

SSANGYONG MOTOR COMPANY

Separate Interim Financial Statements

(Unaudited)

June 30, 2018 and 2017

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Ssangyong Motor Company

We have reviewed the accompanying separate interim financial statements of Ssangyong Motor Company, which comprise the separate interim statement of financial position as of June 30, 2018, the separate interim statements of comprehensive loss for the three-month and six-month periods ended June 30, 2018 and 2017, the separate 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 separate interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
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 separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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SSANGYONG MOTOR COMPANY
 Separate Interim Statements of Financial Position
 (Unaudited)

As of June 30, 2018 and December 31, 2017

(In thousands of won and in thousands of rupee)

	<i>Note</i>	Korean won		Indian rupee	
		2018	2017	2018	2017
Assets					
Cash and cash equivalents	4,5,33	₩ 100,740,104	212,521,514	Rs 6,191,770	13,062,170
Trade and other receivables, net	7,32,33	187,159,755	211,750,192	11,503,365	13,014,763
Derivative assets	25,33	1,471,546	-	90,445	-
Inventories, net	8,24	208,448,508	223,537,426	12,811,832	13,739,239
Other current assets	10	12,869,131	7,497,721	790,974	460,832
Total current assets		510,689,044	655,306,853	31,388,386	40,277,004
Non-current financial instruments	5,33	4,000	4,000	246	246
Non-current other receivables, net	7,32,33	35,329,362	39,637,401	2,171,442	2,436,226
Available-for-sale financial assets	6,33	560,000	560,000	34,419	34,419
Property, plant and equipment, net	11,13	1,218,323,246	1,239,668,891	74,881,576	76,193,540
Intangible assets, net	11,12	314,252,665	303,268,722	19,314,853	18,639,748
Investments in subsidiaries	9	1,056,486	1,056,486	64,935	64,935
Investments in joint venture	9	10,200,000	10,200,000	626,921	626,921
Other non-current assets	10	273,261	273,283	16,796	16,797
Total non-current assets		1,579,999,020	1,594,668,783	97,111,188	98,012,832
Total assets		₩ 2,090,688,064	2,249,975,636	Rs 128,499,574	138,289,836

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY
 Separate 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
Liabilities					
Trade and other payables	14,18,32,33	₩ 638,540,384	752,417,705	Rs 39,246,489	46,245,710
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	36,708,776	35,145,612	2,256,225	2,160,149
Total current liabilities		<u>877,040,508</u>	<u>1,006,050,749</u>	<u>53,905,379</u>	<u>61,834,711</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 long-term 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
Total non-current liabilities		<u>476,634,341</u>	<u>466,268,429</u>	<u>29,295,288</u>	<u>28,658,170</u>
Total liabilities		₩ <u>1,353,674,849</u>	<u>1,472,319,178</u>	Rs <u>83,200,667</u>	<u>90,492,881</u>
Equity					
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	156,970	-	9,648	-
Accumulated deficit	22	(40,800,213)	(45,232,442)	(2,507,696)	(2,780,113)
Total equity		₩ <u>737,013,215</u>	<u>777,656,458</u>	Rs <u>45,298,907</u>	<u>47,796,955</u>
Total liabilities and equity		₩ <u>2,090,688,064</u>	<u>2,249,975,636</u>	Rs <u>128,499,574</u>	<u>138,289,836</u>

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY

Separate 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 ₩	939,869,728	1,746,657,311 ₩	901,512,957	1,688,686,762
Cost of sales	24,32	820,293,465	1,537,835,938	755,022,367	1,427,580,701
Gross profit		<u>119,576,263</u>	<u>208,821,373</u>	<u>146,490,590</u>	<u>261,106,061</u>
Selling, general and administrative expenses	24,26	127,572,768	247,938,694	152,913,223	283,537,315
Operating loss		<u>(7,996,505)</u>	<u>(39,117,321)</u>	<u>(6,422,633)</u>	<u>(22,431,254)</u>
Other income	27,32	2,247,211	5,628,917	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	4,505,583	7,681,424	3,965,385	13,728,004
Finance costs	25,28	2,600,938	10,176,106	5,942,660	12,802,923
Loss before income taxes		<u>(6,626,776)</u>	<u>(40,793,665)</u>	<u>(4,449,677)</u>	<u>(19,294,032)</u>
Income tax expenses	23	-	-	-	-
Loss for the period		<u>(6,626,776)</u>	<u>(40,793,665)</u>	<u>(4,449,677)</u>	<u>(19,294,032)</u>
Other comprehensive income (loss) for the period	21,22	(616,897)	150,422	(6,684,774)	3,169,604
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	17	(3,307)	(6,548)	(2,904)	(5,716)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge	21,25	(613,590)	156,970	(6,681,870)	3,175,320
Total comprehensive loss for the period		<u>₩ (7,243,673)</u>	<u>(40,643,243) ₩</u>	<u>(11,134,451)</u>	<u>(16,124,428)</u>
Losses per share					
Basic and diluted losses per share	29 ₩	(48)	(296) ₩	(32)	(140)

