

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2021 and 2020

(With Independent Auditors' Review Report Thereon)

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**Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Ssangyong Motor Company

**Reviewed financial statements**

We have reviewed the accompanying consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as of June 30, 2021, the consolidated interim statements of comprehensive income (loss) for the three-month and six-month periods ended June 30, 2021 and 2020, the consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2021 and 2020 and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's responsibility**

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

**Auditors' review responsibility**

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

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

**Basis for Disclaimer of Opinion**

The accompanying consolidated interim financial statements have been prepared assuming that the Group will continue as a going concern and therefore the Group's 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. As discussed in note 34 to the consolidated interim financial statements, the Group has incurred operating loss of ₩177,913 million and a net loss of ₩180,531 million during the period ended June 30, 2021 and, as of that date, the Group's current liabilities exceed its current assets by ₩941,311 million.

The Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court("the court") on December 21, 2020. The court commenced rehabilitation procedures on April 15, 2021 and the Group has been preparing a rehabilitation plan. Also, the Group is resuming M&A process before the court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

Whether the Group to continue as a going concern or not includes a material uncertainty that depends on whether the court approves the Group's rehabilitation plan and the final result of M&A deal and the final results of the capital reorganization plan and business improvement plan of the Group including the implementation of the rehabilitation plan after the court approval. However, we have not been able to obtain sufficient appropriate review evidence to reasonably estimate any adjustment of assets, liabilities and related profit or loss items including the tangible and intangible assets amounting to ₩1,420,535 million and related impairment losses that might be resulted from the outcome of this uncertainty.



### **Disclaimer of Opinion**

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we do not express a review opinion on the accompanying consolidated interim financial statements.

### **Emphasis of matters**

We draw attention to the following matters and our opinion is not modified in respect of these matters.

#### (1) Criteria for delisting met

As stated in note 36, the Group has faced a risk of being delisted from the Korea Stock Exchange, due to disclaimer of audit opinion on the Group's consolidated financial statements as of December 31, 2020. The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021.

#### (2) Commencement of the rehabilitation process by the Seoul Bankruptcy Court and M&A deal before court approval of rehabilitation plan

As stated in Note 35, the Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court in accordance with Debtor Rehabilitation and Bankruptcy Act. The court commenced rehabilitation procedures on April 15, 2021 and the Group has been preparing a rehabilitation plan. Also, the Group is resuming M&A process before court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

### **Other matters**

We were engaged to audit the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying to this report. Our report thereon, dated March 23, 2021, we did not express an opinion on the consolidated financial statements of the Group. Because of the material uncertainty on the Group's ability to continue as a going concern and insufficient audit evidence for the adequacy of the tangible and intangible assets, and related impairment losses, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The statement of financial position of the Group as of December 31, 2020, presented for comparative purposes, is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

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

The accompanying consolidated interim financial statements as of and for the three-month and six-month periods ended June 30, 2021 and 2020 have been translated into US dollars solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the consolidated interim financial statements expressed in Korean won have not been translated into US dollars on the basis set forth in note 2.(1) to the consolidated interim financial statements.



*KPMG Samjong Accounting Corp.*

Seoul, Korea  
August 13, 2021

This report is effective as of August 13, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of June 30, 2021 and December 31, 2020

(In thousands of won and in thousands of US dollar)

	Note	Korean won		US dollar	
		2021	2020	2021	2020
<b>Assets</b>					
Cash and cash equivalents	4,5,33	₩ 72,817,772	185,963,321	\$ 64,441	164,569
Trade and other receivables, net	7,31,32,33	120,677,031	111,804,906	106,793	98,942
Loans and others	7,13,33	25,372,562	18,636,189	22,454	16,492
Inventories, net	8,25	172,060,280	192,365,295	152,266	170,235
Other current assets	10	63,731,695	37,941,810	56,399	33,577
<b>Total current assets</b>		<u>454,659,340</u>	<u>546,711,521</u>	<u>402,353</u>	<u>483,815</u>
Long-term financial instruments	5,33	4,000	4,000	4	4
Non-current other receivables, net	7,13,31,32,33	31,675,441	41,500,123	28,031	36,726
Non-current financial assets	6,33	560,000	560,000	496	496
Property, plant and equipment, net	11,14	1,218,960,207	939,096,382	1,078,726	831,059
Intangible assets, net	12	201,575,238	209,931,257	178,385	185,780
Investments in joint venture	9	21,069,507	21,055,695	18,646	18,633
Other non-current assets	10	275,957	275,957	244	244
Right of use assets	13	7,953,929	9,493,636	7,039	8,401
<b>Total non-current assets</b>		<u>1,482,074,279</u>	<u>1,221,917,050</u>	<u>1,311,571</u>	<u>1,081,343</u>
<b>Total assets</b>		<u>₩ 1,936,733,619</u>	<u>1,768,628,571</u>	<u>\$ 1,713,924</u>	<u>1,565,158</u>

See accompanying notes to the consolidated interim financial statements.

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

As of June 30, 2021 and December 31, 2020

(In thousands of won and in thousands of US dollar)

	Note	Korean won		US dollar	
		2021	2020	2021	2020
<b>Liabilities</b>					
Trade payables	32,33	₩ 506,482,081	532,518,517	\$ 448,214	471,255
Other payables	11, 19, 32, 33	397,222,697	328,819,897	351,525	290,991
Short-term borrowings	11, 14, 19, 30, 32, 33	314,998,021	314,999,838	278,759	278,761
Other Financial liabilities	15, 33	93,542,846	55,063,845	82,781	48,729
Provision of warranty for sale - current	16	45,324,700	50,043,567	40,110	44,286
Other long-term employee benefits liabilities- current		1,985,709	1,985,709	1,757	1,757
Other current liabilities	17, 31, 32	30,219,101	38,830,989	26,743	34,364
Current lease liabilities	13, 30, 33	6,195,356	6,279,275	5,483	5,557
<b>Total current liabilities</b>		<u>1,395,970,511</u>	<u>1,328,541,637</u>	<u>1,235,372</u>	<u>1,175,700</u>
Long-term borrowings	14, 19, 30, 3 2, 33	40,000,000	40,000,000	35,398	35,398
Non-current other payables	33	535,149	646,636	474	572
Other non-current liabilities	17, 31	19,651,517	19,326,729	17,391	17,103
Defined benefit liabilities	18	389,584,566	382,379,014	344,765	338,389
Other long-term employee benefits liabilities		15,143,903	14,587,394	13,402	12,909
Non-current provision of warranty for sale	16	62,426,064	69,127,778	55,244	61,175
Non-current lease liabilities	13, 30, 33	4,331,748	2,141,499	3,833	1,895
<b>Total non-current liabilities</b>		<u>531,672,947</u>	<u>528,209,050</u>	<u>470,507</u>	<u>467,441</u>
<b>Total liabilities</b>		<u>1,927,643,458</u>	<u>1,856,750,687</u>	<u>1,705,879</u>	<u>1,643,141</u>
<b>Equity</b>					
Capital stock	20	749,200,010	749,200,010	663,009	663,009
Other capital surplus	21	77,231,312	78,162,820	68,346	69,171
Other equity	11, 22	279,507,405	826,888	247,352	732
Accumulated deficit	23	(1,096,848,566)	(916,311,834)	(970,662)	(810,895)
<b>Equity attributable to owners of the Company</b>		<u>9,090,161</u>	<u>(88,122,116)</u>	<u>8,045</u>	<u>(77,983)</u>
<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>9,090,161</u>	<u>(88,122,116)</u>	<u>8,045</u>	<u>(77,983)</u>
<b>Total liabilities and equity</b>		<u>₩ 1,936,733,619</u>	<u>1,768,628,571</u>	<u>\$ 1,713,924</u>	<u>1,565,158</u>

See accompanying notes to the consolidated interim financial statements.

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

**For the three-month and the six-month periods ended June 30, 2021 and 2020**

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

	Note	2021		2020	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	₩ 612,396,182	1,148,229,208	707,112,594	1,356,299,964
Cost of sales	25,32	614,277,333	1,149,196,222	701,668,178	1,341,412,517
<b>Gross profit(loss)</b>		<u>(1,881,151)</u>	<u>(967,014)</u>	<u>5,444,416</u>	<u>14,887,447</u>
Selling, general and administrative expenses	25,26	91,298,627	176,946,438	122,586,855	230,664,149
<b>Operating loss</b>		<u>(93,179,778)</u>	<u>(177,913,452)</u>	<u>(117,142,439)</u>	<u>(215,776,702)</u>
Other income	27,32	2,620,060	8,219,375	115,831,686	119,662,187
Other expenses	27,32	(1,372,773)	(4,654,959)	(6,780,670)	(98,588,646)
Finance income	28	899,229	2,646,898	995,303	2,629,501
Finance costs	28	(3,657,812)	(8,848,635)	(3,486,338)	(12,269,948)
Share of profits of joint venture	9	450,283	17,253	1,731,941	1,956,415
<b>Loss before income taxes</b>		<u>(94,240,791)</u>	<u>(180,533,520)</u>	<u>(8,850,517)</u>	<u>(202,387,193)</u>
Income tax expenses(benefit)	24	(8)	(2,436)	-	-
<b>Loss for the period</b>		<u>(94,240,783)</u>	<u>(180,531,084)</u>	<u>(8,850,517)</u>	<u>(202,387,193)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(94,240,783)	(180,531,084)	(8,850,517)	(202,387,193)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>		51,802	278,674,869	(571,803)	(264,557)
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	18,23	(1,124)	(2,207)	(807)	(1,598)
Defined benefit plan re-measurements of joint ventures	9,23	(1,745)	(3,441)	(226)	(420)
Gains on revaluation on land	11,22	-	278,800,357	-	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Changes in fair value of cash flow hedge	22	-	-	(130,390)	-
Foreign currency translation difference for foreign operation	22	54,671	(119,840)	(440,380)	(262,539)
<b>Total comprehensive income(loss) for the period</b>		<u>₩ (94,188,981)</u>	<u>98,143,785</u>	<u>(9,422,320)</u>	<u>(202,651,750)</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the Company		(94,188,981)	98,143,785	(9,422,320)	(202,651,750)
Non-controlling interests		-	-	-	-
<b>Losses per share</b>					
Basic and diluted losses per share (in won)	29	₩ (629)	(1,205)	(59)	(1,351)

See accompanying notes to the consolidated interim financial statement



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

**For the three-month and the six-month periods ended June 30, 2021 and 2020**

(In thousands of US dollar, except earnings per share information)

	Note	2021		2020	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	\$ 541,944	1,016,132	625,763	1,200,265
Cost of sales	25,32	543,608	1,016,988	620,945	1,187,091
<b>Gross profit(loss)</b>		<u>(1,664)</u>	<u>(856)</u>	<u>4,818</u>	<u>13,174</u>
Selling, general and administrative expenses	25,26	80,796	156,589	108,484	204,127
<b>Operating loss</b>		<u>(82,460)</u>	<u>(157,445)</u>	<u>(103,666)</u>	<u>(190,953)</u>
Other income	27,32	2,319	7,274	102,506	105,896
Other expenses	27,32	(1,215)	(4,119)	(6,001)	(87,247)
Finance income	28	796	2,342	881	2,327
Finance costs	28	(3,237)	(7,831)	(3,085)	(10,858)
Share of profits of joint venture	9	398	15	1,533	1,731
<b>Loss before income taxes</b>		<u>(83,399)</u>	<u>(159,764)</u>	<u>(7,832)</u>	<u>(179,104)</u>
Income tax benefit	24	-	(2)	-	-
<b>Loss for the period</b>		<u>(83,399)</u>	<u>(159,762)</u>	<u>(7,832)</u>	<u>(179,104)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(83,399)	(159,762)	(7,832)	(179,104)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>		45	246,615	(506)	(233)
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	18,23	(1)	(2)	(1)	(1)
Defined benefit plan re-measurements of joint ventures	9,23	(2)	(3)	-	-
Gains on revaluation on land	11,22	-	246,726	-	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Changes in fair value of cash flow hedge	22	-	-	(115)	-
Foreign currency translation difference for foreign operation	22	48	(106)	(390)	(232)
<b>Total comprehensive income (loss) for the period</b>		<u>\$ (83,354)</u>	<u>86,853</u>	<u>(8,338)</u>	<u>(179,337)</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the Company		(83,354)	86,853	(8,338)	(179,337)
Non-controlling interests		-	-	-	-
<b>Losses per share</b>					
Basic and diluted losses per share (in US dollar)	29	\$ (0.56)	(1.07)	(0.05)	(1.20)

See accompanying notes to the consolidated interim financial statements.

