

SSANGYONG MOTOR COMPANY

Condensed Separate Interim Financial Statements

(Unaudited)

September 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Ssangyong Motor Company

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

Management's responsibility

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

The condensed separate statements of comprehensive income for the three-month and nine-month periods ended September 30, 2016, the condensed separate statements of changes in equity and cash flows for the nine-month periods ended September 30, 2016 were reviewed by other auditors, whose report thereon dated November 14, 2016, stated that nothing had come to their attention that caused them to believe that the condensed separate interim financial information as of September 30, 2016 was not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

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

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

The accompanying condensed separate interim financial statements as of and for the three-month and nine-month periods ended September 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 causes us to believe that the condensed separate interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(4) to the condensed separate interim financial statements.

KPMG Samjong Accounting Corp.

Seoul, Korea
November 13, 2017

This report is effective as of November 13, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of September 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	₩ 130,085,921	234,657,416	Rs 7,429,236	13,401,337
Trade and other receivables, net	7,32,33	204,882,066	236,732,144	11,700,860	13,519,825
Derivative assets	25,33	42,838	756,035	2,446	43,177
Inventories, net	8,24	259,859,570	200,132,723	14,840,638	11,429,624
Other current assets	10	18,641,008	7,294,543	1,064,592	416,594
Total current assets		613,511,403	679,572,861	35,037,772	38,810,557
Non-current financial instruments	5,33	4,000	6,000	228	343
Non-current trade and other receivables, net	7,33	39,831,001	41,036,985	2,274,758	2,343,632
Available-for-sale financial assets	6,33	560,000	560,000	31,982	31,982
Property, plant and equipment, net	11,13	1,215,310,583	1,198,961,457	69,406,658	68,472,956
Intangible assets, net	11,12	284,139,313	234,344,498	16,227,259	13,383,466
Investments in subsidiaries	9	5,829,056	5,829,056	332,899	332,899
Investments in joint venture	9	10,200,000	10,200,000	582,524	582,524
Other non-current assets	10	273,288	273,319	15,608	15,609
Total non-current assets		1,556,147,241	1,491,211,315	88,871,916	85,163,411
Total assets		₩ 2,169,658,644	2,170,784,176	Rs 123,909,688	123,973,968

See accompanying notes to the condensed separate interim financial statements.

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

As of September 30, 2017 and December 31, 2016

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2017	2016	2017	2016
Liabilities					
Trade and other payables	14,18, 32,33	₩ 620,560,310	669,397,408	Rs 35,440,338	38,229,435
Short-term borrowings	13,18,33	190,118,822	181,967,721	10,857,728	10,392,217
Derivative liabilities	25,33	3,120,766	5,798,806	178,228	331,171
Provision of warranty for sale - current	15	50,233,477	53,153,294	2,868,845	3,035,596
Other long-term employee benefits liabilities- current		170,944	1,330,939	9,763	76,010
Other current liabilities	16	35,828,125	33,296,425	2,046,151	1,901,567
Total current liabilities		<u>900,032,444</u>	<u>944,944,593</u>	<u>51,401,053</u>	<u>53,965,996</u>
Long-term borrowings	13,18,33	70,000,000	12,500,000	3,997,716	713,878
Non-current other payables	33	2,585,218	5,507,071	147,642	314,510
Defined benefit liabilities	17	295,539,788	279,609,200	16,878,343	15,968,544
Other long-term employee benefits liabilities		16,339,373	15,357,662	933,145	877,079
Non-current provision of warranty for sale	15	94,883,955	92,695,690	5,418,844	5,293,872
Total non-current liabilities		<u>479,348,334</u>	<u>405,669,623</u>	<u>27,375,690</u>	<u>23,167,883</u>
Total liabilities		<u>1,379,380,778</u>	<u>1,350,614,216</u>	<u>78,776,743</u>	<u>77,133,879</u>
Equity					
Capital stock	19	689,746,980	686,100,480	39,391,604	39,183,351
Other capital surplus	20	133,141,920	131,678,360	7,603,765	7,520,181
Other equity	21,25	(361,610)	(2,574,700)	(20,652)	(147,042)
Retained earnings (Accumulated deficit)	22	(32,249,424)	4,965,820	(1,841,772)	283,599
Total equity		<u>790,277,866</u>	<u>820,169,960</u>	<u>45,132,945</u>	<u>46,840,089</u>
Total liabilities and equity		₩ <u>2,169,658,644</u>	<u>2,170,784,176</u>	Rs <u>123,909,688</u>	<u>123,973,968</u>

See accompanying notes to the condensed separate interim financial statements.

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

For the three-month and nine-month periods ended September 30, 2017 and 2016

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

	Note	2017		2016	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32	₩ 899,407,219	2,588,093,981	₩ 850,028,781	2,624,561,377
Cost of sales	24,32	769,313,592	2,196,894,293	727,025,005	2,195,568,589
Gross profit		<u>130,093,627</u>	<u>391,199,688</u>	<u>123,003,776</u>	<u>428,992,788</u>
Selling, general and administrative expenses	24,26	147,412,629	430,949,943	130,330,676	408,552,171
Operating income (loss)		<u>(17,319,002)</u>	<u>(39,750,255)</u>	<u>(7,326,900)</u>	<u>20,440,617</u>
Other income	27,32	6,217,055	23,647,189	26,683,396	40,958,704
Other expenses	27,32	4,663,899	19,881,892	9,720,956	29,765,656
Finance income	25,28	3,010,440	16,738,444	7,514,902	18,121,904
Finance costs	25,28	5,157,158	17,960,082	(62,919)	14,103,867
Profit (Loss) before income taxes		<u>(17,912,564)</u>	<u>(37,206,596)</u>	<u>17,213,361</u>	<u>35,651,702</u>
Income tax expenses	23	-	-	-	-
Profit (Loss) for the period		<u>(17,912,564)</u>	<u>(37,206,596)</u>	<u>17,213,361</u>	<u>35,651,702</u>
Other comprehensive income (loss) for the period	21,22				
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements		(2,932)	(8,648)	(3,621)	(10,469)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge		(962,230)	2,213,090	(861,535)	515,494
Total comprehensive income(loss) for the period		<u>₩ (18,877,726)</u>	<u>(35,002,154)</u>	<u>₩ 16,348,205</u>	<u>36,156,727</u>
Earnings (Losses) Per share					
Basic and diluted earnings (losses) per share	29	₩ (130)	(270)	₩ 125	260

See accompanying notes to the condensed separate interim financial statements.

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

For the three-month and nine-month periods ended September 30, 2017 and 2016

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

	<i>Note</i>	2017		2016	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32	Rs 51,365,347	147,806,624	Rs 48,545,333	149,889,285
Cost of sales	24,32	43,935,671	125,465,123	41,520,560	125,389,411
Gross profit		<u>7,429,676</u>	<u>22,341,501</u>	<u>7,024,773</u>	<u>24,499,874</u>
Selling, general and administrative expenses	24,26	8,418,768	24,611,647	7,443,214	23,332,506
Operating income (loss)		<u>(989,092)</u>	<u>(2,270,146)</u>	<u>(418,441)</u>	<u>1,167,368</u>
Other income	27,32	355,057	1,350,496	1,523,895	2,339,161
Other expenses	27,32	266,356	1,135,459	555,166	1,699,923
Finance income	25,28	171,927	955,936	429,178	1,034,946
Finance costs	25,28	294,527	1,025,704	(3,593)	805,475
Profit (Loss) before income taxes		<u>(1,022,991)</u>	<u>(2,124,877)</u>	<u>983,059</u>	<u>2,036,077</u>
Income tax expenses	23	-	-	-	-
Profit (Loss) for the period		<u>(1,022,991)</u>	<u>(2,124,877)</u>	<u>983,059</u>	<u>2,036,077</u>
Other comprehensive income (loss) for the period	21,22				
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements		(167)	(494)	(207)	(598)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge		(54,953)	126,390	(49,202)	29,440
Total comprehensive income(loss) for the period		Rs <u>(1,078,111)</u>	<u>(1,998,981)</u>	Rs <u>933,650</u>	<u>2,064,919</u>
Earnings (Losses) Per share					
Basic and diluted earnings (losses) per share	29	Rs (7)	(15)	Rs 7	15

See accompanying notes to the condensed separate interim financial statements.

