

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2018 and 2017

(With Independent Auditors' Review Report Thereon)

# Contents

	<b>Page</b>
<b>Independent Auditors' Review Report</b>	1
Consolidated Interim Statements of Financial Position	3
Consolidated Interim Statements of Comprehensive Loss	5
Consolidated Interim Statements of Changes in Equity	7
Consolidated Interim Statements of Cash Flows	9
Notes to the Consolidated Interim Financial Statements	10

## **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 consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Company"), expressed in Korea won, which comprise the consolidated interim statement of financial position as of June 30, 2018, the consolidated interim statements of comprehensive loss for the three-month and six-month periods ended June 30, 2018 and 2017, the consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

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

**Other matters**

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

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

The accompanying consolidated interim financial statements as of and for the six-month periods ended June 30, 2018 and 2017 have been translated into Indian Rupee solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that causes us to believe that the consolidated interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(1) to the consolidated interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
August 7, 2018

<p>This report is effective as of August 7, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Interim Statements of Financial Position  
(Unaudited)

As of June 30, 2018 and December 31, 2017

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2018	2017	2018	2017
<b>Assets</b>					
Cash and cash equivalents	4,5,33 ₩	103,147,375	215,443,730	Rs 6,339,728	13,241,778
Trade and other receivables, net	7,32,33	175,074,971	203,824,819	10,760,601	12,527,647
Derivative assets	25,33	1,471,546	-	90,445	-
Inventories, net	8,24	212,414,188	228,374,429	13,055,574	14,036,535
Other current assets	10	13,000,156	7,548,242	799,026	463,937
<b>Total current assets</b>		<u>505,108,236</u>	<u>655,191,220</u>	<u>31,045,374</u>	<u>40,269,897</u>
Non-current financial instruments	5,33	4,000	4,000	246	246
Non-current other receivables, net	7,33	35,329,362	33,953,846	2,171,442	2,086,899
Available-for-sale financial assets	6,33	560,000	560,000	34,419	34,419
Property, plant and equipment, net	11,13	1,218,350,638	1,239,703,952	74,883,260	76,195,695
Intangible assets, net	11,12	314,252,665	303,268,722	19,314,853	18,639,748
Investments in joint venture	9	15,862,556	15,063,851	974,957	925,867
Other non-current assets	10	273,261	273,283	16,796	16,797
<b>Total non-current assets</b>		<u>1,584,632,482</u>	<u>1,592,827,654</u>	<u>97,395,973</u>	<u>97,899,671</u>
<b>Total assets</b>		<u>₩ 2,089,740,718</u>	<u>2,248,018,874</u>	<u>Rs 128,441,347</u>	<u>138,169,568</u>

See accompanying notes to the consolidated interim financial statements.

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

As of June 30, 2018 and December 31, 2017

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2018	2017	2018	2017
<b>Liabilities</b>					
Trade and other payables	14,18, 32,33 ₩	638,893,495	752,931,607	Rs 39,268,193	46,277,296
Short-term borrowings	13,18,30,33	153,677,857	163,840,987	9,445,474	10,070,128
Derivative liabilities	25,33	340,511	409,259	20,929	25,154
Provision of warranty for sale - current	15	47,622,669	53,046,748	2,927,023	3,260,402
Other long-term employee benefits liabilities- current		150,311	1,190,438	9,239	73,168
Other current liabilities	16	36,747,384	35,176,481	2,258,597	2,162,046
<b>Total current liabilities</b>		<u>877,432,227</u>	<u>1,006,595,520</u>	<u>53,929,455</u>	<u>61,868,194</u>
Long-term borrowings	13,18,30,33	70,000,000	70,000,000	4,302,397	4,302,397
Non-current other payables	33	2,499,820	3,374,007	153,645	207,376
Other non-current liabilities	16	5,975,755	-	367,287	-
Defined benefit liabilities	17	294,592,260	284,563,123	18,106,470	17,490,051
Other long-term employee benefits liabilities		15,801,051	15,138,490	971,177	930,454
Non-current provision of warranty for sale	15	87,765,455	93,192,809	5,394,312	5,727,892
<b>Total non-current liabilities</b>		<u>476,634,341</u>	<u>466,268,429</u>	<u>29,295,288</u>	<u>28,658,170</u>
<b>Total liabilities</b>		₩ <u>1,354,066,568</u>	<u>1,472,863,949</u>	Rs <u>83,224,743</u>	<u>90,526,364</u>
<b>Equity</b>					
Capital stock	19	689,746,980	689,746,980	42,393,791	42,393,791
Other capital surplus	20	87,909,478	133,141,920	5,403,164	8,183,277
Other equity	21	1,294,913	1,153,581	79,589	70,902
Accumulated deficit	22	(43,277,221)	(48,887,556)	(2,659,940)	(3,004,766)
<b>Equity attributable to owners of the Company</b>		<u>735,674,150</u>	<u>775,154,925</u>	<u>45,216,604</u>	<u>47,643,204</u>
<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		₩ <u>735,674,150</u>	<u>775,154,924</u>	Rs <u>45,216,604</u>	<u>47,643,204</u>
<b>Total liabilities and equity</b>		₩ <u>2,089,740,718</u>	<u>2,248,018,874</u>	Rs <u>128,441,347</u>	<u>138,169,568</u>

See accompanying notes to the consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Interim Statements of Comprehensive Loss  
(Unaudited)

**For the three-month and six-month periods ended June 30, 2018 and 2017**

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

	Note	2018		2017	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	₩ 941,853,845	1,750,618,667	₩ 903,099,256	1,691,814,538
Cost of sales	24,32	820,858,376	1,539,559,431	755,547,790	1,428,292,731
<b>Gross profit</b>		<u>120,995,469</u>	<u>211,059,236</u>	<u>147,551,466</u>	<u>263,521,807</u>
Selling, general and administrative expenses	24,26	128,479,025	249,800,390	154,178,003	285,637,654
<b>Operating loss</b>		<u>(7,483,556)</u>	<u>(38,741,154)</u>	<u>(6,626,537)</u>	<u>(22,115,847)</u>
Other income	27,32	2,247,262	5,628,968	9,372,344	17,430,134
Other expenses	27,32	2,782,127	4,810,579	5,422,113	15,217,993
Finance income	25,28	4,511,838	7,694,338	3,968,729	13,753,796
Finance costs	25,28	2,604,422	10,185,836	5,947,460	12,811,450
Share of profits of joint venture	9	733,533	799,125	698,701	1,172,109
<b>Loss before income taxes</b>		<u>(5,377,472)</u>	<u>(39,615,138)</u>	<u>(3,956,336)</u>	<u>(17,789,251)</u>
Income tax expenses	23	-	-	(486)	(97,182)
<b>Loss for the period</b>		<u>(5,377,472)</u>	<u>(39,615,138)</u>	<u>(3,956,822)</u>	<u>(17,886,433)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(5,377,472)	(39,615,138)	(3,956,822)	(17,886,433)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income(loss) for the period</b>	21,22	(580,993)	134,364	(6,876,709)	3,030,794
<b>Items that will never be reclassified to loss:</b>					
Defined benefit plan re-measurements	17	(3,307)	(6,548)	(2,904)	(5,716)
Defined benefit plan re-measurements of joint ventures	9	(412)	(420)	-	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedge	21,25	(613,590)	156,970	(6,681,870)	3,175,320
Foreign currency translation difference for foreign operation		36,316	(15,638)	(191,935)	(138,810)
<b>Total comprehensive loss for the period</b>		<u>₩ (5,958,465)</u>	<u>(39,480,774)</u>	<u>₩ (10,833,531)</u>	<u>(14,855,639)</u>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		₩ (5,958,465)	(39,480,774)	₩ (10,833,531)	(14,855,639)
<b>Losses Per share</b>					
Basic and diluted losses per share	29	₩ (39)	(287)	₩ (29)	(130)

See accompanying notes to the consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Interim Statements of Comprehensive Loss, Continued  
(Unaudited)

**For the three-month and six-month periods ended June 30, 2018 and 2017**

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

	<i>Note</i>	2018		2017	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	Rs 57,888,989	107,597,951	Rs 55,507,022	103,983,684
Cost of sales	24,32	50,452,267	94,625,656	46,438,094	87,786,892
<b>Gross profit</b>		<u>7,436,722</u>	<u>12,972,295</u>	<u>9,068,928</u>	<u>16,196,792</u>
Selling, general and administrative expenses	24,26	7,896,683	15,353,435	9,476,214	17,556,094
<b>Operating loss</b>		<u>(459,961)</u>	<u>(2,381,140)</u>	<u>(407,286)</u>	<u>(1,359,302)</u>
Other income	27,32	138,123	345,972	576,050	1,071,305
Other expenses	27,32	170,997	295,672	333,258	935,341
Finance income	25,28	277,310	472,916	243,929	845,347
Finance costs	25,28	160,075	626,050	365,548	787,428
Share of profits of joint venture	9	45,085	49,116	42,945	72,042
<b>Loss before income taxes</b>		<u>(330,515)</u>	<u>(2,434,858)</u>	<u>(243,168)</u>	<u>(1,093,377)</u>
Income tax expenses	23	-	-	(29)	(5,974)
<b>Loss for the period</b>		<u>(330,515)</u>	<u>(2,434,858)</u>	<u>(243,197)</u>	<u>(1,099,351)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(330,515)	(2,434,858)	(243,197)	(1,099,351)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>	21,22	(35,709)	8,258	(422,662)	186,282
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	17	(203)	(403)	(178)	(351)
Defined benefit plan re-measurement of joint ventures	9	(25)	(26)	-	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedge	21,25	(37,713)	9,648	(410,687)	195,164
Foreign currency translation difference for foreign operation		2,232	(961)	(11,797)	(8,531)
<b>Total comprehensive loss for the period</b>		Rs <u>(366,244)</u>	<u>(2,426,600)</u>	Rs <u>(665,859)</u>	<u>(913,069)</u>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		Rs (366,244)	(2,426,600)	Rs (665,859)	(913,069)
<b>Losses Per share</b>					
Basic and diluted earnings(losses) per share	29	Rs (2)	(18)	Rs (2)	(8)

See accompanying notes to the consolidated interim financial statements.



