

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2019 and 2018

(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 consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as of June 30, 2019, the consolidated interim statements of comprehensive loss for the three-month and six-month periods ended June 30, 2019 and 2018, the consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditors' review responsibility

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

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

Other matters

The consolidated statement of financial position of the Group as of December 31, 2018, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 12, 2019, expressed an unqualified opinion. The accompanying consolidated statement of financial position of the Group as of December 31, 2018, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

The accompanying consolidated interim financial statements as of June 30, 2019 and December 31, 2019 and for the three-month and the six-month periods ended June 30, 2019 and 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 consolidated interim financial statements expressed in Korean won have not been translated into Indian Rupee on the basis set forth in note 2.(1) to the consolidated interim financial statements.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 13, 2019

This report is effective as of August 13, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of June 30, 2019 and December 31, 2018

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Assets					
Cash and cash equivalents	4,5,33 ₩	316,836,889	156,062,657	Rs 18,915,162	9,316,941
Trade and other receivables, net	7,32,33	156,913,044	174,203,955	9,367,709	10,399,976
Derivative assets	25,33	272,995	891,319	16,298	53,212
Inventories, net	8,24	323,007,273	228,612,470	19,283,534	13,648,164
Other current assets	10	12,682,438	11,299,802	757,142	674,598
Total current assets		<u>809,712,639</u>	<u>571,070,203</u>	<u>48,339,845</u>	<u>34,092,891</u>
Non-current financial instruments	5,33	4,000	4,000	239	239
Non-current other receivables, net	7,32,33	39,259,429	35,124,579	2,343,788	2,096,937
Non-current financial assets	6,33	560,000	560,000	33,432	33,432
Property, plant and equipment, net	11,13	1,236,533,694	1,228,125,718	73,821,062	73,319,105
Intangible assets, net	11,12	358,352,228	353,759,963	21,393,628	21,119,470
Investments in joint venture	9	17,643,977	16,706,345	1,053,345	997,369
Other non-current assets	2,10	8,776,034	291,258	523,929	17,388
Total non-current assets		<u>1,661,129,362</u>	<u>1,634,571,863</u>	<u>99,169,423</u>	<u>97,583,940</u>
Total assets		<u>₩ 2,470,842,001</u>	<u>2,205,642,066</u>	<u>Rs 147,509,268</u>	<u>131,676,831</u>

See accompanying notes to the consolidated interim financial statements.

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

As of June 30, 2019 and December 31, 2018

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Liabilities					
Trade and other payables	14,18, 32,33 ₩	953,599,328	731,995,228	Rs 56,929,880	43,700,115
Short-term borrowings	13,18,30,33	194,670,605	178,227,545	11,621,835	10,640,184
Derivative liabilities	25,33	418,839	-	25,005	-
Provision of warranty for sale					
- current	15	50,044,554	49,209,826	2,987,660	2,937,827
Other long-term employee benefits liabilities- current		1,463,890	2,726,289	87,394	162,759
Other current liabilities	16,32	34,221,874	32,961,085	2,043,046	1,967,775
Total current liabilities		<u>1,234,419,090</u>	<u>995,119,973</u>	<u>73,694,820</u>	<u>59,408,660</u>
Long-term borrowings	13,18, 30,33	116,250,000	75,000,000	6,940,125	4,477,500
Non-current other payables	33	943,194	1,593,271	56,309	95,118
Other non-current liabilities	16	19,439,939	11,317,482	1,160,564	675,654
Defined benefit liabilities	17	338,477,848	329,181,466	20,207,128	19,652,134
Other long-term employee benefits liabilities					
-non current		14,927,981	14,313,193	891,199	854,498
Provision of warranty for sale					
-non-current	15	81,156,677	85,828,261	4,845,054	5,123,947
Total non-current liabilities		<u>571,195,639</u>	<u>517,233,673</u>	<u>34,100,379</u>	<u>30,878,851</u>
Total liabilities		₩ <u>1,805,614,729</u>	<u>1,512,353,646</u>	Rs <u>107,795,199</u>	<u>90,287,511</u>
Equity					
Capital stock	19,32	749,200,010	689,746,980	44,727,241	41,177,895
Other capital surplus	20	78,162,820	87,909,478	4,666,320	5,248,196
Other equity	21	1,047,663	1,242,617	62,545	74,185
Accumulated deficit	22	(163,183,221)	(85,610,655)	(9,742,037)	(5,110,956)
Equity attributable to owners of the Company		<u>665,227,272</u>	<u>693,288,420</u>	<u>39,714,069</u>	<u>41,389,320</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity		₩ <u>665,227,272</u>	<u>693,288,420</u>	Rs <u>39,714,069</u>	<u>41,389,320</u>
Total liabilities and equity		₩ <u>2,470,842,001</u>	<u>2,205,642,066</u>	Rs <u>147,509,268</u>	<u>131,676,831</u>

See accompanying notes to the consolidated interim financial statements.

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

For the three-month and six-month periods ended June 30, 2019 and 2018

(In thousands of won except earnings per share information)

	Note	2019		2018	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32 ₩	935,048,437	1,868,257,478 ₩	941,853,845	1,750,618,667
Cost of sales	24,32	844,815,702	1,663,729,738	820,858,376	1,539,559,431
Gross profit		<u>90,232,735</u>	<u>204,527,740</u>	<u>120,995,469</u>	<u>211,059,236</u>
Selling, general and administrative expenses	24,26	139,356,499	281,453,810	128,479,025	249,800,390
Operating loss		<u>(49,123,764)</u>	<u>(76,926,070)</u>	<u>(7,483,556)</u>	<u>(38,741,154)</u>
Other income	27,32	5,704,294	8,820,611	2,247,262	5,628,968
Other expenses	27,32	(3,333,193)	(5,236,109)	(2,782,127)	(4,810,579)
Finance income	25,28	2,494,965	6,175,826	4,511,838	7,694,339
Finance costs	25,28	(7,983,618)	(11,341,016)	(2,604,422)	(10,185,836)
Share of profits of joint venture	9	791,597	937,757	733,533	799,124
Loss before income taxes		<u>(51,449,719)</u>	<u>(77,569,001)</u>	<u>(5,377,472)</u>	<u>(39,615,138)</u>
Income tax expenses	23	-	-	-	-
Loss for the period		<u>(51,449,719)</u>	<u>(77,569,001)</u>	<u>(5,377,472)</u>	<u>(39,615,138)</u>
Loss attributable to:					
Owners of the Company		(51,449,719)	(77,569,001)	(5,377,472)	(39,615,138)
Non-controlling interests		-	-	-	-
Other comprehensive income(loss) for the period	21,22	187,240	(198,518)	(580,993)	134,364
Items that will never be reclassified to loss:					
Defined benefit plan re-measurements	17,22	(1,766)	(3,441)	(3,307)	(6,548)
Defined benefit plan re-measurements of joint ventures	9	(63)	(124)	(412)	(420)
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	268,830	(135,620)	(613,590)	156,970
Foreign currency translation difference for foreign operation		<u>(79,761)</u>	<u>(59,333)</u>	<u>36,316</u>	<u>(15,638)</u>
Total comprehensive loss for the period		<u>₩ (51,262,479)</u>	<u>(77,767,519) ₩</u>	<u>(5,958,465)</u>	<u>(39,480,774)</u>
Total comprehensive loss attributable to:					
Owners of the Company	₩	(51,262,479)	(77,767,519) ₩	(5,958,465)	(39,480,774)
Non-controlling interests		-	-	-	-
Losses Per share					
Basic and diluted losses per share (In won)	29 ₩	(343)	(523) ₩	(39)	(285)

See accompanying notes to the consolidated interim financial statements.

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

For the three-month and six-month periods ended June 30, 2019 and 2018

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

	Note	2019		2018	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	Rs 55,822,392	111,534,971	Rs 56,228,675	104,511,934
Cost of sales	24,32	50,435,498	99,324,665	49,005,246	91,911,698
Gross profit		<u>5,386,894</u>	<u>12,210,306</u>	<u>7,223,429</u>	<u>12,600,236</u>
Selling, general and administrative expenses	24,26	8,319,583	16,802,792	7,670,197	14,913,083
Operating loss		<u>(2,932,689)</u>	<u>(4,592,486)</u>	<u>(446,768)</u>	<u>(2,312,847)</u>
Other income	27,32	340,546	526,589	134,162	336,049
Other expenses	27,32	(198,992)	(312,596)	(166,093)	(287,192)
Finance income	25,28	148,949	368,697	269,357	459,352
Finance costs	25,28	(476,620)	(677,057)	(155,485)	(608,094)
Share of profits of joint venture	9	47,258	55,984	43,792	47,708
Loss before income taxes		<u>(3,071,548)</u>	<u>(4,630,869)</u>	<u>(321,035)</u>	<u>(2,365,024)</u>
Income tax expenses	23	-	-	-	-
Loss for the period		<u>(3,071,548)</u>	<u>(4,630,869)</u>	<u>(321,035)</u>	<u>(2,365,024)</u>
Loss attributable to:					
Owners of the Company		(3,071,548)	(4,630,869)	(321,035)	(2,365,024)
Non-controlling interests		-	-	-	-
Other comprehensive income(loss) for the period	21,22	11,178	(11,852)	(34,685)	8,022
Items that will never be reclassified to loss:					
Defined benefit plan re-measurements	17,22	(105)	(205)	(197)	(391)
Defined benefit plan re-measurements of joint ventures	9	(4)	(7)	(25)	(25)
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	16,049	(8,097)	(36,631)	9,371
Foreign currency translation difference for foreign operation		<u>(4,762)</u>	<u>(3,543)</u>	<u>2,168</u>	<u>(933)</u>
Total comprehensive loss for the period		Rs <u>(3,060,370)</u>	<u>(4,642,721)</u>	Rs <u>(355,720)</u>	<u>(2,357,002)</u>
Total comprehensive loss attributable to:					
Owners of the Company		Rs (3,060,370)	(4,642,721)	Rs (355,720)	(2,357,002)
Non-controlling interests		-	-	-	-
Losses Per share					
Basic and diluted losses per share (In rupee)	29	Rs (20)	(31)	Rs (2)	(17)

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2019 and 2018

(In thousands of won)

