	22,326	-	-	(33,608)	100,563
	Rs	69,016,950	1,947,477	(1,747)	(1,786,985)	14,716	69,190,411

(\*1) Depreciation of suspended assets amounting to Rs 88 thousand (2016: Rs 307 thousand) is excluded from the depreciation in the condensed interim statement of cash flows.

(\*2) Capitalized borrowing costs in respect of construction in progress is Rs 14,498 thousand (2016: Rs 14,716 thousand) and Rs 10,400 thousand was transferred from inventory to vehicles for the three-month period ended March 31, 2017.

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

(3) Details of pledged assets provided as collateral for the borrowings as of March 31, 2017 are as follows:

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

	Korean won		Indian rupee	
	Book value	Collateralized amount	Book value	Collateralized amount
Land	₩ 366,132,440		Rs 21,274,401	
Buildings	72,352,254	267,000,000	4,204,082	15,514,236
Machinery and others	3,241,601		188,356	
	<u>441,726,295</u>	<u>267,000,000</u>	<u>25,666,839</u>	<u>15,514,236</u>

(4) Capitalized borrowing costs and capitalization interest rate for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Capitalized interest expenses (*)	₩ 578,984	780,013	Rs 33,642	45,323
Capitalization interest rate	3.45%	3.79%	3.45%	3.79%

(\*) Capitalized borrowing costs for intangible assets are ₩ 329,481 thousand (Rs 19,145 thousand) and ₩ 526,746 thousand (Rs 30,607 thousand) for the three-month periods ended March 31, 2017 and 2016, respectively.

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**12. Intangible Assets**

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

(In thousands of won)

<b>March 31, 2017</b>					
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	₩ 170,793,491	-	(77,152,800)	-	93,640,691
Patents	3,624,421	(20,411)	(1,845,661)	(64,556)	1,693,793
Other intangible assets	177,281,366	(31,666)	(24,203,632)	(576,105)	152,469,963
	<b>₩ 351,699,278</b>	<b>(52,077)</b>	<b>(103,202,093)</b>	<b>(640,661)</b>	<b>247,804,447</b>

(In thousands of won)

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

(In thousands of rupee)

<b>March 31, 2017</b>					
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs 9,924,084	-	(4,483,021)	-	5,441,063
Patents	210,600	(1,186)	(107,244)	(3,751)	98,419
Other intangible assets	10,301,067	(1,840)	(1,406,370)	(33,475)	8,859,382
	<b>Rs 20,435,751</b>	<b>(3,026)</b>	<b>(5,996,635)</b>	<b>(37,226)</b>	<b>14,398,864</b>

(In thousands of rupee)

<b>December 31, 2016</b>					
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs 9,924,084	-	(4,025,618)	-	5,898,466
Patents	202,735	(1,227)	(99,000)	(3,174)	99,334
Other intangible assets	9,002,353	(2,177)	(1,347,738)	(33,475)	7,618,963
	<b>Rs 19,129,172</b>	<b>(3,404)</b>	<b>(5,472,356)</b>	<b>(36,649)</b>	<b>13,616,763</b>

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2017 and March 31, 2016 are as follows:

(In thousands of won)

		March 31, 2017						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	101,512,605	-	(7,871,914)	-	-	-	93,640,691
Patents		1,709,533	135,360	(141,171)	(9,929)	-	-	1,693,793
Other intangible assets		131,122,360	22,021,387	(1,003,265)	-	-	329,481	152,469,963
	₩	234,344,498	22,156,747	(9,016,350)	(9,929)	-	329,481	247,804,447

(In thousands of won)

		March 31, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	109,536,141	-	(7,115,006)	-	22,707,210	-	125,128,345
Patents		1,584,610	177,028	(125,254)	(307)	-	-	1,636,077
Other intangible assets		75,823,834	12,129,873	(1,780,114)	-	(22,707,210)	526,746	63,993,129
	₩	186,944,585	12,306,901	(9,020,374)	(307)	-	526,746	190,757,551

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩ 329,481 thousand and ₩ 526,746 thousand for the three-month periods ended March 31, 2017 and 2016, respectively.

