

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Ssangyong Motor Company

Opinion

We have audited the accompanying consolidated financial statements of Ssangyong Motor Company and its subsidiaries("the Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty on the ability to continue as a going concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in note 35 to the consolidated financial statements, the Group has incurred a net loss of ₩ 341,364 million during the year ended December 31, 2019 and, as of that date, the Group's current liabilities exceeded its current assets by ₩ 489,545 million. As stated in Note 35, these events or conditions, along with other matters as set forth in Note 35, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not affected by this uncertainty.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We concluded that below matters are key audit matters which to be communicated in that report in addition to above matter, material uncertainty on the ability continue as a going concern.

Revenue recognition

As described in note 3.(4), the Group generates revenue by selling finished vehicles and then selling parts and providing maintenance activities. For sales of finished vehicles and sales of parts, revenue is recognized when control is transferred to the customer. Revenue from maintenance activities is recognized at the time when the providing maintenance service to customers it completed to the customer.

We identified revenue recognition as a key audit matter, because there is a significant inherent risk that sales may be recognized before the revenue recognition conditions are met and that there is a risk that the revenue is overstated due to external pressure on financial performance as the revenue is one of the key performance indicators for the Group's executive directors.



The primary procedures we performed to address the key audit matter included:

- We evaluated the design and operation of the Group's internal accounting control system related to recognition of revenue.
- We selected sales transactions recorded immediately before and after end of the reporting date and vouched to the supporting documents to assess whether revenue is recognized in an appropriate accounting period.
- We assessed whether the attribution of the sales period is appropriate through document inspection of the samples extracted from the sales cancellation and return details after the reporting period.

Impairment of tangible and intangible assets

As described in note 3.(13), the Group reviews for indication of asset impairment at the end of reporting date, and estimates the recoverable amount of the asset to determine the amount of the impairment loss if there is any indication of asset impairment. When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment indicator existed as the PBR, stock price divided by net asset value per share, is less than 1 and the Group has incurred continuous operating losses. Considering the significant degree of the judgment in estimating the value in use of the Group used in the impairment testing for tangible and intangible assets which requires significant auditor attention, we identified the impairment of tangible and intangible assets as a key audit matter.

The primary procedures we performed to address the key audit matter included:

- We evaluated the design and operation of the Group's internal accounting control system related to impairment of tangible and intangible assets.
- We evaluated the qualifications of external experts used by the management of the Group.
- We assessed whether the input data for estimation of the projected future cash flows have been appropriately approved and compared the key financial information used in the discounted cash flow projections with the approved financial information.
- We used internal valuation specialist to review the reasonableness of key assumptions applied to discounted cash flows projections, such as expected sales and discount rates, and to check the adequacy of the evaluation methods and evaluation models applied by the Group in the impairment assessment.

Other Matter

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

The accompanying consolidated financial statements as of and for the years ended December 31, 2019 and 2018 have been translated into Indian rupees solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean won have been translated into rupees on the basis set forth in note 2.(1) to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jong-Sang Lee.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 16, 2020

This report is effective as of March 16, 2020, the audits report date. Certain subsequent events or circumstances, which may occur between the audits report date and the time of reading this report, could have a material impact on the consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Assets					
Cash and cash equivalents	4,5,34	₩ 125,800,194	156,062,657	Rs 7,751,179	9,615,801
Trade and other receivables, net	2,7,13,32,33,34	136,594,866	174,203,955	8,416,293	10,733,577
Derivative assets	26,34	-	891,319	-	54,919
Inventories, net	8,25	226,131,073	228,612,470	13,933,066	14,085,957
Other current assets	10	9,013,633	11,299,802	555,375	696,237
Total current assets		<u>497,539,766</u>	<u>571,070,203</u>	<u>30,655,913</u>	<u>35,186,491</u>
Non-current financial instruments	5,34	4,000	4,000	246	246
Non-current other receivables, net	7,32,33,34	38,937,441	35,124,579	2,399,130	2,164,201
Non-current financial assets	6,34	560,000	560,000	34,504	34,504
Property, plant and equipment, net	11,14	1,142,262,329	1,228,125,718	70,380,493	75,670,966
Intangible assets, net	11,12	313,104,754	353,759,962	19,291,949	21,796,920
Investments in joint venture	9	19,053,781	16,706,345	1,173,999	1,029,361
Other non-current assets	10	285,504	291,259	17,593	17,947
Right-of-use assets	2,13	7,459,568	-	459,621	-
Total non-current assets		<u>1,521,667,377</u>	<u>1,634,571,863</u>	<u>93,757,535</u>	<u>100,714,145</u>
Total assets		₩ <u>2,019,207,143</u>	<u>2,205,642,066</u>	Rs <u>124,413,448</u>	<u>135,900,636</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Financial Position, Continued

As of December 31, 2019 and 2018

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Liabilities					
Trade payables	33,34	₩ 477,370,219	534,943,259	Rs 29,413,166	32,960,529
Other payables	19,33,34	131,066,324	158,998,587	8,075,651	9,796,698
Short-term borrowings	14,19,31,34	254,106,448	178,227,545	15,656,769	10,981,490
Other Financial Liabilities	15,34	39,493,725	38,053,382	2,433,406	2,344,659
Provision of warranty for sale - current	16	50,305,013	49,209,826	3,099,543	3,032,063
Other long-term employee benefits liabilities- current		2,078,739	2,726,290	128,082	167,981
Other current liabilities	17,32,33	25,724,194	32,961,084	1,584,997	2,030,897
Lease liabilities - current	2,13,31,34	6,939,730	-	427,591	-
Total current liabilities		<u>987,084,392</u>	<u>995,119,973</u>	<u>60,819,205</u>	<u>61,314,317</u>
Long-term borrowings	14,19,31,34	158,750,000	75,000,000	9,781,381	4,621,125
Non-current other payables	34	848,340	1,593,270	52,270	98,169
Other non-current liabilities	17,32	16,399,791	11,317,483	1,010,474	697,328
Defined benefit liabilities	18	356,155,261	329,181,466	21,944,506	20,282,516
Other long-term employee benefits liabilities - non-current		14,174,556	14,313,194	873,365	881,907
Provision of warranty for sale - non-current	16	77,980,593	85,828,261	4,804,774	5,288,308
Non-current lease liabilities	2,13,31,34	4,690,654	-	289,015	-
Total non-current liabilities		<u>628,999,195</u>	<u>517,233,674</u>	<u>38,755,785</u>	<u>31,869,353</u>
Total liabilities		<u>1,616,083,587</u>	<u>1,512,353,647</u>	<u>99,574,990</u>	<u>93,183,670</u>
Equity					
Capital stock	20	749,200,010	689,746,980	46,161,959	42,498,760
Other capital surplus	21	78,162,820	87,909,478	4,816,002	5,416,542
Other equity	22	1,109,395	1,242,617	68,355	76,565
Accumulated deficit	23	(425,348,669)	(85,610,656)	(26,207,858)	(5,274,901)
Equity attributable to owners of the Company		<u>403,123,556</u>	<u>693,288,419</u>	<u>24,838,458</u>	<u>42,716,966</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>403,123,556</u>	<u>693,288,419</u>	<u>24,838,458</u>	<u>42,716,966</u>
Total liabilities and equity		₩ <u>2,019,207,143</u>	<u>2,205,642,066</u>	Rs <u>124,413,448</u>	<u>135,900,636</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive loss

For the years ended December 31, 2019 and 2018

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

	Note	Korean won		Indian rupee	
		2019	2018	2019	2018
Sales	32,33	₩ 3,623,882,267	3,704,793,546	Rs 223,285,506	228,270,854
Cost of sales	25,33	3,356,307,821	3,242,522,474	206,798,907	199,788,022
Gross profit		<u>267,574,446</u>	<u>462,271,072</u>	<u>16,486,599</u>	<u>28,482,832</u>
Selling, general and administrative expenses	25,27	549,479,805	526,447,069	33,856,197	32,437,036
Operating loss		<u>(281,905,359)</u>	<u>(64,175,997)</u>	<u>(17,369,598)</u>	<u>(3,954,204)</u>
Other income	28,33	17,535,784	11,201,136	1,080,467	690,158
Other expenses	28,33	(72,100,011)	(10,530,861)	(4,442,442)	(648,859)
Finance income	26,29	11,742,187	13,002,067	723,495	801,122
Finance costs	26,29	(19,030,821)	(13,013,168)	(1,172,584)	(801,806)
Share of profits of joint venture	9	2,433,214	1,719,303	149,922	105,935
Loss before income taxes		<u>(341,325,006)</u>	<u>(61,797,520)</u>	<u>(21,030,740)</u>	<u>(3,807,654)</u>
Income tax expenses	24	39,134	40,708	2,411	2,508
Loss for the year		<u>(341,364,140)</u>	<u>(61,838,228)</u>	<u>(21,033,151)</u>	<u>(3,810,162)</u>
Loss attributable to:					
Owners of the Company		(341,364,140)	(61,838,228)	(21,033,151)	(3,810,162)
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the year		1,492,905	(20,028,277)	91,984	(1,234,042)
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18	1,711,905	(20,040,505)	105,479	(1,234,796)
Defined benefit plan re-measurements of joint ventures	9	(85,778)	(76,808)	(5,285)	(4,733)
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of cash flow hedge	22,26	(103,000)	103,000	(6,347)	6,347
Foreign currency translation difference for foreign operation		(30,222)	(13,964)	(1,863)	(860)
Total comprehensive loss for the year		<u>₩ (339,871,235)</u>	<u>(81,866,505)</u>	<u>Rs (20,941,167)</u>	<u>(5,044,204)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(339,871,235)	(81,866,505)	(20,941,167)	(5,044,204)
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share	30	₩ (2,290)	(445)	Rs (141)	(29)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In thousands of won)

	Other capital surplus						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	
Balance at January 1, 2018	₩ 689,746,980	12,916,273	118,189,001	931,508	1,105,138	1,153,581	775,154,924
Total comprehensive income(loss) for the year:							
Loss for the year	-	-	-	-	-	-	-
Defined benefit plan re-measurements	-	-	-	-	-	-	(61,838,228)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(20,040,505)
Changes in fair value of cash flow hedge	-	-	-	-	-	103,000	(76,808)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(13,964)	103,000
Transactions with owners of the Company, recognized directly in equity:							
Disposal of Accumulated Deficit	-	-	(44,127,304)	-	(1,105,138)	-	45,232,442
Balance at December 31, 2018	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,242,617	693,288,419
Balance at January 1, 2019	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,242,617	693,288,419
Total comprehensive income(loss) for the year:							
Loss for the year	-	-	-	-	-	-	(341,364,140)
Defined benefit plan re-measurements	-	-	-	-	-	-	1,711,905
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(85,778)
Changes in fair value of cash flow hedge	-	-	-	-	-	(103,000)	-
Foreign currency translation difference for foreign operation	-	-	-	-	-	(30,222)	(30,222)
Transactions with owners of the Company, recognized directly in equity:							
Issue of ordinary shares	59,453,030	(9,746,658)	-	-	-	-	49,706,372
Balance at December 31, 2019	₩ 749,200,010	3,169,615	74,061,697	931,508	-	1,109,395	403,123,556

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2019 and 2018

(In thousands of rupee)