	Capital stock	Other capital surplus			Gain on disposal of treasury stock	Other equity	Accumulated deficit	Non-controlling interest	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity					
Balance at January 1, 2018	₩ 689,746,980	12,916,273	118,189,002	931,508	1,105,137	1,153,581	(48,887,556)	-	775,154,925
Total comprehensive income(loss) for the period:									
Loss for the period	-	-	-	-	-	-	(39,615,138)	-	(39,615,138)
Defined benefit plan re-measurements	-	-	-	-	-	-	(6,548)	-	(6,548)
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	156,970	-	-	156,970
Changes in fair value of cash flow hedge	-	-	-	-	-	(15,638)	-	-	(15,638)
Foreign currency translation difference for foreign operation	-	-	-	-	-	-	(420)	-	(420)
Transactions with owners of the Parent Company, recognized directly in equity:									
Disposition of deficits	-	-	(44,127,305)	-	(1,105,137)	-	45,232,442	-	-
Balance at June 30, 2018	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,294,913	(43,277,220)	-	735,674,151
Balance at January 1, 2019	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,242,617	(85,610,655)	-	693,288,420
Total comprehensive income(loss) for the period:									
Loss for the period	-	-	-	-	-	-	(77,569,001)	-	(77,569,001)
Defined benefit plan re-measurements	-	-	-	-	-	-	(3,441)	-	(3,441)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	(135,620)	-	-	(135,620)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(59,334)	-	-	(59,334)
Changes in the factors of corporate joint re-measurement	-	-	-	-	-	-	(124)	-	(124)
Transactions with owners of the Parent Company, recognized directly in equity:									
Issue of ordinary shares	59,453,030	(9,746,658)	-	-	-	-	-	-	49,706,372
Balance at June 30, 2019	₩ 749,200,010	3,169,615	74,061,697	931,508	-	1,047,663	(163,183,221)	-	665,227,272

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2019 and 2018

(In thousands of rupee)

	Rs	Other capital surplus							Non-controlling interest	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Accumulated deficit		
Balance at January 1, 2018	Rs	41,177,895	771,102	7,055,883	55,611	65,977	68,868	(2,918,587)	-	46,276,749
Total comprehensive income(loss) for the period:										
Loss for the period		-	-	-	-	-	-	(2,365,024)	-	(2,365,024)
Defined benefit plan re-measurements		-	-	-	-	-	-	(391)	-	(391)
Changes in the factors of corporate joint re-measurement		-	-	-	-	-	9,371	-	-	9,371
Changes in fair value of cash flow hedge		-	-	-	-	-	(933)	-	-	(933)
Foreign currency translation difference for foreign operation		-	-	-	-	-	-	(25)	-	(25)
Transactions with owners of the Parent Company, recognized directly in equity:										
Disposition of deficits		-	-	(2,634,400)	-	(65,977)	-	2,700,377	-	-
Balance at June 30, 2018	Rs	<u>41,177,895</u>	<u>771,102</u>	<u>4,421,483</u>	<u>55,611</u>	<u>-</u>	<u>77,306</u>	<u>(2,583,650)</u>	<u>-</u>	<u>43,919,747</u>
Balance at January 1, 2019	Rs	41,177,895	771,102	4,421,483	55,611	-	74,185	(5,110,956)	-	41,389,320
Total comprehensive income(loss) for the period:										
Loss for the period		-	-	-	-	-	-	(4,630,869)	-	(4,630,869)
Defined benefit plan re-measurements		-	-	-	-	-	-	(205)	-	(205)
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	(8,097)	-	-	(8,097)
Foreign currency translation difference for foreign operation		-	-	-	-	-	(3,543)	-	-	(3,543)
Changes in the factors of corporate joint re-measurement		-	-	-	-	-	-	(7)	-	(7)
Transactions with owners of the Parent Company, recognized directly in equity:										
Issue of ordinary shares		<u>3,549,346</u>	<u>(581,876)</u>	-	-	-	-	-	-	<u>2,967,470</u>
Balance at June 30, 2019	Rs	<u>44,727,241</u>	<u>189,226</u>	<u>4,421,483</u>	<u>55,611</u>	<u>-</u>	<u>62,545</u>	<u>(9,742,037)</u>	<u>-</u>	<u>39,714,069</u>

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2019 and 2018

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Cash flows from operating activities				
Loss for the period	₩ (77,569,001)	(39,615,138)	Rs (4,630,869)	(2,365,024)
Adjustment	170,424,063	139,801,538	10,174,317	8,346,152
Changes in assets and liabilities	111,824,789	(84,409,611)	6,675,939	(5,039,254)
Cash generated from operations (note 30)	<u>204,679,851</u>	<u>15,776,789</u>	<u>12,219,387</u>	<u>941,874</u>
Interest received	2,224,297	1,110,465	132,791	66,295
Interest paid	(3,318,340)	(2,340,844)	(198,105)	(139,748)
Dividends received	11,000	11,000	657	657
Net cash provided by operating activities	<u>203,596,808</u>	<u>14,557,410</u>	<u>12,154,730</u>	<u>869,078</u>
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	1,413,866	259,076	84,407	15,469
Acquisition of property, plant and equipment	(91,578,851)	(69,460,882)	(5,467,256)	(4,146,815)
Acquisition of intangible assets	(48,709,239)	(44,978,702)	(2,907,942)	(2,685,228)
Cash flow used in other investing activities	(1,952,810)	(337,023)	(116,585)	(20,121)
Net cash used in investing activities	<u>(140,827,034)</u>	<u>(114,517,531)</u>	<u>(8,407,376)</u>	<u>(6,836,695)</u>
Cash flows from financing activities				
Proceeds from borrowings	57,255,474	-	3,418,152	-
Receive government grants	47,680	-	2,846	-
Paid-in capital increase	49,706,373	-	2,967,471	-
Repayment of borrowings	(3,750,000)	(12,401,643)	(223,875)	(740,378)
Decrease in leasing license liability	(4,875,246)	-	(291,052)	-
Net cash provided by (used in) financing activities	<u>98,384,281</u>	<u>(12,401,643)</u>	<u>5,873,542</u>	<u>(740,378)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(379,823)</u>	<u>65,407</u>	<u>(22,675)</u>	<u>3,907</u>
Net increase (decrease) in cash and cash equivalents	<u>160,774,232</u>	<u>(112,296,357)</u>	<u>9,598,221</u>	<u>(6,704,088)</u>
Cash and cash equivalents at January 1	156,062,657	215,443,730	9,316,941	12,861,990
Cash and cash equivalents at June 30	<u>₩ 316,836,889</u>	<u>103,147,373</u>	<u>Rs 18,915,162</u>	<u>6,157,902</u>

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2019 and 2018

1. General Description of the Company

(1) Organization and description of business of the Company

Ssangyong Motor Company (the "Parent Company") was incorporated on December 6, 1962, in the Republic of Korea and listed its stocks on the Korea Stock Exchange in May 1975. The Parent 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, 2019, the Parent Company's shareholders are as follows:

(In shares)

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>
Mahindra & Mahindra Ltd.	111,855,108	74.65%
Others	37,984,894	25.35%
	<u>149,840,002</u>	<u>100.00%</u>

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

2. Basis of Preparation and Accounting Policies

(1) Basis of translating consolidated interim financial statements

The consolidated interim financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of INR 0.0597 to ₹1 on June 30, 2019, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into Indian rupees at this or any other rate.

(2) Statement of compliance

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

These consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2018. These consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

These consolidated interim financial statements are prepared in accordance with K-IFRS No.1027, 'Consolidated 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 Group has initially applied K-IFRS No.1116 'Leases' for preparation of the consolidated interim financial statements as of and for the six months ended June 30, 2019. The significant changes in accounting policies are described in note 2.(4).

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2. Basis of Preparation and Accounting policies, Continued

(3) Use of estimates and judgments

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

Management's judgments in applying accounting policies and estimation, used in consolidated interim financial statements, are the same as those applied to the separate interim financial statements as of and for the year ended December 31, 2018 except for main sources of uncertainty in estimates and new significant judgements related to lessee accounting under K-IFRS No.1116, which are described in note 2.(4).

(4) Changes in accounting policies

New standard, interpretations, and changes in accounting policies resulting from the adoption of them are as follows. The changes in accounting policies described below will be reflected in the annual financial statements for the year ending December 31, 2019.

The Group has initially adopted K-IFRS No.1116 Leases from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

K-IFRS No.1116 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The comparative information presented for 2018 has not been restated. It is presented, as previously reported, under K-IFRS No.1017 and related interpretations. The details of the changes in accounting policies are disclosed below.

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under K-IFRS No.2104 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS No.1116, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS No.1116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied K-IFRS No.1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No.1017 and K-IFRS No.2104 were not reassessed. Therefore, the definition of a lease under K-IFRS No.1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of land and Buildings in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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For the six-month periods ended June 30, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, continued

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No.1116, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

(In millions of won)

		Property, plant and equipment			
		Land and Buildings	Vehicles	Equipment	Total
Balance at January 1, 2019	₩	3,990	5,471	-	9,461
Balance at June 30, 2019		3,090	4,618	779	8,487

(In millions of rupee)

		Property, plant and equipment			
		Land and Buildings	Vehicles	Equipment	Total
Balance at January 1, 2019	Rs	238	327	-	565
Balance at June 30, 2019		185	276	46	507

The Group presents lease liabilities in 'other liabilities' in the consolidated statements of financial position.

① Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group measures Right-of-use asset's useful lives based on the lease period and, recognises amortisation costs using a straight-line method based on that useful lives.

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2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, continued

2) As a lessee, continued

① Significant accounting policies, continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

② Transition

Previously, the Group classified property leases as operating leases under K-IFRS No.1017. These include Land and Buildings, Vehicles. The leases typically run for lease period according to lease contract. Some leases include termination option or an option to renew the lease for an additional period after the end of the non-cancellable period.

At transition, for leases classified as operating leases under K-IFRS No.1017, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate and the interest rate implicit in the lease as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group used the following practical expedients when applying K-IFRS No.1116 to leases previously classified as operating leases under K-IFRS No.1017.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, continued

2) As a lessee, continued

③ As a lessor

The Group leases out some of right-of-use assets.

The accounting policies applicable to the Group as a lessor are not different from those under K-IFRS No.1017. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group is not required to make any adjustments on transition to K-IFRS No.1116 for leases in which it acts as a lessor.

The Group sub-leases some of Land and Buildings. On transition to K-IFRS No.1116, the right-of-use assets recognized from the head leases are presented in finance leases, and the sub-lease contracts are classified as finance leases under K-IFRS No.1116.

④ Impacts on financial statements

i) Impacts on transition

On transition to K-IFRS No.1116, the impact on-balance sheet is summarized below.

(In millions of won and in thousands of rupee)

	<u>Korean won</u>	<u>Indian rupee</u>
	January 1, 2019	January 1, 2019
Right-of-use assets	₩ 9,461	Rs 565
Sub-lease receivables	6,006	359
Lease liability	15,467	924

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate and the interest rate implicit in the lease at January 1, 2019. The weighted-average rate of incremental borrowing applied is 3.93%, and the weighted-average rate of the interest rate implicit in the lease applied is 10.36%.