(In thousands of rupee)

		March 31, 2017						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	5,898,466	-	(457,403)	-	-	-	5,441,063
Patents		99,334	7,865	(8,203)	(577)	-	-	98,419
Other intangible assets		7,618,963	1,279,569	(58,295)	-	-	19,145	8,859,382
	Rs	13,616,763	1,287,434	(523,901)	(577)	-	19,145	14,398,864

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March 31, 2017 and 2016

**12. Intangible Assets, Continued**

(In thousands of rupee)

		March 31, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	6,364,680	-	(413,423)	-	1,319,420	-	7,270,677
Patents		92,075	10,286	(7,278)	(18)	-	-	95,065
Other intangible assets		4,405,801	704,816	(103,435)	-	(1,319,420)	30,607	3,718,369
	Rs	10,862,556	715,102	(524,136)	(18)	-	30,607	11,084,111

(\*) Capitalized borrowing costs in respect of other intangible assets is Rs 19,145 thousand and Rs 30,607 thousand for the three-month periods ended March 31, 2017 and 2016, respectively.

(3) Details of amortization for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Cost of goods manufactured	₩	7,871,914	7,115,006	Rs 457,403	413,423
Selling and administrative expenses		1,144,436	1,905,368	66,498	110,713
	₩	9,016,350	9,020,374	Rs 523,901	524,136

**13. Borrowings**

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

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2017	2016	2017	2016
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,743,173	1,743,173
Woori Bank	Operating fund(*)	CD+2.00 ~ 2.70	22,500,000	25,000,000	1,307,379	1,452,643
Bank Of America and other	Banker's usance	0.30 ~0.84	137,067,825	126,967,721	7,964,429	7,377,555
			₩ 189,567,825	181,967,721	Rs 11,014,981	10,573,371

(\*) Current portion of long-term borrowing

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March 31, 2017 and 2016

**13. Borrowings, Continued**

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

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2017	2016	2017	2016
Woori Bank	Operating fund	CD+2.00 ~ 2.70	₩ 32,500,000	₩ 37,500,000	Rs 1,888,437	2,178,966
Less: Current portion			(22,500,000)	(25,000,000)	(1,307,379)	(1,452,644)
			₩ 10,000,000	₩ 12,500,000	Rs 581,058	726,322

(3) Details of pledged assets as collateral for borrowings as of March 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Pledged assets	Pledged date	Maximum credit amount	
			Korean won	Indian rupee
Korea Development Bank	Land, buildings, structures and machinery	2009-08-13	₩ 195,000,000	Rs 11,330,622
Woori Bank	Land, buildings and machinery	2014-10-29	36,000,000	2,091,807
		2015-08-07	36,000,000	2,091,807
			₩ 267,000,000	Rs 15,514,236

**14. Other Financial Liabilities**

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Accrued expenses	₩	22,365,064	34,519,616	Rs 1,299,539	2,005,788

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**15. Provision of Warranty for sale**

The Company generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 145,848,984	143,793,979	Rs 8,474,665	8,355,257
Increase	11,576,454	22,606,220	672,659	1,313,551
Decrease	(16,016,562)	(24,895,168)	(930,655)	(1,446,552)
Ending balance	₩ 141,408,876	141,505,031	Rs 8,216,669	8,222,256
Current	₩ 51,940,785	54,997,955	Rs 3,018,058	3,195,697
Non-current	89,468,091	86,507,076	5,198,611	5,026,559

**16. Other Liabilities**

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Advances from customers	₩ 3,571,169	3,359,440	Rs 207,505	195,203
Deposits received	612,725	613,895	35,603	35,671
Withholdings	25,568,998	29,323,090	1,485,706	1,703,840
	₩ 29,752,892	33,296,425	Rs 1,728,814	1,934,714

**17. Employee Benefits**

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Present value of defined benefit obligations	₩ 283,516,978	280,792,667	Rs 16,473,967	16,315,669
Fair value of plan assets	(1,138,735)	(1,183,467)	(66,167)	(68,766)
	₩ 282,378,243	279,609,200	Rs 16,407,800	16,246,903

