

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

# Contents

	<b>Page</b>
<b>Independent Auditors' Report</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income(loss)	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9

## **Independent Auditors' Report**

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of  
Ssangyong Motor Company

### **Disclaimer of Opinion**

We were engaged to audit the accompanying consolidated financial statements of Ssangyong Motor Company and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statements of comprehensive income(loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

### **Basis for Disclaimer of Opinion**

The accompanying consolidated 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 financial statements, the Group has incurred operating loss of ₩261,261 million and a net loss of ₩257,944 million during the period ended December 31, 2021. As of that date, the Group's current liabilities exceed its current assets by ₩906,757 million and total equity is (₩80,597) million which is a complete capital erosion.

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 filed a rehabilitation plan to the court on February 25, 2022. 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.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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, as discussed in note 34 to the consolidated financial statement. However, we were not able to obtain sufficient appropriate audit evidence that could reasonably estimate any adjustment of assets, liabilities and related profit or loss items including whether assets are impaired and liquidity classification of liabilities, etc. that might be resulted from the outcome of this uncertainty.

### **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 the Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result by the review of the Listing and Disclosure Committee on April 15, 2021.



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

As stated in Note 35, the Group filed for commencement of corporate rehabilitation procedure with the court on December 21, 2020. The court commenced rehabilitation procedures on April 15, 2021. 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.

After the end of reporting period, the Group signed an M&A contract on January 10, 2022 and the Group filed a rehabilitation plan to the court on February 25, 2022. However, immediate cancellation of M&A contract occurred on March 25, 2022. The Group will submit revised rehabilitation plan to the court after seeking a new buyer and reselling process.

#### **Other matter**

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

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to audit the Group's consolidated financial statements and issue an audit's reports in accordance with Korean Standards on Auditing (KSAs). However, because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence that provide a basis for an opinion on the consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our ethical responsibilities in accordance with these requirements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 31, 2022

This report is effective as of March 31, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Statements of Financial Position

**As of December 31, 2021 and 2020**

(In thousands of won and in thousands of dollar)

	<i>Note</i>	<b>Korean won</b>		<b>US dollar</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>					
Cash and cash equivalents	4,5,33	₩ 54,668,032	185,963,321	\$ 46,114	156,865
Current financial instruments	5,33	21,275,651	-	17,947	-
Trade and other receivables, net	7,13,31,32,33	136,542,650	130,441,095	115,177	110,030
Inventories, net	8,25	155,736,354	192,365,295	131,368	162,265
Other current assets	10	71,146,261	37,941,810	60,013	32,005
<b>Total current assets</b>		<b>439,368,948</b>	<b>546,711,521</b>	<b>370,619</b>	<b>461,165</b>
Non-current financial instruments	5,33	4,000	4,000	3	3
Non-current trade and other receivables, net	7,13,31,32,33	29,045,155	41,500,122	24,500	35,008
Non-current financial assets	6,33	560,000	560,000	472	472
Property, plant and equipment, net	11,14	1,191,589,569	939,096,382	1,005,137	792,152
Intangible assets, net	12	175,723,681	209,931,257	148,227	177,082
Investments in joint venture	9	22,039,324	21,055,695	18,591	17,761
Other non-current assets	10	275,957	275,958	233	233
Right-of-use assets	13	4,363,290	9,493,636	3,681	8,008
<b>Total non-current assets</b>		<b>1,423,600,976</b>	<b>1,221,917,050</b>	<b>1,200,844</b>	<b>1,030,719</b>
<b>Total assets</b>		<b>₩ 1,862,969,924</b>	<b>1,768,628,571</b>	<b>\$ 1,571,463</b>	<b>1,491,884</b>

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2021 and 2020

(In thousands of won and in thousands of dollar)

	Note	Korean won		US dollar	
		2021	2020	2021	2020
<b>Liabilities</b>					
Trade payables	32,33	₩ 516,983,239	532,518,517	\$ 436,089	449,193
Other payables	32,33	282,513,209	204,241,371	238,307	172,283
Short-term borrowings	14,19,30,33	314,998,021	314,999,838	265,709	265,711
Other financial liabilities	15,33	101,191,970	55,063,845	85,358	46,448
Provision of warranty for sale					
- current	16	46,539,918	50,043,567	39,258	42,213
Provision of others - current	19	35,426,691	56,155,989	29,883	47,369
Other long-term employee benefits liabilities- current	18	-	1,985,709	-	1,675
Other current liabilities	17,30,31,32,33	43,337,383	38,830,988	36,556	32,754
Lease liabilities - current	13,30,33	5,135,068	6,279,275	4,332	5,297
<b>Total current liabilities</b>		<u>1,346,125,499</u>	<u>1,260,119,099</u>	<u>1,135,492</u>	<u>1,062,943</u>
Long-term borrowings	14,19,30,32,33	40,000,000	40,000,000	33,741	33,741
Non-current other payables	33	64,062	646,636	54	545
Other non-current liabilities	17,31	17,651,651	19,326,729	14,889	16,303
Defined benefit liabilities	18	363,150,322	382,379,014	306,327	322,547
Other long-term employee benefits liabilities					
- non-current	18	14,687,238	14,587,395	12,389	12,305
Provision of warranty for sale - non-current	16	58,036,733	69,127,778	48,955	58,311
Provision of others - non-current	19	44,439,158	68,422,537	37,486	57,716
Non-current lease liabilities	13,30,33	4,106,688	2,141,499	3,464	1,806
Deferred tax liabilities	24	55,305,230	-	46,651	-
<b>Total non-current liabilities</b>		<u>597,441,082</u>	<u>596,631,588</u>	<u>503,956</u>	<u>503,274</u>
<b>Total liabilities</b>		<u>1,943,566,581</u>	<u>1,856,750,687</u>	<u>1,639,448</u>	<u>1,566,217</u>
<b>Equity</b>					
Capital stock	20	749,200,010	749,200,010	631,970	631,970
Other capital surplus	21	77,231,312	78,162,820	65,147	65,933
Other equity	22	224,136,245	826,888	189,065	697
Accumulated deficit	23	(1,131,164,224)	(916,311,834)	(954,167)	(772,933)
<b>Equity attributable to owners of The Group</b>		<u>(80,596,657)</u>	<u>(88,122,116)</u>	<u>(67,985)</u>	<u>(74,333)</u>
<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>(80,596,657)</u>	<u>(88,122,116)</u>	<u>(67,985)</u>	<u>(74,333)</u>
<b>Total liabilities and equity</b>		<u>₩ 1,862,969,924</u>	<u>1,768,628,571</u>	<u>\$ 1,571,463</u>	<u>1,491,884</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2021 and 2020

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

	Note	Korean won		US dollar	
		2021	2020	2021	2020
Sales	31,32	₩ 2,429,327,701	2,950,180,719	\$ 2,049,201	2,488,554
Cost of sales	25,32	2,371,537,438	2,870,122,874	2,000,453	2,421,023
<b>Gross profit</b>		<u>57,790,263</u>	<u>80,057,845</u>	<u>48,748</u>	<u>67,531</u>
Selling, general and administrative expenses	25,26	319,051,059	529,446,502	269,128	446,602
<b>Operating loss</b>		<u>(261,260,796)</u>	<u>(449,388,657)</u>	<u>(220,380)</u>	<u>(379,071)</u>
Other income	27,32	22,471,849	135,443,195	18,954	114,250
Other expenses	27,32	(7,957,658)	(178,453,241)	(6,712)	(150,530)
Finance income	28	4,490,305	3,790,620	3,788	3,197
Finance costs	28	(16,585,505)	(17,729,535)	(13,990)	(14,955)
Share of profits of joint venture		930,540	2,027,166	785	1,710
<b>Loss before income taxes</b>		<u>(257,911,265)</u>	<u>(504,310,452)</u>	<u>(217,555)</u>	<u>(425,399)</u>
Income tax expenses	24	33,150	30,515	28	26
<b>Loss for the year</b>		<u>(257,944,415)</u>	<u>(504,340,967)</u>	<u>(217,583)</u>	<u>(425,425)</u>
<b>Loss attributable to:</b>					
Owners of The Group		(257,944,415)	(504,340,967)	(217,583)	(425,425)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income for the year</b>		266,401,382	13,095,292	224,717	11,047
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	18,23	43,038,936	13,403,052	36,304	11,306
Defined benefit plan re-measurements of joint ventures	9,23	53,089	(25,252)	45	(21)
Gain on asset revaluation	11,22	223,495,126	-	188,524	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Foreign currency translation difference for foreign operation	22	(185,769)	(282,508)	(156)	(238)
<b>Total comprehensive income (loss) for the year</b>		<u>₩ 8,456,967</u>	<u>(491,245,675)</u>	<u>\$ 7,134</u>	<u>(414,378)</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of The Group		8,456,967	(491,245,675)	7,134	(414,378)
Non-controlling interests		-	-	-	-
<b>Losses per share</b>					
Basic and diluted losses per share	29	₩ (1,721)	(3,366)	\$ (1.45)	(2.84)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

	Korean won							
	Other capital surplus							
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
<b>Balance at January 1, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	1,109,395	(425,348,668)	-	403,123,557
<b>Total comprehensive income (loss) for the year:</b>								
Loss for the year	-	-	-	-	-	(504,340,967)	-	(504,340,967)
Defined benefit plan re-measurements	-	-	-	-	-	13,403,053	-	13,403,053
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(25,252)	-	(25,252)
Foreign currency translation difference for foreign operation	-	-	-	-	(282,507)	-	-	(282,507)
<b>Balance at December 31, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)
<b>Balance at January 1, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)
<b>Total comprehensive income (loss) for the year:</b>								
Loss for the year	-	-	-	-	-	(257,944,415)	-	(257,944,415)
Defined benefit plan re-measurements	-	-	-	-	-	43,038,936	-	43,038,936
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	53,089	-	53,089
Debt to be swapped for equity	-	-	-	(931,508)	-	-	-	(931,508)
Gain on asset revaluation	-	-	-	-	223,495,126	-	-	223,495,126
Foreign currency translation difference for foreign operation	-	-	-	-	(185,769)	-	-	(185,769)
<b>Balance at December 31, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	-	224,136,245	(1,131,164,224)	-	(80,596,657)

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2021 and 2020

	US dollar							
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
<b>Balance at January 1, 2020</b>	\$ 631,970	2,674	62,473	786	935	(358,793)	-	340,045
<b>Total comprehensive income (loss) for the year:</b>								
Loss for the year	-	-	-	-	-	(425,425)	-	(425,425)
Defined benefit plan re-measurements	-	-	-	-	-	11,306	-	11,306
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(21)	-	(21)
Foreign currency translation difference for foreign operation	-	-	-	-	(238)	-	-	(238)
<b>Balance at December 31, 2020</b>	\$ 631,970	2,674	62,473	786	697	(772,933)	-	(74,333)
<b>Balance at January 1, 2021</b>	\$ 631,970	2,674	62,473	786	697	(772,933)	-	(74,333)
<b>Total comprehensive income (loss) for the year:</b>								
Loss for the year	-	-	-	-	-	(217,583)	-	(217,583)
Defined benefit plan re-measurements	-	-	-	-	-	36,304	-	36,304
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	45	-	45
Debt to be swapped for equity	-	-	-	(786)	-	-	-	(786)
Gain on asset revaluation	-	-	-	-	188,524	-	-	188,524
Foreign currency translation difference for foreign operation	-	-	-	-	(156)	-	-	(156)
<b>Balance at December 31, 2021</b>	\$ 631,970	2,674	62,473	-	189,065	(954,167)	-	(67,985)

