

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Consolidated Interim Financial Statements

(Unaudited)

September 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 September 30, 2021, the consolidated interim statements of comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2021 and 2020, the consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 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 ₩237,985 million and a net loss of ₩239,826 million during the nine-month period ended September 30, 2021 and, as of that date, the Group's current liabilities exceed its current assets by ₩968,962 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 ₩1,395,366 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 the disclaimer of audit opinion on the Group's consolidated financial statements as of and for the year ended December 31, 2020. The Group filed the official objection to the delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result by the review by 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 nine-month periods ended September 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
November 12, 2021

This report is effective as of November 12, 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 September 30, 2021 and December 31, 2020

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

	<i>Note</i>	Korean won		US dollar	
		2021	2020	2021	2020
Assets					
Cash and cash equivalents	4,33	₩ 52,517,286	185,963,321	\$ 44,322	156,944
Trade and other receivables, net	7,31,32,33	108,636,908	111,804,906	91,684	94,358
Loans and others	7,13,32,33	24,547,954	18,636,189	20,717	15,728
Inventories, net	8,25	153,217,448	192,365,295	129,308	162,347
Other current assets	10	70,239,309	37,941,810	59,280	32,022
Total current assets		<u>409,158,905</u>	<u>546,711,521</u>	<u>345,311</u>	<u>461,399</u>
Long-term financial instruments	5,33	4,000	4,000	3	3
Non-current other receivables, net	7,13,31,32,33	29,070,682	41,500,123	24,534	35,024
Non-current financial assets	6,33	560,000	560,000	473	473
Property, plant and equipment, net	11,14	1,207,467,316	939,096,382	1,019,046	792,553
Intangible assets, net	12	187,898,439	209,931,257	158,577	177,172
Investments in joint venture	9	21,695,123	21,055,695	18,310	17,770
Other non-current assets	10	275,957	275,957	233	234
Right of use assets	13	6,078,131	9,493,636	5,130	8,012
Total non-current assets		<u>1,453,049,648</u>	<u>1,221,917,050</u>	<u>1,226,306</u>	<u>1,031,241</u>
Total assets		<u>₩ 1,862,208,553</u>	<u>1,768,628,571</u>	<u>\$ 1,571,617</u>	<u>1,492,640</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 September 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
Liabilities					
Trade payables	32,33 ₩	491,378,464	532,518,517	\$ 414,700	449,421
Other payables	11,19,32,3				
	3	389,060,010	328,819,897	328,348	277,509
Short-term borrowings	11,14,19,3				
	0,32,33	314,998,021	314,999,838	265,844	265,845
Other Financial liabilities	15,33	95,349,833	55,063,845	80,471	46,471
Provision of warranty for sale					
- current	16	48,688,830	50,043,567	41,091	42,234
Other long-term employee					
benefits liabilities- current		1,985,708	1,985,709	1,676	1,676
Other current liabilities	17,31,32	30,947,672	38,830,989	26,118	32,772
Current lease liabilities	13,30,33	5,712,821	6,279,275	4,821	5,299
Total current liabilities		<u>1,378,121,359</u>	<u>1,328,541,637</u>	<u>1,163,069</u>	<u>1,121,227</u>
Long-term borrowings	14,19,30,3				
	2,33	40,000,000	40,000,000	33,758	33,758
Non-current other payables	33	535,155	646,636	450	545
Other non-current liabilities	17,31	18,402,390	19,326,729	15,531	16,311
Defined benefit liabilities	18	395,751,687	382,379,014	333,996	322,710
Other long-term employee					
benefits liabilities		15,422,157	14,587,394	13,016	12,311
Non-current provision of					
warranty for sale	16	59,766,033	69,127,778	50,440	58,341
Non-current lease liabilities	13,30,33	4,502,753	2,141,499	3,800	1,807
Total non-current liabilities		<u>534,380,175</u>	<u>528,209,050</u>	<u>450,991</u>	<u>445,783</u>
Total liabilities		<u>1,912,501,534</u>	<u>1,856,750,687</u>	<u>1,614,060</u>	<u>1,567,010</u>
Equity					
Capital stock	20	749,200,010	749,200,010	632,290	632,290
Other capital surplus	21	77,231,312	78,162,820	65,180	65,966
Other equity	11,22	279,421,957	826,888	235,819	698
Accumulated deficit	23	(1,156,146,260)	(916,311,834)	(975,732)	(773,324)
Equity attributable to					
owners of the Company		(50,292,981)	(88,122,116)	(42,443)	(74,370)
Non-controlling interests		-	-	-	-
Total equity		<u>(50,292,981)</u>	<u>(88,122,116)</u>	<u>(42,443)</u>	<u>(74,370)</u>
Total liabilities and equity	₩	<u>1,862,208,553</u>	<u>1,768,628,571</u>	\$ <u>1,571,617</u>	<u>1,492,640</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 nine-month periods ended September 30, 2021 and 2020

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

	Note	2021		2020	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32 ₩	629,757,169	1,777,986,377	705,695,786	2,061,995,750
Cost of sales	25,32	599,029,821	1,748,226,043	691,584,896	2,032,997,413
Gross profit		<u>30,727,348</u>	<u>29,760,334</u>	<u>14,110,890</u>	<u>28,998,337</u>
Selling, general and administrative expenses	25,26	90,799,171	267,745,608	107,301,674	337,965,823
Operating loss		<u>(60,071,823)</u>	<u>(237,985,274)</u>	<u>(93,190,784)</u>	<u>(308,967,486)</u>
Other income	27,32	4,456,759	12,676,134	4,987,058	124,649,244
Other expenses	27,32	(1,573,698)	(6,228,657)	(12,431,274)	(111,019,919)
Finance income	28	1,139,878	3,786,777	684,207	3,313,709
Finance costs	28	(3,873,249)	(12,721,885)	(2,687,801)	(14,957,750)
Share of profits of joint venture	9	627,358	644,611	201,848	2,158,263
Loss before income taxes		<u>(59,294,775)</u>	<u>(239,828,294)</u>	<u>(102,436,746)</u>	<u>(304,823,939)</u>
Income tax expenses(benefit)	24	(11)	(2,446)	(10)	(10)
Loss for the period		<u>(59,294,764)</u>	<u>(239,825,848)</u>	<u>(102,436,736)</u>	<u>(304,823,929)</u>
Loss attributable to:					
Owners of the Company		(59,294,764)	(239,825,848)	(102,436,736)	(304,823,929)
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period		(88,377)	278,586,491	(50,433)	(314,990)
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(1,187)	(3,394)	(739)	(2,337)
Defined benefit plan re-measurements of joint ventures	9,23	(1,742)	(5,184)	(231)	(651)
Gains on revaluation on land	11,22	-	278,800,357	-	-
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of cash flow hedge	22	-	-	-	-
Foreign currency translation difference for foreign operation	22	(85,448)	(205,288)	(49,463)	(312,002)
Total comprehensive income (loss) for the period		<u>₩ (59,383,141)</u>	<u>38,760,643</u>	<u>(102,487,169)</u>	<u>(305,138,919)</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		(59,383,141)	38,760,643	(102,487,169)	(305,138,919)
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share (in won)	29 ₩	(396)	(1,601)	(684)	(2,034)

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 nine-month periods ended September 30, 2021 and 2020

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

	Note	2021		2020	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Sales	31,32	\$ 531,486	1,500,537	595,574	1,740,228
Cost of sales	25,32	505,553	1,475,421	583,665	1,715,755
Gross profit		<u>25,933</u>	<u>25,116</u>	<u>11,909</u>	<u>24,473</u>
Selling, general and administrative expenses	25,26	76,631	225,964	90,558	285,227
Operating loss		<u>(50,698)</u>	<u>(200,848)</u>	<u>(78,649)</u>	<u>(260,754)</u>
Other income	27,32	3,761	10,698	4,209	105,198
Other expenses	27,32	(1,327)	(5,257)	(10,491)	(93,695)
Finance income	28	962	3,196	577	2,797
Finance costs	28	(3,269)	(10,737)	(2,268)	(12,624)
Share of profits of joint venture	9	529	544	170	1,821
Loss before income taxes		<u>(50,042)</u>	<u>(202,404)</u>	<u>(86,452)</u>	<u>(257,257)</u>
Income tax expense (benefit)	24	(0)	(2)	(0)	(0)
Loss for the period		<u>(50,042)</u>	<u>(202,402)</u>	<u>(86,452)</u>	<u>(257,257)</u>
Loss attributable to:					
Owners of the Company		(50,042)	(202,402)	(86,452)	(257,257)
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period		(74)	235,115	(43)	(266)
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(1)	(2)	(1)	(2)
Defined benefit plan re-measurements of joint ventures	9,23	(1)	(4)	(0)	(1)
Gains on revaluation on land	11,22	-	235,294	-	-
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of cash flow hedge	22	-	-	-	-
Foreign currency translation difference for foreign operation	22	(72)	(173)	(42)	(263)
Total comprehensive income (loss) for the period		<u>\$ (50,116)</u>	<u>32,713</u>	<u>(86,495)</u>	<u>(257,523)</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		(50,116)	32,713	(86,495)	(257,523)
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share (in US dollar)	29	\$ (0.33)	(1.35)	(0.58)	(1.72)

See accompanying notes to the consolidated interim financial statements.