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17. Employee Benefits, Continued

(2) Changes in defined benefit obligation for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won)

Details	March 31, 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 cost (income)	2,015,962	(8,488)	2,007,474
Sub-total	292,195,898	(1,191,955)	291,003,943
Re-measurements of plan assets	-	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

(In thousands of won)

Details	March 31, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 293,343,081	(1,337,356)	292,005,725
Current service cost	10,210,870	-	10,210,870
Interest cost (income)	2,130,035	(9,693)	2,120,342
Sub-total	305,683,986	(1,347,049)	304,336,937
Re-measurements of plan assets	-	3,287	3,287
Benefit paid by plan	(93,444)	93,444	-
Benefit paid directly	(10,312,546)	-	(10,312,546)
Ending balance	₩ 295,277,996	(1,250,318)	294,027,678

(In thousands of rupee)

Details	March 31, 2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 16,315,669	(68,766)	16,246,903
Current service cost	545,454	-	545,454
Interest cost (income)	117,139	(493)	116,646
Sub-total	16,978,262	(69,259)	16,909,003
Re-measurements of plan assets	-	163	163
Benefit paid by plan	(2,929)	2,929	-
Benefit paid directly	(501,366)	-	(501,366)
Ending balance	Rs 16,473,967	(66,167)	16,407,800



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**17. Employee Benefits, Continued**

(In thousands of rupee)

Details	March 31, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,044,920	(77,708)	16,967,212
Current service cost	593,310	-	593,310
Interest cost (income)	123,767	(563)	123,204
Sub-total	17,761,997	(78,271)	17,683,726
Re-measurements of plan assets	-	191	191
Benefit paid by plan	(5,430)	5,430	-
Benefit paid directly	(599,218)	-	(599,218)
Ending balance	Rs 17,157,349	(72,650)	17,084,699

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

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

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

**18. Commitments and Contingencies**

Details of main commitments and contingencies as of March 31, 2017 are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of March 31, 2017, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of KRW 194,500 million and USD 252 million.
- (3) As of March 31, 2017, the Company has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of March 31, 2017, four claims as a plaintiff were filled with the claim amount of ₩ 2,448 million (Rs 142 million) and 20 claims as a defendant were filled with the claims of ₩ 3,844 million (Rs 223 million). The provision amounting to ₩ 6,786 million (Rs 394 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and management expect they will have a material adverse effect on the Company's condensed separate interim financial statements.

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**19. Capital Stock**

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

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,220,096	137,949,396	137,220,096
Par value	5,000	5,000	291	291
Capital stock	₩ 689,746,980	686,100,480	Rs 40,078,268	39,866,385

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Paid-up capital in excess of par value	₩ 12,916,273	11,452,713	Rs 750,509	665,468
Gain on capital reduction	118,189,001	118,189,001	6,867,461	6,867,461
Debt to be swapped for equity	931,508	931,508	54,126	54,126
Gain on disposal of treasury stock	1,105,137	1,105,137	64,215	64,215
	₩ 133,141,919	131,678,359	Rs 7,736,311	7,651,270

**21. Other Equity**

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Gains (losses) on valuation of derivatives	₩ 7,282,490	(2,574,700)	Rs 423,154	(149,605)

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**21. Other Equity, Continued**

(2) Changes in the Company's gains (losses) on valuation of derivatives for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ (2,574,700)	227,340	Rs (149,605)	13,210
Gains on valuation of derivatives	8,241,310	2,299,899	478,868	133,637
Reclassified to net income (losses)	1,615,880	(96,820)	93,891	(5,626)
Ending balance	₩ 7,282,490	2,430,419	Rs 423,154	141,221

**22. Retained Earnings (Deficit)**

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

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Retained earnings (Deficit)	₩ (9,881,346)	4,965,821	Rs (574,163)	288,543