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY

Separate 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 57,767,039	107,354,475	Rs 55,409,524	103,791,443
Cost of sales	24,32	50,417,545	94,519,726	46,405,800	87,743,129
Gross profit		<u>7,349,494</u>	<u>12,834,749</u>	<u>9,003,724</u>	<u>16,048,314</u>
Selling, general and administrative expenses	24,26	7,840,981	15,239,010	9,398,477	17,427,002
Operating loss		<u>(491,487)</u>	<u>(2,404,261)</u>	<u>(394,753)</u>	<u>(1,378,688)</u>
Other income	27,32	138,119	345,970	576,050	1,071,305
Other expenses	27,32	170,997	295,672	333,258	935,341
Finance income	25,28	276,926	472,122	243,724	843,762
Finance costs	25,28	159,861	625,452	365,253	786,904
Loss before income taxes		<u>(407,300)</u>	<u>(2,507,293)</u>	<u>(273,490)</u>	<u>(1,185,866)</u>
Income tax expenses	23	-	-	-	-
Loss for the period		<u>(407,300)</u>	<u>(2,507,293)</u>	<u>(273,490)</u>	<u>(1,185,866)</u>
Other comprehensive income (loss) for the period	21,22	(37,916)	9,246	(410,865)	194,813
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	17	(203)	(403)	(178)	(351)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge	21,25	(37,713)	9,648	(410,687)	195,164
Total comprehensive loss for the period		Rs <u>(445,216)</u>	<u>(2,498,048)</u>	Rs <u>(684,355)</u>	<u>(991,053)</u>
Losses per share					
Basic and diluted losses per share	29	Rs (3)	(18)	Rs (2)	(9)

See accompanying notes to the separate interim financial statements.

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

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

(In thousands of won)

Korean won

	Korean won							
	Capital stock	Other capital surplus			Other equity	Accumulated deficit	Total	
Paid-in capital in excess of par value		Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock				
Balance at January 1, 2017	₩ 686,100,480	11,452,713	118,189,001	931,508	1,105,138	(2,574,700)	4,965,820	820,169,960
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(19,294,032)	(19,294,032)
Defined benefit plan re-measurements	-	-	-	-	-	-	(5,716)	(5,716)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	3,175,320	-	3,175,320
Transactions with owners of the Parent Company, recognized directly in equity:								
Issue of ordinary shares	3,646,500	1,463,560	-	-	-	-	-	5,110,060
Balance at June 30, 2017	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	600,620	(14,333,928)	809,155,592
Balance at January 1, 2018	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	-	(45,232,442)	777,656,458
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(40,793,665)	(40,793,665)
Defined benefit plan re-measurements	-	-	-	-	-	-	(6,548)	(6,548)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	156,970	-	156,970
Transactions with owners of the Parent Company, recognized directly in equity:								
Disposition of deficit	-	-	(44,127,304)	-	(1,105,138)	-	45,232,442	-
Balance at June 30, 2018	₩ 689,746,980	12,916,273	74,061,697	931,508	-	156,970	(40,800,213)	737,013,215

See accompanying notes to the separate interim financial statement

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

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

(In thousands of rupee)

	Indian rupee							
	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Accumulated deficit	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2017	Rs 42,169,667	703,916	7,264,229	57,252	67,925	(158,248)	305,213	50,409,954
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(1,185,866)	(1,185,866)
Defined benefit plan re-measurements	-	-	-	-	-	-	(351)	(351)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	195,164	-	195,164
Transactions with owners of the Parent Company, recognized directly in equity:								
Issue of ordinary shares	224,124	89,955	-	-	-	-	-	314,079
Balance at June 30, 2017	Rs 42,393,791	793,871	7,264,229	57,252	67,925	36,916	(881,004)	49,732,980
Balance at January 1, 2018	Rs 42,393,791	793,871	7,264,229	57,252	67,925	-	(2,780,113)	47,796,955
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	-	(2,507,293)	(2,507,293)
Defined benefit plan re-measurements	-	-	-	-	-	-	(403)	(403)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	9,648	-	9,648
Transactions with owners of the Parent Company, recognized directly in equity:								
Disposition of deficit	-	-	(2,712,188)	-	(67,925)	-	2,780,113	-
Balance at June 30, 2018	Rs 42,393,791	793,871	4,552,041	57,252	-	9,648	(2,507,696)	45,298,907

See accompanying notes to the separate interim financial statements

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

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2018	2017	2018	2017
Cash flows from operating activities				
Loss for the period	₩ (40,793,665)	(19,294,032)	Rs (2,507,293)	(1,185,866)
Adjustment	140,594,070	139,732,183	8,641,307	8,588,334
Changes in assets and liabilities	(83,441,934)	(31,374,735)	(5,128,576)	(1,928,380)
Cash generated from operations (note 30)	16,358,471	89,063,416	1,005,438	5,474,088
Interest received	1,102,286	1,382,777	67,750	84,989
Interest paid	(2,333,647)	(1,578,031)	(143,433)	(96,990)
Dividends received	11,000	6,000	676	369
Net cash provided by operating activities	15,138,110	88,874,162	930,431	5,462,456
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	258,729	49,921	15,902	3,068
Proceed from disposal of intangible assets	-	763,636	-	46,935
Acquisition of property, plant and equipment	(69,460,882)	(86,542,810)	(4,269,261)	(5,319,165)
Acquisition of intangible assets	(44,978,702)	(56,822,251)	(2,764,518)	(3,492,456)
Cash flow from other investing activities	(337,022)	(2,332,319)	(20,714)	(143,349)
Net cash used in investing activities	(114,517,877)	(144,883,823)	(7,038,591)	(8,904,967)
Cash flows from financing activities				
Proceeds from issuing capital stock	-	5,110,060	-	314,079
Cash inflows from Government grants	-	34,010	-	2,090
Repayment of borrowings	(12,401,643)	(2,908,649)	(762,240)	(178,774)
Net cash provided by (used in) financing activities	(12,401,643)	2,235,421	(762,240)	137,395
Net decrease in cash and cash equivalents	(111,781,410)	(53,774,240)	(6,870,400)	(3,305,116)
Cash and cash equivalents at January 1	212,521,514	234,657,416	13,062,170	14,422,705
Cash and cash equivalents at June 30	₩ 100,740,104	180,883,176	Rs 6,191,770	11,117,589