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

For the nine-month periods ended September 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						
Balance at January 1, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	1,109,395	(425,348,668)	-	403,123,557	
Total comprehensive income (loss) for the period:									
Loss for the period	-	-	-	-	-	(304,823,929)	-	(304,823,929)	
Defined benefit plan re-measurements	-	-	-	-	-	(2,337)	-	(2,337)	
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(651)	-	(651)	
Foreign currency translation difference for foreign operation	-	-	-	-	(312,003)	-	-	(312,003)	
Balance at September 30, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	797,392	(730,175,585)	-	97,984,637	
Balance at January 1, 2021	₩ 749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)	
Total comprehensive income (loss) for the period:									
Loss for the period	-	-	-	-	-	(239,825,848)	-	(239,825,848)	
Defined benefit plan re-measurements	-	-	-	-	-	(3,394)	-	(3,394)	
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(5,184)	-	(5,184)	
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	-	-	-	-	(205,288)	-	-	(205,288)	
Balance at September 30, 2021	₩ 749,200,010	3,169,615	74,061,697	-	279,421,957	(1,156,146,260)	-	(50,292,981)	

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 nine-month periods ended September 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
Balance at January 1, 2020	\$ 632,290	2,675	62,505	786	936	(358,974)	-	340,218
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(257,257)	-	(257,257)
Defined benefit plan re-measurements	-	-	-	-	-	(2)	-	(2)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1)	-	(1)
Foreign currency translation difference for foreign operation	-	-	-	-	(263)	-	-	(263)
Balance at September 30, 2020	\$ 632,290	2,675	62,505	786	673	(616,234)	-	82,695
Balance at January 1, 2021	\$ 632,290	2,675	62,505	786	698	(773,324)	-	(74,370)
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(202,402)	-	(202,402)
Defined benefit plan re-measurements	-	-	-	-	-	(2)	-	(2)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(4)	-	(4)
Debt equity swap	-	-	-	(786)	-	-	-	(786)
Gains on revaluation on land	-	-	-	-	235,294	-	-	235,294
Foreign currency translation difference for foreign operation	-	-	-	-	(173)	-	-	(173)
Balance at September 30, 2021	\$ 632,290	2,675	62,505	-	235,819	(975,732)	-	(42,443)

See accompanying notes to the consolidated interim financial statements.

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

For the nine-month periods ended September 30, 2021 and 2020

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

	Korean won		US dollar	
	2021	2020	2021	2020
Cash flows from operating activities				
Loss for the period	₩ (239,825,848)	(304,823,929)	\$ (202,402)	(257,257)
Adjustment	216,280,067	230,204,920	182,531	194,282
Changes in assets and liabilities	(7,413,693)	(61,949,120)	(6,257)	(52,282)
Cash generated from operations (note 30)	<u>(30,959,474)</u>	<u>(136,568,129)</u>	<u>(26,128)</u>	<u>(115,257)</u>
Interest received	979,950	1,637,297	827	1,382
Interest paid	(538,732)	(9,171,447)	(455)	(7,740)
Dividends received	6,000	11,000	5	9
Net cash used in operating activities	<u>(30,512,256)</u>	<u>(144,091,279)</u>	<u>(25,751)</u>	<u>(121,606)</u>
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	790,294	186,171,670	667	157,120
Disposal of intangible asset	70,120	-	59	-
Decrease from disposal of subsidiary	(106,813)	-	(90)	-
Acquisition of property, plant and equipment	(74,199,879)	(31,593,056)	(62,621)	(26,663)
Acquisition of intangible assets	(28,021,713)	(32,570,089)	(23,649)	(27,488)
Cash flow used in other investing activities	5,008,492	331,951	4,227	280
Net cash provided by (used in) investing activities	<u>(96,459,499)</u>	<u>122,340,476</u>	<u>(81,407)</u>	<u>103,249</u>
Cash flows from financing activities				
Proceeds from borrowings	-	157,000,113	-	132,501
Receipts of government grants	-	108,688	-	92
Repayment of borrowings	(1,817)	(195,845,116)	(1)	(165,284)
Payment of lease liabilities	(6,893,414)	(7,286,015)	(5,819)	(6,149)
Net cash used in financing activities (note 30)	<u>(6,895,231)</u>	<u>(46,022,330)</u>	<u>(5,820)</u>	<u>(38,840)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	420,951	245,524	356	207
Net decrease in cash and cash equivalents	<u>(133,446,035)</u>	<u>(67,527,609)</u>	<u>(112,622)</u>	<u>(56,990)</u>
Cash and cash equivalents at January 1	185,963,321	125,800,194	156,944	106,169
Cash and cash equivalents at September 30	<u>₩ 52,517,286</u>	<u>58,272,585</u>	<u>\$ 44,322</u>	<u>49,179</u>

See accompanying notes to the consolidated interim financial statements.

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

For the nine-month periods ended September 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 September 30, 2021, the Company's shareholders are as follows:

Name of shareholder	Number of shares (In shares)	Percentage of ownership(%)
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 \$1,184.90 to ₩1 on September 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 September 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	₩	93,763	36,488	\$	79	31	Government grants Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others		8,765,390	8,121,902		7,398	6,855	
Long-term financial instruments	Shinhan Bank and others		4,000	4,000		3	3	Bank account deposit
		₩	<u>8,863,153</u>	<u>8,162,390</u>	\$	<u>7,480</u>	<u>6,889</u>	

6. Non-current Financial Assets

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

(In thousands of won)

	Ownership (%)		2021		2020	
			Acquisition cost	Net asset value	Book 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
		₩	<u>560,000</u>	<u>1,791,688</u>	<u>560,000</u>	<u>560,000</u>

(In thousands of US dollar)

	Ownership (%)		2021		2020	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	\$	422	635	422	422
Korea Management Consultants Association(*)	1.50		51	877	51	51
		\$	<u>473</u>	<u>1,512</u>	<u>473</u>	<u>473</u>

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

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7. Trade and Other Receivables

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 104,210,837	-	100,646,367	-
Less: Allowance for doubtful accounts	(335,911)	-	(92,268)	-
Other receivables	8,868,391	45,424	14,963,013	139,755
Less: Allowance for doubtful accounts	(4,106,409)	-	(3,712,208)	(44,250)
Loans and others(*)	24,547,954	29,025,615	18,636,190	41,404,974
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	<u>₩ 133,184,862</u>	<u>29,070,682</u>	<u>130,441,094</u>	<u>41,500,122</u>

(*) The Loans and others listed above include ₩6,713,096 thousand and ₩4,346,501 thousand for sub lease receivables as of September 30, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are ₩451,053 thousand and ₩435,746 thousand for the nine-month periods ended September 30, 2021 and 2020, respectively.

(In thousands of US dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 87,949	-	84,941	-
Less: Allowance for doubtful accounts	(283)	-	(78)	-
Other receivables	7,485	38	12,628	118
Less: Allowance for doubtful accounts	(3,466)	-	(3,133)	(37)
Loans and others(*)	20,717	24,496	15,728	34,943
Less: Allowance for doubtful accounts	-	(0)	-	(0)
	<u>\$ 112,402</u>	<u>24,534</u>	<u>110,086</u>	<u>35,024</u>

(*) The Loans and others listed above include \$5,666 thousand and \$3,668 thousand for sub lease receivables as of September 30, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are \$381 thousand and \$368 thousand for the nine-month periods ended September 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 September 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	₩ 100,314,219	55,868,845	98,794,136	69,621,117
Less than 180 days	79,954	856,421	160,381	716,835
Less than 270 days	1,443,243	784,168	721,249	602,574
Less than 365 days	1,878,493	146,663	-	226,890
More than 366 days	494,928	4,831,287	970,601	3,976,516
	₩ 104,210,837	62,487,384	100,646,367	75,143,932
Impaired receivables	335,911	4,106,766	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	\$ 84,660	47,151	83,378	58,757
Less than 180 days	67	723	135	605
Less than 270 days	1,218	662	609	509
Less than 365 days	1,585	124	-	191
More than 366 days	419	4,076	819	3,356
	\$ 87,949	52,736	84,941	63,418
Impaired receivables	283	3,466	78	3,170

(*) 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 nine-month periods ended September 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	243,643	394,201	-	-
Reversal of allowance for bad debts	-	(44,250)	(59,088)	(15,274)
Write-off	-	-	-	(14,531)
Ending balance	₩ 335,911	4,106,766	92,238	4,051,599

(In thousands of US dollar)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 78	3,170	128	3,445
Bad debt expense	205	333	-	-
Reversal of allowance for bad debts	-	(37)	(50)	(13)
Write-off	-	-	-	(12)
Ending balance	\$ 283	3,466	78	3,420

8. Inventories

Details of inventories as of September 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	₩ 39,067,978	39,416,800	\$ 32,972	33,266
Finished goods	21,872,152	71,539,083	18,459	60,376
Work-in-process	25,643,963	23,460,664	21,642	19,800
Raw materials	41,035,754	31,948,093	34,632	26,963
Sub-materials	450,391	397,082	380	334
Supplies	3,361,811	3,253,034	2,837	2,745
Goods in transit	21,785,399	22,350,539	18,386	18,863
	₩ 153,217,448	192,365,295	\$ 129,308	162,347

The Group has measured inventories at the lower of acquisition cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩7,402,792 thousand (\$6,248 thousand) for the nine-month period ended September 30, 2021 and the loss on valuation of inventories amounted to ₩4,241,725 thousand (\$3,580 thousand) for the nine-month period ended September 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 September 30, 2021 are as follows:

	Company	Location	Owner ship	Closing month	Industry
	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 nine-month period ended September 30, 2021.

