

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Ssangyong Motor Company:

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

Management's responsibility

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Group as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors, whose report thereon dated March 16, 2017, expressed an unqualified opinion. The accompanying statement of financial position of the Group 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 consolidated interim financial statements may differ from those generally accepted and applied in other countries.

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

KPMG Samjong Accounting Corp.

Seoul, Korea
August 11, 2017

This report is effective as of August 11, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Position
(Unaudited)

As of June 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

	<i>Note</i>	Korean won		Indian rupee	
		2017	2016	2017	2016
Assets					
Cash and cash equivalents	4,5,33 ₩	184,051,898	238,401,708	Rs 10,445,624	13,530,176
Trade and other receivables, net	7,32,33	171,338,345	230,321,041	9,724,083	13,071,569
Derivative assets	25,33	813,561	756,035	46,173	42,908
Inventories, net	8,24	270,088,790	204,979,632	15,328,535	11,633,350
Other current assets	10	9,490,831	7,337,940	538,640	416,455
Total current assets		<u>635,783,425</u>	<u>681,796,356</u>	<u>36,083,055</u>	<u>38,694,458</u>
Non-current financial instruments	5,33	4,000	6,000	227	341
Non-current other receivables, net	7,33	32,472,225	33,754,663	1,842,919	1,915,701
Available-for-sale financial assets	6,33	560,000	560,000	31,782	31,782
Property, plant and equipment, net	11,13	1,215,217,372	1,199,006,450	68,968,069	68,048,039
Intangible assets, net	11,12	269,750,558	234,344,498	15,309,339	13,299,915
Investments in joint venture	9	14,854,003	13,681,894	843,019	776,498
Other non-current assets	10	273,317	273,319	15,512	15,512
Total non-current assets		<u>1,533,131,475</u>	<u>1,481,626,824</u>	<u>87,010,867</u>	<u>84,087,788</u>
Total assets		₩ <u>2,168,914,900</u>	<u>2,163,423,180</u>	Rs <u>123,093,922</u>	<u>122,782,246</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

As of June 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

	<u>Note</u>	<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Liabilities					
Trade and other payables	14,18, ₩				
	32,33	675,534,422	669,483,000	Rs 38,339,070	37,995,630
Short-term borrowings	13,18,33	187,051,641	181,967,721	10,615,871	10,327,339
Derivative liabilities	25,33	3,995,122	5,798,806	226,738	329,104
Provision of warranty for sale - current	15	51,938,914	53,153,294	2,947,725	3,016,646
Other long-term employee benefits liabilities- current		427,039	1,330,939	24,236	75,536
Other current liabilities	16	37,831,040	33,325,871	2,147,052	1,891,366
Total current liabilities		<u>956,778,178</u>	<u>945,059,631</u>	<u>54,300,692</u>	<u>53,635,621</u>
Long-term borrowings	13,18,33	7,500,000	12,500,000	425,653	709,421
Non-current other payables	33	3,348,317	5,507,071	190,029	312,547
Defined benefit liabilities	17	289,159,855	279,609,200	16,410,888	15,868,854
Other long-term employee benefits liabilities		16,012,137	15,357,662	908,748	871,603
Non-current provision of warranty for sale	15	93,168,066	92,695,690	5,287,631	5,260,822
Total non-current liabilities		<u>409,188,375</u>	<u>405,669,623</u>	<u>23,222,949</u>	<u>23,023,247</u>
Total liabilities		<u>1,365,966,553</u>	<u>1,350,729,254</u>	<u>77,523,641</u>	<u>76,658,868</u>
Equity					
Capital stock	19	689,746,980	686,100,480	39,145,686	38,938,733
Other capital surplus	20	133,141,919	131,678,359	7,556,295	7,473,233
Other equity	21,25	1,750,697	(1,285,812)	99,359	(72,975)
Accumulated deficit	22	(21,691,249)	(3,799,101)	(1,231,059)	(215,613)
Equity attributable to owners of the Company		<u>802,948,347</u>	<u>812,693,926</u>	<u>45,570,281</u>	<u>46,123,378</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>802,948,347</u>	<u>812,693,926</u>	<u>45,570,281</u>	<u>46,123,378</u>
Total liabilities and equity	₩	<u>2,168,914,900</u>	<u>2,163,423,180</u>	Rs 123,093,922	<u>122,782,246</u>

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

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

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

	Note	2017		2016	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32 ₩	903,099,256	1,691,814,538 ₩	964,021,388	1,777,174,563
Cost of sales	24,32	755,547,790	1,428,292,731	796,346,640	1,469,534,491
Gross profit		<u>147,551,466</u>	<u>263,521,807</u>	<u>167,674,748</u>	<u>307,640,072</u>
Selling, general and administrative expenses	24,26	154,178,003	285,637,654	148,370,739	280,265,095
Operating income (loss)		<u>(6,626,537)</u>	<u>(22,115,847)</u>	<u>19,304,009</u>	<u>27,374,977</u>
Other income	27,32	9,372,344	17,430,134	7,201,068	14,276,923
Other expenses	27,32	5,422,113	15,217,993	10,814,865	20,044,700
Finance income	25,28	3,968,728	13,753,796	6,937,199	10,655,517
Finance costs	25,28	5,947,460	12,811,450	6,100,692	14,174,280
Share of profits of joint venture	9	698,702	1,172,109	1,465,711	2,268,198
Profit (Loss) before income taxes		<u>(3,956,336)</u>	<u>(17,789,251)</u>	<u>17,992,430</u>	<u>20,356,635</u>
Income tax expenses	23	486	97,182	(19,294)	26
Profit (Loss) for the period		<u>(3,956,822)</u>	<u>(17,886,433)</u>	<u>18,011,724</u>	<u>20,356,609</u>
Profit (Loss) attributable to:					
Owners of the Company		(3,956,822)	(17,886,433)	18,011,724	20,356,609
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period	21,22				
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements		(2,904)	(5,716)	(3,561)	(6,847)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge		(6,681,870)	3,175,320	(826,049)	1,377,029
Foreign currency translation difference for foreign operation		(191,935)	(138,810)	(25,691)	(114,312)
		<u>(6,876,709)</u>	<u>3,030,794</u>	<u>(855,301)</u>	<u>1,255,870</u>
Total comprehensive income(loss) for the period		<u>₩ (10,833,531)</u>	<u>(14,855,639) ₩</u>	<u>17,156,423</u>	<u>21,612,479</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		₩ (10,832,558)	(14,855,639) ₩	17,156,423	21,612,479
Non-controlling interests		-	-	-	-
Earnings (Losses) Per share	29				
Basic and diluted earnings(losses) per share		₩ (29)	(130) ₩	131	148

See accompanying notes to the condensed consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income, Continued
(Unaudited)