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

For the nine-month periods ended September 30, 2017 and 2016

(In thousands of won)

	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Retained earnings (Accumulated deficit)	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2016	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	227,340	(92,196,978)	725,809,202
Total comprehensive income(loss) for the period:								
Profit for the period	-	-	-	-	-	-	35,651,702	35,651,702
Defined benefit plan re-measurements	-	-	-	-	-	-	(10,469)	(10,469)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	515,494	-	515,494
Balance at September 30, 2016	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	742,834	(56,555,745)	761,965,929
Balance at January 1, 2017	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	(2,574,700)	4,965,820	820,169,960
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(37,206,596)	(37,206,596)
Defined benefit plan re-measurements	-	-	-	-	-	-	(8,648)	(8,648)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	2,213,090	-	2,213,090
Transactions with owners of the Parent Company, recognized directly in equity:								
Issue of ordinary shares	3,646,500	1,463,560	-	-	-	-	-	5,110,060
Balance at September 30, 2017	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	(361,610)	(32,249,424)	790,277,866

See accompanying notes to the condensed separate interim financial statements.

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

For the nine-month periods ended September 30, 2017 and 2016

(In thousands of rupee)

	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Retained earnings (Accumulated deficit)	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2016	Rs 39,183,351	654,067	6,749,800	53,199	63,115	12,983	(5,265,390)	41,451,125
Total comprehensive income(loss) for the period:								
Profit for the period	-	-	-	-	-	-	2,036,077	2,036,077
Defined benefit plan re-measurements	-	-	-	-	-	-	(598)	(598)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	29,440	-	29,440
Balance at September 30, 2016	Rs 39,183,351	654,067	6,749,800	53,199	63,115	42,423	(3,229,911)	43,516,044
Balance at January 1, 2017	Rs 39,183,351	654,067	6,749,800	53,199	63,115	(147,042)	283,599	46,840,089
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(2,124,877)	(2,124,877)
Defined benefit plan re-measurements	-	-	-	-	-	-	(494)	(494)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	126,390	-	126,390
Transactions with owners of the Parent Company, recognized directly in equity:	-							
Issue of ordinary shares	208,253	83,584	-	-	-	-	-	291,837
Balance at September 30, 2017	Rs 39,391,604	737,651	6,749,800	53,199	63,115	(20,652)	(1,841,772)	45,132,945

See accompanying notes to the condensed separate interim financial statements.

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

For the nine-month periods ended September 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	₩ (37,206,596)	35,651,702	Rs (2,124,877)	2,036,077
Adjustment	178,837,043	167,599,660	10,213,423	9,571,654
Changes in assets and liabilities	(111,466,619)	(160,040,004)	(6,365,883)	(9,139,920)
Cash generated from operations (note 30)	30,163,828	43,211,358	1,722,663	2,467,811
Interest received	2,164,302	1,970,846	123,604	112,555
Interest paid	(2,584,417)	(2,807,077)	(147,597)	(160,313)
Dividends received	6,000	11,000	343	628
Net cash provided by operating activities	29,749,713	42,386,127	1,699,013	2,420,681
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	127,547	790,920	7,284	45,170
Proceed from disposal of intangible assets	763,636	-	43,611	-
Acquisition of property, plant and equipment	(115,101,492)	(100,100,526)	(6,573,472)	(5,716,763)
Acquisition of intangible assets	(84,907,697)	(54,231,780)	(4,849,097)	(3,097,189)
Cash flow from other investing activities	(3,097,248)	(2,930,851)	(176,884)	(167,383)
Net cash used in investing activities	(202,215,254)	(156,472,237)	(11,548,558)	(8,936,165)
Cash flows from financing activities				
Proceeds from borrowings	77,710,376	12,950,566	4,438,057	739,610
Proceeds from issuing capital stock	5,110,060	-	291,837	-
Government grants received	73,610	-	4,203	-
Repayment of borrowings	(15,000,000)	(12,500,000)	(856,653)	(713,878)
Net cash provided by financing activities	67,894,046	450,566	3,877,444	25,732
Net decrease in cash and cash equivalents	(104,571,495)	(113,635,544)	(5,972,101)	(6,489,752)
Cash and cash equivalents at January 1	234,657,416	192,773,290	13,401,337	11,009,326
Cash and cash equivalents at September 30	₩ 130,085,921	79,137,746	Rs 7,429,236	4,519,574

See accompanying notes to the condensed separate interim financial statements.

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

September 30, 2017 and 2016

1. General Description of the Company

(1) Organization and description of business of the Company

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

(2) Major shareholders

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

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

2. Basis of Preparation

(1) Statement of compliance

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

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

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

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

September 30, 2017 and 2016

2. Basis of preparation, Continued

(2) Use of estimates and judgements

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

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

(3) Changes in accounting policies

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

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

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

The amendments to K-IFRS 1012 clarify the following:

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

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

(4) Basis of Translating Condensed Separate Interim Financial Statements

The condensed separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 17.51 to INR 1 on September 30, 2017, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

3. Significant Accounting Policies

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

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

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

September 30, 2017 and 2016

3. Significant Accounting Policies, Continued

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

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

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

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

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

a. Classification and measurement of financial assets

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

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

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

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

b. Classification and measurement of financial liabilities.

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

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Notes to the Condensed Separate Interim Financial Statements
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3. Significant Accounting Policies, Continued

c. Impairment: Financial assets and contract assets

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

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

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

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

d. Hedge Accounting

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

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

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

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

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3. Significant Accounting Policies, Continued

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

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

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

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

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4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

Restricted financial Instruments as of September 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	₩ 1,119,343	177,208	Rs 63,926	10,120	Government grants and others
	Woori Bank	748,010	746,591	42,719	42,638	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	6,000	228	343	Overdraft deposit
		₩ <u>1,871,353</u>	<u>929,799</u>	Rs <u>106,873</u>	<u>53,101</u>	

6. Available-for sale Financial Assets

Available-for sale("AFS") financial assets as of September 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	28,555	39,806	28,555	28,555
Korea Management Consultants Association (*)	1.50		3,427	38,891	3,427	3,427
		Rs	<u>31,982</u>	<u>78,697</u>	<u>31,982</u>	<u>31,982</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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Notes to the Condensed Separate Interim Financial Statements
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7. Trade and Other Receivables

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

(In thousands of won)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 185,955,529	6,522,529	218,738,512	7,282,322
Less: Allowance for doubtful accounts	(42,305)	-	(93,208)	-
Other receivables	6,928,702	147,500	7,660,486	170,500
Less: Allowance for doubtful accounts	(1,033)	(44,250)	(1,732)	(44,250)
Loans and others	12,057,493	33,277,850	10,473,406	33,660,841
Less: Allowance for doubtful accounts	(16,320)	(72,628)	(45,320)	(32,428)
	₩ 204,882,066	39,831,001	236,732,144	41,036,985

(In thousands of rupee)

	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 10,619,962	372,503	12,492,205	415,895
Less: Allowance for doubtful accounts	(2,416)	-	(5,323)	-
Other receivables	395,700	8,424	437,492	9,737
Less: Allowance for doubtful accounts	(59)	(2,527)	(99)	(2,527)
Loans and others	688,605	1,900,506	598,138	1,922,379
Less: Allowance for doubtful accounts	(932)	(4,148)	(2,588)	(1,852)
	Rs 11,700,860	2,274,758	13,519,825	2,343,632

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

(In thousands of won)

	2017		2016	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 192,478,058	48,426,762	225,924,026	47,765,695
Past due over 90 days	-	3,984,783	96,808	4,199,538
	₩ 192,478,058	52,411,545	226,020,834	51,965,233