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

**For the six-month periods ended June 30, 2018 and 2017**

(In thousands of won)

		Other capital surplus					Accumulated deficit	Non-controlling interest	Total	
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock				Other equity
<b>Balance at January 1, 2017</b>	₩	686,100,480	11,452,713	118,189,001	931,508	1,105,138	(1,285,813)	(3,799,101)	-	812,693,926
<b>Total comprehensive income(loss) for the period:</b>										
Loss for the period		-	-	-	-	-	(17,886,433)	-	-	(17,886,433)
Defined benefit plan re-measurements		-	-	-	-	-	(5,716)	-	-	(5,716)
Changes in fair value of cash flow hedge		-	-	-	-	3,175,320	-	-	-	3,175,320
Foreign currency translation difference for foreign operation		-	-	-	-	-	(138,810)	-	-	(138,810)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Issue of ordinary shares		3,646,500	1,463,560	-	-	-	-	-	-	5,110,060
<b>Balance at June 30, 2017</b>	₩	<u>689,746,980</u>	<u>12,916,273</u>	<u>118,189,001</u>	<u>931,508</u>	<u>1,105,138</u>	<u>1,750,697</u>	<u>(21,691,250)</u>	<u>-</u>	<u>802,948,347</u>
<b>Balance at January 1, 2018</b>	₩	689,746,980	12,916,273	118,189,001	931,508	1,105,138	1,153,581	(48,887,557)	-	775,154,924
<b>Total comprehensive income(loss) for the period:</b>										
Loss for the period		-	-	-	-	-	(39,615,138)	-	-	(39,615,138)
Defined benefit plan re-measurements		-	-	-	-	-	(6,548)	-	-	(6,548)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(420)	-	-	(420)
Changes in fair value of cash flow hedge		-	-	-	-	-	156,970	-	-	156,970
Foreign currency translation difference for foreign operation		-	-	-	-	-	(15,638)	-	-	(15,638)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Disposition of deficit		-	-	(44,127,304)	-	(1,105,138)	-	45,232,442	-	-
<b>Balance at June 30, 2018</b>	₩	<u>689,746,980</u>	<u>12,916,273</u>	<u>74,061,697</u>	<u>931,508</u>	<u>-</u>	<u>1,294,913</u>	<u>(43,277,221)</u>	<u>-</u>	<u>735,674,150</u>

See accompanying notes to the consolidated interim financial statements.

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

**For the six-month periods ended June 30, 2018 and 2017**

(In thousands of rupee)

	Rs	Other capital surplus					Other equity	Accumulated deficit	Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock				
<b>Balance at January 1, 2017</b>		42,169,667	703,916	7,264,229	57,252	67,925	(79,030)	(233,503)	-	49,950,456
Loss for the period		-	-	-	-	-	-	(1,099,351)	-	(1,099,351)
Defined benefit plan re-measurements		-	-	-	-	-	-	(351)	-	(351)
Changes in fair value of cash flow hedge		-	-	-	-	-	195,164	-	-	195,164
Foreign currency translation difference for foreign operation		-	-	-	-	-	(8,531)	-	-	(8,531)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Issue of ordinary shares		224,124	89,955	-	-	-	-	-	-	314,079
<b>Balance at June 30, 2017</b>		<u>42,393,791</u>	<u>793,871</u>	<u>7,264,229</u>	<u>57,252</u>	<u>67,925</u>	<u>107,603</u>	<u>(1,333,205)</u>	-	<u>49,351,466</u>
<b>Balance at January 1, 2018</b>		42,393,791	793,871	7,264,229	57,252	67,925	70,902	(3,004,766)	-	47,643,204
<b>Total comprehensive income(loss) for the period:</b>										
Loss for the period		-	-	-	-	-	-	(2,434,858)	-	(2,434,858)
Defined benefit plan re-measurements		-	-	-	-	-	-	(403)	-	(403)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	-	(26)	-	(26)
Changes in fair value of cash flow hedge		-	-	-	-	-	9,648	-	-	9,648
Foreign currency translation difference for foreign operation		-	-	-	-	-	(961)	-	-	(961)
<b>Transactions with owners of the Parent Company, recognized directly in equity:</b>										
Disposition of deficit		-	-	(2,712,188)	-	(67,925)	-	2,780,113	-	-
<b>Balance at June 30, 2018</b>		<u>42,393,791</u>	<u>793,871</u>	<u>4,552,041</u>	<u>57,252</u>	<u>-</u>	<u>79,589</u>	<u>(2,659,940)</u>	-	<u>45,216,604</u>

See accompanying notes to the consolidated financial statements.

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

For the six-month periods ended June 30, 2018 and 2017

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Loss for the year	₩ (39,615,138)	(17,886,433)	Rs (2,434,858)	(1,099,351)
Adjustment	139,801,538	138,647,963	8,592,596	8,521,694
Changes in assets and liabilities	(84,409,611)	(32,248,189)	(5,188,052)	(1,982,064)
<b>Cash generated from operations (note 30)</b>	<u>15,776,789</u>	<u>88,513,341</u>	<u>969,686</u>	<u>5,440,279</u>
Interest received	1,110,466	1,407,385	68,252	86,502
Interest paid	(2,340,844)	(1,584,390)	(143,875)	(97,381)
Dividends received	11,000	6,000	676	369
<b>Net cash provided by operating activities</b>	<u>14,557,411</u>	<u>88,342,336</u>	<u>894,739</u>	<u>5,429,769</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	259,077	49,921	15,924	3,068
Proceed from disposal of intangible assets	-	763,636	-	46,935
Acquisition of property, plant and equipment	(69,460,882)	(86,545,639)	(4,269,261)	(5,319,339)
Acquisition of intangible assets	(44,978,702)	(56,822,251)	(2,764,518)	(3,492,456)
Cash flow used in other investing activities	(337,023)	(2,332,319)	(20,714)	(143,349)
<b>Net cash used in investing activities</b>	<u>(114,517,530)</u>	<u>(144,886,652)</u>	<u>(7,038,569)</u>	<u>(8,905,141)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	7,091,351	-	435,854
Cash inflows from government grants	-	34,010	-	2,090
Proceeds from issuing capital stock	-	5,110,060	-	314,079
Repayment of borrowings	(12,401,643)	(10,000,000)	(762,240)	(614,628)
<b>Net cash provided by (used in) financing activities</b>	<u>(12,401,643)</u>	<u>2,235,421</u>	<u>(762,240)</u>	<u>137,395</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>65,407</u>	<u>(40,914)</u>	<u>4,020</u>	<u>(2,515)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(112,296,355)</u>	<u>(54,349,809)</u>	<u>(6,902,050)</u>	<u>(3,340,492)</u>
Cash and cash equivalents at January 1	<u>215,443,730</u>	<u>238,401,707</u>	<u>13,241,778</u>	<u>14,652,840</u>
<b>Cash and cash equivalents at June 30</b>	₩ <u>103,147,375</u>	<u>184,051,898</u>	Rs <u>6,339,728</u>	<u>11,312,348</u>

See accompanying notes to the consolidated interim financial statements.

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

June 30, 2018 and 2017

## 1. General Description of the Company

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

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

### (2) Major shareholders

As of June 30, 2018, the Company's shareholders are as follows:

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

The consolidated interim financial statements comprise the Company and its subsidiaries (the "Company") and the Company's interest in associates and joint ventures.

## 2. Basis of Preparation and Accounting Policies

### (1) Basis of translating separate interim financial statements

The consolidated interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 16.27 to INR 1 on June 30, 2018, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

### (2) Statement of compliance

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

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

The Company has initially applied K-IFRS 1109 'Financial Instruments' and K-IFRS 1115 'Revenue from Contracts with Customers' for preparation of the consolidated interim financial statements as of and for the six months ended June 30, 2018. The significant changes in accounting policies are described in note 2.(4).

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

June 30, 2018 and 2017

**2. Basis of Preparation and Accounting Policies, Continued**

**(3) Use of estimates and judgments**

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

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

**(4) Changes in accounting policies**

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

① K-IFRS No. 1115 'Revenue from contracts with customers'

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

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

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

The effect of adoption of the K-IFRS 1115 on the consolidated interim statement of financial position as of June 30, 2018 and the consolidated interim statement comprehensive loss for the six-month period ended June 30, 2018 are as follows. The effect on the consolidated interim statement of cash flow for the six-month periods ended June 30, 2018 is not significant.

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

June 30, 2018 and 2017

**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

1) Impact on the consolidated Interim statements of financial position.

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	₩	502,055,594	505,108,236	3,052,642
Non-current assets		1,584,632,482	1,584,632,482	-
<b>Total assets</b>		<u>2,086,688,076</u>	<u>2,089,740,718</u>	<u>3,052,642</u>
Current liabilities		873,377,005	877,432,227	4,055,222
Non-current liabilities		474,683,227	476,634,341	1,951,114
<b>Total liabilities</b>		<u>1,348,060,232</u>	<u>1,354,066,568</u>	<u>6,006,336</u>
<b>Total equity</b>	₩	<u>738,627,844</u>	<u>735,674,150</u>	<u>(2,953,694)</u>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	Rs	30,857,750	31,045,374	187,624
Non-current assets		97,395,973	97,395,973	-
<b>Total assets</b>		<u>128,253,723</u>	<u>128,441,347</u>	<u>187,624</u>
Current liabilities		53,680,209	53,929,455	249,246
Non-current liabilities		29,175,367	29,295,288	119,921
<b>Total liabilities</b>		<u>82,855,576</u>	<u>83,224,743</u>	<u>369,167</u>
<b>Total equity</b>	Rs	<u>45,398,147</u>	<u>45,216,604</u>	<u>(181,543)</u>

2) Impact on the consolidated interim statements of comprehensive loss

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	₩	1,766,122,910	1,750,618,667	(15,504,243)
Cost of sales		1,527,752,328	1,539,559,431	11,807,103
Selling, general and administrative expenses		271,160,007	249,800,390	(21,359,617)
Loss for the period	₩	<u>(36,661,444)</u>	<u>(39,615,138)</u>	<u>(2,953,694)</u>

(In thousands of rupee)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Gross sales	Rs	108,550,886	107,597,951	(952,935)
Cost of sales		93,899,958	94,625,656	725,698
Selling, general and administrative expenses		16,666,257	15,353,435	(1,312,822)
Loss for the period	Rs	<u>(2,253,316)</u>	<u>(2,434,858)</u>	<u>(181,542)</u>

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

June 30, 2018 and 2017

## 2. Basis of Preparation and Accounting Policies, Continued

### (4) Changes in accounting policies, continued

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

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

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

#### ② K-IFRS No. 1109 'Financial Instruments'

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

#### *Classification and measurement of financial assets*

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

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

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

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

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

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

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

June 30, 2018 and 2017

**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

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

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

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

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

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

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

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



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

June 30, 2018 and 2017

**2. Basis of Preparation and Accounting Policies, Continued**

**(4) Changes in accounting policies, continued**

The results of the classification and measurement of financial assets (excluding derivatives) held by the Company as of June 30, 2018 are as follows.