(In millions of won and in thousands of rupee)

	<u>Korean won</u>	<u>Indian rupee</u>
	January 1, 2019	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's financial statements	₩ 10,269	Rs 613
Discounted using the incremental borrowing rate at January 1, 2019	8,257	493
– Recognition exemption for leases of low-value assets	(2,829)	(169)
– Recognition exemption for leases with less than 12 months of lease term at transition	(267)	(16)
– Sub-lease liabilities recognized and adjustment extension options reasonably certain to be exercised	10,306	616
Lease liabilities recognized at January 1, 2019	15,467	924

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2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, continued

2) As a lessee, continued

④ Impacts on financial statements, continued

ii) Impacts for the period

As a result of initially applying K-IFRS No.1116, in relation to the leases that were previously classified as operating leases, the Group recognized ₩ 8,487 million (Rs 507 million) of right-of-use assets and ₩ 8,545 million (Rs 510 million) of lease liabilities and respectively ₩ 4,794 million (Rs 286 million) of sub-lease receivables and sub-lease liabilities as of June 30, 2019.

Also in relation to those leases under K-IFRS No.1116, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six month ended June 30, 2019, the Group recognized ₩ 2,089 million (Rs 125 million) of depreciation costs and ₩ 264 million (Rs 16 million) of interest costs and ₩ 107 million (Rs 6 million) of interest income from these leases.

3. Significant Accounting Policies

Except for the changes in accounting policies as described in note 2.(4), the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements as of and for the year ended December 31, 2018.

The following new standards, interpretations and amendments to existing standards, which have been published, are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however the Group has not early adopted them.

The following amendment standards will not have a material impact on the Group.

- K-IFRS No.2123 'Uncertainty of tax treatment'
- K-IFRS No.1109 'Financial instruments' revision
- K-IFRS No.1028 'Investing in affiliated and joint ventures'
- K-IFRS No.1019 'employee salary'
- K-IFRS No.1117 'Insurance contract'

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.

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5. Restricted Financial Instruments

Restricted financial Instruments as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution	Korean won		Indian rupee		Description
		2019	2018	2019	2018	
Cash and cash equivalents	Shinhan Bank and others	₩ 1,160,350	1,086,949	Rs 69,273	64,891	Litigated asset, government grants and others
	Woori Bank	751,330	750,379	44,854	44,797	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	4,000	239	239	Bank account deposit
		₩ 1,915,680	1,841,328	Rs 114,366	109,927	

6. Non-Current Financial Assets

Non-Current financial assets as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	Ownership (%)		2019		2018	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	₩	500,000	722,313	500,000	500,000
Korea Management Consultants Association(*)	1.50		60,000	854,342	60,000	60,000
		₩	560,000	1,576,655	560,000	560,000

(In thousands of rupee)

	Ownership (%)		2019		2018	
			Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation(*)	1.72	Rs	29,850	43,122	29,850	29,850
Korea Management Consultants Association(*)	1.50		3,582	51,004	3,582	3,582
		Rs	33,432	94,126	33,432	33,432

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

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7. Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 138,463,636	201,416	157,304,034	1,332,414
Less: Allowance for doubtful accounts	(393,200)	(1,580)	(122,904)	(1,395)
Other receivables	9,162,199	181,475	8,760,688	147,500
Less: Allowance for doubtful accounts	(4,045,471)	(57,610)	(3,918,799)	(44,250)
Loans and others(*)	13,725,880	38,936,085	12,180,936	33,690,667
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	₩ 156,913,044	39,259,429	174,203,955	35,124,579

(*) The other receivables listed above include ₩ 4,793,772 thousand for sub-lease receivables and the interest revenue received by the sub-lease contract is ₩ 328,759 thousand.

(In thousands of rupee)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 8,266,279	12,025	9,391,050	79,545
Less: Allowance for doubtful accounts	(23,473)	(95)	(7,337)	(83)
Other receivables	546,983	10,834	523,013	8,806
Less: Allowance for doubtful accounts	(241,515)	(3,439)	(233,952)	(2,642)
Loans and others(*)	819,435	2,324,484	727,202	2,011,332
Less: Allowance for doubtful accounts	-	(21)	-	(21)
	Rs 9,367,709	2,343,788	10,399,976	2,096,937

(*) The other receivables listed above include Rs 286,188 thousand for sub-lease receivables and the interest revenue received by the sub-lease contract is Rs 19,627 thousand.

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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, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 119,123,457	56,416,605	147,811,277	48,190,129
Less than 180 days	11,483,642	910,849	3,899,884	361,228
Less than 270 days	4,824,716	309,805	3,844,119	133,364
Less than 365 days	1,726,218	206,588	2,511,167	1,878,601
More than 365 days	1,507,019	4,161,792	570,001	4,216,469
Impaired receivables	₩ 138,665,052	62,005,639	158,636,448	54,779,791
	394,780	4,103,438	124,299	3,963,406

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	Rs 7,111,670	3,368,071	8,824,333	2,876,950
Less than 180 days	685,573	54,378	232,823	21,565
Less than 270 days	288,036	18,495	229,494	7,962
Less than 365 days	103,055	12,333	149,917	112,152
More than 365 days	89,970	248,459	34,029	251,724
Impaired receivables	Rs 8,278,304	3,701,736	9,470,596	3,270,353
	23,568	244,975	7,421	236,615

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

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7. Trade and Other Receivables, Continued

(3) Changes in allowance for trade and other receivables for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 124,299	3,963,406	126,715	3,783,442
Bad debt expense	270,481	140,524	1,856	180,904
Reversal of allowance for bad debts	-	-	-	(5,948)
Removal	-	(492)	-	-
Ending balance	₩ 394,780	4,103,438	128,571	3,958,398

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 7,420	236,615	7,565	225,871
Bad debt expense	16,148	8,389	111	10,800
Reversal of allowance for bad debts	-	-	-	(355)
Removal	-	(29)	-	-
Ending balance	Rs 23,568	244,975	7,676	236,316

8. Inventories

Details of inventories as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Merchandises	₩ 39,184,540	44,349,645	Rs 2,339,317	2,647,674
Finished goods	166,102,612	83,787,753	9,916,326	5,002,129
Work-in-process	27,340,087	27,069,755	1,632,203	1,616,064
Raw materials	36,633,701	31,654,571	2,187,032	1,889,778
Sub-materials	393,518	413,615	23,493	24,693
Supplies	3,284,206	3,611,193	196,067	215,588
Goods in transit	50,068,609	37,725,938	2,989,096	2,252,238
	₩ 323,007,273	228,612,470	Rs 19,283,534	13,648,164

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 2,631,161 thousand (Rs 157,080 thousand) for the six months ended June 30, 2019 is included in cost of sales.

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9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of June 30, 2019 are as follows:

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

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

(2) Changes in the carrying amounts of investments in a joint venture for the six-month period ended June 30, 2019 is as follows:

(In thousands of won)

		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	16,706,345	937,757	(124)	17,643,978

(In thousands of rupee)

		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	Rs	997,369	55,984	(7)	1,053,346

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the six-month period ended June 30, 2019 is as follows:

(In thousands of won)

		2019				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	633,723	538,517	95,206	207,534	(212,582)
Ssangyong European Parts Center B.V.		14,046,528	16,650,095	(2,603,567)	9,883,577	727,018
Ssangyong Australia Pty Ltd		26,412,767	27,661,774	(1,249,007)	16,677,324	(1,731,102)
SY Auto Capital Co., Ltd.		88,954,153	55,604,575	33,349,578	7,447,829	2,230,282

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9. Investments in Subsidiaries and a Joint venture, Continued

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the six-month period ended June 30, 2019 is as follows, continued:

(In thousands of rupee)

		2019				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	37,833	32,149	5,684	12,390	(12,691)
Ssangyong European Parts Center B.V.		838,579	994,012	(155,433)	590,050	43,403
Ssangyong Australia Pty Ltd		1,576,842	1,651,408	(74,566)	995,636	(103,347)
SY Auto Capital Co., Ltd. (*)		5,310,563	3,319,593	1,990,970	444,635	133,148

(*) Additional financial information for the joint venture for the six-month period ended June 30, 2019 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	1,889,822	54,346,226	574,895	1,197,462	677,107	685,521

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	112,822	3,244,470	34,321	71,488	40,423	40,926

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9. Investments in Subsidiaries and a Joint venture, Continued

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

2) The summarized financial information of the Group's subsidiaries and a joint venture as of and for the year ended 2018 is as follows:

(In thousands of won)

		2018				Net income
		Assets	Liabilities	Equity	Sales	(loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	857,388	559,977	297,411	117,767	(770,177)
Ssangyong European Parts Center B.V.		10,573,792	13,824,773	(3,250,981)	19,240,893	157,039
Ssangyong Australia Pty Ltd		11,298,929	10,826,727	472,202	3,311,392	(2,455,680)
SY Auto Capital Co., Ltd.(*)		89,948,057	58,812,195	31,135,862	13,564,131	2,728,552

(In thousands of rupee)

		2018				Net income
		Assets	Liabilities	Equity	Sales	(loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	51,186	33,431	17,755	7,031	(45,980)
Ssangyong European Parts Center B.V.		631,255	825,339	(194,084)	1,148,681	9,375
Ssangyong Australia Pty Ltd		674,546	646,356	28,190	197,690	(146,604)
SY Auto Capital Co., Ltd.(*)		5,369,899	3,511,088	1,858,811	809,779	162,895

(*) Additional financial information for the joint venture for the year ended 2018 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	2,032,075	57,730,337	821,860	2,356,269	1,298,471	914,140

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	121,315	3,446,501	49,065	140,669	77,519	54,574

(4) Reconciliation from the net assets of the Company's joint venture to the carrying amount of investments in joint venture as of June 30, 2019 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Company	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩	33,349,578	51.00%	17,008,286	635,692	17,643,978

(In thousands of rupee)

		Net assets	Percentage of ownership	Share of the net assets of the Company	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	Rs	1,990,970	51.00%	1,015,395	37,951	1,053,346

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10. Other Assets

Details of other assets as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Other current assets				
Advance payments	₩ 1,460,159	1,028,309	Rs 87,171	61,390
Prepaid expenses	10,941,366	9,947,199	653,200	593,848
Current tax assets	280,913	324,294	16,771	19,360
	₩ 12,682,438	11,299,802	Rs 757,142	674,598
Other non-current assets				
Other non-current assets	₩ 288,669	291,258	Rs 17,234	17,388
Right-of-use assets(*)	8,487,365	-	506,695	-
	₩ 8,776,034	291,258	Rs 523,929	17,388

(*)The details and depreciation costs for right-of-use assets are as follows:

(In thousands of won)	Beginning balance	Increase	Depreciation	Others	Ending balance
Land and building	₩ 3,990,125	76,388	(1,072,466)	96,425	3,090,472
Vehicle	5,470,948	133,963	(994,831)	7,555	4,617,635
Equipment	-	801,522	(22,264)	-	779,258
Total	₩ 9,461,073	1,011,873	(2,089,561)	103,980	8,487,365

(In thousands of rupee)	Beginning balance	Increase	Depreciation	Others	Ending balance
Land and building	Rs 238,210	4,560	(64,026)	5,757	184,501
Vehicle	326,616	7,998	(59,391)	451	275,674
Equipment	-	47,851	(1,329)	-	46,522
Total	Rs 564,826	60,409	(124,746)	6,208	506,697

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(Unaudited)