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

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September 30, 2017 and 2016

7. Trade and Other Receivables, Continued

(2) Aging analysis of the trade and other receivables as of September 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	10,992,465	2,765,663	12,902,571	2,727,909
Past due over 90 days		-	227,572	5,529	239,837
	Rs	<u>10,992,465</u>	<u>2,993,235</u>	<u>12,908,100</u>	<u>2,967,746</u>

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

(3) Changes in allowance for trade receivables during the nine-month periods ended September 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	5,323	2,539
(Reversal of) Bad debt expense		(50,903)	54,173		(2,907)	3,094
Ending balance	₩	<u>42,305</u>	<u>98,635</u>	Rs	<u>2,416</u>	<u>5,633</u>

8. Inventories

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

(In thousands of won and in thousands of rupee)

		Korean won			Indian rupee	
		2017	2016		2017	2016
Merchandises	₩	35,308,803	36,986,821	Rs	2,016,494	2,112,326
Finished goods		93,068,415	46,638,240		5,315,158	2,663,520
Work-in-process		30,604,954	28,203,922		1,747,856	1,610,732
Raw materials		33,166,137	32,040,766		1,894,125	1,829,855
Sub-materials		458,668	433,593		26,195	24,763
Supplies		3,589,591	3,545,334		205,002	202,475
Goods in transit		63,663,002	52,284,047		3,635,808	2,985,953
	₩	<u>259,859,570</u>	<u>200,132,723</u>	Rs	<u>14,840,638</u>	<u>11,429,624</u>

The Company has measured inventories at the lower of cost or net realizable value. The valuation loss on inventories recognized within cost of sales was ₩ 289,087 thousand (Rs 16,510 thousand) for the nine-month period ended September 30, 2017.

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Notes to the Condensed Separate Interim Financial Statements
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9. Investments in Subsidiaries and a Joint venture

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

(In thousands of won)

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

(In thousands of rupee)

	Company	Location	Owner ship	Closing month	2017		2016
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Rs 304,860	332,899	332,899
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	47,727	-	-
					<u>352,587</u>	<u>332,899</u>	<u>332,899</u>
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51%	December	<u>582,524</u>	<u>582,524</u>	<u>582,524</u>
					Rs <u>935,111</u>	<u>915,423</u>	<u>915,423</u>

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

10. Other Assets

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Other current assets				
Advance payments	₩ 1,710,368	1,789,332	Rs 97,679	102,189
Less: Allowance for doubtful Accounts	(265)	(4,488)	(15)	(256)
Prepaid expenses	16,653,602	5,167,105	951,091	295,095
Current tax assets	<u>277,303</u>	<u>342,594</u>	<u>15,837</u>	<u>19,566</u>
	18,641,008	7,294,543	1,064,592	416,594
Other non-current assets				
Other non-current assets	₩ 273,288	273,319	Rs 15,608	15,609

SSANGYONG MOTOR COMPANY
Notes to the Condensed Separate Interim Financial Statements
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September 30, 2017 and 2016

11. Property, Plant and Equipment

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

(In thousands of won)

September 30, 2017					
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,072,283	-	-	-	475,072,283
Buildings	542,269,776	(1,860,804)	(214,844,768)	(148,366,786)	177,197,418
Structures	109,081,669	(116,319)	(63,722,784)	(28,913,882)	16,328,684
Machinery	1,294,213,597	(261,082)	(1,026,068,911)	(95,753,344)	172,130,260
Vehicles	7,753,052	(7,794)	(5,955,668)	(598,962)	1,190,628
Tools and molds	1,192,471,307	(11,787)	(723,882,298)	(158,957,504)	309,619,718
Equipment	69,346,802	(38,732)	(49,644,154)	(3,510,323)	16,153,593
Construction in progress	47,617,999	-	-	-	47,617,999
	<u>₩ 3,737,826,485</u>	<u>(2,296,518)</u>	<u>(2,084,118,583)</u>	<u>(436,100,801)</u>	<u>1,215,310,583</u>

(In thousands of won)

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

(In thousands of rupee)

September 30, 2017					
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs 27,131,484	-	-	-	27,131,484
Buildings	30,969,148	(106,271)	(12,269,833)	(8,473,260)	10,119,784
Structures	6,229,678	(6,643)	(3,639,222)	(1,651,278)	932,535
Machinery	73,912,827	(14,910)	(58,599,024)	(5,468,495)	9,830,398
Vehicles	442,779	(445)	(340,130)	(34,207)	67,997
Tools and molds	68,102,302	(673)	(41,341,079)	(9,078,098)	17,682,452
Equipment	3,960,410	(2,212)	(2,835,189)	(200,476)	922,533
Construction in progress	2,719,475	-	-	-	2,719,475
	<u>Rs 213,468,103</u>	<u>(131,154)</u>	<u>(119,024,477)</u>	<u>(24,905,814)</u>	<u>69,406,658</u>

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11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of September 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	27,131,484	-	-	-	27,131,484
Buildings		30,767,044	(108,874)	(11,814,128)	(8,473,260)	10,370,782
Structures		6,182,110	(6,594)	(3,565,944)	(1,651,278)	958,294
Machinery		73,169,096	(19,066)	(57,748,216)	(5,503,354)	9,898,460
Vehicles		446,608	(511)	(349,833)	(38,873)	57,391
Tools and molds		61,140,068	(757)	(39,009,442)	(9,122,424)	13,007,445
Equipment		3,904,954	(1,055)	(2,599,504)	(205,908)	1,098,487
Construction in progress		5,892,579	-	-	-	5,892,579
Machinery in transit		58,034	-	-	-	58,034
	Rs	<u>208,691,977</u>	<u>(136,857)</u>	<u>(115,087,067)</u>	<u>(24,995,097)</u>	<u>68,472,956</u>

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

(In thousands of won)

		September 30, 2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	128,405	(1,040)	(7,933,801)	3,411,467	177,197,418
Structures		16,779,735	503,212	(985)	(1,271,078)	317,800	16,328,684
Machinery		173,322,039	11,408	(66,260)	(23,144,844)	22,007,917	172,130,260
Vehicles		1,004,920	244,577	(5,253)	(334,377)	280,761	1,190,628
Tools and molds		227,760,362	4,576,725	(8,149)	(56,498,524)	133,789,304	309,619,718
Equipment		19,234,497	2,090,357	(45,018)	(5,187,943)	61,700	16,153,593
Construction in progress		103,179,053	101,997,471	-	-	(157,558,525)	47,617,999
Machinery in transit		1,016,181	389,149	-	-	(1,405,330)	-
	₩	<u>1,198,961,457</u>	<u>109,941,304</u>	<u>(126,705)</u>	<u>(94,370,567)</u>	<u>905,094</u>	<u>1,215,310,583</u>

(In thousands of won)

		September 30, 2016					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	₩	475,531,313	-	(468,532)	-	-	475,062,781
Buildings		190,494,892	109,725	(151,728)	(7,868,899)	664,157	183,248,147
Structures		16,766,128	568,399	(47,999)	(1,300,556)	230,037	16,216,009
Machinery		185,774,908	40,897	(25,664)	(21,775,176)	13,352,099	177,367,064
Vehicles		1,380,302	57,494	(6,914)	(389,728)	84,506	1,125,660
Tools and molds		252,248,089	3,578,201	(13,189)	(54,795,969)	39,858,742	240,875,874
Equipment		22,794,469	1,828,299	(15,021)	(5,184,662)	621,755	20,044,840
Construction in progress		40,866,774	83,421,288	-	-	(50,797,011)	73,491,051
Machinery in transit		1,924,851	1,223,377	-	-	(3,147,752)	476
	₩	<u>1,187,781,726</u>	<u>90,827,680</u>	<u>(729,047)</u>	<u>(91,314,990)</u>	<u>866,533</u>	<u>1,187,431,902</u>

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11. Property, Plant and Equipment, Continued

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

(*) Capitalized borrowing costs in respect of construction in progress is ~~₩~~ 653,210 thousand (2016: ~~₩~~ 822,878 thousand) and ~~₩~~ 251,884 thousand (2016: ~~₩~~ 43,655 thousand) was transferred from inventory to vehicles during the nine-month period ended September 30, 2017.