(In thousands of dollar)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
Loss for the year	₩ (257,944,415)	(504,340,967)	\$ (217,583)	(425,425)
Adjustment	297,334,895	424,946,409	250,810	358,453
Changes in assets and liabilities	(25,090,755)	141,538,892	(21,165)	119,392
<b>Cash generated from operations (note 30)</b>	<u>14,299,725</u>	<u>62,144,334</u>	<u>12,062</u>	<u>52,420</u>
Interest received	1,230,106	2,025,617	1,038	1,709
Interest paid	(618,725)	(10,866,814)	(522)	(9,166)
Dividends received	11,000	11,000	9	9
<b>Net cash provided by operating activities</b>	<u>14,922,106</u>	<u>53,314,137</u>	<u>12,587</u>	<u>44,972</u>
<b>Cash flows from investing activities</b>				
Decrease of loans and others	4,604,132	2,853,693	3,885	2,407
Proceed from disposal of property, plant and equipment	1,093,028	186,780,526	922	157,554
Proceed from disposal of intangible assets	70,120	-	59	-
Increase of loans and others	(6,000,664)	(1,900,000)	(5,062)	(1,603)
Disposal of subsidiary	(106,813)	-	(90)	-
Acquisition of property, plant and equipment	(95,996,080)	(70,973,764)	(80,975)	(59,868)
Acquisition of intangible assets	(35,390,364)	(42,984,440)	(29,853)	(36,258)
Increased of current financial instruments	(21,275,651)	-	(17,947)	-
<b>Net cash provided by (used in) investing activities</b>	<u>(153,002,292)</u>	<u>73,776,015</u>	<u>(129,061)</u>	<u>62,232</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	59,999,969	157,000,113	50,612	132,434
Proceeds from deposits	15,512,588	-	13,085	-
Receipts of government grants	-	134,837	-	114
Repayment of borrowings	(60,001,785)	(214,856,723)	(50,613)	(181,237)
Payment of finance lease	(9,225,053)	(9,756,079)	(7,782)	(8,230)
<b>Net cash provided by (used in) financing activities</b>	<u>6,285,719</u>	<u>(67,477,852)</u>	<u>5,302</u>	<u>(56,919)</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>499,178</u>	<u>550,827</u>	<u>421</u>	<u>464</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(131,295,289)</u>	<u>60,163,127</u>	<u>(110,751)</u>	<u>50,749</u>
Cash and cash equivalents at January 1	<u>185,963,321</u>	<u>125,800,194</u>	<u>156,865</u>	<u>106,116</u>
<b>Cash and cash equivalents at December 31</b>	<u>₩ 54,668,032</u>	<u>185,963,321</u>	<u>\$ 46,114</u>	<u>156,865</u>

See accompanying notes to the consolidated financial statements.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 1. General Description of The Group

#### (1) Organization and description of business of The Group

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 Group is headquartered in Dongsak-ro, Pyeongtaek, and its factories are located in Pyeongtaek, Gyeonggi-do, and Changwon, Gyeongsangnam-do, Republic of Korea to manufacture, sell and fix multiple types of vehicle, heavy machinery and those parts.

#### (2) Major shareholders

As of December 31, 2021, The Group's shareholders are as follows:

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

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

### 2. Basis of Preparation and Accounting Policies

#### (1) Basis of translating consolidated financial statements

The consolidated financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩1,185.50 to \$1 on December 31, 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 Group has prepared its consolidated financial statements in accordance with the K-IFRS.

The consolidated financial statements as of and for the year ended December 31, 2021, were reported to the chief restructuring officer and authorized for issuance on March 23, 2022.

Some of amount in consolidated financial position as of December 31, 2020, was reclassified and modified to ensure comparability with the current period.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

#### (2) Statement of compliance, continued

##### 1) Measurement Criteria

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

- ① Derivatives instruments measured at fair value
- ② Financial instruments measured at fair value through profit or loss
- ③ Defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets
- ④ Land measured by the revaluation

##### 2) Use of estimates and judgments

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

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

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

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

From the year ended December 31, 2020, with the COVID-19 pandemic, entities are experiencing conditions often associated with a general economic downturn, and so does the Group both directly and indirectly. The impact of COVID-19 continues as of the end of the reporting period, and it is unclear how long COVID-19 would last and how much its impact would be. Therefore, uncertainties exist in estimates used to measure recoverable amounts of assets held by the Group due to COVID-19.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

**(2) Statement of compliance, continued**

3) Changes in accounting policies

① Revaluation on Lands

After initial recognition, land is recognized at a revalued amount, being its fair value at the date of the revaluation date. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The effect of the Group's consolidated financial statements is described Note 11.(5).

② Others

The Group has initially adopted 'Impact of the initial application of Covid-19-Related Rent Concessions beyond June 30, 2021'(K-IFRS No. 1116 Leases) and 'Interest Rate Benchmark Reform (K-IFRS No.1109 Financial Instruments, K-IFRS No. 1039 Financial Instruments Recognition and Measurement and K-IFRS No. 1107 Financial Instruments Disclosures) from January 1, 2021. A number of other new standards are also effective from January 1, 2021, but they do not have a material effect on the Group's consolidated financial statements.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies**

The significant accounting policies that we applied to the preparation of the Group's consolidated financial statements in accordance with K-IFRS are described below. Except Note 2.(2).3) Changes in accounting policies, the Group has consistently applied the accounting policies to the Group's consolidated financial statements for the years ended December 31, 2021 and 2020.

#### **(1) New standards and interpretations not yet adopted**

As of December 31, 2021, new standards which are amended and effective but not applied for annual periods beginning after 1 January 2021 are the followings. The Group decided not to early adopt the followings in preparation of the consolidated financial statements.

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

- K-IFRS No. 1117 'Insurance Contracts' (Newly adopted)
- K-IFRS No. 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current (Amendment)
- K-IFRS No. 1103 'Business Combinations' - Reference to the Conceptual Framework (Amendment)
- K-IFRS No. 1016 'Property, Plant and Equipment' – Proceeds from selling produced before operating in the manner intended by management and related the cost(Amendment)
- K-IFRS No. 1037 'Provisions, Contingent Liabilities and Contingent Assets' - Cost of Fulfilling a Contract (Amendment)
- Annual Improvements to K-IFRS Standards 2018–2020
- K-IFRS No. 1001 'Presentation of Financial Statements' and IFRS Practice Statement 2 the application of 'materiality' (Amendment)
- K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of accounting estimates (Amendment)
- K-IFRS No. 1012 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction

#### **(2) Basis of consolidation**

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

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

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

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(2) Basis of consolidation, continued**

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

**3. Significant Accounting Policies, Continued**

**(3) Investments in joint ventures**

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

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

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

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(3) Investments in joint ventures, continued**

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

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

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

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

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

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

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(4) Revenue recognition**

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

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

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

#### **(5) Foreign currencies**

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

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

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(6) Non-derivative financial assets**

##### 1) Recognition and initial measurement

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

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

##### 2) Classification and subsequent measurements

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(6) Non-derivative financial assets, continued**

2) Classification and subsequent measurements, continued

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

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

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

When evaluating this, we consider the following:

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(6) Non-derivative financial assets, continued**

2) Classification and subsequent measurements, continued

*Subsequent measurement and profit and loss*

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

3) Elimination

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

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

4) Offsetting

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(7) Impairment of financial assets**

1) Financial instruments and contract assets

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

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

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

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

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk of financial assets increases significantly when the number of overdue days exceeds 30 days.

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held)
- When the number of overdue days exceeds 90 days unless there is no evidence that borrower is not a default

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

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

2) Measurement of ECLs

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(7) Impairment of financial assets, continued**

3) Credit-impaired financial assets

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

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

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

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

5) Write-Off

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

**(8) Financial liabilities and Paid-in capital**

1) Paid-in capital

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

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

2) Financial liabilities

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

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

2) Financial liabilities, continued

① Financial liabilities at fair value through profit or loss

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

② Other financial liabilities

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

③ Elimination of financial liabilities

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

**(9) Derivative financial instruments**

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Generally, The resulting gain or loss is recognized in profit or loss immediately.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(10) Inventories**

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

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

**(11) Property, plant and equipment**

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(11) Property, plant and equipment, continued**

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

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

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

**(12) Intangible assets**

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(12) Intangible assets, continued**

3) Derecognition of intangible assets

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

**(13) Impairment of Non-financial assets**

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

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

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

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

Goodwill acquired in a business combination is distributed to each CGU that is expected to benefit from the synergy effect of the business combination. An impairment loss on a CGU reduces the carrying amount of goodwill allocated to the CGU first and then the carrying amount of the asset relative to the carrying amount of each of the other assets in the CGU. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. At the end of each reporting period, review for indicators of a previously recognized impairment loss no longer exists or has decreased for assets other than goodwill and only if there has been a change in estimates used to determine recoverable amounts since the previous impairment was recognized. The carrying amount increased by the reversal of impairment losses shall not exceed the balance after depreciation or amortization of the carrying amount before recognition of the impairment loss in the past.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(14) Retirement benefit costs and termination benefits**

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

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

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

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

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

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

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

Other long-term employee benefits that will not be paid within 12 months from the end of the reporting period in which the employee provides the relevant service are discounted to the present value of future benefits earned in return for the service provided in the current and past periods. Changes resulting from remeasurements are recognized in profit or loss in the period in which they occur.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(15) Provisions**

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

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

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

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

#### **(16) Lease**

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### **1) As a lessor**

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption, then it classifies the sub-lease as an operating lease.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(16) Lease, continued**

2) As a lessee

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to consolidate non-lease components and account for the lease and non-lease components as a single lease component. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and lease of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 3. Significant Accounting Policies, Continued

#### (17) Borrowing costs

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

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

#### (18) Government grants

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

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

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

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

#### (19) Finance income and expenses

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

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

#### (20) Earnings per share

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

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### **3. Significant Accounting Policies, Continued**

#### **(21) Taxation**

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

##### 1) Current tax

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

##### 2) Deferred tax

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**3. Significant Accounting Policies, Continued**

**(21) Taxation, continued**

3) Current and deferred taxes for the year

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

**(22) Fair value**

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

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

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

**(23) Segment information**

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

#### 4. Cash and Cash Equivalents

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

#### 5. Restricted Financial Instruments

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

(In thousands of won and in thousands of dollar)

	Financial institution	Korean won		US dollar		Description
		2021	2020	2021	2020	
Cash and cash equivalents	Shinhan Bank	₩ 171,226	36,488	\$ 144	31	Government grants
	Woori Bank and others	10,303	8,121,902	9	6,851	Pledged as collateral, etc.
Current financial instruments	Woori Bank and others	21,275,651	-	17,947	-	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	3	3	Bank account deposit
		<u>₩ 21,461,180</u>	<u>8,162,390</u>	<u>\$ 18,103</u>	<u>6,885</u>	

#### 6. Non-current Financial Assets

Non-current financial assets as of December 31, 2021 and 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 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		50	876	50	50
		\$	<u>472</u>	<u>1,511</u>	<u>472</u>	<u>472</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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**7. Trade and Other Receivables**

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 108,910,624	-	100,646,367	-
Less: Allowance for doubtful accounts	(435,717)	-	(92,268)	-
Other receivables	8,618,869	45,685	14,963,013	139,755
Less: Allowance for doubtful accounts	(4,526,416)	-	(3,712,208)	(44,250)
Loans and others(*)	23,975,290	28,999,826	18,636,191	41,404,974
Less: Allowance for doubtful accounts	-	(356)	-	(357)
	₩ 136,542,650	29,045,155	130,441,095	41,500,122

(\*) The Loans and others listed above include ₩6,644,671 thousand and ₩4,346,501 thousand for sub lease receivables and the interest revenue received by the sub lease contract is ₩606,336 thousand and ₩577,204 thousand for the years ended December 31, 2021 and 2020, respectively.