See accompanying notes to the separate interim financial statements.

SSANGYONG MOTOR COMPANY
Notes to the Separate 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>

2. Basis of Preparation and Accounting Policies

(1) Basis of translating separate interim financial statements

The separate interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of ₩ 16.27 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 separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

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

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

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

June 30, 2018 and 2017

2. Basis of Preparation and Accounting Policies, Continued

(3) Use of estimates and judgments

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

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

(4) Changes in accounting Policies

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate 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 separate interim statements of financial position

(In thousands of won)

		Amount in accordance with K-IFRS No. 1018(A)	Amount in accordance with K-IFRS No. 1115(B)	Difference(B-A)
Current assets	₩	507,636,402	510,689,044	3,052,642
Non-current assets		1,579,999,020	1,579,999,020	-
Total assets		<u>2,087,635,422</u>	<u>2,090,688,064</u>	<u>3,052,642</u>
Current liabilities		872,985,286	877,040,508	4,055,222
Non-current liabilities		474,683,227	476,634,341	1,951,114
Total liabilities		<u>1,347,668,513</u>	<u>1,353,674,849</u>	<u>6,006,336</u>
Total equity	₩	<u>739,966,909</u>	<u>737,013,215</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	31,200,762	31,388,386	187,624
Non-current assets		97,111,188	97,111,188	-
Total assets		<u>128,311,950</u>	<u>128,499,574</u>	<u>187,624</u>
Current liabilities		53,656,133	53,905,379	249,246
Non-current liabilities		29,175,367	29,295,288	119,921
Total liabilities		<u>82,831,500</u>	<u>83,200,667</u>	<u>369,167</u>
Total equity	Rs	<u>45,480,450</u>	<u>45,298,907</u>	<u>(181,543)</u>

2) Impact on the separate 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	₩	1,762,161,555	1,746,657,311	(15,504,244)
Cost of sales		1,526,028,835	1,537,835,938	11,807,103
Selling, general and administrative expenses		269,298,311	247,938,694	(21,359,617)
Loss for the period	₩	<u>(37,839,971)</u>	<u>(40,793,665)</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	108,307,410	107,354,475	(952,935)
Cost of sales		93,794,028	94,519,726	725,698
Selling, general and administrative expenses		16,551,832	15,239,010	(1,312,822)
Loss for the period	Rs	<u>(2,325,751)</u>	<u>(2,507,293)</u>	<u>(181,542)</u>

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.

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2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting Policies, continued

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.

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.

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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 ₩	100,740,104	Amortised cost ₩	100,740,104
Trade receivables	Loan and receivables	171,827,055	Amortised cost	171,827,055
Other receivables	Loan and receivables	2,987,085	Amortised cost	2,987,085
Loans and others	Loan and receivables	10,949,285	Amortised cost	10,949,285
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	6,191,770	Amortised cost Rs	6,191,770
Trade receivables	Loan and receivables	10,560,974	Amortised cost	10,560,974
Other receivables	Loan and receivables	183,595	Amortised cost	183,595
Loans and others	Loan and receivables	672,974	Amortised cost	672,974
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.

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 separate interim financial statements are the same as those applied by the Company in the separate financial statements as of and for the year ended December 31, 2017.

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

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

Amendments to K-IFRS No. 1116: Leases

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

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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 is similar to the current standard, that classifies leases as finance or operating 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

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6. Available-for sale Financial Assets, Continued

(In thousands of rupee)

	Ownership (%)		2018		2017	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	30,731	43,553	30,731	30,731
Korea Management Consultants Association(*)	1.50		3,688	46,898	3,688	3,688
		Rs	<u>34,419</u>	<u>90,451</u>	<u>34,419</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	₩	171,955,626	1,150,646	195,038,354	6,223,160
Less: Allowance for doubtful accounts		(128,571)	-	(126,715)	-
Other receivables		8,281,954	147,500	8,679,435	147,594
Less: Allowance for doubtful accounts		(3,898,539)	(44,250)	(3,723,780)	(44,250)
Loans and others		10,959,509	34,080,851	11,886,976	33,322,231
Less: Allowance for doubtful accounts		(10,224)	(5,385)	(4,078)	(11,334)
	₩	<u>187,159,755</u>	<u>35,329,362</u>	<u>211,750,192</u>	<u>39,637,401</u>

(In thousands of rupee)