(*2) SY Auto Capital Co., Ltd was 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 nine-month periods ended September 30, 2021 and 2020 are as follows:

(In thousands of won)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re- measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	21,055,695	644,611	(5,183)	21,695,123

(In thousands of won)

		2020			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re- measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	19,053,781	2,158,263	(651)	21,211,393

(In thousands of US dollar)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re- measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	17,770	544	(4)	18,310

(In thousands of US dollar)

		2020			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re- measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	16,080	1,822	(1)	17,901

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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 nine-month period ended September 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.	13,252,199	16,276,746	(3,024,547)	14,254,946	143,447
Ssangyong Australia Pty Ltd.	27,269,076	32,334,416	(5,065,340)	70,414,430	1,874,441
SY Auto Capital Co., Ltd.(*2)	88,196,901	48,082,768	40,114,133	9,997,818	1,942,553

(In thousands of US dollar)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.(*1) \$	-	-	-	113	36
Ssangyong European Parts Center B.V.	11,184	13,737	(2,553)	12,031	121
Ssangyong Australia Pty Ltd.	23,014	27,289	(4,275)	59,426	1,582
SY Auto Capital Co., Ltd.(*2)	74,434	40,580	33,854	8,438	1,639

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

(*2) Additional financial information for the joint venture for the nine-month period ended September 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. ₩	9,943,904	46,930,354	657,049	1,800,128	847,360	608,898

(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. \$	8,392	39,607	555	1,519	715	514

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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.	\$	280	84	196	335	(166)
Ssangyong European Parts Center B.V.		10,837	13,441	(2,604)	14,846	128
Ssangyong Australia Pty Ltd.		27,197	32,944	(5,747)	43,429	(2,565)
SY Auto Capital Co., Ltd.(*)		75,434	43,210	32,224	13,202	1,729

(*) 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.	\$	4,458	41,993	1,107	1,938	1,106	619

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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 September 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. ₩	40,114,133	51.0%	20,458,208	1,236,915	21,695,123

(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. \$	33,854	51.0%	17,266	1,044	18,310

10. Other Assets

Details of other assets as of September 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>
Other current assets				
Advanced payments	₩ 58,991,541	29,858,242	\$ 49,786	25,199
Prepaid expenses	11,210,731	7,892,864	9,461	6,662
Current tax assets	37,037	190,703	33	161
	₩ <u>70,239,309</u>	<u>37,941,809</u>	\$ <u>59,280</u>	<u>32,022</u>
Other non-current assets				
Other non-current assets	₩ 275,957	275,957	\$ 233	234

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11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of September 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	₩ 428,229,378	278,800,357	(7,354)	-	-	707,022,381
Buildings	536,073,483	-	(3,507,749)	(243,385,093)	(156,914,544)	132,266,097
Structures	112,063,396	-	(44,264)	(69,254,733)	(31,193,432)	11,570,967
Machinery	1,310,735,616	-	(140,426)	(1,096,592,435)	(112,776,325)	101,226,430
Vehicles	7,743,388	-	(1,661)	(5,120,359)	(351,405)	2,269,963
Tools and molds	1,447,112,893	-	(58,904)	(1,043,146,465)	(194,209,464)	209,698,060
Equipment	66,073,761	-	(73,480)	(56,669,111)	(3,631,413)	5,699,757
Construction in progress	38,719,418	-	-	-	(1,325,590)	37,393,828
Machinery in transit	319,833	-	-	-	-	319,833
	₩ 3,947,071,166	278,800,357	(3,833,838)	(2,514,168,196)	(500,402,173)	1,207,467,316

(*) The amounts increased as a result of a revaluation on lands for the nine-month period ended September 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 September 30, 2021 and December 31, 2020 are as follows, continued:

(In thousands of US dollar)

	2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 361,406	235,294	(6)	-	-	596,694
Buildings	452,421	-	(2,960)	(205,406)	(132,429)	111,626
Structures	94,576	-	(37)	(58,448)	(26,326)	9,765
Machinery	1,106,200	-	(119)	(925,473)	(95,178)	85,430
Vehicles	6,535	-	(1)	(4,321)	(297)	1,916
Tools and molds	1,221,295	-	(50)	(880,366)	(163,904)	176,975
Equipment	55,763	-	(62)	(47,826)	(3,065)	4,810
Construction in progress	32,677	-	-	-	(1,117)	31,560
Machinery in transit	270	-	-	-	-	270
	<u>\$ 3,331,143</u>	<u>235,294</u>	<u>(3,235)</u>	<u>(2,121,840)</u>	<u>(422,316)</u>	<u>1,019,046</u>

(*) The amounts increased as a result of a revaluation on lands for the nine-month period ended September 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)

	2020				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 339,759	(6)	-	-	339,753
Buildings	452,134	(3,021)	(200,662)	(132,428)	116,023
Structures	94,594	(42)	(57,661)	(26,338)	10,553
Machinery	1,100,119	(135)	(909,721)	(95,124)	95,139
Vehicles	6,157	(2)	(4,443)	(334)	1,378
Tools and molds	1,190,268	(61)	(832,991)	(163,685)	193,531
Equipment	55,932	(79)	(46,372)	(3,095)	6,386
Construction in progress	32,226	-	-	(2,706)	29,520
Machinery in transit	270	-	-	-	270
	<u>\$ 3,271,459</u>	<u>(3,346)</u>	<u>(2,051,850)</u>	<u>(423,710)</u>	<u>792,553</u>

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the nine-month periods ended September 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	33,760	-	-	304,415,826	707,022,381
Buildings		137,475,517	6,723	-	(5,549,143)	333,000	132,266,097
Structures		12,504,303	-	(109)	(933,227)	-	11,570,967
Machinery		112,730,372	-	(29)	(19,519,065)	8,015,152	101,226,430
Vehicles		1,632,701	1,014,786	(771,116)	(354,791)	748,383	2,269,963
Tools and molds		229,315,248	132,639	(117,788)	(62,664,845)	43,032,806	209,698,060
Equipment		7,567,035	244,071	(32,176)	(2,115,501)	36,328	5,699,757
Construction in progress		34,978,578	78,975,257	-	-	(76,560,007)	37,393,828
Machinery in transit		319,833	-	-	-	-	319,833
	₩	<u>939,096,382</u>	<u>80,407,236</u>	<u>(921,218)</u>	<u>(91,136,572)</u>	<u>280,021,488</u>	<u>1,207,467,316</u>

(*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 nine-month period ended September 30, 2021.

(*2) Others were the amounts of ₩471,887 thousand from capitalized borrowing costs and the amounts of ₩760,218 thousand replaced from inventories to vehicles for the nine-month period ended September 30, 2021.

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11. Property, Plant and Equipment, Continued

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

(In thousands of won)

		2020					Ending balance
		Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2)	
Land	₩	474,747,900	-	(72,175,105)	-	-	402,572,795
Buildings		151,331,150	7,900	(4,421,220)	(7,753,862)	-	139,256,968
Structures		15,397,302	-	(102,562)	(1,055,288)	(1,467,288)	12,772,164
Machinery		153,337,727	26,568	(159,122)	(25,996,562)	(14,145,255)	114,992,273
Vehicles		2,710,974	648,069	(1,372,837)	(359,450)	-	1,651,665
Tools and molds		321,098,431	289,692	(177,768)	(75,105,991)	(28,911,604)	223,179,347
Equipment		11,385,439	302,736	(25,787)	(2,796,231)	(996,377)	7,935,170
Construction in progress		12,020,367	32,466,563	-	-	(1,648,989)	35,541,567
Machinery in transit		233,039	557,043	-	-	(394,017)	396,065
	₩	<u>1,142,262,329</u>	<u>34,298,571</u>	<u>(78,434,401)</u>	<u>(113,067,384)</u>	<u>(47,169,513)</u>	<u>938,298,014</u>

(*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 Property, Plant and Equipment at ₩108,146 million for the nine-month period ended September 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 September 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 ₩403,903 thousand and the amounts of ₩22,348 thousand replaced from inventories to vehicles and the government grants of ₩28,688 thousand used to acquire asset was adjusted from others for the period ended September 30, 2020.