(In thousands of dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 91,869	-	84,898	-
Less: Allowance for doubtful accounts	(368)	-	(78)	-
Other receivables	7,270	38	12,621	119
Less: Allowance for doubtful accounts	(3,818)	-	(3,131)	(37)
Loans and others(*)	20,224	24,462	15,720	34,926
Less: Allowance for doubtful accounts	-	-	-	-
	\$ 115,177	24,500	110,030	35,008

(\*) The Loans and others listed above include \$5,605 thousand and \$3,666 thousand for sub lease receivables and the interest revenue received by the sub lease contract is \$511 thousand and \$487 thousand for the years ended December 31, 2021 and 2020, respectively.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**7. Trade and Other Receivables, continued**

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

(In thousands of won)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 104,998,715	55,541,258	98,794,136	69,621,117
Less than 180 days	68,864	596,568	160,381	716,835
Less than 270 days	30,744	481,100	721,249	602,574
Less than 365 days	1,440,456	219,969	-	226,890
More than 365 days	2,371,845	4,800,775	970,601	3,976,517
Total	₩ 108,910,624	61,639,670	100,646,367	75,143,933
Impaired receivables	435,717	4,526,772	92,268	3,756,815

(In thousands of dollar)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 88,569	46,850	83,335	58,727
Less than 180 days	58	503	135	605
Less than 270 days	26	406	608	508
Less than 365 days	1,215	186	-	191
More than 365 days	2,001	4,049	819	3,354
Total	\$ 91,869	51,994	84,897	63,385
Impaired receivables	368	3,818	78	3,168

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**7. Trade and Other Receivables, continued**

(3) Changes in allowance for trade and other receivables for the years ended December 31, 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	343,449	814,207	453	-
Reversal of allowance for bad debts	-	(44,250)	(59,511)	(310,059)
Removal	-	-	-	(14,530)
Ending balance	₩ 435,717	4,526,772	92,268	3,756,815

(In thousands of dollar)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 78	3,169	128	3,443
Bad debt expense	290	687	-	-
Reversal of allowance for bad debts	-	(37)	(50)	(263)
Removal	-	-	-	(12)
Ending balance	\$ 368	3,819	78	3,168

**8. Inventories**

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Merchandises	₩ 40,739,820	39,416,800	\$ 34,366	33,249
Finished goods	30,820,366	71,539,083	25,998	60,345
Work-in-process	22,449,034	23,460,664	18,936	19,790
Raw materials	37,651,217	31,948,093	31,760	26,949
Sub-materials	512,165	397,082	432	335
Supplies	3,363,625	3,253,034	2,837	2,744
Goods in transit	20,200,127	22,350,539	17,039	18,853
	₩ 155,736,354	192,365,295	\$ 131,368	162,265

The Group has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩7,071,887 thousand (\$5,965 thousand) for the years ended December 31, 2021 and the loss on valuation of inventories amounted to ₩4,035,760 thousand (\$3,404 thousand) for the years ended December 31, 2020.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2021 are as follows:

	<u>Company</u>	<u>Location</u>	<u>Owner ship</u>	<u>Closing month</u>	<u>Industry</u>
	Ssangyong Motor (Shanghai) Co., Ltd.(*1)	China	100%	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 year ended December 31, 2021 and was excluded from subsidiaries.

(\*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 year ended December 31, 2021 are as follows:

(In thousands of won)

		<b>2021</b>			
		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd.	₩	21,055,695	930,540	53,089	22,039,324

(In thousands of US dollar)

		<b>2021</b>			
		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co., Ltd.	\$	17,761	785	45	18,591

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(3) Summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	₩ 340,816	59,193	281,623	133,547	42,112
Ssangyong European Parts Center B.V.	16,066,167	18,990,176	(2,924,009)	19,724,775	171,394
Ssangyong Australia Pty Ltd.	28,025,403	32,884,354	(4,858,951)	86,404,848	2,133,901
SY Auto Capital Co., Ltd.(*)	88,143,983	47,664,884	40,479,099	13,128,823	2,193,258

(In thousands of dollar)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	\$ 287	50	237	113	36
Ssangyong European Parts Center B.V.	13,552	16,019	(2,467)	16,638	145
Ssangyong Australia Pty Ltd.	23,640	27,739	(4,099)	72,885	1,800
SY Auto Capital Co., Ltd.(*)	74,352	40,207	34,145	11,075	1,850

(\*) Additional financial information for the joint venture for the year ended December 31, 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.	₩ 5,313,867	46,527,944	868,800	2,474,936	1,118,449	692,790

(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.	\$ 4,482	39,248	733	2,088	943	584

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(3) Summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2021 and 2020 are as follows, continued:

(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 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.	10,831	13,434	(2,603)	14,839	128
Ssangyong Australia Pty Ltd.	27,183	32,927	(5,744)	43,407	(2,564)
SY Auto Capital Co., Ltd.(*)	75,395	43,188	32,207	13,195	1,728

(\*) 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.	\$ 4,456	41,971	1,106	1,937	1,105	618

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of December 31, 2021 is as follows:

(In thousands of won)

	Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
	SY Auto Capital Co., Ltd.	₩ 40,479,099	51%	20,644,340	1,394,985

(In thousands of US dollar)

	Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
	SY Auto Capital Co., Ltd.	\$ 34,145	51%	17,414	1,177

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**10. Other Assets**

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Other current assets</b>				
Advance payments	₩ 61,810,782	29,858,242	\$ 52,139	25,186
Prepaid expenses	9,291,878	7,892,865	7,837	6,658
Current tax assets	43,601	190,703	37	161
	₩ <u>71,146,261</u>	<u>37,941,810</u>	\$ <u>60,013</u>	<u>32,005</u>
<b>Other non-current assets</b>				
Other non-current assets	₩ 275,957	275,958	\$ 233	233

**11. Property, Plant and Equipment**

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

(In thousands of won)

		2021					Book value
		Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	
Land	₩	428,185,968	278,800,357	(7,354)	-	-	706,978,971
Buildings		536,087,233	-	(3,483,831)	(245,150,425)	(156,914,543)	130,538,434
Structures		112,229,100	-	(43,307)	(69,549,592)	(31,193,283)	11,442,918
Machinery		1,311,819,455	-	(133,907)	(1,103,122,462)	(112,776,324)	95,786,762
Vehicles		8,072,569	-	(1,278)	(5,217,819)	(341,445)	2,512,027
Tools and molds		1,453,231,689	-	(54,352)	(1,063,291,339)	(194,860,930)	195,025,068
Equipment		66,070,500	-	(67,235)	(57,170,171)	(3,625,715)	5,207,379
Construction in progress		44,875,938	-	-	-	(1,269,999)	43,605,939
Machinery in transit		492,071	-	-	-	-	492,071
	₩	<u>3,961,064,523</u>	<u>278,800,357</u>	<u>(3,791,264)</u>	<u>(2,543,501,808)</u>	<u>(500,982,239)</u>	<u>1,191,589,569</u>

(\*) The amounts increased as a result of a revaluation on lands for the year ended December 31, 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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

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

(In thousands of won)

		<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>	
Land	₩ 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	
	<u>₩ 3,876,351,880</u>	<u>(3,964,767)</u>	<u>(2,431,236,775)</u>	<u>(502,053,956)</u>	<u>939,096,382</u>	

(In thousands of dollar)

		<b>2021</b>				
	<b>Acquisition cost</b>	<b>Revaluation (*)</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	\$ 361,186	235,175	(6)	-	-	596,355
Buildings	452,203	-	(2,939)	(206,791)	(132,361)	110,112
Structures	94,668	-	(37)	(58,667)	(26,312)	9,652
Machinery	1,106,554	-	(113)	(930,512)	(95,130)	80,799
Vehicles	6,809	-	(1)	(4,401)	(288)	2,119
Tools and molds	1,225,839	-	(46)	(896,914)	(164,370)	164,509
Equipment	55,732	-	(57)	(48,224)	(3,058)	4,393
Construction in progress	37,854	-	-	-	(1,071)	36,783
Machinery in transit	415	-	-	-	-	415
	<u>\$ 3,341,260</u>	<u>235,175</u>	<u>(3,199)</u>	<u>(2,145,509)</u>	<u>(422,590)</u>	<u>1,005,137</u>

(\*) The amounts increased as a result of a revaluation on lands for the year ended December 31, 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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

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

(In thousands of dollar)

	2020				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 339,587	(6)	-	-	339,581
Buildings	451,905	(3,020)	(200,560)	(132,361)	115,964
Structures	94,546	(42)	(57,632)	(26,324)	10,548
Machinery	1,099,562	(135)	(909,261)	(95,075)	95,091
Vehicles	6,154	(2)	(4,440)	(335)	1,377
Tools and molds	1,189,666	(61)	(832,569)	(163,603)	193,433
Equipment	55,903	(78)	(46,349)	(3,093)	6,383
Construction in progress	32,210	-	-	(2,705)	29,505
Machinery in transit	270	-	-	-	270
	<u>\$ 3,269,803</u>	<u>(3,344)</u>	<u>(2,050,811)</u>	<u>(423,496)</u>	<u>792,152</u>

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021						
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment (*3)	Others (*1,2)	Ending balance
Land	₩ 402,572,795	33,760	(43,411)	-	-	304,415,827	706,978,971
Buildings	137,475,517	6,723	-	(7,290,556)	-	346,750	130,538,434
Structures	12,504,303	-	(114)	(1,237,158)	-	175,887	11,442,918
Machinery	112,730,372	739	(30)	(26,050,172)	-	9,105,853	95,786,762
Vehicles	1,632,701	1,161,927	(961,324)	(477,435)	(10,064)	1,166,222	2,512,027
Tools and molds	229,315,248	467,290	(134,830)	(85,464,068)	-	50,841,428	195,025,068
Equipment	7,567,035	327,933	(46,022)	(2,725,522)	-	83,955	5,207,379
Construction in progress	34,978,578	94,188,057	-	-	-	(85,560,696)	43,605,939
Machinery in transit	319,833	172,238	-	-	-	-	492,071
	<u>₩ 939,096,382</u>	<u>96,358,667</u>	<u>(1,185,731)</u>	<u>(123,244,911)</u>	<u>(10,064)</u>	<u>280,575,226</u>	<u>1,191,589,569</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 year ended December 31, 2021.

(\*2) Others were the amounts of ₩675,041 thousand from capitalized borrowing costs and the amounts of ₩730,187 thousand replaced from inventories to vehicles for the year ended December 31, 2021.

(\*3) As of December 31, 2021, the Group is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and 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, but the Group do not recognize any impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A contract price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**11. Property, Plant and Equipment, Continued**

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

		<b>2020</b>						
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal (*1)</b>	<b>Depreciation</b>	<b>Impairment (*2,3)</b>	<b>Others(*4)</b>	<b>Ending balance</b>
Land	₩	474,747,900	-	(72,175,105)	-	-	-	402,572,795
Buildings		151,331,150	18,767	(4,421,220)	(9,631,680)	-	178,500	137,475,517
Structures		15,397,302	-	(102,561)	(1,381,293)	(1,467,288)	58,143	12,504,303
Machinery		153,337,727	60,539	(158,651)	(32,496,622)	(14,145,255)	6,132,634	112,730,372
Vehicles		2,710,974	930,915	(1,701,890)	(467,973)	-	160,675	1,632,701
Tools and molds		321,098,431	643,905	(711,308)	(99,569,758)	(28,911,604)	36,765,582	229,315,248
Equipment		11,385,439	766,847	(141,589)	(3,559,452)	(996,376)	112,166	7,567,035
Construction in progress		12,020,367	67,897,988	-	-	(2,731,304)	(42,208,473)	34,978,578
Machinery in transit		233,039	564,215	-	-	-	(477,421)	319,833
	₩	<u>1,142,262,329</u>	<u>70,883,176</u>	<u>(79,412,324)</u>	<u>(147,106,778)</u>	<u>(48,251,827)</u>	<u>721,806</u>	<u>939,096,382</u>

(\*1) ₩76,699 million of land, buildings, and structures located in Guro-dong, Guro-gu, Seoul, and Gamjeon-dong, Sasang-gu, Busan was sold (disposal amount: ₩206,250 million), recognizing the related disposal gain of ₩115,251 million. Meanwhile, a sales and lease back agreement were signed regarding the disposal of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(\*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 March 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Group performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

(\*3) The Group recognized ₩1,082 million in property, plant and equipment as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(\*4) Capitalized borrowing costs in respect of construction in progress is ₩607,927 thousand and ₩160,675 thousand was transferred from inventory to vehicles during the year ended December 31, 2020. Meanwhile, the government grants of ₩54,838 thousand is adjusted in others.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**11. Property, Plant and Equipment, Continued**

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	<b>2021</b>						
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Impairment (*3)</b>	<b>Others (*1,2)</b>	<b>Ending balance</b>
Land	\$ 339,581	28	(37)	-	-	256,783	596,355
Buildings	115,964	6	-	(6,150)	-	292	110,112
Structures	10,548	-	-	(1,044)	-	148	9,652
Machinery	95,091	1	-	(21,974)	-	7,681	80,799
Vehicles	1,377	979	(811)	(402)	(8)	984	2,119
Tools and molds	193,433	394	(113)	(72,091)	-	42,886	164,509
Equipment	6,383	277	(39)	(2,299)	-	71	4,393
Construction in progress	29,505	79,451	-	-	-	(72,173)	36,783
Machinery in transit	270	145	-	-	-	-	415
	<u>\$ 792,152</u>	<u>81,281</u>	<u>(1,000)</u>	<u>(103,960)</u>	<u>(8)</u>	<u>236,672</u>	<u>1,005,137</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 year ended December 31, 2021.