(2) Changes in retained earnings (deficit) for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 4,965,821	(92,196,977)	Rs 288,543	(5,357,175)
Profit (Loss) for the period	(14,844,356)	2,065,736	(862,543)	120,031
Defined benefit plan re-measurement	(2,811)	(3,287)	(163)	(191)
Ending balance	₩ (9,881,346)	(90,134,528)	Rs (574,163)	(5,237,335)

**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, 2017.

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**24. Nature of Expenses**

Details of nature of expenses for the three months ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Changes in inventories	₩ (38,202,323)	(11,850,524)	Rs (2,219,775)	(688,584)
Raw materials consumed and purchase of merchandise	566,547,495	544,009,536	32,919,669	31,610,083
Employee benefits	127,487,948	121,656,219	7,407,783	7,068,926
Depreciation	28,411,344	30,754,014	1,650,863	1,786,985
Amortization	9,016,350	9,020,374	523,901	524,136
Others	109,921,612	109,775,226	6,387,078	6,378,573
	₩ 803,182,426	803,364,845	Rs 46,669,519	46,680,119

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

**25. Derivatives**

The Company holds derivative contracts to minimize foreign exchange risk. As of March 31, 2017, effective portion of changes in fair value of cash flow hedge is ₩ 7,282,490 thousand (Rs 423,155 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 ₩ 93,883 thousand (Rs 5,455 thousand) recognized in current profit. And, changes in fair value of derivative not designated as hedging instrument for the three-month periods ended March 31, 2017 is net amounting to ₩ 3,007,361 thousand (Rs 174,745 thousand) recognized in current loss.

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

(1) Details of selling expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Warranty expenses	₩ 10,882,103	13,817,456	Rs 632,313	802,874
Commissions	51,102,268	49,972,198	2,969,336	2,903,672
Advertising	5,336,111	5,542,780	310,059	322,067
Export expenses	8,916,209	9,614,982	518,083	558,686
Others	9,831,474	8,985,166	571,265	522,090
	₩ 86,068,165	87,932,582	Rs 5,001,056	5,109,389

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

(2) Details of general and administrative expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Salaries	₩ 12,971,415	12,767,794	Rs 753,714	741,882
Retirement benefit costs	1,428,949	2,346,998	83,030	136,374
Employee welfare	2,858,213	3,056,935	166,079	177,626
Rent expense	2,809,030	2,430,933	163,221	141,251
Service fees	7,748,627	5,993,484	450,240	348,256
Depreciation	2,769,994	2,865,222	160,953	166,486
R&D expenses	5,500,817	4,521,210	319,629	262,708
Amortization	1,144,437	1,905,368	66,498	110,713
(Reversal of) bad debt expense	(70,256)	49,845	(4,082)	2,896
Others	7,394,701	7,065,320	429,673	410,536
	₩ <u>44,555,927</u>	<u>43,003,109</u>	Rs <u>2,588,955</u>	<u>2,498,728</u>

**27. Other Income and Expenses**

(1) Details of other income for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Foreign exchange transaction gain	₩ 3,644,530	3,019,101	Rs 211,768	175,427
Foreign exchange translation gain	574,757	798,632	33,396	46,405
Gain on disposal of property, plant and equipment	5,912	12,283	344	714
Others	3,832,591	3,245,838	222,696	188,602
	₩ <u>8,057,790</u>	<u>7,075,854</u>	Rs <u>468,204</u>	<u>411,148</u>

(2) Details of other expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Foreign exchange transaction loss	₩ 4,150,854	3,407,696	Rs 241,188	198,007
Foreign exchange translation loss	1,408,112	376,092	81,819	21,853
Loss on disposal of property, plant and equipment	10,308	14,497	599	842
Loss on disposal of trade receivables	3,372,521	4,794,475	195,963	278,587
Others	854,085	637,075	49,628	37,018
	₩ <u>9,795,880</u>	<u>9,229,835</u>	Rs <u>569,197</u>	<u>536,307</u>

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**28. Finance Income and Costs**