(In thousands of rupee)

		September 30, 2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	Rs	27,131,484	-	-	-	-	27,131,484
Buildings		10,370,782	7,333	(60)	(453,101)	194,830	10,119,784
Structures		958,294	28,739	(56)	(72,592)	18,150	932,535
Machinery		9,898,460	652	(3,784)	(1,321,807)	1,256,877	9,830,398
Vehicles		57,391	13,968	(300)	(19,096)	16,034	67,997
Tools and molds		13,007,445	261,378	(465)	(3,226,643)	7,640,737	17,682,452
Equipment		1,098,487	119,381	(2,571)	(296,286)	3,522	922,533
Construction in progress		5,892,579	5,825,098	-	-	(8,998,202)	2,719,475
Machinery in transit		58,034	22,224	-	-	(80,258)	-
	Rs	<u>68,472,956</u>	<u>6,278,773</u>	<u>(7,236)</u>	<u>(5,389,525)</u>	<u>51,690</u>	<u>69,406,658</u>

(In thousands of rupee)

		September 30, 2016					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	Rs	27,157,699	-	(26,758)	-	-	27,130,941
Buildings		10,879,206	6,266	(8,665)	(449,395)	37,930	10,465,342
Structures		957,517	32,461	(2,741)	(74,275)	13,137	926,099
Machinery		10,609,646	2,336	(1,466)	(1,243,585)	762,541	10,129,472
Vehicles		78,829	3,283	(395)	(22,257)	4,826	64,286
Tools and molds		14,405,945	204,352	(753)	(3,129,410)	2,276,342	13,756,476
Equipment		1,301,797	104,415	(858)	(296,097)	35,509	1,144,766
Construction in progress		2,333,911	4,764,208	-	-	(2,901,029)	4,197,090
Machinery in transit		109,929	69,867	-	-	(179,769)	27
	Rs	<u>67,834,479</u>	<u>5,187,188</u>	<u>(41,636)</u>	<u>(5,215,019)</u>	<u>49,487</u>	<u>67,814,499</u>

(*) Capitalized borrowing costs in respect of construction in progress is Rs 37,305 thousand (2016: Rs 46,994 thousand) and Rs 14,385 thousand (2016: Rs 2,493 thousand) was transferred from inventory to vehicles for the nine-month period ended September 30, 2017.

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11. Property, Plant and Equipment, Continued

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Book value	Collateralized amount (Maximum)	Book value	Collateralized amount (Maximum)
Land	₩ 366,132,440		Rs 20,909,905	
Buildings and structures	71,864,410	267,000,000	4,104,192	15,248,429
Machinery and others	2,151,271		122,860	
	<u>440,148,121</u>	<u>267,000,000</u>	<u>25,136,957</u>	<u>15,248,429</u>

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Capitalized interest expenses (*)	₩ 2,092,363	2,188,635	Rs 119,495	124,993
Capitalization interest rate	3.27%	3.68%	3.27%	3.68%

(*) Capitalized borrowing costs for intangible assets are ₩ 1,439,153 thousand (Rs 82,190 thousand) and ₩ 1,365,757 thousand (Rs 77,999 thousand) for the nine-month periods ended September 30, 2017 and 2016, respectively.

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12. Intangible Assets

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

(In thousands of won)

September 30, 2017					
	Acquisition	Government	Accumulated	Accumulated	Book value
	cost	grants	amortization	impairment	
				losses	
Development cost	₩ 280,417,626	-	(102,031,971)	-	178,385,655
Patents	3,885,621	(18,994)	(2,142,297)	(70,792)	1,653,538
Other intangible assets	130,493,017	(24,308)	(26,006,120)	(362,469)	104,100,120
	₩ 414,796,264	(43,302)	(130,180,388)	(433,261)	284,139,313

(In thousands of won)

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

(In thousands of rupee)

September 30, 2017					
	Acquisition	Government	Accumulated	Accumulated	Book value
	cost	grants	amortization	impairment	
				losses	
Development cost	Rs 16,014,713	-	(5,827,069)	-	10,187,644
Patents	221,909	(1,085)	(122,347)	(4,043)	94,434
Other intangible assets	7,452,485	(1,388)	(1,485,215)	(20,701)	5,945,181
	Rs 23,689,107	(2,473)	(7,434,631)	(24,744)	16,227,259

(In thousands of rupee)

December 31, 2016					
	Acquisition	Government	Accumulated	Accumulated	Book value
	cost	grants	amortization	impairment	
				losses	
Development cost	Rs 9,754,054	-	(3,956,647)	-	5,797,407
Patents	199,261	(1,206)	(97,303)	(3,120)	97,632
Other intangible assets	8,848,115	(2,140)	(1,324,647)	(32,901)	7,488,427
	Rs 18,801,430	(3,346)	(5,378,597)	(36,021)	13,383,466

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12. Intangible Assets, Continued

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

(In thousands of won)

		September 30, 2017							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	101,512,605	-	-	(32,751,085)	-	109,624,135	-	178,385,655
Patents		1,709,533	396,559	-	(436,389)	(16,165)	-	-	1,653,538
Other intangible assets		131,122,360	84,511,138	(763,636)	(2,798,396)	213,636	(109,624,135)	1,439,153	104,100,120
	₩	234,344,498	84,907,697	(763,636)	(35,985,870)	197,471	-	1,439,153	284,139,313

(In thousands of won)

		September 30, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	₩	109,536,141	-	(22,858,833)	-	22,707,210	-	109,384,518
Patents		1,584,610	562,863	(393,987)	(15,191)	-	-	1,738,295
Other intangible assets		75,823,834	53,668,917	(4,784,226)	-	(22,707,210)	1,365,757	103,367,072
	₩	186,944,585	54,231,780	(28,037,046)	(15,191)	-	1,365,757	214,489,885

(*) Capitalized borrowing costs in respect of other intangible assets is ₩ 1,439,153 thousand and ₩ 1,365,757 thousand for the nine-month periods ended September 30, 2017 and 2016, respectively.

(In thousands of rupee)

		September 30, 2017							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	5,797,407	-	-	(1,870,422)	-	6,260,659	-	10,187,644
Patents		97,632	22,648	-	(24,922)	(924)	-	-	94,434
Other intangible assets		7,488,427	4,826,449	(43,611)	(159,817)	12,202	(6,260,659)	82,190	5,945,181
	Rs	13,383,466	4,849,097	(43,611)	(2,055,161)	11,278	-	82,190	16,227,259

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12. Intangible Assets, Continued

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

(In thousands of rupee)

		September 30, 2016						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others (*)	Ending balance
Development cost	Rs	6,255,633	-	(1,305,473)	-	1,296,814	-	6,246,974
Patents		90,497	32,145	(22,501)	(868)	-	-	99,273
Other intangible assets		4,330,316	3,065,044	(273,228)	-	(1,296,814)	77,999	5,903,317
	Rs	10,676,446	3,097,189	(1,601,202)	(868)	-	77,999	12,249,564

(*) Capitalized borrowing costs in respect of other intangible assets is Rs 82,190 thousand and Rs 77,999 thousand for the nine-month periods ended September 30, 2017 and 2016, respectively.