	Other capital surplus							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		Non-controlling interest
Balance at January 1, 2018	Rs 42,498,760	795,836	7,282,215	57,395	68,093	71,078	(3,012,207)	-	47,761,170
Total comprehensive income(loss) for the year:									
Loss for the year	-	-	-	-	-	-	(3,810,162)	-	(3,810,162)
Defined benefit plan re-measurements	-	-	-	-	-	-	(1,234,796)	-	(1,234,796)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(4,733)	-	(4,733)
Changes in fair value of cash flow hedge	-	-	-	-	-	6,347	-	-	6,347
Foreign currency translation difference for foreign operation	-	-	-	-	-	(860)	-	-	(860)
Transactions with owners of the Company, recognized directly in equity:									
Disposal of Accumulated Deficit	-	-	(2,718,904)	-	(68,093)	-	2,786,997	-	-
Balance at December 31, 2018	Rs 42,498,760	795,836	4,563,311	57,395	-	76,565	(5,274,901)	-	42,716,966
Balance at January 1, 2019	Rs 42,498,760	795,836	4,563,311	57,395	-	76,565	(5,274,901)	-	42,716,966
Total comprehensive income(loss) for the year:									
Loss for the year	-	-	-	-	-	-	(21,033,151)	-	(21,033,151)
Defined benefit plan re-measurements	-	-	-	-	-	-	105,479	-	105,479
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(5,285)	-	(5,285)
Changes in fair value of cash flow hedge	-	-	-	-	-	(6,347)	-	-	(6,347)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(1,863)	-	-	(1,863)
Transactions with owners of the Company, recognized directly in equity:									
Issue of ordinary shares	3,663,199	(600,540)	-	-	-	-	-	-	3,062,659
Balance at December 31, 2019	Rs 46,161,959	195,296	4,563,311	57,395	-	68,355	(26,207,858)	-	24,838,458

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 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 year	₩ (341,364,140)	(61,838,227)	Rs (21,033,152)	(3,810,162)
Adjustment	422,231,605	290,877,430	26,015,800	17,922,413
Changes in assets and liabilities	(101,758,190)	(49,981,589)	(6,269,831)	(3,079,616)
Cash generated from operations (note 31)	<u>(20,890,725)</u>	<u>179,057,614</u>	<u>(1,287,183)</u>	<u>11,032,635</u>
Interest received	3,778,428	2,604,644	232,808	160,485
Interest paid	(8,371,862)	(4,550,165)	(515,832)	(280,358)
Dividends received	11,000	11,000	678	678
Net cash provided by (used in) operating activities	<u>(25,473,159)</u>	<u>177,123,093</u>	<u>(1,569,529)</u>	<u>10,913,440</u>
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	2,742,176	447,785	168,959	27,590
Proceed from disposal of intangible assets	112,138	-	6,909	-
Acquisition of property, plant and equipment	(136,816,859)	(136,929,799)	(8,429,971)	(8,436,930)
Acquisition of intangible assets	(71,845,897)	(119,497,975)	(4,426,785)	(7,362,868)
Cash flow used in other investing activities	(1,894,680)	(1,713,945)	(116,741)	(105,604)
Net cash used in investing activities	<u>(207,703,122)</u>	<u>(257,693,934)</u>	<u>(12,797,629)</u>	<u>(15,877,812)</u>
Cash flows from financing activities				
Proceeds from borrowings	259,999,999	31,769,058	16,019,900	1,957,450
Receipts of government grants	197,692	2,012,470	12,181	123,998
Proceeds from issuing capital stock	49,706,372	-	3,062,659	-
Repayment of borrowings	(97,520,761)	(12,500,000)	(6,008,743)	(770,187)
Payment of finance lease	(9,596,135)	-	(591,266)	-
Net cash provided by financing activities	<u>202,787,167</u>	<u>21,281,528</u>	<u>12,494,731</u>	<u>1,311,261</u>
Effect of exchange rate fluctuations on cash and cash equivalents	126,651	(91,760)	7,805	(5,653)
Net decrease in cash and cash equivalents	<u>(30,262,463)</u>	<u>(59,381,073)</u>	<u>(1,864,622)</u>	<u>(3,658,764)</u>
Cash and cash equivalents at January 1	156,062,657	215,443,730	9,615,801	13,274,565
Cash and cash equivalents at December 31	₩ <u>125,800,194</u>	<u>156,062,657</u>	Rs <u>7,751,179</u>	<u>9,615,801</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

1. General Description of the Company

(1) Organization and description of business of the Company

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

(2) Major shareholders

As of December 31, 2019, the Company's shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>
Mahindra & Mahindra Ltd.	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 financial statements

The consolidated financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of INR 0.061615 to ₩ 1 on December 31, 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 Group has prepared its consolidated financial statements in accordance with the K-IFRS.

Major accounting policies used for the preparation of the consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except as described below. Historical cost is generally based on the fair value of the consideration given.

- ① Derivatives measured at fair value
- ② FVTPL measured at fair value
- ③ Defined benefit liabilities that present value of defined benefit obligation deducted by plan assets

The consolidated financial statements as of and for the year ended December 31, 2019, to be submitted at the ordinary shareholders' meeting on March 24, 2020, were authorized for issuance at the board of directors' meeting on February 6, 2020.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(2) Statement of compliance, Continued

The Group has initially applied K-IFRS No. 1116 'Lease' for preparation of the consolidated financial statements as of and for the ended December 31, 2019. The significant changes in accounting policies are described in note 2.(4).

(3) Use of estimates and judgments

The preparation of the consolidated 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.

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant estimates and assumptions and those which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

- Property, plant and equipment and Intangible assets: Assumptions for estimating recoverable amount for impairment test
- Provision for warranty for sale: Assumptions of expected expenditures based on warranty periods.
- Employee benefits: Actuarial assumptions.
- Trade and other receivables: Estimation of the possibility of impairment of receivables.
- Inventories: Estimation of the possibility of losses of inventories.
- Going concern assumption: Judgment on whether there is any significant uncertainty of going concern assumption.

(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 is reflected in the annual consolidated financial statements for the year ended December 31, 2019.

The Group has initially adopted K-IFRS No.1116 Leases from January 1, 2019. On transition to K-IFRS No. 1116, the Group elected to apply the practical expedient to grandfather the assessment of which transaction are leases. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Company'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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, Continued

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 for whether there is a lease under K-IFRS No. 1116. 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.

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 of the underlying asset to the Group. 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 December 31, 2019		2,317	3,787	1,356	7,460

(In millions of rupee)

		Property, plant and equipment			
		Land and Buildings	Vehicles	Equipment	Total
Balance at January 1, 2019	Rs	246	337	-	583
Balance at December 31, 2019		143	233	84	460

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

For the years ended December 31, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, Continued

2) As a lessee, continued

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, recognizes amortisation costs using a straight-line method based on that useful lives.

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, the Group's 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 extension 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. Lease, which does not have a significant probability of exercising the option even if the option is included in the contract, did not take into account the lease term for the termination option.

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.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases of low value assets.
- 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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For the years ended December 31, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, 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

① Impacts on transition

On transition to K-IFRS No.1116, the impact on the separate statement of financial position is as follows.

(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 583
Sub-lease receivables	6,006	370
Lease liability	15,467	953

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 633
Discounted using the incremental borrowing rate and the interest rate implicit in the leases at January 1, 2019	14,637	902
– Recognition exemption for leases of low-value assets	(1,858)	(114)
– Recognition exemption for leases with less than 12 months of lease term at transition	(264)	(16)
– Adjustment extension options reasonably certain to be exercised	2,952	181
Lease liabilities recognized at January 1, 2019	15,467	953

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

2. Basis of Preparation and Accounting Policies, Continued

(4) Changes in accounting policies, Continued

4) Impacts on financial statements, continued

② 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 ₩ 7,460 million (Rs 460 million) of right-of-use assets and ₩ 7,592 million (Rs 468 million) of lease liabilities and respectively ₩ 4,038 million (Rs 249 million) of sub-lease receivables and sub-lease liabilities as of December 31, 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 years ended December 31, 2019, the Group recognized ₩ 4,126 million (Rs 254 million) of depreciation costs, ₩ 498 million (Rs 31 million) of interest costs and ₩ 197 million (Rs 12 million) of interest income from these leases.

3. Significant Accounting Policies

(1) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The followings are newly required standards and amendments that the Group decided not to early adopt in preparation of the financial statements.

The following amendment standards and interpretation are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- K-IFRS No. 1001("Presentation of financial statement") and 1008("Accounting Policies, Changes in Accounting Estimates and Errors"): 'Definition of Material'
- K-IFRS No. 1103 'Business Combinations'
- K-IFRS No. 1117 'Insurance Contracts'

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- a. the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- b. potential voting rights held by the Group, other vote holders or other parties;
- c. rights arising from other contractual arrangements; and
- d. any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control to the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in-line with the Group's accounting policies.

All inter-company transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS No.1039, Financial Instruments: Recognition and Measurement, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(3) Investments in joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale; in which case, it is accounted for in accordance with K-IFRS No.1105, Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS No.1109. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis it would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, it reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS No.1105, Non-Current Assets Held for Sale and Discontinued Operations, to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(3) Investments in joint ventures, continued

The requirements of K-IFRS No.1109 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS No.1036, Impairment of Assets, by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount, and any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(4) Revenue recognition

K-IFRS No.1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No.1018 Revenue, K-IFRS No. 1011 Construction Contracts, K-IFRS No. 2113 Customer Loyalty Programs, K-IFRS No. 2115 Agreements for the Construction of Real Estate and K-IFRS No. 2118 Transfers of assets from customers.

The Group have identified distinct performance obligations for our products and merchandise contract with our customers, such as (1) sales of vehicles and merchandise, (2) transportation of vehicles, and (3) warranties. The revenue from the sale of goods under the contract is recognized when the goods are transferred to the customer and the performance obligation is transferred. In addition, The Group identified performance obligations for transportation and guarantee and deferred recognition of revenue over the time or period of performance.

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

Transaction price of a service warranty to a customer under a sales policy is allocated by relative individual sales price that is estimated by "expected cost plus a margin approach". The consideration paid to customers defined in K-IFRS No. 1115 are recognized by deducting from related sales.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(5) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(6) Non-derivative financial assets

1) Recognition and initial measurement

Trade receivables and debt securities are recognized for the first time at the time of issue. Other financial instruments and financial liabilities are recognized only when the Group becomes a party to the financial instrument.

Except for trade receivables that do not include significant financial assets, are measured at fair value at the time of initial recognition and except for, financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss, transaction costs directly related to the acquisition of the financial asset or the issuance of the financial liability are added to or subtracted from the fair value. Trade receivables that do not include significant financial elements are initially measured at transaction prices.

2) Classification and subsequent measurements

At initial recognition, financial assets are amortized cost, other comprehensive income - fair value debt instruments, other comprehensive income - fair value equity instruments or profit or loss - classified as measured at fair value.

Financial assets are not reclassified after initial recognition, unless the entity modifies the financial asset management model, in which case all of the financial assets impacted are reclassified on the first day of the first reporting period after the change in the business model.

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurements, continued

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

An assessment of whether contractual cash flows consist solely of principal and interest

The principal is defined as the fair value at the initial recognition of the financial asset. Interest consists of consideration for the time value of money, consideration for credit risk associated with the principal balance in a particular time period, as well as consideration for basic loan risk and costs (e.g., liquidity risk and operating costs) as well as profit.

When evaluating whether the contractual cash flows consist solely of payments for principal and interest, we take into account the terms and conditions of the applicable product. If a financial asset includes a contractual term that changes the timing or amount of a contractual cash flow, then the contractual terms must determine whether the contractual cash flows that may occur over the life of the financial instrument consist solely of principal payments.

When evaluating this, we consider the following:

- Conditional conditions that change the amount or timing of cash flow
- Provision to adjust contractual nominal interest rate, including variable interest rate characteristics
- Moderate repayment characteristics and maturity extension characteristics
- The terms of the contract that limit our claims for cash flows arising from a particular asset (e.g. non-property features)

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurements, continued

Subsequent measurement and profit and loss

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

3) Elimination

In the event that the contractual rights to cash flows of financial assets have ceased, the Group transfers the contractual rights to receive the cash flows of the financial assets and substantially transfers the risks and rewards of ownership of the transferred financial assets. Or if the Group does not control or control the financial assets without retaining or transferring substantially all the risks and rewards of ownership.

If the Group transacts a recognized asset in its statement of financial position but holds most of the risks and rewards of ownership of the transferred asset, the transferred asset is not removed.

4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

1) Financial instruments and contract assets

The Group recognize a loss reserve for expected credit losses on the following assets:

- Financial assets measured at amortized cost
- Debt instruments measured at fair value- Other comprehensive income
- Contractual assets as defined in K-IFRS No. 1115

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held)

Total expected credit losses are the expected credit losses due to any default event that may occur during the expected life of the instrument. The expected 12-month credit loss is the total expected period that represents the expected credit loss due to a default event of a financial instrument that can occur within 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months) Part of credit loss.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

3) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The evidence that the credit of a financial asset is impaired includes the following observable information.