		2018		2017	
		Current	Non-current	Current	Non-current
Trade receivables	Rs	10,568,877	70,722	11,987,606	382,493
Less: Allowance for doubtful accounts		(7,902)	-	(7,788)	-
Other receivables		509,032	9,066	533,463	9,072
Less: Allowance for doubtful accounts		(239,615)	(2,720)	(228,874)	(2,720)
Loans and others		673,601	2,094,705	730,607	2,048,078
Less: Allowance for doubtful accounts		(628)	(331)	(251)	(697)
	Rs	<u>11,503,365</u>	<u>2,171,442</u>	<u>13,014,763</u>	<u>2,436,226</u>

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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	₩ 173,106,272	49,355,934	201,261,514	50,164,648
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	-	4,113,880	-	3,871,588
	₩ 173,106,272	53,469,814	201,261,514	54,036,236

(In thousands of rupee)

	2018		2017	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Not past due	Rs 10,639,599	3,033,554	12,370,099	3,083,260
Less than 30 days	-	-	-	-
More than 60 days	-	-	-	-
More than 90 days	-	252,850	-	237,960
	Rs 10,639,599	3,286,404	12,370,099	3,321,220

(*) 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

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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	₩ 37,505,568	34,648,961	Rs 2,305,198	2,129,623
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	39,415,627	55,252,022	2,422,596	3,395,944
	₩ <u>208,448,508</u>	<u>223,537,426</u>	Rs <u>12,811,832</u>	<u>13,739,239</u>

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 (Rs150,504 thousand) for the six-months periods ended June 30, 2018 is included in cost of sales.

9. Investments in Subsidiaries and a Joint venture

Details of investment in subsidiaries and a joint venture as of June 30, 2018 and December 31, 2017 are as follows:

(In thousands of won)

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

(*) 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.

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9. Investments in Subsidiaries and a Joint venture, Continued

(In thousands of rupee)

	Company	Location	Owner ship	Closing month	2018		2017
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Rs 328,094	64,935	64,935
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	51,364	-	-
					<u>379,458</u>	<u>64,935</u>	<u>64,935</u>
Joint venture	SY Auto Capital Co., Ltd. (*)	Korea	51%	December	<u>626,921</u>	<u>626,921</u>	<u>626,921</u>
					Rs <u>1,006,379</u>	<u>691,856</u>	<u>691,856</u>

(*) 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.

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
Other current assets				
Advance payments	₩ 1,469,967	1,741,178	Rs 90,348	107,018
Prepaid expenses	11,266,689	5,423,950	692,482	333,371
Current tax assets	<u>132,475</u>	<u>332,593</u>	<u>8,144</u>	<u>20,443</u>
	12,869,131	7,497,721	790,974	460,832
Other non-current assets				
Other non-current assets	₩ 273,261	273,283	Rs 16,796	16,797

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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		7,897,147	(6,644)	(5,882,347)	(567,185)	1,440,971
Tools and molds		1,256,058,139	(28,547)	(786,913,196)	(158,619,983)	310,496,413
Equipment		68,582,764	(38,409)	(50,672,676)	(3,320,500)	14,551,179
Construction in progress		60,429,145	-	-	-	60,429,145
	₩	<u>3,835,943,617</u>	<u>(2,194,026)</u>	<u>(2,180,473,334)</u>	<u>(434,953,011)</u>	<u>1,218,323,246</u>

(In thousands of won)

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

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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)

		2018				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
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		485,382	(408)	(361,546)	(34,861)	88,567
Tools and molds		77,200,869	(1,755)	(48,365,900)	(9,749,231)	19,083,983
Equipment		4,215,290	(2,361)	(3,114,485)	(204,086)	894,358
Construction in progress		3,714,145	-	-	-	3,714,145
	Rs	<u>235,767,893</u>	<u>(134,852)</u>	<u>(134,018,029)</u>	<u>(26,733,436)</u>	<u>74,881,576</u>

(In thousands of rupee)

		2017				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
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		471,419	(455)	(362,398)	(35,867)	72,699
Tools and molds		73,807,277	(1,919)	(45,706,499)	(9,758,471)	18,340,388
Equipment		4,148,580	(2,608)	(2,930,863)	(206,151)	1,008,958
Construction in progress		5,374,412	-	-	-	5,374,412
	Rs	<u>232,919,905</u>	<u>(141,291)</u>	<u>(129,818,176)</u>	<u>(26,766,898)</u>	<u>76,193,540</u>

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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)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
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		1,182,791	114,689	(181,507)	(196,802)	521,800	1,440,971
Tools and molds		298,398,114	523,400	(53,725)	(44,236,261)	55,864,885	310,496,413
Equipment		16,415,748	1,096,820	(21,661)	(3,209,728)	270,000	14,551,179
Construction in progress		87,441,686	46,360,246	-	-	(73,372,787)	60,429,145
	₩	<u>1,239,668,891</u>	<u>48,228,160</u>	<u>(264,446)</u>	<u>(70,310,413)</u>	<u>1,001,054</u>	<u>1,218,323,246</u>

(In thousands of won)

		2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩	475,072,283	-	-	-	-	475,072,283
Buildings		181,592,387	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		1,004,920	58,233	(10)	(247,699)	222,554	1,037,998
Tools and molds		227,760,362	3,321,490	(1,484)	(35,510,873)	129,064,042	324,633,537
Equipment		19,234,497	1,114,533	(34,643)	(3,476,087)	32,500	16,870,800
Construction in progress		103,179,053	71,283,126	-	-	(145,832,629)	28,629,550
Machinery in transit		1,016,181	389,149	-	-	(1,405,330)	-
	₩	<u>1,198,961,457</u>	<u>76,299,468</u>	<u>(38,653)</u>	<u>(60,655,992)</u>	<u>612,270</u>	<u>1,215,178,550</u>

(*) Capitalized borrowing costs in respect of construction in progress are ₩ 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.