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

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

	Note	2017		2016	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	Rs 51,254,214	96,016,716	Rs 54,711,770	100,861,212
Cost of sales	24,32	42,880,124	81,060,881	45,195,610	83,401,503
Gross profit		<u>8,374,090</u>	<u>14,955,835</u>	<u>9,516,160</u>	<u>17,459,709</u>
Selling, general and administrative expenses	24,26	8,750,170	16,210,991	8,420,586	15,906,078
Operating income (loss)		<u>(376,080)</u>	<u>(1,255,156)</u>	<u>1,095,574</u>	<u>1,553,631</u>
Other income	27,32	531,915	989,224	408,687	810,268
Other expenses	27,32	307,725	863,677	613,783	1,137,611
Finance income	25,28	225,239	780,579	393,711	604,740
Finance costs	25,28	337,540	727,097	346,237	804,443
Share of profits of joint venture	9	39,654	66,521	83,185	128,729
Profit (Loss) before income taxes		<u>(224,537)</u>	<u>(1,009,606)</u>	<u>1,021,137</u>	<u>1,155,314</u>
Income tax expenses	23	27	5,515	(1,095)	1
Profit (Loss) for the period		<u>(224,564)</u>	<u>(1,015,121)</u>	<u>1,022,232</u>	<u>1,155,313</u>
Profit (Loss) attributable to:					
Owners of the Company		(224,537)	(1,009,606)	1,021,137	1,155,314
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period	21,22				
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements		(164)	(325)	(203)	(389)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge		(379,221)	180,211	(46,881)	78,152
Foreign currency translation difference for foreign operation		(10,894)	(7,877)	(1,458)	(6,488)
		<u>(390,279)</u>	<u>172,009</u>	<u>(48,542)</u>	<u>71,275</u>
Total comprehensive income(loss) for the period		Rs <u>(614,843)</u>	<u>(843,112)</u>	Rs <u>973,690</u>	<u>1,226,588</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		Rs (614,843)	(843,112)	Rs 973,690	1,226,588
Non-controlling interests		-	-	-	-
Earnings (Losses) Per share					
Basic and diluted earnings(losses) per share	29	Rs (2)	(7)	Rs 7	8

See accompanying notes to the condensed consolidated interim financial statements.

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

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

(In thousands of won)

		Other capital surplus					Other equity	Accumulated deficit	Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock				
Balance at January 1, 2016	₩	686,100,480	11,452,713	118,189,001	931,508	1,105,137	1,570,931	(102,294,593)	-	717,055,177
Total comprehensive income(loss) for the period:										
Profit for the period		-	-	-	-	-	-	20,356,609	-	20,356,609
Defined benefit plan re-measurements		-	-	-	-	-	-	(6,847)	-	(6,847)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	1,377,029	-	-	1,377,029
Foreign currency translation difference for foreign operation		-	-	-	-	-	(114,312)	-	-	(114,312)
Balance at June 30, 2016	₩	<u>686,100,480</u>	<u>11,452,713</u>	<u>118,189,001</u>	<u>931,508</u>	<u>1,105,137</u>	<u>2,833,648</u>	<u>(81,944,831)</u>	-	<u>738,667,656</u>
Balance at January 1, 2017	₩	686,100,480	11,452,713	118,189,001	931,508	1,105,137	(1,285,813)	(3,799,100)	-	812,693,926
Total comprehensive income(loss) for the period:										
Loss for the period		-	-	-	-	-	-	(17,886,433)	-	(17,886,433)
Defined benefit plan re-measurements		-	-	-	-	-	-	(5,716)	-	(5,716)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	3,175,320	-	-	3,175,320
Foreign currency translation difference for foreign operation		-	-	-	-	-	(138,810)	-	-	(138,810)
Transactions with owners of the Parent Company, recognized directly in equity:										
Issue of ordinary shares		<u>3,646,500</u>	<u>1,463,560</u>	-	-	-	-	-	-	<u>5,110,060</u>
Balance at June 30, 2017	₩	<u>689,746,980</u>	<u>12,916,273</u>	<u>118,189,001</u>	<u>931,508</u>	<u>1,105,137</u>	<u>1,750,697</u>	<u>(21,691,249)</u>	-	<u>802,948,347</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

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

(In thousands of rupee)

	Rs	Other capital surplus							Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Accumulated deficit		
Balance at January 1, 2016	Rs	38,938,733	649,984	6,707,662	52,867	62,720	89,156	(5,805,596)	-	40,695,528
Total comprehensive income(loss) for the period:										
Profit for the period		-	-	-	-	-	-	1,155,313	-	1,155,313
Defined benefit plan re-measurements		-	-	-	-	-	-	(389)	-	(389)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	78,152	-	-	78,152
Foreign currency translation difference for foreign operation		-	-	-	-	-	(6,488)	-	-	(6,488)
Balance at June 30, 2016	Rs	<u>38,938,733</u>	<u>649,984</u>	<u>6,707,662</u>	<u>52,867</u>	<u>62,720</u>	<u>160,820</u>	<u>(4,650,672)</u>	-	<u>41,922,114</u>
Balance at January 1, 2017	Rs	38,938,733	649,984	6,707,661	52,866	62,720	(72,975)	(215,613)	-	46,123,378
Total comprehensive income(loss) for the period:										
Loss for the period		-	-	-	-	-	-	(1,015,121)	-	(1,015,121)
Defined benefit plan re-measurements		-	-	-	-	-	-	(325)	-	(325)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	180,211	-	-	180,211
Foreign currency translation difference for foreign operation		-	-	-	-	-	(7,877)	-	-	(7,877)
Transactions with owners of the Parent Company, recognized directly in equity:										
Issue of ordinary shares		<u>206,953</u>	<u>83,062</u>	-	-	-	-	-	-	<u>290,015</u>
Balance at June 30, 2017	Rs	<u>39,145,686</u>	<u>733,046</u>	<u>6,707,661</u>	<u>52,866</u>	<u>62,720</u>	<u>99,359</u>	<u>(1,231,059)</u>	-	<u>45,570,281</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit(loss) for the period	₩ (17,886,433)	20,356,609	Rs (1,015,121)	1,155,313
Adjustment	118,410,192	115,972,657	6,720,215	6,581,876
Changes in assets and liabilities	(12,010,418)	(77,217,250)	(681,635)	(4,382,364)
Cash generated from operations (note 30)	<u>88,513,341</u>	<u>59,112,016</u>	<u>5,023,459</u>	<u>3,354,825</u>
Interest received	1,407,385	1,395,385	79,873	79,193
Interest paid	(1,584,390)	(1,974,709)	(89,920)	(112,072)
Dividends received	6,000	11,000	341	624
Net cash provided by operating activities	<u>88,342,335</u>	<u>58,543,690</u>	<u>5,013,753</u>	<u>3,322,570</u>
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	49,921	37,000	2,833	2,100
Proceed from disposal of intangible assets	763,636	-	43,339	-
Acquisition of property, plant and equipment	(86,545,639)	(60,855,320)	(4,911,785)	(3,453,764)
Acquisition of intangible assets	(56,822,251)	(29,989,932)	(3,224,872)	(1,702,039)
Cash flow from other investing activities	(2,332,319)	(2,597,844)	(132,367)	(147,438)
Net cash used in investing activities	<u>(144,886,652)</u>	<u>(93,406,095)</u>	<u>(8,222,852)</u>	<u>(5,301,141)</u>
Cash flows from financing activities				
Proceeds from borrowings	7,091,351	-	402,460	-
Receive government grants	34,010	-	1,930	-
Proceeds from issuing capital stock	5,110,060	-	290,015	-
Repayment of borrowings	(10,000,000)	(950,524)	(567,537)	(53,946)
Net cash provided by (used in) financing activities	<u>2,235,421</u>	<u>(950,524)</u>	<u>126,868</u>	<u>(53,946)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(40,915)</u>	<u>(60,355)</u>	<u>(2,321)</u>	<u>(3,424)</u>
Net decrease in cash and cash equivalents	<u>(54,349,809)</u>	<u>(35,873,283)</u>	<u>(3,084,552)</u>	<u>(2,035,941)</u>
Cash and cash equivalents at January 1	<u>238,401,708</u>	<u>197,881,904</u>	<u>13,530,176</u>	<u>11,230,528</u>
Cash and cash equivalents at June 30	<u>₩ 184,051,898</u>	<u>162,008,621</u>	<u>Rs 10,445,624</u>	<u>9,194,587</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