- Significant financial difficulty of the debtor
- A breach of contract such as a default or being more than 90 days past due
- The restructuring of a loan or advance by the company on terms that the company would not consider otherwise
- It is probable that the debtor will enter bankruptcy or other financial reorganization, or
- The disappearance of an active market for a security because of financial difficulties

4) Presentation of allowance for credit loss on statement of financial position

The allowance for losses on financial assets at amortized cost is deducted from the carrying amount of the asset. For debt instruments measured at FVOCI, changes in credit risk are included in profit or loss and changes in non-credit risk are recognized in other comprehensive income.

5) Write-Off

If there is no reasonable expectation of recovery of all or part of the contractual cash flows of a financial asset, the asset is removed. For individual customers, the Group assesses the timing and amount of each individual by assessing whether there is a reasonable expectation of recovery for the enterprise customer, based on historical experience with the recovery of similar assets. The Group has no expectation that the proceeds will be recovered significantly. However, deferred financial assets can be subject to collection activities in accordance with the collection procedure of the amount due.

(8) Financial liabilities and Paid-in capital

1) Paid-in capital

Common stock is classified as equity. Incremental costs directly related to capital transactions are deducted from equity as a net amount reflecting the tax effect.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2) Financial liabilities

The Group classifies financial liabilities as financial liabilities at fair value through profit or loss and other financial liabilities in accordance with the definition of the substance of contractual contracts and financial liabilities and recognizes them in the consolidated statement of financial position when becoming a party to the contract.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(8) Financial liabilities and Paid-in capital, continued

2) Financial liabilities, continued

① Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are classified as held for trading, are derivatives, or are initially recognized at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition and changes in fair value are recognized in profit or loss. Transaction costs incurred in connection with the initial recognition are recognized in profit or loss as incurred.

② Other financial liabilities

Non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured initially at fair value, net of transaction costs directly attributable to the issue. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recognized using the effective interest method.

③ Elimination of financial liabilities

Group only eliminates financial liabilities when the contractual obligation of the financial liability is fulfilled, cancelled or expired. The Group recognizes new financial liabilities as fair value based on new contracts and removes existing liabilities when the contractual terms of the financial liabilities change and the cash flows change substantially. When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

(9) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk by foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(9) Derivative financial instruments, continued

Cash Flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of change in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

(10) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit, are measured under the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives (Years)
Buildings	24–50
Structures	13–30
Machinery and equipment	10
Vehicles	6–10
Others	6–10

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(11) Property, plant and equipment, continued

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(12) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful life of amortization related to intangible assets is as follows.

	Useful lives (Years)
Development cost	5
Patents	5~10
Software	3
Other intangible assets	Indefinite

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(12) Intangible assets, continued

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(13) Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets other than assets arising from biological assets, investment property, contract assets, employee benefits, inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives irrespective of whether there is any indication of impairment, Good will and intangible assets not yet available are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

(14) Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(14) Retirement benefit costs and termination benefits, continued

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS No.1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

(15) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(16) Lease

The Group has initially adopted K-IFRS No.1116 Leases from January 1, 2019. The significant changes in accounting policies are described in note 2.(4).

The Group applied the following accounting policies in relation to leases before 1 January 2019.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) As a lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) As a lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see Note 3. (17)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising from operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

(19) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expenses on borrowings. Interest expense is recognized as it accrues in profit or loss, using the effective interest method.

(20) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholdings of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. The Group has no dilutive potential shares, therefore diluted loss per share is equal to the basic earnings (loss) per share.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(21) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

3. Significant Accounting Policies, Continued

(21) Taxation, continued

3) Current and deferred taxes for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(22) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS No.1102 Share-based payment; leasing transactions that are within the scope of K-IFRS No. 1116 Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS No.1002 Inventories or value in use in K-IFRS No.1036 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b. Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

(23) Segment information

Segment information is presented in the same format as the reporting material presented to the Group's management. The Group's management is liable for the assessment of the resources to be allocated to the business segments and the performance results of the business segments.

(24) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. Emission right allowances the government allocated free of charge are measured at ₩ 0, and emission right allowances purchased are measured at cost that the Group paid to purchase the allowances. If emission rights that the government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at ₩ 0. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018

4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

Restricted financial Instruments as of December 31, 2019 and 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	₩ 187,494	1,086,949	Rs 11,552	66,972	Government grants Unconfirmed reorganization debt pledged as collateral
	Woori Bank	752,317	750,379	46,354	46,235	
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	246	246	Bank account deposit
		₩ 943,811	1,841,328	Rs 58,152	113,453	

6. Non-current Financial Assets

Non-current financial assets as of December 31, 2019 and 2018 are as follows:

(In thousands of won)

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

(In thousands of rupee)

	Ownership (%)		2019		2018
			Acquisition cost	Net asset value	Book value
Korea Business Finance Loan(*)	1.72	Rs	30,807	44,505	30,807
Korea Management Consultants Association(*)	1.50		3,697	52,640	3,697
		Rs	34,504	97,145	34,504

(*) 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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For the years ended December 31, 2019 and 2018

7. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2019 and 2018 are as follows:
(In thousands of won)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 121,416,355	100,000	157,304,034	1,332,414
Less: Allowance for doubtful accounts	(150,829)	(497)	(122,904)	(1,395)
Other receivables	7,141,943	160,679	8,760,688	147,500
Less: Allowance for doubtful accounts	(4,036,702)	(44,345)	(3,918,799)	(44,250)
Loans and others(*)	12,224,099	38,721,961	12,180,936	33,690,667
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	₩ 136,594,866	38,937,441	174,203,955	35,124,579

(*) The Loans and others listed above include ₩ 4,037,510 thousand for sub lease receivables and the interest revenue received by the sub lease contract is ₩ 637,160 thousand.

(In thousands of rupee)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 7,481,069	6,162	9,692,288	82,097
Less: Allowance for doubtful accounts	(9,294)	(31)	(7,573)	(86)
Other receivables	440,051	9,900	539,790	9,088
Less: Allowance for doubtful accounts	(248,721)	(2,733)	(241,457)	(2,726)
Loans and others(*)	753,188	2,385,854	750,529	2,075,850
Less: Allowance for doubtful accounts	-	(22)	-	(22)
	Rs 8,416,293	2,399,130	10,733,577	2,164,201

(*) The Loans and others listed above include Rs 248,771 thousand for sub lease receivables and the interest revenue received by the sub lease contract is Rs 39,259 thousand.

(2) Details of aging analysis of the trade and other receivables as of December 31, 2019 and 2018 are as follows:

(In thousands of won)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90days	₩ 86,595,988	53,967,620	147,811,277	48,190,129
Less than 180days	15,540,796	57,067	3,899,884	361,228
Less than 270days	17,528,017	30,610	3,844,119	133,364
Less than 365days	674,780	54,075	2,511,167	1,878,601
More than 366days	1,176,774	4,139,310	570,001	4,216,469
Total	₩ 121,516,355	58,248,682	158,636,448	54,779,791
Impaired receivables	151,326	4,081,404	124,299	3,963,406

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For the years ended December 31, 2019 and 2018

7. Trade and Other Receivables, Continued

(2) Details of aging analysis of the trade and other receivables as of December 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90days	Rs 5,335,612	3,325,215	9,107,392	2,969,235
Less than 180days	957,546	3,516	240,291	22,257
Less than 270days	1,079,989	1,886	236,855	8,217
Less than 365days	41,577	3,332	154,726	115,750
More than 366days	72,507	255,044	35,121	259,798
Total	Rs 7,487,231	3,588,993	9,774,385	3,375,257
Impaired receivables	9,325	251,476	7,659	244,205

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

(3) Changes in allowance for trade and other receivables for the years ended December 31, 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	27,925	524,238	-	195,019
Reversal of allowance for bad debts	(898)	(405,749)	(2,416)	(15,055)
Removal	-	(491)	-	-
Ending balance	₩ 151,326	4,081,404	124,299	3,963,406

(In thousands of rupee)

	2019		2018	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 7,659	244,205	7,808	233,117
Bad debt expense	1,721	32,301	-	12,016
Reversal of allowance for bad debts	(55)	(25,000)	(149)	(928)
Removal	-	(30)	-	-
Ending balance	Rs 9,325	251,476	7,659	244,205

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For the years ended December 31, 2019 and 2018

8. Inventories

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Merchandises	₩ 42,992,862	44,349,645	Rs 2,649,005	2,732,603
Finished goods	89,960,596	83,787,753	5,542,922	5,162,582
Work-in-process	22,869,812	27,069,755	1,409,123	1,667,903
Raw materials	34,184,282	31,654,571	2,106,265	1,950,396
Sub-materials	375,663	413,615	23,146	25,485
Supplies	3,270,070	3,611,193	201,486	222,504
Goods in transit	32,477,788	37,725,938	2,001,119	2,324,484
	₩ 226,131,073	228,612,470	Rs 13,933,066	14,085,957

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩ 10,407,813 thousand (Rs 641,277 thousand) and ₩ 8,278,944 thousand (Rs 510,107 thousand) for the years ended December 31, 2019 and 2018 is included in cost of sales.

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2019 and 2018 are as follows:

(In thousands of won)

	Company	Location	Owner ship	Closing month	Industry
	Ssangyong Motor (Shanghai) Co., Ltd.	China	100%	December	Sales of automobile
Subsidiaries	Ssangyong European Parts Center B.V.	Netherlands	100%	December	A/S and sales
	Ssangyong Australia Pty Ltd.(*1)	Australia	100%	December	Sales of automobile
Joint venture	SY Auto Capital Co., Ltd.(*2)	Korea	51%	December	Finance

(*1) The Group made additional investments of ₩ 1,116,761 thousand during the year.

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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

9. Investments in Subsidiaries and a Joint venture, Continued

(2) Changes in the carrying amounts of investments in a joint venture for the year ended December 31, 2019 is as follows:

(In thousands of won)

		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
Ssangyong Motor (Shanghai) Co., Ltd.	₩	16,706,345	2,433,214	(85,778)	19,053,781

(In thousands of rupee)

		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	1,029,361	149,922	(5,284)	1,173,999

(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 year ended December 31, 2019 is as follows:

(In thousands of won)

		2019				Net income (loss)
		Assets	Liabilities	Equity	Sales	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	619,978	537,545	82,433	424,088	(224,200)
Ssangyong European Parts Center B.V.		12,880,539	16,017,980	(3,137,441)	19,779,843	160,883
Ssangyong Australia Pty Ltd.		24,671,750	28,240,356	(3,568,606)	30,045,826	(5,165,468)
SY Auto Capital Co., Ltd.(*)		88,610,829	52,427,714	36,183,115	18,189,633	5,231,768

(In thousands of rupee)

		2019				Net income (loss)
		Assets	Liabilities	Equity	Sales	
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	38,200	33,121	5,079	26,130	(13,814)
Ssangyong European Parts Center B.V.		793,634	986,948	(193,314)	1,218,735	9,913
Ssangyong Australia Pty Ltd.		1,520,150	1,740,030	(219,880)	1,851,274	(318,270)
SY Auto Capital Co., Ltd.(*)		5,459,758	3,230,334	2,229,424	1,120,754	322,355

(*) Additional financial information for the joint venture for the year ended December 31, 2019 is as follows:

(In thousands of won)

		<u>Cash and cash equivalents</u>	<u>Financial liabilities</u>	<u>Depreciation</u>	<u>Interest income</u>	<u>Interest expense</u>	<u>Income tax expense</u>
SY Auto Capital Co., Ltd.	₩	4,075,644	50,830,635	1,150,399	2,411,013	1,390,466	1,589,874

(In thousands of rupee)

		<u>Cash and cash equivalents</u>	<u>Financial liabilities</u>	<u>Depreciation</u>	<u>Interest income</u>	<u>Interest expense</u>	<u>Income tax expense</u>
SY Auto Capital Co., Ltd.	Rs	251,121	3,131,930	70,882	148,555	85,674	97,960

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For the years ended December 31, 2019 and 2018