(3) Details of amortization for the nine-month periods ended September 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	₩	32,751,085	22,858,833	Rs 1,870,422	1,305,473
Selling and administrative expenses		3,234,785	5,178,213	184,739	295,729
	₩	35,985,870	28,037,046	Rs 2,055,161	1,601,202

13. Borrowings

(1) Details of short-term borrowings as of September 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 1,713,307	1,713,307
Woori Bank	Operating fund(*)	CD+2.00	22,500,000	25,000,000	1,284,980	1,427,756
Bank Of America and other	Banker's usance	0.66 ~ 1.35	137,618,822	126,967,721	7,859,441	7,251,154
			₩ 190,118,822	181,967,721	Rs 10,857,728	10,392,217

(*) Current portion of long-term borrowing

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13. Borrowings, Continued

(2) Details of long-term borrowing as of September 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+1.57	₩ 70,000,000	-	- Rs 3,997,716	-
Woori Bank	Operating fund	CD+2.00	22,500,000	37,500,000	1,284,980	2,141,634
Less: Current portion			(22,500,000)	(25,000,000)	(1,284,980)	(1,427,756)
			₩ 70,000,000	12,500,000	Rs 3,997,716	713,878

(3) Details of pledged assets as collateral for borrowings as of September 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 11,136,493
Woori Bank	Land, buildings and machinery	2014-10-29	36,000,000	2,055,968
		2015-08-07	36,000,000	2,055,968
			₩ 267,000,000	Rs 15,248,429

14. Other Financial Liabilities

Details of other financial liabilities as of September 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	₩	37,528,239	34,519,616	Rs 2,143,246	1,971,423

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15. Provision of Warranty for sale

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

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 145,848,984	143,793,979	Rs 8,329,468	8,212,106
Increase	30,843,442	26,815,934	1,761,476	1,531,464
Decrease	(31,574,994)	(31,175,950)	(1,803,255)	(1,780,465)
Ending balance	₩ 145,117,432	139,433,963	Rs 8,287,689	7,963,105
Current	₩ 50,233,477	52,039,451	Rs 2,868,845	2,971,985
Non-current	94,883,955	87,394,512	5,418,844	4,991,120

16. Other Liabilities

Details of other liabilities as of September 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	₩ 4,004,976	3,359,440	Rs 228,725	191,858
Deposits received	537,855	613,895	30,717	35,060
Withholdings	31,285,294	29,323,090	1,786,709	1,674,649
	₩ 35,828,125	33,296,425	Rs 2,046,151	1,901,567

17. Employee Benefits

(1) Details of defined benefit liabilities as of September 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	₩ 296,641,470	280,792,667	Rs 16,941,260	16,036,132
Fair value of plan assets	(1,101,682)	(1,183,467)	(62,917)	(67,588)
	₩ 295,539,788	279,609,200	Rs 16,878,343	15,968,544

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17. Employee Benefits, Continued

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

(In thousands of won)

Details	September 30, 2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,792,667	(1,183,467)	279,609,200
Current service cost	28,161,806	-	28,161,806
Interest cost (income)	6,047,887	(25,462)	6,022,425
Sub-total	315,002,360	(1,208,929)	313,793,431
Re-measurements of plan assets	-	8,647	8,647
Benefit paid by plan	(98,600)	98,600	-
Benefit paid directly	(18,262,290)	-	(18,262,290)
Ending balance	₩ 296,641,470	(1,101,682)	295,539,788

(In thousands of won)

Details	September 30, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 293,343,081	(1,337,356)	292,005,725
Current service cost	30,632,604	-	30,632,604
Interest cost (income)	6,390,106	(29,079)	6,361,027
Sub-total	330,365,791	(1,366,435)	328,999,356
Re-measurements of plan assets	-	10,469	10,469
Benefit paid by plan	(150,462)	150,462	-
Benefit paid directly	(18,666,871)	-	(18,666,871)
Ending balance	₩ 311,548,458	(1,205,504)	310,342,954

(In thousands of rupee)

Details	September 30, 2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 16,036,132	(67,588)	15,968,544
Current service cost	1,608,327	-	1,608,327
Interest cost (income)	345,396	(1,454)	343,942
Sub-total	17,989,855	(69,042)	17,920,813
Re-measurements of plan assets	-	494	494
Benefit paid by plan	(5,631)	5,631	-
Benefit paid directly	(1,042,964)	-	(1,042,964)
Ending balance	Rs 16,941,260	(62,917)	16,878,343

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17. Employee Benefits, Continued

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

(In thousands of rupee)

Details	September 30, 2016		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 16,752,889	(76,377)	16,676,512
Current service cost	1,749,435	-	1,749,435
Interest cost (income)	364,940	(1,660)	363,280
Sub-total	18,867,264	(78,037)	18,789,227
Re-measurements of plan assets	-	598	598
Benefit paid by plan	(8,593)	8,593	-
Benefit paid directly	(1,066,069)	-	(1,066,069)
Ending balance	Rs 17,792,602	(68,846)	17,723,756

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

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

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

18. Commitments and Contingencies

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

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of September 30, 2017, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of KRW 254,500 million(Rs 14,535 million) and USD 260 million.
- (3) As of September 30, 2017, the Company has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of September 30, 2017, there are two pending claims which the Company is involved as a plaintiff with the claim amount of ₩ 2,258million (Rs 129 million) and 14 claims which the Company is involved as a defendant with the claim amount of ₩ 3,921 million (Rs 224 million). The Company made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 7,228 million (Rs 413 million) as other payable for the foregoing lawsuits and claims.

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19. Capital Stock

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

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

	Korean won		Indian rupee	
	2017	2016	2017	2016
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,220,096	137,949,396	137,220,096
Par value	5,000	5,000	286	286
Capital stock	₩ 689,746,980	686,100,480	Rs 39,391,604	39,183,351

20. Other Capital Surplus and Retained Earnings

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Paid-up capital in excess of par value	₩ 12,916,273	11,452,713	Rs 737,651	654,067
Gain on capital reduction	118,189,001	118,189,001	6,749,800	6,749,800
Debt to be swapped for equity	931,508	931,508	53,199	53,199
Gain on disposal of treasury stock	1,105,138	1,105,138	63,115	63,115
	₩ 133,141,920	131,678,360	Rs 7,603,765	7,520,181

21. Other Equity

(1) Details of the Company's other equity as of September 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
Losses on valuation of derivatives	₩ (361,610)	(2,574,700)	Rs (20,652)	(147,042)

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21. Other Equity, Continued

(2) Changes in the Company's gains (losses) on valuation of derivatives for the nine-month periods ended September 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)	227,340	Rs (147,042)	12,983
Gains(losses) on valuation of derivatives	(361,610)	742,834	(20,652)	42,423
Reclassified to net income (losses)	<u>2,574,700</u>	<u>(227,340)</u>	<u>147,042</u>	<u>(12,983)</u>
Ending balance	₩ <u>(361,610)</u>	<u>742,834</u>	Rs <u>(20,652)</u>	<u>42,423</u>

22. Retained Earnings (Deficit)

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Retained earnings (Deficit)	₩ (32,249,424)	4,965,820	Rs (1,841,772)	283,599

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2017	2016	2017	2016
Beginning balance	₩ 4,965,820	(92,196,978)	Rs 283,599	(5,265,390)
Profit (Loss) for the period	(37,206,596)	35,651,702	(2,124,877)	2,036,077
Defined benefit plan re-measurement	<u>(8,648)</u>	<u>(10,469)</u>	<u>(494)</u>	<u>(598)</u>
Ending balance	₩ <u>(32,249,424)</u>	<u>(56,555,745)</u>	Rs <u>(1,841,772)</u>	<u>(3,229,911)</u>

23. Income Tax Expense

Deferred income tax effect related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized since taxable profit will not be available against which they can be utilized as of September 30, 2017.