(1) Details of finance income for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Interest income	₩ 786,802	629,349	Rs 45,718	36,569
Dividend income	6,000	6,000	349	349
Foreign exchange transaction gain	1,008,485	695,831	58,599	40,432
Foreign exchange translation gain	4,640,494	1,269,989	269,639	73,794
Realized gain of financial derivatives	2,736,882	990,507	159,028	57,553
Unrealized gain of financial derivatives	583,955	83,893	33,931	4,875
	₩ <u>9,762,618</u>	<u>3,675,569</u>	Rs <u>567,264</u>	<u>213,572</u>

(2) Details of finance costs for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Interest expense	₩ 219,552	189,030	Rs 12,758	10,984
Foreign exchange transaction loss	2,492,355	3,412,584	144,820	198,291
Foreign exchange translation loss	1,315	1,903,587	76	110,609
Realized loss of financial derivatives	649,608	834,468	37,746	48,487
Unrealized loss of financial derivatives	3,497,433	1,730,000	203,221	100,523
	₩ <u>6,860,263</u>	<u>8,069,669</u>	Rs <u>398,621</u>	<u>468,894</u>

(3) Details of the Company's financial net profit or loss for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Loan and receivables	₩ 3,722,560	(2,910,032)	Rs 216,302	(169,090)
AFS financial assets	6,000	6,000	349	349
Derivatives financial assets (liabilities)	(826,205)	(1,490,068)	(48,007)	(86,581)
	₩ <u>2,902,355</u>	<u>(4,394,100)</u>	Rs <u>168,644</u>	<u>(255,322)</u>

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**29. Earnings (losses) per Share**

(1) Basic earnings (losses) per share for the three-month periods ended March 31, 2017 and 2016 are calculated as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Profit (loss) for the period	₩ (14,844,356)	2,065,736	Rs (862,543)	120,031
Profit (loss) contributed to common stocks	(14,844,356)	2,065,736	(862,543)	120,031
Weighted average number of common shares	137,349,749	137,182,087	137,349,749	137,182,087
Basic and diluted earnings (losses) per share (*)	₩ (108)	15	Rs (6)	1

(\*) Diluted earnings (losses) per share for the three-month periods ended March 31, 2017 is the same as basic earnings (losses) per share, since there are no dilutive potential common shares.

(2) Weighted average number of common shares outstanding for the three-month periods ended March 31, 2017 and 2016 are calculated as follows:

March 31, 2017				
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2017-01-01~2017-03-15	137,220,096	74/90	112,825,412
Issuing	2017-03-16~2017-03-31	137,949,396	16/90	24,524,337
		Total		137,349,749

  

March 31, 2016				
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2016-01-01~2016-03-31	137,182,087	91/91	137,182,087

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**30. Cash Flow from operating activities**

(1) Details of cash flows from operating activities for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
<b>Profit (loss) for the period</b>	₩ (14,844,356)	2,065,736	Rs (862,543)	120,031
<b>Adjustments for:</b>				
Retirement benefit costs	11,394,743	12,331,212	662,100	716,514
Depreciation	28,409,840	30,748,735	1,650,775	1,786,678
Amortization	9,016,350	9,020,374	523,901	524,136
Loss on disposal of trade receivables	3,372,521	4,794,475	195,963	278,587
Foreign exchange translation gain (loss)	(3,805,824)	211,058	(221,140)	12,263
Loss (Gain) on disposal of property, plant and equipment	4,396	2,214	255	128
Interest expense (income)	(567,250)	(440,319)	(32,960)	(25,585)
Dividends income	(6,000)	(6,000)	(349)	(349)
Unrealized gain of financial derivatives	2,913,478	1,646,107	169,290	95,648
(Reversal of) Losses on valuation of inventories	1,760,039	(352,274)	102,268	(20,469)
Others	(46,571)	55,736	(2,704)	3,239
	<u>52,445,722</u>	<u>58,011,318</u>	<u>3,047,399</u>	<u>3,370,790</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	35,114,630	(20,713,934)	2,040,363	(1,203,598)
Other receivables	(3,164,656)	(4,225,647)	(183,885)	(245,534)
Inventories	(45,228,217)	(8,805,956)	(2,628,020)	(511,677)
Trade payables	20,377,159	(79,175,953)	1,184,030	(4,600,578)
Other payables	(24,423,873)	(25,231,627)	(1,419,168)	(1,466,103)
Accrued expenses	(12,191,657)	(11,921,335)	(708,405)	(692,698)
Provision of warranty for sale	(4,440,108)	(2,288,948)	(257,996)	(133,001)
Payment of retirement benefits	(8,628,511)	(10,312,546)	(501,366)	(599,218)
Others	(8,197,796)	15,262,840	(476,339)	886,859
	<u>(50,783,029)</u>	<u>(147,413,106)</u>	<u>(2,950,786)</u>	<u>(8,565,548)</u>
<b>Net cash used in operating activities</b>	₩ <u>(13,181,663)</u>	<u>(87,336,052)</u>	Rs <u>(765,930)</u>	<u>(5,074,727)</u>