June 30, 2017 and 2016

1. General Description of the Company

(1) Group overview and recent changes in business environment

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

(2) Major shareholders

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

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

2. Basis of Preparation

(1) Statement of compliance

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

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

(2) Use of estimates and judgements

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

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

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(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 consolidated 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 consolidated interim financial statements is not significant.

(4) Basis of Translating Condensed Consolidated Interim Financial Statements

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

3. Significant Accounting Policies

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

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

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.

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3. Significant Accounting Policies, Continued

K-IFRS 1109 will require the Group 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 Group 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 consolidated financial statements is as follows:

a. Classification and measurement of financial assets

When the Group adopts new standard of K-IFRS 1109, the Group 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.

<u>Business model</u>	<u>Contractual cash flow characteristic solely payments of principal and interests</u>	<u>All other cases</u>
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 FVOCI	

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

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

b. Classification and measurement of financial liabilities.

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

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3. Significant Accounting Policies, Continued

c. Impairment: Financial assets and contract assets

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

In K-IFRS 1109, financial assets are classified into 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.

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

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

d. Hedge Accounting

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

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

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

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

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3. Significant Accounting Policies, Continued

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

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

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

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

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4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

Restricted financial Instruments as of June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won and in thousands of rupee)

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

6. Available For Sale Financial Assets

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

(In thousands of won)

	Ownership (%)		2017			2016
			Acquisition cost	Net asset value	Book value	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	28,377	39,558	28,377	28,377
Korea Management Consultants Association (*)	1.50		3,405	38,648	3,405	3,405
		Rs	<u>31,782</u>	<u>78,206</u>	<u>31,782</u>	<u>31,782</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 June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 151,727,127	-	212,488,160	-
Less: Allowance for doubtful accounts	(26,877)	-	(93,208)	-
Other receivables	6,443,535	147,500	7,456,694	170,500
Less: Allowance for doubtful accounts	(772)	(44,250)	(1,732)	(44,250)
Loans and others	13,227,309	32,432,781	10,516,447	33,660,841
Less: Allowance for doubtful accounts	(31,977)	(63,806)	(45,320)	(32,428)
	₩ 171,338,345	32,472,225	230,321,041	33,754,663

(In thousands of rupee)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 8,611,074	-	12,059,487	-
Less: Allowance for doubtful accounts	(1,525)	-	(5,290)	-
Other receivables	365,695	8,371	423,195	9,677
Less: Allowance for doubtful accounts	(44)	(2,511)	(98)	(2,511)
Loans and others	750,698	1,840,680	596,847	1,910,375
Less: Allowance for doubtful accounts	(1,815)	(3,621)	(2,572)	(1,840)
	Rs 9,724,083	1,842,919	13,071,569	1,915,701

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

(In thousands of won)

	2017		2016	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 151,630,319	48,291,015	212,391,352	47,604,944
Past due over 90 days	96,808	3,960,110	96,808	4,199,538
	₩ 151,727,127	52,251,125	212,488,160	51,804,482

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

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7. Trade and Other Receivables, Continued

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

(In thousands of rupee)

		2017		2016	
		Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs	8,605,580	2,740,693	12,053,993	2,701,755
Past due over 90 days		5,494	224,751	5,494	238,339
	Rs	<u>8,611,074</u>	<u>2,965,444</u>	<u>12,059,487</u>	<u>2,940,094</u>

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

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

(In thousands of won and in thousands of rupee)

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

8. Inventories

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Merchandises	₩	39,339,121	39,769,744	Rs 2,232,640	2,257,080
Finished goods		111,149,977	46,638,240	6,308,171	2,646,892
Work-in-process		32,285,284	28,203,922	1,832,309	1,600,677
Raw materials		32,225,611	32,040,766	1,828,922	1,818,432
Sub-materials		416,268	433,593	23,625	24,607
Supplies		3,577,903	3,545,334	203,059	201,211
Goods in transit		51,094,626	54,348,033	2,899,809	3,084,451
	₩	<u>270,088,790</u>	<u>204,979,632</u>	<u>Rs 15,328,535</u>	<u>11,633,350</u>

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

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9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of June 30, 2017 are as follows:

(In thousands of won)

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

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

(2) Changes in the carrying amounts of investments in a joint venture for the six-month periods ended June 30, 2017 are as follows:

(In thousands of won)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Share of profit of a joint venture</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd. ₩	13,681,894	-	1,172,109	14,854,003

(In thousands of rupee)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Share of profit of a joint venture</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd. Rs	776,498	-	66,521	843,019

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

1) The summarized financial information of the Company's subsidiaries and joint venture as of and for the six-month periods ended June 30, 2017 is as follows:

(In thousands of won)

		<u>June 30, 2017</u>				<u>Net income (loss)</u>
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	2,053,609	567,277	1,486,332	9,944	(784,077)
Ssangyong European Parts Center B.V.		12,734,531	15,534,384	(2,799,852)	8,777,301	777,632
SY Auto Capital Co., Ltd. (*)		75,055,886	46,586,655	28,469,231	6,034,494	2,158,299

(In thousands of rupee)

		<u>June 30, 2017</u>				<u>Net income (loss)</u>
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	116,550	32,195	84,355	564	(44,499)
Ssangyong European Parts Center B.V.		722,732	881,634	(158,902)	498,144	44,133
SY Auto Capital Co., Ltd. (*)		4,259,699	2,643,965	1,615,734	342,480	122,491

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9. Investments in Subsidiaries and a Joint venture, Continued

(*) Additional financial information for the joint venture for the six-month periods ended June 30, 2017 is as follows:

<i>(In thousands of won)</i>		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd	₩	14,842,308	45,402,761	31,345	316,514	194,666	342,145
<i>(In thousands of rupee)</i>		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd	Rs	842,356	2,576,774	1,779	17,963	11,048	19,418

2) The summarized financial information of the Company's subsidiaries and a joint venture as of and for the year ended December 31, 2016 is as follows:

<i>(In thousands of won)</i>		December 31, 2016				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	3,012,220	661,474	2,350,746	144,453	(832,206)
Ssangyong European Parts Center B.V.		11,489,757	15,008,769	(3,519,012)	16,806,961	141,588
SY Auto Capital Co., Ltd. (*)		65,291,551	38,980,618	26,310,933	17,747,215	6,961,565

