

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

With Independent Accountants' Review Report

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

**To the Shareholders and Board of Directors
Ssangyong Motor Company:**

Reviewed financial statements

We have reviewed the accompanying consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2022, the condensed consolidated statements of comprehensive income flows for the three months and six months ended June 30, 2022, changes in equity and cash flows for the six months ended June 30, 2022 and notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Accountants' review responsibility

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

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

Basis for Disclaimer of Opinion

- 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 of the consolidated financial statements of the Group as of January 1, 2022 because KPMG SAMJONG Accounting Corp. did not express an opinion on the 2021 consolidated financial statements of the Group in auditors' report dated on March 31, 2022. Also, we were not able to obtain sufficient appropriate audit evidence by alternative audit procedures. Accordingly, the effect on the financial position as of June 30, 2022, the consolidated interim statements of comprehensive income (loss) and cash flows for the six months ended June 30, 2022 of the Group, which may arise from any adjustment as of January 1, 2022, cannot presently be determined.

- The accompanying consolidated interim financial statements have been prepared assuming that the Group will continue as a going concern and therefore the Group's assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. As discussed in note 34 to the consolidated interim financial statements, the Group has incurred operating loss of ₩59,091 million and a net loss of ₩30,348 million during the period ended June 30, 2022 and, as of that date, the Group's current liabilities exceed its current assets by ₩939,039 million and the total equity is (-)₩111,101 million, which is a complete capital erosion.

In addition, the Group has 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 on December 21, 2020. The Court commenced rehabilitation procedure on April 15, 2021, and the Group has resumed 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. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium 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 and the Group submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan’s approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason. According to revised rehabilitation plan (Stalking-Horse bid M&A), the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Group will submit a rehabilitation plan reflected the term sheets of the investment contract with the KG Consortium.

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 results of the capital reorganization plan and business improvement plan of the Group including the implementation of the rehabilitation plan after the court approval. However, we have not been able to obtain sufficient appropriate review evidence to reasonably estimate any adjustment of assets, liabilities and related profit or loss items that might be resulted from the outcome of this uncertainty.

Disclaimer of Opinion

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

Emphasis of matters

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

(1) Delisting issue and regrant of a grace period for improvement

As stated in note 36, 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. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, The Korea Stock Exchange Listing Disclosure Committee regranted a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.

2) Commencement of rehabilitation procedure and recommencement of M&A process before Court approval of rehabilitation plan

As discussed in note 35, the Group filed for commencement of rehabilitation procedure with the Court under the Debtor Rehabilitation and Bankruptcy Act, and the Court commenced rehabilitation procedures on April 15, 2021.

The Group has resumed 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. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium 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 and the Group submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan’s approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason. According to revised rehabilitation plan (Stalking-Horse bid M&A), the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Company will submit a rehabilitation plan reflected the term sheets of the investment contract with the KG Consortium.

Other matters

KPMG SAMJONG Accounting Corp. reviewed the consolidated interim financial statements of comprehensive income (loss), changes in equity and cash flows for the six months ended June 30, 2021 and didn't express a review opinion on the consolidated interim financial statements of the Group in accountants' review report dated on August 13, 2021 because of the material uncertainty on the Group's ability to continue as a going concern and inability to obtain sufficient appropriate evidence for the adequacy of the impairment losses of the tangible and intangible assets and other assets.

KPMG SAMJONG Accounting Corp. audited the consolidated financial statement of financial position as of December 31, 2021, the consolidated financial statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2021 and didn't express an audit opinion on the 2021 consolidated financial statements of the Group in auditors' report dated on March 31, 2022 because of the material uncertainty on the Group's ability to continue as a going concern and inability to obtain sufficient appropriate audit evidence for the adequacy 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. The consolidated statement of financial position of the Company as of December 31, 2021, presented for comparative purposes, is consistent, in all material respects, with the consolidated statement of financial position which KPMG SAMJONG Accounting Corp. audited.

PKF Seo-Hyun Accounting Corp.

Seoul, Korea
August 12, 2022

<p>This report is effective as of August 12, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>

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

As of June 30, 2022 and December 31, 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Assets					
Cash and cash equivalents	4,5,33	₩ 88,334,947	54,668,032	\$ 68,323	40,000
Short-term financial instruments	5,33	42,356,488	21,275,651	32,761	10,000
Trade receivables	7,31,33	115,776,569	108,474,907	89,548	80,000
Other receivables	7,33	11,498,491	4,092,453	8,894	3,000
Loans and others	7,13,33	24,477,227	23,975,290	18,932	10,000
Inventories	8,25	167,304,013	155,736,354	129,402	120,000
Other current assets	10	94,178,656	71,146,262	72,843	50,000
Total current assets		<u>543,926,392</u>	<u>439,368,949</u>	<u>420,703</u>	<u>330,000</u>
Long-term financial instruments	5,33	4,000	4,000	3	
Non-current other receivables	7,13,33	25,814,223	29,045,155	19,966	20,000
Non-current financial assets	6,33	560,000	560,000	433	
Property, plant and equipment	11,14	1,177,986,840	1,191,589,568	911,120	920,000
Intangible assets	12	177,326,727	175,723,681	137,154	130,000
Investments in joint venture	9	21,948,665	22,039,325	16,976	10,000
Other non-current assets	10	275,957	275,957	213	
Right of use assets	13	17,680,616	4,363,290	13,675	
Total non-current assets		<u>1,421,597,029</u>	<u>1,423,600,975</u>	<u>1,099,541</u>	<u>1,100,000</u>
Total assets		₩ <u>1,965,523,421</u>	<u>1,862,969,924</u>	\$ <u>1,520,244</u>	<u>1,440,000</u>

See accompanying notes to the consolidated interim financial statements.

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

As of June 30, 2022 and December 31, 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Liabilities					
Trade payables	33	₩ 506,198,687	516,983,239	\$ 391,522	399,8
Other payables	19,33	291,314,545	282,513,209	225,319	218,5
Short-term borrowings	14,19,30,33	404,998,021	314,998,021	313,248	243,6
Other Financial liabilities	15,33	116,862,590	101,191,970	90,388	78,2
Provision of warranty for sale	16	41,809,929	46,539,918	32,338	35,5
Provision of others	19	43,634,713	35,426,691	33,749	27,4
Other current liabilities	17,30,31,33	72,023,270	43,337,384	55,707	33,5
Lease liabilities	13,30,33	6,123,465	5,135,068	4,736	3,5
Total current liabilities		1,482,965,221	1,346,125,500	1,147,007	1,041,2
Long-term borrowings	14,19,30,33	30,000,000	40,000,000	23,204	30,5
Non-current other payables	33	64,185	64,062	50	
Other non-current liabilities	17,31	12,990,577	17,651,651	10,048	13,6
Defined benefit liabilities	18	370,955,670	363,150,322	286,918	280,8
Other long-term employee benefits liabilities		15,195,049	14,687,238	11,753	11,3
provision of warranty for sale	16	53,456,766	58,036,733	41,346	44,8
provision of others	19	50,174,432	44,439,158	38,808	34,3
Lease liabilities	13,30,33	5,516,922	4,106,688	4,267	3,2
Deferred tax liabilities	24	55,305,230	55,305,230	42,776	42,7
Total non-current liabilities		593,658,831	597,441,081	459,168	462,6
Total liabilities		2,076,624,052	1,943,566,582	1,606,175	1,503,2
Equity					
Capital stock	20	749,200,010	749,200,010	579,473	579,4
Other capital surplus	21	77,231,312	77,231,312	59,735	59,7
Other equity	22	223,986,174	224,136,245	173,243	173,3
Accumulated deficit	23	(1,161,518,127)	(1,131,164,224)	(898,382)	(874,9
Equity attributable to owners of the Company		(111,100,631)	(80,596,657)	(85,931)	(62,3
Non-controlling interests		-	-	-	-
Total equity		(111,100,631)	(80,596,657)	(85,931)	(62,3
Total liabilities and equity	₩	1,965,523,421	1,862,969,924	\$	1,520,244
					1,440,5

See accompanying notes to the consolidated interim financial statements.

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

For the three-month and the six-month periods ended June 30, 2022 and 2021

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

	Note	2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	₩ 707,749,712	1,421,776,731	612,396,182	1,148,229,;
Cost of sales	25,32	651,986,104	1,312,075,440	614,277,333	1,149,196,;
Gross profit (loss)		55,763,608	109,701,291	(1,881,151)	(967,0
Selling, general and administrative expenses	25,26	83,991,099	168,792,529	91,298,628	176,946,;
Operating loss		(28,227,490)	(59,091,238)	(93,179,778)	(177,913,4
Other income	27,32	36,821,344	42,108,971	2,620,060	8,219,;
Other expenses	27,32	(4,394,141)	(7,058,636)	(1,372,773)	(4,654,9
Finance income	28	1,501,499	2,792,326	899,229	2,646,;
Finance costs	28	(4,465,958)	(9,011,102)	(3,657,812)	(8,848,6
Share of profits of joint venture	9	27,784	(88,737)	450,283	17,;
Net income (loss) before income taxes		1,263,037	(30,348,415)	(94,240,790)	(180,533,5
Income tax expenses (benefit)	24	-	-	(8)	(2,4
Net income (loss) for the period		1,263,037	(30,348,415)	(94,240,782)	(180,531,0
Net income (loss) attributable to:					
Owners of the Company		1,263,037	(30,348,415)	(94,240,782)	(180,531,0
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period		58,882	(155,559)	51,802	278,674,;
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(1,848)	(3,566)	(1,124)	(2,2
Defined benefit plan re-measurements of joint ventures	9,23	(1,689)	(1,922)	(1,745)	(3,4
Gains on revaluation on land	11,22	-	-	-	278,800,;
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	22	62,419	(150,071)	54,671	(119,8
Total comprehensive income (loss) for the period		₩ 1,321,919	(30,503,974)	(94,188,981)	98,143,;
Total comprehensive income (loss) attributable to:					
Owners of the Company		1,321,919	(30,503,974)	(94,188,981)	98,143,;
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted earnings (losses) per share (in won)	29	₩ 8	(203)	(629)	(1,2