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

**For the six-month periods ended June 30, 2021 and 2020**

(In thousands of won)

	Korean won								
	Capital stock	Other capital surplus			Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
		Paid-in capital in excess of par value	Gain on capital reduction						
<b>Balance at January 1, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	1,109,395	(425,348,668)	-	403,123,557	
<b>Total comprehensive income (loss) for the period:</b>									
Loss for the period	-	-	-	-	-	(202,387,193)	-	(202,387,193)	
Defined benefit plan re-measurements	-	-	-	-	-	(1,598)	-	(1,598)	
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(420)	-	(420)	
Foreign currency translation difference for foreign operation	-	-	-	-	(262,539)	-	-	(262,539)	
<b>Balance at June 30, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	846,856	(627,737,879)	-	200,471,807	
<b>Balance at January 1, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)	
<b>Total comprehensive income (loss) for the period:</b>									
Loss for the period	-	-	-	-	-	(180,531,084)	-	(180,531,084)	
Defined benefit plan re-measurements	-	-	-	-	-	(2,207)	-	(2,207)	
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(3,441)	-	(3,441)	
Debt equity swap	-	-	-	(931,508)	-	-	-	(931,508)	
Gains on revaluation on land	-	-	-	-	278,800,357	-	-	278,800,357	
Foreign currency translation difference for foreign operation	-	-	-	-	(119,840)	-	-	(119,840)	
<b>Balance at June 30, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	-	279,507,405	(1,096,848,566)	-	9,090,161	

See accompanying notes to the consolidated interim financial statements.

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

**For the six-month periods ended June 30, 2021 and 2020**

(In thousands of US dollar)

	US dollar							
	Capital stock	Paid-in capital in excess of par value	Other capital surplus	Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
<b>Balance at January 1, 2020</b>	\$ 663,009	2,805	65,541	825	982	(376,415)	-	356,747
<b>Total comprehensive income (loss) for the period:</b>								
Loss for the period	-	-	-	-	-	(179,104)	-	(179,104)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	-	-
Foreign currency translation difference for foreign operation	-	-	-	-	(232)	-	-	(232)
<b>Balance at June 30, 2020</b>	\$ 663,009	2,805	65,541	825	750	(555,520)	-	177,410
<b>Balance at January 1, 2021</b>	\$ 663,009	2,805	65,541	825	732	(810,895)	-	(77,983)
<b>Total comprehensive income (loss) for the period:</b>								
Loss for the period	-	-	-	-	-	(159,762)	-	(159,762)
Defined benefit plan re-measurements	-	-	-	-	-	(2)	-	(2)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(3)	-	(3)
Debt equity swap	-	-	-	(825)	-	-	-	(825)
Gains on revaluation on land	-	-	-	-	246,726	-	-	246,726
Foreign currency translation difference for foreign operation	-	-	-	-	(106)	-	-	(106)
<b>Balance at June 30, 2021</b>	\$ 663,009	2,805	65,541	-	247,352	(970,662)	-	8,045

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2021 and 2020

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
Loss for the period	₩ (180,531,084)	(202,387,193)	\$ (159,762)	(179,104)
Adjustment	143,723,555	141,468,961	127,189	125,194
Changes in assets and liabilities	(10,115,252)	(74,066,724)	(8,952)	(65,546)
<b>Cash generated from operations (note 30)</b>	<u>(46,922,781)</u>	<u>(134,984,956)</u>	<u>(41,525)</u>	<u>(119,456)</u>
Interest received	728,035	1,123,678	644	994
Interest paid	(457,003)	(6,605,138)	(403)	(5,844)
Dividends received	6,000	6,000	5	5
<b>Net cash used in operating activities</b>	<u>(46,645,749)</u>	<u>(140,460,416)</u>	<u>(41,279)</u>	<u>(124,301)</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	646,856	185,796,884	572	164,422
Acquisition of property, plant and equipment	(42,552,981)	(14,624,850)	(37,657)	(12,942)
Acquisition of intangible assets	(23,328,562)	(20,860,305)	(20,644)	(18,460)
Cash flow used in other investing activities	3,119,229	71,253	2,760	63
<b>Net cash provided by (used in) investing activities</b>	<u>(62,115,458)</u>	<u>150,382,982</u>	<u>(54,969)</u>	<u>133,083</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	157,000,000	-	138,938
Receipts of government grants	-	108,688	-	96
Repayment of borrowings	(1,817)	(111,328,300)	(2)	(98,521)
Payment of lease liabilities	(4,629,297)	(4,904,393)	(4,096)	(4,340)
<b>Net cash provided by (used in) financing activities (note 30)</b>	<u>(4,631,114)</u>	<u>40,875,995</u>	<u>(4,098)</u>	<u>36,173</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>246,772</u>	<u>315,747</u>	<u>218</u>	<u>279</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(113,145,549)</u>	<u>51,114,308</u>	<u>(100,128)</u>	<u>45,234</u>
<b>Cash and cash equivalents at January 1</b>	<u>185,963,321</u>	<u>125,800,194</u>	<u>164,569</u>	<u>111,328</u>
<b>Cash and cash equivalents at June 30</b>	₩ <u>72,817,772</u>	<u>176,914,502</u>	\$ <u>64,441</u>	<u>156,562</u>

See accompanying notes to the consolidated interim financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
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(Unaudited)

For the six-month periods ended June 30, 2021 and 2020

**1. General Description of the Company**

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

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

**(2) Major shareholders**

As of June 30, 2021, the Company's shareholders are as follows:

<b>Name of shareholder</b>	<b>Number of shares (In shares)</b>	<b>Percentage of ownership(%)</b>
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 interim 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 interim financial statements are expressed in Korean won and have been translated into US dollars at the rate of \$1,130.00 to ₩1 on June 30, 2021, 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 US dollars at this or any other rate.

**(2) Statement of compliance**

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

These consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2020. These consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

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

**(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 management's judgment on the application of the Group's accounting estimated amount used in the quarterly financial statements is the same as the annual financial statements for the fiscal year ended December 31, 2020.

**3. Changes in accounting policies**

The Group applied the following new standards, interpretations and amendments to existing standards from January 1, 2021, except for changing of land revaluation model (Note 11), the significant accounting policies applied to the preparation of consolidated interim financial statements are the same as those adopted when preparing annual financial statements for the year ended December 31, 2020.

K-IFRS 1109 'Financial Instruments', K-IFRS 1107 'Financial Instruments: Disclosures', K-IFRS 1104 'Insurance Contracts', K-IFRS 1116 'Leases' – Impact of application of Interest Rate Benchmark Reform-Phase 2

Related to Interest Rate Benchmark Reform, in case of substituting interest rate benchmark of financial instruments measured as amortized cost, the effective interest rate, not the book value would be adjusted. Also, the exceptional regulation includes being able to perform hedge accounting in case of interest rate benchmark substitution and applying new discount rate reflecting the new interest rate benchmark in case of lease modification. There is no significant effect on the consolidated interim financial statements by amending the Standard.

A number of new standards are effective for annual periods beginning after 1 January 2021 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.

- K-IFRS No. 1001 Classification of Liabilities as Current or Non-current (Amendment)
- K-IFRS No. 1103 Reference to the Conceptual Framework (Amendment)
- K-IFRS No. 1016 Property, Plant and Equipment (Amendment)
- K-IFRS No. 1037 Onerous Contracts—Cost of Fulfilling a Contract (Amendment)
- Annual Improvements to K-IFRS Standards 2018–2020

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

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#### 4. Cash and Cash Equivalents

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

#### 5. Restricted Financial Instruments

Restricted financial Instruments as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Financial institution	Korean won		US dollar		Description
		2021	2020	2021	2020	
Cash and cash equivalents	Shinhan Bank	₩ 13	36,488	\$ -	32	Government grants Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others	8,014,538	8,121,902	7,093	7,188	
Long-term financial instruments	Shinhan Bank and others	4,000	4,000	4	4	Bank account deposit
		₩ 8,018,551	8,162,390	\$ 7,097	7,224	

#### 6. Non-current Financial Assets

Non-current financial assets as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

	Ownership (%)		2021		2020
			Acquisition cost	Net asset value	Book value
Korea Business Finance Loan(*)	1.72	₩ 500,000	752,827	500,000	500,000
Korea Management Consultants Association(*)	1.50	60,000	1,038,861	60,000	60,000
		₩ 560,000	1,791,688	560,000	560,000

(In thousands of US dollar)

	Ownership (%)		2021		2020
			Acquisition cost	Net asset value	Book value
Korea Business Finance Loan(*)	1.72	\$ 443	666	443	443
Korea Management Consultants Association(*)	1.50	53	919	53	53
		\$ 496	1,585	496	496

(\*) 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 six-month periods ended June 30, 2021 and 2020**

**7. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 115,021,948	-	100,646,368	-
Less: Allowance for doubtful accounts	(339,108)	-	(92,268)	-
Other receivables	9,871,108	49,462	14,963,014	139,755
Less: Allowance for doubtful accounts	(3,876,917)	-	(3,712,208)	(44,250)
Loans and others(*)	25,372,562	31,626,335	18,636,189	41,404,975
Less: Allowance for doubtful accounts	-	(356)	-	(357)
	₩ 146,049,593	31,675,441	130,441,095	41,500,123

(\*) The Loans and others listed above include ₩6,088,889 thousand and ₩4,346,501 thousand for sub lease receivables as of June 30, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are ₩300,662 thousand and ₩295,493 thousand for the six-month periods ended June 30, 2021 and 2020, respectively.

*(In thousands of US dollar)*

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 101,789	-	89,067	-
Less: Allowance for doubtful accounts	(300)	-	(82)	-
Other receivables	8,735	44	13,242	124
Less: Allowance for doubtful accounts	(3,431)	-	(3,285)	(39)
Loans and others(*)	22,454	27,987	16,492	36,641
Less: Allowance for doubtful accounts	-	-	-	-
	\$ 129,247	28,031	115,434	36,726

(\*) The Loans and others listed above include \$5,388 thousand and \$3,846 thousand for sub lease receivables as of June 30, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are \$266 thousand and \$261 thousand for the six-month periods ended June 30, 2021 and 2020, respectively.