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

<i>(In thousands of rupee)</i>		December 31, 2016				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	170,955	37,541	133,414	8,198	(47,231)
Ssangyong European Parts Center B.V.		652,086	851,803	(199,717)	953,857	8,036
SY Auto Capital Co., Ltd. (*)		3,705,537	2,212,294	1,493,243	1,007,220	395,094

(*) Additional financial information for the joint venture for the year ended December 31, 2016 is as follows:

<i>(In thousands of won)</i>		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd	₩	6,033,165	37,592,961	116,454	897,492	717,765	1,860,316
<i>(In thousands of rupee)</i>		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd	Rs	342,404	2,133,539	6,609	50,936	40,736	105,580

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9. Investments in Subsidiaries and a Joint venture, Continued

(4) Reconciliation from the net assets of the Company's joint venture to the carrying amount of investments in joint venture as of June 30, 2017 is as follows:

(In thousands of won)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd ₩	28,469,231	51%	14,519,308	334,695	14,854,003

(In thousands of rupee)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd Rs	1,615,734	51%	824,024	18,995	843,019

10. Other Assets

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

(In thousands of won and in thousands of rupee)

		<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Other current assets					
Advance payments	₩	1,496,003	1,794,671	Rs 84,904	101,854
Less: Allowance for doubtful Accounts		(3,714)	(4,488)	(211)	(255)
Prepaid expenses		7,822,994	5,205,163	443,984	295,412
Current tax assets		175,548	342,594	9,963	19,444
		<u>9,490,831</u>	<u>7,337,940</u>	<u>538,640</u>	<u>416,455</u>
Other non-current assets					
Other non-current assets	₩	273,317	273,319	Rs 15,512	15,512

11. Property, Plant and Equipment

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

(In thousands of won)

		<u>June 30, 2017</u>				
		<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Land	₩	475,072,283	-	-	-	475,072,283
Buildings		540,539,983	(1,875,998)	(212,170,106)	(148,366,786)	178,127,093
Structures		108,248,525	(105,276)	(63,314,515)	(28,913,882)	15,914,852
Machinery		1,296,186,941	(295,401)	(1,025,199,548)	(95,799,555)	174,892,437
Vehicles		8,005,026	(8,178)	(6,279,361)	(656,433)	1,061,054
Tools and molds		1,188,179,128	(12,276)	(704,264,118)	(159,269,197)	324,633,537
Equipment		68,743,748	(16,835)	(48,262,651)	(3,577,696)	16,886,566
Construction in progress		28,629,550	-	-	-	28,629,550
	₩	<u>3,713,605,184</u>	<u>(2,313,964)</u>	<u>(2,059,490,299)</u>	<u>(436,583,549)</u>	<u>1,215,217,372</u>

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11. Property, Plant and Equipment, Continued

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

(In thousands of won)

		December 31, 2016			
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,072,283	-	-	-	475,072,283
Buildings	538,730,945	(1,906,386)	(206,865,385)	(148,366,787)	181,592,387
Structures	108,248,754	(115,454)	(62,439,683)	(28,913,882)	16,779,735
Machinery	1,281,190,863	(333,844)	(1,011,171,267)	(96,363,713)	173,322,039
Vehicles	7,884,450	(8,944)	(6,160,316)	(680,672)	1,034,518
Tools and molds	1,070,562,591	(13,254)	(683,055,335)	(159,733,640)	227,760,362
Equipment	68,495,632	(18,479)	(45,621,819)	(3,605,442)	19,249,892
Construction in progress	103,179,053	-	-	-	103,179,053
Machinery in transit	1,016,181	-	-	-	1,016,181
	₩ 3,654,380,752	(2,396,361)	(2,015,313,805)	(437,664,136)	1,199,006,450

(In thousands of rupee)

		June 30, 2017			
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs 26,962,105	-	-	-	26,962,105
Buildings	30,677,638	(106,470)	(12,041,436)	(8,420,362)	10,109,370
Structures	6,143,503	(5,975)	(3,593,332)	(1,640,969)	903,227
Machinery	73,563,391	(16,765)	(58,183,856)	(5,436,979)	9,925,791
Vehicles	454,315	(464)	(356,377)	(37,255)	60,219
Tools and molds	67,433,549	(697)	(39,969,587)	(9,039,114)	18,424,151
Equipment	3,901,460	(955)	(2,739,084)	(203,048)	958,373
Construction in progress	1,624,833	-	-	-	1,624,833
	Rs 210,760,794	(131,326)	(116,883,672)	(24,777,727)	68,968,069

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11. Property, Plant and Equipment, Continued

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

(In thousands of rupee)

		December 31, 2016				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	26,962,105	-	-	-	26,962,105
Buildings		30,574,969	(108,194)	(11,740,374)	(8,420,363)	10,306,038
Structures		6,143,516	(6,552)	(3,543,682)	(1,640,970)	952,312
Machinery		72,712,308	(18,947)	(57,387,700)	(5,468,996)	9,836,665
Vehicles		447,471	(508)	(349,620)	(38,631)	58,712
Tools and molds		60,758,376	(752)	(38,765,910)	(9,065,473)	12,926,241
Equipment		3,887,380	(1,049)	(2,589,207)	(204,622)	1,092,502
Construction in progress		5,855,792	-	-	-	5,855,792
Machinery in transit		57,672	-	-	-	57,672
	Rs	<u>207,399,589</u>	<u>(136,002)</u>	<u>(114,376,493)</u>	<u>(24,839,055)</u>	<u>68,048,039</u>

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

(In thousands of won)

		June 30, 2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	119,213	(1,040)	(5,274,333)	1,690,866	178,127,093
Structures		16,779,735	-	(229)	(864,654)	-	15,914,852
Machinery		173,322,039	13,724	(1,247)	(15,282,346)	16,840,267	174,892,437
Vehicles		1,034,518	58,233	(10)	(253,264)	221,577	1,061,054
Tools and molds		227,760,362	3,321,490	(1,484)	(35,510,873)	129,064,042	324,633,537
Equipment		19,249,892	1,117,362	(34,643)	(3,478,423)	32,378	16,886,566
Construction in progress		103,179,053	71,283,126	-	-	(145,832,629)	28,629,550
Machinery in transit		1,016,181	389,149	-	-	(1,405,330)	-
	₩	<u>1,199,006,450</u>	<u>76,302,297</u>	<u>(38,653)</u>	<u>(60,663,893)</u>	<u>611,171</u>	<u>1,215,217,372</u>

(In thousands of won)

		June 30, 2016					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	₩	475,531,313	-	-	-	-	475,531,313
Buildings		190,494,892	86,834	(2,285)	(5,246,787)	178,063	185,510,717
Structures		16,766,128	222,851	(47,999)	(865,089)	149,037	16,224,928
Machinery		185,774,908	26,497	(65)	(14,456,700)	9,489,884	180,834,524
Vehicles		1,422,723	15,034	(6,897)	(264,417)	56,232	1,222,675
Tools and molds		252,248,089	2,474,401	(12,364)	(38,219,341)	34,292,649	250,783,434
Equipment		22,815,144	885,182	(11,134)	(3,436,362)	103,583	20,356,413
Construction in progress		40,866,774	51,568,037	(17,405)	-	(42,804,075)	49,613,331
Machinery in transit		1,924,852	798,959	-	-	(894,425)	1,829,386
	₩	<u>1,187,844,823</u>	<u>56,077,795</u>	<u>(98,149)</u>	<u>(62,488,696)</u>	<u>570,948</u>	<u>1,181,906,721</u>