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11. Property, Plant and Equipment, Continued

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

(In thousands of US dollar)

	2021					Ending balance
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	
Land	\$ 339,753	28	-	-	256,913	596,694
Buildings	116,023	6	-	(4,683)	280	111,626
Structures	10,553	-	(0)	(788)	-	9,765
Machinery	95,139	-	(0)	(16,473)	6,764	85,430
Vehicles	1,378	856	(651)	(299)	632	1,916
Tools and molds	193,531	112	(99)	(52,886)	36,317	176,975
Equipment	6,386	206	(27)	(1,786)	31	4,810
Construction in progress	29,520	66,652	-	-	(64,612)	31,560
Machinery in transit	270	-	-	-	-	270
	<u>\$ 792,553</u>	<u>67,860</u>	<u>(777)</u>	<u>(76,915)</u>	<u>236,325</u>	<u>1,019,046</u>

(*1) The amounts of \$235 million increased as a result of a revaluation on lands and recognized as revaluation surplus(other equity) for the nine-month period ended September 30, 2021.

(*2) Others were the amounts of \$398 thousand from capitalized borrowing costs and the amounts of \$642 thousand replaced from inventories to vehicles for the nine-months period ended September 30, 2021.

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11. Property, Plant and Equipment, Continued

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

(In thousands of US dollar)

	2020						Ending balance
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2)	Others (*3)	
Land	\$ 400,665	-	(60,912)	-	-	-	339,753
Buildings	127,716	7	(3,731)	(6,544)	-	78	117,526
Structures	12,995	-	(87)	(891)	(1,238)	-	10,779
Machinery	129,410	22	(134)	(21,940)	(11,938)	1,628	97,048
Vehicles	2,288	547	(1,159)	(303)	-	21	1,394
Tools and molds	270,992	245	(150)	(63,386)	(24,400)	5,052	188,353
Equipment	9,608	255	(22)	(2,360)	(841)	57	6,697
Construction in progress	10,145	27,400	-	-	(1,392)	(6,158)	29,995
Machinery in transit	197	470	-	-	-	(333)	334
	<u>\$ 964,016</u>	<u>28,946</u>	<u>(66,195)</u>	<u>(95,424)</u>	<u>(39,809)</u>	<u>345</u>	<u>791,879</u>

(*1) The Group sold land, buildings and structures located in Guro-dong Guro-gu, Seoul and Gamjeon-dong Sasang-gu, Busan amounting to \$65 million (Selling price: \$174 million) and recognized gain on disposals of Property, Plant and Equipment at \$91 million for the nine-month period ended September 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 \$40 million for property, plant and equipment for the period ended September 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 \$341 thousand and the amounts of \$19 thousand replaced from inventories to vehicles and the government grants of \$24 thousand used to acquire asset was adjusted from others for the period ended September 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 September 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		\$ 551,989	
Buildings and structures	102,320,209	483,890,112	86,353	408,381
Machinery and others	8,977		8	
	₩ 756,381,213	483,890,112	\$ 638,350	408,381

(*) ₩135,890,112 thousand (\$114,685 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 as of September 30, 2021.

(4) Capitalized borrowing costs and capitalization interest rate for the nine-month periods ended September 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(*)	₩ 1,433,512	2,353,240	\$ 1,210	1,986
Capitalization interest rate	2.51%	2.94%	2.51%	2.94%

(*) Capitalized borrowing costs for intangible assets are ₩961,625 thousand (\$812 thousand) and ₩1,949,337 thousand (\$1,645 thousand) for the nine-month periods ended September 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(\$235 million) was recognized as other comprehensive income as a result of a revaluation on lands for the nine-month period ended September 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 September 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	₩ 707,022,381	428,222,024	\$ 596,694	361,399

12. Intangible Assets

(1) Details of intangible assets as of September 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	-	(390,805,265)	(38,947,234)	153,043,079
Patents	5,243,158	(5,467)	(4,312,292)	(223,601)	701,798
Other intangible assets	139,354,121	(44,444)	(38,470,789)	(66,685,326)	34,153,562
	₩ 727,392,857	(49,911)	(433,588,346)	(105,856,161)	187,898,439

(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 September 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	\$ 491,852	-	(329,821)	(32,870)	129,161
Patents	4,425	(5)	(3,639)	(189)	592
Other intangible assets	117,608	(37)	(32,468)	(56,279)	28,824
	<u>\$ 613,885</u>	<u>(42)</u>	<u>(365,928)</u>	<u>(89,338)</u>	<u>158,577</u>

(In thousands of US dollar)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 430,652	-	(287,422)	(27,733)	115,497
Patents	4,277	(8)	(3,392)	(172)	705
Other intangible assets	148,380	(68)	(31,063)	(56,279)	60,970
	<u>\$ 583,309</u>	<u>(76)</u>	<u>(321,877)</u>	<u>(84,184)</u>	<u>177,172</u>

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

(In thousands of won)

	2021						Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Others (*)	
Internally created intangible assets:							
Development cost	₩ 136,853,007	-	-	(50,238,801)	-	66,428,873	153,043,079
Other intangible assets	67,409,197	27,753,846	-	-	-	(65,467,248)	29,695,795
	<u>204,262,204</u>	<u>27,753,846</u>	<u>-</u>	<u>(50,238,801)</u>	<u>-</u>	<u>961,625</u>	<u>182,738,874</u>
Individually acquired intangible assets:							
Patents	834,407	175,608	-	(288,827)	(19,390)	-	701,798
Other intangible assets	4,834,646	1,323,152	(70,120)	(1,634,825)	-	4,914	4,457,767
	<u>5,669,053</u>	<u>1,498,760</u>	<u>(70,120)</u>	<u>(1,923,652)</u>	<u>(19,390)</u>	<u>4,914</u>	<u>5,159,565</u>
	<u>₩ 209,931,257</u>	<u>29,252,606</u>	<u>(70,120)</u>	<u>(52,162,453)</u>	<u>(19,390)</u>	<u>966,539</u>	<u>187,898,439</u>

(*) Capitalized borrowing costs in respect of other intangible assets was ₩961,625 thousand for the nine-month period ended September 30, 2021.

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12. Intangible Assets, Continued

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

(In thousands of won)

	2020					
	Beginning balance	Acquisition	Amortization	Impairment (*1)	Others(*2)	Ending balance
Internally created intangible assets:						
Development cost	₩ 222,019,365	-	(49,795,209)	(19,931,846)	-	152,292,310
Other intangible assets	82,875,485	32,007,327	-	(9,312,504)	1,949,337	107,519,645
	<u>304,894,850</u>	<u>32,007,327</u>	<u>(49,795,209)</u>	<u>(29,244,350)</u>	<u>1,949,337</u>	<u>259,811,955</u>
Individually acquired intangible assets:						
Patents	1,157,589	183,050	(383,807)	(19,401)	-	937,431
Other intangible assets	7,052,315	379,712	(2,216,029)	(435,907)	(74,582)	4,705,509
	8,209,904	562,762	(2,599,836)	(455,308)	(74,582)	5,642,940
	<u>₩ 313,104,754</u>	<u>32,570,089</u>	<u>(52,395,045)</u>	<u>(29,699,658)</u>	<u>1,874,755</u>	<u>265,454,895</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 ₩29,700 million for intangible assets for the period ended September 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 ₩1,949,337 thousand and the government subsidy of ₩80,000 thousand used to acquire assets was adjusted from others for the nine-month period ended September 30, 2020.

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12. Intangible Assets, Continued

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

(In thousands of US dollar)

	2021						Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Others (*)	
Internally created intangible assets:							
Development cost	\$ 115,497	-	-	(42,399)	-	56,063	129,161
Other intangible assets	56,890	23,423	-	-	-	(55,251)	25,062
	<u>172,387</u>	<u>23,423</u>	<u>-</u>	<u>(42,399)</u>	<u>-</u>	<u>812</u>	<u>154,223</u>
Individually acquired intangible assets:							
Patents	705	148	-	(244)	(17)	-	592
Other intangible assets	4,080	1,117	(59)	(1,380)	-	4	3,762
	<u>4,785</u>	<u>1,265</u>	<u>(59)</u>	<u>(1,624)</u>	<u>(17)</u>	<u>4</u>	<u>4,354</u>
\$	<u>177,172</u>	<u>24,688</u>	<u>(59)</u>	<u>(44,023)</u>	<u>(17)</u>	<u>816</u>	<u>158,577</u>

(*) Capitalized borrowing costs in respect of other intangible assets was \$812 thousand for the nine-month period ended September 30, 2021.

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12. Intangible Assets, Continued

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

(In thousands of US dollar)

	2020					Ending balance
	Beginning balance	Acquisition	Amortization	Impairment (*1)	Others(*2)	
Internally created intangible assets:						
Development cost	\$ 187,374	-	(42,025)	(16,822)	-	128,527
Other intangible assets	69,943	27,013	-	(7,859)	1,645	90,742
	<u>257,317</u>	<u>27,013</u>	<u>(42,025)</u>	<u>(24,681)</u>	<u>1,645</u>	<u>219,269</u>
Individually acquired intangible assets:						
Patents	977	154	(324)	(17)	-	790
Other intangible assets	5,952	321	(1,870)	(367)	(63)	3,973
	<u>6,929</u>	<u>475</u>	<u>(2,194)</u>	<u>(384)</u>	<u>(63)</u>	<u>4,763</u>
	<u>\$ 264,246</u>	<u>27,488</u>	<u>(44,219)</u>	<u>(25,065)</u>	<u>1,582</u>	<u>224,032</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 \$25 million for intangible assets for the period ended September 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 \$1,645 thousand and the government subsidy of \$68 thousand used to acquire assets was adjusted from others for the nine-month period ended September 30, 2020.