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24. Nature of Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	₩ 20,132,199	(47,153,189)	₩ 13,371,703	2,574,319
Raw materials consumed and purchase of merchandise	590,398,364	1,778,575,000	573,276,477	1,763,009,862
Employee benefits	135,841,202	394,502,770	132,441,012	388,502,883
Depreciation	33,714,575	94,370,567	28,835,591	91,314,990
Amortization	14,413,992	35,985,870	9,280,867	28,037,046
Others	122,225,889	371,563,218	100,150,031	330,681,660
	₩ <u>916,726,221</u>	<u>2,627,844,236</u>	₩ <u>857,355,681</u>	<u>2,604,120,760</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	Rs 1,149,754	(2,692,929)	Rs 763,661	147,020
Raw materials consumed and purchase of merchandise	33,717,782	101,574,814	32,739,947	100,685,886
Employee benefits	7,757,921	22,530,141	7,563,736	22,187,486
Depreciation	1,925,447	5,389,525	1,646,807	5,215,019
Amortization	823,186	2,055,161	530,032	1,601,202
Others	6,980,349	21,220,058	5,719,591	18,885,304
	Rs <u>52,354,439</u>	<u>150,076,770</u>	Rs <u>48,963,774</u>	<u>148,721,917</u>

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

25. Derivatives

The Company holds derivative contracts with Korea development bank and other financial institutions to minimize foreign exchange risk. As of September 30, 2017, effective portion of changes in fair value of cash flow hedge is ₩ 361,610 thousand (Rs 20,652 thousand) which is classified losses on valuation of derivatives as other equity. Ineffective portion of change in fair value of cash flow hedge recognized in current profit or loss is net amounting to ₩ 30,240 thousand (Rs 1,727 thousand) which is recognized in current profit for the nine-month period ended September 30, 2017. Changes in fair value of derivative not designated as hedging instrument for the nine-month periods ended September 30, 2017 is net amounting to ₩ 2,949,443 thousand (Rs 168,444 thousand) which is recognized in current loss.

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26. Selling, General and Administrative Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	₩ 17,325,579	48,162,644	₩ 13,012,385	46,141,127
Commissions	59,320,644	173,530,438	50,738,664	160,364,218
Advertising	4,888,483	15,734,658	5,197,922	15,752,119
Export expenses	8,667,243	24,158,718	9,905,826	29,689,603
Others	9,179,746	29,196,214	8,691,606	26,632,526
	₩ 99,381,695	290,782,672	₩ 87,546,403	278,579,593

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	Rs 989,468	2,750,579	Rs 743,140	2,635,130
Commissions	3,387,815	9,910,362	2,897,696	9,158,436
Advertising	279,182	898,610	296,854	899,607
Export expenses	494,988	1,379,710	565,724	1,695,580
Others	524,258	1,667,402	496,381	1,520,990
	Rs 5,675,711	16,606,663	Rs 4,999,795	15,909,743

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	₩ 13,329,257	39,086,431	₩ 12,992,180	38,946,465
Retirement benefit costs	1,434,878	4,294,370	1,828,091	6,147,553
Employee welfare	3,466,991	9,199,189	3,377,061	9,181,958
Rent expense	2,901,852	8,603,245	2,590,720	7,557,861
Service fees	8,607,484	25,861,192	5,749,183	18,512,432
Depreciation	3,822,234	9,951,541	2,831,120	8,540,091
R&D expenses	4,706,800	14,397,739	3,666,064	11,319,313
Amortization	1,060,872	3,234,785	1,408,954	5,178,213
(Reversal of) bad debt expense	15,428	(50,903)	27,891	54,173
Others	8,685,138	25,589,682	8,313,009	24,534,519
	₩ 48,030,934	140,167,271	₩ 42,784,273	129,972,578

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26. Selling, General and Administrative Expenses, Continued

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

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	Rs 761,237	2,232,235	Rs 741,986	2,224,241
Retirement benefit costs	81,946	245,252	104,403	351,088
Employee welfare	198,001	525,368	192,865	524,384
Rent expense	165,725	491,333	147,957	431,631
Service fees	491,575	1,476,938	328,337	1,057,249
Depreciation	218,289	568,335	161,686	487,726
R&D expenses	268,806	822,258	209,370	646,448
Amortization	60,587	184,739	80,466	295,729
(Reversal of) bad debt expense	881	(2,907)	1,593	3,094
Others	496,010	1,461,433	474,756	1,401,173
	Rs <u>2,743,057</u>	<u>8,004,984</u>	Rs <u>2,443,419</u>	<u>7,422,763</u>

27. Other Income and Expenses

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	₩ 2,272,174	8,954,492	₩ 4,880,824	11,419,215
Foreign exchange translation gain	221,829	1,155,502	382,944	559,671
Gain on disposal of property, plant and equipment	49,872	95,255	135,881	157,248
Others	3,673,180	13,441,940	21,283,747	28,822,570
	₩ <u>6,217,055</u>	<u>23,647,189</u>	₩ <u>26,683,396</u>	<u>40,958,704</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	Rs 129,764	511,393	Rs 278,745	652,154
Foreign exchange translation gain	12,669	65,991	21,870	31,963
Gain on disposal of property, plant and equipment	2,848	5,440	7,760	8,981
Others	209,776	767,672	1,215,520	1,646,063
	Rs <u>355,057</u>	<u>1,350,496</u>	Rs <u>1,523,895</u>	<u>2,339,161</u>

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27. Other Income and Expenses, Continued

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	₩ 1,086,490	7,179,130	₩ 5,058,493	11,462,687
Foreign exchange translation loss (gain)	(31,058)	521,406	350,527	1,505,105
Loss on disposal of property, plant and equipment	60,298	94,413	30,208	95,320
Loss on disposal of trade receivables	3,177,028	10,485,809	4,029,868	15,433,171
Others	371,141	1,601,134	251,860	1,269,373
	₩ <u>4,663,899</u>	<u>19,881,892</u>	₩ <u>9,720,956</u>	<u>29,765,656</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	Rs 62,050	410,002	Rs 288,892	654,637
Foreign exchange translation loss (gain)	(1,774)	29,778	20,019	85,957
Loss on disposal of property, plant and equipment	3,444	5,392	1,725	5,444
Loss on disposal of trade receivables	181,441	598,847	230,147	881,392
Others	21,195	91,440	14,383	72,493
	Rs <u>266,356</u>	<u>1,135,459</u>	Rs <u>555,166</u>	<u>1,699,923</u>

28. Finance Income and Costs

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	₩ 791,340	2,161,041	₩ 574,276	1,851,040
Dividend income	-	6,000	-	11,000
Foreign exchange transaction gain	1,037,408	5,686,187	1,803,064	4,017,591
Foreign exchange translation gain	41,102	320,217	1,983,487	2,782,708
Realized gain of financial derivatives	1,232,730	8,489,978	4,485,682	7,794,538
Unrealized gain(loss) of financial derivatives	(92,140)	75,021	(1,331,607)	1,665,027
	₩ <u>3,010,440</u>	<u>16,738,444</u>	₩ <u>7,514,902</u>	<u>18,121,904</u>

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28. Finance Income and Costs, Continued

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

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	Rs 45,194	123,418	Rs 32,797	105,713
Dividend income	-	343	-	628
Foreign exchange transaction gain	59,247	324,739	102,973	229,446
Foreign exchange translation gain	2,347	18,288	113,277	158,921
Realized gain of financial derivatives	70,401	484,864	256,179	445,148
Unrealized gain(loss) of financial derivatives	(5,262)	4,284	(76,048)	95,090
	<u>Rs 171,927</u>	<u>955,936</u>	<u>Rs 429,178</u>	<u>1,034,946</u>

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	₩ 229,487	705,637	₩ 211,937	584,143
Foreign exchange transaction loss	3,216,099	5,982,068	3,016,918	10,934,419
Foreign exchange translation loss (gain)	(10,743)	3,260,941	(3,647,661)	469,980
Realized loss of financial derivatives	2,855,548	5,017,212	598,484	2,035,777
Unrealized loss(gain) of financial derivatives	(1,133,233)	2,994,224	(242,597)	79,548
	<u>₩ 5,157,158</u>	<u>17,960,082</u>	<u>₩ (62,919)</u>	<u>14,103,867</u>

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	Rs 13,106	40,299	Rs 12,104	33,361
Foreign exchange transaction loss	183,672	341,637	172,297	624,467
Foreign exchange translation loss (gain)	(614)	186,233	(208,319)	26,841
Realized loss of financial derivatives	163,082	286,534	34,180	116,263
Unrealized loss(gain) of financial derivatives	(64,719)	171,001	(13,855)	4,543
	<u>Rs 294,527</u>	<u>1,025,704</u>	<u>Rs (3,593)</u>	<u>805,475</u>