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11. Property, Plant and Equipment, Continued

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

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

(In thousands of rupee)

		June 30, 2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	Rs	26,962,105	-	-	-	-	26,962,105
Buildings		10,306,038	6,766	(59)	(299,338)	95,963	10,109,370
Structures		952,312	-	(13)	(49,072)	-	903,227
Machinery		9,836,665	779	(70)	(867,330)	955,747	9,925,791
Vehicles		58,712	3,305	(1)	(14,374)	12,577	60,219
Tools and molds		12,926,241	188,507	(84)	(2,015,373)	7,324,860	18,424,151
Equipment		1,092,502	63,415	(1,966)	(197,414)	1,836	958,373
Construction in progress		5,855,792	4,045,580	-	-	(8,276,539)	1,624,833
Machinery in transit		57,672	22,086	-	-	(79,758)	-
	Rs	<u>68,048,039</u>	<u>4,330,438</u>	<u>(2,193)</u>	<u>(3,442,901)</u>	<u>34,686</u>	<u>68,968,069</u>

(In thousands of rupee)

		June 30, 2016					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	Rs	26,988,156	-	-	-	-	26,988,156
Buildings		10,811,288	4,928	(130)	(297,775)	10,106	10,528,417
Structures		951,540	12,648	(2,724)	(49,097)	8,458	920,825
Machinery		10,543,411	1,504	(4)	(820,471)	538,586	10,263,026
Vehicles		80,745	853	(391)	(15,007)	3,191	69,391
Tools and molds		14,316,010	140,431	(702)	(2,169,088)	1,946,234	14,232,885
Equipment		1,294,844	50,238	(632)	(195,026)	5,879	1,155,303
Construction in progress		2,319,340	2,926,676	(988)	-	(2,429,288)	2,815,740
Machinery in transit		109,242	45,344	-	-	(50,762)	103,824
	Rs	<u>67,414,576</u>	<u>3,182,622</u>	<u>(5,571)</u>	<u>(3,546,464)</u>	<u>32,404</u>	<u>67,077,567</u>

(*) Capitalized borrowing costs in respect of construction in progress is Rs 23,167 thousand (2016: Rs 29,735 thousand) and Rs 11,581 thousand (2016: Rs 2,715 thousand) was transferred from inventory to vehicles during the six-month periods ended June 30, 2017.

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June 30, 2017 and 2016

11. Property, Plant and Equipment, Continued

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Book value	Collateralized amount	Book value	Collateralized amount
Land	₩ 366,132,440		Rs 20,779,367	
Buildings	71,840,511	267,000,000	4,077,214	15,153,235
Machinery and others	2,804,939		159,190	
	<u>440,777,890</u>	<u>267,000,000</u>	<u>25,015,771</u>	<u>15,153,235</u>

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

(In thousands of won and in thousands of rupee)

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

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

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June 30, 2017 and 2016

12. Intangible Assets

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

(In thousands of won)

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

(In thousands of won)

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

(In thousands of rupee)

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

(In thousands of rupee)

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

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June 30, 2017 and 2016

12. Intangible Assets, Continued

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

(In thousands of won)

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

(In thousands of won)

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

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

(In thousands of rupee)

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

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12. Intangible Assets, Continued

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

(In thousands of rupee)

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

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

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

(In thousands of won and in thousands of rupee)

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

13. Borrowings

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

(In thousands of won and in thousands of rupee)

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

(*) Current portion of long-term borrowing

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13. Borrowings, Continued

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

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2017	2016	2017	2016
Woori Bank	Operating fund	CD+2.00	₩ 27,500,000	₩ 37,500,000	Rs 1,560,727	2,128,263
	Less: Current portion		(20,000,000)	(25,000,000)	(1,135,073)	(1,418,842)
			₩ 7,500,000	₩ 12,500,000	Rs 425,653	709,421

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

(In thousands of won and in thousands of rupee)

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

14. Other Financial Liabilities

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

(In thousands of won and in thousands of rupee)

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

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15. Provision of Warranty for sale

The Company generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

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

16. Other Liabilities

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Advances from customers	₩ 4,013,232	3,359,440	Rs 227,766	190,661
Deposits received	551,655	613,895	31,308	34,840
Withholdings	33,266,153	29,352,536	1,887,978	1,665,865
	₩ 37,831,040	33,325,871	Rs 2,147,052	1,891,366

17. Employee Benefits

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

(In thousands of won and in thousands of rupee)

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

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June 30, 2017 and 2016

17. Employee Benefits, Continued

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

(In thousands of won)

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

(In thousands of won)

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

(In thousands of rupee)

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

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17. Employee Benefits, Continued

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

(In thousands of rupee)

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

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

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

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

18. Commitments and Contingencies

Details of main commitments and contingencies as of June 30, 2017 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of June 30, 2017, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of KRW 189,500 million and USD 264 million.
- (3) As of June 30, 2017, the Group has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of June 30, 2017, there are three pending claims which the Group is involved as a plaintiff with the claim amount of W 2,435 million (Rs 138 million) and 16 claims which the Group is involved as a defendant with the claim amount of W 4,721 million (Rs 268 million). The Group made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of W 7,043 million (Rs 400 million) as other payable for the foregoing lawsuits and claims.

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19. Capital Stock

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

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

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

20. Other Capital Surplus and Retained Earnings

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

(In thousands of won and in thousands of rupee)

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

21. Other Equity

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Gains (losses) on valuation of derivatives	₩ 600,620	(2,574,700)	Rs 34,087	(146,124)
Gains on overseas operation translation	1,150,077	1,288,887	65,272	73,149
	₩ 1,750,697	(1,285,813)	Rs 99,359	(72,975)

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21. Other Equity, Continued

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

(In thousands of won and in thousands of rupee)

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

(3) Changes in the Group's gains (losses) on overseas operation translation credit for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 1,288,887	1,343,590	Rs 73,149	76,254
Cumulative effect of foreign currency translation	(138,810)	(114,312)	(7,877)	(6,488)
Ending balance	₩ 1,150,077	1,229,278	Rs 65,272	69,766

22. Accumulated Deficit

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Accumulated deficit	₩ (21,691,249)	(3,799,100)	Rs (1,231,059)	(215,613)

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ (3,799,100)	(102,294,593)	Rs (215,613)	(5,805,596)
Profit(Loss) for the period	(17,886,433)	20,356,609	(1,015,121)	1,155,313
Defined benefit plan re-measurement	(5,716)	(6,847)	(325)	(389)
Ending balance	₩ (21,691,249)	(81,944,831)	Rs (1,231,059)	(4,650,672)

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23. Income Tax Expense

Composition of income tax expense for the six-month periods ended June 30, 2017 and 2016 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Income tax expense of parent company	₩ -	- Rs	-	-
Income tax expense of subsidiary	97,182	26	5,515	1
	₩ 97,182	26 Rs	5,515	1