For the six-month periods ended June 30, 2019 and 2018

11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 474,755,254	(7,354)	-	-	474,747,900
Buildings	551,413,295	(3,732,207)	(234,206,152)	(148,366,786)	165,108,150
Structures	112,231,087	(79,631)	(66,679,717)	(28,862,964)	16,608,775
Machinery	1,302,664,750	(140,846)	(1,037,010,464)	(92,156,271)	173,357,169
Vehicles	9,520,163	(5,111)	(5,838,120)	(446,780)	3,230,152
Tools and molds	1,400,077,580	(21,371)	(870,496,977)	(156,459,679)	373,099,553
Equipment	68,429,985	(66,744)	(53,069,428)	(2,868,993)	12,424,820
Construction in progress	17,500,551	-	-	-	17,500,551
Machinery in transit	456,624	-	-	-	456,624
	₩ 3,937,049,289	(4,053,264)	(2,267,300,858)	(429,161,473)	1,236,533,694

(In thousands of won)

	2018				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 475,116,992	(7,354)	-	-	475,109,638
Buildings	550,322,646	(3,734,723)	(228,576,444)	(148,366,786)	169,644,693
Structures	112,176,542	(90,063)	(65,850,786)	(28,862,964)	17,372,729
Machinery	1,276,272,698	(166,908)	(1,023,019,261)	(92,390,513)	160,696,016
Vehicles	8,195,311	(5,878)	(5,821,277)	(516,742)	1,851,414
Tools and molds	1,261,396,400	(24,038)	(826,949,338)	(157,469,741)	276,953,283
Equipment	69,709,884	(74,248)	(52,108,182)	(3,203,583)	14,323,871
Construction in progress	110,855,937	-	-	-	110,855,937
Machinery in transit	1,318,137	-	-	-	1,318,137
	₩ 3,865,364,547	(4,103,212)	(2,202,325,288)	(430,810,329)	1,228,125,718

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the six-month periods ended June 30, 2019 and 2018

11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of June 30, 2019 and December 31, 2018 are as follows, continued:

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	28,342,889	(439)	-	-	28,342,450
Buildings		32,919,374	(222,814)	(13,982,107)	(8,857,497)	9,856,956
Structures		6,700,196	(4,754)	(3,980,779)	(1,723,119)	991,544
Machinery		77,769,086	(8,409)	(61,909,525)	(5,501,729)	10,349,423
Vehicles		568,354	(305)	(348,536)	(26,673)	192,840
Tools and molds		83,584,632	(1,276)	(51,968,670)	(9,340,643)	22,274,043
Equipment		4,085,270	(3,985)	(3,168,245)	(171,279)	741,761
Construction in progress		1,044,783	-	-	-	1,044,783
Machinery in transit		27,262	-	-	-	27,262
	Rs	<u>235,041,846</u>	<u>(241,982)</u>	<u>(135,357,862)</u>	<u>(25,620,940)</u>	<u>73,821,062</u>

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	28,364,484	(439)	-	-	28,364,045
Buildings		32,854,262	(222,963)	(13,646,014)	(8,857,497)	10,127,788
Structures		6,696,940	(5,377)	(3,931,292)	(1,723,119)	1,037,152
Machinery		76,193,479	(9,964)	(61,074,250)	(5,515,714)	9,593,551
Vehicles		489,260	(351)	(347,530)	(30,849)	110,530
Tools and molds		75,305,365	(1,435)	(49,368,875)	(9,400,944)	16,534,111
Equipment		4,161,679	(4,432)	(3,110,858)	(191,254)	855,135
Construction in progress		6,618,099	-	-	-	6,618,099
Machinery in transit		78,694	-	-	-	78,694
	Rs	<u>230,762,262</u>	<u>(244,961)</u>	<u>(131,478,819)</u>	<u>(25,719,377)</u>	<u>73,319,105</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the six-month periods ended June 30, 2019 and 2018

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

		2019					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩	475,109,638	-	(361,738)	-	-	474,747,900
Buildings		169,644,693	25,120	-	(5,578,587)	1,016,924	165,108,150
Structures		17,372,729	-	(2,409)	(831,724)	70,179	16,608,775
Machinery		160,696,016	82,229	(261,902)	(18,889,606)	31,730,432	173,357,169
Vehicles		1,851,414	267,967	(448,588)	(327,311)	1,886,670	3,230,152
Tools and molds		276,953,283	835,270	(4,274)	(50,550,151)	145,865,425	373,099,553
Equipment		14,323,871	791,664	(22,854)	(2,783,514)	115,653	12,424,820
Construction in progress		110,855,937	84,064,751	-	-	(177,420,137)	17,500,551
Machinery in transit		1,318,137	223,201	-	-	(1,084,714)	456,624
	₩	<u>1,228,125,718</u>	<u>86,290,202</u>	<u>(1,101,765)</u>	<u>(78,960,893)</u>	<u>2,180,432</u>	<u>1,236,533,694</u>

(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		1,199,808	114,689	(181,507)	(202,448)	522,383	1,452,925
Tools and molds		298,398,114	523,400	(53,725)	(44,236,261)	55,864,885	310,496,413
Equipment		16,433,791	1,096,820	(22,008)	(3,212,405)	270,420	14,566,618
Construction in progress		87,441,686	46,360,246	-	-	(73,372,787)	60,429,145
	₩	<u>1,239,703,951</u>	<u>48,228,160</u>	<u>(264,793)</u>	<u>(70,318,736)</u>	<u>1,002,057</u>	<u>1,218,350,639</u>

(*) Capitalized borrowing costs in respect of construction in progress are ₩ 603,573 thousand (2018: ₩ 482,056 thousand) and ₩ 1,299,593 thousand (2018: ₩ 518,998 thousand) which are transferred from inventory to vehicles during the six-month periods ended June 30, 2019 and 2018, respectively.

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For the six-month periods ended June 30, 2019 and 2018

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

		2019					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,364,045	-	(21,595)	-	-	28,342,450
Buildings		10,127,788	1,500	-	(333,042)	60,710	9,856,956
Structures		1,037,152	-	(144)	(49,654)	4,190	991,544
Machinery		9,593,551	4,909	(15,636)	(1,127,708)	1,894,307	10,349,423
Vehicles		110,530	15,998	(26,781)	(19,540)	112,633	192,840
Tools and molds		16,534,111	49,866	(255)	(3,017,845)	8,708,166	22,274,043
Equipment		855,135	47,262	(1,364)	(166,176)	6,904	741,761
Construction in progress		6,618,099	5,018,666	-	-	(10,591,982)	1,044,783
Machinery in transit		78,694	13,325	-	-	(64,757)	27,262
	Rs	<u>73,319,105</u>	<u>5,151,526</u>	<u>(65,775)</u>	<u>(4,713,965)</u>	<u>130,171</u>	<u>73,821,062</u>

(In thousands of rupee)

		2018					
		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	Rs	28,361,256	-	-	-	-	28,361,256
Buildings		10,474,395	3,539	(21)	(323,788)	50,754	10,204,879
Structures		998,014	2,269	-	(52,091)	100,723	1,048,915
Machinery		10,089,298	2,133	(430)	(977,378)	906,238	10,019,861
Vehicles		71,629	6,847	(10,836)	(12,086)	31,186	86,740
Tools and molds		17,814,368	31,248	(3,209)	(2,640,905)	3,335,134	18,536,636
Equipment		981,097	65,479	(1,314)	(191,781)	16,144	869,625
Construction in progress		5,220,270	2,767,707	-	-	(4,380,355)	3,607,622
	Rs	<u>74,010,327</u>	<u>2,879,222</u>	<u>(15,810)</u>	<u>(4,198,029)</u>	<u>59,824</u>	<u>72,735,534</u>

(*) Capitalized borrowing costs in respect of construction in progress are Rs 36,033 thousand (2018: Rs 28,779 thousand) and Rs 77,586 thousand (2018: Rs 30,985 thousand) which are transferred from inventory to vehicles during the six-month periods ended June 30, 2019 and 2018, respectively.

(3) Details of pledged assets provided as collateral for the borrowings as of June 30, 2019 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	₩ 339,764,112		Rs 20,283,917	
Buildings and structures	51,317,278	219,000,000	3,063,641	13,074,300
Machinery and others	22,552		1,346	
	<u>₩ 391,103,942</u>	<u>219,000,000</u>	<u>Rs 23,348,904</u>	<u>13,074,300</u>

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11. Property, Plant and Equipment, Continued

(4) Capitalized borrowing costs and capitalization interest rate for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Rs	Indian rupee	
		2019	2018		2019	2018
Capitalized interest expenses(*)	₩	2,064,654	1,838,098		123,260	109,734
Capitalization interest rate		3.67%	3.35%		3.67%	3.35%

(*) Capitalized borrowing costs for intangible assets are ₩ 1,461,081 thousand (Rs 87,227 thousand) and ₩ 1,356,042 thousand (Rs 80,956 thousand) for the six-month periods ended June 30, 2019 and 2018, respectively.

12. Intangible Assets

(1) Details of intangible assets as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	504,283,442	-	(225,974,304)	-	278,309,138
Patents		4,585,748	(10,451)	(3,224,633)	(131,898)	1,218,766
Other intangible assets		112,463,674	(1,332)	(32,228,568)	(1,409,450)	78,824,324
	₩	<u>621,332,864</u>	<u>(11,783)</u>	<u>(261,427,505)</u>	<u>(1,541,348)</u>	<u>358,352,228</u>

(In thousands of won)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	345,185,015	-	(182,160,013)	-	163,025,002
Patents		4,360,730	(11,558)	(2,907,159)	(107,788)	1,334,225
Other intangible assets		221,383,684	(6,186)	(30,567,312)	(1,409,450)	189,400,736
	₩	<u>570,929,429</u>	<u>(17,744)</u>	<u>(215,634,484)</u>	<u>(1,517,238)</u>	<u>353,759,963</u>

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12. Intangible Assets, Continued

(1) Details of intangible assets as of June 30, 2019 and December 31, 2018 are as follows, continued:

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	30,105,721	-	(13,490,666)	-	16,615,055
Patents		273,769	(624)	(192,511)	(7,874)	72,760
Other intangible assets		6,714,082	(79)	(1,924,046)	(84,144)	4,705,813
	Rs	<u>37,093,572</u>	<u>(703)</u>	<u>(15,607,223)</u>	<u>(92,018)</u>	<u>21,393,628</u>

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	20,607,546	-	(10,874,953)	-	9,732,593
Patents		260,337	(690)	(173,557)	(6,435)	79,655
Other intangible assets		13,216,605	(370)	(1,824,869)	(84,144)	11,307,222
	Rs	<u>34,084,488</u>	<u>(1,060)</u>	<u>(12,873,379)</u>	<u>(90,579)</u>	<u>21,119,470</u>

(2) Changes in intangible assets for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