See accompanying notes to the consolidated interim financial statement

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

For the three-month and the six-month periods ended June 30, 2022 and 2021

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

	Note	2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	31,32	\$ 547,413	1,099,680	473,661	888,1
Cost of sales	25,32	504,282	1,014,831	475,116	888,8
Gross profit (loss)		43,131	84,849	(1,455)	(7,7)
Selling, general and administrative expenses	25,26	64,963	130,553	70,615	136,8
Operating loss		(21,833)	(45,704)	(72,070)	(137,6)
Other income	27,32	28,480	32,569	2,026	6,3
Other expenses	27,32	(3,399)	(5,460)	(1,062)	(3,6)
Finance income	28	1,161	2,160	696	2,0
Finance costs	28	(3,454)	(6,970)	(2,829)	(6,8
Share of profits of joint venture	9	21	(69)	348	
Net income (loss) before income taxes		977	(23,473)	(72,891)	(139,6)
Income tax expenses (benefit)	24	-	-	(0)	
Net income (loss) for the period		977	(23,473)	(72,891)	(139,6)
Net income (loss) attributable to:					
Owners of the Company		977	(23,473)	(72,891)	(139,6
Non-controlling interests		-	-	-	
Other comprehensive income (loss) for the period		46	(120)	40	215,5
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(1)	(3)	(1)	
Defined benefit plan re-measurements of joint ventures	9,23	(1)	(1)	(1)	
Gains on revaluation on land	11,22	-	-	-	215,6
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	2	48	2	3	
Total comprehensive income (loss) for the period		\$ 1,022	(23,593)	(72,851)	75,9
Total comprehensive income (loss) attributable to:					
Owners of the Company		1,022	(23,593)	(72,851)	75,9
Non-controlling interests		-	-	-	
Losses per share					
Basic and diluted earnings (losses) per share (in US dollar)	29	\$ 0.01	(0.16)	(0.49)	(0.1

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2022 and 2021

(In thousands of won)

		Other capital surplus				Other equity	Accumulated deficit	Non-controlling interests	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2021	₩	749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,1
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(180,531,084)	-	(180,531,0
Defined benefit plan re-measurements		-	-	-	-	-	(2,207)	-	(2,2
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(3,442)	-	(3,4
Debt equity swap		-	-	-	(931,508)	-	-	-	(931,5
Gains on revaluation on land		-	-	-	-	278,800,357	-	-	278,800,
Foreign currency translation difference for foreign operation		-	-	-	-	(119,840)	-	-	(119,8
Balance at June 30, 2021	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>279,507,405</u>	<u>(1,096,848,567)</u>	<u>-</u>	<u>9,090,</u>
Balance at January 1, 2022	₩	749,200,010	3,169,615	74,061,697	-	224,136,245	(1,131,164,224)	-	(80,596,6
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(30,348,415)	-	(30,348,4
Defined benefit plan re-measurements		-	-	-	-	-	(3,566)	-	(3,5
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(1,922)	-	(1,9
Foreign currency translation difference for foreign operation		-	-	-	-	(150,071)	-	-	(150,0
Balance at June 30, 2022	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>223,986,174</u>	<u>(1,161,518,127)</u>	<u>-</u>	<u>(111,100,6</u>

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2022 and 2021

(In thousands of US dollar)

	Capital stock	Other capital surplus		Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
		Paid-in capital in excess of par value	Gain on capital reduction					
Balance at January 1, 2021	\$ 579,473	2,452	57,283	720	640	(708,726)	-	(68,151)
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(139,633)	-	(139,633)
Defined benefit plan re-measurements	-	-	-	-	-	(2)	-	(2)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(3)	-	(3)
Debt equity swap	-	-	-	(720)	-	-	-	(720)
Gains on revaluation on land	-	-	-	-	215,640	-	-	215,640
Foreign currency translation difference for foreign operation	-	-	-	-	(93)	-	-	(93)
Balance at June 30, 2021	<u>\$ 579,473</u>	<u>2,452</u>	<u>57,283</u>	<u>-</u>	<u>216,186</u>	<u>(848,363)</u>	<u>-</u>	<u>7,035</u>
Balance at January 1, 2022	\$ 579,473	2,452	57,283	-	173,359	(874,905)	-	(62,336)
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(23,473)	-	(23,473)
Defined benefit plan re-measurements	-	-	-	-	-	(3)	-	(3)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1)	-	(1)
Foreign currency translation difference for foreign operation	-	-	-	-	(116)	-	-	(116)
Balance at June 30, 2022	<u>\$ 579,473</u>	<u>2,452</u>	<u>57,283</u>	<u>-</u>	<u>173,243</u>	<u>(898,382)</u>	<u>-</u>	<u>(85,932)</u>

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2022 and 2021

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

	Korean won		US dollar	
	2022	2021	2022	2021
Cash flows from operating activities				
Loss for the period	₩ (30,348,415)	(180,531,084)	\$ (23,473)	(139,711)
Adjustment	105,407,998	143,723,555	81,528	111,111
Changes in assets and liabilities	(54,887,474)	(10,115,252)	(42,453)	(7,111)
Cash generated from operations (note 30)	<u>20,172,108</u>	<u>(46,922,781)</u>	<u>15,602</u>	<u>(36,711)</u>
Interest received	661,533	728,035	512	
Interest paid	(977,875)	(457,004)	(756)	(1,111)
Dividends received	11,000	6,000	9	
Net cash provided by (used in) operating activities	<u>19,866,766</u>	<u>(46,645,750)</u>	<u>15,366</u>	<u>(36,711)</u>
Cash flows from investing activities				
Decrease of loans and others	1,049,131	9,656,133	811	7,111
Decrease of current financial instruments	30,615,530	-	23,680	
Proceed from disposal of property, plant and equipment	1,768,023	646,856	1,367	
Proceed from disposal of intangible assets	500,000	70,120	387	
Decrease of other non-current assets	2,200	-	2	
Increase of current financial instruments	(51,696,366)	-	(39,985)	
Increase of loans and others	(151)	(6,500,211)	(0)	(5,111)
Disposal of subsidiaries	-	(106,813)	-	
Acquisition of property, plant and equipment	(47,487,192)	(42,552,981)	(36,729)	(32,111)
Acquisition of right-of-use	(11,340,000)	-	(8,771)	
Acquisition of intangible assets	(37,588,771)	(23,328,562)	(29,073)	(18,111)
Net cash used in investing activities	<u>(114,177,596)</u>	<u>(62,115,458)</u>	<u>(88,311)</u>	<u>(48,111)</u>
Cash flows from financing activities				
Proceeds from borrowings	90,000,000	-	69,611	
Proceeds from deposits	54,520,609	-	42,169	
Repayment of borrowings	(10,000,000)	(1,817)	(7,735)	
Payment of lease liabilities	(3,796,671)	(4,629,297)	(2,937)	(3,111)
Payment of deposits	(3,000,000)	-	(2,320)	
Net cash provided by (used in) financing activities (note 30)	<u>127,723,939</u>	<u>(4,631,114)</u>	<u>98,789</u>	<u>(3,111)</u>
Effect of exchange rate fluctuations on cash and cash equivalents				
	253,807	246,772	196	
Net increase (decrease) in cash and cash equivalents	<u>33,666,915</u>	<u>(113,145,550)</u>	<u>26,040</u>	<u>(87,111)</u>
Cash and cash equivalents at January 1	<u>54,668,032</u>	<u>185,963,321</u>	<u>42,283</u>	<u>143,111</u>
Cash and cash equivalents at June 30	<u>₩ 88,334,947</u>	<u>72,817,772</u>	<u>\$ 68,323</u>	<u>56,111</u>

See accompanying notes to the consolidated interim financial statements.

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

For the six-month periods ended June 30, 2022 and 2021

General Description of the Company

(1) Organization and description of business of the Company

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

(2) Major shareholders

As of June 30, 2022, the Company’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 interim financial statements comprise the Company and its subsidiaries (the “Group”) and the Group’s interest in associates and joint ventures.

Basis of Preparation and Accounting Policies

The consolidated interim financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩1,292.90 to \$1 on June 30, 2022, 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.

(1) Basis of Preparation and Accounting Policies

These consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, ‘Interim Financial Reporting’ as part of the period covered by the Group’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2021. These consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(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.

Management’s judgments in applying accounting policies and estimation, used in consolidated interim financial statements, are the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2021.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
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(Unaudited)

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Significant accounting policies

The Group applied the following new standards, interpretations and amendments to existing standards from January 1, 2022, the significant accounting policies applied to the preparation of consolidated interim financial statements are the same as those adopted when preparing annual financial statements for the year ended December 31, 2021.

(1) New and amended K-IFRSs and new interpretations that are effective for the current year

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events.

For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

- 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)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
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Significant accounting policies, continued

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Annual Improvements to K-IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards such as K-IFRS 1101 First-time Adoption of K-IFRS, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 First-time Adoption of K-IFRS (Amendment)

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

② K-IFRS 1109 Financial Instruments (Amendment)

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

③ K-IFRS 1116 Leases (Amendment)

The amendment removes the illustration of the reimbursement of leasehold improvements.