24. Nature of Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (25,664,371)	(63,985,368) ₩	1,123,969	(13,395,332)
Raw materials consumed and purchase of merchandise	618,703,925	1,185,588,646	645,885,232	1,193,322,241
Employee benefits	131,457,440	259,205,095	134,702,878	256,756,954
Depreciation	32,248,509	60,663,893	31,729,861	62,488,696
Amortization	12,555,528	21,571,878	9,735,805	18,756,179
Others	140,424,762	250,886,241	121,539,634	231,870,848
	₩ 909,725,793	1,713,930,385 ₩	944,717,379	1,749,799,586

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	Rs (1,456,548)	(3,631,405) Rs	63,789	(760,235)
Raw materials consumed and purchase of merchandise	35,113,730	67,286,529	36,656,370	67,725,439
Employee benefits	7,460,695	14,710,845	7,644,885	14,571,904
Depreciation	1,830,222	3,442,901	1,800,787	3,546,464
Amortization	712,573	1,224,284	552,543	1,064,482
Others	7,969,622	14,238,718	6,897,822	13,159,527
	Rs 51,630,294	97,271,872 Rs	53,616,196	99,307,581

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

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25. Derivatives

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

26. Selling, General and Administrative Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	₩ 19,955,486	30,837,588	₩ 19,336,137	33,154,220
Commissions	63,107,525	114,209,794	59,653,356	109,625,554
Advertising	5,510,065	10,846,175	5,011,417	10,554,197
Export expenses	6,575,265	15,491,474	10,168,795	19,783,777
Others	10,639,759	20,475,991	9,045,046	18,035,280
	₩ 105,788,100	191,861,022	₩ 103,214,751	191,153,028

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	Rs 1,132,547	1,750,147	Rs 1,097,397	1,881,624
Commissions	3,581,585	6,481,827	3,385,548	6,221,655
Advertising	312,717	615,560	284,416	598,990
Export expenses	373,171	879,197	577,117	1,122,802
Others	603,845	1,162,090	513,340	1,023,569
	Rs 6,003,865	10,888,821	Rs 5,857,818	10,848,640

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26. Selling, General and Administrative Expenses, Continued

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 12,969,889	26,162,871	₩ 13,384,712	26,445,960
Retirement benefit costs	1,430,544	2,859,492	1,972,464	4,319,462
Employee welfare	2,941,730	5,870,028	2,846,967	6,008,305
Rent expense	2,922,771	5,762,944	2,570,273	5,035,340
Service fees	9,569,481	17,361,211	6,850,571	12,870,132
Depreciation	3,363,175	6,137,208	2,848,225	5,718,269
R&D expenses	4,190,121	9,690,938	3,132,039	7,653,249
Amortization	1,029,477	2,173,913	1,863,892	3,769,259
(Reversal of) bad debt expense	3,925	(66,331)	(23,562)	26,283
Others	9,968,790	17,824,358	9,710,407	17,265,808
	₩ <u>48,389,903</u>	<u>93,776,632</u>	₩ <u>45,155,988</u>	<u>89,112,067</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	Rs 736,089	1,484,839	Rs 759,632	1,500,906
Retirement benefit costs	81,189	162,287	111,945	245,145
Employee welfare	166,954	333,146	161,576	340,993
Rent expense	165,878	327,068	145,872	285,774
Service fees	543,103	985,313	388,795	730,427
Depreciation	190,873	348,309	161,647	324,533
R&D expenses	237,805	549,996	177,755	434,350
Amortization	58,427	123,378	105,783	213,920
(Reversal of) bad debt expense	223	(3,765)	(1,337)	1,492
Others	565,764	1,011,599	551,100	979,899
	Rs <u>2,746,305</u>	<u>5,322,170</u>	Rs <u>2,562,768</u>	<u>5,057,438</u>

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27. Other Income and Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	₩ 3,037,788	6,682,318	₩ 3,519,290	6,538,391
Foreign exchange translation gain	358,916	933,673	(621,905)	176,727
Gain on disposal of property, plant and equipment	39,471	45,383	9,085	21,368
Others	5,936,169	9,768,760	4,294,598	7,540,437
	₩ <u>9,372,344</u>	<u>17,430,134</u>	₩ <u>7,201,068</u>	<u>14,276,923</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	Rs 172,406	379,246	Rs 199,733	371,078
Foreign exchange translation gain	20,370	52,989	(35,295)	10,030
Gain on disposal of property, plant and equipment	2,240	2,576	516	1,212
Others	336,899	554,413	243,733	427,948
	Rs <u>531,915</u>	<u>989,224</u>	Rs <u>408,687</u>	<u>810,268</u>

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

(In thousands of won)

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

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27. Other Income and Expenses, Continued

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

(In thousands of rupee)

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

28. Finance Income and Costs

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	₩ 585,858	1,394,308	₩ 649,224	1,318,101
Dividend income	-	6,000	5,000	11,000
Foreign exchange transaction gain	3,640,290	4,649,212	1,520,940	2,219,425
Foreign exchange translation gain(loss)	(4,360,991)	279,867	(469,056)	801,501
Realized gain of financial derivatives	4,520,365	7,257,248	2,318,349	3,308,856
Unrealized gain(loss) of financial derivatives	(416,794)	167,161	2,912,742	2,996,634
	<u>₩ 3,968,728</u>	<u>13,753,796</u>	<u>₩ 6,937,199</u>	<u>10,655,517</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	Rs 33,250	79,132	Rs 36,846	74,807
Dividend income	-	341	284	624
Foreign exchange transaction gain	206,600	263,860	86,319	125,961
Foreign exchange translation gain(loss)	(247,503)	15,884	(26,621)	45,488
Realized gain of financial derivatives	256,547	411,875	131,574	187,790
Unrealized gain(loss) of financial derivatives	(23,655)	9,487	165,309	170,070
	<u>Rs 225,239</u>	<u>780,579</u>	<u>Rs 393,711</u>	<u>604,740</u>

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28. Finance Income and Costs, Continued

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

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	₩ 259,945	482,508	₩ 186,741	378,806
Foreign exchange transaction loss	273,962	2,766,329	4,504,917	7,917,502
Foreign exchange translation loss	3,271,474	3,273,492	2,214,063	4,118,534
Realized loss of financial derivatives	1,512,055	2,161,664	602,825	1,437,293
Unrealized loss(gain) of financial derivatives	630,024	4,127,457	(1,407,854)	322,145
	₩ 5,947,460	12,811,450	₩ 6,100,692	14,174,280

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	Rs 14,753	27,383	Rs 10,599	21,499
Foreign exchange transaction loss	15,549	157,000	255,671	449,347
Foreign exchange translation loss	185,668	185,783	125,656	233,742
Realized loss of financial derivatives	85,814	122,683	34,212	81,572
Unrealized loss(gain) of financial derivatives	35,756	234,248	(79,901)	18,283
	Rs 337,540	727,097	Rs 346,237	804,443