(\*2) Others were the amounts of \$569 thousand from capitalized borrowing costs and the amounts of \$616 thousand replaced from inventories to vehicles for the year ended December 31, 2021.

(\*3) As of December 31, 2021, the Group is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and 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, but the Group do not recognize any impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A contract price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**11. Property, Plant and Equipment, Continued**

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	2020						
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2,3)	Others (*4)	Ending balance
Land	\$ 400,462	-	(60,882)	-	-	-	339,580
Buildings	127,652	16	(3,729)	(8,125)	-	150	115,964
Structures	12,988	-	(87)	(1,164)	(1,238)	49	10,548
Machinery	129,344	51	(134)	(27,412)	(11,932)	5,174	95,091
Vehicles	2,287	785	(1,436)	(395)	-	136	1,377
Tools and molds	270,855	543	(600)	(83,990)	(24,388)	31,013	193,433
Equipment	9,604	647	(119)	(3,002)	(840)	93	6,383
Construction in progress	10,139	57,274	-	-	(2,304)	(35,604)	29,505
Machinery in transit	197	476	-	-	-	(403)	270
	<u>\$ 963,528</u>	<u>59,792</u>	<u>(66,986)</u>	<u>(124,088)</u>	<u>(40,702)</u>	<u>608</u>	<u>792,152</u>

(\*1) \$65 million of land, buildings, and structures located in Guro-dong, Guro-gu, Seoul, and Gamjeon-dong, Sasang-gu, Busan was sold (disposal amount: \$174 million), recognizing the related disposal gain of \$97 million. Meanwhile, a sales and lease back agreement was signed regarding the disposal of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(\*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 March 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Group performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

(\*3) The Group recognized \$1 million in property, plant and equipment as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(\*4) Capitalized borrowing costs in respect of construction in progress is \$513 thousand and \$136 thousand was transferred from inventory to vehicles during the year ended December 31, 2020. Meanwhile, the government grants of \$46 thousand is adjusted in others.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**11. Property, Plant and Equipment, Continued**

(3) Details of pledged assets provided as collateral for the borrowings as of December 31, 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	Book value	Collateralized amount(*)	Book value	Collateralized amount(*)
Land	₩ 656,826,641		\$ 554,050	
Buildings and structures	101,065,390	483,890,112	85,251	408,174
Machinery and others	8,032		7	
	₩ <u>757,900,063</u>	<u>483,890,112</u>	\$ <u>639,308</u>	<u>408,174</u>

(\*) ₩135,890,112 thousand (\$114,627 thousand) was included due to the Group's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the year ended December 31, 2021.

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Capitalized interest expenses(*)	₩ 1,818,829	3,179,542	\$ 1,534	2,682
Capitalization interest rate	2.44%	2.95%	2.44%	2.95%

(\*)The borrowing costs capitalized as intangible assets were ₩1,143,788 thousand (\$965 thousand) and ₩2,571,615 thousand (\$2,169 thousand) for the years ended December 31, 2021 and 2020, respectively.

(5) Revaluation on 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 year ended December 31, 2021. The lands were 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. After deducting income tax effects, the revaluation income of ₩223,495 million (\$189 million) was recognized as other comprehensive income as a result of a revaluation on lands for the year ended December 31, 2021.

Details of book amounts of lands both the revaluation model and the cost model as of December 31, 2021 are as follows:

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 706,978,971	428,178,614	\$ 596,355	361,180

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets**

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

(In thousands of won)

	<b>2021</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	₩ 582,795,578	-	(409,911,195)	(38,947,234)	133,937,149
Patents	5,332,194	(4,913)	(4,402,758)	(225,039)	699,484
Other intangible assets	146,815,002	(37,778)	(39,004,850)	(66,685,326)	41,087,048
	<b>₩ 734,942,774</b>	<b>(42,691)</b>	<b>(453,318,803)</b>	<b>(105,857,599)</b>	<b>175,723,681</b>

(In thousands of won)

	<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
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
	<b>₩ 691,163,161</b>	<b>(89,343)</b>	<b>(381,392,519)</b>	<b>(99,750,042)</b>	<b>209,931,257</b>

(In thousands of dollar)

	<b>2021</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	\$ 491,603	-	(345,771)	(32,853)	112,979
Patents	4,498	(4)	(3,714)	(190)	590
Other intangible assets	123,842	(32)	(32,901)	(56,251)	34,658
	<b>\$ 619,943</b>	<b>(36)</b>	<b>(382,386)</b>	<b>(89,294)</b>	<b>148,227</b>

(In thousands of dollar)

	<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	\$ 430,434	-	(287,276)	(27,719)	115,439
Patents	4,275	(8)	(3,391)	(172)	704
Other intangible assets	148,305	(67)	(31,048)	(56,251)	60,939
	<b>\$ 583,014</b>	<b>(75)</b>	<b>(321,715)</b>	<b>(84,142)</b>	<b>177,082</b>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021						Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Others (*2)	
<b>Internally created intangible assets:</b>							
Development cost	₩ 136,853,007	-	-	(69,344,731)	-	66,428,873	133,937,149
Other intangible assets	67,409,197	34,878,142	-	-	-	(65,285,086)	37,002,253
	<u>204,262,204</u>	<u>34,878,142</u>	<u>-</u>	<u>(69,344,731)</u>	<u>-</u>	<u>1,143,787</u>	<u>170,939,402</u>
<b>Individually acquired intangible assets:</b>							
Patents	834,407	264,643	-	(378,738)	(20,828)	-	699,484
Other intangible assets	4,834,646	1,478,361	(70,120)	(2,163,551)	-	5,459	4,084,795
	<u>5,669,053</u>	<u>1,743,004</u>	<u>(70,120)</u>	<u>(2,542,289)</u>	<u>(20,828)</u>	<u>5,459</u>	<u>4,784,279</u>
	<u>₩ 209,931,257</u>	<u>36,621,146</u>	<u>(70,120)</u>	<u>(71,887,020)</u>	<u>(20,828)</u>	<u>1,149,246</u>	<u>175,723,681</u>

(\*1) As of December 31, 2021, the Group is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and 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, but the Group do not recognize impairment loss for intangible assets for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses The Group recognized.

(\*2) Capitalized borrowing costs in respect of other intangible assets is ₩1,143,788 thousand for the year ended December 31, 2021 and including exchange rate effect.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

	2020					Ending balance
	Beginning balance	Acquisition	Amortization	Impairment (*1,2)	Others (*3)	
<b>Internally created intangible assets:</b>						
Development cost	₩ 222,019,365	-	(65,234,512)	(19,931,846)	-	136,853,007
Other intangible assets	<u>82,875,485</u>	<u>41,667,176</u>	<u>-</u>	<u>(59,705,079)</u>	<u>2,571,615</u>	<u>67,409,197</u>
	<u>304,894,850</u>	<u>41,667,176</u>	<u>(65,234,512)</u>	<u>(79,636,925)</u>	<u>2,571,615</u>	<u>204,262,204</u>
<b>Individually acquired intangible assets:</b>						
Patents	1,157,589	218,808	(494,075)	(47,915)	-	834,407
Other intangible assets	<u>7,052,315</u>	<u>1,098,456</u>	<u>(2,806,323)</u>	<u>(435,907)</u>	<u>(73,895)</u>	<u>4,834,646</u>
	<u>8,209,904</u>	<u>1,317,264</u>	<u>(3,300,398)</u>	<u>(483,822)</u>	<u>(73,895)</u>	<u>5,669,053</u>
	<u>₩ 313,104,754</u>	<u>42,984,440</u>	<u>(68,534,910)</u>	<u>(80,120,747)</u>	<u>2,497,720</u>	<u>209,931,257</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 March 31, 2020. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Group performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

(\*2) The Group recognized ₩50,393 million in intangible assets as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(\*3) Capitalized borrowing costs in respect of other intangible assets is ₩2,571,615 thousand for the year ended December 31, 2020. Meanwhile, ₩80,000 thousand of government grants used for asset acquisition was adjusted by others and including exchange rate effect.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	2021						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Others (*2)	Ending balance
<b>Internally created intangible assets:</b>							
Development cost	\$ 115,439	-	-	(58,494)	-	56,034	112,979
Other intangible assets	56,861	29,421	-	-	-	(55,070)	31,212
	<u>172,300</u>	<u>29,421</u>	<u>-</u>	<u>(58,494)</u>	<u>-</u>	<u>965</u>	<u>144,192</u>
<b>Individually acquired intangible assets:</b>							
Patents	704	223	-	(319)	(18)	-	590
Other intangible assets	4,078	1,247	(59)	(1,825)	-	5	3,446
	<u>4,782</u>	<u>1,470</u>	<u>(59)</u>	<u>(2,144)</u>	<u>(18)</u>	<u>5</u>	<u>4,036</u>
	<u>\$ 177,082</u>	<u>30,891</u>	<u>(59)</u>	<u>(60,638)</u>	<u>(18)</u>	<u>970</u>	<u>148,228</u>

(\*1) As of December 31, 2021, the Group is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and 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, but the Group do not recognize impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses The Group recognized.

(\*2) Capitalized borrowing costs in respect of other intangible assets is \$965 thousand for the year ended December 31, 2021 and including exchange rate effect.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets, Continued**

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	Beginning balance	Acquisition	Amortization	2020		Ending balance
				Impairment (*1,2)	Others (*3)	
<b>Internally created intangible assets:</b>						
Development cost	\$ 187,279	-	(55,027)	(16,813)	-	115,439
Other intangible assets	69,908	35,147	-	(50,363)	2,169	56,861
	<u>257,187</u>	<u>35,147</u>	<u>(55,027)</u>	<u>(67,176)</u>	<u>2,169</u>	<u>172,300</u>
<b>Individually acquired intangible assets:</b>						
Patents	976	185	(417)	(40)	-	704
Other intangible assets	5,949	926	(2,367)	(368)	(62)	4,078
	<u>6,925</u>	<u>1,111</u>	<u>(2,784)</u>	<u>(408)</u>	<u>(62)</u>	<u>4,782</u>
	<u>\$ 264,112</u>	<u>36,258</u>	<u>(57,811)</u>	<u>(67,584)</u>	<u>2,107</u>	<u>177,082</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 March 31, 2020. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Group performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognized.

(\*2) The Group recognized \$43 million in intangible assets as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(\*3) Capitalized borrowing costs in respect of other intangible assets is \$2,169 thousand for the year ended December 31, 2020. Meanwhile, \$67 thousand of government grants used for asset acquisition was adjusted by others and including exchange rate effect.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**12. Intangible Assets, Continued**

(3) Details of capitalized development costs as of December 31, 2021 are as follows:

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

	<u>Project name</u>	<u>Korean won</u>	<u>US dollar</u>	<u>Remaining amortization period(*1)</u>
Development costs	RV(*2)	₩ 122,923,016	\$ 103,689	1~4 years
	Power train and others	11,014,133	9,291	1~4 years
Other intangible assets	RV(*3)	37,002,253	31,212	-
		₩ <u>170,939,402</u>	\$ <u>144,192</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 December 31, 2021.

(\*3) On-going development project for vehicles as of December 31, 2021 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the years ended December 31, 2021 and 2020 are as follows:

*(In thousands of won and in thousands of 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	₩ 36,021,930	44,238,791	\$ 30,385	37,317
Manufacturing costs	55,311,841	99,292,469	46,657	83,756
Selling and administrative expenses	11,853,410	12,923,031	9,999	10,901
	₩ <u>103,187,181</u>	<u>156,454,291</u>	\$ <u>87,041</u>	<u>131,974</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

13. Lease

(1) Changes in right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

		2021					
<i>(In thousands of won)</i>		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	6,465,798	2,675,532	(5,120,264)	(112,026)	8,555	3,917,595
Vehicle		2,013,206	100,674	(1,883,475)	(65,356)	775	165,824
Equipment		1,014,632	-	(734,761)	-	-	279,871
	₩	<u>9,493,636</u>	<u>2,776,206</u>	<u>(7,738,500)</u>	<u>(177,382)</u>	<u>9,330</u>	<u>4,363,290</u>

(\*) ₩2,234 million increased due to a lease contract related to the relocation of the Seoul office.