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12. Intangible Assets, Continued

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

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

	<u>Project name</u>		<u>Korean won</u>		<u>US dollar</u>	<u>Remaining amortization period(*1)</u>
Development costs	RV(*2)	₩	140,338,464	\$	118,439	1~4 years
	Power train and others		12,704,615		10,722	1~4 years
Other intangible assets	RV(*3)		29,695,795		25,062	-
		₩	<u>182,738,874</u>	\$	<u>154,223</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 September 30, 2021.

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

(4) Details of expenditures for research and developments for the nine-month periods ended September 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>	
Capitalization of intangible assets	₩	28,715,471	33,956,664	\$	24,235	28,658
Manufacturing costs		37,631,030	68,385,790		31,758	57,715
Selling and administrative expenses		9,197,055	10,739,147		7,762	9,063
	₩	<u>75,543,556</u>	<u>113,081,601</u>	\$	<u>63,755</u>	<u>95,436</u>

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13. Lease

(1) Changes in right-of-use assets for the nine-month periods ended September 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	₩	6,465,797	2,515,439	(3,869,080)	(112,026)	11,234	5,011,364
Vehicle		2,013,206	100,678	(1,425,468)	-	(62,524)	625,892
Equipment		1,014,633	-	(573,758)	-	-	440,875
	₩	<u>9,493,636</u>	<u>2,616,117</u>	<u>(5,868,306)</u>	<u>(112,026)</u>	<u>(51,290)</u>	<u>6,078,131</u>

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

(In thousands of won)

		2020				
		Beginning balance	Increase (*)	Depreciation	Exchange rate effect	Ending balance
Land and building	₩	2,316,703	11,244,847	(2,239,729)	65,389	11,387,210
Vehicle		3,786,859	76,613	(1,445,972)	7,659	2,425,159
Equipment		1,356,006	415,757	(556,995)	-	1,214,768
	₩	<u>7,459,568</u>	<u>11,737,217</u>	<u>(4,242,696)</u>	<u>73,048</u>	<u>15,027,137</u>

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

(In thousands of US dollar)

		2021					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,457	2,123	(3,265)	(94)	9	4,230
Vehicle		1,699	85	(1,203)	-	(53)	528
Equipment		856	-	(484)	-	-	372
	\$	<u>8,012</u>	<u>2,208</u>	<u>(4,952)</u>	<u>(94)</u>	<u>(44)</u>	<u>5,130</u>

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

(In thousands of US dollar)

		2020				
		Beginning balance	Increase (*)	Depreciation	Exchange rate effect	Ending balance
Land and building	\$	1,955	9,490	(1,890)	55	9,610
Vehicle		3,196	65	(1,220)	6	2,047
Equipment		1,144	351	(470)	-	1,025
	\$	<u>6,295</u>	<u>9,906</u>	<u>(3,580)</u>	<u>61</u>	<u>12,682</u>

(*) The amount of \$9 million was increased due to lease contract for Guro A/S Center during the nine-month period ended September 30, 2020.

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13. Lease, Continued

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

(In thousands of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	₩	5,712,821	4,502,753	6,279,275	2,141,499

(In thousands of US dollar)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	\$	4,821	3,800	5,299	1,807

(*) The total amounts of lease liabilities paid are ₩6,893,414 thousand (\$5,819 thousand) and ₩7,286,015 thousand (\$6,149 thousand) and interest expenses are ₩255,000 thousand (\$215 thousand) and ₩367,487 thousand (\$310 thousand) during the nine-month periods ended September 30, 2021 and 2020, respectively.

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

(In thousands of won)

	Exemption of lease recognition		2021	2020
Office equipment and others	Low cost	₩	369,582	694,148
	Short term		-	11,110
Building	Short term		7,500	22,500

(In thousands of US dollar)

	Exemption of lease recognition		2021	2020
Office equipment and others	Low cost	\$	312	586
	Short term		-	9
Building	Short term		6	19

(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
Sub lease			
Less than 1 year	₩	4,156,387	2,686,155
1 year to 5 years		2,772,848	890,580
Lease to be received		6,929,235	3,576,735
Unrealized interests		(216,139)	(84,260)
Net investment in the lease		6,713,096	3,492,475
Interests from sublease for this period		136,738	116,178

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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>
Sub lease		
Less than 1 year	\$ 3,508	2,267
1 year to 5 years	2,340	752
Lease to be received	5,848	3,019
Unrealized interests	(182)	(71)
Net investment in the lease	5,666	2,947
Interests from sublease for this period	115	98

(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	₩180 Billion (\$0.15 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 (\$51 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$89 million) increased.
- Lease deposit: ₩10,800 million (\$9 million) increased.

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14. Borrowings

(1) Details of short-term borrowings as of September 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	\$ 16,879	16,879
	Facility fund(*1,2)	CD+4.57	70,000,000	70,000,000	59,077	59,077
	Facility fund(*2)	CD+4.60	100,000,000	100,000,000	84,395	84,395
Woori Bank	Loans(*2)	CD+5.00	24,998,183	25,000,000	21,098	21,099
JP Morgan(*6)	Facility fund(*1,2)	CD+3.00	40,000,000	40,000,000	33,758	33,758
	Overdraft(*3)	CD+2.00	19,999,969	19,999,969	16,879	16,879
BNP PARIBAS(*6)	Overdraft(*3)	CD+4.00	10,000,000	10,000,000	8,440	8,440
Mahindra & Mahindra Ltd.	Overdraft(*4)	CD+2.00	29,999,869	29,999,869	25,318	25,318
			₩ 314,998,021	314,999,838	\$ 265,844	265,845

(*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 Ltd., the largest shareholder of the Group repaid loans of ₩29,999,869 thousand (\$25,318 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 September 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 \$	59,077	59,077
	Facility fund	CD+4.60	100,000,000	100,000,000	84,395	84,395
JP Morgan(*3)	Facility fund	CD+3.00	40,000,000	40,000,000	33,758	33,758
Woori Bank	Operating fund	CD+5.00	24,998,183	25,000,000	21,098	21,099
Mahindra & Mahindra Ltd(*1)	Operating fund	3.00	40,000,000	40,000,000	33,758	33,758
Less: Current portion			(234,998,183)	(235,000,000)	(198,328)	(198,329)
			₩ 40,000,000	40,000,000 \$	33,758	33,758

(*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 September 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	\$ 160,351	253,186
Woori Bank	Land and buildings	21,098	40,510
		\$ 181,449	293,696

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15. Other Financial Liabilities

Details of other financial liabilities as of September 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
Accrued expenses	₩ 95,349,833	55,063,845	\$ 80,471	46,471

16. Provision of Warranty for sale

The Group 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 nine-month periods ended September 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	₩ 119,171,345	128,285,60	\$ 100,575	108,267
Increase	15,987,633	24,775,594	13,493	20,909
Decrease	(26,704,115)	(31,774,127)	(22,537)	(26,816)
Ending balance	₩ 108,454,863	121,287,073	\$ 91,531	102,360
Current	₩ 48,688,830	52,693,829	\$ 41,091	44,471
Non-current	59,766,033	68,593,244	50,440	57,889

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17. Other Liabilities

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 10,024,597	-	6,745,066	-
Deposits received	392,210	-	652,934	-
Withholdings	13,707,579	-	23,215,826	-
Unearned revenue	5,516,993	18,402,390	4,733,235	19,326,729
Refund liability(*)	1,306,293	-	3,483,928	-
	₩ <u>30,947,672</u>	<u>18,402,390</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	\$ 8,460	-	5,693	-
Deposits received	331	-	551	-
Withholdings	11,569	-	19,593	-
Unearned revenue	4,656	15,531	3,995	16,311
Refund liability(*)	1,102	-	2,940	-
	\$ <u>26,118</u>	<u>15,531</u>	<u>32,772</u>	<u>16,311</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 September 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	₩ 396,594,030	383,312,042	\$ 334,707	323,497
Fair value of plan assets	(842,343)	(933,028)	(711)	(787)
	₩ <u>395,751,687</u>	<u>382,379,014</u>	\$ <u>333,996</u>	<u>322,710</u>

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the nine-month periods ended September 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	29,095,543	-	29,095,543
Interest expense (income)	6,788,396	(16,469)	6,771,927
Sub-total	419,195,981	(949,497)	418,246,484
Re-measurement factors:			
Re-measurements of plan assets	-	3,394	3,394
Sub-total	-	3,394	3,394
Benefit paid by plan	(103,760)	103,760	-
Benefit paid directly	(22,498,191)	-	(22,498,191)
Ending balance	₩ 396,594,030	(842,343)	395,751,687