(In thousands of won)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Book value	Classification	Book value
Cash and cash equivalents	Loan and receivables ₩	103,147,375	Amortised cost ₩	103,147,375
Trade receivables	Loan and receivables	159,796,373	Amortised cost	159,796,373
Other receivables	Loan and receivables	2,877,334	Amortised cost	2,877,334
Loans and others	Loan and receivables	11,004,935	Amortised cost	11,004,935
Long-term financial instruments	Loan and receivables	4,000	Amortised cost	4,000
Long-term loans and others	Loan and receivables	35,329,362	Amortised cost	35,329,362
AFS financial assets(*)	AFS financial assets	560,000	FVTPL	560,000

(In thousands of rupee)

	Under K-IFRS 1039		Under K-IFRS 1109	
	Classification	Book value	Classification	Book value
Cash and cash equivalents	Loan and receivables Rs	6,339,728	Amortised cost Rs	6,339,728
Trade receivables	Loan and receivables	9,821,535	Amortised cost	9,821,535
Other receivables	Loan and receivables	176,849	Amortised cost	176,849
Loans and others	Loan and receivables	676,394	Amortised cost	676,394
Long-term financial instruments	Loan and receivables	246	Amortised cost	246
Long-term loans and others	Loan and receivables	2,171,442	Amortised cost	2,171,442
AFS financial assets(*)	AFS financial assets	34,419	FVTPL	34,419

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

*Impairment: Financial assets and contract assets*

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

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

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

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

June 30, 2018 and 2017

## 2. Basis of Preparation and Accounting Policies, Continued

### (4) Changes in accounting policies, continued

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

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

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

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

As of June 30, 2018, the Company has recognized loss allowances amounting to ₩ 4,087 million (Rs 251 million) for loans and receivables. The Company has chosen its accounting policy to measure the loss allowance at an amount equal to lifetime expected assets if the trade receivables or contract assets contain a significant financing component, and plan to use practical simplification method that the credit risk on a financial instrument has not increased significantly at the reporting date.

#### *Hedge accounting*

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

## 3. Significant Accounting policies

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

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

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

#### *Amendments to K-IFRS No.1116: Leases*

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

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

June 30, 2018 and 2017

### 3. Significant Accounting policies, Continued

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

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

### 4. Cash and Cash Equivalents

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

### 5. Restricted Financial Instruments

Restricted financial Instruments as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution	Korean won		Indian rupee		Description
		2018	2017	2018	2017	
Cash and cash equivalents	Shinhan Bank and others	₩ 1,329,940	1,108,695	Rs 81,742	68,144	Litigated asset, government grants and others
	Woori Bank	749,430	748,483	46,062	46,003	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	4,000	246	246	Bank account deposit
		₩ 2,083,370	1,861,178	Rs 128,050	114,393	

### 6. Available-for sale Financial Assets

Available-for sale financial assets as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

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

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

June 30, 2018 and 2017

**6. Available-for sale Financial Assets, Continued**

(In thousands of rupee)

	Ownership (%)		2018		2017
			Acquisition cost	Net asset value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	30,731	43,553	30,731
Korea Management Consultants Association(*)	1.50		3,688	46,898	3,688
		Rs	<u>34,419</u>	<u>90,451</u>	<u>34,419</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.

**7. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Trade receivables	₩	159,924,945	1,150,646	187,191,428	539,605
Less: Allowance for doubtful accounts		(128,571)	-	(126,715)	-
Other receivables		8,172,202	147,500	8,562,086	147,594
Less: Allowance for doubtful accounts		(3,898,539)	(44,250)	(3,723,780)	(44,250)
Loans and others		11,015,158	34,080,851	11,925,878	33,322,231
Less: Allowance for doubtful accounts		(10,224)	(5,385)	(4,078)	(11,334)
	₩	<u>175,074,971</u>	<u>35,329,362</u>	<u>203,824,819</u>	<u>33,953,846</u>

(In thousands of rupee)

		2018		2017	
		Current	Non-current	Current	Non-current
Trade receivables	Rs	9,829,437	70,722	11,505,312	33,166
Less: Allowance for doubtful accounts		(7,902)	-	(7,788)	-
Other receivables		502,287	9,066	526,250	9,072
Less: Allowance for doubtful accounts		(239,615)	(2,720)	(228,874)	(2,720)
Loans and others		677,021	2,094,705	732,998	2,048,078
Less: Allowance for doubtful accounts		(628)	(331)	(251)	(697)
	Rs	<u>10,760,601</u>	<u>2,171,442</u>	<u>12,527,647</u>	<u>2,086,899</u>

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

June 30, 2018 and 2017

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

(2) Details of aging analysis of the trade and other receivables as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	₩ 160,990,281	49,301,831	187,731,033	50,086,201
Less than 30 days	-	6,899	-	-
More than 60 days	-	56,466	-	-
More than 90 days	85,310	4,050,515	-	3,871,588
	₩ 161,075,591	53,415,711	187,731,033	53,957,789

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs 9,894,916	3,030,229	11,538,478	3,078,438
Less than 30 days	-	424	-	-
More than 60 days	-	3,471	-	-
More than 90 days	5,243	248,956	-	237,960
	Rs 9,900,159	3,283,080	11,538,478	3,316,398

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

(3) Changes in allowance for trade and other receivables for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 126,715	3,783,442	93,208	123,730
Bad debt expense	1,856	180,904	-	-
Reversal of allowance for bad debts	-	(5,948)	(66,331)	(14,303)
Ending balance	₩ 128,571	3,958,398	26,877	109,427

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 7,788	232,541	5,729	7,605
Bad debt expense	114	11,119	-	-
Reversal of allowance for bad debts	-	(366)	(4,077)	(879)
Ending balance	Rs 7,902	243,294	1,652	6,726

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

June 30, 2018 and 2017

**8. Inventories**

Details of inventories as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Merchandises	₩ 40,160,606	38,056,984	Rs 2,468,384	2,339,089
Finished goods	68,907,076	66,624,320	4,235,223	4,094,918
Work-in-process	28,960,033	29,867,552	1,779,965	1,835,744
Raw materials	29,603,041	33,097,439	1,819,486	2,034,262
Sub-materials	457,032	414,413	28,090	25,471
Supplies	3,600,131	3,632,719	221,274	223,277
Goods in transit	40,726,269	56,681,002	2,503,152	3,483,774
	₩ 212,414,188	228,374,429	Rs 13,055,574	14,036,535

The company has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 2,448,692 thousand (Rs 150,504 thousand) for the six-month periods ended June 30, 2018 is included in cost of sales.

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

(1) Details of investment in subsidiaries and a joint venture as of June 30, 2018 are as follows:

(In thousands of won)

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

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

(2) Changes in the carrying amounts of investments in a joint venture for the six-month periods ended June 30, 2018 is as follows:

(In thousands of won)

	Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩ 15,063,851	799,125	(420)	15,862,556

(In thousands of rupee)

	Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	Rs 925,867	49,116	(26)	974,957

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

June 30, 2018 and 2017

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

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

1) The summarized financial information of the Company's subsidiaries and joint venture as of and for the six-month periods ended June 30, 2018 is as follows:

(In thousands of won)

	2018				
	Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩ 1,240,146	550,709	689,437	3,618	(403,064)
Ssangyong European Parts Center B.V.	11,314,673	13,632,150	(2,317,477)	9,739,778	1,140,082
SY Auto Capital Co., Ltd. (*)	82,760,953	52,914,514	29,846,439	6,103,295	1,289,347

(In thousands of rupee)

	2018				
	Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs 76,223	33,848	42,375	222	(24,773)
Ssangyong European Parts Center B.V.	695,431	837,870	(142,439)	598,634	70,073
SY Auto Capital Co., Ltd. (*)	5,086,721	3,252,275	1,834,446	375,126	79,247

(\*) Additional financial information for the joint venture for the six-month periods ended June 30, 2018 is as follows:

(In thousands of won)

	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩ 992,300	52,184,275	409,206	1,123,986	619,239	428,261

(In thousands of rupee)

	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs 60,990	3,207,392	25,151	69,083	38,060	26,322

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

June 30, 2018 and 2017

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

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

2) The summarized financial information of the Company's subsidiaries and a joint venture as of and for the year ended 2017 is as follows:

(In thousands of won)

		2017				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	1,580,643	524,158	1,056,485	18,892	(1,190,972)
Ssangyong European Parts Center B.V.		12,283,604	15,689,509	(3,405,905)	17,735,781	145,124
SY Auto Capital Co., Ltd.(*)		79,844,693	51,070,952	28,773,741	10,767,932	2,489,859

(In thousands of rupee)

		2017				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	97,151	32,216	64,935	1,161	(73,200)
Ssangyong European Parts Center B.V.		754,984	964,321	(209,337)	1,090,091	8,920
SY Auto Capital Co., Ltd.(*)		4,907,479	3,138,964	1,768,515	661,827	153,034

(\*) Additional financial information for the joint venture for the year ended 2017 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	10,192,682	50,642,190	798,151	1,375,672	842,319	645,729

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	626,471	3,112,612	49,057	84,553	51,771	39,688

(4) Reconciliation from the net assets of the Company's joint venture to the carrying amount of investments in joint venture as of June 30, 2018 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩	29,846,439	51%	15,221,684	640,872	15,862,556

(In thousands of rupee)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	Rs	1,834,446	51%	935,568	39,390	974,957



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

June 30, 2018 and 2017

**10. Other Assets**

Details of other assets as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
<b>Other current assets</b>				
Advance payments	₩ 1,474,521	1,750,943	Rs 90,626	107,618
Prepaid expenses	11,393,160	5,464,706	700,256	335,876
Current tax assets	132,475	332,593	8,144	20,443
	<u>13,000,156</u>	<u>7,548,242</u>	<u>799,026</u>	<u>463,937</u>
<b>Other non-current assets</b>				
Other non-current assets	₩ 273,261	273,283	Rs 16,796	16,797

**11. Property, Plant and Equipment**

(1) Details of property, plant and equipment as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