④ K-IFRS 1041 Agriculture (Amendment)

The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

New or amended standards not yet adopted

A number of new or amended standards and interpretations are effective for annual periods beginning after January 1, 2022 and earlier application is permitted but the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

For the six-month periods ended June 30, 2022 and 2021

Significant accounting policies, continued

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 1044 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

K-IFRS 1117 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendment)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

- K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.

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(Unaudited)

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2. Basis of Preparation and Accounting Policies, continued

However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendment)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

- K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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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.

Restricted Financial Instruments

Restricted financial Instruments as of June 30, 2022 and December 31, 2021 are as follows:

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

	Financial institution	Korean won		US dollar		Description
		2022	2021	2022	2021	
Cash and cash equivalents	Shinhan Bank	₩ -	171,226	\$ -	132	Government grants
	Woori Bank and others	8,989	10,303	7	8	Pledged as collateral, etc.
Current financial instruments	Woori Bank and others	42,356,488	21,275,651	32,761	16,456	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	3	3	Bank account deposit
		₩ <u>42,369,477</u>	<u>21,461,180</u>	\$ <u>32,771</u>	<u>16,599</u>	

Non-current Financial Assets

Non-current financial assets as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

	Ownership (%)	2022			2021
		Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	₩ 500,000	752,827	500,000	500,000
Korea Management Consultants Association (*)	1.50	60,000	1,038,861	60,000	60,000
		₩ <u>560,000</u>	<u>1,791,688</u>	<u>560,000</u>	<u>560,000</u>

(In thousands of US dollar)

	Ownership (%)	2022			2021
		Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	\$ 387	582	387	387
Korea Management Consultants Association (*)	1.50	46	804	46	46
		\$ <u>433</u>	<u>1,386</u>	<u>433</u>	<u>433</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 ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
(Unaudited)

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Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

		2022		2021	
		Current	Non-current	Current	Non-current
Trade receivables	₩	116,426,557	-	108,910,624	-
Less: Allowance for doubtful accounts		(649,987)	-	(435,717)	-
Other receivables		16,479,230	47,314	8,618,869	45,685
Less: Allowance for doubtful accounts		(4,980,739)	-	(4,526,416)	-
Loans and others (*)		24,477,227	25,767,266	23,975,290	28,999,826
Less: Allowance for doubtful accounts		-	(357)	-	(356)
	₩	<u>151,752,288</u>	<u>25,814,223</u>	<u>136,542,650</u>	<u>29,045,155</u>

(*) The Loans and others listed above include ₩5,167,889 thousand and ₩6,644,671 thousand for sub lease receivables as of June 30, 2022 and December 31, 2021, respectively. The interest revenue received by the sub lease contract are ₩294,128 thousand and ₩300,662 thousand for the six-month periods ended June 30, 2022 and 2021, respectively.

(In thousands of US dollar)

		2022		2021	
		Current	Non-current	Current	Non-current
Trade receivables	\$	90,051	-	84,237	-
Less: Allowance for doubtful accounts		(503)	-	(337)	-
Other receivables		12,746	37	6,666	35
Less: Allowance for doubtful accounts		(3,852)	-	(3,501)	-
Loans and others (*)		18,932	19,930	18,544	22,430
Less: Allowance for doubtful accounts		-	(0)	-	(0)
	\$	<u>117,374</u>	<u>19,966</u>	<u>105,610</u>	<u>22,465</u>

(*) The Loans and others listed above include \$3,997 thousand and \$5,139 thousand for sub lease receivables as of June 30, 2022 and December 31, 2021, respectively. The interest revenue received by the sub lease contract are \$227 thousand and \$233 thousand for the six-month periods ended June 30, 2022 and 2021, respectively.

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Trade and Other Receivables, Continued

(2) Details of aging analysis of the trade and other receivables as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	₩ 112,654,898	58,017,283	104,998,715	55,541,258
Less than 180 days	63,785	1,783,590	68,864	596,568
Less than 270 days	741	1,005,834	30,744	481,100
Less than 365 days	26	254,382	1,440,456	219,969
More than 366 days	3,707,107	5,709,948	2,371,845	4,800,775
	₩ <u>116,426,557</u>	<u>66,771,037</u>	<u>108,910,624</u>	<u>61,639,670</u>
Impaired receivables	649,987	4,981,096	435,717	4,526,772

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

(In thousands of US dollar)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	\$ 87,133	44,874	81,212	42,959
Less than 180 days	49	1,380	53	461
Less than 270 days	1	778	24	372
Less than 365 days	0	197	1,114	170
More than 366 days	2,867	4,416	1,835	3,713
	\$ <u>90,051</u>	<u>51,644</u>	<u>84,237</u>	<u>47,676</u>
Impaired receivables	503	3,853	337	3,501

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

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Trade and Other Receivables, Continued

(3) Changes in allowance for trade and the other receivables for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 435,717	4,526,772	92,268	3,756,815
Bad debt expense	214,270	454,323	246,840	164,709
Reversal of allowance for bad debts	-	-	-	(44,250)
Ending balance	₩ 649,987	4,981,095	339,108	3,877,274

(In thousands of US dollar)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 337	3,501	71	2,906
Bad debt expense	166	351	191	127
Reversal of allowance for bad debts	-	-	-	(34)
Ending balance	\$ 503	3,853	262	2,999

Inventories

Details of inventories as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Merchandises	₩ 41,264,437	40,739,820	\$ 31,916	31,916
Finished goods	37,449,558	30,820,366	28,966	23,811
Work-in-process	32,076,345	22,449,034	24,810	17,311
Raw materials	38,089,665	37,651,217	29,461	29,111
Sub-materials	465,818	512,165	360	360
Supplies	3,360,037	3,363,625	2,599	2,600
Goods in transit	14,598,153	20,200,127	11,291	15,600
	₩ 167,304,013	155,736,354	\$ 129,402	120,400

The Group has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩ 5,255,792 thousand (\$4,065 thousand) for the six-month period ended June 30, 2022 and the loss on valuation of inventories amounted to ₩1,761,364 thousand (\$1,362 thousand) for the six-month period ended June 30, 2021.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
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For the six-month periods ended June 30, 2022 and 2021

Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of June 30, 2022 are as follows:

	Company	Location	Owner ship	Closing month	Industry
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. (*)	Korea	51%	December	Finance

(*) 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 separate.

(2) Changes in the carrying amounts of investments in a joint venture for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	22,039,325	(88,737)	(1,923)	21,948,66

(In thousands of won)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	21,055,695	17,253	(3,441)	21,069,50

(In thousands of US dollar)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	17,046	(69)	(1)	16,97

(In thousands of US dollar)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	16,286	13	(3)	16,29

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Investments in Subsidiaries and a Joint venture, Continued

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

- 1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the six-month period ended June 30, 2022 is as follows:

(In thousands of won)

		2022				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong European Parts Center B.V.	₩	16,112,463	19,050,631	(2,938,168)	10,711,951	2,63
Ssangyong Australia Pty Ltd.		30,512,057	31,376,597	(864,540)	55,838,637	4,155,83
SY Auto Capital Co., Ltd. (*)		85,856,531	45,321,031	40,535,500	5,018,455	60,17

(In thousands of US dollar)

		2022				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong European Parts Center B.V.	\$	12,462	14,735	(2,273)	8,285	
Ssangyong Australia Pty Ltd.		23,600	24,268	(669)	43,189	3,21
SY Auto Capital Co., Ltd. (*)		66,406	35,054	31,352	3,882	4

(*) Additional financial information for the joint venture for the six-month period ended June 30, 2022 is as follows:

(In thousands of won)

		2022					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	17,407,664	44,452,500	401,644	1,361,226	516,023	52,74

(In thousands of US dollar)

		2022					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$	13,464	34,382	311	1,053	399	4

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Investments in Subsidiaries and a Joint venture, Continued

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

2) The summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2021 is 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	42,11
Ssangyong European Parts Center B.V.		16,066,167	18,990,176	(2,924,009)	19,724,775	171,39
Ssangyong Australia Pty Ltd.		28,025,403	32,884,354	(4,858,951)	86,404,848	2,133,90
SY Auto Capital Co., Ltd. (*)		88,143,983	47,664,884	40,479,099	13,128,823	2,193,25

(In thousands of US dollar)

		2021				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	\$	264	46	218	103	3
Ssangyong European Parts Center B.V.		12,426	14,688	(2,262)	15,256	13
Ssangyong Australia Pty Ltd.		21,676	25,435	(3,758)	66,830	1,65
SY Auto Capital Co., Ltd. (*)		68,175	36,867	31,309	10,155	1,69

(*) 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	692,79

(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.	\$	4,110	35,987	672	1,914	865	53

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Investments in Subsidiaries and a Joint venture, Continued

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of June 30, 2022 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.	₩	40,535,500	51%	20,673,105	1,275,560	21,948,665

(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.	\$	31,352	51%	15,990	987	16,977

J. Other Assets

Details of other assets as of June 30, 2022 and December 31, 2021 are as follows:

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

		Korean won		US dollar	
		2022	2021	2022	2021
Other current assets					
Advanced payments	₩	82,273,064	61,810,782	\$	63,635
Prepaid expenses		11,868,409	9,291,879		9,180
Current tax assets		37,183	43,601		29
	₩	<u>94,178,656</u>	<u>71,146,262</u>	\$	<u>72,843</u>
Other non-current assets					
Other non-current assets	₩	275,957	275,957	\$	213

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I. Property, Plant and Equipment

(1) Details of property, plant and equipment as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