(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	30,261,504	-	30,261,504
Interest expense (income)	6,080,778	(16,201)	6,064,577
Sub-total	393,451,811	(970,469)	392,481,342
Re-measurement factors:			
Re-measurements of plan assets	-	2,337	2,337
Sub-total	-	2,337	2,337
Benefit paid by plan	(31,824)	31,824	-
Benefit paid directly	(8,128,926)	-	(8,128,926)
Ending balance	₩ 385,291,061	(936,308)	384,354,753

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the nine-month periods ended September 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	\$ 323,497	(787)	322,710
Current service cost	24,555	-	24,555
Interest expense (income)	5,730	(14)	5,716
Sub-total	<u>353,782</u>	<u>(801)</u>	<u>352,981</u>
Re-measurement factors:			
Re-measurements of plan assets	-	2	2
Sub-total	<u>-</u>	<u>2</u>	<u>2</u>
Benefit paid by plan	(88)	88	-
Benefit paid directly	(18,987)	-	(18,987)
Ending balance	<u>\$ 334,707</u>	<u>(711)</u>	<u>333,996</u>

(In thousands of US dollar)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 301,384	(805)	300,579
Current service cost	25,539	-	25,539
Interest expense (income)	5,132	(14)	5,118
Sub-total	<u>332,055</u>	<u>(819)</u>	<u>331,236</u>
Re-measurement factors:			
Re-measurements of plan assets	-	2	2
Sub-total	<u>-</u>	<u>2</u>	<u>2</u>
Benefit paid by plan	(27)	27	-
Benefit paid directly	(6,860)	-	(6,860)
Ending balance	<u>\$ 325,168</u>	<u>(790)</u>	<u>324,378</u>

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18. Employee Benefits, Continued

(3) The components of plan assets as of September 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	₩ 842,343	933,028	\$ 711	790

(4) Actuarial assumptions used related to plans as of September 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 September 30, 2021 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of September 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 (\$300 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 September 30, 2021, 4 claims as a plaintiff were filed with the claim amount of ₩3,417 million (\$3 million) and 8 claims as a defendant were filed with the claims of ₩1,220 million (\$1 million). The provision amounting to ₩7,888 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 provisions recognized as other payables as of September 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	\$ 105,138
Increase(*)	44,398,805	37,471
Decrease	<u>(31,167,705)</u>	<u>(26,304)</u>
Ending balance	<u>₩ 137,809,626</u>	<u>\$ 116,305</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 ₩12,200,670 thousand(\$10,297 thousand) for the nine-month period ended September 30, 2021, the Group has recognized a provision of ₩80,623,207 thousand(\$68,042 thousand) as of September 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 September 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	\$ 4.22	4.22
Capital stock	749,200,010	749,200,010	632,290	632,290

21. Other Capital Surplus

Details of other capital surplus as of September 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	\$ 2,675	2,675
Gain on capital reduction	74,061,697	74,061,697	62,505	62,505
Debt to be swapped for equity	-	931,508	-	786
	₩ <u>77,231,312</u>	<u>78,162,820</u>	\$ <u>65,180</u>	<u>65,966</u>

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22. Other Equity

(1) Details of the Group's other equity as of September 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	-	\$ 235,294	-
Accumulated foreign currency translation difference for foreign operations	621,600	826,888	525	698
	₩ 279,421,957	826,888	\$ 235,819	698

(2) Changes in the Group's gains (losses) on valuation of derivatives for the nine-month periods ended September 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	-	130,390	-	110
Reclassified to net income (losses)	-	(130,390)	-	(110)
Ending balance	₩ -	-	\$ -	-

(3) Changes in the foreign currency translation difference for foreign operation for the nine-month periods ended September 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	\$ 698	936
Change of foreign currency translation difference for foreign operation	(205,288)	(312,002)	(173)	(263)
Ending balance	₩ 621,600	797,393	\$ 525	673

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23. Deficit

(1) Details of deficit as of September 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	₩ (1,156,146,260)	(916,311,834)	\$ (975,732)	(773,324)

(2) Changes in deficit for the nine-month periods ended September 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)	\$ (773,324)	(358,974)
Loss for the period	(239,825,848)	(304,823,929)	(202,402)	(257,257)
Defined benefit plan re-measurement	(3,394)	(2,337)	(2)	(2)
Defined benefit plan re-measurement from joint venture	(5,184)	(651)	(4)	(1)
Ending balance	₩ (1,156,146,260)	(730,175,585)	\$ (975,732)	(616,234)

24. Income Tax Expense(profit)

Details of income tax expenses for the nine-month periods ended September 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	(2,447)	(10)	(2)	(0)
	₩ (2,447)	(10)	\$ (2)	(0)

(*) 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 September 30, 2021.

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25. Nature of Expenses

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

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Changes in inventories	₩ 20,824,306	47,832,453	(8,196,827)	18,585,834
Raw materials consumed and purchase of merchandise	440,341,997	1,271,192,289	536,025,163	1,520,827,156
Employee benefits	88,192,422	325,880,844	111,865,036	333,105,669
Depreciation	31,225,641	91,136,572	34,850,499	113,067,384
Amortization	19,760,004	52,162,453	16,224,986	52,395,045
Others	89,484,621	227,767,040	108,117,713	332,982,148
	₩ <u>689,828,991</u>	<u>2,015,971,651</u>	<u>798,886,570</u>	<u>2,370,963,236</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	Nine-month period	Three-month period	Nine-month period
Changes in inventories	\$ 17,575	40,368	(6,918)	15,686
Raw materials consumed and purchase of merchandise	371,628	1,072,827	452,380	1,283,507
Employee benefits	74,430	275,028	94,409	281,126
Depreciation	26,353	76,915	29,412	95,424
Amortization	16,677	44,023	13,693	44,219
Others	75,521	192,224	91,247	281,020
	\$ <u>582,184</u>	<u>1,701,385</u>	<u>674,223</u>	<u>2,000,982</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 nine-month periods ended September 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	₩ 12,425,866	26,766,638	11,408,758	37,074,773
Commissions	32,431,388	94,607,269	47,314,744	147,418,002
Advertising	1,259,689	5,626,024	3,799,319	11,786,933
Export expenses	2,721,174	7,251,367	1,562,927	4,461,923
Sales promotion expenses	5,552,996	17,428,064	2,929,670	9,180,774
Others	2,984,015	8,430,826	2,436,460	5,947,722
	<u>₩ 57,375,128</u>	<u>160,110,188</u>	<u>69,451,878</u>	<u>215,870,127</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Warranty expenses	\$ 10,487	22,590	9,628	31,289
Commissions	27,371	79,844	39,931	124,414
Advertising	1,063	4,748	3,206	9,948
Export expenses	2,297	6,120	1,319	3,766
Sales promotion expenses	4,686	14,708	2,473	7,748
Others	2,519	7,115	2,057	5,019
	<u>\$ 48,423</u>	<u>135,125</u>	<u>58,614</u>	<u>182,184</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 nine-month periods ended September 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	₩ 8,123,386	32,792,689	11,138,210	33,180,727
Retirement benefit costs	1,571,425	4,609,187	1,561,003	4,688,994
Employee welfare	2,604,733	6,393,116	2,350,492	7,351,361
Rent expense	2,481,715	7,628,453	2,468,158	7,379,517
Service fees	3,249,909	10,296,865	3,737,115	12,557,231
Depreciation	3,243,003	10,684,753	4,838,167	17,797,419
R&D expenses	3,351,784	9,197,055	2,464,016	10,739,147
Amortization	654,073	1,923,652	785,683	2,599,836
(Reversal of) bad debt expense	(3,197)	243,643	54,441	(59,088)
Others	8,147,212	23,866,007	8,452,511	25,860,552
	₩ 33,424,043	107,635,420	37,849,796	122,095,696

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	\$ 6,856	27,675	9,400	28,003
Retirement benefit costs	1,326	3,890	1,317	3,957
Employee welfare	2,198	5,395	1,984	6,204
Rent expense	2,094	6,438	2,083	6,228
Service fees	2,743	8,690	3,154	10,598
Depreciation	2,737	9,017	4,083	15,020
R&D expenses	2,829	7,762	2,080	9,063
Amortization	552	1,623	663	2,194
(Reversal of) bad debt expense	(3)	206	46	(50)
Others	6,877	20,143	7,134	21,826
	\$ 28,209	90,839	31,944	103,043

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27. Other Income and Expenses

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

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	₩ 2,180,667	4,137,855	1,249,191	3,239,585
Foreign exchange translation gain	228,557	838,223	392,099	1,757,787
Gain on disposal of property, plant and equipment	32,348	247,945	74,010	110,923,331
Others	2,015,187	7,452,111	3,271,758	8,728,541
	₩ <u>4,456,759</u>	<u>12,676,134</u>	<u>4,987,058</u>	<u>124,649,244</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction gain	\$ 1,840	3,492	1,054	2,734
Foreign exchange translation gain	193	707	331	1,483
Gain on disposal of property, plant and equipment	27	209	62	93,614
Others	1,701	6,290	2,762	7,367
	\$ <u>3,761</u>	<u>10,698</u>	<u>4,209</u>	<u>105,198</u>