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11. Property, Plant and Equipment, Continued

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

(In thousands of rupee)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
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		72,699	7,049	(11,156)	(12,096)	32,071	88,567
Tools and molds		18,340,388	32,170	(3,303)	(2,718,885)	3,433,613	19,083,983
Equipment		1,008,958	67,414	(1,330)	(197,279)	16,595	894,358
Construction in progress		5,374,412	2,849,431	-	-	(4,509,698)	3,714,145
	Rs	<u>76,193,540</u>	<u>2,964,238</u>	<u>(16,253)</u>	<u>(4,321,476)</u>	<u>61,527</u>	<u>74,881,576</u>

(In thousands of rupee)

		2017					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
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		61,765	3,579	(1)	(15,224)	13,679	63,798
Tools and molds		13,998,793	204,148	(91)	(2,182,598)	7,932,639	19,952,891
Equipment		1,182,206	68,502	(2,129)	(213,650)	1,998	1,036,927
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>73,691,546</u>	<u>4,689,580</u>	<u>(2,376)</u>	<u>(3,728,088)</u>	<u>37,630</u>	<u>74,688,292</u>

(*) Capitalized borrowing costs in respect of construction in progress are 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
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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>	Rs <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.

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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)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
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)

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

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	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)

		2017				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
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>

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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
Internally created intangible assets:								
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
Individually acquired intangible assets:								
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
Internally created intangible assets:									
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
Individually acquired intangible assets:									
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.

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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						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
Internally created intangible assets:								
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
Individually acquired intangible assets:								
Patents		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							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others(*)	Ending balance
Internally created intangible assets:									
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
Individually acquired intangible assets:									
Patents		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.

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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)

	<u>Project name</u>	<u>Korean won</u>	<u>Indian rupee</u>	<u>Remaining amortization period</u>
Development cost	RV(*1)	₩ 166,755,405	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)

		<u>Korean won</u>		<u>Indian rupee</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
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>

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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
Citibank 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

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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	₩ 5,338,759	-	3,943,130	-
Deposits received	539,439	-	531,789	-
Withholdings	26,275,356	-	30,670,693	-
Deferred income	4,555,222	5,975,755	-	-
	₩ 36,708,776	5,975,755	35,145,612	-

(In thousands of rupee)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	Rs 328,135	-	242,357	-
Deposits received	33,155	-	32,685	-
Withholdings	1,614,958	-	1,885,107	-
Deferred income	279,977	367,287	-	-
	Rs 2,256,225	367,287	2,160,149	-

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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)
	₩ 294,592,260	284,563,123	Rs 18,106,470	17,490,051

(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	₩ 308,264,667	(1,111,984)	307,152,683
Re-measurement factors:			
Re-measurements of plan assets	-	6,548	6,548
Sub-total	₩ -	6,548	6,548
Benefit paid by plan	(67,038)	67,038	-
Benefit paid directly	(12,566,971)	-	(12,566,971)
Ending balance	₩ 295,630,658	(1,038,398)	294,592,260

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	₩ 303,599,128	(1,200,442)	302,398,686
Re-measurement factors:			
Re-measurements of plan assets	-	5,716	5,716
Sub-total	₩ -	5,716	5,716
Benefit paid by plan	(74,442)	74,442	-
Benefit paid directly	(13,244,547)	-	(13,244,547)
Ending balance	₩ 290,280,139	(1,120,284)	289,159,855

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17. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2017 and 2016 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

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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	137,949,396
Par value	5,000	5,000	307	307
Capital stock	₩ 689,746,980	689,746,980	Rs 42,393,791	42,393,791

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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 value	₩ 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 stock	-	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	-

(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>

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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	₩ (40,800,213)	(45,232,442)	Rs (2,507,696)	(2,780,113)

(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	₩ (45,232,442)	4,965,820	Rs (2,780,113)	305,213
Loss for the period	(40,793,665)	(19,294,032)	(2,507,293)	(1,185,866)
Defined benefit plan re-measurement	(6,548)	(5,716)	(403)	(351)
Disposition of deficit	45,232,442	-	2,780,113	-
Ending balance	₩ (40,800,213)	(14,333,928)	Rs (2,507,696)	(881,004)

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.