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				
		Assets	Liabilities	Equity	Sales	Net income (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				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	52,828	34,503	18,325	7,256	(47,454)
Ssangyong European Parts Center B.V.		651,504	851,813	(200,309)	1,185,528	9,676
Ssangyong Australia Pty Ltd.		696,184	667,089	29,095	204,031	(151,307)
SY Auto Capital Co., Ltd.(*)		5,542,150	3,623,713	1,918,437	835,754	168,120

(*) 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 125,206	3,557,055	50,639	145,182	80,005	56,325

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of December 31, 2019 is as follows:

(In thousands of won)

	Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩ 36,183,115	51.00%	18,453,389	600,392	19,053,781

(In thousands of rupee)

	Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	Rs 2,229,423	51.00%	1,137,006	36,993	1,173,999

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10. Other Assets

Details of other assets as of December 31, 2019 and 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	₩ 1,343,777	1,028,309	Rs 82,797	63,359
Prepaid expenses	7,239,534	9,947,199	446,063	612,898
Current tax assets	430,322	324,294	26,515	19,980
	₩ <u>9,013,633</u>	<u>11,299,802</u>	Rs <u>555,375</u>	<u>696,237</u>
Other non-current assets				
Other non-current assets	₩ 285,504	291,259	Rs 17,593	17,947

11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of December 31, 2019 and 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	552,055,868	(3,681,126)	(239,864,472)	(157,179,120)	151,331,150
Structures	112,714,645	(69,552)	(67,488,211)	(29,759,580)	15,397,302
Machinery	1,306,810,589	(143,706)	(1,053,087,261)	(100,241,895)	153,337,727
Vehicles	9,022,958	(4,344)	(5,835,898)	(471,742)	2,710,974
Tools and molds	1,405,141,005	(90,765)	(912,094,472)	(171,857,337)	321,098,431
Equipment	69,980,709	(110,235)	(55,002,567)	(3,482,468)	11,385,439
Construction in progress	12,720,188	-	-	(699,821)	12,020,367
Machinery in transit	233,039	-	-	-	233,039
	₩ <u>3,943,434,255</u>	<u>(4,107,082)</u>	<u>(2,333,372,881)</u>	<u>(463,691,963)</u>	<u>1,142,262,329</u>

(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
	₩ <u>3,865,364,547</u>	<u>(4,103,212)</u>	<u>(2,202,325,288)</u>	<u>(430,810,329)</u>	<u>1,228,125,718</u>

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For the years ended December 31, 2019 and 2018

11. Property, Plant and Equipment, Continued

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

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	29,252,045	(453)	-	-	29,251,592
Buildings		34,014,922	(226,816)	(14,779,249)	(9,684,591)	9,324,266
Structures		6,944,913	(4,285)	(4,158,286)	(1,833,637)	948,705
Machinery		80,519,134	(8,854)	(64,885,972)	(6,176,404)	9,447,904
Vehicles		555,950	(267)	(359,579)	(29,066)	167,038
Tools and molds		86,577,763	(5,592)	(56,198,701)	(10,588,990)	19,784,480
Equipment		4,311,861	(6,792)	(3,388,983)	(214,572)	701,514
Construction in progress		783,754	-	-	(43,119)	740,635
Machinery in transit		14,359	-	-	-	14,359
	Rs	<u>242,974,701</u>	<u>(253,059)</u>	<u>(143,770,770)</u>	<u>(28,570,379)</u>	<u>70,380,493</u>

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	29,274,333	(453)	-	-	29,273,880
Buildings		33,908,130	(230,114)	(14,083,738)	(9,141,620)	10,452,658
Structures		6,911,758	(5,549)	(4,057,396)	(1,778,392)	1,070,421
Machinery		78,637,542	(10,284)	(63,033,332)	(5,692,641)	9,901,285
Vehicles		504,954	(363)	(358,678)	(31,839)	114,074
Tools and molds		77,720,939	(1,481)	(50,952,483)	(9,702,498)	17,064,477
Equipment		4,295,175	(4,575)	(3,210,646)	(197,389)	882,565
Construction in progress		6,830,389	-	-	-	6,830,389
Machinery in transit		81,217	-	-	-	81,217
	Rs	<u>238,164,437</u>	<u>(252,819)</u>	<u>(135,696,273)</u>	<u>(26,544,379)</u>	<u>75,670,966</u>

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For the years ended December 31, 2019 and 2018

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won)

	2019						
	Beginning balance	Acquisition	Disposal	Depreciation	impairment (*1)	Others(*2)	Ending balance
Land	₩ 475,109,638	-	(361,738)	-	-	-	474,747,900
Buildings	169,644,693	78,903	-	(11,185,918)	(8,812,334)	1,605,806	151,331,150
Structures	17,372,729	456,902	(132,731)	(1,641,894)	(896,618)	238,914	15,397,302
Machinery	160,696,016	105,540	(261,972)	(39,624,472)	(8,928,852)	41,351,467	153,337,227
Vehicles	1,851,414	388,083	(1,411,851)	(663,319)	(120,557)	2,667,204	2,710,974
Tools and molds	276,953,283	9,284,053	(389,315)	(106,810,004)	(18,698,149)	160,758,563	321,098,431
Equipment	14,323,871	2,580,009	(32,836)	(5,100,137)	(649,460)	263,992	11,385,439
Construction in progress	110,855,937	103,486,720	-	-	(699,821)	(201,622,469)	12,020,367
Machinery in transit	1,318,137	1,286,628	-	-	-	(2,371,726)	233,039
	₩ 1,228,125,718	117,666,838	(2,590,443)	(165,025,744)	(38,805,791)	2,891,751	1,142,262,329

(In thousands of won)

	2018					
	Beginning balance	Acquisition	Disposal	Depreciation	Others(*2)	Ending balance
Land	₩ 475,062,920	54,072	-	-	(7,354)	475,109,638
Buildings	175,450,508	245,602	(352)	(10,958,093)	4,907,028	169,644,693
Structures	16,717,153	509,016	(3)	(1,719,493)	1,866,056	17,372,729
Machinery	168,999,971	33,906	(96,855)	(32,913,358)	24,672,352	160,696,016
Vehicles	1,199,808	114,689	(257,180)	(415,684)	1,209,781	1,851,414
Tools and molds	298,398,114	897,900	(224,932)	(89,610,504)	67,492,705	276,953,283
Equipment	16,433,791	3,901,949	(147,313)	(6,156,278)	291,722	14,323,871
Construction in progress	87,441,686	123,665,274	-	-	(100,251,023)	110,855,937
Machinery in transit	-	1,318,137	-	-	-	1,318,137
	₩ 1,239,703,951	130,740,545	(726,635)	(141,773,410)	181,267	1,228,125,718

(*1) The cash-generating unit of the group consists of the corporate units that make up the group. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of construction in progress is ₩ 765,291 thousand (2018: ₩ 1,073,366 thousand) and ₩ 2,607,028 thousand (2018: ₩ 1,171,678 thousand) was transferred from inventory to vehicles and ₩ 232,898 thousand was replaced by intangible assets (software) from assets under construction. During the year ended December 31, 2019, The government grant amounting to ₩ 197,692 thousand (2018: ₩ 2,012,470 thousand) was used for asset acquisition was included and the effect of exchange rate fluctuations were adjusted in others during the year ended December 31, 2019.

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

	2019						
	Beginning balance	Acquisition	Disposal	Depreciation	impairment (*1)	Others(*2)	Ending balance
Land	Rs 29,273,880	-	(22,288)	-	-	-	29,251,592
Buildings	10,452,658	4,862	-	(689,220)	(542,972)	98,938	9,324,266
Structures	1,070,421	28,152	(8,178)	(101,165)	(55,245)	14,720	948,705
Machinery	9,901,285	6,503	(16,141)	(2,441,463)	(550,153)	2,547,873	9,447,904
Vehicles	114,074	23,911	(86,992)	(40,870)	(7,428)	164,343	167,038
Tools and molds	17,064,477	572,037	(23,988)	(6,581,098)	(1,152,086)	9,905,138	19,784,480
Equipment	882,565	158,967	(2,023)	(314,245)	(40,016)	16,266	701,514
Construction in progress	6,830,389	6,376,334	-	-	(43,119)	(12,422,969)	740,635
Machinery in transit	81,217	79,276	-	-	-	(146,134)	14,359
	Rs 75,670,966	7,250,042	(159,610)	(10,168,061)	(2,391,019)	178,175	70,380,493

(In thousands of rupee)

	2018					
	Beginning balance	Acquisition	Disposal	Depreciation	Others(*2)	Ending balance
Land	Rs 29,271,002	3,332	-	-	(454)	29,273,880
Buildings	10,810,383	15,133	(22)	(675,183)	302,347	10,452,658
Structures	1,030,027	31,363	-	(105,947)	114,978	1,070,421
Machinery	10,412,933	2,089	(5,968)	(2,027,957)	1,520,188	9,901,285
Vehicles	73,926	7,067	(15,846)	(25,612)	74,539	114,074
Tools and molds	18,385,800	55,324	(13,859)	(5,521,351)	4,158,563	17,064,477
Equipment	1,012,568	240,419	(9,077)	(379,319)	17,974	882,565
Construction in progress	5,387,719	7,619,636	-	-	(6,176,966)	6,830,389
Machinery in transit	-	81,217	-	-	-	81,217
	Rs 76,384,358	8,055,580	(44,772)	(8,735,369)	11,169	75,670,966

(*1) The cash-generating unit of the group consists of the corporate units that make up the group. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of construction in progress is Rs 47,153 thousand (2018: Rs 66,135 thousand) and Rs 160,632 thousand (2018: Rs 72,193 thousand) was transferred from inventory to vehicles and Rs 14,350 thousand was replaced by intangible assets (software) from assets under construction during the year ended December 31, 2019. The government grant amounting to Rs 12,181 thousand (2018: Rs 123,998 thousand) was used for asset acquisition was included and the effect of exchange rate fluctuations were adjusted in others during the year ended December 31, 2019

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11. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of December 31, 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	₩ 450,663,971		Rs 27,767,661	
Buildings and structures	113,593,935	372,000,000	6,999,090	22,920,780
Machinery and others	15,639		964	
	₩ 564,273,545	372,000,000	Rs 34,767,715	22,920,780

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Capitalized interest expenses	₩ 3,466,735	3,724,107	Rs 213,603	229,461
Capitalization interest rate	3.49%	3.35%	3.49%	3.35%

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12. Intangible Assets

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

(In thousands of won)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	510,279,976	-	(275,331,952)	(12,928,659)	222,019,365
Patents		4,848,742	(9,343)	(3,525,514)	(156,296)	1,157,589
Other intangible assets		130,468,990	-	(33,996,850)	(6,544,340)	89,927,800
	₩	<u>645,597,708</u>	<u>(9,343)</u>	<u>(312,854,316)</u>	<u>(19,629,295)</u>	<u>313,104,754</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	(11,559)	(2,907,159)	(107,788)	1,334,224
Other intangible assets		221,383,684	(6,186)	(30,567,312)	(1,409,450)	189,400,736
	₩	<u>570,929,429</u>	<u>(17,745)</u>	<u>(215,634,484)</u>	<u>(1,517,238)</u>	<u>353,759,962</u>

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	31,440,901	-	(16,964,578)	(796,599)	13,679,724
Patents		298,755	(575)	(217,225)	(9,630)	71,325
Other intangible assets		8,038,847	-	(2,094,717)	(403,230)	5,540,900
	Rs	<u>39,778,503</u>	<u>(575)</u>	<u>(19,276,520)</u>	<u>(1,209,459)</u>	<u>19,291,949</u>

(In thousands of rupee)

		2018				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	21,268,575	-	(11,223,789)	-	10,044,786
Patents		268,686	(713)	(179,125)	(6,641)	82,207
Other intangible assets		13,640,556	(381)	(1,883,405)	(86,843)	11,669,927
	Rs	<u>35,177,817</u>	<u>(1,094)</u>	<u>(13,286,319)</u>	<u>(93,484)</u>	<u>21,796,920</u>

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won)