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7. Trade and Other Receivables, Continued

(2) Details of aging analysis of the trade and other receivables as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 58,700,720	61,336,324	98,794,137	69,621,118
Less than 180 days	53,960,637	797,790	160,381	716,835
Less than 270 days	1,865,668	105,228	721,249	602,574
Less than 365 days	1,001	663,870	-	226,890
More than 366 days	493,922	4,016,255	970,601	3,976,516
	₩ 115,021,948	66,919,467	100,646,368	75,143,933
Impaired receivables	339,108	3,877,273	92,268	3,756,815

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

(In thousands of US dollar)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 51,947	54,280	87,428	61,612
Less than 180 days	47,753	706	142	634
Less than 270 days	1,651	93	638	533
Less than 365 days	1	587	-	201
More than 366 days	437	3,554	859	3,519
	\$ 101,789	59,220	89,067	66,499
Impaired receivables	300	3,431	82	3,324

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

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7. Trade and Other Receivables, Continued

(3) Changes in allowance for trade and other receivables for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 92,268	3,756,815	151,326	4,081,404
Bad debt expense	246,840	164,709	-	143,644
Reversal of allowance for bad debts	-	(44,251)	(113,530)	(96)
Write-off	-	-	-	(4,433)
Ending balance	₩ 339,108	3,877,273	37,796	4,220,519

(In thousands of US dollar)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 82	3,324	134	3,612
Bad debt expense	218	146	-	127
Reversal of allowance for bad debts	-	(39)	(100)	-
Write-off	-	-	-	(4)
Ending balance	\$ 300	3,431	34	3,735

8. Inventories

Details of inventories as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Merchandises	₩ 38,441,273	39,416,800	\$ 34,019	34,882
Finished goods	46,061,368	71,539,083	40,762	63,309
Work-in-process	22,905,758	23,460,664	20,271	20,762
Raw materials	40,190,529	31,948,093	35,567	28,273
Sub-materials	387,529	397,082	343	351
Supplies	3,362,191	3,253,034	2,975	2,879
Goods in transit	20,711,632	22,350,539	18,329	19,779
	₩ 172,060,280	192,365,295	\$ 152,266	170,235

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩1,761,364 thousand (\$1,559 thousand) for the six-month period ended June 30, 2021 and the reversal of loss on valuation of inventories amounted to ₩2,127,238 thousand (\$1,883 thousand) for the six-month period ended June 30, 2020.

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9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of June 30, 2021 are as follows:

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

(\*1) The Group sold the whole shares of Ssangyong Motor(Shanghai) Co., Ltd for the six-month period ended June 30, 2021.

(\*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 consolidated.

(2) Changes in the carrying amounts of investments in a joint venture for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

		<u>2021</u>			
		<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>
SY Auto Capital Co., Ltd.	₩	21,055,695	17,253	(3,441)	21,069,507

(In thousands of won)

		<u>2020</u>			
		<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>
SY Auto Capital Co., Ltd.	₩	19,053,781	1,956,415	(420)	21,009,776

(In thousands of US dollar)

		<u>2021</u>			
		<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>
SY Auto Capital Co., Ltd.	\$	18,633	16	(3)	18,646

(In thousands of US dollar)

		<u>2020</u>			
		<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>
SY Auto Capital Co., Ltd.	\$	16,862	1,731	-	18,593

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9. Investments in Subsidiaries and a Joint venture, Continued

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the six-month period ended June 30, 2021 is as follows:

(In thousands of won)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.(*1) ₩	-	-	-	133,547	42,112
Ssangyong European Parts Center B.V.	13,099,916	16,004,035	(2,904,119)	9,242,300	197,548
Ssangyong Australia Pty Ltd.	39,972,326	46,199,993	(6,227,667)	45,921,971	692,991
SY Auto Capital Co., Ltd.(*2)	88,022,317	48,763,712	39,258,605	6,153,342	1,083,610

(In thousands of US dollar)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.(*1) \$	-	-	-	118	37
Ssangyong European Parts Center B.V.	11,593	14,163	(2,570)	8,179	175
Ssangyong Australia Pty Ltd.	35,374	40,885	(5,511)	40,639	613
SY Auto Capital Co., Ltd.(*2)	77,896	43,154	34,742	5,445	959

(\*1) The Ssangyong Motor (Shanghai) Co., Ltd. was excluded from subsidiaries as the Group sold the whole shares for the six-month period ended June 30, 2021.

(\*2) Additional financial information for the joint venture for the six-month period ended June 30, 2021 is as follows:

(In thousands of won)

	2021					
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd. ₩	1,741,048	47,304,828	445,702	1,141,083	581,758	340,345

(In thousands of US dollar)

	2021					
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd. \$	1,541	41,863	394	1,010	515	301

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9. Investments in Subsidiaries and a Joint venture, Continued

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

2) The summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2020 is as follows:

(In thousands of won)

		2020				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	331,398	99,491	231,907	396,724	(196,999)
Ssangyong European Parts Center B.V.		12,840,518	15,925,416	(3,084,898)	17,591,054	152,092
Ssangyong Australia Pty Ltd.		32,225,526	39,035,509	(6,809,983)	51,459,231	(3,039,629)
SY Auto Capital Co., Ltd.(*)		89,381,357	51,199,613	38,181,744	15,642,947	2,048,142

(In thousands of US dollar)

		2020				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	\$	293	88	205	351	(174)
Ssangyong European Parts Center B.V.		11,363	14,093	(2,730)	15,567	135
Ssangyong Australia Pty Ltd.		28,518	34,545	(6,027)	45,539	(2,690)
SY Auto Capital Co., Ltd.(*)		79,099	45,309	33,790	13,843	1,813

(\*) Additional financial information for the joint venture for the year ended December 31, 2020 is as follows:

(In thousands of won)

		2020					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	5,282,300	49,756,966	1,311,251	2,296,544	1,310,364	732,999

(In thousands of US dollar)

		2020					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$	4,675	44,033	1,160	2,032	1,160	649

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

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of June 30, 2021 is as follows:

(In thousands of won)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd. ₩	39,258,605	51 %	20,021,889	1,047,618	21,069,507

(In thousands of US dollar)

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd. \$	34,742	51 %	17,718	928	18,646

**10. Other Assets**

Details of other assets as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	<u>Korean won</u>		<u>US dollar</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Other current assets</b>				
Advanced payments ₩	55,290,665	29,858,242	\$ 48,930	26,423
Prepaid expenses	8,357,994	7,892,864	7,396	6,985
Current tax assets	83,036	190,704	73	169
	<u>₩ 63,731,695</u>	<u>37,941,810</u>	<u>\$ 56,399</u>	<u>33,577</u>
<b>Other non-current assets</b>				
Other non-current assets ₩	275,957	275,957	\$ 244	244

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11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

		2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	₩ 428,195,619	278,800,357	(7,354)	-	-	706,988,622	
Buildings	536,073,483	-	(3,531,667)	(241,514,995)	(156,914,544)	134,112,277	
Structures	112,063,396	-	(45,221)	(68,950,558)	(31,193,432)	11,874,185	
Machinery	1,310,556,616	-	(146,945)	(1,090,107,593)	(112,778,537)	107,523,541	
Vehicles	7,830,757	-	(2,044)	(5,157,660)	(360,742)	2,310,311	
Tools and molds	1,440,056,631	-	(63,455)	(1,022,342,902)	(194,293,991)	223,356,283	
Equipment	66,090,585	-	(79,724)	(56,040,942)	(3,644,924)	6,324,995	
Construction in progress	27,476,202	-	-	-	(1,326,042)	26,150,160	
Machinery in transit	319,833	-	-	-	-	319,833	
	₩ 3,928,663,122	278,800,357	(3,876,410)	(2,484,114,650)	(500,512,212)	1,218,960,207	

(\*) The amounts increased as a result of a revaluation on lands for the six-month period ended June 30, 2021. The land revaluation was carried out as of March 31, 2021 and conducted by Dae-il Appraisal Board as an independent appraisal firm from the Group.

(In thousands of won)

		2020					
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value		
Land	₩ 402,580,149	(7,354)	-	-	402,572,795		
Buildings	535,733,760	(3,579,504)	(237,764,195)	(156,914,544)	137,475,517		
Structures	112,084,615	(50,238)	(68,322,549)	(31,207,525)	12,504,303		
Machinery	1,303,530,860	(160,070)	(1,077,928,435)	(112,711,983)	112,730,372		
Vehicles	7,295,660	(2,811)	(5,263,821)	(396,327)	1,632,701		
Tools and molds	1,410,349,036	(72,559)	(987,011,007)	(193,950,222)	229,315,248		
Equipment	66,273,245	(92,231)	(54,946,768)	(3,667,211)	7,567,035		
Construction in progress	38,184,722	-	-	(3,206,144)	34,978,578		
Machinery in transit	319,833	-	-	-	319,833		
	₩ 3,876,351,880	(3,964,767)	(2,431,236,775)	(502,053,956)	939,096,382		

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11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of June 30, 2021 and December 31, 2020 are as follows, continued:

(In thousands of US dollar)

	<b>2021</b>					
	<b>Acquisition cost</b>	<b>Revaluation (*)</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	\$ 378,934	246,726	(7)	-	-	625,653
Buildings	474,401	-	(3,125)	(213,730)	(138,862)	118,684
Structures	99,171	-	(40)	(61,018)	(27,605)	10,508
Machinery	1,159,785	-	(130)	(964,697)	(99,804)	95,154
Vehicles	6,930	-	(2)	(4,564)	(319)	2,045
Tools and molds	1,274,386	-	(55)	(904,728)	(171,942)	197,661
Equipment	58,487	-	(71)	(49,594)	(3,226)	5,596
Construction in progress	24,315	-	-	-	(1,173)	23,142
Machinery in transit	283	-	-	-	-	283
	<b>\$ 3,476,692</b>	<b>246,726</b>	<b>(3,430)</b>	<b>(2,198,331)</b>	<b>(442,931)</b>	<b>1,078,726</b>

(\*) The amounts increased as a result of a revaluation on lands for the six-month period ended June 30, 2021. The land revaluation was carried out as of March 31, 2021 and conducted by Dae-il Appraisal Board as an independent appraisal firm from the Group.

(In thousands of US dollar)

	<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	\$ 356,266	(7)	-	-	356,259
Buildings	474,101	(3,168)	(210,411)	(138,862)	121,660
Structures	99,190	(45)	(60,462)	(27,617)	11,066
Machinery	1,153,567	(142)	(953,919)	(99,745)	99,761
Vehicles	6,456	(2)	(4,658)	(351)	1,445
Tools and molds	1,248,096	(64)	(873,461)	(171,637)	202,934
Equipment	58,649	(83)	(48,625)	(3,245)	6,696
Construction in progress	33,792	-	-	(2,837)	30,955
Machinery in transit	283	-	-	-	283
	<b>\$ 3,430,400</b>	<b>(3,511)</b>	<b>(2,151,536)</b>	<b>(444,294)</b>	<b>831,059</b>



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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

		2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	Ending balance	
Land	₩ 402,572,795	-	-	-	304,415,827	706,988,622	
Buildings	137,475,517	6,723	-	(3,702,963)	333,000	134,112,277	
Structures	12,504,303	-	(109)	(630,009)	-	11,874,185	
Machinery	112,730,372	-	(28)	(12,963,955)	7,757,152	107,523,541	
Vehicles	1,632,701	794,953	(642,099)	(231,759)	756,515	2,310,311	
Tools and molds	229,315,248	-	(98,870)	(40,932,937)	35,072,842	223,356,283	
Equipment	7,567,035	215,492	(30,824)	(1,449,308)	22,600	6,324,995	
Construction in progress	34,978,578	59,611,923	-	-	(68,440,341)	26,150,160	
Machinery in transit	319,833	-	-	-	-	319,833	
	₩ 939,096,382	60,629,091	(771,930)	(59,910,931)	279,917,595	1,218,960,207	

(\*1) The amounts of ₩278,800 million increased as a result of a revaluation on lands and recognized as revaluation surplus(other equity) for the six-month period ended June 30, 2021.

(\*2) Others were the amounts of ₩360,983 thousand from capitalized borrowing costs and the amounts of ₩760,219 thousand replaced from inventories to vehicles for the six-month period ended June 30, 2021.

(In thousands of won)

		2020					
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2)	Others (*3)	Ending balance
Land	₩ 474,747,900	-	(72,175,105)	-	-	-	402,572,795
Buildings	151,331,150	7,900	(4,421,222)	(5,246,347)	-	4,000	141,675,481
Structures	15,397,302	-	(102,561)	(724,950)	(1,467,288)	-	13,102,503
Machinery	153,337,727	26,568	(62,117)	(18,774,902)	(14,145,255)	1,255,544	121,637,565
Vehicles	2,710,974	3,806	(1,020,456)	(246,371)	-	594,855	2,042,808
Tools and molds	321,098,431	220,092	(177,740)	(51,262,411)	(28,911,604)	2,798,949	243,765,717
Equipment	11,385,439	230,384	(20,015)	(1,961,904)	(996,376)	10,503	8,648,031
Construction in progress	12,020,367	15,095,313	-	-	(1,648,990)	(3,470,660)	21,996,030
Machinery in transit	233,039	555,779	-	-	-	(394,017)	394,801
	₩ 1,142,262,329	16,139,842	(77,979,216)	(78,216,885)	(47,169,513)	799,174	955,835,731

(\*1) The Group sold land, buildings and structures located in Guro-dong Guro-gu, Seoul and Gamjeon-dong Sasang-gu, Busan amounting to ₩76,699 million(Selling price: ₩206,250 million) and recognized gain on disposals of PP&E at ₩108,146 million for the period ended June 30, 2020.