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28. Finance Income and Costs, Continued

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

(In thousands of won)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loan and receivables	₩ (1,564,993)	(1,781,202)	₩ 4,779,632	(3,337,204)
AFS financial assets	-	6,000	-	11,000
Derivatives financial assets (liabilities)	(581,725)	553,564	2,798,189	7,344,241
	₩ (2,146,718)	(1,221,638)	₩ 7,577,821	4,018,037

(In thousands of rupee)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loan and receivables	Rs (89,378)	(101,725)	Rs 272,966	(190,588)
AFS financial assets	-	343	-	628
Derivatives financial assets (liabilities)	(33,222)	31,614	159,805	419,431
	Rs (122,600)	(69,768)	Rs 432,771	229,471

29. Earnings (losses) per Share

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

(In thousands of won, except per share information)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Profit (loss) for the period	₩ (17,912,564)	(37,206,596)	₩ 17,213,361	35,651,702
Profit (loss) contributed to common stocks	(17,912,564)	(37,206,596)	17,213,361	35,651,702
Weighted average number of common shares	137,949,396	137,751,710	137,220,096	137,220,096
Basic and diluted earnings (losses) per share (*)	₩ (130)	(270)	₩ 125	260

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29. Earnings (losses) per Share, Continued

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

(In thousands of rupee, except per share information)

	2017		2016	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Profit (loss) for the period	Rs (1,022,991)	(2,124,877)	Rs 983,059	2,036,077
Profit (loss) contributed to common stocks	(1,022,991)	(2,124,877)	983,059	2,036,077
Weighted average number of common shares	137,949,396	137,751,710	137,220,096	137,220,096
Basic earnings (losses) per share (*)	Rs (7)	(15)	Rs 7	15

(*)Diluted earnings (losses) per share are not calculated for the three-month and nine-month periods ended September 30, 2017 and 2016, because there are no dilutive shares as of September 30, 2017 and 2016.

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

September 30, 2017			
	Outstanding period	Common shares issued	Common shares outstanding
Beginning Issuing	2017-01-01~2017-03-15	137,220,096	37,195,191
	2017-03-16~2017-09-30	137,949,396	100,556,519
		Total	137,751,710

September 30, 2016			
	Outstanding period	Common shares issued	Common shares outstanding
Beginning	2016-01-01~2016-09-30	137,220,096	137,220,096

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30. Cash Flow from operating activities

(1) Details of cash flows from operating activities for the nine-month periods ended September 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	₩ (37,206,596)	35,651,702	Rs (2,124,877)	2,036,077
Adjustments for:				
Retirement benefit costs	34,184,231	36,993,631	1,952,269	2,112,715
Depreciation	94,370,567	91,314,990	5,389,525	5,215,019
Amortization	35,985,870	28,037,046	2,055,161	1,601,202
Loss on disposal of trade receivables	10,485,809	15,433,171	598,847	881,392
Foreign exchange translation gain (loss)	2,306,628	(1,367,294)	131,732	(78,086)
Loss (Gain) on disposal of property, plant and equipment	(842)	(61,928)	(48)	(3,537)
Interest income	(1,455,404)	(1,266,897)	(83,119)	(72,352)
Dividends income	(6,000)	(11,000)	(343)	(628)
Unrealized loss(gain) of financial derivatives	2,919,203	(1,585,479)	166,717	(90,547)
Losses on valuation of inventories	289,087	29,841	16,510	1,704
Others	(242,106)	83,579	(13,828)	4,772
	<u>178,837,043</u>	<u>167,599,660</u>	<u>10,213,423</u>	<u>9,571,654</u>
Changes in assets and liabilities				
Trade receivables	24,100,547	(47,612,381)	1,376,388	(2,719,154)
Other receivables	554,561	(5,947,574)	31,671	(339,667)
Inventories	(60,267,817)	21,065,131	(3,441,908)	1,203,034
Trade payables	(43,496,723)	(59,794,030)	(2,484,108)	(3,414,850)
Other payables	(6,394,367)	(35,847,813)	(365,184)	(2,047,277)
Accrued expenses	2,795,040	2,804,652	159,625	160,174
Provision of warranty for sale	(731,552)	(4,360,015)	(41,779)	(249,001)
Payment of retirement benefits	(18,262,290)	(18,666,871)	(1,042,964)	(1,066,069)
Others	(9,764,078)	(11,681,103)	(557,624)	(667,110)
	<u>(111,466,619)</u>	<u>(160,040,004)</u>	<u>(6,365,883)</u>	<u>(9,139,920)</u>
Net cash used in operating activities	₩ <u>30,163,828</u>	<u>43,211,358</u>	Rs <u>1,722,663</u>	<u>2,467,811</u>

(2) Significant non-cash activities for the nine-month periods ended September 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 and others	₩ (5,160,188)	(9,272,846)	Rs (294,699)	(529,575)

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31. Segment Information

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

2) Geographic sales information of the Company for the nine-month periods ended September 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	₩ 2,038,772,111	1,829,339,605	Rs 116,434,729	104,473,992
Europe	266,747,824	409,169,243	15,234,028	23,367,747
Asia Pacific	128,017,601	212,829,999	7,311,114	12,154,769
Others	154,556,445	173,222,530	8,826,753	9,892,777
	₩ 2,588,093,981	2,624,561,377	Rs 147,806,624	149,889,285

Non-current assets are not separately disclosed since those are located in Korea. Major customer which are over 10% of sales doesn't exist since most sales are occurred through contracts with individual customers and authorized foreign agencies.

(3) Information of sales of goods and service for the nine-month periods ended September 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	₩ 2,315,400,041	2,306,586,136	Rs 132,233,012	131,729,648
Merchandise and parts	243,392,480	252,125,707	13,900,199	14,398,955
Others	29,301,460	65,849,534	1,673,413	3,760,682
	₩ 2,588,093,981	2,624,561,377	Rs 147,806,624	149,889,285

32. Transactions and Balances with Related Parties

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

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

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32. Transactions and Balances with Related Parties, Continued

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

(In thousands of won)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Sales	₩ 6,859,288	43,504,834
		Other income	59,733	248,341
		Purchases	745,879	406,278
		Other expenses	527,752	91,747
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	8,901,193	9,640,152
		Other expenses	9,951	137
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	10,374,941	15,113,931
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	648,536	189,502
		Other income	5,179	26,442
		Other expenses	961,919	60,334

(In thousands of rupee)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Sales	Rs 391,735	2,484,571
		Other income	3,411	14,183
		Purchases	42,597	23,203
		Other expenses	30,140	5,240
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	508,349	550,551
		Other expenses	568	8
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	592,515	863,160
Others	Mahindra Vehicle Manufacturing Ltd. and other	Sales	37,038	10,823
		Other income	296	1,510
		Other expenses	54,934	3,446

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

(In thousands of won)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables	₩ 2,741,643	2,693,260
		Other receivables	73,604	60,430
		Other payables	2,037,233	1,781,004
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	15,065,052	15,079,280
		Other receivables	429,757	454,765
		Other payables	33,167	450,982
Joint venture	SY Auto Capital Co., Ltd.	Other payables	168,082	91,887
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	11,716	15,977
		Other payables	54,021	36,773

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32. Transactions and Balances with Related Parties, Continued

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

(In thousands of rupee)

Relationship	Company	Description	2017	2016
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	156,576	153,813
		Other receivables	4,204	3,451
		Other payables	116,347	101,714
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	860,368	861,181
		Other receivables	24,544	25,972
		Other payables	1,894	25,756
Joint venture	SY Auto Capital Co., Ltd.	Other payables	9,599	5,248
Others	Mahindra Vehicle Manufacturing Ltd. and other	Trade receivables	669	912
		Other payables	3,085	2,100

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

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

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Short-term employee benefits	₩	469,545	443,881	Rs 26,816	25,350
Retirement benefits		16,284	17,691	930	1,010

33. Financial Instruments

(1) Capital risk management

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

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

The Company is not subject to externally enforced capital regulation.