(2) Significant non-cash activities for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Changes in other payables related to the acquisition of property, plant and equipment	₩ 14,828,047	2,190,464	Rs 861,596	127,278



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**31. Segment Information**

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

2) Geographic sales information of the Company for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

Sales region	Korean won		Indian rupee	
	2017	2016	2017	2016
Republic of Korea	₩ 594,602,152	564,486,410	Rs 34,549,805	32,799,908
Europe	107,778,174	129,057,539	6,262,532	7,498,985
Asia Pacific	13,296,442	68,363,637	772,600	3,972,321
Others	71,497,037	50,071,076	4,154,389	2,909,417
	₩ 787,173,805	811,978,662	Rs 45,739,326	47,180,631

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

(3) Information of sales of goods and service for the three-month periods ended March 31, 2017 and 2016 are as follows:

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Automobile	₩ 700,305,006	706,136,044	Rs 40,691,749	41,030,566
Merchandise and parts	78,063,158	78,601,069	4,535,919	4,567,174
Others	8,805,641	27,241,549	511,658	1,582,891
	₩ 787,173,805	811,978,662	Rs 45,739,326	47,180,631

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

(1) Details of related parties as of March 31, 2017 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Joint venture	SY Auto Capital Co., Ltd.
Others	Mahindra Vehicle Manufacturing Ltd., Mahindra & Mahindra South Africa Ltd., PININFARINA S.p.A.

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

(2) Transactions with related parties for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In thousands of won)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Sales	₩ 2,565,872	21,419,503
		Other income	65,608	-
		Purchases	231,046	210,777
		Other expenses	19,079	32,195
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	2,699,954	2,796,532
		Other expenses	3,372,521	4,411,424
Joint venture	SY Auto Capital Co., Ltd.			
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	44,312	78,219
		Other expenses	257,507	22,503

(In thousands of rupee)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Sales	Rs 149,092	1,244,596
		Other income	3,812	-
		Purchases	13,425	12,247
		Other expenses	1,109	1,871
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	156,883	162,495
		Other expenses	195,963	256,329
Joint venture	SY Auto Capital Co., Ltd.			
Others	Mahindra Vehicle Manufacturing Ltd. and other	Sales	2,575	4,545
		Other expenses	14,963	1,308

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

(In thousands of won)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables	₩ 2,266,557	2,693,260
		Other receivables	155,828	60,430
		Other payables	1,750,090	1,781,004
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	14,234,742	15,079,280
		Other receivables	404,623	454,765
		Other payables	453,961	450,982
Joint venture	SY Auto Capital Co., Ltd.	Other payables	267,514	91,887
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	-	15,977
		Other payables	25,619	36,773

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

(In thousands of rupee)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	131,700	156,494
		Other receivables	9,055	3,511
		Other payables	101,690	103,487
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	827,120	876,193
		Other receivables	23,511	26,424
		Other payables	26,378	26,205
Joint venture	SY Auto Capital Co., Ltd.	Other payables	15,544	5,339
Others	Mahindra Vehicle Manufacturing Ltd. and other	Trade receivables	-	928
		Other payables	1,489	2,137

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

(4) Loan and borrowing transaction with related parties for the three-month periods ended March 31, 2017 and 2016, does not exist.