(3) Details of the Group's financial net profit or loss for the three-month and six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Loan and receivables	₩ (3,940,225)	(198,942)	₩ (5,204,613)	(8,075,815)
AFS financial assets	-	6,000	5,000	11,000
Derivatives financial assets (liabilities)	1,961,494	1,135,288	6,036,120	4,546,052
	₩ (1,978,731)	942,346	₩ 836,507	(3,518,763)

(In thousands of rupee)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Loan and receivables	Rs (223,622)	(11,291)	Rs (295,381)	(458,332)
AFS financial assets	-	341	284	624
Derivatives financial assets (liabilities)	111,322	64,432	342,572	258,005
	Rs (112,300)	53,482	Rs 47,475	(199,703)

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29. Earnings (losses) per Share

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

(In thousands of won, except per share information)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Profit (loss) for the period	₩ (3,956,822)	(17,886,433)	₩ 18,011,723	20,356,609
Profit (loss) contributed to common stocks	(3,956,822)	(17,886,433)	18,011,723	20,356,609
Weighted average number of common shares	137,949,396	137,651,229	137,182,087	137,182,087
Basic and diluted earnings (losses) per share (*)	₩ (29)	(130) ₩	131	148

(In thousands of rupee, except per share information)

	2017		2016	
	Three-month period	Six-month period	Three-month period	Six-month period
Profit (loss) for the period	Rs (224,567)	(1,015,121)	Rs 1,022,232	1,155,313
Profit (loss) contributed to common stocks	(224,567)	(1,015,121)	1,022,232	1,155,313
Weighted average number of common shares	137,949,396	137,651,229	137,182,087	137,182,087
Basic and diluted earnings (losses) per share (*)	Rs (2)	(7) Rs	7	8

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

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

June 30, 2017				
Outstanding period	Common shares issued		Weighted-average	Common shares outstanding
	Beginning	2017-01-01~2017-03-15		
Issuing	2017-03-16~2017-06-30	137,949,396	107/181	81,550,195
	Total			137,651,229

June 30, 2016				
Outstanding period	Common shares issued		Weighted-average	Common shares outstanding
	Beginning	2016-01-01~2016-06-30		

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30. Cash Flow from operating activities

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Profit (loss) for the period	₩ (17,886,433)	20,356,609	Rs (1,015,121)	1,155,313
Adjustments for:				
Retirement benefit costs	22,789,486	24,662,424	1,293,387	1,399,684
Depreciation	60,663,893	62,488,696	3,442,901	3,546,464
Amortization	21,571,878	18,756,179	1,224,284	1,064,482
Loss on disposal of trade receivables	7,308,780	11,403,302	414,800	647,179
Foreign exchange translation gain (loss)	2,612,415	4,294,884	148,264	243,751
Loss (Gain) on disposal of property, plant and equipment	(11,268)	43,745	(640)	2,483
Interest expense (income)	(911,800)	(939,295)	(51,749)	(53,308)
Dividends income	(6,000)	(11,000)	(341)	(624)
Unrealized loss(gain) of financial derivatives	3,960,296	(2,674,489)	224,761	(151,787)
Losses on valuation of inventories	1,761,213	168,132	99,955	9,542
Equity income on investments	(1,172,109)	(2,268,198)	(66,522)	(128,729)
Others	(156,592)	48,277	(8,885)	2,739
	<u>118,410,192</u>	<u>115,972,657</u>	<u>6,720,215</u>	<u>6,581,876</u>
Changes in assets and liabilities				
Trade receivables	54,811,174	(42,653,226)	3,110,736	(2,420,728)
Other receivables	1,296,307	(313,539)	73,570	(17,794)
Inventories	(66,806,656)	1,317,087	(3,791,524)	74,750
Trade payables	(31,875,163)	(4,849,079)	(1,809,033)	(275,203)
Other payables	50,248,936	(18,101,878)	2,851,812	(1,027,348)
Accrued expenses	(5,979,932)	(5,683,320)	(339,383)	(322,549)
Provision of warranty for sale	(742,004)	585,603	(42,111)	33,235
Payment of retirement benefits	(13,244,547)	(13,971,785)	(751,677)	(792,950)
Others	281,467	6,452,887	15,975	366,223
	<u>(12,010,418)</u>	<u>(77,217,250)</u>	<u>(681,635)</u>	<u>(4,382,364)</u>
Net cash used in operating activities	₩ <u>88,513,341</u>	<u>59,112,016</u>	Rs <u>5,023,459</u>	<u>3,354,825</u>

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

(In thousands of won and in thousands of rupee)

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

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31. Segment Information

(1) The Group determined itself as a single reportable segment considering nature of goods and service as well as characteristic of assets which is used in providing service. The Group 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 Group for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won and in thousands of rupee)

Sales region	Korean won		Indian rupee	
	2017	2016	2017	2016
Republic of Korea	₩ 1,355,091,828	1,248,555,927	Rs 76,906,460	70,860,155
Europe	176,981,906	281,699,262	10,044,376	15,987,472
Asia Pacific	67,870,468	142,080,878	3,851,899	8,063,614
Others	97,529,805	110,793,869	5,535,176	6,287,960
Consolidated adjustment	(5,659,469)	(5,955,373)	(321,195)	(337,989)
	₩ 1,691,814,538	1,777,174,563	Rs 96,016,716	100,861,212

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Automobile	₩ 1,512,375,783	1,554,441,082	Rs 85,832,905	88,220,266
Merchandise and parts	159,400,417	166,875,610	9,046,562	9,470,806
Others	20,038,338	55,857,871	1,137,249	3,170,140
	₩ 1,691,814,538	1,777,174,563	Rs 96,016,716	100,861,212

32. Transactions and Balances with Related Parties

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

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

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32. Transactions and Balances with Related Parties, Continued

(2) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In thousands of won)

Relationship	Company	Description		2017	2016
Parent	Mahindra & Mahindra Ltd.	Sales	₩	4,896,053	43,093,656
		Other income		59,733	-
		Purchases		437,299	406,278
Joint venture	SY Auto Capital Co., Ltd.	Other expenses		312,434	32,195
		Other expenses		7,221,104	10,619,750
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales		430,798	118,782
		Other expenses		742,202	43,269

(In thousands of rupee)

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

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

(In thousands of won)

Relationship	Company	Description		2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables	₩	4,001,722	2,693,260
		Other receivables		224,666	60,430
		Other payables		1,770,833	1,781,004
Joint venture	SY Auto Capital Co., Ltd.	Other payables		319,142	91,887
		Trade receivables		132,145	15,977
Others	Manufacturing Ltd. and others	Other payables		12,740	36,773

(In thousands of rupee)

Relationship	Company	Description		2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables	Rs	227,112	152,852
		Other receivables		12,751	3,430
		Other payables		100,501	101,079
Joint venture	SY Auto Capital Co., Ltd.	Other payables		18,112	5,215
		Trade receivables		7,500	907
Others	Manufacturing Ltd. and other	Other payables		723	2,087

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

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32. Transactions and Balances with Related Parties, Continued

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

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

(In thousands of won and in thousands of rupee)

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

33. Financial Instruments

(1) Capital risk management

The Group manages capital risk in order to maximize shareholders' profit by maintaining sound/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 Group compared to last year.

The Group 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 consolidated interim financial statements.

The Group is not subject to externally enforced capital regulation.