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24. Nature of Expenses

Details of nature of 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
Changes in inventories	₩ 6,635,781	(4,231,844)	₩ (29,083,065)	(67,285,388)
Raw materials consumed and purchase of merchandise	638,362,786	1,190,822,169	621,629,141	1,188,176,636
Employee benefits	135,900,422	264,273,809	131,173,620	258,661,568
Depreciation	35,098,341	70,310,413	32,244,648	60,655,992
Amortization	17,662,675	35,340,803	12,555,528	21,571,878
Others	114,206,228	229,259,282	139,415,718	249,337,330
	<u>₩ 947,866,233</u>	<u>1,785,774,632</u>	<u>₩ 907,935,590</u>	<u>1,711,118,016</u>

(In thousands of Rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	Rs 407,854	(260,101)	Rs (1,787,527)	(4,135,549)
Raw materials consumed and purchase of merchandise	39,235,574	73,191,283	38,207,077	73,028,681
Employee benefits	8,352,822	16,243,012	8,062,300	15,898,068
Depreciation	2,157,243	4,321,476	1,981,847	3,728,088
Amortization	1,085,598	2,172,145	771,698	1,325,868
Others	7,019,435	14,090,921	8,568,882	15,324,975
	<u>Rs 58,258,526</u>	<u>109,758,736</u>	<u>Rs 55,804,277</u>	<u>105,170,131</u>

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.

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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	₩ 19,954,963	30,837,065
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	4,812,892	11,964,795	10,184,994	20,016,469
	<u>₩ 79,565,803</u>	<u>154,100,404</u>	<u>₩ 105,332,812</u>	<u>191,400,977</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 1,226,488	1,895,333
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	295,813	735,390	625,999	1,230,269
	<u>Rs 4,890,338</u>	<u>9,471,445</u>	<u>Rs 6,474,051</u>	<u>11,764,043</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	₩ 13,346,342	26,026,869	₩ 12,785,759	25,757,174
Retirement benefit costs	1,479,390	2,943,168	1,430,544	2,859,492
Employee welfare	2,963,342	5,819,401	2,873,985	5,732,199
Rent expense	2,988,984	5,985,084	2,892,363	5,701,393
Service fees	8,839,132	18,219,210	9,505,080	17,253,707
Depreciation	3,792,039	7,734,193	3,359,313	6,129,307
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	9,383,184	16,878,386	9,509,844	16,904,546
	<u>₩ 48,006,965</u>	<u>93,838,290</u>	<u>₩ 47,580,411</u>	<u>92,136,338</u>

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26. Selling, General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the three-month and six-month periods ended June 30, 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 820,304	1,599,685	Rs 785,849	1,583,108
Retirement benefit costs	90,927	180,895	87,925	175,752
Employee welfare	182,135	357,677	176,643	352,317
Rent expense	183,711	367,860	177,773	350,424
Service fees	543,278	1,119,804	584,209	1,060,461
Depreciation	233,069	475,365	206,473	376,724
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	576,717	1,037,392	584,501	1,039,003
	<u>Rs 2,950,643</u>	<u>5,767,565</u>	<u>Rs 2,924,426</u>	<u>5,662,959</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	894,584	2,223,764	5,936,169	9,768,760
	<u>₩ 2,247,211</u>	<u>5,628,917</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	54,982	136,679	364,854	600,415
	<u>Rs 138,119</u>	<u>345,970</u>	<u>Rs 576,050</u>	<u>1,071,305</u>

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27. Other Income and Expenses, Continued

(2) Details of other expenses for the three-month and six-month periods ended June 30, 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
	₩ 2,782,127	4,810,579	₩ 5,422,113	15,217,993

(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 170,997	295,672	Rs 333,258	935,341

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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	₩ 465,240	1,013,200	₩ 582,899	1,369,701
Dividend income	5,000	11,000	-	6,000
Foreign exchange transaction gain	1,578,046	2,746,501	3,640,293	4,648,779
Foreign exchange translation gain	134,070	406,661	(4,361,379)	279,115
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
	₩ 4,505,583	7,681,424	₩ 3,965,385	13,728,004

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	Rs 28,595	62,274	Rs 35,827	84,186
Dividend income	307	676	-	369
Foreign exchange transaction gain	96,991	168,808	223,743	285,727
Foreign exchange translation gain	8,240	24,995	(268,063)	17,155
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 276,926	472,122	Rs 243,724	843,762

(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	₩ 92,016	497,307	₩ 256,597	476,150
Foreign exchange transaction loss	2,677,363	5,970,587	273,615	2,765,969
Foreign exchange translation loss	(759,761)	2,645,174	3,270,369	3,271,683
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
	₩ 2,600,938	10,176,106	₩ 5,942,660	12,802,923

(In thousands of rupee)

	2018		2017	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	Rs 5,656	30,566	Rs 15,771	29,266
Foreign exchange transaction loss	164,558	366,969	16,817	170,004
Foreign exchange translation loss	(46,697)	162,580	201,006	201,087
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 159,861	625,452	Rs 365,253	786,904

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28. Finance Income and Costs, Continued

(3) Details of the Company's financial net profit or loss for the three-month and 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	₩ 167,738	(4,946,706)	₩ (3,938,767)	(216,207)
AFS financial assets	5,000	11,000	-	6,000
Derivatives	1,731,907	2,441,024	1,961,492	1,135,288
	<u>₩ 1,904,645</u>	<u>(2,494,682)</u>	<u>₩ (1,977,275)</u>	<u>925,081</u>

(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 10,309	(304,038)	Rs (242,087)	(13,289)
AFS financial assets	307	676	-	369
Derivatives	106,449	150,032	120,558	69,778
	<u>Rs 117,065</u>	<u>(153,330)</u>	<u>Rs (121,529)</u>	<u>56,858</u>