(5) Executive compensation of the Company for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Short-term employee benefits	₩	179,545	168,063	Rs 10,433	9,765
Retirement benefits		5,248	5,893	305	342

**33. Financial Instruments**

(1) Capital risk management

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

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

The Company is not subject to externally enforced capital regulation.

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**33. Financial Instruments, Continued**

(1) Capital risk management, continued

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Debt (A)	₩ 1,316,824,632	1,350,614,216	Rs 76,515,086	78,478,455
Equity (B)	820,290,043	820,169,960	47,663,570	47,656,593
Debt-to-equity ratio (A/B)	160.53%	164.67%	160.53%	164.67%

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

1) Financial assets

(In thousands of won)

	March 31, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	₩ 182,311,421	-	-	-	182,311,421	182,311,421
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade and other receivables	237,794,828	-	-	-	237,794,828	237,794,828
AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	204,054	7,280,247	7,484,301	7,484,301
	₩ 420,112,249	560,000	204,054	7,280,247	428,156,550	428,156,550

(In thousands of won)

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

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**33. Financial Instruments, Continued**

(1) Capital risk management, continued

1) Financial assets, continued

(In thousands of rupee)

		<b>March 31, 2017</b>					
		<b>Loans and Receivables</b>	<b>AFS financial assets</b>	<b>Financial assets at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	10,593,342	-	-	-	10,593,342	10,593,342
Long-term financial instruments		349	-	-	-	349	349
Trade and other receivables		13,817,248	-	-	-	13,817,248	13,817,248
AFS financial assets		-	32,539	-	-	32,539	32,539
Derivative assets		-	-	11,857	423,024	434,881	434,881
	Rs	<u>24,410,939</u>	<u>32,539</u>	<u>11,857</u>	<u>423,024</u>	<u>25,878,359</u>	<u>24,878,359</u>

(In thousands of rupee)

		<b>December 31, 2016</b>					
		<b>Loans and Receivables</b>	<b>AFS financial assets</b>	<b>Financial assets at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	13,634,945	-	-	-	13,634,945	13,634,945
Long-term financial instruments		349	-	-	-	349	349
Trade and other receivables		16,138,632	-	-	-	16,138,632	16,138,632
AFS financial assets		-	32,539	-	-	32,539	32,539
Derivative assets		-	-	25,897	18,033	43,930	43,930
	Rs	<u>29,773,926</u>	<u>32,539</u>	<u>25,897</u>	<u>18,033</u>	<u>29,850,395</u>	<u>29,850,395</u>

2) Financial liabilities

(In thousands of won)

		<b>March 31, 2017</b>				
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	621,867,432	-	-	621,867,432	621,867,432
Borrowings		199,567,825	-	-	199,567,825	199,567,825
Derivative liabilities		-	3,879,042	-	3,879,042	3,879,042
	₩	<u>821,435,257</u>	<u>3,879,042</u>	<u>-</u>	<u>825,314,299</u>	<u>825,314,299</u>

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**33. Financial Instruments, Continued**

(1) Capital risk management, continued

2) Financial liabilities, continued

(In thousands of won)

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

(In thousands of rupee)

		<b>March 31, 2017</b>				
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	36,134,074	-	-	36,134,074	36,134,074
Borrowings		11,596,039	-	-	11,596,039	11,596,039
Derivative liabilities		-	225,395	-	225,395	225,395
	Rs	<u>47,730,113</u>	<u>225,395</u>	<u>-</u>	<u>47,955,508</u>	<u>47,955,508</u>

(In thousands of rupee)

		<b>December 31, 2016</b>				
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	37,259,976	-	-	37,259,976	37,259,976
Borrowings		11,299,694	-	-	11,299,694	11,299,694
Derivative liabilities		-	164,617	172,327	336,944	336,944
	Rs	<u>48,730,113</u>	<u>164,617</u>	<u>172,327</u>	<u>48,896,614</u>	<u>48,896,614</u>

(3) Financial risk management

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

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

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of March 31, 2017.