(\*2) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩47,170 million for property, plant and equipment for the period ended June 30, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*3) Capitalized borrowing costs in respect of construction in progress is ₩227,192 thousand and the amounts of ₩22,344 thousand replaced from inventories to vehicles and the government subsidy of ₩28,688 thousand used to acquire assets was adjusted from others for the period ended June 30, 2020.

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	Ending balance
Land	\$ 356,259	-	-	-	269,394	625,653
Buildings	121,660	6	-	(3,277)	295	118,684
Structures	11,066	-	-	(558)	-	10,508
Machinery	99,761	-	-	(11,473)	6,866	95,154
Vehicles	1,445	703	(568)	(205)	670	2,045
Tools and molds	202,934	-	(87)	(36,224)	31,038	197,661
Equipment	6,696	191	(27)	(1,283)	19	5,596
Construction in progress	30,955	52,754	-	-	(60,567)	23,142
Machinery in transit	283	-	-	-	-	283
	<u>\$ 831,059</u>	<u>53,654</u>	<u>(682)</u>	<u>(53,020)</u>	<u>247,715</u>	<u>1,078,726</u>

(\*1) The amounts of \$247 million increased as a result of a revaluation on lands and recognized as revaluation surplus(other equity) for the six-month period ended June 30, 2021.

(\*2) Others were the amounts of \$319 thousand from capitalized borrowing costs and the amounts of \$673 thousand replaced from inventories to vehicles for the six-months period ended June 30, 2021.

(In thousands of US dollar)

	2020						
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2)	Others (*3)	Ending balance
Land	\$ 420,131	-	(63,872)	-	-	-	356,259
Buildings	133,921	7	(3,913)	(4,643)	-	4	125,376
Structures	13,626	-	(91)	(642)	(1,298)	-	11,595
Machinery	135,697	24	(55)	(16,615)	(12,518)	1,111	107,644
Vehicles	2,399	3	(903)	(218)	-	526	1,807
Tools and molds	284,158	195	(157)	(45,365)	(25,585)	2,477	215,723
Equipment	10,076	204	(18)	(1,736)	(882)	9	7,653
Construction in progress	10,637	13,359	-	-	(1,459)	(3,071)	19,466
Machinery in transit	206	492	-	-	-	(349)	349
	<u>\$ 1,010,851</u>	<u>14,284</u>	<u>(69,009)</u>	<u>(69,219)</u>	<u>(41,742)</u>	<u>707</u>	<u>845,872</u>

(\*1) The Group sold land, buildings and structures located in Guro-dong Guro-gu, Seoul and Gamjeon-dong Sasang-gu, Busan amounting to \$68 million(Selling price: \$183 million) and recognized gain on disposals of PP&E at \$96 million for the period ended June 30, 2020.

(\*2) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$42 million for property, plant and equipment for the period ended June 30, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*3) Capitalized borrowing costs in respect of construction in progress is \$201 thousand and the amounts of \$20 thousand replaced from inventories to vehicles and the government subsidy of \$25 thousand used to acquire assets was adjusted from others for the period ended June 30, 2020.

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11. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of June 30, 2021 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	Book value	Collateralized amount(*)	Book value	Collateralized amount(*)
Land	₩ 654,052,027		\$ 578,807	
Buildings and structures	103,689,159	403,890,112	91,760	357,425
Machinery and others	9,922		9	
	₩ 757,751,108	403,890,112	\$ 670,576	357,425

(\*) ₩55,890,112 thousand (\$49,460 thousand) was included due to the Group's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the year ended December 31, 2020.

(4) Capitalized borrowing costs and capitalization interest rate for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Capitalized interest expenses(*)	₩ 1,158,737	1,546,860	\$ 1,025	1,369
Capitalization interest rate	2.50%	3.11%	2.50%	3.11%

(\*) Capitalized borrowing costs for intangible assets are ₩797,754 thousand (\$706 thousand) and ₩1,319,668 thousand (\$1,168 thousand) for the six-month periods ended June 30, 2021 and 2020, respectively.

(5) Revaluation of Lands

The Group has changed the accounting policy of the subsequent measurement of land classified as property, plant and equipment from the cost model to the revaluation model for the period ended March 31, 2021. The land was revalued by using appraisal results which conducted by independent and expertise appraisal institution, Dae-il Appraisal Board, as of March 31, 2021. The appraisal board valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties.

The revaluation income of ₩278,800 million(\$247 million) was recognized as other comprehensive income as a result of a revaluation on lands for the six-month period ended June 30, 2021.

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11. Property, Plant and Equipment, Continued

(5) Revaluation of Lands, continued:

Details of book amounts of lands both the revaluation model and the cost model as of June 30, 2021 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 706,988,622	428,188,265	\$ 625,654	378,928

12. Intangible Assets

(1) Details of intangible assets as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 582,795,578	-	(371,699,334)	(38,947,234)	172,149,010
Patents	5,142,806	(6,021)	(4,220,470)	(217,571)	698,744
Other intangible assets	133,367,913	(51,111)	(37,903,993)	(66,685,325)	28,727,484
	₩ 721,306,297	(57,132)	(413,823,797)	(105,850,130)	201,575,238

(In thousands of won)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 510,279,976	-	(340,566,464)	(32,860,505)	136,853,007
Patents	5,067,550	(9,343)	(4,019,589)	(204,211)	834,407
Other intangible assets	175,815,635	(80,000)	(36,806,466)	(66,685,326)	72,243,843
	₩ 691,163,161	(89,343)	(381,392,519)	(99,750,042)	209,931,257

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12. Intangible Assets, Continued

(1) Details of intangible assets as of June 30, 2021 and December 31, 2020 are as follows, continued:

(In thousands of US dollar)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 515,748	-	(328,937)	(34,467)	152,344
Patents	4,551	(5)	(3,735)	(193)	618
Other intangible assets	118,025	(45)	(33,543)	(59,014)	25,423
	<u>\$ 638,324</u>	<u>(50)</u>	<u>(366,215)</u>	<u>(93,674)</u>	<u>178,385</u>

(In thousands of US dollar)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 451,575	-	(301,386)	(29,080)	121,109
Patents	4,485	(8)	(3,557)	(181)	739
Other intangible assets	155,589	(71)	(32,572)	(59,014)	63,932
	<u>\$ 611,649</u>	<u>(79)</u>	<u>(337,515)</u>	<u>(88,275)</u>	<u>185,780</u>

(2) Changes in intangible assets for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021						Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Others (*)	
<b>Internally created intangible assets:</b>							
Development cost	₩ 136,853,007	-	-	(31,132,870)	-	66,428,873	172,149,010
Other intangible assets	67,409,197	22,751,019	-	-	-	(65,631,119)	24,529,097
	<u>204,262,204</u>	<u>22,751,019</u>	<u>-</u>	<u>(31,132,870)</u>	<u>-</u>	<u>797,754</u>	<u>196,678,107</u>
<b>Individually acquired intangible assets:</b>							
Patents	834,407	75,256	-	(197,559)	(13,360)	-	698,744
Other intangible assets	4,834,646	502,287	(70,120)	(1,072,020)	-	3,594	4,198,387
	<u>5,669,053</u>	<u>577,543</u>	<u>(70,120)</u>	<u>(1,269,579)</u>	<u>(13,360)</u>	<u>3,594</u>	<u>4,897,131</u>
	<u>₩ 209,931,257</u>	<u>23,328,562</u>	<u>(70,120)</u>	<u>(32,402,449)</u>	<u>(13,360)</u>	<u>801,348</u>	<u>201,575,238</u>

(\*) Capitalized borrowing costs in respect of other intangible assets was ₩797,754 thousand for the six-month period ended June 30, 2021.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

(In thousands of won)

	2020					
	Beginning balance	Acquisition	Amortization	Impairment (*1)	Others(*2)	Ending balance
<b>Internally created intangible assets:</b>						
Development cost	₩ 222,019,365	-	(34,355,906)	(19,931,846)	-	167,731,613
Other intangible assets	82,875,485	20,372,028	-	(9,312,502)	1,319,668	95,254,679
	<u>304,894,850</u>	<u>20,372,028</u>	<u>(34,355,906)</u>	<u>(29,244,348)</u>	<u>1,319,668</u>	<u>262,986,292</u>
<b>Individually acquired intangible assets:</b>						
Patents	1,157,589	121,062	(263,410)	(15,280)	-	999,961
Other intangible assets	7,052,315	367,215	(1,550,743)	(435,909)	(76,615)	5,356,263
	8,209,904	488,277	(1,814,153)	(451,189)	(76,615)	6,356,224
	<u>₩ 313,104,754</u>	<u>20,860,305</u>	<u>(36,170,059)</u>	<u>(29,695,537)</u>	<u>1,243,053</u>	<u>269,342,516</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩29,680 million for intangible assets for the period ended June 30, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of other intangible assets was ₩1,319,668 thousand for the six-month period ended June 30, 2020.

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**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

	<b>2021</b>						
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Others (* )</b>	<b>Ending balance</b>
<b>Internally created intangible assets:</b>							
Development cost	\$ 121,109	-	-	(27,551)	-	58,786	152,344
Other intangible assets	59,654	20,134	-	-	-	(58,080)	21,708
	<u>180,763</u>	<u>20,134</u>	<u>-</u>	<u>(27,551)</u>	<u>-</u>	<u>706</u>	<u>174,052</u>
<b>Individually acquired intangible assets:</b>							
Patents	739	66	-	(175)	(12)	-	618
Other intangible assets	4,278	445	(62)	(949)	-	3	3,715
	<u>5,017</u>	<u>511</u>	<u>(62)</u>	<u>(1,124)</u>	<u>(12)</u>	<u>3</u>	<u>4,333</u>
	<u>\$ 185,780</u>	<u>20,645</u>	<u>(62)</u>	<u>(28,675)</u>	<u>(12)</u>	<u>709</u>	<u>178,385</u>

(\*) Capitalized borrowing costs in respect of other intangible assets was \$706 thousand for the six-month period ended June 30, 2021.

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**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

	2020					Ending balance
	Beginning balance	Acquisition	Amortization	Impairment (*1)	Others(*2)	
<b>Internally created intangible assets:</b>						
Development cost	\$ 196,477	-	(30,403)	(17,639)	-	148,435
Other intangible assets	73,341	18,028	-	(8,241)	1,168	84,296
	<u>269,818</u>	<u>18,028</u>	<u>(30,403)</u>	<u>(25,880)</u>	<u>1,168</u>	<u>232,731</u>
<b>Individually acquired intangible assets:</b>						
Patents	1,024	107	(233)	(14)	-	884
Other intangible assets	6,241	325	(1,372)	(386)	(68)	4,740
	<u>7,265</u>	<u>432</u>	<u>(1,605)</u>	<u>(400)</u>	<u>(68)</u>	<u>5,624</u>
	<u>\$ 277,083</u>	<u>18,460</u>	<u>(32,008)</u>	<u>(26,280)</u>	<u>1,100</u>	<u>238,355</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$26 million for intangible assets for the period ended June 30, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of other intangible assets was \$1,168 thousand for the six-month period ended June 30, 2020.



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12. Intangible Assets, Continued

(3) Details of capitalized development costs as of June 30, 2021 are as follows:

(In thousands of won and in thousands of US dollar)

	Project name		Korean won		US dollar	Remaining amortization period(*1)
Development costs	RV(*2)	₩	157,753,913	\$	139,605	1~4 years
	Power train and others		14,395,097		12,739	1~4 years
Other intangible assets	RV(*3)		24,529,097		21,707	-
		₩	<u>196,678,107</u>	\$	<u>174,051</u>	

(\*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 June 30, 2021.