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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 period	₩ (6,626,776)	(40,793,665)	₩ (4,449,677)	(19,294,032)
Loss contributed to common stocks	(6,626,776)	(40,793,665)	(4,449,677)	(19,294,032)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,651,229
Basic losses per share(*)	₩ (48)	(296)	₩ (32)	(140)

(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 period	Rs (407,300)	(2,507,293)	Rs (273,490)	(1,185,866)
Loss contributed to common stocks	(407,300)	(2,507,293)	(273,490)	(1,185,866)
Weighted average number of common shares	137,949,396	137,949,396	137,949,396	137,651,229
Basic losses per share(*)	Rs (3)	(18)	Rs (2)	(9)

(*) 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 ~ 2017-06-30	137,949,396	107/181	81,550,195
				<u>137,651,229</u>

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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
Loss for the period	₩ (40,793,665)	(19,294,032)	Rs (2,507,293)	(1,185,866)
Adjustments for:				
Retirement benefit costs	22,589,560	22,789,486	1,388,417	1,400,706
Depreciation	70,310,413	60,655,992	4,321,476	3,728,088
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	2,446,281	2,611,358	150,355	160,502
Losses (Gains) on disposal of property, plant and equipment	5,717	(11,268)	351	(693)
Interest expense and income, net	(515,893)	(893,551)	(31,708)	(54,920)
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
Others	187,555	(253,774)	11,528	(15,596)
	<u>140,594,070</u>	<u>139,732,183</u>	<u>8,641,307</u>	<u>8,588,334</u>
Changes in assets and liabilities				
Trade receivables	28,308,992	54,775,812	1,739,950	3,366,676
Other receivables	616,521	877,331	37,893	53,923
Inventories	12,121,225	(66,670,384)	745,005	(4,097,749)
Trade payables	(56,770,289)	(30,850,340)	(3,489,262)	(1,896,149)
Other payables	(29,855,094)	50,302,476	(1,834,978)	3,091,732
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	1,796,927	394,626	110,444	24,253
	<u>(83,441,934)</u>	<u>(31,374,735)</u>	<u>(5,128,576)</u>	<u>(1,928,380)</u>
Net cash provided by operating activities	₩ <u>16,358,471</u>	<u>89,063,416</u>	Rs <u>1,005,438</u>	<u>5,474,088</u>

(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)

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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
	<u>₩ 233,840,987</u>	<u>-</u>	<u>(12,401,643)</u>	<u>-</u>	<u>2,238,513</u>	<u>223,677,857</u>

(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
	<u>Rs 14,372,526</u>	<u>-</u>	<u>(762,240)</u>	<u>-</u>	<u>137,585</u>	<u>13,747,871</u>

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

31. Segment Information

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

(2) Geographic sales information of the Company for the 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	158,798,328	168,204,605	9,760,192	10,338,329
Asia Pacific	29,238,642	67,860,524	1,797,089	4,170,899
Others	134,876,198	97,529,805	8,289,871	5,994,457
	<u>₩ 1,746,657,311</u>	<u>1,688,686,762</u>	<u>Rs 107,354,475</u>	<u>103,791,443</u>

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

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31. Segment Information, Continued

(3) Information of sales of goods and service for the six-month 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	156,815,039	156,918,819	9,638,294	9,644,672
Others	45,747,674	19,392,160	2,811,780	1,191,898
	₩ <u>1,746,657,311</u>	<u>1,688,686,762</u>	Rs <u>107,354,475</u>	<u>103,791,443</u>

(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	₩ 172,067,701	197,176,300	Rs 10,575,765	12,119,010
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.
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Joint venture	SY Auto Capital Co., Ltd.
Others	Mahindra Vehicle Manufacturing Ltd., Mahindra Electric Mobility Ltd., Mahindra & Mahindra South Africa Ltd., PININFARINA S.p.A.

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32. Transactions and Balances with Related Parties, Continued

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

(In thousands of won)

Relationship	Company	Description	2018	2017	
		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	
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	5,782,041	5,659,469	
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	8,519,247	7,221,104	
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	3,819,365	382,170	
		Mahindra Electric Mobility Ltd.	Other expenses	2,439,828	-
		Mahindra & Mahindra South Africa Ltd.	Sales	30,755	48,628
		PININFARINA S.p.A.	Other expenses	-	15,828
		Other expenses	419,324	726,374	

(In thousands of rupee)

Relationship	Company	Description	2018	2017	
		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	
Subsidiaries	Ssangyong European Parts Center B.V. and other	Sales	355,381	347,847	
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	523,617	443,829	
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	234,749	23,489	
		Mahindra Electric Mobility Ltd.	Other expenses	149,959	-
		Mahindra & Mahindra South Africa Ltd.	Sales	1,890	2,989
		PININFARINA S.p.A.	Other expenses	-	973
		Other expenses	25,773	44,645	

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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
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	13,342,355	15,239,822
		Other receivables	422,426	408,064
		Other payables	26,358	21,010
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	239,412	450,795
		Trade receivables	1,653,746	37,279
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	2,750,000	-
		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
Subsidiaries	Ssangyong European Parts Center B.V. and other	Trade receivables	820,059	936,682
		Other receivables	25,963	25,081
		Other payables	1,620	1,291
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.	Other payables	14,715	27,707
		Trade receivables	101,644	2,291
Others	Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.	Other payables	169,023	-
		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	220,206	243,694
Retirement benefits	245,306	204,960	15,077	12,597