		2022				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	706,986,325	(7,354)	-	-	706,978
Buildings		536,908,073	(3,435,994)	(248,696,914)	(156,914,544)	127,860
Structures		112,197,539	(41,393)	(70,136,696)	(31,186,162)	10,830
Machinery		1,308,160,237	(121,221)	(1,111,920,338)	(112,364,630)	83,750
Vehicles		8,153,172	(511)	(5,333,763)	(338,283)	2,480
Tools and molds		1,424,782,330	(45,249)	(1,079,213,503)	(191,068,453)	154,450
Equipment		64,342,811	(54,746)	(56,553,556)	(3,556,752)	4,170
Construction in progress		88,716,415	-	-	(1,269,999)	87,446
	₩	<u>4,250,246,902</u>	<u>(3,706,468)</u>	<u>(2,571,854,770)</u>	<u>(496,698,823)</u>	<u>1,177,980</u>

(In thousands of won)

		2021					
		Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	428,185,968	278,800,357	(7,354)	-	-	706,978
Buildings		536,087,233	-	(3,483,831)	(245,150,425)	(156,914,543)	130,530
Structures		112,229,100	-	(43,307)	(69,549,592)	(31,193,283)	11,440
Machinery		1,311,819,455	-	(133,907)	(1,103,122,462)	(112,776,324)	95,780
Vehicles		8,072,569	-	(1,278)	(5,217,819)	(341,445)	2,510
Tools and molds		1,453,231,689	-	(54,352)	(1,063,291,339)	(194,860,930)	195,020
Equipment		66,070,500	-	(67,235)	(57,170,171)	(3,625,715)	5,200
Construction in progress		44,875,938	-	-	-	(1,269,999)	43,600
Machinery in transit		492,071	-	-	-	-	492
	₩	<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>1,191,580</u>

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

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I. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of June 30, 2022 and December 31, 2021 are as follows, continued:

(In thousands of US dollar)

	2022				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 546,822	(6)	-	-	546,816
Buildings	415,274	(2,658)	(192,356)	(121,366)	98,900
Structures	86,780	(32)	(54,248)	(24,121)	8,379
Machinery	1,011,803	(94)	(860,020)	(86,909)	64,780
Vehicles	6,306	(0)	(4,125)	(262)	1,919
Tools and molds	1,102,005	(35)	(834,723)	(147,783)	119,564
Equipment	49,766	(42)	(43,742)	(2,751)	3,231
Construction in progress	68,618	-	-	(982)	67,636
	<u>\$ 3,287,375</u>	<u>(2,867)</u>	<u>(1,989,214)</u>	<u>(384,174)</u>	<u>911,320</u>

(In thousands of US dollar)

	2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 331,183	215,640	(6)	-	-	546,816
Buildings	414,639	-	(2,695)	(189,613)	(121,366)	100,975
Structures	86,804	-	(33)	(53,793)	(24,127)	8,851
Machinery	1,014,633	-	(104)	(853,216)	(87,227)	74,196
Vehicles	6,244	-	(1)	(4,036)	(264)	1,943
Tools and molds	1,124,009	-	(42)	(822,408)	(150,716)	150,863
Equipment	51,103	-	(52)	(44,219)	(2,804)	5,038
Construction in progress	34,710	-	-	-	(982)	33,728
Machinery in transit	381	-	-	-	-	381
	<u>\$ 3,063,705</u>	<u>215,640</u>	<u>(2,932)</u>	<u>(1,967,284)</u>	<u>(387,487)</u>	<u>921,742</u>

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

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I. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2022 and 2021 are as follows

(in thousands of won)

		2022					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending
and	₩	706,978,971	-	-	-	-	706,978,971
Buildings		130,538,434	32,840	-	(3,498,653)	788,000	137,820,621
Structures		11,442,918	-	(729)	(608,901)	-	10,733,288
Machinery		95,786,762	-	(22,638)	(12,810,698)	800,622	83,754,148
Vehicles		2,512,027	586,279	(338,425)	(265,732)	(13,534)	2,700,615
Tools and molds		195,025,068	458,060	(1,118,592)	(42,365,871)	2,456,460	154,005,165
Equipment		5,207,378	73,523	(16,304)	(1,112,614)	25,774	4,157,767
Construction in progress		43,605,938	46,470,390	-	-	(2,629,912)	87,446,416
Machinery in transit		492,071	43,751	-	-	(535,822)	400,000
	₩	<u>1,191,589,567</u>	<u>47,664,843</u>	<u>(1,496,688)</u>	<u>(60,662,469)</u>	<u>891,588</u>	<u>1,177,895,253</u>

(*) Others were the amounts of ₩893,444 thousand from capitalized borrowing costs and replaced from inventories to vehicles, including the effect of changes in foreign exchange rate, for the six-month period ended June 30, 2022.

(in thousands of won)

		2021					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*1, *2)	Ending
and	₩	402,572,795	-	-	-	304,415,827	706,988,622
Buildings		137,475,517	6,723	-	(3,702,963)	333,000	140,112,277
Structures		12,504,303	-	(109)	(630,009)	-	11,874,185
Machinery		112,730,372	-	(28)	(12,963,955)	7,757,152	107,793,539
Vehicles		1,632,701	794,953	(642,099)	(231,759)	756,515	2,310,311
Tools and molds		229,315,248	-	(98,870)	(40,932,937)	35,072,842	223,556,283
Equipment		7,567,035	215,492	(30,824)	(1,449,308)	22,600	6,324,495
Construction in progress		34,978,578	59,611,923	-	-	(68,440,341)	26,149,160
Machinery in transit		319,833	-	-	-	-	319,833
	₩	<u>939,096,382</u>	<u>60,629,091</u>	<u>(771,930)</u>	<u>(59,910,931)</u>	<u>279,917,595</u>	<u>1,217,020,618</u>

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

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

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I. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the six-month periods ended June 30, 2022 and 2021 are as follows continued:

in thousands of US dollar)

	2022					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	\$ 546,816	-	-	-	-	546
Buildings	100,966	25	-	(2,706)	609	98
Structures	8,851	-	(1)	(471)	-	8
Machinery	74,087	-	(18)	(9,908)	619	64
Vehicles	1,943	453	(262)	(206)	(10)	1
Tools and molds	150,843	354	(865)	(32,768)	1,900	119
Equipment	4,028	57	(13)	(861)	20	3
Construction in progress	33,727	35,943	-	-	(2,034)	67
Machinery in transit	381	34	-	-	(414)	-
	<u>\$ 921,641</u>	<u>36,867</u>	<u>(1,158)</u>	<u>(46,920)</u>	<u>690</u>	<u>911</u>

(*) Others were the amounts of ₩893,444 thousand from capitalized borrowing costs and replaced from inventories to vehicles, including the effect of changes in foreign exchange rate, for the six-month period ended June 30, 2022.

in thousands of US dollar)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,*2)	Ending balance
Land	\$ 311,372	-	-	-	235,452	546
Buildings	106,331	5	-	(2,864)	258	103
Structures	9,672	-	(0)	(487)	-	9
Machinery	87,192	-	(0)	(10,027)	6,000	83
Vehicles	1,263	615	(497)	(179)	585	1
Tools and molds	177,365	-	(76)	(31,660)	27,127	172
Equipment	5,853	167	(24)	(1,121)	17	4
Construction in progress	27,054	46,107	-	-	(52,936)	20
Machinery in transit	247	-	-	-	-	-
	<u>\$ 726,349</u>	<u>46,894</u>	<u>(597)</u>	<u>(46,338)</u>	<u>216,504</u>	<u>942</u>

(*1) The amounts of \$216 million increased as a result of a revaluation on lands and recognized as revaluation surplus (other equity) for the six-month period ended June 30, 2021.

(*2) Others were the amounts of \$279 thousand from capitalized borrowing costs and the amounts of \$588 thousand replaced from inventories to vehicles for the six-month period ended June 30, 2021.

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I. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of June 30, 2022 are as follows:

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

	Korean won		US dollar	
	Book value	Collateralized amount (*)	Book value	Collateralized amount (*)
Land	₩ 654,009,321		\$ 505,847	
Buildings and structures	102,604,592	516,890,112	79,360	399,791
Machinery and others	6,131		5	
	₩ <u>756,620,044</u>	<u>516,890,112</u>	\$ <u>585,212</u>	<u>399,791</u>

(*) ₩135,890,112 thousand (\$105,105 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 six-month period ended June 30, 2022.

(4) Capitalized borrowing costs and capitalization interest rate for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Capitalized interest expenses (*)	₩ 1,676,279	1,158,737	\$ 1,297	896
Capitalization interest rate	3.24%	2.50%	3.24%	2.50%

(*) Capitalized borrowing costs for intangible assets are ₩782,834 thousand (\$605 thousand) and ₩797,754 thousand (\$617 thousand) for the six-month periods ended June 30, 2022 and 2021, respectively.

(5) Revaluation of Lands

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

The revaluation income after tax of ₩223,495 million (\$173 million) was recognized as other comprehensive income as a result of a revaluation on lands for the six-month period ended June 30, 2021.