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27. Other Income and Expenses, Continued

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

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	₩ 633,647	3,886,734	1,284,186	4,900,792
Foreign exchange translation loss	286,694	799,937	153,015	538,208
Loss on disposal of property, plant and equipment	38,198	378,869	154,404	2,990,867
Impairment loss on property, plant and equipment	10,054	10,054	-	47,169,513
Impairment loss on Intangible assets	6,030	19,390	4,121	29,699,658
Loss on disposal of trade receivables	11,008	25,354	11,251	56,354
Loss on sale of investments in subsidiaries	-	232,536	-	-
(Reversal of) other bad-debt expense	229,491	394,201	(143,644)	-
Others	358,577	481,582	10,967,941	25,664,528
	<u>₩ 1,573,699</u>	<u>6,228,657</u>	<u>12,431,274</u>	<u>111,019,920</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Foreign exchange transaction loss	\$ 535	3,280	1,084	4,136
Foreign exchange translation loss	242	675	129	454
Loss on disposal of property, plant and equipment	32	320	130	2,524
Impairment loss on property, plant and equipment	8	8	-	39,809
Impairment loss on Intangible assets	5	16	3	25,065
Loss on disposal of trade receivables	9	21	9	48
Loss on sale of investments in subsidiaries	-	196	-	-
(Reversal of) other bad-debt expense	194	333	(121)	-
Others	302	408	9,257	21,659
	<u>\$ 1,327</u>	<u>5,257</u>	<u>10,491</u>	<u>93,695</u>

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28. Finance Income and Costs

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

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	₩ 249,819	929,403	491,713	1,644,500
Dividend income	-	6,000	5,000	11,000
Foreign exchange transaction gain	890,059	2,851,374	503,912	1,655,823
Foreign exchange translation gain	-	-	(316,418)	2,386
	<u>₩ 1,139,878</u>	<u>3,786,777</u>	<u>684,207</u>	<u>3,313,709</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	\$ 211	784	415	1,388
Dividend income	-	5	4	9
Foreign exchange transaction gain	751	2,407	425	1,398
Foreign exchange translation gain	-	-	(267)	2
	<u>\$ 962</u>	<u>3,196</u>	<u>577</u>	<u>2,797</u>

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28. Finance Income and Costs, Continued

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

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	₩ 3,841,683	11,973,558	1,973,619	6,974,732
Foreign exchange transaction loss	31,567	748,327	1,781,552	7,854,128
Foreign exchange translation loss	-	-	(1,067,370)	128,890
	<u>₩ 3,873,250</u>	<u>12,721,885</u>	<u>2,687,801</u>	<u>14,957,750</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest expense	\$ 3,242	10,105	1,666	5,886
Foreign exchange transaction loss	27	632	1,503	6,629
Foreign exchange translation loss	-	-	(901)	109
	<u>\$ 3,269</u>	<u>10,737</u>	<u>2,268</u>	<u>12,624</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 nine-month periods ended September 30, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Financial assets/ liabilities at amortized cost	₩ (2,733,372)	(8,941,108)	(2,008,594)	(11,655,041)
Financial assets at FVTPL	-	6,000	5,000	11,000
	<u>₩ (2,733,372)</u>	<u>(8,935,108)</u>	<u>(2,003,594)</u>	<u>(11,644,041)</u>

(In thousands of US dollar)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Financial assets/ liabilities at amortized cost	\$ (2,307)	(7,546)	(1,695)	(9,836)
Financial assets at FVTPL	-	5	4	9
	<u>\$ (2,307)</u>	<u>(7,541)</u>	<u>(1,691)</u>	<u>(9,827)</u>

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29. Losses per Share

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

(In thousands of won, except per share information)

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loss for the periods	₩ (59,294,764)	(239,825,848)	(102,436,736)	(304,823,929)
Loss contributed to common stocks	(59,294,764)	(239,825,848)	(102,436,736)	(304,823,929)
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)	₩ (396)	(1,601)	(684)	(2,034)

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

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

	2021		2020	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Loss for the periods	\$ (50,042)	(202,402)	(86,452)	(257,257)
Loss contributed to common stocks	(50,042)	(202,402)	(86,452)	(257,257)
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)	\$ (0.33)	(1.35)	(0.58)	(1.72)

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

(2) Weighted average number of common shares outstanding for the nine-month periods ended September 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 ~ 2021-09-30	149,840,002	273/273	149,840,002

(In shares)

	Outstanding period	2020		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2020-01-01 ~ 2020-09-30	149,840,002	274/274	149,840,002

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30. Cash Flows

(1) Details of cash flows from operating activities for the nine-month periods ended September 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
Loss for the period	₩ (239,825,848)	(304,823,929)	\$ (202,402)	(257,257)
Adjustments for:				
Retirement benefit costs	35,867,470	36,326,081	30,270	30,658
Depreciation	91,136,572	113,067,384	76,915	95,424
Amortization	52,162,453	52,395,045	44,023	44,219
Depreciation of right-of-use asset	5,868,306	4,242,696	4,953	3,581
Impairment loss on Tangible assets	10,054	47,169,513	8	39,809
Impairment loss on Intangible assets	19,390	29,699,658	16	25,065
Losses on disposal of trade receivables	25,354	56,354	21	48
Foreign exchange translation gain and loss, net	(38,286)	(1,093,075)	(32)	(923)
Losses(gains) on disposal of property, plant and equipment	130,924	(107,932,464)	110	(91,090)
Interest expense and income, net	11,044,155	5,330,232	9,321	4,498
Dividend income	(6,000)	(11,000)	(5)	(9)
(Reversal of) losses on valuation of inventories	(7,402,792)	4,241,725	(6,248)	3,580
Increase in provision of warranty for sale	15,987,633	24,775,594	13,493	20,909
Sales promotion expenses	10,733,941	-	9,059	-
Export overall expenses	1,466,729	-	1,238	-
Equity profit on investments	(644,611)	(2,158,263)	(544)	(1,821)
Others	(81,225)	24,095,439	(67)	20,334
	<u>216,280,067</u>	<u>230,204,919</u>	<u>182,531</u>	<u>194,282</u>
Changes in assets and liabilities				
Trade receivables	(5,186,622)	28,839,957	(4,377)	24,340
Other receivables	6,418,528	(552,304)	5,417	(466)
Inventories	46,210,033	34,676,449	38,999	29,265
Other assets	(24,652,781)	(46,494,019)	(20,806)	(39,239)
Trade payables	(40,501,600)	(77,616,818)	(34,181)	(65,505)
Other payables	40,077,133	20,363,685	33,823	17,186
Accrued expenses	27,415,217	11,599,303	23,137	9,789
Usage of provision of warranty for sale	(26,704,115)	(31,774,127)	(22,537)	(26,816)
Payment of retirement benefits	(22,498,191)	(8,128,926)	(18,987)	(6,860)
Other liabilities	(7,991,296)	7,137,680	(6,745)	6,024
	<u>(7,413,694)</u>	<u>(61,949,120)</u>	<u>(6,257)</u>	<u>(52,282)</u>
Net cash used in operating activities	₩ <u>(30,959,475)</u>	<u>(136,568,130)</u>	\$ <u>(26,128)</u>	<u>(115,257)</u>

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30. Cash Flows, Continued

(2) Significant non-cash activities for the nine-month periods ended September 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	₩ (6,207,357)	(2,601,637)	\$ (5,239)	(2,196)
Changes in other payables related to the acquisition of intangible asset	(1,230,893)	-	(1,039)	-
Changes in other comprehensive income gains on revaluation	278,800,357	-	235,294	-
Changes in asset from sale of investments in subsidiaries	291,715	-	246	-
Changes in liabilities and equity from sale of investments in subsidiaries	31,737	-	27	-

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the nine-month periods ended September 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	-	(6,893,414)	-	8,739,335	(51,121)	10,215,574
	₩ 363,420,612	-	(6,895,231)	-	8,739,335	(51,121)	365,213,595

(In thousands of won)

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	₩ 106,606,448	-	(102,594,867)	-	-	126,583	4,138,164
Short-term borrowings	147,500,000	117,000,113	(93,250,249)	48,750,000	-	-	219,999,864
Long-term borrowings	158,750,000	40,000,000	-	(48,750,000)	-	-	150,000,000
Lease liabilities	11,630,384	-	(7,286,015)	-	14,972,377	76,440	19,393,186
	₩ 424,486,832	157,000,113	(203,131,131)	-	14,972,377	203,023	393,531,214

(*) 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 nine-month periods ended September 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	\$	265,845	-	(1)	-	-	-	265,844
Long-term borrowings		33,758	-	-	-	-	-	33,758
Lease liabilities		7,107	-	(5,819)	-	7,376	(43)	8,621
	\$	306,710	-	(5,820)	-	7,376	(43)	308,223

(In thousands of US dollar)