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

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

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 4,482,444	(4,482,444) Rs	260,456	(260,456)
EUR	513,305	(513,305)	29,826	(29,826)
JPY	(10,643,852)	10,643,852	(618,469)	618,469
Others	1,161,077	(1,161,077)	67,465	(67,465)
	₩ (4,487,026)	4,487,026 Rs	(260,722)	260,722

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

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to ₩ 7,282,490 thousand (Rs 423,155 thousand), and this amount will be recognized as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months from the end of current period.

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease or increase in ₩ 77,055 thousand (Rs 4,477 thousand) for the three-month periods ended March 31, 2017, due to floating rate debt's interest rate risk.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

2) Credit risk

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

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

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Trade and other receivables	₩ 237,794,828	276,024,854	Rs 13,817,247	16,139,984

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, 2017 and December 31, 2016 are as follows:

*(In thousands of won)*

	March 31, 2017		
	Within a year	Over 1 year	Total
Trade payables	₩ 502,425,123	-	502,425,123
Other payables	114,208,149	-	114,208,149
Short-term borrowings(*)	191,219,719	-	191,219,719
Derivatives liabilities	3,879,042	-	3,879,042
Other payables	895,275	-	895,275
Long-term borrowings(*)	-	10,558,400	10,558,400
Long-term other payables	-	4,338,885	4,338,885
	₩ 812,627,308	14,897,285	827,524,593

(\*) Including expected interest expenses.



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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

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

(In thousands of rupee)

		<b>March 31, 2017</b>		
		<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	Rs	29,193,790	-	29,193,790
Other payables		6,636,150	-	6,636,150
Short-term borrowings(*)		11,110,966	-	11,110,966
Derivatives liabilities		225,395	-	225,395
Other payables		52,020	-	52,020
Long-term borrowings(*)		-	613,504	613,504
Long-term other payables		-	252,114	252,114
	Rs	<u>47,218,321</u>	<u>865,618</u>	<u>48,083,939</u>

(In thousands of rupee)

		<b>December 31, 2016</b>		
		<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	Rs	28,028,779	-	28,028,779
Other payables		8,861,273	-	8,861,273
Short-term borrowings(*)		10,667,532	-	10,667,532
Derivatives liabilities		336,944	-	336,944
Other payables		49,333	-	49,333
Long-term borrowings(*)		-	763,831	763,831
Long-term other payables		-	319,993	319,993
	Rs	<u>47,943,861</u>	<u>1,083,824</u>	<u>49,027,685</u>

(\*) Including expected interest expenses.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

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

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

		Korean won		Indian rupee	
		2017	2016	2017	2016
Limitation of commitments for Borrowings	Used	₩ 62,500,000	67,500,000	Rs 3,631,610	3,922,139
	Unused	132,000,000	132,000,000	7,669,959	7,669,959
		₩ 194,500,000	199,500,000	Rs 11,301,569	11,592,098

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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**33. Financial Instruments, Continued**

(4) Fair value of financial instruments, continued

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

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

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

*(In thousands of won)*

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of March 31, 2017</b>					
Derivatives assets	₩	-	7,484,301	-	7,484,301
Derivatives liabilities		-	3,879,042	-	3,879,042
<b>As of December 31, 2016</b>					
Derivatives assets	₩	-	756,035	-	756,035
Derivatives liabilities		-	5,798,806	-	5,798,806

*(In thousands of rupee)*

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of March 31, 2017</b>					
Derivatives assets	Rs	-	434,881	-	434,881
Derivatives liabilities		-	225,395	-	225,395
<b>As of December 31, 2016</b>					
Derivatives assets	Rs	-	43,930	-	43,930
Derivatives liabilities		-	336,944	-	336,944

4) The Company measures the foreign exchange forward contract derivative assets: ₩ 7,484,301 thousand (Rs 434,881 thousand), derivative liabilities: ₩ 3,879,042 thousand (Rs 225,395 thousand) based on the forward rate announced officially in the market as of March 31, 2017. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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