		2020					
<i>(In thousands of won)</i>		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	2,316,703	7,632,929	(3,529,529)	-	45,695	6,465,798
Vehicle		3,786,859	161,325	(1,939,049)	(3,071)	7,142	2,013,206
Equipment		1,356,006	417,564	(748,247)	(10,691)	-	1,014,632
	₩	<u>7,459,568</u>	<u>8,211,818</u>	<u>(6,216,825)</u>	<u>(13,762)</u>	<u>52,837</u>	<u>9,493,636</u>

(\*) ₩7,300 million increased due to the lease transaction of the Guro A/S Center.

*(In thousands of dollar)*

		2021					
		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,454	2,257	(4,319)	(94)	7	3,305
Vehicle		1,698	85	(1,589)	(55)	1	140
Equipment		856	-	(620)	-	-	236
	\$	<u>8,008</u>	<u>2,342</u>	<u>(6,528)</u>	<u>(149)</u>	<u>8</u>	<u>3,681</u>

(\*) \$2 million increased due to a lease contract related to the relocation of the Seoul office.

*(In thousands of dollar)*

		2020					
		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	1,954	6,439	(2,977)	-	39	5,455
Vehicle		3,194	136	(1,636)	(3)	6	1,697
Equipment		1,144	352	(631)	(9)	-	856
	\$	<u>6,292</u>	<u>6,927</u>	<u>(5,244)</u>	<u>(12)</u>	<u>45</u>	<u>8,008</u>

(\*) \$6 million increased due to the lease transaction of the Guro A/S Center.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

13. Lease, Continued

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

	2021	
	Within a year	Over 1 year
<i>(In thousands of won)</i>		
Lease liabilities(*)	₩ 5,135,068	4,016,688

	2020	
	Within a year	Over 1 year
<i>(In thousands of won)</i>		
Lease liabilities(*)	₩ 6,279,275	2,141,499

	2021	
	Within a year	Over 1 year
<i>(In thousands of dollar)</i>		
Lease liabilities(*)	\$ 4,332	3,464

	2020	
	Within a year	Over 1 year
<i>(In thousands of dollar)</i>		
Lease liabilities(*)	\$ 5,297	1,806

(\*) The total amounts of lease liabilities paid are ₩9,225,053 thousand (\$7,782 thousand) and ₩9,756,079 thousand (\$8,230 thousand) and interests expenses are ₩330,952 thousand (\$279 thousand) and ₩370,301 thousand (\$312 thousand) for the years ended December 31, 2021 and 2020, respectively.

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

	Exemption of lease recognition	2021		2020	
<i>(In thousands of won)</i>					
Office equipment	Low cost	₩	531,672		833,314
	Short term		-		11,110
Building	Short term		7,500		30,000

	Exemption of lease recognition	2021		2020	
<i>(In thousands of US dollar)</i>					
Office equipment	Low cost	\$	448		703
	Short term		-		9
Building	Short term		6		25

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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.

(In thousands of won and in thousands of dollar)

	2021	
	Korean won	US dollar
Less than 1 year	₩ 4,280,274	\$ 3,611
1 year to 5 years	2,570,090	2,168
Lease to be received	6,850,364	5,779
Unrealized interests	(205,693)	(174)
Net investment in the lease	6,644,671	5,604
Interests from sublease for this year	188,456	159

(In thousands of won and in thousands of dollar)

	2020	
	Korean won	US dollar
Less than 1 year	₩ 2,764,810	\$ 2,332
1 year to 5 years	1,722,020	1,453
Lease to be received	4,486,830	3,785
Unrealized interests	(140,330)	(118)
Net investment in the lease	4,346,500	3,667
Interests from sublease for this year	152,322	128

(5) Sales and lease back

The Group liquidated 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:

	Main terms
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	₩180 Billion (\$152 Million)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years(July 2020 ~ June 2022)
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. 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).
Lessee's preemption preference	

(\*) The lease was extended for 1 year by exercising the extension option after reporting period.

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 (\$88 million) increased.
- Lease deposit: ₩10,800 million (\$9 million) increased.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

14. Borrowings

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

(In thousands of won and in thousands of 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	\$ 16,871	16,871
	Facility fund(*1)	CD+4.57	70,000,000	70,000,000	59,047	59,047
Woori Bank	Facility fund(*2)	CD+4.60	100,000,000	100,000,000	84,353	84,353
	General loan(*2)	CD+5.00	24,998,183	25,000,000	21,086	21,088
JP Morgan(*3)	Facility fund and others	-	-	40,000,000	-	33,741
	Overdraft	-	-	19,999,969	-	16,870
Mahindra & Mahindra Ltd.(*3,4)	General loan	2.66	40,000,000	-	33,741	-
	Overdraft	CD+2.00	19,999,969	-	16,870	-
BNP PARIBAS(*6)	Overdraft	CD+2.00	29,999,869	29,999,869	25,306	25,306
	Overdraft	CD+4.00	10,000,000	10,000,000	8,435	8,435
			₩ 314,998,021	314,999,838	\$ 265,709	265,711

(\*1) During the previous year, due to the application for the commencement of court receivership, the Group cannot claim the benefit of time.

(\*2) During the previous year, 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.

(\*3) During the current year, Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid loans of ₩19,999,969 thousand (\$16,870 thousand) and overdraft of ₩40,000,000 thousand (\$33,741 thousand) to the JP Morgan on behalf of the Group.

(\*4) During the previous year, Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid loans of ₩29,999,869 thousand (\$25,306 thousand) to the Bank of America (BOA) on behalf of the Group.

(\*5) 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% (Notes 19). After the end of reporting period, the largest shareholder of the Group repaid loans of ₩10,000,000 thousand (\$8,435 thousand) on behalf of the Group.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**14. Borrowings, Continued**

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

(In thousands of won and in thousands of 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	\$ 59,047	59,047
	Facility fund	CD+4.60	100,000,000	100,000,000	84,353	84,353
JP Morgan(*3)	Facility fund and others	-	-	40,000,000	-	33,741
Mahindra & Mahindra Ltd.(*1, 3)	Facility fund	2.66	40,000,000	-	33,741	-
	General loan	3.00	40,000,000	40,000,000	33,741	33,741
Woori Bank	General loan	CD+5.00	24,998,183	25,000,000	21,087	21,088
Less: Current portion			(234,998,183)	(235,000,000)	(198,227)	(198,229)
			₩ 40,000,000	40,000,000	\$ 33,742	33,741

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

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

(\*3) During the current year, Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid overdraft of ₩40,000,000 thousand (\$33,741 thousand) to the JP Morgan on behalf of the Group.

(3) Details of pledged assets as collateral for borrowings as of December 31, 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 dollar)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	\$ 160,270	253,058
Woori Bank	Land and buildings	21,087	40,489
		\$ 181,357	293,547

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**15. Other Financial Liabilities**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Accrued expenses	₩ 101,191,970	55,063,845	\$ 85,358	46,448

**16. Provision of Warranty for sale**

The Group generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the years ended December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 119,171,345	128,285,606	\$ 100,524	108,212
Increase	19,724,841	33,281,407	16,638	28,074
Decrease	(34,319,535)	(42,395,668)	(28,949)	(35,762)
Ending balance	₩ 104,576,651	119,171,345	\$ 88,213	100,524
Current	₩ 46,539,918	50,043,567	\$ 39,258	42,213
Non-current	58,036,733	69,127,778	48,955	58,311

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**17. Other Liabilities**

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 9,888,538	-	6,745,066	-
Deposits received(*1)	15,916,385	-	652,934	-
Withholdings	10,780,078	-	23,215,826	-
Unearned revenue	5,277,340	17,651,651	4,733,234	19,326,729
Refund liabilities(*2)	1,475,042	-	3,483,928	-
	₩ <u>43,337,383</u>	<u>17,651,651</u>	<u>38,830,988</u>	<u>19,326,729</u>

(In thousands of dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 8,341	-	5,690	-
Deposits received(*1)	13,426	-	551	-
Withholdings	9,093	-	19,583	-
Unearned revenue	4,452	14,889	3,991	16,303
Refund liabilities(*2)	1,244	-	2,939	-
	\$ <u>36,556</u>	<u>14,889</u>	<u>32,754</u>	<u>16,303</u>

(\*1) The amounts include the performance deposits amounting to ₩15,513 million (\$13 million) provided by "Edison Motors Consortium" as a preferred bidder.

(\*2) The Group estimates the returnable sales and calculates the expected future return as refund liabilities.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**18. Employee Benefits**

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Present value of defined benefit obligations	₩ 363,990,154	383,312,042	\$ 307,035	323,334
Fair value of plan assets	(839,832)	(933,028)	(708)	(787)
	₩ <u>363,150,322</u>	<u>382,379,014</u>	\$ <u>306,327</u>	<u>322,547</u>

(2) Changes in defined benefit liabilities for the years ended December 31, 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	38,794,084	-	38,794,084
Interest expense (income)	9,051,194	(21,957)	9,029,237
Sub-total	<u>431,157,320</u>	<u>(954,985)</u>	<u>430,202,335</u>
Re-measurement factors:			
Re-measurements of plan assets	-	10,815	10,815
Loss (gain) from experience adjustments	2,999,303	-	2,999,303
Loss (gain) from changes in financial assumptions	(46,171,143)	-	(46,171,143)
Loss (gain) from changes in demographic assumptions	122,089	-	122,089
Sub-total	<u>(43,049,751)</u>	<u>10,815</u>	<u>(43,038,936)</u>
Benefit paid by plan	(104,338)	104,338	-
Benefit paid directly	(24,013,077)	-	(24,013,077)
Ending balance	₩ <u>363,990,154</u>	<u>(839,832)</u>	<u>363,150,322</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**18. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows, continued:

(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	40,348,672	-	40,348,672
Interest expense (income)	8,107,730	(21,601)	8,086,129
Sub-total	405,565,931	(975,869)	404,590,062
Re-measurement factors:			
Re-measurements of plan assets	-	9,631	9,631
Loss (gain) from experience adjustments	(11,105,494)	-	(11,105,494)
Loss (gain) from changes in financial assumptions	(2,698,844)	-	(2,698,844)
Loss (gain) from changes in demographic assumptions	391,655	-	391,655
Sub-total	(13,412,683)	9,631	(13,403,052)
Benefit paid by plan	(33,210)	33,210	-
Benefit paid directly	(8,807,996)	-	(8,807,996)
Ending balance	₩ 383,312,042	(933,028)	382,379,014

(In thousands of dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 323,334	(787)	322,547
Current service cost	32,724	-	32,724
Interest expense (income)	7,635	(19)	7,616
Sub-total	363,693	(806)	362,887
Re-measurement factors:			
Re-measurements of plan assets	-	9	9
Loss (gain) from experience adjustments	2,530	-	2,530
Loss (gain) from changes in financial assumptions	(38,947)	-	(38,947)
Loss (gain) from changes in demographic assumptions	103	-	103
Sub-total	(36,314)	9	(36,305)
Benefit paid by plan	(88)	88	-
Benefit paid directly	(20,256)	-	(20,256)
Ending balance	\$ 307,035	(709)	306,326

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**18. Employee Benefits, Continued**

(2) Changes in defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 301,231	(805)	300,426
Current service cost	34,035	-	34,035
Interest expense (income)	6,839	(18)	6,821
Sub-total	342,105	(823)	341,282
Re-measurement factors:			
Re-measurements of plan assets	-	8	8
Loss (gain) from experience adjustments	(9,368)	-	(9,368)
Loss (gain) from changes in financial assumptions	(2,277)	-	(2,277)
Loss (gain) from changes in demographic assumptions	330	-	330
Sub-total	(11,314)	8	(11,306)
Benefit paid by plan	(28)	28	-
Benefit paid directly	(7,430)	-	(7,430)
Ending balance	\$ 323,334	(787)	322,547

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Insurance contracts	₩ 839,832	933,028	\$ 708	787

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

	2021	2020
Discount rate (%)	2.80	2.40
Rate of future salary growth (%)	2.97	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.

Weighted average duration of defined benefit obligation as of December 31, 2021 and 2020 are 9.4 years and 10.5 years, respectively.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**18. Employee Benefits, Continued**

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2021 is as follows:

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

	Korean won		US dollar	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (29,968,389)	33,485,336	\$ (25,279)	28,246
Future salary growth	32,797,523	(29,835,582)	27,666	(25,167)

There is a correlation between actuarial assumptions, the above sensitivity analysis will not represent actual changes in defined benefit obligations because the assumptions will not change independently. In the sensitivity analysis, the present value of the defined benefit obligation was measured using the predictive unit accumulation method applied to measure the defined benefit obligation in consolidated financial statements.