(\*3) On-going development project for vehicles as of June 30, 2021 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won and in thousands of US dollar)

		Korean won		US dollar		
		2021	2020	2021	2020	
Capitalization of intangible assets	₩	23,548,773	21,691,697	\$	20,840	19,196
Manufacturing costs		26,686,918	46,991,862		23,617	41,586
Selling and administrative expenses		5,845,271	8,275,132		5,173	7,323
	₩	<u>56,080,962</u>	<u>76,958,691</u>	\$	<u>49,630</u>	<u>68,105</u>

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**13. Lease**

(1) Changes in right-of-use assets for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

		2021					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	6,465,798	2,371,071	(2,606,843)	(6,408)	5,016	6,228,634
Vehicle		2,013,206	100,389	(955,995)	-	(64,432)	1,093,168
Equipment		1,014,632	-	(382,505)	-	-	632,127
	₩	<u>9,493,636</u>	<u>2,471,460</u>	<u>(3,945,343)</u>	<u>(6,408)</u>	<u>(59,416)</u>	<u>7,953,929</u>

(\*) The amount of ₩2,234 million was increased due to lease contract for Seoul office relocation during the six-month period ended June 30, 2021.

(In thousands of won)

		2020					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	2,316,703	11,001,948	(880,330)		47,663	12,485,984
Vehicle		3,786,859	76,613	(967,936)		7,911	2,903,447
Equipment		1,356,006	415,758	(363,839)		-	1,407,925
	₩	<u>7,459,568</u>	<u>11,494,319</u>	<u>(2,212,105)</u>		<u>55,574</u>	<u>16,797,356</u>

(\*) The amount of ₩10,927 million was increased due to lease contract for Guro A/S Center during the six-month period ended June 30, 2020.

(In thousands of US dollar)

		2021					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,721	2,098	(2,307)	(5)	5	5,512
Vehicle		1,782	89	(846)	-	(57)	968
Equipment		898	-	(339)	-	-	559
	\$	<u>8,401</u>	<u>2,187</u>	<u>(3,492)</u>	<u>(5)</u>	<u>(52)</u>	<u>7,039</u>

(\*) The amount of \$2 million was increased due to lease contract for Seoul office relocation during the six-month period ended June 30, 2021.

(In thousands of US dollar)

		2020					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	2,050	9,736	(779)		42	11,049
Vehicle		3,351	68	(857)		7	2,569
Equipment		1,200	368	(322)		-	1,246
	\$	<u>6,601</u>	<u>10,172</u>	<u>(1,958)</u>		<u>49</u>	<u>14,864</u>

(\*) The amount of \$10 million was increased due to lease contract for Guro A/S Center during the six-month period ended June 30, 2020.

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**13. Lease, Continued**

(2) Details of lease liabilities as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	₩	6,195,356	4,331,748	6,279,275	2,141,499

(In thousands of US dollar)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	\$	5,483	3,833	5,557	1,895

(\*) The total amounts of lease liabilities paid are ₩4,629,297 thousand (\$4,097 thousand) and ₩4,904,393 thousand (\$4,340 thousand) and interest expenses are ₩177,037 thousand (\$157 thousand) and ₩207,055 thousand (\$183 thousand) during the six-month periods ended June 30, 2021 and 2020, respectively.

(3) Expenses from lease contracts with low cost and short-term contract for the six-month period ended June 30, 2021 and 2020 are as the following:

(In thousands of won)

	Exemption of lease recognition		2021	2020
Office equipment	Low cost	₩	245,431	465,402
	Short term		-	11,110
Building	Short term		7,500	15,000

(In thousands of US dollar)

	Exemption of lease recognition		2021	2020
Office equipment	Low cost	\$	217	412
	Short term		-	10
Building	Short term		7	13

(4) The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

(In thousands of won)

		2021	2020
<b>Sub lease</b>			
Less than 1 year	₩	3,774,200	3,041,499
1 year to 2 years		2,486,306	756,940
Lease to be received		6,260,506	3,798,439
Unrealized interests		(171,617)	(87,371)
Net investment in the lease		6,088,889	3,711,068
Interests from sublease for this period		90,120	81,239

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**13. Lease, Continued**

(4) The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date, continued:

(In thousands of US dollar)

	<u>2021</u>	<u>2020</u>
<b>Sub lease</b>		
Less than 1 year	\$ 3,340	2,692
1 year to 2 years	2,200	670
Lease to be received	5,540	3,362
Unrealized interests	(152)	(77)
Net investment in the lease	5,388	3,285
Interests from sublease for this period	80	72

(5) Sales and lease back

The Group has been liquidating the land and buildings of the factory in Guro-dong, Guro-gu, Seoul to enhance asset efficiency and financial stability for the year ended December 31, 2020. The main terms of sales and lease back transactions are as the following:

	<u>Main terms</u>
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	<del>₩</del> 180 Billion (\$0.16 Billion)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

The details of the Group's recognition for the year ended December 31, 2020 due to sales and lease back transactions are as the following:

- Right-of-use asset: ~~₩~~7,300 million (\$6 million) increased.
- Property, plant and equipment: ~~₩~~60,834 million (\$54 million) decreased.
- Gains on disposal of PPE: ~~₩~~104,866 million (\$93 million) increased.
- Lease deposit: ₩10,800 million (\$10 million) increased.

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14. Borrowings

(1) Details of short-term borrowings as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

Creditor	Type	Interest rate (%)(*5)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Operating fund(*1)	CD+5.10	₩ 20,000,000	20,000,000	\$ 17,699	17,699
	Facility fund(*1)	CD+4.57	70,000,000	70,000,000	61,947	61,947
	Facility fund(*2)	CD+4.60	100,000,000	100,000,000	88,496	88,496
Woori Bank	Loans(*2)	CD+5.00	24,998,183	25,000,000	22,121	22,123
JP Morgan(*6)	Facility fund(*1)	CD+3.00	40,000,000	40,000,000	35,398	35,398
	Overdraft(*3)	CD+2.00	19,999,969	19,999,969	17,699	17,699
BNP PARIBAS(*6)	Overdraft(*3)	CD+2.00	10,000,000	10,000,000	8,850	8,850
Mahindra & Mahindra Ltd.	Overdraft(*4)	CD+2.00	29,999,869	29,999,869	26,549	26,549
			₩ 314,998,021	314,999,838	\$ 278,759	278,761

(\*1) Due to the application for the commencement of court receivership, the Group cannot claim the benefit of time for the year ended December 31, 2020.

(\*2) Due to the application for the commencement of court receivership, the Group cannot claim the benefit of time and it's reclassified as short-term borrowings for the year ended December 31, 2020.

(\*3) The Group missed debt repayment and cannot claim the benefit of time for the year ended December 31, 2020.

(\*4) Mahindra & Mahindra, the largest shareholder of the Group repaid loans of ₩29,999,869 thousand (\$26,549 thousand) to the Bank of America(BOA) on behalf of the Group for the year ended December 31, 2020.

(\*5) Due to failure to make payment on a due date, default interest rate is applied on it.

(\*6) The conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceed 51%(Note 19).

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14. Borrowings, Continued

(2) Details of long-term borrowing as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

Creditor	Type	Interest rate(%)(*2)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Facility fund	CD+4.57	₩ 70,000,000	70,000,000 \$	61,947	61,947
	Facility fund	CD+4.60	100,000,000	100,000,000	88,496	88,496
JP Morgan(*3)	Facilities fund	CD+3.00	40,000,000	40,000,000	35,398	35,398
Woori Bank	Operating fund	CD+5.00	24,998,183	25,000,000	22,122	22,124
Mahindra & Mahindra Ltd(*1)	Operating fund	3.00	40,000,000	40,000,000	35,398	35,398
Less: Current portion			(234,998,183)	(235,000,000)	(207,963)	(207,965)
			₩ 40,000,000	40,000,000 \$	35,398	35,398

(\*1) The Group have an option of conversion of borrowing to equity, Mahindra & Mahindra cannot refuse without reasonable reason.

(\*2) Due to failure to make payment on a due date, default interest rate is applied on it.

(\*3) The conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceed 51%(Note 19).

(3) Details of pledged assets as collateral for borrowings as of June 30, 2021 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
Woori Bank	Land and buildings	24,998,183	48,000,000
		₩ 214,998,183	348,000,000

(In thousands of US dollar)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	\$ 168,142	265,487
Woori Bank	Land and buildings	22,122	42,478
		\$ 190,264	307,965

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**15. Other Financial Liabilities**

Details of other financial liabilities as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Accrued expenses	₩ 93,542,846	55,063,845	\$ 82,781	48,729

**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 six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Beginning balance	₩ 119,171,345	128,285,60	\$ 105,461	113,527
Increase	6,772,482	17,795,576	5,993	15,748
Decrease	(18,193,063)	(18,029,505)	(16,100)	(15,955)
Ending balance	₩ 107,750,764	128,051,67	\$ 95,354	113,320
Current	₩ 45,324,700	57,145,722	\$ 40,110	50,571
Non-current	62,426,064	70,905,955	55,244	62,749

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**17. Other Liabilities**

Details of other liabilities as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 7,799,750	-	6,745,066	-
Deposits received	525,818	-	652,934	-
Withholdings	13,890,540	-	23,215,826	-
Unearned revenue	6,894,346	19,651,517	4,733,235	19,326,729
Refund liability(*)	1,108,647	-	3,483,928	-
	₩ <u>30,219,101</u>	<u>19,651,517</u>	<u>38,830,989</u>	<u>19,326,729</u>

(In thousands of US dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 6,902	-	5,969	-
Deposits received	465	-	578	-
Withholdings	12,293	-	20,545	-
Unearned revenue	6,101	17,391	4,189	17,103
Refund liability(*)	982	-	3,083	-
	\$ <u>26,743</u>	<u>17,391</u>	<u>34,364</u>	<u>17,103</u>

(\*) The Group estimates the returnable sales and recognizes the expected future return as a return provision.

**18. Employee Benefits**

(1) Details of defined benefit liabilities as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Present value of defined benefit obligations	₩ 390,469,900	383,312,042	\$ 345,549	339,215
Fair value of plan assets	(885,334)	(933,028)	(784)	(826)
	₩ <u>389,584,566</u>	<u>382,379,014</u>	\$ <u>344,765</u>	<u>338,389</u>



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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 383,312,042	(933,028)	382,379,014
Current service cost	19,397,035	-	19,397,035
Interest expense (income)	4,525,590	(10,979)	4,514,611
Sub-total	407,234,667	(944,007)	406,290,660
Re-measurement factors:			
Re-measurements of plan assets	-	2,207	2,207
Sub-total	-	2,207	2,207
Benefit paid by plan	(56,466)	56,466	-
Benefit paid directly	(16,708,301)	-	(16,708,301)
Ending balance	₩ 390,469,900	(885,334)	389,584,566

(In thousands of won)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 357,109,529	(954,268)	356,155,261
Current service cost	20,174,336	-	20,174,336
Interest expense (income)	4,053,852	(10,801)	4,043,051
Sub-total	381,337,717	(965,069)	380,372,648
Re-measurement factors:			
Re-measurements of plan assets	-	1,598	1,598
Sub-total	-	1,598	1,598
Benefit paid by plan	(28,198)	28,198	-
Benefit paid directly	(7,183,040)	-	(7,183,040)
Ending balance	₩ 374,126,479	(935,273)	373,191,206

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**18. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

*(In thousands of US dollar)*

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 339,214	(825)	338,389
Current service cost	17,166	-	17,165
Interest expense (income)	4,005	(11)	3,994
Sub-total	360,385	(836)	359,549
Re-measurement factors:			
Re-measurements of plan assets	-	2	2
Sub-total	-	2	2
Benefit paid by plan	(50)	50	-
Benefit paid directly	(14,786)	-	(14,786)
Ending balance	\$ 345,549	(784)	344,765

*(In thousands of US dollar)*

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 316,026	(844)	315,182
Current service cost	17,853	-	17,853
Interest expense (income)	3,588	(10)	3,578
Sub-total	337,467	(854)	336,613
Re-measurement factors:			
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(25)	25	-
Benefit paid directly	(6,357)	-	(6,357)
Ending balance	\$ 331,085	(828)	330,257

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**18. Employee Benefits, Continued**

(3) The components of plan assets as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Insurance contracts	₩ 885,334	933,028	\$ 784	825

(4) Actuarial assumptions used related to plans as of June 30, 2021 and December 31, 2020 are as follows:

	2021	2020
Discount rate (%)	2.40	2.40
Rate of future salary growth (%)	3.97	3.97

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.