		2019						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
Internally created intangible assets:								
Development cost	₩	163,025,002	-	(43,814,291)	-	159,098,427	-	278,309,138
Other intangible assets		181,843,818	46,579,786	-	-	(159,098,427)	1,461,081	70,786,258
		<u>344,868,820</u>	<u>46,579,786</u>	<u>(43,814,291)</u>	<u>-</u>	<u>-</u>	<u>1,461,081</u>	<u>349,095,396</u>
Individually acquired intangible assets:								
Patents		1,334,225	225,018	(316,367)	(24,110)	-	-	1,218,766
Other intangible assets		7,556,918	1,904,434	(1,656,357)	-	232,538	533	8,038,066
		<u>8,891,143</u>	<u>2,129,452</u>	<u>(1,972,724)</u>	<u>(24,110)</u>	<u>232,538</u>	<u>533</u>	<u>9,256,832</u>
	₩	<u>353,759,963</u>	<u>48,709,238</u>	<u>(45,787,015)</u>	<u>(24,110)</u>	<u>232,538</u>	<u>1,461,614</u>	<u>358,352,228</u>

(*) Included in other intangible assets during the current quarter was capitalization cost of ₩ 1,461,081 thousand and ₩ 232,538 thousand of the property, plant and equipment under construction.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the six-month periods ended June 30, 2019 and 2018 are as follows, continued:

(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
		<u>293,926,802</u>	<u>44,306,232</u>	<u>(33,182,979)</u>	<u>-</u>	<u>-</u>	<u>1,356,042</u>	<u>306,406,097</u>
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
		<u>9,341,918</u>	<u>672,470</u>	<u>(2,157,822)</u>	<u>(9,998)</u>	<u>-</u>	<u>-</u>	<u>7,846,568</u>
	₩	<u>303,268,720</u>	<u>44,978,702</u>	<u>(35,340,801)</u>	<u>(9,998)</u>	<u>-</u>	<u>1,356,042</u>	<u>314,252,665</u>

(*) Included in other intangible assets during the prior quarter was capitalization cost of ₩ 1,356,042 thousand

(In thousands of rupee)

		2019						
		Beginning balance	Acquisition	Amortization	Impairment	Transfer	Others(*)	Ending balance
Internally created intangible assets:								
Development cost	Rs	9,732,593	-	(2,615,713)	-	9,498,175	-	16,615,055
Other intangible assets		10,856,075	2,780,813	-	-	(9,498,175)	87,227	4,225,940
		<u>20,588,668</u>	<u>2,780,813</u>	<u>(2,615,713)</u>	<u>-</u>	<u>-</u>	<u>87,227</u>	<u>20,840,995</u>
Individually acquired intangible assets:								
Patents		79,655	13,434	(18,889)	(1,440)	-	-	72,760
Other intangible assets		451,147	113,695	(98,883)	-	13,883	31	479,873
		<u>530,802</u>	<u>127,129</u>	<u>(117,772)</u>	<u>(1,440)</u>	<u>13,883</u>	<u>31</u>	<u>552,633</u>
	Rs	<u>21,119,470</u>	<u>2,907,942</u>	<u>(2,733,485)</u>	<u>(1,440)</u>	<u>13,883</u>	<u>87,258</u>	<u>21,393,628</u>

(*) Included in other intangible assets during the current quarter was capitalization cost of Rs 87,227 thousand and Rs 13,883 thousand of the property, plant and equipment under construction.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the six-month periods ended June 30, 2019 and 2018 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	11,292,933	-	(1,981,024)	-	2,401,707	-	11,713,616
Other intangible assets		6,254,497	2,645,082	-	-	(2,401,707)	80,956	6,578,828
		17,547,430	2,645,082	(1,981,024)	-	-	80,956	18,292,444
Individually acquired intangible assets:								
Patents		95,101	10,939	(18,015)	(597)	-	-	87,428
Other intangible assets		462,611	29,207	(110,807)	-	-	-	381,011
		557,712	40,146	(128,822)	(597)	-	-	468,439
	Rs	18,105,142	2,685,228	(2,109,846)	(597)	-	80,956	18,760,883

(*) Included in other intangible assets during the prior quarter was capitalization cost of Rs 80,956 thousand.

(3) Details of capitalized development costs as of June 30, 2019 are as follows.

(In thousands of won and in thousands of rupee)

	Project name		Korean won		Indian rupee	Remaining amortization period(*1)
Development costs	RV(*2)	₩	240,551,593	Rs	14,360,930	1~4 years
	Power train and others		37,757,545		2,254,125	1~4 years
Other intangible assets	RV(*3)		70,786,258		4,225,940	-
	Power train and others		-		-	-
		₩	349,095,396	Rs	20,840,995	

(*1) If the amortization is initiated, the remaining amortization period is recorded. If the amortization is not started, it is marked with "-" only.

(*2) Development projects for vehicles that have been completed, which are on sale as of June 30, 2019.

(*3) On-going development project for vehicles as of June 30, 2019 for consumer needs and market conditions.

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12. Intangible Assets, Continued

(4) Details of expenditures for research and developments for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Other intangible assets	₩ 48,040,867	45,662,274	Rs 2,868,040	2,726,038
Manufacturing costs	48,127,326	32,260,681	2,873,201	1,925,963
Selling and administrative expenses	6,556,455	8,157,690	391,420	487,014
	₩ <u>102,724,648</u>	<u>86,080,645</u>	Rs <u>6,132,661</u>	<u>5,139,015</u>

13. Borrowings

(1) Details of short-term borrowings as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)	Korean won		Indian rupee	
			2019	2018	2019	2018
Korea Development Bank	Operating fund	CD+1.98	₩ 30,000,000	30,000,000	Rs 1,791,000	1,791,000
Kookmin Bank	Facility fund(*)	CD+2.00	10,000,000	5,000,000	597,000	298,500
Citi Bank Korea and others	Banker's usance	0.30 ~3.53	154,670,605	143,227,545	9,233,835	8,550,684
			₩ <u>194,670,605</u>	<u>178,227,545</u>	Rs <u>11,621,835</u>	<u>10,640,184</u>

(*) Current portion of long-term borrowing

(2) Details of long-term borrowing as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)	Korean won		Indian rupee	
			2019	2018	2019	2018
Korea Development Bank	Facility fund	CD+1.57	₩ 70,000,000	70,000,000	Rs 4,179,000	4,179,000
JP Morgan	Facility fund	CD+2.00	40,000,000	-	2,388,000	-
Kookmin Bank	Facility fund	CD+2.00	16,250,000	10,000,000	970,125	597,000
Less: Current portion			(10,000,000)	(5,000,000)	(597,000)	(298,500)
			₩ <u>116,250,000</u>	<u>75,000,000</u>	Rs <u>6,940,125</u>	<u>4,477,500</u>

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13. Borrowings, Continued

(3) Details of pledged assets as collateral for borrowings as of June 30, 2019 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Pledged assets	Korean won		Indian rupee	
		Borrowings amount	Maximum credit amount	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 100,000,000	195,000,000	Rs 5,970,000	11,641,500
Kookmin Bank	Land, buildings	16,250,000	24,000,000	970,125	1,432,800
		₩ 116,250,000	219,000,000	Rs 6,940,125	13,074,300

14. Other Financial Liabilities

Details of other financial liabilities as of June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Accrued expenses	₩	30,811,155	38,053,382	Rs 1,839,426	2,271,787

15. Provision of Warranty for sale

The Group 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, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Beginning balance	₩	135,038,087	146,239,557	Rs 8,061,774	8,730,502
Increase		14,018,424	8,728,367	836,900	521,084
Decrease		17,855,280	19,579,800	1,065,960	1,168,914
Ending balance	₩	131,201,231	135,388,124	Rs 7,832,714	8,082,672
Current	₩	50,044,554	47,622,669	Rs 2,987,660	2,843,073
Non-current		81,156,677	87,765,455	4,845,054	5,239,599

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16. Other Liabilities

Details of other liabilities as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

		2019		2018	
		Current	Non-current	Current	Non-current
Advances from customers	₩	2,533,482	-	3,817,676	-
Deposits received		641,295	-	525,166	-
Withholdings		19,829,099	-	22,650,210	-
Deferred income		4,122,278	13,196,441	5,968,033	11,317,482
Lease liabilities(*)		7,095,720	6,243,498	-	-
	₩	<u>34,221,874</u>	<u>19,439,939</u>	<u>32,961,085</u>	<u>11,317,482</u>

(*) The total amount of lease liabilities paid in the current term is ₩ 4,875,246 thousand and interests expenses is ₩ 264,156 thousand.

(In thousands of rupee)

		2019		2018	
		Current	Non-current	Current	Non-current
Advances from customers	Rs	151,249	-	227,915	-
Deposits received		38,285	-	31,352	-
Withholdings		1,183,797	-	1,352,218	-
Deferred income		246,101	787,827	356,290	675,654
Lease liabilities(*)		423,614	372,737	-	-
	Rs	<u>2,043,046</u>	<u>1,160,564</u>	<u>1,967,775</u>	<u>675,654</u>

(*) The total amount of lease liabilities paid in the current term is Rs 291,052 thousand and interests expenses is Rs 15,770 thousand.

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17. Employee Benefits

(1) Details of defined benefit liabilities as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Present value of defined benefit obligations	₩ 339,444,499	330,195,117	Rs 20,264,837	19,712,648
Fair value of plan assets	(966,651)	(1,013,651)	(57,709)	(60,514)
	₩ 338,477,848	329,181,466	Rs 20,207,128	19,652,134

(2) Changes in defined benefit liabilities for the six months ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 330,195,117	(1,013,651)	329,181,466
Current service cost	19,861,099	-	19,861,099
Interest expense (income)	4,295,396	(13,159)	4,282,237
Sub-total	₩ 354,351,612	(1,026,810)	353,324,802
Re-measurement factors:			
Re-measurements of plan assets	-	3,441	3,441
Sub-total	₩ -	3,441	3,441
Benefit paid by plan	(56,718)	56,718	-
Benefit paid directly	(14,850,395)	-	(14,850,395)
Ending balance	₩ 339,444,499	(966,651)	338,477,848

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

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17. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the six months ended June 30, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 19,712,649	(60,515)	19,652,134
Current service cost	1,185,708	-	1,185,708
Interest expense (income)	256,435	(785)	255,650
Sub-total	Rs 21,154,792	(61,300)	21,093,492
Re-measurement factors:			
Re-measurements of plan assets	-	205	205
Sub-total	Rs -	205	205
Benefit paid by plan	(3,386)	3,386	-
Benefit paid directly	(886,569)	-	(886,569)
Ending balance	Rs 20,264,837	(57,709)	20,207,128

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,053,788	(65,370)	16,988,418
Current service cost	1,084,176	-	1,084,176
Interest expense (income)	265,437	(1,016)	264,421
Sub-total	Rs 18,403,401	(66,386)	18,337,015
Re-measurement factors:			
Re-measurements of plan assets	-	391	391
Sub-total	Rs -	391	391
Benefit paid by plan	(4,002)	4,002	-
Benefit paid directly	(750,248)	-	(750,248)
Ending balance	Rs 17,649,151	(61,993)	17,587,158

(3) The components of plan assets as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Insurance contracts	₩ 966,651	1,013,651	Rs 57,709	60,515

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17. Employee Benefits, Continued

(4) Actuarial assumptions used related to plans as of June 30, 2019 and December 31, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate (%)	2.63	2.63
Rate of future salary growth (%)	3.95	3.95

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 Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The discount rate for the calculation of the present value of defined benefit obligations is also used as expected return on plan assets.