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I. Property, Plant and Equipment, Continued

(5) Revaluation of Lands, continued:

Details of book amounts of lands both the revaluation model and the cost model as of June 30, 2022 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	\$ 546,816	331,177

2. Intangible Assets

(1) Details of intangible assets as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 582,795,578	-	(445,007,743)	(38,947,234)	98,840,601
Patents	5,613,846	(4,913)	(4,591,509)	(229,857)	787,567
Other intangible assets	184,415,873	(37,779)	(39,994,209)	(66,685,326)	77,698,559
	₩ 772,825,297	(42,692)	(489,593,461)	(105,862,417)	177,326,727

(In thousands of won)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
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
	₩ 734,942,774	(42,691)	(453,318,803)	(105,857,599)	175,723,681

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2. Intangible Assets, Continued

(1) Details of intangible assets as of June 30, 2022 and December 31, 2021 are as follows, continued:

(In thousands of US dollar)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 450,766	-	(344,193)	(30,124)	76,449
Patents	4,342	(4)	(3,551)	(178)	609
Other intangible assets	142,637	(29)	(30,934)	(51,578)	60,096
	<u>\$ 597,746</u>	<u>(33)</u>	<u>(378,679)</u>	<u>(81,880)</u>	<u>137,154</u>

(In thousands of US dollar)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 450,766	-	(317,048)	(30,124)	103,594
Patents	4,124	(4)	(3,405)	(174)	541
Other intangible assets	113,555	(29)	(30,168)	(51,578)	31,779
	<u>\$ 568,445</u>	<u>(33)</u>	<u>(350,622)</u>	<u>(81,876)</u>	<u>135,914</u>

(2) Changes in intangible assets for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

		2022					Ending balance
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	
Internally created intangible assets:							
Development cost	₩	133,937,149	-	-	(35,096,548)	-	98
Other intangible assets		37,002,253	36,943,125	-	-	782,835	74
		<u>170,939,402</u>	<u>36,943,125</u>	<u>-</u>	<u>(35,096,548)</u>	<u>782,835</u>	<u>173</u>
Individually acquired intangible assets:							
Patents		699,485	281,652	-	(188,752)	(4,818)	-
Other intangible assets		4,084,794	363,994	(511,000)	(972,586)	-	5,144
		<u>4,784,279</u>	<u>645,646</u>	<u>(511,000)</u>	<u>(1,161,338)</u>	<u>(4,818)</u>	<u>5,144</u>
	₩	<u>175,723,681</u>	<u>37,588,771</u>	<u>(511,000)</u>	<u>(36,257,886)</u>	<u>(4,818)</u>	<u>177</u>

(*) Capitalized borrowing costs in respect of other intangible assets are ₩782,834 thousand for the six-month period ended June 30, 2022.

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2. Intangible Assets, Continued

(2) Changes in intangible assets for the six-month periods ended June 30, 2022 and 2021 are as follows, continued:

(In thousands of won)

		2021							End
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	balance
Internally created intangible assets:									
Development cost	₩	136,853,007	-	-	(31,132,870)	-	(6,086,729)	72,515,602	170,149,008
Other intangible assets		67,409,197	22,751,019	-	-	-	6,086,729	(71,717,848)	24,429,097
		<u>204,262,204</u>	<u>22,751,019</u>	<u>-</u>	<u>(31,132,870)</u>	<u>-</u>	<u>-</u>	<u>797,754</u>	<u>195,927,103</u>
Individually acquired intangible assets:									
Patents		834,407	75,256	-	(197,559)	(13,360)	-	-	702,744
Other intangible assets		4,834,646	502,287	(70,120)	(1,072,020)	-	-	3,594	4,194,787
		<u>5,669,053</u>	<u>577,543</u>	<u>(70,120)</u>	<u>(1,269,579)</u>	<u>(13,360)</u>	<u>-</u>	<u>3,594</u>	<u>3,490,185</u>
	₩	<u>209,931,257</u>	<u>23,328,562</u>	<u>(70,120)</u>	<u>(32,402,449)</u>	<u>(13,360)</u>	<u>-</u>	<u>801,348</u>	<u>201,585,893</u>

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

(2) Changes in intangible assets for the six-month periods ended June 30, 2022 and 2021 are as follows, continued:

(In thousands of US dollar)

		2022							End
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Others (*)	balance	
Internally created intangible assets:									
Development cost	\$	103,594	-	-	(27,146)	-	-	76,448	
Other intangible assets		28,620	28,574	-	-	-	605	57,799	
		<u>132,214</u>	<u>28,574</u>	<u>-</u>	<u>(27,146)</u>	<u>-</u>	<u>605</u>	<u>134,247</u>	
Individually acquired intangible assets:									
Patents		541	218	-	(146)	(4)	-	609	
Other intangible assets		3,159	282	(395)	(752)	-	4	2,298	
		<u>3,700</u>	<u>499</u>	<u>(395)</u>	<u>(898)</u>	<u>(4)</u>	<u>4</u>	<u>2,907</u>	
	\$	<u>135,914</u>	<u>29,073</u>	<u>(395)</u>	<u>(28,044)</u>	<u>(4)</u>	<u>609</u>	<u>138,153</u>	

(*) Capitalized borrowing costs in respect of other intangible assets are \$605 thousand for the six-month period ended June 30, 2022.

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2. Intangible Assets, Continued

(In thousands of won)

	2021							k
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	
Internally created intangible assets:								
Development cost	\$ 105,850	-	-	(24,080)	-	(4,708)	56,088	
Other intangible assets	52,138	17,597	-	-	-	4,708	(55,471)	
	<u>157,988</u>	<u>17,597</u>	<u>-</u>	<u>(24,080)</u>	<u>-</u>	<u>-</u>	<u>617</u>	
Individually acquired intangible assets:								
Patents	645	58	-	(153)	(10)	-	-	
Other intangible assets	3,739	388	(54)	(829)	-	-	3	
	<u>4,385</u>	<u>447</u>	<u>(54)</u>	<u>(982)</u>	<u>(10)</u>	<u>-</u>	<u>3</u>	
\$	<u>162,372</u>	<u>18,044</u>	<u>(54)</u>	<u>(25,062)</u>	<u>(10)</u>	<u>-</u>	<u>620</u>	

(*) Capitalized borrowing costs in respect of other intangible assets are \$617 thousand for the six-month period ended June 30, 2021.

(3) Details of capitalized development costs as of June 30, 2022 are as follows:

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

	Project name		Korean won		US dollar		Remaining amortization period (*1)
			₩		\$		
Development costs	RV (*2)	₩	91,207,433		\$ 70,545		1~4 years
	Power train and others		7,633,168		5,904		1~4 years
Other intangible assets	RV (*3)		74,728,213		57,799		-
		₩	<u>173,568,814</u>		<u>134,248</u>		

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

(*2) It is a development project for vehicles under sale as of June 30, 2022.

(*3) On-going development project for vehicles as of June 30, 2022 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

		Korean won		US dollar	
		₩		\$	
Capitalization of intangible assets	₩	37,725,959	23,548,773	\$ 29,179	18,21
Manufacturing costs		28,835,980	26,686,918	22,303	20,64
Selling and administrative expenses		6,452,854	5,845,271	4,991	4,52
	₩	<u>73,014,793</u>	<u>56,080,962</u>	<u>\$ 56,474</u>	<u>43,37</u>

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3. Lease

(1) Changes in right-of-use assets for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

		2022				
		Beginning balance	Increase (*)	Depreciation	Exchange rate effect	Ending balance
Land and building	₩	3,917,595	11,381,212	(2,172,483)	4,876	13,130,199
Vehicle		165,824	4,919,044	(891,094)	397	4,194,171
Equipment		279,871	277,218	(201,844)	-	355,245
	₩	<u>4,363,290</u>	<u>16,577,474</u>	<u>(3,265,421)</u>	<u>5,273</u>	<u>17,680,542</u>

(*) The amount of ₩11,340 million increased due to the extension of the lease contract for Guro A/S Center during the six-month period ended June 30, 2022.

(In thousands of won)

		2021					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	6,465,798	2,371,071	(2,606,843)	(6,408)	5,016	6,228,624
Vehicle		2,013,206	100,389	(955,995)	-	(64,432)	1,093,598
Equipment		1,014,632	-	(382,505)	-	-	632,127
	₩	<u>9,493,636</u>	<u>2,471,460</u>	<u>(3,945,343)</u>	<u>(6,408)</u>	<u>(59,416)</u>	<u>7,959,335</u>

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

(In thousands of US dollar)

		2022				
		Beginning balance	Increase (*)	Depreciation	Exchange rate effect	Ending balance
Land and building	\$	3,030	8,803	(1,680)	4	10,157
Vehicle		128	3,805	(689)	0	3,244
Equipment		216	214	(156)	-	274
	\$	<u>3,375</u>	<u>12,822</u>	<u>(2,526)</u>	<u>4</u>	<u>13,675</u>

(*) The amount of \$9 million increased due to the extension of the lease contract for Guro A/S Center during the six-month period ended June 30, 2022.

(In thousands of US dollar)

		2021					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,001	1,834	(2,016)	(5)	4	4,819
Vehicle		1,557	78	(739)	-	(50)	1,846
Equipment		785	-	(296)	-	-	489
	\$	<u>7,343</u>	<u>1,912</u>	<u>(3,052)</u>	<u>(5)</u>	<u>(46)</u>	<u>6,152</u>

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

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3. Lease, Continued

(2) Details of lease liabilities as of June 30, 2022 and December 31, 2021 are as follows:

		2022		2021	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	₩	6,123,465	5,516,922	5,135,068	4,106,688

		2022		2021	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	\$	4,736	4,267	3,972	3,176

(*) The total amounts of lease liabilities paid are ₩3,796,671 thousand (\$2,937 thousand) and ₩4,629,297 thousand (\$3,581 thousand) and interest expenses are ₩198,599 thousand (\$154 thousand) and ₩177,037 thousand (\$137 thousand) during the six-month periods ended June 30, 2022 and 2021, respectively.