	2019							Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Transfer	Others (*2)	
Internally created intangible assets:								
Development cost	₩ 163,025,002	-	-	(93,171,939)	(12,928,659)	165,094,961	-	222,019,365
Other intangible assets	181,843,818	68,251,200	-	-	(4,826,016)	(165,094,961)	2,701,444	82,875,485
	<u>344,868,820</u>	<u>68,251,200</u>	<u>-</u>	<u>(93,171,939)</u>	<u>(17,754,675)</u>	<u>-</u>	<u>2,701,444</u>	<u>304,894,850</u>
Individually acquired intangible assets:								
Patents	1,334,224	488,012	-	(616,139)	(48,508)	-	-	1,157,589
Other intangible assets	7,556,918	3,106,685	(112,138)	(3,423,321)	(308,875)	232,898	148	7,052,315
	<u>8,891,142</u>	<u>3,594,697</u>	<u>(112,138)</u>	<u>(4,039,460)</u>	<u>(357,383)</u>	<u>232,898</u>	<u>148</u>	<u>8,209,904</u>
	<u>₩ 353,759,962</u>	<u>71,845,897</u>	<u>(112,138)</u>	<u>(97,211,399)</u>	<u>(18,112,058)</u>	<u>232,898</u>	<u>2,701,592</u>	<u>313,104,754</u>

(In thousands of won)

	2018							Ending balance
	Beginning balance	Acquisition	Amortization	Impairment (*1)	Transfer	Others (*2)		
Internally created intangible assets:								
Development cost	₩ 189,161,366	-	(66,365,959)	-	40,229,595	-	-	163,025,002
Other intangible assets	104,765,438	115,704,215	-	(1,046,981)	(40,229,595)	2,650,741	-	181,843,818
	<u>293,926,804</u>	<u>115,704,215</u>	<u>(66,365,959)</u>	<u>(1,046,981)</u>	<u>-</u>	<u>2,650,741</u>	<u>-</u>	<u>344,868,820</u>
Individually acquired intangible assets:								
Patents	1,592,985	376,594	(605,905)	(29,450)	-	-	-	1,334,224
Other intangible assets	7,748,933	3,417,166	(3,609,181)	-	-	-	-	7,556,918
	<u>9,341,918</u>	<u>3,793,760</u>	<u>(4,215,086)</u>	<u>(29,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,891,142</u>
	<u>₩ 303,268,722</u>	<u>119,497,975</u>	<u>(70,581,045)</u>	<u>(1,076,431)</u>	<u>-</u>	<u>2,650,741</u>	<u>-</u>	<u>353,759,962</u>

(*1) The cash-generating unit of the group consists of the corporate units that make up the group. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of other intangible assets is ₩ 2,701,444 thousand and ₩ 2,650,741 thousand for the years ended December 31, 2019 and 2018, respectively.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

		2019							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Transfer	Others (*2)	Ending balance
Internally created intangible assets:									
Development cost	Rs	10,044,786	-	-	(5,740,789)	(796,599)	10,172,326	-	13,679,724
Other intangible assets		11,204,307	4,205,298	-	-	(297,355)	(10,172,326)	166,448	5,106,372
		21,249,093	4,205,298	-	(5,740,789)	(1,093,954)	-	166,448	18,786,096
Individually acquired intangible assets:									
Patents		82,207	30,069	-	(37,963)	(2,988)	-	-	71,325
Other intangible assets		465,620	191,418	(6,909)	(210,928)	(19,032)	14,350	9	434,528
		547,827	221,487	(6,909)	(248,891)	(22,020)	14,350	9	505,853
	Rs	21,796,920	4,426,785	(6,909)	(5,989,680)	(1,115,974)	14,350	166,457	19,291,949

(In thousands of rupee)

		2018							
		Beginning balance	Acquisition	Amortization	Impairment (*1)	Transfer	Others(*2)	Ending balance	
Internally created intangible assets:									
Development cost	Rs	11,655,178	-	(4,089,138)	-	2,478,746	-	10,044,786	
Other intangible assets		6,455,122	7,129,115	-	(64,510)	(2,478,746)	163,326	11,204,307	
		18,110,300	7,129,115	(4,089,138)	(64,510)	-	163,326	21,249,093	
Individually acquired intangible assets:									
Patents		98,152	23,203	(37,333)	(1,815)	-	-	82,207	
Other intangible assets		477,451	210,549	(222,380)	-	-	-	465,620	
		575,603	233,752	(259,713)	(1,815)	-	-	547,827	
	Rs	18,685,903	7,362,867	(4,348,851)	(66,325)	-	163,326	21,796,920	

(*1) The cash-generating unit of the group consists of the corporate units that make up the group. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of other intangible assets is Rs 166,448 thousand and Rs 163,326 thousand for the years ended December 31, 2019 and 2018, respectively.

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12. Intangible Assets, Continued

(3) Details of capitalized development costs as of December 31, 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Project name	Korean won	Indian rupee	Remaining amortization period(*1)
Development cost	RV(*2)	₩ 193,173,708	Rs 11,902,398	1~4 years
	Power train and others	28,845,657	1,777,325	1~4 years
Other intangible assets	RV(*3)	82,875,485	5,106,372	-
		₩ 304,894,850	Rs 18,786,095	

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

(*2) It is a development project for vehicles under sale as of December 31, 2019.

(*3) On-going development project for vehicles as of December 31, 2019 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Capitalization of intangible assets	₩	70,952,644	118,354,956	Rs 4,371,747	7,292,441
Manufacturing costs		106,341,408	69,401,524	6,552,226	4,276,175
Selling and administrative expenses		12,291,122	13,882,448	757,317	855,367
	₩	189,585,174	201,638,928	Rs 11,681,290	12,423,983

13. Lease

(1) Changes in right-of-use assets for the year ended December 31, 2019 are as follows:

(In thousands of won)		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	3,990,125	374,827	(1,946,789)	(133,031)	31,571	2,316,703
Vehicle		5,470,948	305,371	(1,992,688)	(1,464)	4,692	3,786,859
Equipment		-	1,542,742	(186,736)	-	-	1,356,006
Total	₩	9,461,073	2,222,940	(4,126,213)	(134,495)	36,263	7,459,568

(In thousands of rupee)

		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	Rs	245,852	23,095	(119,951)	(8,195)	1,943	142,744
Vehicle		337,092	18,815	(122,779)	(90)	289	233,327
Equipment		-	95,056	(11,506)	-	-	83,550
Total	Rs	582,944	136,966	(254,236)	(8,285)	2,232	459,621

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For the years ended December 31, 2019 and 2018

13. Lease, Continued

(2) Details of lease liabilities as of December 31, 2019 are as follows:

<i>(In thousands of won)</i>	<u>Within a year</u>	<u>Over 1 year</u>
Lease liabilities(*)	₩ 6,939,730	4,690,654

<i>(In thousands of rupee)</i>	<u>Within a year</u>	<u>Over 1 year</u>
Lease liabilities(*)	Rs 427,591	289,015

(*) The total amount of lease liabilities paid in the current term is ₩ 9,596,135 thousand (Rs 591,266 thousand) and interests expenses is ₩ 498,114 thousand (Rs 30,691 thousand).

(3) Expenses from lease contracts with low cost and short term contract during this year are as follows:

<i>(In thousands of won)</i>	<u>Exemption of lease recognition</u>	<u>Expenses</u>
Office equipment and others	Low cost	₩ 1,061,160
	Short term	570,694
Building	Short term	30,700

<i>(In thousands of rupee)</i>	<u>Exemption of lease recognition</u>	<u>Expenses</u>
Office equipment and others	Low cost	Rs 65,383
	Short term	35,163
Building	Short term	1,892

(4) The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under K-IFRS No 1017, the Group did not have any finance leases as a lessor.

(In thousands of won and in thousands of rupee)

	2019	
	<u>Korean won</u>	<u>Indian rupee</u>
Sub lease		
Less than 1 year	₩ 2,841,843	Rs 175,100
1 year to 2 years	1,340,272	82,581
Lease to be received	4,182,115	257,681
Unrealized interests	(144,605)	(8,910)
Net investment in the lease	4,037,510	248,771
Interests from sublease for this year	196,545	12,110

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14. Borrowings

(1) Details of short-term borrowings as of December 31, 2019 and 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+2.10	₩ 20,000,000	30,000,000	Rs 1,232,300	1,848,450
	Facility fund(*)	CD+1.57	70,000,000	-	4,313,050	-
Woori Bank	General Loan(*)	CD+2.00	17,500,000	-	1,078,263	-
Kookmin Bank	Facility fund(*)	CD+2.00	10,000,000	5,000,000	616,150	308,075
BNP PARIBAS	Overdraft	CD+2.00	30,000,000	-	1,848,450	-
BOA and others	Banker's usance	0.26 ~0.82	106,606,448	143,227,545	6,568,556	8,824,965
			₩ <u>254,106,448</u>	<u>178,227,545</u>	Rs <u>15,656,769</u>	<u>10,981,490</u>

(*) Current portion of long-term borrowing

(2) Details of long-term borrowing as of December 31, 2019 and 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+1.57~1.60	₩ 170,000,000	70,000,000	Rs 10,474,550	4,313,050
Woori Bank	General Loan	CD+2.00	35,000,000	-	2,156,525	-
Kookmin Bank	Facility fund	CD+2.00	11,250,000	10,000,000	693,169	616,150
JP Morgan	Facility fund	CD+2.00	40,000,000	-	2,464,600	-
Less: Current portion			<u>(97,500,000)</u>	<u>(5,000,000)</u>	<u>(6,007,463)</u>	<u>(308,075)</u>
			₩ <u>158,750,000</u>	<u>75,000,000</u>	Rs <u>9,781,381</u>	<u>4,621,125</u>

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For the years ended December 31, 2019 and 2018

14. Borrowings, Continued

(3) Details of pledged assets as collateral for borrowings as of December 31, 2019 are as follows:

(In thousands of won)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 190,000,000	300,000,000
Kookmin Bank	Land and buildings	11,250,000	24,000,000
Woori Bank	Land and buildings	35,000,000	48,000,000
		₩ 236,250,000	372,000,000

(In thousands of rupee)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	Rs 11,706,850	18,484,500
Kookmin Bank	Land and buildings	693,169	1,478,760
Woori Bank	Land and buildings	2,156,525	2,957,520
		Rs 14,556,544	22,920,780

15. Other Financial Liabilities

Details of other financial liabilities as of December 31, 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	₩	39,493,725	38,053,382	Rs 2,433,406	2,344,659

16. 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 the years ended December 31, 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	₩	135,038,086	146,239,555	Rs 8,320,371	9,010,550
Increase		35,027,934	27,317,844	2,158,246	1,683,188
Decrease		(41,780,414)	(38,519,313)	(2,574,300)	(2,373,367)
Ending balance	₩	128,285,606	135,038,086	Rs 7,904,317	8,320,371
Current	₩	50,305,013	49,209,826	Rs 3,099,543	3,032,063
Non-current		77,980,593	85,828,261	4,804,774	5,288,308

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17. Other Liabilities

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

(In thousands of won)

	2019		2018	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 3,736,227	-	3,817,676	-
Deposits received	696,247	-	525,166	-
Withholdings	17,507,000	-	22,650,209	-
Unearned revenue	3,784,720	16,399,791	5,968,033	11,317,483
	₩ 25,724,194	16,399,791	32,961,084	11,317,483

(In thousands of rupee)

	2019		2018	
	Current	Non-current	Current	Non-current
Advances from customers	Rs 230,210	-	235,227	-
Deposits received	42,899	-	32,358	-
Withholdings	1,078,693	-	1,395,592	-
Unearned revenue	233,195	1,010,474	367,720	697,328
	Rs 1,584,997	1,010,474	2,030,897	697,328

18. Employee Benefits

(1) Details of defined benefit liabilities as of December 31, 2019 and 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	₩ 357,109,529	330,195,117	Rs 22,003,303	20,344,972
Fair value of plan assets	(954,268)	(1,013,651)	(58,797)	(62,456)
	₩ 356,155,261	329,181,466	Rs 21,944,506	20,282,516