		2020						
		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	\$	89,971	-	(86,585)	-	-	106	3,492
Short-term borrowings		124,483	98,743	(78,699)	41,143	-	-	185,670
Long-term borrowings		133,978	33,758	-	(41,143)	-	-	126,593
Lease liabilities		9,815	-	(6,149)	-	12,636	65	16,367
	\$	358,247	132,501	(171,433)	-	12,636	171	332,122

(*) 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 nine-month periods ended September 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	₩ 1,266,514,793	1,755,297,413	\$ 1,068,879	1,481,389
Europe	220,593,057	136,255,257	186,170	114,993
South America	125,196,527	32,670,701	105,660	27,573
Asia Pacific	187,078,647	117,755,707	157,886	99,380
Others	47,619,253	50,349,759	40,188	42,493
Consolidated adjustment	(69,015,900)	(30,333,087)	(58,246)	(25,600)
	₩ <u>1,777,986,377</u>	<u>2,061,995,750</u>	\$ <u>1,500,537</u>	<u>1,740,228</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 nine-month periods ended September 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	₩ 1,482,875,971	1,760,348,673	\$ 1,251,478	1,485,652
Merchandise and parts	222,366,316	241,918,895	187,667	204,168
Others	72,744,090	59,728,182	61,392	50,408
	₩ 1,777,986,377	2,061,995,750	\$ 1,500,537	1,740,228

(4) Balance of Contracts as of September 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	₩ 103,874,926	100,554,100	\$ 87,666	84,863
Contract liabilities(*)	33,943,979	30,805,029	28,647	25,998

(*) 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 September 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 September 30, 2021.

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

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32. Transactions and Balances with Related Parties, Continued

(2) Transactions with related parties for the nine-month periods ended September 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	23,020,485
		Purchases	2,516,389	5,562,697
		Other expenses	592,885	698,303
Joint venture	SY Auto Capital Co., Ltd.	Other income	103,642	570,929
		Other expenses	29,167,423	56,257,171
Others	Mahindra Vehicle Manufacturing Ltd. (*1,2)	Sales	360,173	958,707
		Purchase	10,877	-
	Mahindra Electric Mobility Ltd.(*1)	Other expenses	353,272	3,345,088
		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	\$ 3,298	19,428
		Purchases	2,124	4,695
		Other expenses	500	589
Joint venture	SY Auto Capital Co., Ltd.	Other income	87	482
		Other expenses	24,616	47,478
Others	Mahindra Vehicle Manufacturing Ltd. (*1,2)	Sales	304	809
		Purchase	9	-
	Mahindra Electric Mobility Ltd.(*1)	Other expenses	298	2,823
		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 September 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

Relationship	Company	Description	2021	2020
		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
Others	Mahindra Vehicle Manufacturing Ltd.	Trade receivables	-	531,781
		Other payables	-	1,500,000
	Mahindra Electric Mobility Ltd.	Other payables	-	1,932,669
	Mahindra&Mahindra South Africa Ltd.	Other payables	-	4,937

(In thousands of US dollar)

Relationship	Company	Description	2021	2020
		Trade receivables \$	-	2,057
		Other receivables	-	213
Largest shareholder	Mahindra & Mahindra Ltd.	Trade payables	-	3,059
		Other payables	-	2,122
		Borrowings	-	59,077
Others	Mahindra Vehicle Manufacturing Ltd.	Trade receivables	-	449
		Other payables	-	1,266
	Mahindra Electric Mobility Ltd.	Other payables	-	1,631
	Mahindra&Mahindra South Africa Ltd.	Other payables	-	4

Allowance for receivables from related parties are not recognized as of September 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 nine-month periods ended September 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
		Loan		Loan	
Largest Shareholder	Mahindra & Mahindra Ltd.	₩	-	\$	33,758
			40,000,000		-

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

(5) Executive compensation of the Group for the nine-month periods ended September 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
Short-term employee benefits	₩	2,082,906	3,526,133	\$	1,758
Retirement benefits		99,643	306,791		259

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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 September 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)	₩ 1,912,501,534	1,856,750,687	\$ 1,614,060	1,567,010
Equity (B)	(50,292,981)	(88,122,116)	(42,443)	(74,370)
Debt-to-equity ratio (A/B)(*)	-	-	-	-

(*) Debt-to- equity ratio was not calculated because total equity as of September 30, 2021 and December 31, 2020 are negative.

(2) Details of financial assets and liabilities by category as of September 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	₩ 52,517,286	-	52,517,286	52,517,286
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	160,661,392	-	160,661,392	160,661,392
Non-current financial assets	-	560,000	560,000	560,000
	₩ 213,182,678	560,000	213,742,678	213,742,678

(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 September 30, 2021 and December 31, 2020 are as follows, continued:

1) Financial assets, continued

(In thousands of US dollar)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 44,322	-	44,322	44,322
Long-term financial instruments	3	-	3	3
Trade and other receivables	135,591	-	135,591	135,591
Non-current financial assets	-	473	473	473
	<u>\$ 179,916</u>	<u>473</u>	<u>180,389</u>	<u>180,389</u>

(In thousands of US dollar)

	2020			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 156,944	-	156,944	156,944
Long-term financial instruments	3	-	3	3
Trade and other receivables	137,987	-	137,987	137,987
Non-current financial assets	-	473	473	473
	<u>\$ 294,934</u>	<u>473</u>	<u>295,407</u>	<u>295,407</u>

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33. Financial Instruments, Continued

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

2) Financial liabilities

(In thousands of won)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	₩ 743,267,630	-	743,267,630	743,267,630
Borrowings	354,998,021	-	354,998,021	354,998,021
	<u>₩ 1,098,265,651</u>	<u>-</u>	<u>1,098,265,651</u>	<u>1,098,265,651</u>

(In thousands of won)

	2020			
	Amortized cost	Measured at FVTPL	Total	Fair value
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)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$ 627,283	-	627,283	627,283
Borrowings	299,602	-	299,602	299,602
	<u>\$ 926,885</u>	<u>-</u>	<u>926,885</u>	<u>926,885</u>

(In thousands of US dollar)

	2020			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$ 608,550	-	608,550	608,550
Borrowings	299,603	-	299,603	299,603
	<u>\$ 908,153</u>	<u>-</u>	<u>908,153</u>	<u>908,153</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 September 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	₩ 2,002,341	(2,002,341)	\$ 1,690	(1,690)
EUR	2,086,139	(2,086,139)	1,761	(1,761)
JPY	(2,565)	2,565	(2)	2
Others	368,245	(368,245)	310	(310)
	₩ 4,454,160	(4,454,160)	\$ 3,759	(3,759)

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 ₩1,327,595 thousand (\$1,120 thousand) for the nine-month period ended September 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 September 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	₩ 160,661,392	163,500,821	\$ 135,591	137,987

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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 September 30, 2021 and December 31, 2020 are as follows:

(In thousands of won)

		2021		Total
		Within a year	Over 1 year	
Trade payables	₩	491,378,464	-	491,378,464
Other payables		236,058,806	-	236,058,806
Short-term borrowings(*)		314,998,021	-	314,998,021
Lease liabilities(*)		5,984,200	4,589,409	10,573,609
Other payables		15,295,205	-	15,295,205
Long-term borrowings(*)		-	42,547,945	42,547,945
Long-term other payables		-	535,155	535,155
	₩	<u>1,063,714,696</u>	<u>47,672,509</u>	<u>1,111,387,205</u>

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

(In thousands of won)

		2020		Total
		Within a year	Over 1 year	
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)

	2021		
	Within a year	Over 1 year	Total
Trade payables	\$ 414,700	-	414,700
Other payables	199,223	-	199,223
Short-term borrowings(*)	265,844	-	265,844
Lease liabilities(*)	5,050	3,873	8,923
Other payables	12,908	-	12,908
Long-term borrowings(*)	-	35,908	35,908
Long-term other payables	-	450	450
	<u>\$ 897,725</u>	<u>40,231</u>	<u>937,956</u>

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

(In thousands of US dollar)

	2020		
	Within a year	Over 1 year	Total
Trade payables	\$ 449,421	-	449,421
Other payables	156,334	-	156,334
Short-term borrowings(*)	266,858	-	266,858
Lease liabilities(*)	5,442	1,858	7,300
Other payables	2,249	-	2,249
Long-term borrowings(*)	-	36,413	36,413
Long-term other payables	-	545	545
	<u>\$ 880,304</u>	<u>38,816</u>	<u>919,120</u>

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

The details of the financing agreements as of September 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
Borrowing limit (used)	₩ -	355,000,000	\$ -	299,603
Borrowing limit (unused)	-	-	-	-

(*) Due to filing for commencement of corporate rehabilitation procedure, the existing loan contracts between the Group and financial institutions were cancelled as of September 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 September 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 ₩237,985 million(\$201 million) and net losses of ₩239,826 million(\$202 million) during the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩968,962 million (\$818 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 has 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 has 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 relation to M&A process before court approval, the Group selected a consortium led by Edison Motors Company as the preferred bidder on October 20, 2021 and signed a MOU(memorandum of understanding) with Edison consortium on November 3, 2021 to negotiate the terms of investment contract, such as evaluation and determination of the acquisition price.

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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.