(3) Expenses from lease contracts with low cost and short-term contract for the six-month periods ended June 30, 2022 and 2021 are as the following:

	Exemption of lease recognition		2022	2021
Office equipment	Low cost	₩	303,670	245,431
Building	Short term		-	7,500

	Exemption of lease recognition		2022	2021
Office equipment	Low cost	\$	235	190
Building	Short term		-	6

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

		2022	2021
Sub lease			
Less than 1 year	₩	3,542,024	3,774,200
1 year to 5 years		1,775,740	2,486,306
Lease to be received		5,317,764	6,260,506
Unrealized interests		(149,875)	(171,617)
Net investment in the lease		5,167,889	6,088,889
Interests from sublease for this period		88,992	90,120

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3. Lease, Continued

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

(In thousands of US dollar)

	2022	2021
Sub lease		
Less than 1 year	\$ 2,740	2,919
1 year to 5 years	1,373	1,923
Lease to be received	4,113	4,842
Unrealized interests	(116)	(133)
Net investment in the lease	3,997	4,709
Interests from sublease for this period	69	70

(5) Sales and lease back

The Group has been liquidating the land and buildings of the factory in Guro-dong, Guro-gu, Seoul to enhance asset efficiency and financial stability for the year ended December 31, 2021. 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 (\$0.14 Billion)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years(2020.07 ~ 2022.06)
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

(*) The Group has exercised the right to extend the lease term by a year for the six-month period ended June 30, 2022.

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 (\$47 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$81 million) increased.
- Lease deposit: ₩10,800 million (\$8 million) increased.

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4. Borrowings

(1) Details of short-term borrowings as of June 30, 2022 and December 31, 2021 are as follows:

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

Creditor	Type	Interest rate (%)	Korean won		US dollar	
			2022	2021	2022	2021
KDB Bank	Operating fund (*1)	CD+5.10	₩ 20,000,000	20,000,000	\$ 15,469	1
	Facility fund (*1)	CD+4.57	70,000,000	70,000,000	54,142	5
	Facility fund (*1)	CD+4.60	100,000,000	100,000,000	77,346	7
Woori Bank	Loans (*1)	CD+5.00	24,998,183	24,998,183	19,335	1
	Facility fund (*2)	2.66	40,000,000	40,000,000	30,938	3
Mahindra & Mahindra Ltd.	Overdraft (*2)	CD+2.00	19,999,969	19,999,969	15,469	1
(*3,*4,*5)	Overdraft (*3)	CD+2.00	29,999,869	29,999,869	23,204	2
	Overdraft (*4)	CD+4.00	10,000,000	-	7,735	
	Loans (*5)	3.00	40,000,000	-	30,938	
KG Mobility	Loans	5.00	50,000,000	-	38,673	
BNP PARIBAS(*4)	-	-	-	10,000,000	-	
			₩ 404,998,021	314,998,021	\$ 313,248	24

(*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, Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid loans of ₩ 19,999 million (\$17 million) and overdraft of ₩40,000 million (\$33 million) to the JP Morgan on behalf of the Group.

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

(*4) During the current year, Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid loans of ₩ 10,000 million (\$8 million) to the BNP PARIBAS on behalf of the Group.

(*5) The amounts are from Mahindra & Mahindra Ltd., the largest shareholder of the Group, and has been transferred from long-term borrowings for the six-months period ended June 30, 2022.

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

(2) Details of long-term borrowings as of June 30, 2022 and December 31, 2021 are as follows:

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

Creditor	Type	Interest rate (%) (*2)	Korean won		US dollar	
			2022	2021	2022	2021
Mahindra & Mahindra Ltd(*1)	Loans	-	₩ -	40,000,000	\$ -	3
Edison Motors(*3)	Loans	8.00	15,000,000	-	11,602	
Edison EV(*3)	Loans	8.00	15,000,000	-	11,602	
			₩ 30,000,000	40,000,000	\$ 23,204	3

(*1) The Group have an option of conversion of borrowing to equity, Mahindra & Mahindra cannot refuse it without an acceptable reason, and the amount was transferred to short-term borrowings for the six-months period ended June 30, 2022.

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

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4. Borrowings, Continued

(*3) On April 26, 2022, the Group received a transfer notice of collateral security and related borrowings to a 3rd party.

(3) Details of pledged assets as collateral for borrowings as of June 30, 2022 are as follows:

(In thousands of won)

<u>Creditor</u>	<u>Pledged assets</u>	<u>Borrowings amount</u>	<u>Maximum credit amount</u>
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
Edison Motors	Land and buildings	15,000,000	16,500,000
HAN2O CO.,LTD.	Land and buildings	7,000,000	7,700,000
Jung-jae, Cho	Land and buildings	4,000,000	4,400,000
Yeouido Global Investments	Land and buildings	4,000,000	4,400,000
		₩ 244,998,183	381,000,000

(In thousands of US dollar)

<u>Creditor</u>	<u>Pledged assets</u>	<u>Borrowings amount</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings, structures and machinery	\$ 146,956	232,000
Woori Bank	Land and buildings	19,335	37,000
Edison Motors	Land and buildings	11,602	12,000
HAN2O CO.,LTD.	Land and buildings	5,414	5,000
Jung-jae, Cho	Land and buildings	3,094	3,000
Yeouido Global Investments	Land and buildings	3,094	3,000
		\$ 189,495	292,000

5. Other Financial Liabilities

Details of other financial liabilities as of June 30, 2022 and December 31, 2021 are as follows:

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

	<u>Korean won</u>		<u>US dollar</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Accrued expenses	₩ 116,862,590	101,191,970	\$ 90,388	78,260

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5. Provision of Warranty for sale

The Group generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the six-month periods ended June 30, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
<i>(In thousands of won and in thousands of US dollar)</i>				
Beginning balance	₩ 104,576,650	119,171,345	\$ 80,885	92,17
Increase	6,042,693	6,772,482	4,674	5,23
Decrease	(15,352,648)	(18,193,063)	(11,875)	(14,07)
Ending balance	₩ 95,266,695	107,750,764	\$ 73,685	83,34
Current	₩ 41,809,929	45,324,700	\$ 32,338	35,05
Non-current	53,456,766	62,426,064	41,346	48,28

7. Other Liabilities

Details of other liabilities as of June 30, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Current	Non-current	Current	Non-current
<i>(In thousands of won)</i>				
Advances from customers	₩ 11,432,402	-	9,888,538	
Deposits received (*1)	36,965,897	-	15,916,385	
Withholdings	10,342,206	-	10,780,078	
Unearned revenue	11,901,568	12,990,577	5,277,341	17,651,65
Refund liability (*2)	1,381,197	-	1,475,042	
	₩ 72,023,270	12,990,577	43,337,384	17,651,65

(*1) The amounts include the M&A down payments amounting to ₩33,549 million provided by “KG Consortium” as a final takeover of the Group as of June 30, 2022.

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

	2022		2021	
	Current	Non-current	Current	Non-current
<i>(In thousands of US dollar)</i>				
Advances from customers	\$ 8,842	-	7,648	
Deposits received(*1)	28,591	-	12,311	
Withholdings	7,999	-	8,338	
Unearned revenue	9,205	10,048	4,082	13,65
Refund liability(*2)	1,068	-	1,141	
	\$ 55,707	10,048	33,520	13,65

(*1) The amounts include the M&A down payments amounting to \$26 million provided by “KG Consortium” as a final takeover of the Group as of June 30, 2022.

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

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3. Employee Benefits

(1) Details of defined benefit liabilities as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Present value of defined benefit obligations	₩ 371,745,512	363,990,154	\$ 287,528	281,530
Fair value of plan assets	(789,842)	(839,832)	(611)	(650)
	₩ <u>370,955,670</u>	<u>363,150,322</u>	\$ <u>286,918</u>	<u>280,880</u>

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 363,990,154	(839,832)	363,150,322
Current service cost	16,733,242	-	16,733,242
Interest expense (income)	4,984,937	(11,485)	4,973,452
Sub-total	<u>385,708,333</u>	<u>(851,317)</u>	<u>384,857,016</u>
Re-measurement factors:			
Re-measurements of plan assets	-	3,566	3,566
Sub-total	<u>-</u>	<u>3,566</u>	<u>3,566</u>
Benefit paid by plan	(57,909)	57,909	-
Benefit paid directly	(13,904,912)	-	(13,904,912)
Ending balance	₩ <u>371,745,512</u>	<u>(789,842)</u>	<u>370,955,670</u>

(In thousands of won)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 383,312,042	(933,028)	382,379,014
Current service cost	19,397,035	-	19,397,035
Interest expense (income)	4,525,591	(10,979)	4,514,612
Sub-total	<u>407,234,668</u>	<u>(944,007)</u>	<u>406,290,661</u>
Re-measurement factors:			
Re-measurements of plan assets	-	2,207	2,207
Sub-total	<u>-</u>	<u>2,207</u>	<u>2,207</u>
Benefit paid by plan	(56,466)	56,466	-
Benefit paid directly	(16,708,301)	-	(16,708,301)
Ending balance	₩ <u>390,469,901</u>	<u>(885,334)</u>	<u>389,584,567</u>

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3. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the six-month periods ended June 30, 2022 and 2021 are as follows, continued:

(In thousands of US dollar)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 281,530	(650)	280,880
Current service cost	12,942	-	12,942
Interest expense (income)	3,856	(9)	3,847
Sub-total	298,328	(658)	297,670
Re-measurement factors:	-	-	-
Re-measurements of plan assets	-	3	3
Sub-total	-	3	3
Benefit paid by plan	(45)	45	-
Benefit paid directly	(10,755)	-	(10,755)
Ending balance	\$ 287,528	(611)	286,918

(In thousands of US dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 296,475	(722)	295,753
Current service cost	15,003	-	15,003
Interest expense (income)	3,500	(8)	3,492
Sub-total	314,978	(730)	314,248
Re-measurement factors:	-	-	-
Re-measurements of plan assets	-	2	2
Sub-total	-	2	2
Benefit paid by plan	(44)	44	-
Benefit paid directly	(12,923)	-	(12,923)
Ending balance	\$ 302,011	(685)	301,326

(3) The components of plan assets as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Insurance contracts	₩ 789,842	839,832	\$ 611	650

(4) Actuarial assumptions used related to plans as of June 30, 2022 and December 31, 2021 are as follows:

	2022	2021
Discount rate (%)	2.80	2.80
Rate of future salary growth (%)	2.97	2.97

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3. Employee Benefits, Continued

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.