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 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	39,722,211	-	39,722,211
Interest expense (income)	8,590,806	(26,318)	8,564,488
Sub-total	378,508,134	(1,039,969)	377,468,165
Re-measurement factors:			
Re-measurements of plan assets	-	13,869	13,869
Loss (gain) from experience adjustments	(15,322,662)	-	(15,322,662)
Loss (gain) from changes in financial assumptions	12,785,519	-	12,785,519
Loss (gain) from changes in demographic assumptions	811,369	-	811,369
Sub-total	(1,725,774)	13,869	(1,711,905)
Benefit paid by plan	(71,832)	71,832	-
Benefit paid directly	(19,600,999)	-	(19,600,999)
Ending balance	₩ 357,109,529	(954,268)	356,155,261

(In thousands of won)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 285,658,090	(1,094,967)	284,563,123
Current service cost	36,320,832	-	36,320,832
Interest expense (income)	8,892,349	(34,034)	8,858,315
Sub-total	330,871,271	(1,129,001)	329,742,270
Re-measurement factors:			
Re-measurements of plan assets	-	20,618	20,618
Loss (gain) from experience adjustments	1,253,039	-	1,253,039
Loss (gain) from changes in financial assumptions	18,608,552	-	18,608,552
Loss (gain) from changes in demographic assumptions	158,296	-	158,296
Sub-total	20,019,887	20,618	20,040,505
Benefit paid by plan	(94,732)	94,732	-
Benefit paid directly	(20,601,309)	-	(20,601,309)
Ending balance	₩ 330,195,117	(1,013,651)	329,181,466

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For the years ended December 31, 2019 and 2018

18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2019 and 2018 are as follows, continued:

(In thousands of rupee)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 20,344,972	(62,456)	20,282,516
Current service cost	2,447,484	-	2,447,484
Interest expense (income)	529,323	(1,622)	527,701
Sub-total	23,321,779	(64,078)	23,257,701
Re-measurement factors:			
Re-measurements of plan assets	-	855	855
Loss (gain) from experience adjustments	(944,107)	-	(944,107)
Loss (gain) from changes in financial assumptions	787,780	-	787,780
Loss (gain) from changes in demographic assumptions	49,993	-	49,993
Sub-total	(106,334)	855	(105,479)
Benefit paid by plan	(4,426)	4,426	-
Benefit paid directly	(1,207,716)	-	(1,207,716)
Ending balance	Rs 22,003,303	(58,797)	21,944,506

(In thousands of rupee)

Details	2018		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs 17,600,823	(67,466)	17,533,357
Current service cost	2,237,908	-	2,237,908
Interest expense (income)	547,902	(2,097)	545,805
Sub-total	20,386,633	(69,563)	20,317,070
Re-measurement factors:			
Re-measurements of plan assets	-	1,270	1,270
Loss (gain) from experience adjustments	77,206	-	77,206
Loss (gain) from changes in financial assumptions	1,146,567	-	1,146,567
Loss (gain) from changes in demographic assumptions	9,753	-	9,753
Sub-total	1,233,526	1,270	1,234,796
Benefit paid by plan	(5,837)	5,837	-
Benefit paid directly	(1,269,350)	-	(1,269,350)
Ending balance	Rs 20,344,972	(62,456)	20,282,516

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18. Employee Benefits, Continued

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Insurance contracts	₩ 954,268	1,013,651 Rs	58,797	62,456

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

	2019	2018
Discount rate (%)	2.30	2.63
Rate of future salary growth (%)	3.96	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.

Weighted average duration of defined benefit obligation as of December 31, 2019 and 2018 are 11.1 years and 11.6 years, respectively.

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2019 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (34,976,590)	40,541,126 Rs	(2,155,083)	2,497,941
Future salary growth	38,098,453	(33,573,782)	2,347,436	(2,068,649)

Sensitivity analysis does not take into account the variance of all expected cash flows, but it provides an approximation of the sensitivity to the assumptions used.

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19. Commitments and Contingencies

Details of commitments and contingencies as of December 31, 2019 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2019, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩ 423,250 million (Rs 26,079 million) and USD 245 million.
- (3) As of December 31, 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 December 31, 2019, 5 claims as a plaintiff were filled with the claim amount of ₩ 5,480 million (Rs 338 million) and 12 claims as a defendant were filled with the claims of ₩ 2,185 million (Rs 135 million). The provision amounting to ₩ 7,486 million (Rs 461 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and management expect that it is probable that the Group will be required to incur an outflow.

20. Capital Stock

The Group's capital stock as of December 31, 2019 and 2018 are as follows:

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

	Korean won		Indian rupee	
	2019	2018	2019	2018
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	149,840,002	137,949,396	149,840,002	137,949,396
Par value	5,000	5,000	308	308
Capital stock	₩ 749,200,010	689,746,980	Rs 46,161,959	42,498,760

21. Other Capital Surplus

Details of other capital surplus as of December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Paid-up capital in excess of par	₩ 3,169,615	12,916,273	Rs 195,296	795,836
Gain on capital reduction	74,061,697	74,061,697	4,563,311	4,563,311
Debt to be swapped for equity	931,508	931,508	57,395	57,395
	₩ 78,162,820	87,909,478	Rs 4,816,002	5,416,542

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22. Other Equity

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Gains (losses) on valuation of derivatives	₩ -	103,000	Rs -	6,347
Accumulated foreign currency translation difference for foreign operations	1,109,395	1,139,617	68,355	70,218
	<u>1,109,395</u>	<u>1,242,617</u>	<u>68,355</u>	<u>76,565</u>

(2) Changes in the Group's gains (losses) on valuation of derivatives for the years ended December 31, 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 6,347	-
Gains on valuation of derivatives	-	103,000	-	6,347
Reclassified to net income (losses)	(103,000)	-	(6,347)	-
Ending balance	₩ -	103,000	Rs -	6,347

(3) Changes in the foreign currency translation difference for foreign operation for the years ended December 31, 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 70,218	71,078
Foreign currency translation difference for foreign operation	(30,222)	(13,964)	(1,863)	(860)
Ending balance	₩ 1,109,395	1,139,617	Rs 68,355	70,218

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23. Deficit

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Deficit	₩ (425,348,669)	(85,610,656)	Rs (26,207,858)	(5,274,901)

(2) Changes in deficit for the years ended December 31, 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	₩ (85,610,656)	(48,887,557)	Rs (5,274,901)	(3,012,207)
Disposition of deficit	-	45,232,442	-	(3,810,162)
Loss for the year	(341,364,140)	(61,838,228)	(21,033,151)	(1,234,796)
Defined benefit plan re-measurement	1,711,905	(20,040,505)	105,479	(4,733)
Defined benefit plan re-measurement from joint venture	(85,778)	(76,808)	(5,285)	2,786,997
Ending balance	₩ (425,348,669)	(85,610,656)	Rs (26,207,858)	(5,274,901)

24. Income Tax Expense

(1) Composition of income tax expense for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Income tax expense of parent(*)	₩ -	-	Rs -	-
Income tax expense of subsidiary	39,134	40,708	2,411	2,508
Total	₩ 39,134	40,708	Rs 2,411	2,508

(*) 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 December 31, 2019.

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of won)

		2019			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	2,415,106	2,408,106	2,939,429	2,946,429
Government grants		5,039,624	1,390,745	825,695	4,474,574
Provision for warranties		135,038,086	135,038,087	128,531,253	128,531,252
Defined benefit liabilities		331,410,425	19,522,238	46,323,923	358,212,110
Impairment loss of property, plant and equipment		84,669,290	26,818,376	38,805,791	96,656,705
Intangible assets		19,157,125	6,794,782	18,512,498	30,874,841
Depreciation		16,761,726	2,166,172	7,634,434	22,229,988
Other payables		22,079,874	22,079,874	27,238,937	27,238,937
Accrued expenses		37,502,860	37,502,860	38,787,848	38,787,848
Investment in subsidiaries		(4,123,057)	4,730,724	-	(8,853,781)
Derivatives		(891,319)	(891,319)	-	-
Other long-term employee benefit		17,039,484	17,039,484	16,253,294	16,253,294
Trade receivable		2,904,346	3,978,274	1,073,928	-
Other receivable		3,029,805	3,029,805	297,495	297,495
Land		(260,713,528)	(58,216)	-	(260,655,312)
Sub-lease receivables		-	-	(4,037,510)	(4,037,510)
Right-of-use assets		-	-	(5,851,154)	(5,851,154)
Lease liabilities		-	-	9,992,220	9,992,220
Others		4,892,990	4,341,933	9,861,090	10,412,147
Deficit carried over on tax		1,155,686,877	569,599,726	279,292,613	865,379,764
Sub-total		1,571,899,714	855,491,651	616,481,784	1,332,889,847
Not recognized as deferred tax assets		1,571,899,714	855,491,651	616,481,784	1,332,889,847
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences or deficits carried over on tax		-	-	-	-
Tax credit carry-forwards:		22,456,665	2,023,360	-	20,433,305
Not recognized as deferred tax assets		22,456,665	2,023,360	-	20,433,305
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	₩	-	-	-	-

The Group does not recognize deferred tax assets since it could not estimate income tax decrease effect by deducting temporary differences, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2019 and 2018, are as follows, continued:

(In thousands of won)

		2018			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	1,597,027	1,614,687	2,432,766	2,415,106
Government grants		3,025,471	2,297,962	4,312,115	5,039,624
Provision for warranties		146,239,557	146,239,557	135,038,086	135,038,086
Defined benefit liabilities		287,112,258	20,550,333	64,848,500	331,410,425
Impairment loss of property, plant and equipment		91,298,992	6,653,531	23,829	84,669,290
Intangible assets		23,602,904	6,590,801	2,145,022	19,157,125
Depreciation		13,534,126	1,031,848	4,259,448	16,761,726
Other payables		26,556,965	28,265,201	23,788,110	22,079,874
Accrued expenses		36,769,573	36,769,573	37,502,860	37,502,860
Investment in subsidiaries		(2,480,564)	-	(1,642,493)	(4,123,057)
Derivatives		409,259	409,259	(891,319)	(891,319)
Other long-term employee benefit		16,328,928	16,328,928	17,039,484	17,039,484
Trade receivable		2,458,305	-	446,041	2,904,346
Other receivable		2,007,258	37,313	1,059,860	3,029,805
Land		(260,713,528)	-	-	(260,713,528)
Others		838,816	(100,987)	3,953,187	4,892,990
Deficit carried over on tax		1,108,462,181	-	47,224,696	1,155,686,877
Sub-total		1,497,047,528	266,688,006	341,540,192	1,571,899,714
Not recognized as deferred tax assets		1,497,047,528	266,688,006	341,540,192	1,571,899,714
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences or deficits carried over on tax		-	-	-	-
Tax credit carry-forwards:		3,223,052	-	19,233,613	22,456,665
Not recognized as deferred tax assets		3,223,052	-	19,233,613	22,456,665
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	₩	-	-	-	-

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2019 and 2018, are as follows, continued:

(In thousands of rupee)

		2019			
		Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	Rs	148,807	148,375	181,112	181,544
Government grants		310,516	85,691	50,876	275,701
Provision for warranties		8,320,372	8,320,372	7,919,453	7,919,453
Defined benefit liabilities		20,419,853	1,202,863	2,854,249	22,071,239
Loss on revaluation of property, plant and equipment		5,216,898	1,652,414	2,391,019	5,955,503
Intangible assets		1,180,366	418,660	1,140,647	1,902,353
Depreciation		1,032,774	133,469	470,396	1,369,701
Other payables		1,360,451	1,360,451	1,678,327	1,678,327
Accrued expenses		2,310,739	2,310,739	2,389,913	2,389,913
Investment in subsidiaries		(254,042)	291,484	-	(545,526)
Derivatives		(54,919)	(54,919)	-	-
Other long-term employee benefit		1,049,888	1,049,888	1,001,447	1,001,447
Trade receivable		178,951	245,121	66,170	-
Other receivable		186,681	186,681	18,330	18,330
Land		(16,063,864)	(3,587)	-	(16,060,277)
Sub-lease receivables		-	-	(248,771)	(248,771)
Right-of-use assets		-	-	(360,519)	(360,519)
Lease liabilities		-	-	615,671	615,671
Others		301,482	267,528	607,590	641,544
Deficit carried over on tax		71,207,647	35,095,887	17,208,614	53,320,374
Sub-total		96,852,600	52,711,117	37,984,524	82,126,007
Not recognized as deferred tax assets		96,852,600	52,711,117	37,984,524	82,126,007
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences		-	-	-	-
Tax credit carry-forwards:		1,383,667	124,669	-	1,258,998
Not recognized as deferred tax assets		1,383,667	124,669	-	1,258,998
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	Rs	-	-	-	-