	2018				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,062,920	-	-	-	475,062,920
Buildings	544,116,461	(1,815,221)	(222,998,458)	(148,366,786)	170,935,996
Structures	111,597,075	(100,565)	(65,012,873)	(28,913,883)	17,569,754
Machinery	1,312,199,966	(204,640)	(1,048,993,784)	(95,164,674)	167,836,868
Vehicles	7,960,062	(6,644)	(5,933,308)	(567,185)	1,452,925
Tools and molds	1,256,058,139	(28,547)	(786,913,196)	(158,619,983)	310,496,413
Equipment	68,700,643	(38,409)	(50,775,117)	(3,320,500)	14,566,617
Construction in progress	60,429,145	-	-	-	60,429,145
	<u>₩ 3,836,124,411</u>	<u>(2,194,026)</u>	<u>(2,180,626,736)</u>	<u>(434,953,011)</u>	<u>1,218,350,638</u>

(In thousands of won)

	2017				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,062,920	-	-	-	475,062,920
Buildings	543,207,391	(1,845,609)	(217,544,488)	(148,366,786)	175,450,508
Structures	109,871,927	(111,068)	(64,129,824)	(28,913,882)	16,717,153
Machinery	1,298,011,168	(261,084)	(1,033,241,296)	(95,508,817)	168,999,971
Vehicles	7,730,749	(7,411)	(5,939,980)	(583,550)	1,199,808
Tools and molds	1,200,844,395	(31,214)	(743,644,745)	(158,770,322)	298,398,114
Equipment	67,614,132	(42,425)	(47,783,836)	(3,354,079)	16,433,792
Construction in progress	87,441,686	-	-	-	87,441,686
	<u>₩ 3,789,784,368</u>	<u>(2,298,811)</u>	<u>(2,112,284,169)</u>	<u>(435,497,436)</u>	<u>1,239,703,952</u>

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

June 30, 2018 and 2017

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

(1) Details of property, plant and equipment as of June 30, 2018 and December 31, 2017 are as follows, continued:

(In thousands of rupee)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	29,198,704	-	-	-	29,198,704
Buildings		33,442,929	(111,569)	(13,706,113)	(9,119,040)	10,506,207
Structures		6,859,070	(6,181)	(3,995,874)	(1,777,129)	1,079,886
Machinery		80,651,504	(12,578)	(64,474,111)	(5,849,089)	10,315,726
Vehicles		489,248	(408)	(364,678)	(34,861)	89,301
Tools and molds		77,200,869	(1,755)	(48,365,900)	(9,749,231)	19,083,983
Equipment		4,222,536	(2,361)	(3,120,781)	(204,086)	895,308
Construction in progress		3,714,145	-	-	-	3,714,145
	Rs	<u>235,779,005</u>	<u>(134,852)</u>	<u>(134,027,457)</u>	<u>(26,733,436)</u>	<u>74,883,260</u>

(In thousands of rupee)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	Rs	29,198,704	-	-	-	29,198,704
Buildings		33,387,055	(113,436)	(13,370,897)	(9,119,040)	10,783,682
Structures		6,753,038	(6,827)	(3,941,600)	(1,777,129)	1,027,482
Machinery		79,779,420	(16,046)	(63,505,919)	(5,870,240)	10,387,215
Vehicles		475,154	(455)	(365,087)	(35,867)	73,745
Tools and molds		73,807,277	(1,919)	(45,706,499)	(9,758,471)	18,340,388
Equipment		4,155,755	(2,608)	(2,936,929)	(206,151)	1,010,067
Construction in progress		5,374,412	-	-	-	5,374,412
	Rs	<u>232,930,815</u>	<u>(141,291)</u>	<u>(129,826,931)</u>	<u>(26,766,898)</u>	<u>76,195,695</u>

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

June 30, 2018 and 2017

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

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	<b>2018</b>					
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	₩ 475,062,920	-	-	-	-	475,062,920
Buildings	175,450,508	59,275	(352)	(5,423,582)	850,147	170,935,996
Structures	16,717,153	38,000	-	(872,546)	1,687,147	17,569,754
Machinery	168,999,971	35,730	(7,201)	(16,371,494)	15,179,862	167,836,868
Vehicles	1,199,808	114,689	(181,507)	(202,448)	522,383	1,452,925
Tools and molds	298,398,114	523,400	(53,725)	(44,236,261)	55,864,885	310,496,413
Equipment	16,433,793	1,096,820	(22,009)	(3,212,405)	270,418	14,566,617
Construction in progress	87,441,686	46,360,246	-	-	(73,372,787)	60,429,145
	<b>₩ 1,239,703,953</b>	<b>48,228,160</b>	<b>(264,794)</b>	<b>(70,318,736)</b>	<b>1,002,055</b>	<b>1,218,350,638</b>

(In thousands of won)

	<b>2017</b>					
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	₩ 475,072,283	-	-	-	-	475,072,283
Buildings	181,592,387	119,213	(1,040)	(5,274,333)	1,690,866	178,127,093
Structures	16,779,735	-	(229)	(864,654)	-	15,914,852
Machinery	173,322,039	13,724	(1,247)	(15,282,346)	16,840,267	174,892,437
Vehicles	1,034,519	58,233	(10)	(253,264)	221,576	1,061,054
Tools and molds	227,760,362	3,321,490	(1,484)	(35,510,873)	129,064,042	324,633,537
Equipment	19,249,890	1,117,362	(34,643)	(3,478,423)	32,380	16,886,566
Construction in progress	103,179,053	71,283,126	-	-	(145,832,629)	28,629,550
Machinery in transit	1,016,181	389,149	-	-	(1,405,330)	-
	<b>₩ 1,199,006,449</b>	<b>76,302,297</b>	<b>(38,653)</b>	<b>(60,663,893)</b>	<b>611,172</b>	<b>1,215,217,372</b>

(\*) Capitalized borrowing costs in respect of construction in progress is ₩ 482,056 thousand (2017: ₩ 408,194 thousand) and ₩ 518,998 thousand (2017: ₩ 204,076 thousand) which are transferred from inventory to vehicles during the six-month periods ended June 30, 2018 and 2017, respectively.

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

June 30, 2018 and 2017

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

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		<b>2018</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	Rs	29,198,704	-	-	-	-	29,198,704
Buildings		10,783,682	3,643	(21)	(333,349)	52,252	10,506,207
Structures		1,027,482	2,336	-	(53,629)	103,697	1,079,886
Machinery		10,387,215	2,195	(443)	(1,006,238)	932,997	10,315,726
Vehicles		73,745	7,049	(11,156)	(12,443)	32,106	89,301
Tools and molds		18,340,388	32,170	(3,303)	(2,718,885)	3,433,613	19,083,983
Equipment		1,010,067	67,414	(1,352)	(197,443)	16,622	895,308
Construction in progress		5,374,412	2,849,431	-	-	(4,509,698)	3,714,145
	Rs	<u>76,195,695</u>	<u>2,964,238</u>	<u>(16,275)</u>	<u>(4,321,987)</u>	<u>61,589</u>	<u>74,883,260</u>

(In thousands of rupee)

		<b>2017</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciatio</b>	<b>Others(*)</b>	<b>Ending balance</b>
Land	Rs	29,199,280	-	-	-	-	29,199,280
Buildings		11,161,179	7,327	(64)	(324,176)	103,925	10,948,191
Structures		1,031,330	-	(14)	(53,144)	-	978,172
Machinery		10,652,860	844	(77)	(939,296)	1,035,050	10,749,381
Vehicles		63,585	3,579	(1)	(15,566)	13,619	65,216
Tools and molds		13,998,793	204,148	(91)	(2,182,598)	7,932,639	19,952,891
Equipment		1,183,153	68,676	(2,129)	(213,794)	1,990	1,037,896
Construction in progress		6,341,675	4,381,263	-	-	(8,963,286)	1,759,652
Machinery in transit		62,458	23,917	-	-	(86,375)	-
	Rs	<u>73,694,313</u>	<u>4,689,754</u>	<u>(2,376)</u>	<u>(3,728,574)</u>	<u>37,562</u>	<u>74,690,679</u>

(\*) Capitalized borrowing costs in respect of construction in progress is Rs 29,628 thousand (2017: Rs 25,088 thousand) and Rs 31,899 thousand (2017: Rs 12,542 thousand) which are transferred from inventory to vehicles during the six-month periods ended June 30, 2018 and 2017, respectively.

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

June 30, 2018 and 2017

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

(3) Details of pledged assets provided as collateral for the borrowings as of June 30, 2018 are as follows:

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

	Korean won		Indian rupee	
	Book value	Collateralized amount	Book value	Collateralized amount
Land	₩ 366,132,440		Rs 22,503,530	
Buildings and structures	68,762,072	267,000,000	4,226,311	16,410,572
Machinery and others	784,492		48,217	
	<u>435,679,004</u>	<u>267,000,000</u>	<u>26,778,058</u>	<u>16,410,572</u>

(4) Capitalized borrowing costs and capitalization interest rate for the six-month periods ended June 30, 2018 and 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Capitalized interest expenses(*)	₩ 1,838,098	1,123,810	Rs 112,974	69,072
Capitalization interest rate	3.35%	3.42%	3.35%	3.42%

(\*) Capitalized borrowing costs for intangible assets are ₩ 1,356,042 thousand (Rs 83,346 thousand) and ₩ 715,615 thousand (Rs 43,984 thousand) for the six-month periods ended June 30, 2018 and 2017, respectively.