3. Commitments and Contingencies

Details of commitments and contingencies as of June 30, 2022 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of June 30, 2022, the loan agreement with Korea Development Bank and others has been terminated due to the application for the commencement of court receivership, and the borrowing amounts were ₩ 434,998 million (\$336 million).
- (3) As of June 30, 2022, 4 claims as a plaintiff were filled with the claim amount of ₩3,417 million (\$3 million) and 12 claims as a defendant were filled with the claims of ₩1,449 million (\$1 million). The provision amounting to ₩7,888 million (\$6 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and the management expects that it is probable that the Group will be required to incur an outflow.
- (4) Details of other payable recognized as provisions as of June 30, 2022 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 79,694,475	124,578,526	\$ 61,640	96,356
Increase (*)	33,571,372	33,538,339	25,966	25,940
Decrease	(19,456,702)	(20,358,024)	(15,049)	(15,746)
Ending balance	₩ 93,809,145	137,758,841	\$ 72,557	106,550

(*) In relation to *CO2 emission regulations in Korea/EU(the Act on Allocation and Trading of Greenhouse Gas Emission)*, the Group estimates the expenses based on the expected quantity of emission in excess of free allocated emission right comparing standard fuel efficiency. As a result of additional recognition of ₩7,840,664 thousand(\$6,939 thousand) for the six-month period ended June 30, 2022, the Group has recognized a provision of ₩76,263,201 thousand(\$67,490 thousand) as of June 30, 2022. And the Group recognized expected costs as a provision with regard to foregoing lawsuits and sales incentive, etc.

- (5) As of December 21, 2020, the Group filed for commencement of rehabilitation procedure and received a disposition of property preservation and an order of comprehensive prohibition from the courts.
- (6) Details of payment guarantee provided by others as of June 30, 2022 are as follows:

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3. Commitments and Contingencies, Continued

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	2022	
		Korean Won	US Dollar
Seoul guarantee insurance company	Performance guarantee payment Deposits	₩ 3,048,923	\$ 2,35
		926,500	71
		₩ 3,975,423	\$ 3,07

J. Capital Stock

The Group's capital stock as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Number of shares authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 3.87	3.87
Capital stock	749,200,010	749,200,010	579,473	579,473

I. Other Capital Surplus

Details of other capital surplus as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,452	2,452
Gain on capital reduction	74,061,697	74,061,697	57,283	57,283
	₩ 77,231,312	77,231,312	\$ 59,735	59,735

2. Other Equity

(1) Details of the Group's other equity as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Accumulated revaluation surplus from revaluation on land	₩ 223,495,126	223,495,126	\$ 172,863	172,863
Accumulated foreign currency translation difference for foreign operations	491,048	641,119	380	491
	₩ 223,986,174	224,136,245	\$ 173,243	173,354

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2. Other Equity, Continued

(2) Changes in the foreign currency translation difference for foreign operation for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 641,119	826,888	\$ 496	€
Change of foreign currency translation difference for foreign operation	(150,071)	(119,840)	(116)	(
Ending balance	₩ 491,048	707,048	\$ 380	€

3. Deficit

(1) Details of deficit as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Deficit	₩ (1,161,518,127)	(1,131,164,224)	\$ (898,382)	(874,9

(2) Changes in deficit for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ (1,131,164,224)	(916,311,834)	\$ (874,905)	(708,7
Loss for the period	(30,348,415)	(180,531,084)	(23,473)	(139,6
Defined benefit plan re-measurement	(3,566)	(2,206)	(3)	
Defined benefit plan re-measurement from joint venture	(1,922)	(3,442)	(1)	
Ending balance	₩ (1,161,518,127)	(1,096,848,566)	\$ (898,382)	(848,3

4. Income Tax Expense (profit)

Details of income tax expenses for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Parent Company (*)	₩ -	-	\$ -	
Subsidiaries	-	(2,436)	-	(2
	₩ -	(2,436)	\$ -	(2

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4. Income Tax Expense (profit), Continued

(*) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of June 30, 2022.

5. Nature of Expenses

Details of nature of expenses for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (23,091,716)	(30,538,772)	(8,134,421)	27,008,147
Raw materials consumed and purchase of merchandise	552,339,423	1,101,237,133	449,145,051	830,850,292
Employee benefits	87,510,811	175,512,471	116,901,517	237,688,422
Depreciation	29,759,472	60,662,468	30,104,027	59,910,931
Amortization	16,519,846	36,257,886	16,646,461	32,402,449
Others	72,939,367	137,736,783	100,913,326	138,282,418
	₩ <u>735,977,203</u>	<u>1,480,867,969</u>	<u>705,575,961</u>	<u>1,326,142,659</u>

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

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	\$ (17,860)	(23,620)	(6,292)	20,890
Raw materials consumed and purchase of merchandise	427,210	851,757	347,393	642,625
Employee benefits	67,686	135,751	90,418	183,841
Depreciation	23,018	46,920	23,284	46,338
Amortization	12,777	28,044	12,875	25,062
Others	56,415	106,533	78,052	106,955
	\$ <u>569,245</u>	<u>1,145,385</u>	<u>545,731</u>	<u>1,025,712</u>

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

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5. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

		2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	₩	4,865,991	10,286,696	8,274,736	14,340,772
Commissions		30,197,671	64,481,567	33,975,600	62,175,881
Advertising		2,218,924	4,641,043	3,347,990	4,366,335
Export expenses		6,063,334	9,065,456	2,578,599	4,530,193
Sales promotion expenses		3,148,623	5,290,725	4,729,543	11,875,068
Others		2,930,705	5,863,437	2,724,116	5,446,811
	₩	<u>49,425,248</u>	<u>99,628,924</u>	<u>55,630,584</u>	<u>102,735,060</u>

(In thousands of US dollar)

		2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Warranty expenses	\$	3,764	7,956	6,400	11,092
Commissions		23,357	49,874	26,279	48,090
Advertising		1,716	3,590	2,590	3,377
Export expenses		4,690	7,012	1,994	3,504
Sales promotion expenses		2,435	4,092	3,658	9,185
Others		2,267	4,535	2,107	4,213
	\$	<u>38,228</u>	<u>77,058</u>	<u>43,028</u>	<u>79,461</u>

(2) Details of general and administrative expenses for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

		2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩	8,753,441	17,741,228	12,173,188	24,669,303
Retirement benefit costs		1,187,785	2,378,056	1,537,781	3,037,762
Employee welfare		1,913,890	3,593,039	1,694,814	3,788,383
Rent expense		2,195,903	4,470,685	2,563,631	5,146,738
Service fees		4,929,784	10,551,277	3,549,962	7,046,956
Depreciation		2,564,708	5,432,153	3,662,811	7,441,750
R&D expenses		3,743,352	6,452,854	3,461,966	5,845,271
Amortization		529,228	1,161,338	630,246	1,269,579
(Reversal of) bad debt expense		(167,466)	214,270	202,443	246,840
Others		8,915,226	17,168,705	6,191,201	15,718,795
	₩	<u>34,565,851</u>	<u>69,163,605</u>	<u>35,668,043</u>	<u>74,211,377</u>

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26. Selling, General and Administrative Expenses, Continued

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	\$ 6,770	13,722	9,415	19,081
Retirement benefit costs	919	1,839	1,189	2,350
Employee welfare	1,480	2,779	1,311	2,930
Rent expense	1,698	3,458	1,983	3,981
Service fees	3,813	8,161	2,746	5,451
Depreciation	1,984	4,202	2,833	5,756
R&D expenses	2,895	4,991	2,678	4,521
Amortization	409	898	487	982
(Reversal of) bad debt expense	(130)	166	157	191
Others	6,896	13,279	4,789	12,158
	<u>\$ 26,735</u>	<u>53,495</u>	<u>27,588</u>	<u>57,399</u>

7. Other Income and Expenses

(1) Details of other income for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	₩ 2,769,471	4,782,379	1,110,684	1,957,188
Foreign exchange translation gain	(604,011)	624,545	(677,110)	609,666
Gain on disposal of property, plant and equipment	526,443	1,346,166	30,200	215,597
Others	34,129,441	35,355,881	2,156,286	5,436,924
	<u>₩ 36,821,344</u>	<u>42,108,971</u>	<u>2,620,060</u>	<u>8,219,375</u>

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction gain	\$ 2,142	3,699	859	1,514
Foreign exchange translation gain	(467)	483	(524)	472
Gain on disposal of property, plant and equipment	407	1,041	23	167
Others	26,398	27,346	1,668	4,205
	<u>\$ 28,480</u>	<u>32,569</u>	<u>2,026</u>	<u>6,357</u>

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7. Other Income and Expenses, Continued

(2) Details of other expenses for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	₩ 2,906,037	3,579,690	1,270,263	3,253,08
Foreign exchange translation loss	851,590	1,218,941	(85,491)	513,24
Loss on disposal of property, plant and equipment	81,736	1,074,831	109,499	340,67
Loss on disposal of intangible assets	11,000	11,000	-	-
Loss on disposal of trade receivables	5,323	13,722	8,510	14,34
Impairment loss on Intangible assets	-	4,818	13,360	13,36
Loss on disposal of subsidiaries	-	-	-	232,53
Other bad-debt expenses	300,435	454,323	(911)	164,70
Others	238,020	701,311	57,543	123,00
₩	<u>4,394,141</u>	<u>7,058,636</u>	<u>1,372,773</u>	<u>4,654,95</u>