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**19. Commitments and Contingencies**

Details of commitments and contingencies as of June 30, 2021 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of June 30, 2021, the loan agreement with Korea Development Bank and others has been terminated due to the application for the commencement of court receivership, and the borrowing amounts was ₩354,998 million (\$314 million). In addition, there is a requirement to retain over 51% of the majority interest in Mahindra & Mahindra Ltd., in relation to JP Morgan, BNP PARIBAS's overdraft borrowings and JP Morgan facility fund borrowings.
- (3) As of June 30, 2021, 4 claims as a plaintiff were filed with the claim amount of ₩3,417 million (\$3 million) and 10 claims as a defendant were filed with the claims of ₩1,557 million (\$1 million). The provision amounting to ₩8,092 million (\$7 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.

- (4) Details of other payable recognized as provisions as of June 30, 2021 are as follows:

*(In thousands of won and in thousands of US dollar)*

	<u>Korean won</u>	<u>US dollar</u>
	<u>2021</u>	<u>2021</u>
Beginning balance	₩ 124,578,526	\$ 110,246
Increase(*)	33,538,339	29,680
Decrease	<u>(20,358,024)</u>	<u>(18,016)</u>
Ending balance	₩ <u>137,758,841</u>	\$ <u>121,910</u>

(\*) In relation to CO2 emission regulations in Korea/EU(the Act on Allocation and Trading of Greenhouse Gas Emission), the Group estimates the expenses based on the expected quantity of emission in excess of free allocated emission right comparing standard fuel efficiency. As a result of additional recognition of ₩7,840,664 thousand(\$6,939 thousand) for the six-month period ended June 30, 2021, the Group has recognized a provision of ₩76,263,201 thousand(\$67,490 thousand) as of June 30, 2021. And the Group recognized expected costs as a provision with regard to foregoing lawsuits and sales incentive, etc.

- (5) As of December 21, 2020, the Group filed for commencement of rehabilitation procedure and received a disposition of property preservation and an order of comprehensive prohibition from the courts.

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**20. Capital Stock**

The Group's capital stock as of June 30, 2021 and December 31, 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Number of shares authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 4.42	4.42
Capital stock	749,200,010	749,200,010	663,009	663,009

**21. Other Capital Surplus**

Details of other capital surplus as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,805	2,805
Gain on capital reduction	74,061,697	74,061,697	65,541	65,541
Debt to be swapped for equity	-	931,508	-	825
	₩ <u>77,231,312</u>	<u>78,162,820</u>	\$ <u>68,346</u>	<u>69,171</u>

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**22. Other Equity**

(1) Details of the Group's other equity as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Accumulated revaluation surplus from revaluation on land	₩ 278,800,357	-	\$ 246,726	-
Accumulated foreign currency translation difference for foreign operations	707,048	826,888	626	732
	₩ 279,507,405	826,888	\$ 247,352	732

(2) Changes in the Group's gains (losses) on valuation of derivatives for the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ -	-	\$ -	-
Gains on valuation of derivatives	-	103,390	-	91
Reclassified to net income (losses)	-	(103,390)	-	(91)
Ending balance	₩ -	-	\$ -	-

(3) Changes in the foreign currency translation difference for foreign operation for the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 826,888	1,109,395	\$ 732	982
Change of foreign currency translation difference for foreign operation	(119,840)	(262,539)	(106)	(232)
Ending balance	₩ 707,048	846,856	\$ 626	750

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**23. Deficit**

(1) Details of deficit as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Deficit	₩ (1,096,848,566)	(916,311,834)	\$ (970,662)	(810,895)

(2) Changes in deficit for the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ (916,311,834)	(425,348,668)	\$ (810,895)	(376,415)
Loss for the	(180,531,084)	(202,387,193)	(159,762)	(179,104)
Defined benefit plan re-measurement	(2,207)	(1,598)	(2)	(1)
Defined benefit plan re-measurement from joint venture	(3,441)	(420)	(3)	-
Ending balance	₩ (1,096,848,566)	(627,737,879)	\$ (970,662)	(555,520)

**24. Income Tax Expense(profit)**

Details of income tax expenses for the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Parent Company(*)	₩ -	-	\$ -	-
Subsidiaries	(2,436)	-	(2)	-
	₩ (2,436)	-	\$ (2)	-

(\*) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of June 30, 2021.

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**25. Nature of Expenses**

Details of nature of expenses for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (8,134,421)	27,008,147	33,911,099	26,782,661
Raw materials consumed and purchase of merchandise	449,145,051	830,850,292	497,930,606	984,801,993
Employee benefits	116,901,517	237,688,422	110,162,851	221,240,633
Depreciation	30,104,027	59,910,931	37,165,864	78,216,885
Amortization	16,646,461	32,402,449	16,972,013	36,170,059
Others	100,913,325	138,282,419	128,112,600	224,864,435
	₩ <u>705,575,960</u>	<u>1,326,142,660</u>	<u>824,255,033</u>	<u>1,572,076,666</u>

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

(In thousands of US dollar)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	\$ (7,199)	23,901	30,010	23,701
Raw materials consumed and purchase of merchandise	397,473	735,266	440,647	871,506
Employee benefits	103,453	210,344	97,489	195,788
Depreciation	26,641	53,019	32,890	69,218
Amortization	14,731	28,675	15,019	32,009
Others	89,305	122,372	113,374	198,996
	\$ <u>624,404</u>	<u>1,173,577</u>	<u>729,429</u>	<u>1,391,218</u>

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



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

(1) Details of selling expenses for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	₩ 8,274,736	14,340,772	9,660,855	25,666,015
Commissions	33,975,600	62,175,881	60,457,271	100,103,258
Advertising	3,347,990	4,366,335	5,660,377	7,987,614
Export expenses	2,578,599	4,530,193	1,240,592	2,898,996
Sales promotion expenses	4,729,543	11,875,068	3,519,665	6,251,103
Others	2,724,116	5,446,812	1,726,563	3,511,263
	₩ <u>55,630,584</u>	<u>102,735,061</u>	<u>82,265,323</u>	<u>146,418,249</u>

*(In thousands of US dollar)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	\$ 7,323	12,691	8,549	22,713
Commissions	30,067	55,023	53,502	88,587
Advertising	2,963	3,864	5,009	7,069
Export expenses	2,282	4,009	1,098	2,565
Sales promotion expenses	4,185	10,509	3,115	5,532
Others	2,410	4,819	1,529	3,108
	\$ <u>49,230</u>	<u>90,915</u>	<u>72,802</u>	<u>129,574</u>

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

(2) Details of general and administrative expenses for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 12,173,188	24,669,303	10,761,490	22,042,517
Retirement benefit costs	1,537,781	3,037,762	1,567,483	3,127,991
Employee welfare	1,694,814	3,788,383	2,460,569	5,000,869
Rent expense	2,563,631	5,146,738	2,458,855	4,911,358
Service fees	3,549,962	7,046,956	4,064,468	8,820,116
Depreciation	3,662,811	7,441,750	6,064,563	12,959,253
R&D expenses	3,461,966	5,845,271	2,980,652	8,275,132
Amortization	630,246	1,269,579	855,388	1,814,153
(Reversal of) bad debt expense	202,443	246,840	(17,880)	(113,530)
Others	6,191,201	15,718,795	9,125,944	17,408,041
	₩ <u>35,668,043</u>	<u>74,211,377</u>	<u>40,321,532</u>	<u>84,245,900</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	\$ 10,773	21,831	9,523	19,507
Retirement benefit costs	1,361	2,688	1,387	2,768
Employee welfare	1,500	3,353	2,177	4,426
Rent expense	2,269	4,555	2,176	4,346
Service fees	3,142	6,236	3,597	7,805
Depreciation	3,241	6,586	5,367	11,468
R&D expenses	3,064	5,173	2,638	7,323
Amortization	558	1,124	757	1,605
(Reversal of) bad debt expense	179	218	(16)	(100)
Others	5,479	13,910	8,076	15,405
	\$ <u>31,566</u>	<u>65,674</u>	<u>35,682</u>	<u>74,553</u>

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**27. Other Income and Expenses**

(1) Details of other income for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	₩ 1,110,684	1,957,188	898,085	1,990,394
Foreign exchange translation gain	(677,110)	609,666	282,154	1,365,688
Gain on disposal of property, plant and equipment	30,200	215,597	110,629,141	110,849,322
Others	2,156,286	5,436,924	4,022,306	5,456,783
	<u>₩ 2,620,060</u>	<u>8,219,375</u>	<u>115,831,686</u>	<u>119,662,187</u>

*(In thousands of US dollar)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	\$ 983	1,732	795	1,761
Foreign exchange translation gain	(599)	540	250	1,209
Gain on disposal of property, plant and equipment	27	191	97,902	98,097
Others	1,908	4,811	3,559	4,829
	<u>\$ 2,319</u>	<u>7,274</u>	<u>102,506</u>	<u>105,896</u>

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27. Other Income and Expenses, Continued

(2) Details of other expenses for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	₩ 1,270,263	3,253,087	1,090,480	3,616,606
Foreign exchange translation loss	(85,491)	513,243	(1,457,687)	385,193
Loss on disposal of property, plant and equipment	109,499	340,671	2,570,511	2,836,463
Impairment loss on property, plant and equipment	-	-	-	47,169,513
Impairment loss on Intangible	13,360	13,360	6,053	29,695,537
Loss on disposal of trade receivables	8,510	14,346	14,321	45,103
Loss on sale of investments in subsidiaries	-	232,536	-	-
Other bad-debt expense	(911)	164,709	(73,777)	143,644
Others	57,543	123,007	4,630,769	14,696,587
	₩ <u>1,372,773</u>	<u>4,654,959</u>	<u>6,780,670</u>	<u>98,588,646</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	\$ 1,124	2,879	965	3,201
Foreign exchange translation loss	(76)	454	(1,290)	341
Loss on disposal of property, plant and equipment	97	301	2,275	2,510
Impairment loss on property, plant and equipment	-	-	-	41,743
Impairment loss on Intangible	12	12	5	26,279
Loss on disposal of trade receivables	8	13	13	40
Loss on sale of investments in subsidiaries	-	206	-	-
Other bad-debt expense	(1)	146	(65)	127
Others	51	108	4,098	13,006
	\$ <u>1,215</u>	<u>4,119</u>	<u>6,001</u>	<u>87,247</u>

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**28. Finance Income and Costs**

(1) Details of finance income for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	₩ 301,738	679,584	453,162	1,152,786
Dividend income	-	6,000	-	6,000
Foreign exchange transaction gain	597,491	1,961,314	397,969	1,151,911
Foreign exchange translation gain	-	-	174,332	318,804
Unrealized gain of financial derivatives	-	-	(30,160)	-
	<u>₩ 899,229</u>	<u>2,646,898</u>	<u>995,303</u>	<u>2,629,501</u>

*(In thousands of US dollar)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	\$ 267	601	402	1,021
Dividend income	-	5	-	5
Foreign exchange transaction gain	529	1,736	352	1,019
Foreign exchange translation gain	-	-	154	282
Unrealized gain of financial derivatives	-	-	(27)	-
	<u>\$ 796</u>	<u>2,342</u>	<u>881</u>	<u>2,327</u>