The Group does not recognize deferred tax assets since it could not estimate income tax decrease effect by deducting temporary differences, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2019 and 2018, are as follows, continued:

(In thousands of rupee)

		2018			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	Rs	98,401	99,489	149,895	148,807
Government grants		186,414	141,589	265,691	310,516
Provision for warranties		9,010,550	9,010,550	8,320,372	8,320,372
Defined benefit liabilities		17,690,422	1,266,209	3,995,640	20,419,853
Loss on revaluation of property, plant and equipment		5,625,387	409,957	1,468	5,216,898
Intangible assets		1,454,293	406,092	132,165	1,180,366
Depreciation		833,905	63,577	262,446	1,032,774
Other payables		1,636,307	1,741,560	1,465,704	1,360,451
Accrued expenses		2,265,557	2,265,557	2,310,739	2,310,739
Investment in subsidiaries		(152,840)	-	(101,202)	(254,042)
Derivatives		25,216	25,216	(54,919)	(54,919)
Other long-term employee benefit		1,006,107	1,006,107	1,049,888	1,049,888
Trade receivable		151,468	-	27,483	178,951
Other receivable		123,677	2,299	65,303	186,681
Land		(16,063,864)	-	-	(16,063,864)
Others		51,684	(6,222)	243,576	301,482
Deficit carried over on tax		68,297,897	-	2,909,750	71,207,647
Sub-total		92,240,581	16,431,980	21,043,999	96,852,600
Not recognized as deferred tax assets		92,240,581	16,431,980	21,043,999	96,852,600
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences		-			-
Tax credit carry-forwards:		198,588	-	1,185,079	1,383,667
Not recognized as deferred tax assets		198,588	-	1,185,079	1,383,667
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	Rs	-	-	-	-

(3) Details of information that the expected expiration of tax losses and deferred tax credits which are not recognized as deferred tax assets as of December 31, 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won			Indian rupee	
		Deficit carried over on tax	Tax credit carry-forwards		Deficit carried over on tax	Tax credit carry-forwards
0 ~ 1 Year	₩	163,476,536	9,108,635	Rs	10,072,607	561,228
1 ~ 5 Years		375,391,684	11,324,670		23,129,759	697,770
5 ~ 10 Years		320,885,664	-		19,771,370	-
10 Years ~		5,625,879	-		346,639	-
	₩	865,379,763	20,433,305	Rs	53,320,375	1,258,998

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25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 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 inventories	₩ (616,115)	(20,658,297)	Rs (37,962)	(1,272,861)
Raw materials consumed and purchase of merchandise	2,587,264,937	2,560,539,435	159,414,329	157,767,637
Employee benefits	549,793,783	543,376,706	33,875,544	33,480,156
Depreciation	165,025,744	141,773,410	10,168,061	8,735,369
Amortization	97,211,399	70,581,045	5,989,680	4,348,851
Others	507,107,878	473,357,244	31,245,452	29,165,906
	₩ <u>3,905,787,626</u>	<u>3,768,969,543</u>	Rs <u>240,655,104</u>	<u>232,225,058</u>

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

26. Derivatives

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk by foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

27. Selling, General and Administrative Expenses

(1) Details of selling expenses for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Warranty expenses	₩ 55,101,625	49,391,583	Rs 3,395,087	3,043,262
Commissions	241,034,691	235,656,996	14,851,352	14,520,006
Advertising	19,150,894	17,977,724	1,179,982	1,107,697
Export expenses	9,947,700	9,247,333	612,928	569,774
Others	28,779,655	23,476,537	1,773,258	1,446,507
	₩ <u>354,014,565</u>	<u>335,750,173</u>	Rs <u>21,812,607</u>	<u>20,687,246</u>

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27. Selling, General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Salaries	₩ 55,678,138	53,615,276	Rs 3,430,608	3,303,505
Retirement benefit costs	6,109,388	5,912,583	376,430	364,304
Employee welfare	14,023,539	13,249,465	864,060	816,366
Rent expense	10,108,383	12,226,314	622,828	753,324
Service fees	27,081,721	37,222,934	1,668,640	2,293,491
Depreciation	29,374,591	15,538,974	1,809,915	957,434
R&D expenses	12,291,122	13,882,448	757,317	855,367
Amortization	4,039,460	4,129,695	248,891	254,451
(Reversal of) bad debt expense	27,027	(2,416)	1,666	(149)
Others	36,731,871	34,921,623	2,263,235	2,151,697
	₩ 195,465,240	190,696,896	Rs 12,043,590	11,749,790

28. Other Income and Expenses

(1) Details of other income for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Foreign exchange transaction gain	₩ 6,089,248	5,772,244	Rs 375,189	355,657
Foreign exchange translation gain	428,256	269,394	26,387	16,599
Gain on disposal of property, plant and equipment	1,122,423	243,229	69,158	14,987
Others	9,895,857	4,916,269	609,733	302,915
	₩ 17,535,784	11,201,136	Rs 1,080,467	690,158

(2) Details of other expenses for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Foreign exchange transaction loss	₩ 5,668,952	5,878,888	Rs 349,292	362,228
Foreign exchange translation loss	515,176	601,157	31,743	37,040
Loss on disposal of property, plant and equipment	970,690	522,078	59,809	32,168
Loss on disposal of trade receivables	83,386	73,131	5,138	4,506
Impairment loss on PP&E	38,805,791	-	2,391,019	-
Impairment loss on Intangible	18,112,058	1,076,431	1,115,974	66,324
Others	7,943,958	2,379,176	489,467	146,593
	₩ 72,100,011	10,530,861	Rs 4,442,442	648,859

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29. Finance Income and Costs

(1) Details of finance income for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Interest income	₩ 3,778,894	2,485,558	Rs 232,837	153,148
Dividend income	11,000	11,000	678	678
Foreign exchange transaction gain	4,548,351	3,959,690	280,247	243,976
Foreign exchange translation gain	2,904,044	903,198	178,932	55,650
Realized gain of financial derivatives	499,898	4,835,727	30,801	297,953
Unrealized gain of financial derivatives	-	806,894	-	49,717
	₩ 11,742,187	13,002,067	Rs 723,495	801,122

(2) Details of finance costs for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Interest expense	₩ 5,029,231	963,968	Rs 309,876	59,395
Foreign exchange transaction loss	13,734,255	9,322,028	846,236	574,377
Foreign exchange translation loss	52,686	1,017,763	3,246	62,709
Realized loss of financial derivatives	214,649	1,690,833	13,226	104,181
Unrealized loss of financial derivatives	-	18,575	-	1,144
	₩ 19,030,821	13,013,167	Rs 1,172,584	801,806

(3) Details of the Group's financial net profit or loss for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Financial assets/ liabilities at amortized cost	₩ (7,584,883)	(3,955,313)	Rs (467,343)	(243,707)
Non-current financial assets	11,000	11,000	678	678
Derivatives financial assets (liabilities)	285,249	3,933,213	17,576	242,345
	₩ (7,288,634)	(11,100)	Rs (449,089)	(684)

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30. Losses per Share

(1) Basic losses per share for the years ended December 31, 2019 and 2018 are calculated as follows:

(In thousands of won and in thousands of rupee, except per share information)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Loss for the year	₩ (341,364,140)	(61,838,228)	Rs (21,033,151)	(3,810,162)
Loss contributed to common stocks	(341,364,140)	(61,838,228)	(21,033,151)	(3,810,162)
Weighted average number of common shares	149,096,397	138,983,372	149,096,397	138,983,372
Basic losses per share(*)	(2,290)	(445)	(141)	(27)

(*) Diluted losses per share are not calculated for the years ended December 31, 2019 and 2018, because there are no dilutive shares as of December 31, 2019 and 2018.

(2) Weighted average number of common shares outstanding for the years ended December 31, 2019 and 2018 are calculated as follows:

(In shares)

	2019			Common shares outstanding
	Outstanding period	Common shares issued	Weighted-average	
Beginning	2019-01-01~2019-12-31	137,949,396	365/365	137,949,396
Issuing(*)	2019-01-01~2019-12-31	1,033,976	365/365	1,033,976
Issuing	2019-01-26~2019-12-31	10,856,630	340/365	10,113,025
				<u>149,096,397</u>

(In shares)

	2018			Common shares outstanding
	Outstanding period	Common shares issued	Weighted-average	
Beginning	2018-01-01~2018-12-31	137,949,396	365/365	137,949,396
Issuing(*)	2018-01-01~2018-12-31	1,033,976	365/365	1,033,976
				<u>138,983,372</u>

(*) 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.

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31. Cash Flows

(1) Details of cash flows from operating activities for the years ended December 31, 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 year	₩ (341,364,140)	(61,838,228)	Rs (21,033,151)	(3,810,162)
Adjustments for:				
Retirement benefit costs	48,286,699	45,179,147	2,975,185	2,783,713
Depreciation	165,025,744	141,773,410	10,168,061	8,735,369
Amortization	97,211,399	70,581,045	5,989,680	4,348,851
Losses on disposal of trade receivables	83,386	73,131	5,138	4,506
Foreign exchange translation gain and loss, net	(2,764,439)	446,328	(170,331)	27,500
Loss (Gain) on disposal of property, plant and equipment	(151,733)	278,850	(9,349)	17,181
Interest expense and income, net	1,233,545	(1,521,590)	76,005	(93,753)
Dividends income	(11,000)	(11,000)	(678)	(678)
Unrealized gain and loss of financial derivatives, net	-	(788,319)	-	(48,572)
Losses on valuation of inventories	12,968,621	7,981,632	799,062	491,788
Increase in provision of warranty for sale	36,187,758	27,285,583	2,229,709	1,681,201
Equity profit on investments	(2,433,214)	(1,719,302)	(149,922)	(105,935)
Impairment loss on Tangible assets	38,805,791	-	2,391,019	-
Impairment loss on Intangible assets	18,112,058	-	1,115,974	-
Others	9,676,990	1,318,515	596,248	81,242
	<u>422,231,605</u>	<u>290,877,430</u>	<u>26,015,801</u>	<u>17,922,413</u>
Changes in assets and liabilities				
Trade receivables	36,766,467	28,582,182	2,265,366	1,761,091
Other receivables	1,806,355	66,885	111,299	4,121
Inventories	(13,706,871)	(9,587,462)	(844,549)	(590,731)
Trade payables	(57,966,036)	8,633,150	(3,571,577)	531,932
Other payables	(14,930,771)	(25,900,071)	(919,959)	(1,595,833)
Accrued expenses	1,364,903	751,693	84,099	46,316
Usage of provision of warranty for sale	(42,026,060)	(38,519,313)	(2,589,436)	(2,373,367)
Payment of retirement benefits	(19,600,999)	(20,601,309)	(1,207,716)	(1,269,350)
Others	6,534,822	6,592,657	402,640	406,205
	<u>(101,758,190)</u>	<u>(49,981,588)</u>	<u>(6,269,833)</u>	<u>(3,079,616)</u>
Net cash provided by (used in) operating activities	₩ <u>(20,890,725)</u>	<u>179,057,614</u>	Rs <u>(1,287,183)</u>	<u>11,032,635</u>

(2) Significant non-cash activities for the years ended December 31, 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	₩ (19,150,021)	(6,189,253)	Rs (1,179,929)	(381,351)

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31. Cash Flows, Continued

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the year ended December 31, 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	-	(33,770,762)	-	-	(2,850,335)	106,606,448
Short-term borrowings		35,000,000	69,999,999	(63,749,999)	106,250,000	-	-	147,500,000
Long-term borrowings		75,000,000	190,000,000	-	(106,250,000)	-	-	158,750,000
Lease liabilities		-	-	(9,596,135)	21,501,630	(280,537)	5,426	11,630,384
	₩	<u>253,227,545</u>	<u>259,999,999</u>	<u>(107,116,896)</u>	<u>21,501,630</u>	<u>(280,537)</u>	<u>(2,844,909)</u>	<u>424,486,832</u>