(6) Details of other long-term employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Current	₩ -	1,985,709	\$ -	1,675
Non-current	14,687,238	14,587,395	12,389	12,305
	₩ 14,687,238	16,573,104	\$ 12,389	13,980

Since the other long-term employee benefits was suspended until June 2023 by collective agreement between labor and management, other employee benefits liabilities were reclassified as non-current liabilities as of December 31, 2021.

(7) Details of adjustment of other employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 16,573,104	16,253,294	\$ 13,980	13,710
Current service cost	851,457	868,262	718	732
Interest expense	261,582	288,298	221	243
Actuarial gains and losses	(2,998,905)	(743,720)	(2,530)	(627)
Benefit paid directly	-	(93,030)	-	(78)
Ending balance	₩ 14,687,238	16,573,104	\$ 12,389	13,980

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**18. Employee Benefits, Continued**

(8) Actuarial assumptions used related to other long-term employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate (%)	2.40	1.70
Increase rate of gold price(%)	2.00	2.00
Increase rate of travel expense and plaque (%)	0.00	0.00
Gold price(1-don)	₩ 260,869	272,429
	<u>2021</u>	<u>2020</u>
Discount rate (%)	2.40	1.70
Increase rate of gold price (%)	2.00	2.00
Increase rate of travel expense and plaque (%)	0.00	0.00
Gold price(1-don)	\$ 220	230

The Group applies the high-quality corporate bonds rate(AA+) consistent with the currency and expected payment period as a discount rate for calculating the present value of other long-term employee benefit liabilities.

Weighted average duration of other long-term employee benefit liabilities as of December 31, 2021 and 2020 are 4.7 years and 5.2 years, respectively.

**19. Commitments and Contingencies**

Details of commitments and contingencies as of December 31, 2021 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2021, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩354,998 million (\$299 million). With regard to the overdraft from BNP Paribas, the conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceeds 51%.
- (3) As of December 31, 2021, 4 claims as a plaintiff were filed with the claim amount of ₩3,417 million (\$3 million) and 9 claims as a defendant were filed with the claims of ₩1,548 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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**19. Commitments and Contingencies, continued**

(4) Details of other provisions as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 124,578,526	27,238,937	\$ 105,085	22,977
Increase	519,292,953	141,957,483	438,037	119,745
Decrease	(564,005,631)	(44,617,894)	(475,753)	(37,636)
Ending balance	₩ <u>79,865,848</u>	<u>124,578,526</u>	\$ <u>67,369</u>	<u>105,086</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 shortage of fuel efficiency comparing to the standard fuel efficiency and emission quantity in excess of free-allocated emission quantity. The Group has recognized a provision of CO2 emission regulations of ₩44,439,537 thousand (\$37,485 thousand) and ₩68,422,537 thousand (\$57,716 thousand) as of December 31, 2021 and 2020, respectively. In addition, the Group recognized expected costs as other provisions 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.

(6) Details of payment guarantee provided by others as of December 31, 2021 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	Guarantee amount	
		Korean won	US dollar
Seoul guarantee insurance company	Performance guarantee payment	₩ 3,544,144	\$ 2,990
	Approval and license	6,791	6
	Deposits	1,127,500	951
		₩ <u>4,678,435</u>	\$ <u>3,947</u>

**20. Capital Stock**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	149,840,002	149,840,002	149,840,002	149,840,002
Par value	₩ 5,000	5,000	\$ 4.22	4.22
Capital stock	749,200,010	749,200,010	631,970	631,970

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**21. Other Capital Surplus**

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,674	2,674
Gain on capital reduction	74,061,697	74,061,697	62,473	62,473
Debt to be swapped for equity	-	931,508	-	786
	₩ <u>77,231,312</u>	<u>78,162,820</u>	\$ <u>65,147</u>	<u>65,933</u>

**22. Other Equity**

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Reserve from asset revaluation	₩ 223,495,126	-	\$ 188,524	-
Accumulated foreign currency translation difference for foreign operations	641,119	826,888	541	697
	₩ <u>224,136,245</u>	<u>826,888</u>	\$ <u>189,065</u>	<u>697</u>

(2) Changes in the Group's gains (losses) on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ -	-	\$ -	-
Gains on valuation of derivatives	-	130,390	-	110
Reclassified to net profits	-	(130,390)	-	(110)
Ending balance	₩ -	-	\$ -	-

(3) Changes in the foreign currency translation difference for foreign operation for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 826,888	1,109,395	\$ 697	935
Foreign currency translation difference for foreign operation	(185,769)	(282,507)	(156)	(238)
Ending balance	₩ <u>641,119</u>	<u>826,888</u>	\$ <u>541</u>	<u>697</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**23. Deficit**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Deficit	₩ (1,131,164,224)	(916,311,834)	\$ (954,167)	(772,933)

(2) Changes in deficit for the years ended December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ (916,311,834)	(425,348,668)	\$ (772,933)	(358,793)
Loss for the year	(257,944,415)	(504,340,967)	(217,583)	(425,425)
Defined benefit plan re-measurement	43,038,936	13,403,052	36,304	11,306
Defined benefit plan re-measurement from joint venture	53,089	(25,251)	45	(21)
Ending balance	₩ (1,131,164,224)	(916,311,834)	\$ (954,167)	(772,933)

**24. Income Tax Expense**

(1) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward as of December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Current income tax	₩ -	-	\$ -	-
Deferred income tax	55,305,230	-	46,651	-
Items credited directly to equity	(55,305,230)	-	(46,651)	-
Income tax expense of parent	-	-	-	-
Income tax expense of subsidiaries	33,150	30,515	28	26
Total	₩ 33,150	30,515	\$ 28	26

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**24. Income Tax Expense, continued**

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of won)

	<b>2021</b>			
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
Allowance for doubtful accounts ₩	2,324,650	2,324,650	3,139,259	3,139,259
Government grants	4,419,025	313,531	226,239	4,331,733
Provision for warranties	119,315,790	119,315,790	104,830,673	104,830,673
Defined benefit liabilities	384,386,903	23,981,104	4,589,941	364,995,740
Impairment loss of property, plant and equipment	106,016,593	9,864,331	-	96,152,262
Intangible assets	8,706,456	4,339,311	205,559	4,572,704
Depreciation	21,754,033	6,285,218	1,776,689	17,245,504
Other payables	124,655,026	124,579,026	79,865,848	79,941,848
Accrued expenses	53,051,706	53,051,706	82,545,087	82,545,087
Investment in joint venture	(10,855,695)	(15,789,889)	-	4,934,194
Other long-term employee benefit	16,573,103	16,573,103	14,687,238	14,687,238
Trade receivable	-	-	6,815,491	6,815,492
Other receivable	1,225,760	1,225,760	(1,391,842)	(1,391,842)
Land	(203,863,621)	(22,075)	(278,800,357)	(482,641,903)
Impairment loss of Intangible assets	89,248,173	75,701,551	67,931,925	81,478,547
Sub-lease receivables	(4,346,501)	(4,346,501)	(6,644,671)	(6,644,671)
Right-of-use assets	(8,654,468)	(8,654,468)	(4,144,699)	(4,144,699)
Lease liabilities	7,564,293	7,564,293	9,022,016	9,022,016
Others	9,055,998	8,567,034	6,817,275	7,306,239
Deficit carried over on tax	920,543,258	12,726,357	295,395,123	1,203,212,024
Sub-total	1,641,120,482	437,599,832	386,866,794	1,590,387,445
Not recognized as deferred tax assets(liabilities)	1,641,120,482	437,599,832	386,866,794	1,841,774,854
Recognized as deferred tax assets(liabilities)	-	-	-	(251,387,409)
Income tax rate	22%			22%
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax	-	-	-	(55,305,230)
Tax credit carry-forwards:	20,598,705	-	17,102	20,615,807
Not recognized as deferred tax assets	20,598,705	-	17,102	20,615,807
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax assets(liabilities) ₩	-	-	-	(55,305,230)

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**24. Income Tax Expense, Continued**

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued

(In thousands of won)

		2020			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	2,946,429	2,946,429	2,324,650	2,324,650
Government grants		4,474,574	646,761	591,212	4,419,025
Provision for warranties		128,531,252	128,531,252	119,315,790	119,315,790
Defined benefit liabilities		358,212,110	8,616,773	34,791,566	384,386,903
Impairment loss of property, plant and equipment		96,656,705	38,891,940	48,251,828	106,016,593
Intangible assets		13,111,032	5,291,532	886,956	8,706,456
Depreciation		22,229,988	2,564,311	2,088,356	21,754,033
Other payables		27,238,937	27,238,937	124,655,026	124,655,026
Accrued expenses		38,787,848	38,787,848	53,051,706	53,051,706
Investment in joint venture		(8,853,781)	2,001,914	-	(10,855,695)
Other long-term employee benefit		16,253,294	16,253,294	16,573,103	16,573,103
Other receivable		297,495	297,495	1,225,760	1,225,760
Land		(260,655,312)	(56,791,691)	-	(203,863,621)
Impairment loss of Intangible assets		17,763,809	14,025,558	85,509,922	89,248,173
Sub-lease receivables		(4,037,510)	(4,037,510)	(4,346,501)	(4,346,501)
Right-of-use assets		(5,851,154)	(5,851,154)	(8,654,468)	(8,654,468)
Lease liabilities		9,992,220	9,992,220	7,564,293	7,564,293
Others		10,412,147	9,959,773	8,603,624	9,055,998
Deficit carried over on tax		867,339,960	162,638,931	215,842,229	920,543,258
Sub-total		1,334,850,043	402,004,613	708,275,052	1,641,120,482
Not recognized as deferred tax assets(liabilities)		1,334,850,043	402,004,613	708,275,052	1,641,120,482
Recognized as deferred tax assets(liabilities)		-	-	-	-
Income tax rate		22%			22%
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax		-	-	-	-
Tax credit carry-forwards:		20,433,305	-	165,400	20,598,705
Not recognized as deferred tax assets		20,433,305	-	165,400	20,598,705
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred tax assets(liabilities)	₩	-	-	-	-

The Group recognize all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**24. Income Tax Expense, Continued**

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued

In circumstances where material uncertainty on the judgement to determine whether it's probable that the temporary difference will not reverse in the foreseeable future, a significant uncertainty depends on the future result of M&A deal. The deferred tax liabilities recognized by the Group may differ from the outcome of this uncertainty.

(In thousands of dollar)

	<b>2021</b>			<b>Ending balance</b>
	<b>Beginning balance</b>	<b>Decrease</b>	<b>Increase</b>	
Allowance for doubtful accounts	\$ 1,961	1,961	2,648	2,648
Government grants	3,728	264	191	3,654
Provision for warranties	100,646	100,646	88,427	88,427
Defined benefit liabilities	324,240	20,229	3,872	307,883
Loss on revaluation of property, plant and equipment	89,428	8,321	-	81,107
Intangible assets	7,344	3,660	173	3,857
Depreciation	18,350	5,302	1,499	14,547
Other payables	105,150	105,086	67,369	67,433
Accrued expenses	44,750	44,750	69,629	69,629
Investment in joint venture	(9,157)	(13,319)	-	4,162
Other long-term employee benefit	13,980	13,980	12,389	12,389
Trade receivable	-	-	5,749	5,749
Other receivable	1,034	1,034	(1,174)	(1,174)
Land	(171,964)	(19)	(235,175)	(407,121)
Impairment loss of Intangible assets	75,283	63,856	57,302	68,729
Sub-lease receivables	(3,666)	(3,666)	(5,605)	(5,605)
Right-of-use assets	(7,300)	(7,300)	(3,496)	(3,496)
Lease liabilities	6,381	6,381	7,610	7,610
Others	7,639	7,227	5,751	6,163
Deficit carried over on tax	776,502	10,735	249,173	1,014,941
Sub-total	1,384,328	369,127	326,332	1,341,533
Not recognized as deferred tax assets(liabilities)	1,384,328	369,127	326,332	1,553,585
Recognized as deferred tax assets(liabilities)	-	-	-	(212,052)
Income tax rate	22%			22%
Deferred tax assets(liabilities) resulting from				
temporary differences	-	-	-	(46,651)
Tax credit carry-forwards:	17,376	-	14	17,390
Not recognized as deferred tax assets	17,376	-	14	17,390
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax assets(liabilities)	\$ -	-	-	(46,651)