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

(2) Details of finance costs for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	₩ 3,516,270	8,131,875	2,513,061	5,001,113
Foreign exchange transaction loss	141,542	716,760	4,439,314	6,072,575
Foreign exchange translation loss	-	-	(3,448,557)	1,196,260
Unrealized loss of financial derivatives	-	-	(17,480)	-
	<u>₩ 3,657,812</u>	<u>8,848,635</u>	<u>3,486,338</u>	<u>12,269,948</u>

*(In thousands of US dollar)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	\$ 3,112	7,197	2,223	4,425
Foreign exchange transaction loss	125	634	3,929	5,374
Foreign exchange translation loss	-	-	(3,052)	1,059
Unrealized loss of financial derivatives	-	-	(15)	-
	<u>\$ 3,237</u>	<u>7,831</u>	<u>3,085</u>	<u>10,858</u>

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

(3) Details of the Group's financial net profit or loss for the three-month and the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Financial assets/ liabilities at amortized cost	₩ (2,758,583)	(6,207,737)	(2,478,355)	(9,646,447)
Financial assets at FVTPL	-	6,000	-	6,000
Derivatives financial assets (liabilities)	-	-	(12,680)	-
	₩ <u>(2,758,583)</u>	<u>(6,201,737)</u>	<u>(2,491,035)</u>	<u>(9,640,447)</u>

*(In thousands of US dollar)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Financial assets/ liabilities at amortized cost	\$ (2,441)	(5,494)	(2,193)	(8,536)
Financial assets at FVTPL	-	5	-	5
Derivatives financial assets (liabilities)	-	-	(11)	-
	\$ <u>(2,441)</u>	<u>(5,489)</u>	<u>(2,204)</u>	<u>(8,531)</u>

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**29. Losses per Share**

(1) Basic losses per share for the three-month and the six-month periods ended June 30, 2021 and 2020 are calculated as follows:

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

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the periods	₩ (94,240,783)	(180,531,084)	(8,850,517)	(202,387,193)
Loss contributed to common stocks	(94,240,783)	(180,531,084)	(8,850,517)	(202,387,193)
Weighted average number of common shares (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Basic losses per share(*) (in won)	₩ (629)	(1,205)	(59)	(1,351)

(\*) Diluted losses per share are not calculated for the six-month periods ended June 30, 2021 and 2020, because there are no dilutive shares as of June 30, 2021 and 2020.

*(In thousands of US dollar, except per share information)*

	2021		2020	
	Three-month period	Six-month period	Three-month period	Six-month period
Loss for the periods	\$ (83,399)	(159,762)	(7,832)	(179,104)
Loss contributed to common stocks	(83,399)	(159,762)	(7,832)	(179,104)
Weighted average number of common shares (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Basic losses per share(*) (in US dollar)	\$ (0.56)	(1.07)	(0.05)	(1.20)

(\*) Diluted losses per share are not calculated for the six-month periods ended June 30, 2021 and 2020, because there are no dilutive shares as of June 30, 2021 and 2020.

(2) Weighted average number of common shares outstanding for the six-month periods ended June 30, 2021 and 2020 are calculated as follows:

*(In shares)*

	Outstanding period	2021		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2021-01-01~2021-06-30	149,840,002	181/181	149,840,002

*(In shares)*

	Outstanding period	2020		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2020-01-01~2020-06-30	149,840,002	182/182	149,840,002



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30. Cash Flows

(1) Details of cash flows from operating activities for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Loss for the period</b>	₩ (180,531,084)	(202,387,193)	\$ (159,762)	(179,104)
<b>Adjustments for:</b>				
Retirement benefit costs	23,911,646	24,217,387	21,160	21,430
Depreciation	59,910,931	78,216,885	53,020	69,219
Amortization	32,402,449	36,170,059	28,675	32,008
Depreciation of right-of-use asset	3,945,343	2,212,105	3,492	1,958
Impairment loss on property, plant and equipment	-	47,169,513	-	41,743
Impairment loss on Intangible assets	13,360	29,695,537	12	26,279
Losses on disposal of trade receivables	14,346	45,103	13	40
Foreign exchange translation gain and loss, net	(96,423)	(103,039)	(85)	(91)
Losses on disposal of property, plant and equipment	125,074	(108,012,859)	111	(95,587)
Interest expense and income, net	7,452,290	3,848,326	6,595	3,406
Dividends income	(6,000)	(6,000)	(5)	(5)
(Reversal of) losses on valuation of inventories	1,761,364	(2,127,238)	1,559	(1,883)
Increase in provision of warranty for sale	6,772,482	17,795,576	5,993	15,748
(Reversal of) bad debt expense	246,840	(113,530)	218	(100)
Other bad debt expense	120,459	143,548	107	127
Equity profit on investments	(17,253)	(1,956,415)	(15)	(1,731)
Others	7,166,647	14,274,004	6,341	12,633
	<u>143,723,555</u>	<u>141,468,962</u>	<u>127,191</u>	<u>125,194</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	(16,148,148)	34,036,706	(14,290)	30,121
Other receivables	5,201,119	98,961	4,603	88
Inventories	17,933,532	41,807,630	15,870	36,998
Other assets	(21,642,791)	(62,217,571)	(19,153)	(55,060)
Trade payables	(24,586,311)	(101,535,780)	(21,758)	(89,855)
Other payables	42,126,087	12,623,824	37,280	11,172
Accrued expenses	29,643,114	7,512,365	26,233	6,648
Usage of provision of warranty for sale	(18,193,063)	(18,029,505)	(16,100)	(15,955)
Payment of retirement benefits	(16,708,301)	(7,183,040)	(14,786)	(6,357)
Other liabilities	(7,740,490)	18,819,686	(6,850)	16,655
	<u>(10,115,252)</u>	<u>(74,066,724)</u>	<u>(8,951)</u>	<u>(65,545)</u>
<b>Net cash used in operating activities</b>	₩ <u>(46,922,781)</u>	<u>(134,984,955)</u>	\$ <u>(41,522)</u>	<u>(119,455)</u>

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30. Cash Flows, Continued

(2) Significant non-cash activities for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in other payables related to the acquisition of property, plant and equipment	₩ (18,076,110)	(1,514,992)	\$ (15,997)	(1,341)
Changes in other comprehensive income gains on revaluation	278,800,357	-	246,726	-
Changes in asset from sale of investments in subsidiaries	291,715	-	258	-
Changes in liabilities and equity from sale of investments in subsidiaries	31,737	-	28	-

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,999,838	-	(1,817)	-	-	-	314,998,021
Long-term borrowings	40,000,000	-	-	-	-	-	40,000,000
Lease liabilities	8,420,774	-	(4,629,297)	-	6,735,627	-	10,527,104
	₩ 363,420,612	-	(4,631,114)	-	6,735,627	-	365,525,125

(In thousands of won)

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	₩ 106,606,448	-	(52,078,115)	-	-	878,407	55,406,740
Short-term borrowings	147,500,000	117,000,000	(59,250,185)	46,250,000	-	-	251,499,815
Long-term borrowings	158,750,000	40,000,000	-	(46,250,000)	-	-	152,500,000
Lease liabilities	11,630,384	-	(4,904,393)	-	13,639,976	55,962	20,421,929
	₩ 424,486,832	157,000,000	(116,232,693)	-	13,639,976	934,369	479,828,484

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

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**30. Cash Flows, Continued**

(3) Adjustment of liabilities from financing activities, continued

Changes in liabilities from financial activities for the six-month periods ended June 30, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

		2021					
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 278,761	-	(2)	-	-	-	278,759
Long-term borrowings	35,398	-	-	-	-	-	35,398
Lease liabilities	7,452	-	(4,097)	-	5,961	-	9,316
	<u>\$ 321,611</u>	<u>-</u>	<u>(4,099)</u>	<u>-</u>	<u>5,961</u>	<u>-</u>	<u>323,473</u>

(In thousands of US dollar)

		2020					
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	\$ 94,342	-	(46,087)	-	-	777	49,032
Short-term borrowings	130,531	103,540	(52,434)	40,929	-	-	222,566
Long-term borrowings	140,487	35,398	-	(40,929)	-	-	134,956
Lease liabilities	10,292	-	(4,340)	-	12,071	50	18,073
	<u>\$ 375,652</u>	<u>138,938</u>	<u>(102,861)</u>	<u>-</u>	<u>12,071</u>	<u>827</u>	<u>424,627</u>

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

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**31. Segment Information**

- (1) The Group determined itself as a single reportable segment by considering the nature of goods and service as well as the characteristic of assets 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 six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

Sales region	Korean won		US dollar	
	2021	2020	2021	2020
Republic of Korea	₩ 822,666,061	1,135,786,819	\$ 728,023	1,005,121
Europe	132,961,780	102,445,671	117,665	90,660
Asia Pacific	129,079,369	70,478,612	114,230	62,370
Others	113,168,518	60,676,591	100,149	53,696
Consolidated adjustment	(49,646,520)	(13,087,729)	(43,935)	(11,582)
	₩ <u>1,148,229,208</u>	<u>1,356,299,964</u>	\$ <u>1,016,132</u>	<u>1,200,265</u>

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

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**31. Segment Information, Continued**

(3) Information of sales of goods and service for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Automobile	₩ 956,976,870	1,171,745,679	\$ 846,882	1,036,943
Merchandise and parts	147,374,800	148,825,767	130,420	131,704
Others	43,877,538	35,728,518	38,830	31,618
	₩ 1,148,229,208	1,356,299,964	\$ 1,016,132	1,200,265

(4) Balance of Contracts as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Receivables from contracts with customers	₩ 114,682,840	100,554,100	\$ 101,489	88,985
Contract liabilities(*)	34,345,613	30,805,030	30,394	27,261

(\*) Contract liabilities in unearned revenue was occurred from contracts from customers that recognizing over time such as product warranty and transportation.

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

(1) Details of related parties as of June 30, 2021 are as follows:

Relationship	Company
Largest Shareholder	Mahindra & Mahindra Ltd.(*1)
Joint venture	SY Auto Capital Co., Ltd.
Others	Mahindra Vehicle Manufacturing Ltd.(*1,2) Mahindra Electric Mobility Ltd.(*1) Mahindra & Mahindra South Africa Ltd.(*1)

(\*1) According to court approval of commencement of rehabilitation procedures on April 15, 2021, Mahindra & Mahindra and other related parties of its affiliates lost control of the Group and were excluded from related parties for the period ended June 30, 2021.

(\*2) Mahindra Vehicle Manufacturing Ltd. was excluded from other related parties due to merger by Mahindra & Mahindra Ltd for the period ended June 30, 2021.

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

(2) Transactions with related parties for the six-month periods ended June 30, 2021 and 2020 are as follows:

(In thousands of won)

Relationship	Company	Description		2021	2020
Largest Shareholder	Mahindra & Mahindra Ltd.(*1)	Sales	₩	3,908,170	14,545,892
		Purchases		2,516,389	3,103,829
		Other expenses		592,885	389,808
Joint venture	SY Auto Capital Co., Ltd.	Other income		89,708	439,883
		Other expenses		19,024,202	31,013,684
Others	Mahindra Vehicle Manufacturing Ltd. (*1,2)	Sales		360,173	808,802
		Purchase		10,877	-
	Mahindra Electric Mobility Ltd.(*1)	Other expenses		353,272	1,431,797
		Mahindra&Mahindra South Africa Ltd.(*1)	Sales		10,328
		Other income		906	-

(\*1) The transaction details before being excluded from the Group's related parties.

(\*2) The transaction details before merged by Mahindra & Mahindra Ltd.