18. Commitments and Contingencies

Details of commitments and contingencies as of June 30, 2019 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of June 30, 2019, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 303,250 million (Rs 18,104 million) and USD 245 million.
- (3) As of June 30, 2019, the Group has been provided with guarantees amounting to USD 896,649 by Standard Chartered Bank Korea Limited in connection with refunds for advance received and performing transactions.
- (4) As of June 30, 2019, 5 claims as a plaintiff were filed with the claim amount of ₩ 6,070 million (Rs 362 million) and 13 claims as a defendant were filed with the claims of ₩ 4,063 million (Rs 243 million). The Group made a reasonable estimate by considering the possibility and amount of outflow of resources, and recognized the provision of ₩ 7,025 million (Rs 419 million) as other payable for the foregoing lawsuits and claims.

19. Capital Stock

(1) The Group's capital stock as of June 30, 2019 and December 31, 2018 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Number of shares authorized (In shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (In shares)	149,840,002	137,949,396	149,840,002	137,949,396
Par value (In won and in rupee)	₩ 5,000	5,000	Rs 299	299
Capital stock	749,200,010	689,746,980	44,727,241	41,177,895

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19. Capital Stock, Continued

(2) Changes in the Company's shares outstanding for the years ended June 30, 2019 and 2018 are as follows:

(In share)

	<u>2019</u>	<u>2018</u>
Beginning Shares outstanding	137,949,396	137,949,396
Paid-up capital	11,890,606	-
Ending Shares outstanding	149,840,002	137,949,396

20. Other Capital Surplus and Retained Earnings

Details of other capital surplus and retained earnings as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	<u>Korean won</u>		<u>Indian rupee</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Paid-in capital in excess of par value	₩ 3,169,616	12,916,274	Rs 189,226	771,102
Gain on capital reduction	74,061,696	74,061,696	4,421,483	4,421,483
Debt to be swapped for equity	931,508	931,508	55,611	55,611
	<u>₩ 78,162,820</u>	<u>87,909,478</u>	<u>Rs 4,666,320</u>	<u>5,248,196</u>

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21. Other Equity

(1) Details of the Group's other equity as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Gains on valuation of derivatives	₩ (32,620)	103,000	Rs (1,948)	6,149
Accumulated foreign currency translation difference for foreign operation	1,080,283	1,139,617	64,493	68,036
	₩ <u>1,047,663</u>	<u>1,242,617</u>	Rs <u>62,545</u>	<u>74,185</u>

(2) Changes in the Group's gains (losses) on valuation of derivatives for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ 103,000	-	Rs 6,149	-
Gains on valuation of derivatives	(32,620)	156,970	(1,948)	9,371
Reclassified to net income	(103,000)	-	(6,149)	-
Ending balance	₩ <u>(32,620)</u>	<u>156,970</u>	Rs <u>(1,948)</u>	<u>9,371</u>

(3) Changes in the foreign currency translation difference for foreign operation for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ 1,139,617	1,153,581	Rs 68,036	68,868
Foreign currency translation difference for foreign operation	(59,334)	(15,638)	(3,543)	(933)
Ending balance	₩ <u>1,080,283</u>	<u>1,137,943</u>	Rs <u>64,493</u>	<u>67,935</u>

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22. Accumulated deficit

(1) Details of deficit as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Deficit	₩ (163,183,221)	(85,610,655)	Rs (9,742,037)	(5,110,956)

(2) Changes in deficit for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Beginning balance	₩ (85,610,655)	(48,887,556)	Rs (5,110,956)	(2,918,587)
Disposition of deficit	-	45,232,442	-	2,700,377
Loss for the period	(77,569,001)	(39,615,138)	(4,630,869)	(2,365,024)
Defined benefit plan re-measurement	(3,441)	(6,548)	(205)	(391)
Defined benefit plan re-measurement from joint venture	(124)	(420)	(7)	(25)
Ending balance	₩ (163,183,221)	(43,277,220)	Rs (9,742,037)	(2,583,650)

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, 2019.

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24. Nature of Expenses

Details of nature of expenses for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (67,956,300)	(77,420,085)	₩ 8,295,663	(3,478,858)
Raw materials consumed and purchase of merchandise	721,029,154	1,374,421,662	642,052,072	1,197,970,089
Employee benefits	139,084,055	278,156,142	136,217,775	264,936,778
Depreciation	41,356,349	78,960,893	35,102,501	70,318,736
Amortization	25,229,566	45,787,015	17,662,675	35,340,801
Others	125,429,377	245,277,921	110,006,715	224,272,275
	₩ <u>984,172,201</u>	<u>1,945,183,548</u>	₩ <u>949,337,401</u>	<u>1,789,359,821</u>

(In thousands of Rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	Rs (4,056,991)	(4,621,979)	Rs 495,251	(207,688)
Raw materials consumed and purchase of merchandise	43,045,440	82,052,973	38,330,509	71,518,814
Employee benefits	8,303,318	16,605,922	8,132,201	15,816,726
Depreciation	2,468,974	4,713,966	2,095,619	4,198,029
Amortization	1,506,205	2,733,485	1,054,462	2,109,845
Others	7,488,135	14,643,090	6,567,401	13,389,055
	Rs <u>58,755,081</u>	<u>116,127,457</u>	Rs <u>56,675,443</u>	<u>106,824,781</u>

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

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25. Derivatives

The Group holds derivative contracts to minimize foreign exchange risk. As of June 30, 2019, effective portion of changes in fair value of cash flow hedge is ₩ 32,620 thousand (Rs 1,948 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 ₩ 37,473 thousand (Rs 2,237 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, 2019 are net amounting to ₩ 150,697 thousand (Rs 8,997 thousand) recognized in current loss.

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	₩ 13,771,754	25,897,911	₩ 9,711,123	18,835,998
Commissions	58,828,857	118,115,875	59,449,970	109,335,109
Advertising	4,488,904	11,348,734	3,710,379	10,632,934
Export expenses	2,861,230	6,634,327	1,881,439	3,331,568
Others	9,235,992	16,966,458	4,813,275	11,965,726
	₩ <u>89,186,737</u>	<u>178,963,305</u>	₩ <u>79,566,186</u>	<u>154,101,335</u>

(In thousands of Rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	Rs 822,174	1,546,105	Rs 579,754	1,124,509
Commissions	3,512,083	7,051,518	3,549,163	6,527,306
Advertising	267,988	677,519	221,510	634,786
Export expenses	170,815	396,069	112,322	198,895
Others	551,388	1,012,898	287,352	714,355
	Rs <u>5,324,448</u>	<u>10,684,109</u>	Rs <u>4,750,101</u>	<u>9,199,851</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, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 13,999,525	28,201,046	₩ 13,583,709	26,530,435
Retirement benefit costs	1,518,216	3,042,168	1,479,390	2,943,168
Employee welfare	3,455,399	6,678,349	3,043,327	5,978,804
Rent expense	2,584,622	5,118,079	3,009,850	6,041,124
Service fees	7,535,187	16,871,669	8,876,045	18,300,675
Depreciation	7,872,765	15,114,208	3,796,202	7,742,515
R&D expenses	2,045,107	6,556,455	4,218,369	8,157,690
Amortization	1,015,427	1,972,726	985,794	2,072,432
Bad debt expense	168,759	270,481	10,389	1,857
Others	9,974,755	18,665,324	9,909,764	17,930,355
	₩ <u>50,169,762</u>	<u>102,490,505</u>	₩ <u>48,912,839</u>	<u>95,699,055</u>

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	Rs 835,772	1,683,602	Rs 810,947	1,583,867
Retirement benefit costs	90,637	181,617	88,320	175,707
Employee welfare	206,287	398,697	181,687	356,935
Rent expense	154,302	305,549	179,688	360,655
Service fees	449,851	1,007,239	529,900	1,092,550
Depreciation	470,004	902,318	226,633	462,228
R&D expenses	122,093	391,420	251,837	487,014
Amortization	60,621	117,772	58,852	123,724
Bad debt expense	10,075	16,148	620	111
Others	595,493	1,114,321	591,612	1,070,441
	Rs <u>2,995,135</u>	<u>6,118,683</u>	Rs <u>2,920,096</u>	<u>5,713,232</u>

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27. Other Income and Expenses

(1) Details of other income for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	₩ 1,427,944	2,220,349	₩ 1,358,928	2,861,641
Foreign exchange translation gain	801,918	1,131,336	(123,573)	413,667
Gain on disposal of property, plant and equipment	404,029	660,006	117,272	129,845
Others	3,070,403	4,808,920	894,635	2,223,815
	₩ 5,704,294	8,820,611	₩ 2,247,262	5,628,968

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	Rs 85,248	132,555	Rs 81,128	170,840
Foreign exchange translation gain	47,875	67,541	(7,377)	24,696
Gain on disposal of property, plant and equipment	24,121	39,402	7,001	7,752
Others	183,302	287,091	53,410	132,761
	Rs 340,546	526,589	Rs 134,162	336,049

(2) Details of other expenses for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	₩ 2,084,423	2,943,777	₩ 1,465,055	3,038,336
Foreign exchange translation loss	108,854	349,630	509,014	621,435
Loss on disposal of property, plant and equipment	67,543	347,905	25,821	135,562
Loss on disposal of trade receivables	28,451	56,144	14,892	37,642
Others	1,043,922	1,538,653	767,345	977,604
	₩ 3,333,193	5,236,109	₩ 2,782,127	4,810,579

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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, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	Rs 124,440	175,743	Rs 87,464	181,389
Foreign exchange translation loss	6,499	20,873	30,388	37,100
Loss on disposal of property, plant and equipment	4,032	20,770	1,542	8,093
Loss on disposal of trade receivables	1,699	3,352	889	2,247
Others	62,322	91,858	45,810	58,363
	<u>Rs 198,992</u>	<u>312,596</u>	<u>Rs 166,093</u>	<u>287,192</u>

28. Finance Income and Costs

(1) Details of finance income for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	₩ 1,244,384	2,378,141	₩ 467,108	1,021,379
Dividend income	5,000	11,000	5,000	11,000
Foreign exchange transaction gain	1,057,632	2,913,145	1,579,458	2,748,263
Foreign exchange translation gain	246,111	448,838	137,044	409,635
Realized gain of financial derivatives	126,685	387,229	1,382,880	2,492,747
Unrealized gain of financial derivatives	(184,847)	37,473	940,348	1,011,315
	<u>₩ 2,494,965</u>	<u>6,175,826</u>	<u>₩ 4,511,838</u>	<u>7,694,339</u>