(In thousands of rupee)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	Rs	8,824,965	-	(2,080,786)	-	-	(175,623)	6,568,556
Short-term borrowings		2,156,525	4,313,050	(3,927,956)	6,546,594	-	-	9,088,213
Long-term borrowings		4,621,125	11,706,850	-	(6,546,594)	-	-	9,781,381
Lease liabilities		-	-	(591,266)	1,324,823	(17,285)	334	716,606
	Rs	<u>15,602,615</u>	<u>16,019,900</u>	<u>(6,600,008)</u>	<u>1,324,823</u>	<u>(17,285)</u>	<u>(175,289)</u>	<u>26,154,756</u>

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

Changes in liabilities from financial activities for the year ended December 31, 2018 is as follows:

(In thousands of won)

		Beginning balance	Increase	Decrease	Liquidity	Exchange rate effect	Ending balance
Banker's usance (*)	₩	121,340,987	21,769,058	-	-	117,500	143,227,545
Short-term borrowings		42,500,000	-	(12,500,000)	5,000,000	-	35,000,000
Long-term borrowings		70,000,000	10,000,000	-	(5,000,000)	-	75,000,000
	₩	<u>233,840,987</u>	<u>31,769,058</u>	<u>(12,500,000)</u>	<u>-</u>	<u>117,500</u>	<u>253,227,545</u>

(In thousands of rupee)

		Beginning balance	Increase	Decrease	Liquidity	Exchange rate effect	Ending balance
Banker's usance (*)	Rs	7,476,424	1,341,301	-	-	7,240	8,824,965
Short-term borrowings		2,618,638	-	(770,188)	308,075	-	2,156,525
Long-term borrowings		4,313,050	616,150	-	(308,075)	-	4,621,125
	Rs	<u>14,408,112</u>	<u>1,957,451</u>	<u>(770,188)</u>	<u>-</u>	<u>7,240</u>	<u>15,602,615</u>

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

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32. 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 used in 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 years ended December 31, 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	₩ 2,989,818,593	3,005,311,067	Rs 184,217,673	185,172,241
Europe	320,441,068	317,650,218	19,743,976	19,572,018
Asia Pacific	216,437,423	119,458,721	13,335,792	7,360,449
Others	149,814,048	286,152,937	9,230,793	17,631,314
Consolidated adjustment	(52,628,865)	(23,779,397)	(3,242,728)	(1,465,168)
	₩ 3,623,882,267	3,704,793,546	Rs 223,285,506	228,270,854

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

(3) Information of sales of goods and service for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Automobile	₩ 3,129,580,863	3,240,404,523	Rs 192,829,125	199,657,525
Merchandise and parts	391,624,052	362,319,256	24,129,916	22,324,301
Others	102,677,352	102,069,767	6,326,465	6,289,028
	₩ 3,623,882,267	3,704,793,546	Rs 223,285,506	228,270,854

(4) Balance of Contracts as of December 31, 2019 and December 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	₩ 121,365,029	158,512,150	Rs 7,477,906	9,766,726
Contract liabilities	20,184,511	17,311,822	1,243,669	1,066,668

Contract liabilities in unearned revenue was occurred from contracts from customers that recognizing over time such as product warranty. In addition, at the end of 2018, ₩ 4,866,375 thousand (Rs 299,842 thousand) of contract liabilities were recognized as profit in the current period.

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33. Transactions and Balances with Related Parties

(1) Details of parent and Joint venture as of December 31, 2019 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
Joint venture	SY Auto Capital Co., Ltd.

(2) Transactions with related parties for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won)

Relationship	Company	Description	2019	2018
		Sales	₩ 31,623,926	12,961,510
Parent	Mahindra & Mahindra Ltd.	Other income	-	-
		Purchases	488,222	110,907
		Other expenses	727,732	4,830,477
Joint venture	SY Auto Capital Co., Ltd.	Other income	2,043,265	-
		Other expenses	31,754,171	21,734,022
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	41,398,196	29,196,388
		Other income	5,276	-
		Other expenses	1,783,736	3,132,055

(In thousands of rupee)

Relationship	Company	Description	2019	2018
		Sales	Rs 1,948,508	798,623
Parent	Mahindra & Mahindra Ltd.	Purchases	30,082	6,834
		Other expenses	44,839	297,630
Joint venture	SY Auto Capital Co., Ltd.	Other income	125,896	-
		Other expenses	1,956,533	1,339,142
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	2,550,750	1,798,935
		Other income	325	-
		Other expenses	109,905	192,982

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33. Transactions and Balances with Related Parties, Continued

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

(In thousands of won)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	454,892	4,171,953
		Other receivables	50,954	30,314
		Trade payables	486,641	-
		Other payables	811,771	669,683
Joint venture	SY Auto Capital Co., Ltd.	Other payables	-	242,805
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	208,034	5,450,701
		Other payables	2,646,646	2,556,284

(In thousands of rupee)

Relationship	Company	Description	2019	2018
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	28,028	257,055
		Other receivables	3,140	1,868
		Trade payables	29,984	-
		Other payables	50,017	41,263
Joint venture	SY Auto Capital Co., Ltd.	Other payables	-	14,960
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	12,818	335,845
		Other payables	163,073	157,505

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

(4) Capital transactions with related parties for the years ended December 31, 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 3,062,659	-

(5) Executive compensation of the Group for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2019	2018	2019	2018
Short-term employee benefits	₩	7,414,635	6,939,709	Rs 456,853	427,590
Retirement benefits		545,887	527,600	33,635	32,508

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34. 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 December 31, 2019 and 2018 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2019	2018	2019	2018
Debt (A)	₩ 1,616,083,587	1,512,353,647	Rs 99,574,990	93,183,670
Equity (B)	403,123,556	693,288,419	24,838,458	42,716,966
Debt-to-equity ratio (A/B)	400.89%	218.14%	400.89%	218.14%

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

1) Financial assets

(In thousands of won)

	2019			
	Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 125,800,194	-	125,800,194	125,800,194
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	175,234,811	-	175,234,811	175,234,811
Non-current financial assets	-	560,000	560,000	560,000
	₩ 301,039,005	560,000	301,599,005	301,599,005

(In thousands of won)

	2018				
	Amortised 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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For the years ended December 31, 2019 and 2018

34. Financial Instruments, Continued

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

1) Financial assets, continued:

(In thousands of rupee)

		2019			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	Rs	7,751,179	-	7,751,179	7,751,179
Long-term financial instruments		246	-	246	246
Trade and other receivables		10,797,093	-	10,797,093	10,797,093
Non-current financial assets		-	34,504	34,504	34,504
	Rs	<u>18,548,518</u>	<u>34,504</u>	<u>18,583,022</u>	<u>18,583,022</u>

(In thousands of rupee)

		2018				
		Amortised cost	Measured at FVTPL	Derivatives cash flow hedge	Total	Fair value
Cash and cash equivalents	Rs	9,615,801	-	-	9,615,801	9,615,801
Long-term financial instruments		246	-	-	246	246
Trade and other receivables		12,787,902	-	-	12,787,902	12,787,902
Non-current financial assets		-	34,504	-	34,504	34,504
Derivative assets		-	49,717	5,202	54,919	54,919
	Rs	<u>22,403,949</u>	<u>84,221</u>	<u>5,202</u>	<u>22,493,372</u>	<u>22,493,372</u>

2) Financial liabilities

(In thousands of won)

		2019			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	₩	600,389,273	-	600,389,273	600,389,273
Borrowings		412,856,448	-	412,856,448	412,856,448
Lease liabilities		11,630,384	-	11,630,384	11,630,384
	₩	<u>1,024,876,105</u>	<u>-</u>	<u>1,024,876,105</u>	<u>1,024,876,105</u>

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34. Financial Instruments, Continued

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

2) Financial liabilities, continued

(In thousands of won)

		2018			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	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
	₩	<u>946,451,237</u>	<u>-</u>	<u>946,451,237</u>	<u>946,451,237</u>

(In thousands of rupee)

		2019			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	Rs	36,992,985	-	36,992,985	36,992,985
Borrowings		25,438,150	-	25,438,150	25,438,150
Lease liabilities		716,606	-	716,606	716,606
	Rs	<u>63,147,741</u>	<u>-</u>	<u>63,147,741</u>	<u>63,147,741</u>

(In thousands of rupee)

		2018			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	Rs	42,712,978	-	42,712,978	42,712,978
Borrowings		15,602,615	-	15,602,615	15,602,615
	Rs	<u>58,315,593</u>	<u>-</u>	<u>58,315,593</u>	<u>58,315,593</u>

(3) Financial risk management

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

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34. Financial Instruments, Continued

(3) Financial risk management, continued

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 December 31, 2019.

(In thousands of won and in thousands of rupee)

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,900,011	(1,900,011)	Rs 117,069	(117,069)
EUR	(1,114,157)	1,114,157	(68,649)	68,649
JPY	(8,624,010)	8,624,010	(531,368)	531,368
Others	688,417	(688,417)	42,417	(42,417)
	₩ (7,149,739)	7,149,739	Rs (440,531)	440,531

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 ₩ 806,455 thousand (Rs 49,690 thousand) for the year ended December 31, 2019, due to floating rate debt's interest rate risk.

2) Credit risk

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

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.

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34. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk, continued

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 December 31, 2019 and 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	₩ 175,234,811	207,545,265	Rs 10,797,093	12,787,902

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 December 31, 2019 and 2018 are as follows:

(In thousands of won)

	2019		
	Within a year	Over 1 year	Total
Trade payables	₩ 477,370,219	-	477,370,219
Other payables	120,768,591	-	120,768,591
Short-term borrowings(*)	256,399,637	-	256,399,637
Lease liabilities(*)	7,231,808	4,814,959	12,046,767
Other payables	1,402,123	-	1,402,123
Long-term borrowings(*)	-	171,603,986	171,603,986
Long-term other payables	-	848,340	848,340
	₩ 863,172,378	177,267,285	1,040,439,663

(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
	₩ 871,131,325	80,353,493	951,484,818

(*) Including expected interest expenses.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

34. 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	29,413,166	-	29,413,166
Other payables		7,441,157	-	7,441,157
Short-term borrowings(*)		15,798,064	-	15,798,064
Lease liabilities(*)		445,588	296,674	742,262
Other payables		86,392	-	86,392
Long-term borrowings(*)		-	10,573,380	10,573,380
Long-term other payables		-	52,270	52,270
	Rs	<u>53,184,367</u>	<u>10,922,324</u>	<u>64,106,691</u>

(In thousands of rupee)

		2018		
		Within a year	Over 1 year	Total
Trade payables	Rs	32,960,529	-	32,960,529
Other payables		9,588,001	-	9,588,001
Short-term borrowings(*)		11,061,049	-	11,061,049
Other payables		65,178	-	65,178
Long-term borrowings(*)		-	4,852,811	4,852,811
Long-term other payables		-	98,169	98,169
	Rs	<u>53,674,757</u>	<u>4,950,980</u>	<u>58,625,737</u>

(*) Including expected interest expenses.

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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34. 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 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 December 31, 2018					
Derivatives assets	₩	-	891,319	-	891,319

(In thousands of rupee)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
As of December 31, 2018					
Derivatives assets	Rs	-	54,919	-	54,919

4) 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.

35. Going concern assumption

The Group's financial statements are prepared on the assumption that it will continue as going concern, and therefore our assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. However, due to deteriorating financial structure, the Group has incurred operating losses of ₩ 281,905 million (Rs 17,370 million) and net losses of ₩ 341,364 million (Rs 21,031 million) as of the end of the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩ 489,545 million (Rs 30,163 million) as of the end of the reporting period.

In circumstances where material uncertainty on the ability to continue as a going concern, which is the basis for preparation of the consolidated financial statements. As a result, the Group has commenced a capital reorganization plan.

As the stabilization of operating income will depend on the success of this plan, a significant uncertainty exists. As it will be difficult for the Group to continue as a going concern if the Group fails to achieve its plan, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.