(In thousands of US dollar)

Relationship	Company	Description		2021	2020
Largest Shareholder	Mahindra & Mahindra Ltd.(*1)	Sales	\$	3,459	12,872
		Purchases		2,227	2,747
		Other expenses		525	345
Joint venture	SY Auto Capital Co., Ltd.	Other income		79	389
		Other expenses		16,836	27,446
Others	Mahindra Vehicle Manufacturing Ltd. (*1,2)	Sales		319	716
		Purchase		10	-
	Mahindra Electric Mobility Ltd.(*1)	Other expenses		313	1,267
		Mahindra&Mahindra South Africa Ltd.(*1)	Sales		9
		Other income		1	-

(\*1) The transaction details before being excluded from the Group's related parties.

(\*2) The transaction details before merged by Mahindra & Mahindra Ltd.

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

(3) Account balances with related parties as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2021</b>	<b>2020</b>
		Trade receivables ₩	-	2,437,886
		Other receivables	-	252,632
Largest Shareholder	Mahindra & Mahindra Ltd.	Trade payables	-	3,624,172
		Other payables	-	2,514,361
		Borrowings	-	69,999,869
		Trade receivables	-	531,781
	Mahindra Vehicle Manufacturing Ltd.	Other payables	-	1,500,000
Others	Mahindra Electric Mobility Ltd.	Other receivables	-	-
		Other payables	-	1,932,669
		Mahindra&Mahindra South Africa Ltd.	Other payables	-

(In thousands of US dollar)

<b>Relationship</b>	<b>Company</b>	<b>Description</b>	<b>2021</b>	<b>2020</b>
		Trade receivables \$	-	2,157
		Other receivables	-	224
Largest Shareholder	Mahindra & Mahindra Ltd.	Trade payables	-	3,207
		Other payables	-	2,225
		Borrowings	-	61,947
		Trade receivables	-	471
	Mahindra Vehicle Manufacturing Ltd.	Other payables	-	1,327
Others	Mahindra Electric Mobility Ltd.	Other receivables	-	-
		Other payables	-	1,710
		Mahindra&Mahindra South Africa Ltd.	Other payables	-

Allowance for receivables from related parties are not recognized as of June 30, 2021 and December 31, 2020.

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

(4) Capital transactions with related parties for the six-month periods ended June 30, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

		<u>Korean won</u>		<u>US dollar</u>			
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
		<u>Loan</u>		<u>Loan</u>			
Largest Shareholder	Mahindra & Mahindra Ltd.	₩	-	40,000,000	\$	-	35,398

The transaction details before being excluded from the Group's related parties.

(5) Executive compensation of the Group for the six-month periods ended June 30, 2021 and 2020, are as follows:

*(In thousands of won and in thousands of US dollar)*

		<u>Korean won</u>		<u>US dollar</u>		
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Short-term employee benefits	₩	1,687,200	2,421,835	\$	1,493	2,143
Retirement benefits		70,732	104,874		63	93



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33. Financial Instruments

(1) Capital risk management

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

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

Debt-to-equity ratio as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Debt (A)	₩ 1,927,643,459	1,856,750,687	\$ 1,705,879	1,643,142
Equity (B)	9,090,160	(88,122,116)	8,044	(77,984)
Debt-to-equity ratio (A/B)(*)	21,205.83%	-	21,205.83%	-

(\*) Debt-to-equity ratio was not calculated because total equity as of December 31, 2020 is negative.

(2) Details of financial assets and liabilities by category as of June 30, 2021 and December 31, 2020 are as follows:

1) Financial assets

(In thousands of won)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 72,817,772	-	72,817,772	72,817,772
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	174,804,628	-	174,804,628	174,804,628
Non-current financial assets	-	560,000	560,000	560,000
	₩ 247,626,400	560,000	248,186,400	248,186,400

(In thousands of won)

	2020			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 185,963,321	-	185,963,321	185,963,321
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	163,500,821	-	163,500,821	163,500,821
Non-current financial assets	-	560,000	560,000	560,000
	₩ 349,468,142	560,000	350,028,142	350,028,142

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**33. Financial Instruments, Continued**

(2) Details of financial assets and liabilities by category as of June 30, 2021 and December 31, 2020 are as follows, continued:

1) Financial assets, continued

*(In thousands of US dollar)*

	<b>2021</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 64,441	-	64,441	64,441
Long-term financial instruments	4	-	4	4
Trade and other receivables	154,694	-	154,694	154,694
Non-current financial assets	-	496	496	496
	<u>\$ 219,139</u>	<u>496</u>	<u>219,635</u>	<u>219,635</u>

*(In thousands of US dollar)*

	<b>2020</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 164,569	-	164,569	164,569
Long-term financial instruments	4	-	4	4
Trade and other receivables	144,691	-	144,691	144,691
Non-current financial assets	-	496	496	496
	<u>\$ 309,264</u>	<u>496</u>	<u>309,760</u>	<u>309,760</u>

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33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of June 30, 2021 and December 31, 2020 are as follows, continued:

2) Financial liabilities

(In thousands of won)

	<b>2021</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩ 763,901,657	-	763,901,657	763,901,657
Borrowings	354,998,021	-	354,998,021	354,998,021
	<u>₩ 1,118,899,678</u>	<u>-</u>	<u>1,118,899,678</u>	<u>1,118,899,678</u>

(In thousands of won)

	<b>2020</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩ 721,070,405	-	721,070,405	721,070,405
Borrowings	354,999,838	-	354,999,838	354,999,838
	<u>₩ 1,076,070,243</u>	<u>-</u>	<u>1,076,070,243</u>	<u>1,076,070,243</u>

(In thousands of US dollar)

	<b>2021</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 676,019	-	676,019	676,019
Borrowings	314,157	-	314,157	314,157
	<u>\$ 990,176</u>	<u>-</u>	<u>990,176</u>	<u>990,176</u>

(In thousands of US dollar)

	<b>2020</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 638,115	-	638,115	638,115
Borrowings	314,159	-	314,159	314,159
	<u>\$ 952,274</u>	<u>-</u>	<u>952,274</u>	<u>952,274</u>

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**33. Financial Instruments, Continued**

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of June 30, 2021.

*(In thousands of won and in thousands of US dollar)*

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 3,619,127	(3,619,127)	\$ 3,203	(3,203)
EUR	1,835,968	(1,835,968)	1,625	(1,625)
JPY	(32,592)	32,592	(29)	29
Others	284,018	(284,018)	251	(251)
	₩ 5,706,521	(5,706,521)	\$ 5,050	(5,050)

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 ₩880,201 thousand (\$779 thousand) for the six-month period ended June 30, 2021, due to floating rate debt's interest rate risk.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued:

2) Credit risk

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

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

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

Maximum exposure in respect of credit risk as of June 30, 2021 and December 31, 2020 are as follows:

*(In thousands of won and in thousands of US dollar)*

	Korean won		US dollar	
	2021	2020	2021	2020
Trade and other receivables	₩ 174,804,628	163,500,821	\$ 154,694	144,691

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued:

3) Liquidity risk

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

The contractual maturities of financial liabilities as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

		2021		
		Within a year	Over 1 year	Total
Trade payables	₩	506,482,082	-	506,482,082
Other payables		245,506,664	-	245,506,664
Short-term borrowings(*)		314,998,021	-	314,998,021
Lease liabilities(*)		6,480,795	4,388,910	10,869,705
Other payables		11,377,763	-	11,377,763
Long-term borrowings(*)		-	42,547,945	42,547,945
Long-term other payables		-	535,149	535,149
	₩	<u>1,084,845,325</u>	<u>47,472,004</u>	<u>1,132,317,329</u>

(\*) Including expected interest expense but excluded default interest expense due to waiver of benefit of time.

(In thousands of won)

		2020		
		Within a year	Over 1 year	Total
Trade payables	₩	532,518,517	-	532,518,517
Other payables		185,240,179	-	185,240,179
Short-term borrowings(*)		316,199,838	-	316,199,838
Lease liabilities(*)		6,447,861	2,202,076	8,649,937
Other payables		2,665,074	-	2,665,074
Long-term borrowings(*)		-	43,146,301	43,146,301
Long-term other payables		-	646,636	646,636
	₩	<u>1,043,071,469</u>	<u>45,995,013</u>	<u>1,089,066,482</u>

(\*) Including expected interest expense but excluded default interest expense due to waiver of benefit of time.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued:

3) Liquidity risk, continued

(In thousands of US dollar)

	<b>2021</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	\$ 448,214	-	448,214
Other payables	217,263	-	217,263
Short-term borrowings(*)	278,759	-	278,759
Lease liabilities(*)	5,735	3,884	9,619
Other payables	10,069	-	10,069
Long-term borrowings(*)	-	37,653	37,653
Long-term other payables	-	474	474
	<b>\$ 960,040</b>	<b>42,011</b>	<b>1,002,051</b>

(\*) Including expected interest expense but excluded default interest expense due to waiver of benefit of time.

(In thousands of US dollar)

	<b>2020</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	\$ 471,255	-	471,255
Other payables	163,929	-	163,929
Short-term borrowings(*)	279,823	-	279,823
Lease liabilities(*)	5,706	1,949	7,655
Other payables	2,358	-	2,358
Long-term borrowings(*)	-	38,183	38,183
Long-term other payables	-	572	572
	<b>\$ 923,071</b>	<b>40,704</b>	<b>963,775</b>

(\*) Including expected interest expense but excluded default interest expense due to waiver of benefit of time.

The details of the financing agreements as of June 30, 2021 and December 31, 2020 are as follows:

(In thousands of won and in thousands of US dollar)

		<b>Korean won</b>		<b>US dollar</b>	
		<b>2021(*)</b>	<b>2020</b>	<b>2021(*)</b>	<b>2020</b>
Borrowing limit (used)	₩	-	355,000,000	\$	-
Borrowing limit (unused)		-	-	-	314,159
		-	-	-	-

(\*) Due to filing for commencement of corporate rehabilitation procedure, the existing loan contracts between the Group and financial institutions were cancelled as of June 30, 2021.

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**33. Financial Instruments, Continued**

(4) Fair value of financial instruments

1) The Group's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as 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.

Fair values of other financial assets and liabilities (except those stated above) are calculated by generally accepted valuation models based on discounted cash flow analysis. In case of borrowings, its fair value is disclosed, but estimated in amortized costs. The Group deem that its book value is similar to its fair values calculated by generally accepted valuation models based on discounts cash flow analysis.

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)

No financial instruments are measured at fair value after initial recognition as of June 30, 2021.



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**34. 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 ₩177,913 million(\$157 million) and net losses of ₩180,531 million(\$160 million) during the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩941,311 million (\$833 million) as of the end of the reporting period.

As of December 21, 2020, the Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court("the court") under the Debtor Rehabilitation and Bankruptcy Act of South Korea. The Group received a commencement of rehabilitation procedure on April 15, 2021 and have been preparing rehabilitation plan. The Group is resuming M&A process before the court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

In circumstances where material uncertainty on the ability to continue as a going concern, which is the basis for preparation of the financial statements, a significant uncertainty exists whether the Group will continue as going concern, it will depend on the court approval of rehabilitation plan, success of M&A deal before approval of rehabilitation plan and the implementation of the rehabilitation plan including of business improvement plan after the court approval.

As it will be difficult for the Group to continue as a going concern if the Group fails to succeed M&A deal before approval of rehabilitation plan or achieve its plan according to the final results of corporate rehabilitation procedure, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The financial statements do not include any adjustments of carrying amount of assets and liabilities, presentation of classification, and related profit and loss that might result from the outcome of this uncertainty.

**35. Commencement of rehabilitation procedure and M&A deal before court approval of rehabilitation plan**

As of December 21, 2020, the Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court("the court") under the Debtor Rehabilitation and Bankruptcy Act of South Korea. The Group received a commencement of rehabilitation procedure on April 15, 2021 and have been preparing rehabilitation plan. The Group is resuming M&A process before the court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

**36. Delisting issue occurrence & grant a grace period for improvement by filing of objection**

The Group has faced a risk of being delisted from the Korea Stock Exchange under *Article 48 of KOSPI Market Listing Regulation*, due to disclaimer of audit opinion on the Group's consolidated financial statements as of December 31, 2020.

The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021.