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**24. Income Tax Expense, Continued**

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued

(In thousands of dollar)

	<b>2020</b>			
	<b>Beginning balance</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending balance</b>
Allowance for doubtful accounts	\$ 2,485	2,485	1,961	1,961
Government grants	3,774	546	499	3,728
Provision for warranties	108,419	108,419	100,646	100,646
Defined benefit liabilities	302,161	7,268	29,348	324,240
Loss on revaluation of property, plant and equipment	81,532	32,806	40,702	89,428
Intangible assets	11,059	4,464	748	7,344
Depreciation	18,752	2,163	1,762	18,350
Other payables	22,977	22,977	105,150	105,150
Accrued expenses	32,719	32,719	44,750	44,750
Investment in joint venture	(7,468)	1,689	-	(9,157)
Other long-term employee benefit	13,710	13,710	13,980	13,980
Other receivable	251	251	1,034	1,034
Land	(219,870)	(47,905)	-	(171,964)
Impairment loss of Intangible assets	14,984	11,831	72,130	75,283
Sub-lease receivables	(3,406)	(3,406)	(3,666)	(3,666)
Right-of-use assets	(4,936)	(4,936)	(7,300)	(7,300)
Lease liabilities	8,429	8,429	6,381	6,381
Others	8,783	8,401	7,257	7,639
Deficit carried over on tax	731,624	137,190	182,069	776,502
Sub-total	<u>1,125,981</u>	<u>339,101</u>	<u>597,448</u>	<u>1,384,328</u>
Not recognized as deferred tax assets(liabilities)	1,125,981	339,101	597,448	1,384,328
Recognized as deferred tax assets(liabilities)	-	-	-	-
Income tax rate	22%			22%
Deferred tax assets(liabilities) resulting from				
temporary differences	-	-	-	-
Tax credit carry-forwards:	17,236	-	140	17,376
Not recognized as deferred tax assets	17,236	-	140	17,376
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax assets(liabilities)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**24. Income Tax Expense, Continued**

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued

In circumstances where material uncertainty on the judgement to determine whether it's probable that the temporary difference will not reverse in the foreseeable future, a significant uncertainty depends on the future result of M&A deal. The deferred tax liabilities recognized by the Group may differ from the outcome of this uncertainty.

(3) Items credited directly to equity as of December 31, 2021 are as follows:

*(In thousands of won)*

Details	2021		
	Before tax	Tax effect	After tax
Gain(loss) from revaluation of land ₩	278,800,357	(55,305,230)	223,495,127

*(In thousands of dollar)*

Details	2021		
	Before tax	Tax effect	After tax
Gain(loss) from revaluation of land \$	235,175	(46,651)	188,524

(4) Details of information that the expected expiration of tax losses and deferred tax credits which are not recognized as deferred tax assets as of December 31, 2021 are as follows:

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

	Korean won		US dollar	
	Deficit carried over on tax	Tax credit carry-forwards	Deficit carried over on tax	Tax credit carry-forwards
0 ~ 1 Year ₩	145,058,434	-	\$ 122,361	-
1 ~ 5 Years	188,633,183	14,629,209	159,117	12,340
5 ~ 10 Years	574,125,284	5,986,598	484,290	5,050
Over 10 Years	295,395,123	-	249,173	-
₩	<u>1,203,212,024</u>	<u>20,615,807</u>	\$ <u>1,014,941</u>	<u>17,390</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**25. Nature of Expenses**

Details of nature of expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in inventories	₩ 40,407,326	21,406,722	\$ 34,085	18,057
Raw materials consumed and purchase of merchandise	1,771,275,193	2,189,991,115	1,494,117	1,847,314
Employee benefits	415,566,450	442,731,665	350,541	373,456
Depreciation	123,244,911	147,106,778	103,960	124,088
Amortization	71,887,020	68,534,911	60,639	57,811
Others	268,207,597	529,798,185	226,239	446,899
	<u>₩ 2,690,588,497</u>	<u>3,399,569,376</u>	<u>\$ 2,269,581</u>	<u>2,867,625</u>

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

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

(1) Details of selling expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Warranty expenses	₩ 33,026,259	49,939,633	\$ 27,859	42,125
Commissions	127,197,048	207,545,138	107,294	175,070
Advertising	6,662,531	18,811,866	5,620	15,868
Export expenses(*)	(23,423,225)	43,610,394	(19,758)	36,786
Promotion	23,439,500	39,716,132	19,772	33,502
Others	11,450,374	9,091,977	9,658	7,670
	<u>₩ 178,352,487</u>	<u>368,715,140</u>	<u>\$ 150,445</u>	<u>311,021</u>

(\*) The amounts were presented as negative due to the reversal of other provision in relation to CO2 emission regulations in overseas for the year ended December 31, 2021.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(2) Details of general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Salaries	₩ 40,706,490	43,656,101	\$ 34,337	36,825
Retirement benefit costs	6,183,403	6,247,699	5,216	5,270
Employee welfare	9,412,332	9,867,922	7,940	8,324
Rent expense	10,056,502	9,857,781	8,483	8,315
Service fees	14,375,484	18,377,992	12,126	15,502
Depreciation	13,716,391	21,744,902	11,570	18,342
R&D expenses	11,853,410	12,923,031	9,999	10,901
Amortization	2,542,290	3,300,398	2,144	2,784
(Reversal of) bad debt expense	343,449	(59,058)	290	(50)
Others	31,508,821	34,814,594	26,578	29,368
	₩ <u>140,698,572</u>	<u>160,731,362</u>	\$ <u>118,683</u>	<u>135,581</u>

**27. Other Income and Expenses**

(1) Details of other income for the years ended December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Foreign exchange transaction gain	₩ 5,533,006	5,517,519	\$ 4,667	4,654
Foreign exchange translation gain	628,024	1,438,828	530	1,214
Gain on disposal of property, plant and equipment	337,735	118,295,190	285	99,785
Others	15,973,084	10,191,658	13,472	8,597
	₩ <u>22,471,849</u>	<u>135,443,195</u>	\$ <u>18,954</u>	<u>114,250</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**27. Other Income and Expenses, Continued**

(2) Details of other expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Foreign exchange transaction loss	₩ 4,798,370	7,188,255	\$ 4,048	6,063
Foreign exchange translation loss	875,171	920,020	738	776
Loss on disposal of property, plant and equipment	430,438	3,626,941	363	3,059
Loss on disposal of trade receivables	31,868	80,028	27	68
Impairment loss on investments in subsidiaries	10,064	48,251,827	8	40,702
Impairment loss on PP&E	20,828	80,120,747	18	67,584
Other bad-debt expense	232,536	-	196	-
Impairment loss on Intangible assets	814,208	-	687	-
Others	744,175	38,265,423	627	32,278
	₩ <u>7,957,658</u>	<u>178,453,241</u>	\$ <u>6,712</u>	<u>150,530</u>

**28. Finance Income and Costs**

(1) Details of finance income for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Interest income	₩ 1,178,537	2,074,905	\$ 994	1,750
Dividend income	11,000	11,000	9	9
Foreign exchange transaction gain	3,052,685	1,702,338	2,576	1,436
Foreign exchange translation gain	-	2,377	-	2
Gain on exemption of debts	248,083	-	209	-
	₩ <u>4,490,305</u>	<u>3,790,620</u>	\$ <u>3,788</u>	<u>3,197</u>

(2) Details of finance costs for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Interest expense	₩ 15,419,020	8,900,346	\$ 13,006	7,508
Foreign exchange transaction loss	1,166,485	8,826,890	984	7,445
Foreign exchange translation loss	-	2,299	-	2
	₩ <u>16,585,505</u>	<u>17,729,535</u>	\$ <u>13,990</u>	<u>14,955</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(3) Details of the Group's financial net profit or loss for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Financial assets/ liabilities at amortized cost	₩ (12,106,200)	(13,949,915)	\$ (10,212)	(11,767)
Financial assets at FVTPL	11,000	11,000	9	9
	₩ (12,095,200)	(13,938,915)	\$ (10,203)	(11,758)

**29. Losses per Share**

(1) Basic losses per share for the years ended December 31, 2021 and 2020 are calculated as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Loss for the year	₩ (257,944,415)	(504,340,967)	\$ (217,583)	(425,424)
Loss contributed to common stocks	(257,944,415)	(504,340,967)	(217,583)	(425,424)
Weighted average number of common shares	149,840,002	149,840,002	149,840,002	149,096,397
Basic losses per share(*)	₩ (1,721)	(3,366)	\$ (1.45)	(2.84)

(\*) Diluted losses per share are not calculated for the years ended December 31, 2021 and 2020, because there are no dilutive shares as of December 31, 2021 and 2020.

(2) Weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020 are calculated as follows:

(In shares)

	Outstanding period	2021		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2021-01-01~2021-12-31	149,840,002	365/365	149,840,002
				149,840,002
	Outstanding period	2020		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2020-01-01~2020-12-31	149,840,002	366/366	149,840,002
				149,840,002

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**30. Cash Flows**

(1) Details of cash flows from operating activities for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Loss for the year</b>	₩ (257,944,415)	(504,340,967)	\$ (217,583)	(425,425)
<b>Adjustments for:</b>				
Retirement benefit costs	47,823,320	48,434,801	40,340	40,856
Depreciation	123,244,911	147,106,778	103,960	124,088
Amortization	71,887,021	68,534,910	60,639	57,811
Depreciation of right-of-use assets	7,738,500	6,216,825	6,528	5,244
Losses on disposal of trade receivables	31,868	80,028	27	68
Foreign exchange translation gain and loss, net	247,147	(518,886)	208	(438)
Loss (Gain) on disposal of property, plant and equipment	92,700	(114,668,249)	78	(96,726)
Interest expense and income, net	14,240,483	6,825,441	12,012	5,757
Dividends income	(11,000)	(11,000)	(9)	(9)
Losses (Gains) on valuation of inventories	(7,071,887)	4,035,760	(5,965)	3,404
Increase in provision of warranty for sale	19,724,840	33,281,407	16,638	28,074
Equity profit on investments	(930,540)	(2,027,166)	(785)	(1,710)
Impairment loss on Tangible assets	10,064	48,251,827	8	40,702
Impairment loss on Intangible assets	20,828	80,120,747	18	67,584
Promotion	14,825,133	25,882,537	12,505	21,833
Export expenses	4,987,572	37,248,248	4,207	31,420
Reversal of bad-debt expense	343,449	-	290	-
Reversal of other bad-debt expense	769,958	-	649	-
Others	(639,472)	36,152,401	(538)	30,495
	<u>297,334,895</u>	<u>424,946,409</u>	<u>250,810</u>	<u>358,453</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	(10,283,368)	20,448,825	(8,674)	17,249
Other receivables	6,667,205	(8,410,410)	5,624	(7,094)
Inventories	42,920,979	30,276,265	36,205	25,539
Trade payables	(11,434,993)	54,819,233	(9,646)	46,241
Other payables	59,693,679	98,270,842	50,353	82,894
Accrued expenses	29,504,759	14,351,834	24,888	12,106
Usage of provision of warranty for sale	(34,319,535)	(42,395,668)	(28,949)	(35,762)
Decrease of provisions	(44,712,677)	-	(37,716)	-
Payment of retirement benefits	(24,013,077)	(8,807,996)	(20,256)	(7,430)
Others	(39,113,727)	(17,014,033)	(32,994)	(14,353)
	<u>(25,090,755)</u>	<u>141,538,892</u>	<u>(21,165)</u>	<u>119,392</u>
<b>Net cash provided by operating activities</b>	₩ <u>14,299,725</u>	<u>62,144,334</u>	\$ <u>12,062</u>	<u>52,420</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**30. Cash Flows, continued**

(2) Significant non-cash activities for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in other payables related to the acquisition of property, plant and equipment	₩ 362,587	90,588	\$ 306	76
Changes in other payables related to the acquisition of intangible assets	1,230,783	-	1,038	-
Changes in asset revaluations	278,800,357	-	235,175	-

(3) Changes in liabilities from financial activities for the year ended December 31, 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	59,999,968	(60,001,785)	-	-	-	314,998,021
Long-term borrowings	40,000,000	-	-	-	-	-	40,000,000
Lease liabilities	8,420,774	-	(9,225,053)	-	10,036,287	9,748	9,241,756
Other liabilities	-	15,512,588	-	-	-	-	15,512,588
	₩ 363,420,612	75,512,556	(69,226,838)	-	10,036,287	9,748	379,752,365