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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		Rs	Indian rupee	
		2018	2017		2018	2017
Debt (A)	₩	1,353,674,849	1,472,319,718		83,200,667	90,492,881
Equity (B)		737,013,215	777,656,458		45,298,907	47,796,955
		183.67%	189.33%		183.67%	189.33%

Debt-to-equity ratio (A/B)

(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	₩	100,740,104	-	-	100,740,104	100,740,104
Long-term financial instruments		4,000	-	-	4,000	4,000
Trade and other receivables		221,092,787	-	-	221,092,787	221,092,787
AFS financial assets		-	560,000	-	560,000	560,000
Derivative assets		-	984,219	487,327	1,471,546	1,471,546
	₩	321,836,891	1,544,219	487,327	323,868,437	323,868,437

(In thousands of won)

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

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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)

		2018				
		Amortized cost	Financial assets at FVTPL	Derivatives designated to hedge cash flow	Total	Fair value
Cash and cash equivalents	Rs	6,191,770	-	-	6,191,770	6,191,770
Long-term financial instruments		246	-	-	246	246
Trade and other receivables		13,588,985	-	-	13,588,985	13,588,985
AFS financial assets		-	34,419	-	34,419	34,419
Derivative assets		-	60,493	29,952	90,445	90,445
	Rs	<u>19,781,001</u>	<u>94,912</u>	<u>29,952</u>	<u>19,905,865</u>	<u>19,905,865</u>

(In thousands of rupee)

		2017			
		Amortized cost	Financial assets at FVTPL	Total	Fair value
Cash and cash equivalents	Rs	13,062,170	-	13,062,170	13,062,170
Long-term financial instruments		246	-	246	246
Trade and other receivables		15,342,666	-	15,342,666	15,342,666
AFS financial assets		-	34,419	34,419	34,419
	Rs	<u>28,405,082</u>	<u>34,419</u>	<u>28,439,501</u>	<u>28,439,501</u>

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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)

2018				
	Financial liability measured at amortized cost	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩ 604,607,914	-	604,607,914	604,607,914
Borrowings	223,677,857	-	223,677,857	223,677,857
Derivative liabilities	-	340,511	340,511	340,511
	<u>₩ 828,285,771</u>	<u>340,511</u>	<u>828,626,282</u>	<u>828,626,282</u>

(In thousands of won)

2017				
	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	₩ 717,494,834	-	717,494,834	717,494,834
Borrowings	233,840,987	-	233,840,987	233,840,987
Derivative liabilities	-	409,259	409,259	409,259
	<u>₩ 951,335,821</u>	<u>409,259</u>	<u>951,745,080</u>	<u>951,745,080</u>

(In thousands of rupee)

2018				
	Financial liability measured at amortized cost	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs 37,160,904	-	37,160,904	37,160,904
Borrowings	13,747,871	-	13,747,871	13,747,871
Derivative liabilities	-	20,929	20,929	20,929
	<u>Rs 50,908,775</u>	<u>20,929</u>	<u>50,929,704</u>	<u>50,929,704</u>

(In thousands of rupee)

2017				
	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	Rs 44,099,252	-	44,099,252	44,099,252
Borrowings	14,372,525	-	14,372,525	14,372,525
Derivative liabilities	-	25,154	25,154	25,154
	<u>Rs 58,471,777</u>	<u>25,154</u>	<u>58,496,931</u>	<u>58,496,931</u>

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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	(1,775,778)	1,775,778	(109,144)	109,144
JPY	(7,902,001)	7,902,001	(485,679)	485,679
Others	597,294	(597,294)	36,711	(36,711)
	₩ (6,620,034)	6,620,034	Rs (406,886)	406,886

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.

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33. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk

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

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

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

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

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

Maximum exposure in respect of credit risk as of 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
Trade and other receivables	₩ 221,092,787	249,625,174	Rs 13,588,985	15,342,666

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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 December 31, 2017 are as follows:

(In thousands of won)

	2018		
	Within a year	Over 1 year	Total
Trade payables	₩ 470,161,182	-	470,161,182
Other payables	131,010,967	-	131,010,967
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>₩ 756,680,116</u>	<u>77,057,224</u>	<u>833,737,340</u>

(In thousands of won)

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

(*) Including expected interest expenses.

(In thousands of rupee)

	2018		
	Within a year	Over 1 year	Total
Trade payables	Rs 28,897,430	-	28,897,430
Other payables	8,052,302	-	8,052,302
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 46,507,690</u>	<u>4,736,154</u>	<u>51,243,844</u>

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2017		
		Within a year	Over 1 year	Total
Trade payables	Rs	32,358,168	-	32,358,168
Other payables		11,476,762	-	11,476,762
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>54,060,262</u>	<u>4,861,326</u>	<u>58,921,588</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)

		Korean won		Indian rupee	
		2018	2017	2018	2017
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.

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33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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

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

Fair values of financial instruments by hierarchy level as of June 30, 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>
As of June 30, 2018					
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

(In thousands of rupee)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
As of June 30, 2018					
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

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.