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

June 30, 2018 and 2017

**12. Intangible Assets**

(1) Details of intangible assets as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	₩	345,185,014	-	(148,977,033)	-	196,207,981
Patents		4,167,375	(16,869)	(2,597,703)	(88,337)	1,464,466
Other intangible assets		145,763,068	(13,270)	(28,807,111)	(362,469)	116,580,218
	₩	<u>495,115,457</u>	<u>(30,139)</u>	<u>(180,381,847)</u>	<u>(450,806)</u>	<u>314,252,665</u>

(In thousands of won)

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

(In thousands of rupee)

		<b>2018</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs	21,216,043	-	(9,156,548)	-	12,059,495
Patents		256,139	(1,037)	(159,664)	(5,429)	90,009
Other intangible assets		8,959,008	(816)	(1,770,565)	(22,278)	7,165,349
	Rs	<u>30,431,190</u>	<u>(1,853)</u>	<u>(11,086,777)</u>	<u>(27,707)</u>	<u>19,314,853</u>

(In thousands of rupee)

		<b>2017</b>				
		<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	Rs	18,743,419	-	(7,117,029)	-	11,626,390
Patents		244,876	(1,124)	(141,029)	(4,815)	97,908
Other intangible assets		8,595,031	(1,268)	(1,656,035)	(22,278)	6,915,450
	Rs	<u>27,583,326</u>	<u>(2,392)</u>	<u>(8,914,093)</u>	<u>(27,093)</u>	<u>18,639,748</u>

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

June 30, 2018 and 2017

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

		2018						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>								
Development cost	₩	189,161,365	-	(33,182,979)	-	40,229,595	-	196,207,981
Other intangible assets		104,765,437	44,306,232	-	-	(40,229,595)	1,356,042	110,198,116
	₩	293,926,802	44,306,232	(33,182,979)	-	-	1,356,042	306,406,097
<b>Individually acquired intangible assets:</b>								
Patents		1,592,985	183,237	(301,758)	(9,998)	-	-	1,464,466
Other intangible assets		7,748,933	489,233	(1,856,064)	-	-	-	6,382,102
		9,341,918	672,470	(2,157,822)	(9,998)	-	-	7,846,568
	₩	303,268,720	44,978,702	(35,340,801)	(9,998)	-	1,356,042	314,252,665

(In thousands of won)

		2017							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others(*)	Ending balance
<b>Internally created intangible assets:</b>									
Development cost	₩	101,512,605	-	-	(19,397,965)	-	109,624,135	-	191,738,775
Other intangible assets		123,384,189	54,334,386	-	-	-	(109,624,135)	715,616	68,810,056
	₩	224,896,794	54,334,386	-	(19,397,965)	-	-	715,616	260,548,831
<b>Individually acquired intangible assets:</b>									
Patents		1,709,533	262,412	-	(286,480)	(9,929)	-	-	1,675,536
Other intangible assets		7,738,171	2,225,453	(763,636)	(1,887,433)	213,636	-	-	7,526,191
		9,447,704	2,487,865	(763,636)	(2,173,913)	203,707	-	-	9,201,727
	₩	234,344,498	56,822,251	(763,636)	(21,571,878)	203,707	-	715,616	269,750,558

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩ 1,356,042 thousand and ₩ 715,616 thousand for the six-month periods ended June 30, 2018 and 2017, respectively.

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

June 30, 2018 and 2017

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the six-month periods ended June 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

		2018					Ending balance	
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	
<b>Internally created intangible assets:</b>								
Development cost	Rs	11,626,390	-	(2,039,519)	-	2,472,624	-	12,059,495
Other intangible assets		6,439,179	2,723,186	-	-	(2,472,624)	83,346	6,773,087
	Rs	18,065,569	2,723,186	(2,039,519)	-	-	83,346	18,832,582
<b>Individually acquired intangible assets:</b>								
Patents	Rs	97,908	11,262	(18,547)	(614)	-	-	90,009
Other intangible assets		476,271	30,070	(114,079)	-	-	-	392,262
		574,179	41,332	(132,626)	(614)	-	-	482,271
	Rs	18,639,748	2,764,518	(2,172,145)	(614)	-	83,346	19,314,853

(In thousands of rupee)

		2017						Ending balance	
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others(*)	
<b>Internally created intangible assets:</b>									
Development cost	Rs	6,239,250	-	-	(1,192,253)	-	6,737,808	-	11,784,805
Other intangible assets		7,583,540	3,339,544	-	-	-	(6,737,808)	43,984	4,229,260
	Rs	13,822,790	3,339,544	-	(1,192,253)	-	-	43,984	16,014,065
<b>Individually acquired intangible assets:</b>									
Patents	Rs	105,073	16,129	-	(17,608)	(610)	-	-	102,984
Other intangible assets		475,610	136,783	(46,935)	(116,007)	13,131	-	-	462,582
		580,683	152,912	(46,935)	(133,615)	12,521	-	-	565,566
	Rs	14,403,473	3,492,456	(46,935)	(1,325,868)	12,521	-	43,984	16,579,631

(\*) Capitalized borrowing costs in respect of other intangible assets is Rs 83,346 thousand and Rs 43,984 thousand for the six-month periods ended June 30, 2018 and 2017, respectively.



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

June 30, 2018 and 2017

**12. Intangible Assets, Continued**

(3) Details of capitalized development costs as of June 30, 2018 are as follows.

(In thousands of won and in thousands of rupee)

	<b>Project name</b>	<b>Korean won</b>	<b>Indian rupee</b>	<b>Remaining amortization period</b>
Development cost	RV(*1)	₩ 166,775,405	Rs 10,250,486	2~5 years
	Power train and others	29,432,577	1,809,009	2~5 years
Other intangible assets	RV(*2)	98,135,692	6,031,695	-
	Power train and others	12,062,423	741,391	-
		₩ 306,406,097	Rs 18,832,581	

(\*1) Development projects for vehicles that have been completed, which are on sale as of June 30, 2018.

(\*2) On-going development project for vehicles as of June 30, 2018 for consumer needs and market conditions.

(4) Details of expenditures for research and developments for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

		<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Capitalization of intangible assets	₩	45,662,274	55,050,002	Rs 2,806,532	3,383,528
Manufacturing costs		32,260,681	28,431,243	1,982,832	1,747,464
Selling and administrative expenses		8,157,690	9,690,938	501,395	595,632
	₩	<u>86,080,645</u>	<u>93,172,183</u>	Rs <u>5,290,759</u>	<u>5,726,624</u>

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

June 30, 2018 and 2017

**13. Borrowings**

(1) Details of short-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2018	2017	2018	2017
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,843,884	1,843,884
Woori Bank	Operating fund(*)	CD+2.00	7,500,000	12,500,000	460,971	768,285
Citi Bank Korea and others	Banker's usance	0.30~ 3.31	116,177,857	121,340,987	7,140,619	7,457,959
			₩ 153,677,857	163,840,987	Rs 9,445,474	10,070,128

(\*) Current portion of long-term borrowing

(2) Details of long-term borrowing as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2018	2017	2018	2017
Korea Development Bank	Facility fund	CD+1.57	₩ 70,000,000	70,000,000	Rs 4,302,397	4,302,397
Woori Bank	Operating fund	CD+2.00	7,500,000	12,500,000	460,971	768,285
Less: Current portion			(7,500,000)	(12,500,000)	(460,971)	(768,285)
			₩ 70,000,000	70,000,000	Rs 4,302,397	4,302,397

(3) Details of pledged assets as collateral for borrowings as of June 30, 2018 are as follows:

(In thousands of won)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 100,000,000	195,000,000
Woori Bank	Land, buildings and machinery	7,500,000	72,000,000
		₩ 107,500,000	267,000,000

(In thousands of rupee)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	Rs 6,146,281	11,985,249
Woori Bank	Land, buildings and machinery	460,971	4,425,323
		Rs 6,607,252	16,410,572

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

June 30, 2018 and 2017

**14. Other Financial Liabilities**

Details of other financial liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Accrued expenses	₩	29,652,633	37,164,320	Rs 1,822,534	2,284,224

**15. Provision of Warranty for sale**

The Company generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Beginning balance	₩	146,239,557	145,848,984	Rs 8,988,295	8,964,290
Increase		8,728,367	20,237,773	536,470	1,243,870
Decrease		(19,579,800)	(20,979,777)	(1,203,430)	(1,289,476)
Ending balance	₩	135,388,124	145,106,980	Rs 8,321,335	8,918,684
Current	₩	47,622,669	51,938,914	Rs 2,927,023	3,192,312
Non-current		87,765,455	93,168,066	5,394,312	5,726,372

**16. Other Liabilities**

Details of other liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Advances from customers	₩	5,341,337	-	3,943,130	-
Deposits received		539,439	-	531,789	-
Withholdings		26,311,386	-	30,701,562	-
Deferred income		4,555,222	5,975,755	-	-
	₩	36,747,384	5,975,755	35,176,481	-

(In thousands of rupee)

		2018		2017	
		Current	Non-current	Current	Non-current
Advances from customers	Rs	328,293	-	242,357	-
Deposits received		33,155	-	32,685	-
Withholdings		1,617,172	-	1,887,004	-
Deferred income		279,977	367,287	-	-
	Rs	2,258,597	367,287	2,162,046	-

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

June 30, 2018 and 2017

**17. Employee Benefits**

(1) Details of defined benefit liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Present value of defined benefit obligations	₩ 295,630,658	285,658,090	Rs 18,170,293	17,557,351
Fair value of plan assets	(1,038,398)	(1,094,967)	(63,823)	(67,300)
	₩ <u>294,592,260</u>	<u>284,563,123</u>	Rs <u>18,106,470</u>	<u>17,490,051</u>

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 285,658,090	(1,094,967)	284,563,123
Current service cost	18,160,402	-	18,160,402
Interest expense (income)	4,446,175	(17,017)	4,429,158
Sub-total	₩ <u>308,264,667</u>	<u>(1,111,984)</u>	<u>307,152,683</u>
Re-measurement factors:			
Re-measurements of plan assets	-	6,548	6,548
Sub-total	₩ <u>-</u>	<u>6,548</u>	<u>6,548</u>
Benefit paid by plan	(67,038)	67,038	-
Benefit paid directly	(12,566,971)	-	(12,566,971)
Ending balance	₩ <u>295,630,658</u>	<u>(1,038,398)</u>	<u>294,592,260</u>

(In thousands of won)

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

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

June 30, 2018 and 2017

**17. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,557,351	(67,300)	17,490,051
Current service cost	1,116,189	-	1,116,189
Interest expense (income)	273,274	(1,046)	272,228
Sub-total	Rs 18,946,814	(68,346)	18,878,468
Re-measurement factors:			
Re-measurements of plan assets	-	403	403
Sub-total	Rs -	403	403
Benefit paid by plan	(4,120)	4,120	-
Benefit paid directly	(772,401)	-	(772,401)
Ending balance	Rs 18,170,293	(63,823)	18,106,470

(In thousands of rupee)

Details	2017		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,258,308	(72,739)	17,185,569
Current service cost	1,153,936	-	1,153,936
Interest expense (income)	247,813	(1,043)	246,770
Sub-total	Rs 18,660,057	(73,782)	18,586,275
Re-measurement factors:			
Re-measurements of plan assets	-	351	351
Sub-total	Rs -	351	351
Benefit paid by plan	(4,575)	4,575	-
Benefit paid directly	(814,047)	-	(814,047)
Ending balance	Rs 17,841,435	(68,856)	17,772,579

(3) The components of plan assets as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Insurance contracts	₩ 1,038,398	1,094,967	Rs 63,823	67,300

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

June 30, 2018 and 2017

**17. Employee Benefits, Continued**

(4) Actuarial assumptions used related to plans as of June 30, 2018 and December 31, 2017 are as follows:

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

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

**18. Commitments and Contingencies**

Details of commitments and contingencies as of June 30, 2018 are as follows:

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of June 30, 2018, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 239,500 million (Rs 14,720 million) and USD 260 million.
- (3) As of June 30, 2018, the Company has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of June 30, 2018, two claims as a plaintiff were filled with the claim amount of ₩ 2,458 million (Rs 151 million) and seven claims as a defendant were filled with the claims of ₩ 3,134 million (Rs 193 million). The Company made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 6,136 million (Rs 377 million) as other payable for the foregoing lawsuits and claims.