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	Rs 74,290	141,975	Rs 27,886	60,976
Dividend income	299	657	299	657
Foreign exchange transaction gain	63,141	173,915	94,294	164,071
Foreign exchange translation gain	14,691	26,795	8,181	24,455
Realized gain of financial derivatives	7,563	23,118	82,558	148,817
Unrealized gain of financial derivatives	(11,035)	2,237	56,139	60,376
	<u>Rs 148,949</u>	<u>368,697</u>	<u>Rs 269,357</u>	<u>459,352</u>

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28. Finance Income and Costs, Continued

(2) Details of finance costs for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	₩ 937,850	1,337,797	₩ 95,492	504,503
Foreign exchange transaction loss	3,482,264	5,074,615	2,677,363	5,970,894
Foreign exchange translation loss	3,354,993	4,636,318	(759,753)	2,647,401
Realized loss of financial derivatives	106,032	141,589	889,190	1,025,788
Unrealized loss of financial derivatives	102,479	150,697	(297,870)	37,250
	₩ 7,983,618	11,341,016	₩ 2,604,422	10,185,836

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	Rs 55,990	79,866	Rs 5,701	30,119
Foreign exchange transaction loss	207,891	302,955	159,839	356,462
Foreign exchange translation loss	200,291	276,786	(45,357)	158,049
Realized loss of financial derivatives	6,330	8,453	53,085	61,240
Unrealized loss of financial derivatives	6,118	8,997	(17,783)	2,224
	Rs 476,620	677,057	Rs 155,485	608,094

(3) Details of the Group's financial net profit or loss for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Amortised cost of financial assets and financial liabilities	₩ (5,226,980)	(5,308,606)	₩ 170,509	(4,943,521)
Non-Current financial assets	5,000	11,000	5,000	11,000
Derivatives financial assets (liabilities)	(266,673)	132,416	1,731,907	2,441,024
	₩ (5,488,653)	(5,165,190)	₩ 1,907,416	(2,491,497)

(In thousands of rupee)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Amortised cost of financial assets and financial liabilities	Rs (312,050)	(316,923)	Rs 10,178	(295,128)
Non-Current financial assets	299	657	299	657
Derivatives financial assets (liabilities)	(15,920)	7,906	103,395	145,729
	Rs (327,671)	(308,360)	Rs 113,872	(148,742)

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29. Losses per Share

(1) Basic losses per share for the three-month and six-month periods ended June 30, 2019 and 2018 are calculated as follows:

(In thousands of won, except per share information)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the period	₩ (51,449,719)	(77,569,001)	₩ (5,377,472)	(39,615,138)
Loss contributed to common stocks	(51,449,719)	(77,569,001)	(5,377,472)	(39,615,138)
Weighted average number of common shares(In shares)	149,840,002	148,340,467	138,983,372	138,983,372
Basic losses per share(*) (In won)	₩ (343)	(523)	₩ (39)	(285)

(In thousands of rupee, except per share information)

	2019		2018	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the period	Rs (3,071,548)	(4,630,869)	Rs (321,035)	(2,365,024)
Loss contributed to common stocks	(3,071,548)	(4,630,869)	(321,035)	(2,365,024)
Weighted average number of common shares(In shares)	149,840,002	148,340,467	138,983,372	138,983,372
Basic losses per share(*) (In won)	Rs (20)	(31)	Rs (2)	(17)

(*) Diluted earnings (losses) per share are not calculated for the six-month periods ended June 30, 2019 and 2018, because there are no dilutive shares as of June 30, 2019 and 2018.

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29. Losses per Share, Continued

(2) Weighted average number of common shares outstanding for the six-month periods ended June 30, 2019 and 2018 is calculated as follows:

(In shares)

		2019		
	Outstanding period	Common shares issued	(In days) Weighted-average	Common shares outstanding
Beginning	2019-01-01~2019-06-30	137,949,396	181/181	137,949,396
Issuing(*)	2019-01-01~2019-06-30	1,033,976	181/181	1,033,976
Issuing	2019-01-26~2019-06-30	10,856,630	156/181	9,357,095
				148,340,467

(*) In accordance with K-IFRS No.1033, when the rights offering is less than fair value, the shares issued below the fair value are considered as free shares and the number of shares outstanding is retroactively calculated.

(In shares)

		2018		
	Outstanding period	Common shares issued	(In days) Weighted-average	Common shares outstanding
Beginning	2018-01-01~2018-06-30	137,949,396	181/181	137,949,396
Issuing(*)	2018-01-01~2018-06-30	1,033,976	181/181	1,033,976
				138,983,372

(*) In accordance with K-IFRS No.1033, when the rights offering is less than fair value, the shares issued below fair value are considered as free shares and the number of shares outstanding is retroactively applied.

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30. Cash Flows

(1) Details of cash flows from operating activities for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Loss for the period	₩ (77,569,001)	(39,615,138)	Rs (4,630,869)	(2,365,024)
Adjustments for:				
Retirement benefit costs	24,244,334	22,589,560	1,447,387	1,348,597
Depreciation	78,960,893	70,318,736	4,713,965	4,198,029
Amortization	45,787,015	35,340,801	2,733,485	2,109,846
Losses on disposal of trade receivables	56,144	37,642	3,352	2,247
Foreign exchange translation gain and loss, net	3,405,774	2,445,534	203,325	145,998
Losses on disposal of property, plant and equipment	(312,101)	5,717	(18,632)	341
Interest expense and income, net	(1,042,547)	(516,876)	(62,240)	(30,857)
Dividends income	(11,000)	(11,000)	(657)	(657)
Unrealized gain and loss of financial derivatives, net	113,224	(974,065)	6,759	(58,152)
Losses on valuation of inventories	2,631,161	2,448,692	157,080	146,187
Increase in provision of warranty for sale	14,932,602	8,728,367	891,476	521,084
Equity profit on investments	(937,756)	(799,125)	(55,984)	(47,708)
Others	2,596,320	187,555	155,001	11,197
	<u>170,424,063</u>	<u>139,801,538</u>	<u>10,174,317</u>	<u>8,346,152</u>
Changes in assets and liabilities				
Trade receivables	29,956,038	26,794,815	1,788,375	1,599,650
Other receivables	130,375	644,150	7,783	38,456
Inventories	(98,833,433)	13,143,927	(5,900,356)	784,692
Trade payables	186,888,561	(56,990,051)	11,157,247	(3,402,306)
Other payables	36,013,044	(30,040,821)	2,149,979	(1,793,437)
Accrued expenses	(7,292,330)	(7,513,445)	(435,352)	(448,553)
Usage of provision of warranty for sale	(17,855,280)	(19,579,800)	(1,065,960)	(1,168,914)
Payment of retirement benefits	(14,850,395)	(12,566,971)	(886,569)	(750,248)
Others	(2,331,791)	1,698,585	(139,208)	101,406
	<u>111,824,789</u>	<u>(84,409,611)</u>	<u>6,675,939</u>	<u>(5,039,254)</u>
Net cash provided by operating activities	₩ <u>204,679,851</u>	<u>15,776,789</u>	Rs <u>12,219,387</u>	<u>941,874</u>

(2) Significant non-cash activities for the six month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Changes in other payables related to the acquisition of property, plant and equipment	₩ 5,288,648	(21,232,720)	Rs 315,730	(1,267,593)

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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 period ended June 30, 2019 is as follows:

(In thousands of won)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	₩	143,227,545	7,255,474	-	-	-	4,187,586	154,670,605
Short-term borrowings		35,000,000	-	(3,750,000)	8,750,000	-	-	40,000,000
Long-term borrowings		75,000,000	50,000,000	-	(8,750,000)	-	-	116,250,000
Lease liabilities		15,467,191	-	(4,875,246)	-	2,717,111	30,162	13,339,218
	₩	<u>268,694,736</u>	<u>57,255,474</u>	<u>(8,625,246)</u>	<u>-</u>	<u>2,717,111</u>	<u>4,217,748</u>	<u>324,259,823</u>

(In thousands of rupee)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	Rs	8,550,684	433,152	-	-	-	249,999	9,233,835
Short-term borrowings		2,089,500	-	(223,875)	522,375	-	-	2,388,000
Long-term borrowings		4,477,500	2,985,000	-	(522,375)	-	-	6,940,125
Lease liabilities		923,391	-	(291,052)	-	162,212	1,801	796,352
	Rs	<u>16,041,075</u>	<u>3,418,152</u>	<u>(514,927)</u>	<u>-</u>	<u>162,212</u>	<u>251,800</u>	<u>19,358,312</u>

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

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31. Segment Information

(1) The Group 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 Group 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 Group for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

Sales region	Korean won		Indian rupee	
	2019	2018	2019	2018
Republic of Korea	₩ 1,531,847,668	1,423,744,143	Rs 91,451,306	84,997,525
Europe	159,788,332	168,538,106	9,539,363	10,061,725
Asia Pacific	131,535,677	29,242,261	7,852,680	1,745,763
Others	78,376,509	134,876,198	4,679,077	8,052,109
Consolidated adjustment	(33,290,708)	(5,782,041)	(1,987,455)	(345,188)
	₩ 1,868,257,478	1,750,618,667	Rs 111,534,971	104,511,934

Non-current assets are not separately disclosed since those are mostly 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.

(3) Information of sales of goods and service for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Automobile	₩ 1,605,255,928	1,544,094,598	Rs 95,833,779	92,182,448
Merchandise and parts	210,422,053	160,105,539	12,562,197	9,558,301
Others	52,579,497	46,418,530	3,138,995	2,771,185
	₩ 1,868,257,478	1,750,618,667	Rs 111,534,971	104,511,934

(4) Balance of Contracts as of June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Receivables from contracts with customers	₩ 138,270,272	158,512,150	Rs 8,254,735	9,463,175
Contract liabilities	17,016,859	17,311,822	1,015,906	1,033,516

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32. Transactions and Balances with Related Parties

(1) Details of related parties as of June 30, 2019 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
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.

(2) Transactions with related parties for the six month period ended June 30, 2019 and 2018 are as follows:

(In thousands of won)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Sales	₩ 22,303,071	2,336,169
		Purchases	-	103,581
		Other expenses	459,944	707,336
Joint venture	SY Auto Capital Co., Ltd.	Other income	1,081,944	-
		Other expenses	14,839,120	8,519,247
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	39,577,498	3,819,365
	Mahindra Electric Mobility Ltd.	Other expenses	131,192	2,439,828
	Mahindra & Mahindra South Africa Ltd.	Sales	6,911	30,755
	PININFARINA S.p.A	Other expenses	384,694	419,324

(In thousands of rupee)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Sales	Rs 1,331,493	139,469
		Purchases	-	6,184
		Other expenses	27,459	42,228
Joint venture	SY Auto Capital Co., Ltd.	Other income	64,592	-
		Other expenses	885,895	508,599
Others	Mahindra Vehicle Manufacturing Ltd.	Sales	2,362,777	228,016
	Mahindra Electric Mobility Ltd.	Other expenses	7,832	145,658
	Mahindra & Mahindra South Africa Ltd.	Sales	413	1,836
	PININFARINA S.p.A	Other expenses	22,966	25,034

No bad debt expense was recognized for the six month period ended June 30, 2019 and 2018.