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33. Financial Instruments, Continued

(1) Capital risk management, continued

Debt-to-equity ratio as of September 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)	₩ 1,379,380,778	1,350,614,216		78,776,743	77,133,879
Equity (B)	790,277,866	820,169,960		45,132,945	46,840,089
Debt-to-equity ratio (A/B)	174.54%	164.67%		174.54%	164.67%

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

1) Financial assets

(In thousands of won)

	September 30, 2017					
	Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	₩ 130,085,921	-	-	-	130,085,921	130,085,921
Long-term financial instruments	4,000	-	-	-	4,000	4,000
Trade and other receivables	242,983,442	-	-	-	242,983,442	242,983,442
AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	42,838	-	42,838	42,838
	₩ 373,073,363	560,000	42,838	-	373,676,201	373,676,201

(In thousands of won)

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

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33. Financial Instruments, Continued

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

1) Financial assets, continued

(In thousands of rupee)

		September 30, 2017					
		Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	Rs	7,429,236	-	-	-	7,429,236	7,429,236
Long-term financial instruments		228	-	-	-	228	228
Trade and other receivables		13,876,838	-	-	-	13,876,838	13,876,838
AFS financial assets		-	31,982	-	-	31,982	31,982
Derivative assets		-	-	2,446	-	2,446	2,446
	Rs	<u>21,306,302</u>	<u>31,982</u>	<u>2,446</u>	<u>-</u>	<u>21,340,730</u>	<u>21,340,730</u>

(In thousands of rupee)

		December 31, 2016					
		Loans and Receivables	AFS financial assets	Financial assets at FVTPL	Derivatives designated to hedge	Total	Fair value
Cash and cash equivalents	Rs	13,401,337	-	-	-	13,401,337	13,401,337
Long-term financial instruments		343	-	-	-	343	343
Trade and other receivables		15,763,841	-	-	-	15,763,841	15,763,841
AFS financial assets		-	31,982	-	-	31,982	31,982
Derivative assets		-	-	25,453	17,724	43,177	43,177
	Rs	<u>29,165,521</u>	<u>31,982</u>	<u>25,453</u>	<u>17,724</u>	<u>29,240,680</u>	<u>29,240,680</u>

2) Financial liabilities

(In thousands of won)

		September 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	584,301,683	-	-	584,301,683	584,301,683
Borrowings		260,118,822	-	-	260,118,822	260,118,822
Derivative liabilities		-	2,774,016	346,750	3,120,766	3,120,766
	₩	<u>844,420,505</u>	<u>2,774,016</u>	<u>346,750</u>	<u>847,541,271</u>	<u>847,541,271</u>

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September 30, 2017 and 2016

33. Financial Instruments, Continued

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

2) Financial liabilities, continued

(In thousands of won)

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

(In thousands of rupee)

		September 30, 2017				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	33,369,599	-	-	33,369,599	33,369,599
Borrowings		14,855,444	-	-	14,855,444	14,855,444
Derivative liabilities		-	158,425	19,803	178,228	178,228
	Rs	<u>48,225,043</u>	<u>158,425</u>	<u>19,803</u>	<u>48,403,271</u>	<u>48,403,271</u>

(In thousands of rupee)

		December 31, 2016				
		Financial liability measured at amortized cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	36,621,599	-	-	36,621,599	36,621,599
Borrowings		11,106,095	-	-	11,106,095	11,106,095
Derivative liabilities		-	161,797	169,374	331,171	331,171
	Rs	<u>47,727,694</u>	<u>161,797</u>	<u>169,374</u>	<u>48,058,865</u>	<u>48,058,865</u>

(3) Financial risk management

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

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

SSANGYONG MOTOR COMPANY
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September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of September 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	₩ 3,328,416	(3,328,416) Rs	190,087	(190,087)
EUR	(2,956,500)	2,956,500	(168,846)	168,846
JPY	(7,831,396)	7,831,396	(447,253)	447,253
Others	1,486,347	(1,486,347)	84,886	(84,886)
	₩ (5,973,133)	5,973,133 Rs	(341,126)	341,126

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

The cumulative losses of cash flow hedging related to forward contracts deferred to equity, amount to ₩ 361,610 thousand (Rs 20,652 thousand), and this amount will be recognized as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within 12 months from the end of current period.

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease or increase in ₩ 332,979 thousand (Rs 19,017 thousand) for the nine-month periods ended September 30, 2017, due to floating rate debt's interest rate risk.

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

September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk

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

Maximum exposure in respect of credit risk as of September 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	₩ 242,983,442	276,024,854	Rs 13,876,838	15,763,841

3) Liquidity risk

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

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

(In thousands of won)

	September 30, 2017		
	Within a year	1 year ~ 5 years	Total
Trade payables	₩ 438,972,019	-	438,972,019
Other payables	141,747,562	-	141,747,562
Short-term borrowings(*)	190,723,118	-	190,723,118
Derivatives liabilities	3,120,766	-	3,120,766
Other payables	996,884	-	996,884
Long-term borrowings(*)	-	75,719,767	75,719,767
Long-term other payables	-	2,585,218	2,585,218
	₩ 775,560,349	78,304,985	853,865,334

(*) Including expected interest expenses.

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September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

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

(In thousands of rupee)

		September 30, 2017		
		Within a year	1 year ~ 5 years	Total
Trade payables	Rs	25,069,790	-	25,069,790
Other payables		8,095,235	-	8,095,235
Short-term borrowings(*)		10,892,240	-	10,892,240
Derivatives liabilities		178,228	-	178,228
Other payables		56,932	-	56,932
Long-term borrowings(*)		-	4,324,373	4,324,373
Long-term other payables		-	147,642	147,642
	Rs	<u>44,292,425</u>	<u>4,472,015</u>	<u>48,764,440</u>

(In thousands of rupee)

		December 31, 2016		
		Within a year	1 year ~ 5 years	Total
Trade payables	Rs	27,548,560	-	27,548,560
Other payables		8,709,453	-	8,709,453
Short-term borrowings(*)		10,484,764	-	10,484,764
Derivatives liabilities		331,171	-	331,171
Other payables		49,077	-	49,077
Long-term borrowings(*)		-	750,744	750,744
Long-term other payables		-	314,510	314,510
	Rs	<u>47,123,025</u>	<u>1,065,254</u>	<u>48,188,279</u>

(*) Including expected interest expenses.

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September 30, 2017 and 2016

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

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

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2017	2016	2017	2016
Limitation of commitments for Borrowings	Used	₩ 122,500,000	67,500,000	Rs 6,996,003	3,854,940
	Unused	132,000,000	132,000,000	7,538,549	7,538,549
		₩ 254,500,000	199,500,000	Rs 14,534,552	11,393,489

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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Notes to the Condensed Separate Interim Financial Statements
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September 30, 2017 and 2016

33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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

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

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

(In thousands of won)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
As of September 30, 2017					
Derivatives assets	₩	-	42,838	-	42,838
Derivatives liabilities		-	3,120,766	-	3,120,766
As of December 31, 2016					
Derivatives assets	₩	-	756,035	-	756,035
Derivatives liabilities		-	5,798,806	-	5,798,806

(In thousands of rupee)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
As of September 30, 2017					
Derivatives assets	Rs	-	2,446	-	2,446
Derivatives liabilities		-	178,228	-	178,228
As of December 31, 2016					
Derivatives assets	Rs	-	43,177	-	43,177
Derivatives liabilities		-	331,171	-	331,171

4) The Company measures the foreign exchange forward contract derivative assets: ₩ 42,838 thousand (Rs 2,446 thousand), derivative liabilities: ₩ 3,120,766 thousand (Rs 178,228 thousand) based on the forward rate announced officially in the market as of September 30, 2017. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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