**19. Capital Stock**

The Company's capital stock as of June 30, 2018 and December 31, 2017 are as follows:

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

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	137,949,396	137,949,396	137,949,396	137,220,096
Par value	5,000	5,000	307	307
Capital stock	₩ 689,746,980	689,746,980	Rs 42,393,791	42,393,791

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

June 30, 2018 and 2017

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

Details of other capital surplus and retained earnings as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Paid-up capital in excess of par	₩ 12,916,273	12,916,273	Rs 793,871	793,871
Gain on capital reduction	74,061,697	118,189,001	4,552,041	7,264,229
Debt to be swapped for equity	931,508	931,508	57,252	57,252
Gain on disposal of treasury	-	1,105,138	-	67,925
	₩ <u>87,909,478</u>	<u>133,141,920</u>	Rs <u>5,403,164</u>	<u>8,183,277</u>

**21. Other Equity**

(1) Details of the Company's other equity as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Gains on valuation of derivatives	₩ 156,970	-	Rs 9,648	-
Accumulated foreign currency translation difference for foreign operations	<u>1,137,943</u>	<u>1,153,581</u>	<u>69,941</u>	<u>70,902</u>
	<u>1,294,913</u>	<u>1,153,581</u>	<u>79,589</u>	<u>70,902</u>

(2) Changes in the Company's gains (losses) on valuation of derivatives for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ -	(2,574,700)	Rs -	(158,248)
Gains on valuation of derivatives	156,970	585,940	9,648	36,014
Reclassified to net income	-	2,589,380	-	159,151
Ending balance	₩ <u>156,970</u>	<u>600,620</u>	Rs <u>9,648</u>	<u>36,917</u>

(3) Changes in the foreign currency translation difference for foreign operation for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ 1,153,581	1,288,887	Rs 70,902	79,218
Foreign currency translation difference for foreign operation	<u>(15,638)</u>	<u>(138,810)</u>	<u>(961)</u>	<u>(8,531)</u>
Ending balance	₩ <u>1,137,943</u>	<u>1,150,077</u>	Rs <u>69,941</u>	<u>70,687</u>

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

June 30, 2018 and 2017

**22. Accumulated deficit**

(1) Details of deficit as of June 30, 2018 and December 31, 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Deficit	₩ (43,277,221)	(48,887,557)	Rs (2,659,940)	(3,004,766)

(2) Changes in deficit for the six-month periods ended June 30, 2018 and 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Beginning balance	₩ (48,887,557)	(3,799,101)	Rs (3,004,766)	(233,503)
Loss for the year	(39,615,138)	(17,886,433)	(2,434,858)	(1,099,351)
Defined benefit plan re-measurement	(6,548)	(5,716)	(403)	(351)
Defined benefit plan re-measurement from joint venture	(420)	-	(26)	-
Disposition of deficit	45,232,442	-	2,780,113	-
Ending balance	₩ (43,277,221)	(21,691,250)	Rs (2,659,940)	(1,333,205)

**23. Income Tax Expense**

Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of June 30, 2018.



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

June 30, 2018 and 2017

**24. Nature of Expenses**

Details of nature of expenses for the three-month and six-months ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ 8,295,663	(3,478,858)	₩ (25,664,371)	(63,985,368)
Raw materials consumed and purchase of merchandise	642,052,072	1,197,970,089	618,703,925	1,185,588,646
Employee benefits	136,217,775	264,936,778	131,457,440	259,205,095
Depreciation	35,102,501	70,318,736	32,248,509	60,663,893
Amortization	17,662,675	35,340,801	12,555,528	21,571,878
Others	110,006,715	224,272,275	140,424,762	250,886,241
	₩ 949,337,401	1,789,359,821	₩ 909,725,793	1,713,930,385

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	Rs 509,875	(213,820)	Rs (1,577,404)	(3,932,721)
Raw materials consumed and purchase of merchandise	39,462,328	73,630,614	38,027,285	72,869,616
Employee benefits	8,372,328	16,283,760	8,079,744	15,931,475
Depreciation	2,157,499	4,321,987	1,982,084	3,728,574
Amortization	1,085,598	2,172,145	771,698	1,325,868
Others	6,761,322	13,784,405	8,630,901	15,420,174
	Rs 58,348,950	109,979,091	Rs 55,914,308	105,342,986

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

**25. Derivatives**

The Company holds derivative contracts to minimize foreign exchange risk. As of June 30, 2018, effective portion of changes in fair value of cash flow hedge is ₩ 156,970 thousand (Rs 9,648 thousand) classified as other equity. Ineffective portion of change in fair value of cash flow hedge recognized in current profit or loss is net amounting to ₩ 1,011,315 thousand (Rs 62,158 thousand) recognized in current profit. And, changes in fair value of derivative not designated as hedging instrument for the six-month period ended June 30, 2018 are net amounting to ₩ 37,250 thousand (Rs 2,289 thousand) recognized in current loss.

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

June 30, 2018 and 2017

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

(1) Details of selling expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	₩ 9,711,123	18,835,998	₩ 19,955,486	30,837,588
Commissions	59,449,970	109,335,109	63,107,525	114,209,794
Advertising	3,710,379	10,632,934	5,510,065	10,846,175
Export expenses	1,881,439	3,331,568	6,575,265	15,491,474
Others	4,813,275	11,965,725	10,639,759	20,475,991
	₩ <u>79,566,186</u>	<u>154,101,334</u>	₩ <u>105,788,100</u>	<u>191,861,022</u>

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	Rs 596,873	1,157,713	Rs 1,226,520	1,895,365
Commissions	3,653,963	6,720,044	3,878,766	7,019,655
Advertising	228,050	653,530	338,664	666,636
Export expenses	115,639	204,768	404,134	952,150
Others	295,837	735,447	653,950	1,258,513
	Rs <u>4,890,362</u>	<u>9,471,502</u>	Rs <u>6,502,034</u>	<u>11,792,319</u>

(2) Details of general and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 13,583,709	26,530,435	₩ 12,969,889	26,162,871
Retirement benefit costs	1,479,390	2,943,168	1,430,544	2,859,492
Employee welfare	3,043,327	5,978,804	2,941,730	5,870,028
Rent expense	3,009,850	6,041,124	2,922,771	5,762,944
Service fees	8,876,045	18,300,675	9,569,481	17,361,211
Depreciation	3,796,202	7,742,515	3,363,175	6,137,208
R&D expenses	4,218,369	8,157,690	4,190,121	9,690,938
Amortization	985,794	2,072,432	1,029,477	2,173,913
Bad debt expense	10,389	1,857	3,925	(66,331)
Others	9,909,764	17,930,356	9,968,790	17,824,358
	₩ <u>48,912,839</u>	<u>95,699,056</u>	₩ <u>48,389,903</u>	<u>93,776,632</u>

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

June 30, 2018 and 2017

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

(2) Details of general and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows, continued:

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	Rs 834,893	1,630,635	Rs 797,166	1,608,044
Retirement benefit costs	90,927	180,895	87,925	175,752
Employee welfare	187,051	367,474	180,807	360,788
Rent expense	184,994	371,304	179,642	354,207
Service fees	545,547	1,124,811	588,167	1,067,069
Depreciation	233,325	475,877	206,710	377,210
R&D expenses	259,273	501,395	257,537	595,632
Amortization	60,590	127,378	63,275	133,615
Bad debt expense	639	114	241	(4,077)
Others	609,082	1,102,050	612,710	1,095,535
	<u>Rs 3,006,321</u>	<u>5,881,933</u>	<u>Rs 2,974,180</u>	<u>5,763,775</u>

**27. Other Income and Expenses**

(1) Details of other income for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	₩ 1,358,928	2,861,641	₩ 3,037,788	6,682,318
Foreign exchange translation gain	(123,573)	413,667	358,916	933,673
Gain on disposal of property, plant and equipment	117,272	129,845	39,471	45,383
Others	894,635	2,223,815	5,936,169	9,768,760
	<u>₩ 2,247,262</u>	<u>5,628,968</u>	<u>₩ 9,372,344</u>	<u>17,430,134</u>

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	Rs 83,524	175,885	Rs 186,711	410,714
Foreign exchange translation gain	(7,595)	25,425	22,060	57,386
Gain on disposal of property, plant and equipment	7,208	7,981	2,425	2,790
Others	54,986	136,681	364,854	600,415
	<u>Rs 138,123</u>	<u>345,972</u>	<u>Rs 576,050</u>	<u>1,071,305</u>

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

June 30, 2018 and 2017

**27. Other Income and Expenses, Continued**

(2) Details of other expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	₩ 1,465,055	3,038,336	₩ 1,941,785	6,092,640
Foreign exchange translation loss	509,014	621,435	(855,648)	552,463
Loss on disposal of property, plant and equipment	25,821	135,562	23,806	34,115
Loss on disposal of trade receivables	14,892	37,642	3,936,260	7,308,780
Others	767,345	977,604	375,910	1,229,995
	₩ <u>2,782,127</u>	<u>4,810,579</u>	₩ <u>5,422,113</u>	<u>15,217,993</u>

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	Rs 90,046	186,745	Rs 119,348	374,471
Foreign exchange translation loss	31,285	38,195	(52,591)	33,956
Loss on disposal of property, plant and equipment	1,587	8,332	1,463	2,097
Loss on disposal of trade receivables	915	2,314	241,934	449,218
Others	47,164	60,086	23,104	75,599
	Rs <u>170,997</u>	<u>295,672</u>	Rs <u>333,258</u>	<u>935,341</u>