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32. Transactions and Balances with Related Parties, Continued

(3) Account balances with related parties as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	3,272,950	4,171,953
		Other receivables	43,338	30,314
		Other payables	644,272	669,683
Joint venture	SY Auto Capital Co., Ltd.	Other payables	216,966	242,805
		Trade receivables	2,365,477	5,405,701
Others	Mahindra Vehicle Manufacturing Ltd.	Other payables	2,375,007	2,500,000
	Mahindra Electric Mobility Ltd.	Other payables	62,994	44,724
	Mahindra & Mahindra South Africa Ltd.	Other payables	4,649	11,560

(In thousands of rupee)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	195,395	249,066
		Other receivables	2,587	1,810
		Other payables	38,463	39,980
Joint venture	SY Auto Capital Co., Ltd.	Other payables	12,953	14,495
		Trade receivables	141,219	322,720
Others	Mahindra Vehicle Manufacturing Ltd.	Other payables	141,788	149,250
	Mahindra Electric Mobility Ltd.	Other payables	3,761	2,670
	Mahindra & Mahindra South Africa Ltd.	Other payables	278	690

Allowance for receivables from related parties are not recognized as of June 30, 2019 and December 31, 2018.

(4) Details of transactions with related parties for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Parent	Mahindra & Mahindra Ltd.	₩ 49,706,372	-	- Rs 3,024,385	-

(5) Executive compensation of the Group for the six-month period ended June 30, 2019 and 2018, is as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Short-term employee benefits	₩	4,324,366	3,582,746	Rs 258,165	213,890
Retirement benefits		151,080	245,306	9,019	14,645

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33. Financial Instruments

(1) Capital risk management

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

Debt-to-equity ratio as of June 30, 2019 and December 31, 2018 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Rs	Indian rupee	
	2019	2018		2019	2018
Debt (A)	₩ 1,805,614,729	1,512,353,646		107,795,199	90,287,511
Equity (B)	665,227,272	693,288,420		39,714,069	41,389,320
Debt-to-equity ratio (A/B)	271.43%	218.14%		271.43%	218.14%

(2) Details of financial assets and liabilities by category as of June 30, 2019 and December 31, 2018 are as follows:

1) Financial assets

(In thousands of won)

	2019				
	Amoritsed cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	₩ 316,836,889	-	-	316,836,889	316,836,889
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	194,815,432	-	-	194,815,432	194,815,432
Non-current financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	272,995	272,995	272,995
	₩ 511,656,321	560,000	272,995	512,489,316	512,489,316

(In thousands of won)

	2018				
	Amoritsed cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	₩ 156,062,657	-	-	156,062,657	156,062,657
Long-term financial instruments	4,000	-	-	4,000	4,000
Trade and other receivables	207,545,265	-	-	207,545,265	207,545,265
Non-current financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	806,894	84,425	891,319	891,319
	₩ 363,611,922	1,366,894	84,425	365,063,241	365,063,241

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33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of June 30, 2019 and December 31, 2018 are as follows, continued:

1) Financial assets, continued

(In thousands of rupee)

		2019				
		Amoritsed cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	Rs	18,915,162	-	-	18,915,162	18,915,162
Long-term financial instruments		239	-	-	239	239
Trade and other receivables		11,630,481	-	-	11,630,481	11,630,481
Non-current financial assets		-	33,432	-	33,432	33,432
Derivative assets		-	-	16,298	16,298	16,298
	Rs	<u>30,545,882</u>	<u>33,432</u>	<u>16,298</u>	<u>30,595,612</u>	<u>30,595,612</u>

(In thousands of rupee)

		2018				
		Amoritsed cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	Rs	9,316,941	-	-	9,316,941	9,316,941
Long-term financial instruments		239	-	-	239	239
Trade and other receivables		12,390,452	-	-	12,390,452	12,390,452
Non-current financial assets		-	33,432	-	33,432	33,432
Derivative assets		-	48,172	5,040	53,212	53,212
	Rs	<u>21,707,632</u>	<u>81,604</u>	<u>5,040</u>	<u>21,794,276</u>	<u>21,794,276</u>

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(Unaudited)

For the six-month periods ended June 30, 2019 and 2018

33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of June 30, 2019 and December 31, 2018 are as follows, continued:

2) Financial liabilities

(In thousands of won)

		2019				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	938,367,061	-	-	938,367,061	938,367,061
Borrowings		310,920,605	-	-	310,920,605	310,920,605
Derivative liabilities		-	-	418,839	418,839	418,839
	₩	1,249,287,666	-	418,839	1,249,706,505	1,249,706,505

(In thousands of won)

		2018				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	₩	693,223,692	-	-	693,223,692	693,223,692
Borrowings		253,227,545	-	-	253,227,545	253,227,545
	₩	946,451,237	-	-	946,451,237	946,451,237

(In thousands of rupee)

		2019				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	56,020,513	-	-	56,020,513	56,020,513
Borrowings		18,561,960	-	-	18,561,960	18,561,960
Derivative liabilities		-	-	25,005	25,005	25,005
	Rs	74,582,473	-	25,005	74,607,478	74,607,478

(In thousands of rupee)

		2018				
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Derivatives designated to hedge	Total	Fair value
Trade and other payables	Rs	41,385,455	-	-	41,385,455	41,385,455
Borrowings		15,117,684	-	-	15,117,684	15,117,684
	Rs	56,503,139	-	-	56,503,139	56,503,139

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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(Unaudited)

For the six-month periods ended June 30, 2019 and 2018

33. Financial Instruments, Continued

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of June 30, 2019.

(In thousands of won and in thousands of rupee)

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,819,245	(1,819,245)	Rs 108,609	(108,609)
EUR	(3,716,487)	3,716,487	(221,874)	221,874
JPY	(11,838,618)	11,838,618	(706,765)	706,765
Others	1,392,162	(1,392,162)	83,111	(83,111)
	₩ (12,343,698)	12,343,698	Rs (736,919)	736,919

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 Group's current income will decrease or increase in ₩ 342,055 thousand (Rs 20,421 thousand) for the six-month periods ended June 30, 2019, 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 Group regularly assesses credit ratings of its customers and transacting parties based on their financial status and past experiences, and establishes credit limit for each customer or transacting party.

If a credit risk occurs with respect to a dealership sale, which is a major type of the Group's sales, the respective dealership bears all of the risk; the Group 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 Group's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days.

The Group 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 Group 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 Group estimates an allowance based on the historical loss rates.

Maximum exposure in respect of credit risk as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Trade and other receivables	₩ 194,815,432	207,545,265	Rs 11,630,481	12,390,452

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For the six-month periods ended June 30, 2019 and 2018

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won)

	2019		
	Within a year	Over 1 year	Total
Trade payables	₩ 731,816,503	-	731,816,503
Other payables	190,971,669	-	190,971,669
Short-term borrowings(*)	195,384,033	-	195,384,033
Derivatives liabilities	418,839	-	418,839
Lease liabilities(*)	7,440,400	6,445,961	13,886,361
Other payables	1,296,476	-	1,296,476
Long-term borrowings(*)	-	121,678,147	121,678,147
Long-term other payables	-	943,194	943,194
	<u>₩ 1,127,327,920</u>	<u>129,067,302</u>	<u>1,256,395,222</u>

(In thousands of won)

	2018		
	Within a year	Over 1 year	Total
Trade payables	₩ 534,943,259	-	534,943,259
Other payables	155,611,475	-	155,611,475
Short-term borrowings(*)	179,518,770	-	179,518,770
Other payables	1,057,821	-	1,057,821
Long-term borrowings(*)	-	78,760,222	78,760,222
Long-term other payables	-	1,593,271	1,593,271
	<u>₩ 871,131,325</u>	<u>80,353,493</u>	<u>951,484,818</u>

(*) Including expected interest expenses.

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2019		
		Within a year	Over 1 year	Total
Trade payables	Rs	43,689,445	-	43,689,445
Other payables		11,401,009	-	11,401,009
Short-term borrowings(*)		11,664,427	-	11,664,427
Derivatives liabilities		25,005	-	25,005
Lease liabilities(*)		444,192	384,824	829,016
Other payables		77,399	-	77,399
Long-term borrowings(*)		-	7,264,185	7,264,185
Long-term other payables		-	56,309	56,309
	Rs	<u>67,301,477</u>	<u>7,705,318</u>	<u>75,006,795</u>

(In thousands of rupee)

		2018		
		Within a year	Over 1 year	Total
Trade payables	Rs	31,936,113	-	31,936,113
Other payables		9,290,004	-	9,290,004
Short-term borrowings(*)		10,717,271	-	10,717,271
Other payables		63,152	-	63,152
Long-term borrowings(*)		-	4,701,985	4,701,985
Long-term other payables		-	95,118	95,118
	Rs	<u>52,006,540</u>	<u>4,797,103</u>	<u>56,803,643</u>

(*) Including expected interest expenses.

Details of commitments for borrowings as of June 30, 2019 and December 31, 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Limitation of commitments for borrowings	Used	₩ 156,250,000	110,000,000	Rs 9,328,125	6,567,000
	Unused	<u>147,000,000</u>	<u>147,000,000</u>	<u>8,775,900</u>	<u>8,775,900</u>
		<u>₩ 303,250,000</u>	<u>257,000,000</u>	<u>Rs 18,104,025</u>	<u>15,342,900</u>

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33. Financial Instruments, Continued

(4) Fair value of financial instruments

- 1) The Group's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortised cost on financial statements is not significant.
- 2) Valuation methods and assumptions applied in fair value measurement

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

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

Fair values of other financial assets and liabilities (except those stated above) are calculated by generally accepted valuation models based on discounted cash flow analysis. In case of borrowings, its fair value are disclosed, but estimated in amortised costs. The Group 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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For the six-month periods ended June 30, 2019 and 2018

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, 2019 and December 31, 2018 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, 2019					
Derivatives assets	₩	-	272,995	-	272,995
Derivatives liabilities		-	418,839	-	418,839

As of December 31, 2018

Derivatives liabilities	₩	-	891,319	-	891,319
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(In thousands of rupee)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
As of June 30, 2019					
Derivatives assets	Rs	-	16,298	-	16,298
Derivatives liabilities		-	25,005	-	25,005

As of December 31, 2018

Derivatives liabilities	Rs	-	53,212	-	53,212
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4) The Group measures the foreign exchange forward contract derivative assets: ₩ 272,995 thousand (Rs 16,298 thousand) derivative liabilities: ₩ 418,839 thousand (Rs 25,005 thousand) based on the forward rate announced officially in the market as of June 30, 2019. In the event that no corresponding forward rate with residual year of the foreign exchange forward contract in the market exists, the Group measured the market value through interpolation method.

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