(In thousands of dollar)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 265,711	50,612	(50,613)	-	-	-	265,710
Long-term borrowings	33,741	-	-	-	-	-	33,741
Lease liabilities	7,103	-	(7,782)	-	8,466	8	7,796
Other liabilities	-	13,085	-	-	-	-	13,085
	\$ 306,555	63,697	(58,395)	-	8,466	8	320,331

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**30. Cash Flows, continued**

(3) Changes in liabilities from financial activities for the year ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

		2020						
		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	₩	106,606,448	-	(106,606,448)	-	-	-	-
Short-term borrowings		147,500,000	117,000,113	(108,250,275)	158,750,000	-	-	314,999,838
Long-term borrowings		158,750,000	40,000,000	-	(158,750,000)	-	-	40,000,000
Lease liabilities		11,630,384	-	(9,756,079)	-	6,494,014	52,455	8,420,774
	₩	<u>424,486,832</u>	<u>157,000,113</u>	<u>(224,612,802)</u>	<u>-</u>	<u>6,494,014</u>	<u>52,455</u>	<u>363,420,612</u>

(In thousands of dollar)

		2020						
		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	\$	89,925	-	(89,925)	-	-	-	-
Short-term borrowings		124,420	98,693	(91,312)	133,910	-	-	265,711
Long-term borrowings		133,910	33,741	-	(133,910)	-	-	33,741
Lease liabilities		9,811	-	(8,230)	-	5,478	44	7,103
	\$	<u>358,066</u>	<u>132,434</u>	<u>(189,467)</u>	<u>-</u>	<u>5,478</u>	<u>44</u>	<u>306,555</u>

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

**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 years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

Sales region		Korean won		US dollar	
		2021	2020	2021	2020
Republic of Korea	₩	1,749,267,781	2,476,227,092	\$ 1,475,553	2,088,762
Europe		309,896,414	205,057,124	261,406	172,971
South America		155,720,640	64,570,489	131,354	54,467
Asia Pacific		245,138,620	179,171,538	206,781	151,136
Others		63,470,704	74,210,104	53,539	62,598
Consolidated adjustment		(94,166,458)	(49,055,628)	(79,432)	(41,380)
	₩	<u>2,429,327,701</u>	<u>2,950,180,719</u>	<u>\$ 2,049,201</u>	<u>2,488,554</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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**31. Segment Information, Continued**

(3) Information of sales of goods and service for the years ended December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Automobile	₩ 2,023,489,369	2,530,013,655	\$ 1,706,866	2,134,132
Merchandise and parts	302,520,130	330,800,083	255,184	279,038
Others	103,318,202	89,366,981	87,152	75,383
	₩ <u>2,429,327,701</u>	<u>2,950,180,719</u>	\$ <u>2,049,201</u>	<u>2,488,554</u>

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Receivables from contracts				
with customers	₩ 108,474,907	100,554,100	\$ 91,501	84,820
Contract liabilities	32,817,530	30,805,029	27,682	25,985

Contract liabilities in unearned revenue was occurred from contracts from customers that recognizing over time such as product warranty.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Details of parent and Joint venture as of December 31, 2021 are as follows:

Relationship	Company
Largest shareholder	Mahindra & Mahindra Ltd.(*1)
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.(*1,2)
Others	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 year ended December 31, 2021.

(\*2) Mahindra Vehicle Manufacturing Ltd. was excluded from other related parties due to merger by Mahindra & Mahindra Ltd for the year ended December 31, 2021.

(2) Transactions with related parties for the years ended December 31, 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	28,948,012
		Other income	-	73,365
		Purchases	2,516,389	8,691,587
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	592,885	1,095,026
		Other income	106,638	629,888
		Other expenses	40,363,851	81,320,276
Others	Mahindra Vehicle Manufacturing Ltd. and others(*1,2)	Sales	370,501	1,847,674
		Purchase	10,877	-
		Other income	906	-
		Other expenses	353,272	3,576,964

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

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

(In thousands of dollar)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.(*1)	Sales	\$ 3,297	24,418
		Other income	-	62
		Purchases	2,123	7,332
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	500	924
		Other income	90	531
		Other expenses	34,048	68,596
Others	Mahindra Vehicle Manufacturing Ltd. and others(*1,2)	Sales	313	1,559
		Purchase	9	-
		Other income	1	-
		Other expenses	298	3,017

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

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

(In thousands of won)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.	Trade receivables ₩	-	2,437,886
		Other receivables	-	252,632
		Trade payables	-	3,624,172
		Other payables	-	2,514,361
		Borrowings	-	69,999,869
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	-	531,781
		Other payables	-	3,437,606

(In thousands of dollar)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.	Trade receivables \$	-	2,056
		Other receivables	-	213
		Trade payables	-	3,057
		Other payables	-	2,121
		Borrowings	-	59,047
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	-	449
		Other payables	-	2,900

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

(4) Capital transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

Relationship	Company	Description	Korean won		US dollar		
			2021	2020	2021	2020	
Largest shareholder	Mahindra & Mahindra Ltd. (*)	Loan ₩	-	69,999,869	\$	-	59,047

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

(5) Executive compensation of the Group for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

		Korean won		US dollar		
		2021	2020	2021	2020	
Short-term employee benefits	₩	2,444,828	4,636,353	\$	2,062	3,911
Retirement benefits		128,778	394,980		109	333

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**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 December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Debt (A)	₩ 1,943,566,581	1,856,750,687	\$ 1,639,448	1,566,217
Equity (B)	(80,596,657)	(88,122,116)	(67,985)	(74,333)
Debt-to-equity ratio (A/B)(*)	-	-	-	-

(\*) The debt to equity ratio was not calculated because the total equity is the negative amount as of December 31, 2021 and 2020.

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

1) Financial assets

(In thousands of won)

	2021			
	Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 54,668,032	-	54,668,032	54,668,032
Short-term financial instruments	21,275,651	-	21,275,651	21,275,651
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	164,195,963	-	164,195,963	164,195,963
Non-current financial assets	-	560,000	560,000	560,000
	₩ 240,143,646	560,000	240,703,646	240,703,646

(In thousands of won)

	2020			
	Amortised 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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**33. Financial Instruments, Continued**

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

1) Financial assets, continued:

(In thousands of dollar)

	<b>2021</b>			
	<b>Amortised cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash Equivalents	\$ 46,114	-	46,114	46,114
Short-term financial instruments	17,947	-	17,947	17,947
Long-term financial instruments	3	-	3	3
Trade and other receivables	138,504	-	138,504	138,504
Non-current financial assets	-	472	472	472
	<u>\$ 202,568</u>	<u>472</u>	<u>203,040</u>	<u>203,040</u>

(In thousands of dollar)

	<b>2020</b>			
	<b>Amortised cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 156,865	-	156,865	156,865
Long-term financial instruments	3	-	3	3
Trade and other receivables	137,917	-	137,917	137,917
Non-current financial assets	-	472	472	472
	<u>\$ 294,785</u>	<u>472</u>	<u>295,257</u>	<u>295,257</u>

2) Financial liabilities

(In thousands of won)

	<b>2021</b>			
	<b>Amortised cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩ 818,743,396	-	818,743,396	818,743,396
Borrowings	354,998,021	-	354,998,021	354,998,021
Lease liabilities	15,512,588	-	15,512,588	15,512,588
	<u>₩ 1,189,254,005</u>	<u>-</u>	<u>1,189,254,005</u>	<u>1,189,254,005</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**33. Financial Instruments, Continued**

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

2) Financial liabilities, continued

(In thousands of won)

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

(In thousands of dollar)

	<b>2021</b>			
	<b>Amortised cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 690,631	-	690,631	690,631
Borrowings	299,450	-	299,450	299,450
Lease liabilities	13,085	-	13,085	13,085
	<u>\$ 1,003,166</u>	<u>-</u>	<u>1,003,166</u>	<u>1,003,166</u>

(In thousands of dollar)

	<b>2020</b>			
	<b>Amortised cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 608,242	-	608,242	608,242
Borrowings	299,452	-	299,452	299,452
	<u>\$ 907,694</u>	<u>-</u>	<u>907,694</u>	<u>907,694</u>

(3) Financial risk management

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of December 31, 2021.

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

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,841,302	(2,841,302)	\$ 2,397	(2,397)
EUR	4,528,453	(4,528,453)	3,820	(3,820)
JPY	6,461	(6,461)	5	(5)
Others	2,107,765	(2,107,765)	1,778	(1,778)
	₩ <u>9,483,981</u>	<u>(9,483,981)</u>	\$ <u>8,000</u>	<u>(8,000)</u>

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 ₩1,775,812 thousand (\$1,498 thousand) for the year ended December 31, 2020, due to floating rate debt's interest rate risk.

2) Credit risk

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

2) Credit risk, continued

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

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Trade and other receivables	₩ 164,195,963	163,500,821	\$ 138,504	137,917
Current financial instruments	21,275,651	-	17,947	-

3) Liquidity risk

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

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

(In thousands of won)

	2021		
	Within a year	Over 1 year	Total
Trade payables	₩ 516,983,239	-	516,983,239
Other payables	259,626,743	-	259,626,743
Short-term borrowings(*)	314,998,021	-	314,998,021
Lease liabilities(*)	5,386,307	4,183,954	9,570,261
Other payables	34,563,268	-	34,563,268
Other liabilities	15,512,588	-	15,512,588
Long-term borrowings(*)	-	42,547,945	42,547,945
Long-term other payables	-	64,062	64,062
	₩ 1,147,070,166	46,795,961	1,193,866,127

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

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

(In thousands of won)

	<b>2020</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	₩ 532,518,517	-	532,518,517
Other payables	192,746,263	-	192,746,263
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>₩ 1,050,577,553</u>	<u>45,995,013</u>	<u>1,096,572,566</u>

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

(In thousands of dollar)

	<b>2021</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	\$ 436,089	-	436,089
Other payables	219,002	-	219,002
Short-term borrowings(*)	265,709	-	265,709
Lease liabilities(*)	4,543	3,529	8,073
Other payables	29,155	-	29,155
Other liabilities	13,085	-	13,085
Long-term borrowings(*)	-	35,890	35,890
Long-term other payables	-	54	54
	<u>\$ 967,583</u>	<u>39,474</u>	<u>1,007,057</u>

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

(In thousands of dollar)

	<b>2020</b>		
	<b>Within a year</b>	<b>Over 1 year</b>	<b>Total</b>
Trade payables	\$ 449,193	-	449,193
Other payables	162,586	-	162,586
Short-term borrowings(*)	266,723	-	266,723
Lease liabilities(*)	5,439	1,858	7,296
Other payables	2,248	-	2,248
Long-term borrowings(*)	-	36,395	36,395
Long-term other payables	-	545	545
	<u>\$ 886,189</u>	<u>38,798</u>	<u>924,987</u>

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

The details of the financing arrangements as of December 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Used amount	₩ -	355,000,000	\$ -	299,452
Unused amount	-	-	-	-

(\*) Due to filing for commencement of corporate rehabilitation procedure, the existing loan contracts between the Group and financial institutions were cancelled as of December 31, 2021.

(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.

# SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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.

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 December 31, 2021 and 2020.

### 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 ₩261,261 million (\$221 million) and net losses of ₩257,944 million (\$218 million) during the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩906,757 million (\$765 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 filed rehabilitation plan on February 25, 2022 to the court. 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.

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.

## SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

#### **34. Going concern assumption, Continued**

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 consolidated 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 Republic of Korea. The Group received a commencement of rehabilitation procedure on April 15, 2021 and filed rehabilitation plan on February 25, 2022 to the court. 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.

After the end of reporting period, the Group signed an M&A contract with a consortium led by Edison Motors with approval of Seoul Bankruptcy Court and received as down payment of ₩30.5 billion (\$25.7 million, 10% of total acquisition price). Meanwhile, the M&A contract with a consortium led by Edison Motors was terminated because the buyer failed to pay the remaining payment of ₩274.3 billion (\$25.7 million) by March 25, 2022 (5 business days before the date of the assembly of persons designated by the court).

As a result, the received down payment of ₩30.5 billion (\$25.7 million) will be attributed to the Group.

The Group will submit revised rehabilitation plan to the Seoul Bankruptcy Court after promptly seeking a new buyer and reselling process.

#### **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.