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

June 30, 2018 and 2017

**28. Finance Income and Costs**

(1) Details of finance income for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	₩ 467,108	1,021,379	₩ 585,858	1,394,308
Dividend income	5,000	11,000	-	6,000
Foreign exchange transaction gain	1,579,459	2,748,262	3,640,290	4,649,212
Foreign exchange translation gain	137,044	409,635	(4,360,991)	279,867
Realized gain of financial derivatives	1,382,880	2,492,747	4,520,366	7,257,248
Unrealized gain of financial derivatives	940,347	1,011,315	(416,794)	167,161
	₩ 4,511,838	7,694,338	₩ 3,968,729	13,753,796

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	Rs 28,710	62,777	Rs 36,008	85,698
Dividend income	307	676	-	369
Foreign exchange transaction gain	97,077	168,917	223,743	285,754
Foreign exchange translation gain	8,423	25,177	(268,039)	17,201
Realized gain of financial derivatives	84,996	153,211	277,834	446,051
Unrealized gain of financial derivatives	57,797	62,158	(25,617)	10,274
	Rs 277,310	472,916	Rs 243,929	845,347

(2) Details of finance costs for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	₩ 95,492	504,503	₩ 259,945	482,508
Foreign exchange transaction loss	2,677,363	5,970,894	273,962	2,766,329
Foreign exchange translation loss	(759,753)	2,647,401	3,271,474	3,273,492
Realized loss of financial derivatives	889,190	1,025,788	1,512,055	2,161,664
Unrealized loss of financial derivatives	(297,870)	37,250	630,024	4,127,457
	₩ 2,604,422	10,185,836	₩ 5,947,460	12,811,450

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	Rs 5,870	31,008	Rs 15,977	29,656
Foreign exchange transaction loss	164,558	366,988	16,838	170,027
Foreign exchange translation loss	(46,697)	162,717	201,074	201,198
Realized loss of financial derivatives	54,652	63,048	92,935	132,862
Unrealized loss of financial derivatives	(18,308)	2,289	38,724	253,685
	Rs 160,075	626,050	Rs 365,548	787,428

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

June 30, 2018 and 2017

**28. Finance Income and Costs, Continued**

(3) Details of the Company's financial net profit or loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

*(In thousands of won)*

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Amortised cost of financial assets and financial liabilities	₩ 170,509	(4,943,522)	₩ (3,940,225)	(198,942)
AFS financial assets	5,000	11,000	-	6,000
Derivatives	1,731,907	2,441,024	1,961,494	1,135,288
	₩ 1,907,416	(2,491,498)	₩ (1,978,731)	942,346

*(In thousands of rupee)*

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Amortised cost of financial assets and financial liabilities	Rs 10,480	(303,841)	Rs (242,178)	(12,228)
AFS financial assets	307	676	-	369
Derivatives	106,448	150,031	120,559	69,778
	Rs 117,235	(153,134)	Rs (121,619)	57,919

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

June 30, 2018 and 2017

**29. Losses per Share**

(1) Basic losses per share for the three-month and six-month periods ended June 30, 2018 and 2017 are calculated as follows:

(In thousands of won, except per share information)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the year	₩ (5,377,472)	(39,615,138)	₩ (3,956,822)	(17,886,433)
Loss contributed to common stocks	(5,377,472)	(39,615,138)	(3,956,822)	(17,886,433)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,651,229
Basic losses per share(*)	₩ (39)	(287)	₩ (29)	(130)

(In thousands of rupee, except per share information)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the year	Rs (330,515)	(2,434,858)	Rs (243,197)	(1,099,351)
Loss contributed to common stocks	(330,515)	(2,434,858)	(243,197)	(1,099,351)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,651,229
Basic losses per share(*)	Rs (2)	(18)	Rs (2)	(8)

(\*) Diluted losses per share are not calculated ended June 30, 2018 and 2017, because there are no dilutive shares as of June 30, 2018 and 2017.

(2) Weighted average number of common shares outstanding ended June 30, 2018 and 2017 are calculated as follows:

	2018			Common shares outstanding
	Outstanding Period	Common shares issued	Weighted-average	
Beginning	2018-01-01~2018-06-30	137,949,396	181/181	137,949,396
	2017			Common shares outstanding
	Outstanding Period	Common shares issued	Weighted-average	
Beginning	2017-01-01~2017-03-15	137,220,096	74/181	56,101,034
Issuing	2017-03-16~2017-12-31	137,949,396	107/181	81,550,195
				<u>137,651,229</u>

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

June 30, 2018 and 2017

**30. Cash Flows**

(1) Details of cash flows from operating activities for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
<b>Profit (loss) for the period</b>	₩ (39,615,138)	(17,886,433)	Rs (2,434,858)	(1,099,351)
<b>Adjustments for:</b>				
Retirement benefit costs	22,589,560	22,789,486	1,388,417	1,400,706
Depreciation	70,318,736	60,663,893	4,321,987	3,728,574
Amortization	35,340,801	21,571,878	2,172,145	1,325,868
Losses on disposal of trade receivables	37,642	7,308,780	2,314	449,218
Foreign exchange translation gain and loss, net	2,445,534	2,612,415	150,309	160,567
Loss (Gain) on disposal of property, plant and equipment	5,717	(11,268)	351	(692)
Interest expense and income, net	(516,876)	(911,800)	(31,769)	(56,042)
Dividends income	(11,000)	(6,000)	(676)	(369)
Unrealized gain and loss of financial derivatives, net	(974,065)	3,960,296	(59,869)	243,411
Losses on valuation of inventories	2,448,692	1,761,213	150,504	108,249
Increase in provision of warranty for sale	8,728,367	20,237,773	536,470	1,243,870
Equity profit on investments	(799,125)	(1,172,109)	(49,116)	(72,041)
Others	187,555	(156,594)	11,529	(9,625)
	139,801,538	138,647,963	8,592,596	8,521,694
<b>Changes in assets and liabilities</b>				
Trade receivables	26,794,815	54,811,174	1,646,885	3,368,849
Other receivables	644,150	1,296,307	39,591	79,675
Inventories	13,143,927	(66,806,656)	807,863	(4,106,125)
Trade payables	(56,990,051)	(31,875,163)	(3,502,769)	(1,959,137)
Other payables	(30,040,821)	50,248,936	(1,846,393)	3,088,441
Accrued expenses	(7,513,445)	(5,979,932)	(461,797)	(367,543)
Usage of provision of warranty for sale	(19,579,800)	(20,979,777)	(1,203,430)	(1,289,476)
Payment of retirement benefits	(12,566,971)	(13,244,547)	(772,401)	(814,047)
Others	1,698,585	281,469	104,399	17,299
	(84,409,611)	(32,248,189)	(5,188,052)	(1,982,064)
<b>Net cash provided by operating activities</b>	₩ 15,776,789	88,513,341	Rs 969,686	5,440,279

(2) Significant non-cash activities for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Changes in other payables related to the acquisition of property, plant and equipment	₩ (21,232,722)	(10,243,342)	Rs (1,305,023)	(629,585)



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

June 30, 2018 and 2017

**30. Cash Flows, Continued**

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the six-month periods ended June 30, 2018 is as follows:

(In thousands of won)

	Beginning balance	Increase	Decrease	Liquidity	Exchange rate effect	Ending balance
Banker's usance(*)	₩ 121,340,987	-	(7,401,643)	-	2,238,513	116,177,857
Short-term borrowings	42,500,000	-	(5,000,000)	-	-	37,500,000
Long-term borrowings	70,000,000	-	-	-	-	70,000,000
	₩ 233,840,987	-	(12,401,643)	-	2,238,513	223,677,857

(In thousands of rupee)

	Beginning balance	Increase	Decrease	Liquidity	Exchange rate effect	Ending balance
Banker's usance(*)	Rs 7,457,959	-	(454,926)	-	137,585	7,140,618
Short-term borrowings	2,612,170	-	(307,314)	-	-	2,304,856
Long-term borrowings	4,302,397	-	-	-	-	4,302,397
	Rs 14,372,526	-	(762,240)	-	137,585	13,747,871

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

**31. Segment Information**

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

(2) Geographic sales information of the Company for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

Sales region	Korean won		Indian rupee	
	2018	2017	2018	2017
Republic of Korea	₩ 1,423,744,143	1,355,091,828	Rs 87,507,323	83,287,758
Europe	168,538,106	176,981,906	10,358,826	10,877,806
Asia Pacific	29,242,261	67,870,468	1,797,312	4,171,510
Others	134,876,198	97,529,805	8,289,871	5,994,457
Consolidated adjustment	(5,782,041)	(5,659,469)	(355,381)	(347,847)
	₩ 1,750,618,667	1,691,814,538	Rs 107,597,951	103,983,684

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

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

June 30, 2018 and 2017

**31. Segment Information, Continued**

(3) Information of sales of goods and service for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won			Indian rupee	
	2018	2017		2018	2017
Automobile	₩ 1,544,094,598	1,512,375,783	Rs	94,904,401	92,954,873
Merchandise and parts	160,105,539	159,400,417		9,840,537	9,797,198
Others	46,418,530	20,038,338		2,853,013	1,231,613
	₩ 1,750,618,667	1,691,814,538	Rs	107,597,951	103,983,684

(4) Balance of Contracts as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won			Indian rupee	
	2018	2017		2018	2017
Receivables from contracts					
with customers	₩ 160,037,019	183,645,818	Rs	9,836,326	11,287,389
Contract assets	910,000	3,958,500		55,931	243,301
Contract liabilities	12,963,048	1,776,567		796,745	109,193

The contract assets are related to technical service contracts which are executed over periods. The contract liabilities related to service warranties and transportation contracts that are executed over periods, that are recognized in deferred income and advances from customers.