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

(In thousands of won and in thousands of rupee)

		Korean won		Rs	Indian rupee	
		2017	2016		2017	2016
Debt (A)	₩	1,365,966,553	1,350,729,254		77,523,641	76,658,868
Equity (B)		802,948,347	812,693,926		45,570,281	46,123,378
Debt-to-equity ratio (A/B)		170.12%	166.20%		170.12%	166.20%

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33. Financial Instruments, Continued

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

1) Financial assets

(In thousands of won)

		June 30, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value	
Cash and cash equivalents	₩ 184,051,898	-	-	-	184,051,898	184,051,898	
Long-term financial instruments	4,000	-	-	-	4,000	4,000	
Trade and other receivables	202,745,470	-	-	-	202,745,470	202,745,470	
AFS financial assets	-	560,000	-	-	560,000	560,000	
Derivative assets	-	-	104,194	709,367	813,561	813,561	
	₩ 386,801,368	560,000	104,194	709,367	388,174,929	388,174,929	

(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	₩ 238,401,708	-	-	-	238,401,708	238,401,708	
Long-term financial instruments	6,000	-	-	-	6,000	6,000	
Trade and other receivables	262,331,429	-	-	-	262,331,429	262,331,429	
AFS financial assets	-	560,000	-	-	560,000	560,000	
Derivative assets	-	-	445,691	310,344	756,035	756,035	
	₩ 500,739,137	560,000	445,691	310,344	502,055,172	502,055,172	

(In thousands of rupee)

		June 30, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value	
Cash and cash equivalents	Rs 10,445,624	-	-	-	10,445,624	10,445,624	
Long-term financial instruments	227	-	-	-	227	227	
Trade and other receivables	11,506,553	-	-	-	11,506,553	11,506,553	
AFS financial assets	-	31,782	-	-	31,782	31,782	
Derivative assets	-	-	5,913	40,259	46,173	46,173	
	Rs 21,952,404	31,782	5,913	40,259	22,030,359	22,030,359	

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33. Financial Instruments, Continued

(1) Capital risk management, continued

1) Financial assets, continued

(In thousands of rupee)

		December 31, 2016					
		Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	Rs	13,530,176	-	-	-	13,530,176	13,530,176
Long-term financial instruments		341	-	-	-	341	341
Trade and other receivables		14,888,276	-	-	-	14,888,276	14,888,276
AFS financial assets		-	31,782	-	-	31,782	31,782
Derivative assets		-	-	25,295	17,613	42,908	42,908
	Rs	<u>28,418,793</u>	<u>31,782</u>	<u>25,295</u>	<u>17,613</u>	<u>28,493,483</u>	<u>28,493,483</u>

2) Financial liabilities

(In thousands of won)

		June 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	650,082,085	-	-	650,082,085	650,082,085
Borrowings		194,551,641	-	-	194,551,641	194,551,641
Derivative liabilities		-	3,881,686	113,436	3,995,122	3,995,122
	₩	<u>844,633,726</u>	<u>3,881,686</u>	<u>113,436</u>	<u>848,628,848</u>	<u>848,628,848</u>

(In thousands of won)

		December 31, 2016				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	641,329,795	-	-	641,329,795	641,329,795
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>835,797,516</u>	<u>2,833,061</u>	<u>2,965,745</u>	<u>841,596,322</u>	<u>841,596,322</u>

(In thousands of rupee)

		June 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	36,894,557	-	-	36,894,557	36,894,557
Borrowings		11,041,523	-	-	11,041,523	11,041,523
Derivative liabilities		-	220,300	6,438	226,738	226,738
	Rs	<u>47,936,080</u>	<u>220,300</u>	<u>6,438</u>	<u>48,162,818</u>	<u>48,162,818</u>

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33. Financial Instruments, Continued

(1) Capital risk management, continued

2) Financial liabilities, continued

(In thousands of rupee)

		December 31, 2016				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	36,397,831	-	-	36,397,831	36,397,831
Borrowings		11,036,761	-	-	11,036,761	11,036,761
Derivative liabilities		-	160,787	168,317	329,104	329,104
	Rs	<u>47,434,592</u>	<u>160,787</u>	<u>168,317</u>	<u>47,763,696</u>	<u>47,763,696</u>

(3) Financial risk management

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of June 30, 2017.

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

(In thousands of won and in thousands of rupee)

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,735,580	(1,735,580)	Rs 98,501	(98,501)
EUR	(3,928,883)	3,928,883	(222,979)	222,979
JPY	(9,267,568)	9,267,568	(525,969)	525,969
Others	1,076,279	(1,076,279)	61,083	(61,083)
	₩ <u>(10,384,592)</u>	<u>10,384,592</u>	Rs <u>(589,364)</u>	<u>589,364</u>

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33. Financial Instruments, Continued

(3) Financial risk management, continued

1) Market risk, continued

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

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

b. Interest rate risk

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

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

2) Credit risk

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Trade and other receivables	₩ 202,745,470	262,331,429	Rs 11,506,553	14,888,276

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

	June 30, 2017		
	Within a year	Over 1 year	Total
Trade payables	₩ 451,560,308	-	451,560,308
Other payables	194,354,430	-	194,354,430
Short-term borrowings(*)	187,865,274	-	187,865,274
Derivatives liabilities	3,995,122	-	3,995,122
Other payables	819,030	-	819,030
Long-term borrowings(*)	-	7,796,741	7,796,741
Long-term other payables	-	3,348,317	3,348,317
	₩ 838,594,164	11,145,058	849,739,222

(In thousands of won)

	December 31, 2016		
	Within a year	Over 1 year	Total
Trade payables	₩ 482,391,330	-	482,391,330
Other payables	152,572,053	-	152,572,053
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
	₩ 825,209,755	18,652,605	843,862,360

(In thousands of rupee)

	June 30, 2017		
	Within a year	Over 1 year	Total
Trade payables	Rs 25,627,713	-	25,627,713
Other payables	11,030,332	-	11,030,332
Short-term borrowings(*)	10,662,047	-	10,662,047
Derivatives liabilities	226,738	-	226,738
Other payables	46,483	-	46,483
Long-term borrowings(*)	-	442,494	442,494
Long-term other payables	-	190,029	190,029
	Rs 47,593,313	632,523	48,225,836

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		December 31, 2016		
		Within a year	Over 1 year	Total
Trade payables	Rs	27,377,488	-	27,377,488
Other payables		8,659,026	-	8,659,026
Short-term borrowings(*)		10,419,309	-	10,419,309
Derivatives liabilities		329,104	-	329,104
Other payables		48,771	-	48,771
Long-term borrowings(*)		-	746,057	746,057
Long-term other payables		-	312,547	312,547
	Rs	<u>46,833,698</u>	<u>1,058,604</u>	<u>47,892,302</u>

(*) Including expected interest expenses.

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

(In thousands of won and in thousands of rupee)

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

(4) Fair value of financial instruments

1) The Group's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as 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 Group uses the closing price as the quoted market price for its financial assets.

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

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

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33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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

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

Fair values of financial instruments by hierarchy level as of June 30, 2017 and December 31, 2016 are as follows:

(In thousands of won)

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

(In thousands of rupee)

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

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

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