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

(1) Details of related parties as of June 30, 2018 are as follows:

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

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

June 30, 2018 and 2017

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

(2) Transactions with related parties for the six-month periods ended June 30, 2018 and 2017 are as follows:

*(In thousands of won)*

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2018</b>	<b>2017</b>
		Sales	₩ 2,336,169	4,896,053
Parent	Mahindra & Mahindra Ltd.	Other income	-	59,733
		Purchases	103,581	437,299
		Other expenses	707,336	312,434
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other expenses	8,519,247	7,221,104
		Sales	3,819,365	382,170
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd. PININFARINA S.p.A.	Other expenses	2,439,828	-
		Sales	30,755	48,628
		Other expenses	-	15,828
		Other expenses	419,324	726,374

*(In thousands of rupee)*

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2018</b>	<b>2017</b>
		Sales	Rs 143,588	300,925
Parent	Mahindra & Mahindra Ltd.	Other income	-	3,671
		Purchases	6,366	26,878
		Other expenses	43,475	19,203
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other expenses	523,617	443,829
		Sales	234,749	23,489
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd. PININFARINA S.p.A.	Other expenses	149,959	-
		Sales	1,890	2,989
		Other expenses	-	973
		Other expenses	25,773	44,645

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

June 30, 2018 and 2017

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

(3) Account balances with related parties as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	1,118,095	4,120,559
		Other receivables	121,529	77,342
		Other payables	1,751,594	2,308,472
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	239,412	450,795
		Trade receivables	1,653,746	37,279
		Other payables	2,750,000	-
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	10,512	-
		Other payables	9,028	18,250

(In thousands of rupee)

Relationship	Company	Description	2018	2017
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	68,721	253,261
		Other receivables	7,470	4,754
		Other payables	107,658	141,885
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	14,715	27,707
		Trade receivables	101,644	2,291
		Other payables	169,023	-
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	646	-
		Other payables	555	1,122

Allowance for receivables from related parties are not recognized as of June 30, 2018 and December 31, 2017.

(4) No borrowing with related parties for the six-month periods ended June 30, 2018 and 2017.

(5) Executive compensation of the Company for the six-month periods ended June 30, 2018 and 2017, are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2018	2017	2018	2017
Short-term employee benefits	₩	3,582,746	3,964,898	Rs 220,206	243,694
Retirement benefits		245,306	204,960	15,077	12,597

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

June 30, 2018 and 2017

**33. Financial Instruments**

(1) Capital risk management

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

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

Debt-to-equity ratio as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Debt (A)	₩ 1,354,066,568	1,472,863,949	Rs 83,224,743	90,526,364
Equity (B)	735,674,150	775,154,924	45,216,604	47,643,204
Debt-to-equity ratio (A/B)	184.06%	190.01%	184.06%	190.01%

(2) Details of financial assets and liabilities by category as of June 30, 2018 and December 31, 2017 are as follows:

1) Financial assets

(In thousands of won)

	2018				
	Amortized cost	Financial assets at FVTPL	Derivatives designated to hedge cash flow	Total	Fair value
Cash and cash equivalents	₩ 103,147,375	-	-	103,147,375	103,147,375
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	209,008,004	-	-	209,008,004	209,008,004
AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	984,219	487,327	1,471,546	1,471,546
	₩ 312,159,379	1,544,219	487,327	314,190,925	314,190,925

(In thousands of won)

	2017			
	Amortized cost	Financial assets at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 215,443,730	-	215,443,730	215,443,730
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	236,032,708	-	236,032,708	236,032,708
AFS financial assets	-	560,000	560,000	560,000
	₩ 451,480,438	560,000	452,040,438	452,040,438

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of June 30, 2018 and December 31, 2017 are as follows, continued:

1) Financial assets, continued

(In thousands of rupee)

		<b>2018</b>				
		<b>Amortized cost</b>	<b>Financial assets at FVTPL</b>	<b>Derivatives designated to hedge cash flow</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	6,339,728	-	-	6,339,728	6,339,728
Long-term financial instruments		246	-	-	246	246
Trade and other receivables		12,846,220	-	-	12,846,220	12,846,220
AFS financial assets		-	34,419	-	34,419	34,419
Derivative assets		-	60,493	29,952	90,445	90,445
	Rs	<u>19,186,194</u>	<u>94,912</u>	<u>29,952</u>	<u>19,311,058</u>	<u>19,311,058</u>

(In thousands of rupee)

		<b>2017</b>			
		<b>Amortized cost</b>	<b>Financial assets at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	Rs	13,241,778	-	13,241,778	13,241,778
Long-term financial instruments		246	-	246	246
Trade and other receivables		14,507,235	-	14,507,235	14,507,235
AFS financial assets		-	34,419	34,419	34,419
	Rs	<u>27,749,259</u>	<u>34,419</u>	<u>27,783,678</u>	<u>27,783,678</u>

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of June 30, 2018 and December 31, 2017 are as follows, continued:

2) Financial liabilities

(In thousands of won)

		<b>2018</b>			
		<b>Financial liability measured at amortized cost</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	604,961,024	-	604,961,024	604,961,024
Borrowings		223,677,857	-	223,677,857	223,677,857
Derivative liabilities		-	340,511	340,511	340,511
	₩	<u>828,638,881</u>	<u>340,511</u>	<u>828,979,392</u>	<u>828,979,392</u>

(In thousands of won)

		<b>2017</b>			
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	718,008,735	-	718,008,735	718,008,735
Borrowings		233,840,987	-	233,840,987	233,840,987
Derivative liabilities		-	409,259	409,259	409,259
	₩	<u>951,849,722</u>	<u>409,259</u>	<u>952,258,981</u>	<u>952,258,981</u>

(In thousands of rupee)

		<b>2018</b>			
		<b>Financial liability measured at amortized cost</b>	<b>Derivatives designated to hedge</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	37,182,607	-	37,182,607	37,182,607
Borrowings		13,747,871	-	13,747,871	13,747,871
Derivative liabilities		-	20,929	20,929	20,929
	Rs	<u>50,930,478</u>	<u>20,929</u>	<u>50,951,407</u>	<u>50,951,407</u>

(In thousands of rupee)

		<b>2017</b>			
		<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	Rs	44,130,839	-	44,130,839	44,130,839
Borrowings		14,372,525	-	14,372,525	14,372,525
Derivative liabilities		-	25,154	25,154	25,154
	Rs	<u>58,503,364</u>	<u>25,154</u>	<u>58,528,518</u>	<u>58,528,518</u>

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of June 30, 2018.

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

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,460,451	(2,460,451)	Rs 151,226	(151,226)
EUR	(3,004,230)	3,004,230	(184,648)	184,648
JPY	(7,902,001)	7,902,001	(485,679)	485,679
Others	581,957	(581,957)	35,768	(35,768)
	₩ (7,863,823)	7,863,823	Rs (483,333)	483,333

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Company's current income will decrease or increase in ₩ 266,541 thousand (Rs 16,382 thousand) for the six-month periods ended June 30, 2018, due to floating rate debt's interest rate risk.



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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

2) Credit risk

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

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

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

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

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

Maximum exposure in respect of credit risk as of June 30, 2018 and 2017 are as follows:

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

	Korean won		Indian rupee	
	2018	2017	2018	2017
Trade and other receivables	₩ 209,008,004	236,032,708	Rs 12,846,220	14,507,235

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of June 30, 2018 and 2017 are as follows:

(In thousands of won)

	<b>2018</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 470,176,876	-	470,176,876
Other payables	131,348,384	-	131,348,384
Short-term borrowings(*)	154,231,513	-	154,231,513
Derivatives liabilities	340,511	-	340,511
Other payables	935,943	-	935,943
Long-term borrowings(*)	-	74,557,403	74,557,403
Long-term other payables	-	2,499,821	2,499,821
	<u>₩ 757,033,227</u>	<u>77,057,224</u>	<u>834,090,451</u>

(In thousands of won)

	<b>2017</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 526,482,552	-	526,482,552
Other payables	187,225,641	-	187,225,641
Short-term borrowings(*)	165,030,362	-	165,030,362
Derivatives liabilities	409,259	-	409,259
Other payables	926,535	-	926,535
Long-term borrowings(*)	-	75,719,767	75,719,767
Long-term other payables	-	3,374,008	3,374,008
	<u>₩ 880,074,349</u>	<u>79,093,775</u>	<u>959,168,124</u>

(\*) Including expected interest expenses.

(In thousands of rupee)

	<b>2018</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	Rs 28,898,394	-	28,898,394
Other payables	8,073,041	-	8,073,041
Short-term borrowings(*)	9,479,503	-	9,479,503
Derivatives liabilities	20,929	-	20,929
Other payables	57,526	-	57,526
Long-term borrowings(*)	-	4,582,508	4,582,508
Long-term other payables	-	153,646	153,646
	<u>Rs 46,529,393</u>	<u>4,736,154</u>	<u>51,265,547</u>

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		<b>2017</b>		
		<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	Rs	32,359,100	-	32,359,100
Other payables		11,507,415	-	11,507,415
Short-term borrowings(*)		10,143,231	-	10,143,231
Derivatives liabilities		25,154	-	25,154
Other payables		56,947	-	56,947
Long-term borrowings(*)		-	4,653,950	4,653,950
Long-term other payables		-	207,376	207,376
	Rs	<u>54,091,847</u>	<u>4,861,326</u>	<u>58,953,173</u>

(\*) Including expected interest expenses.

Details of commitments for borrowings as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won and in thousands of rupee)

		<b>Korean won</b>		<b>Indian rupee</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Limitation of commitments for Borrowings	Used	₩ 107,500,000	112,500,000	Rs 6,607,253	6,914,567
	Unused	<u>132,000,000</u>	<u>155,000,000</u>	<u>8,113,091</u>	<u>9,526,736</u>
		<u>₩ 239,500,000</u>	<u>267,500,000</u>	<u>Rs 14,720,344</u>	<u>16,441,303</u>

(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. In case of borrowings, its fair value are disclosed, but estimated in amortized costs. The company deem that its book value are similar to its fair values calculated by generally accepted valuation models based on discounts cash flow analysis.

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

June 30, 2018 and 2017

**33. Financial Instruments, Continued**

(4) Fair value of financial instruments, continued

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

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

Fair values of financial instruments by hierarchy level as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of June 30, 2018</b>					
Derivatives assets	₩	-	1,471,546	-	1,471,546
Derivatives liabilities		-	340,511	-	340,511

**As of December 31, 2017**

Derivatives liabilities	₩	-	409,259	-	409,259
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(In thousands of rupee)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<b>As of June 30, 2018</b>					
Derivatives assets	Rs		90,445		90,445
Derivatives liabilities			20,929		20,929

**As of December 31, 2017**

Derivatives liabilities	Rs		25,154		25,154
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4) The Company measures the foreign exchange forward contract derivative assets: ₩ 1,471,546 thousand (Rs 90,445 thousand) derivative liabilities: ₩ 340,511 thousand (Rs 20,929 thousand) based on the forward rate announced officially in the market as of June 30, 2018. In the event that no corresponding forward rate with residual year of the foreign exchange forward contract in the market exists, the Company measured the market value through interpolation method.

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

**34. Subsequent events**

Subsequent to June 30, 2018, a subsidiary for vehicle sales in Australia has been established as of July 31, 2018.