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Foreign exchange transaction loss	\$ 2,248	2,769	982	2,51
Foreign exchange translation loss	659	943	(66)	39
Loss on disposal of property, plant and equipment	63	831	85	26
Loss on disposal of intangible assets	9	9	-	-
Loss on disposal of trade receivables	4	11	7	1
Impairment loss on Intangible assets	-	4	10	1
Loss on disposal of subsidiaries	-	-	-	18
Other bad-debt expenses	232	351	(1)	12
Others	184	542	45	9
\$	<u>3,399</u>	<u>5,460</u>	<u>1,062</u>	<u>3,60</u>

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3. Finance Income and Costs

(1) Details of finance income for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	₩ 403,860	688,569	301,738	679,58
Dividend income	5,000	11,000	-	6,00
Foreign exchange transaction gain	1,092,639	2,083,407	597,491	1,961,31
Gain on exemption of debts	-	9,350	-	-
₩	<u>1,501,499</u>	<u>2,792,326</u>	<u>899,229</u>	<u>2,646,89</u>

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest income	\$ 312	533	233	52
Dividend income	4	9	-	-
Foreign exchange transaction gain	845	1,611	462	1,51
Gain on exemption of debts	-	7	-	-
\$	<u>1,161</u>	<u>2,160</u>	<u>696</u>	<u>2,04</u>

(2) Details of finance costs for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	₩ 4,149,374	7,811,277	3,516,270	8,131,87
Foreign exchange transaction loss	316,584	1,199,825	141,542	716,76
₩	<u>4,465,958</u>	<u>9,011,102</u>	<u>3,657,812</u>	<u>8,848,63</u>

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Interest expense	\$ 3,209	6,042	2,720	6,29
Foreign exchange transaction loss	245	928	109	55
\$	<u>3,454</u>	<u>6,970</u>	<u>2,829</u>	<u>6,84</u>

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28. Finance Income and Costs, Continued

(3) Details of the Group's financial net profit or loss for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Financial assets/ liabilities at amortized cost	₩ (2,969,459)	(6,239,126)	(2,758,583)	(6,207,737)
Financial assets at FVTPL	5,000	11,000	-	6,000
	₩ <u>(2,964,459)</u>	<u>(6,228,126)</u>	<u>(2,758,583)</u>	<u>(6,201,737)</u>

(In thousands of US dollar)

	2022		2021	
	Three-month period	Six-month period	Three-month period	Six-month period
Financial assets/ liabilities at amortized cost	\$ (2,297)	(4,826)	(2,134)	(4,801)
Financial assets at FVTPL	4	9	-	
	\$ <u>(2,293)</u>	<u>(4,817)</u>	<u>(2,134)</u>	<u>(4,791)</u>

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3. Losses per Share

(1) Basic losses per share for the three-month and the six-month periods ended June 30, 2022 and 2021 are calculated as follows:

(In thousands of won, except per share information)

		2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Loss for the periods	₩	1,263,037	(30,348,415)	(94,240,782)	(180,531,084)
Loss contributed to common stocks		1,263,037	(30,348,415)	(94,240,782)	(180,531,084)
Weighted average number of common shares (in shares)		149,840,002	149,840,002	149,840,002	149,840,002
Basic earnings (losses) per share (*) (in won)	₩	8	(203)	(629)	(1,205)

(*) Diluted earnings (losses) per share are not calculated for the six-month periods ended June 30, 2022 and 2021 because there are no dilutive shares as of June 30, 2022 and 2021.

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

		2022		2021	
		Three-month period	Six-month period	Three-month period	Six-month period
Loss for the periods	\$	977	(23,473)	(72,891)	(139,633)
Loss contributed to common stocks		977	(23,473)	(72,891)	(139,633)
Weighted average number of common shares (in shares)		149,840,002	149,840,002	149,840,002	149,840,002
Basic earnings (losses) per share (*) (in US dollar)	\$	0.01	(0.16)	(0.49)	(0.93)

(*) Diluted earnings (losses) per share are not calculated for the six-month periods ended June 30, 2022 and 2021 because there are no dilutive shares as of June 30, 2022 and 2021.

(2) The weighted average number of common shares outstanding for the six-month periods ended June 30, 2022 and 2021 is calculated as follows:

(In shares)

	Outstanding period	2022		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2022-01-01~2022-06-30	149,840,002	181/181	149,840,002

(In shares)

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

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J. Cash Flows

(1) Details of cash flows from operating activities for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Loss for the period	₩ (30,348,415)	(180,531,084)	\$ (23,473)	(139,635)
Adjustments for:				
Retirement benefit costs	21,706,694	23,911,647	16,789	18,490
Depreciation	60,662,468	59,910,931	46,920	46,330
Amortization	36,257,886	32,402,449	28,044	25,060
Depreciation of right-of-use asset	3,265,421	3,945,343	2,526	3,050
Impairment loss on Intangible assets	4,818	13,360	4	1
Losses on disposal of trade receivables	13,722	14,346	11	1
Foreign exchange translation gain and loss, net	594,397	(96,423)	460	(750)
Gains and losses on disposal of property, plant and equipment, net	(271,335)	125,074	(210)	9
Gains and losses on disposal of intangible assets, net	11,000	-	9	-
Interest expense and income, net	7,122,708	7,452,290	5,509	5,760
Dividends income	(11,000)	(6,000)	(9)	(5)
(Reversal of) losses on valuation of inventories	(5,255,792)	1,761,364	(4,065)	1,360
Increase in provision of warranty for sale	6,042,693	6,772,481	4,674	5,230
Sales promotion expenses	1,246,010	-	964	-
Export overall expenses	3,699,799	-	2,862	-
Bad debt expense	214,270	246,840	166	190
Other bad debt expense	454,323	120,459	351	90
Equity profit on investments	(88,737)	(17,253)	(69)	(130)
Others	(30,261,347)	7,166,647	(23,406)	5,540
	<u>105,407,998</u>	<u>143,723,555</u>	<u>81,528</u>	<u>111,160</u>
Changes in assets and liabilities				
Increase of trade receivables	(8,827,889)	(16,148,148)	(6,828)	(12,490)
Decrease(increase) of other receivables	(6,978,723)	5,201,119	(5,398)	4,020
Decrease(increase) of inventories	(5,256,946)	17,933,532	(4,066)	13,870
Increase of other assets	(20,553,319)	(21,642,791)	(15,897)	(16,740)
Decrease of trade payables	(11,049,932)	(24,586,311)	(8,547)	(19,010)
Increase of other payables	3,290,983	42,126,087	2,545	32,580
Increase of accrued expenses	7,154,765	29,643,114	5,534	22,920
Decrease of provision of warranty for sale	(15,352,649)	(18,193,063)	(11,875)	(14,070)
Increase of provision for others	13,943,297	-	10,785	-
Payment of retirement benefits	(13,904,912)	(16,708,301)	(10,755)	(12,920)
Increase(decrease) of other liabilities	2,647,850	(7,740,490)	2,048	(5,980)
	<u>(54,887,475)</u>	<u>(10,115,252)</u>	<u>(42,453)</u>	<u>(7,820)</u>
Net cash provided by (used in) operating activities	₩ <u>20,172,108</u>	<u>(46,922,781)</u>	\$ <u>15,602</u>	<u>(36,290)</u>

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J. Cash Flows, Continued

(2) Significant non-cash activities for the six-month periods ended June 30, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Changes in other payables related to the acquisition of property, plant and equipment	₩ (177,651)	(18,076,110)	\$ (137)	(13,980)
Changes in other comprehensive income gains on revaluation	-	278,800,357	-	215,640
Changes in asset from sale of investments in subsidiaries	-	291,715	-	230
Changes in liabilities and equity from sale of investments in subsidiaries	-	31,737	-	25

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,998,021	60,000,000	(10,000,000)	40,000,000	-	404,998,021
Long-term borrowings	40,000,000	30,000,000	-	(40,000,000)	-	30,000,000
Lease liabilities	9,241,756	-	(3,733,372)	6,126,694	5,309	11,634,387
Deposit withholdings	15,514,191	54,520,609	(3,000,000)	(30,485,800)	-	36,549,000
	₩ 379,753,968	144,520,609	(16,733,372)	(24,359,106)	5,309	483,182,108

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

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(3) Adjustment of liabilities from financing activities, continued

Changes in liabilities from financial activities for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of US dollar)

	2022					Ending balance
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	
Short-term borrowings	\$ 243,637	46,407	(7,735)	30,938	-	3
Long-term borrowings	30,938	23,204	-	(30,938)	-	
Lease liabilities	7,148	-	(2,888)	4,739	4	
Deposit withholdings	12,000	42,169	(2,320)	(23,579)	-	
	<u>\$ 293,723</u>	<u>111,780</u>	<u>(12,943)</u>	<u>(18,841)</u>	<u>4</u>	<u>3</u>

	2021					Ending balance
	Beginning balance	Decrease	Others	Exchange rate effect	Ending balance	
Short-term borrowings	\$ 243,638	(1)	-	-	-	243,638
Long-term borrowings	30,938	-	-	-	-	30,938
Lease liabilities	6,513	(3,581)	5,210	-	-	8,142
	<u>\$ 281,089</u>	<u>(3,582)</u>	<u>5,210</u>	<u>-</u>	<u>-</u>	<u>282,717</u>

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
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(Unaudited)

For the six-month periods ended June 30, 2022 and 2021

I. Segment Information

- (1) The Group determined itself as a single reportable segment by considering the nature of goods and service as well as the characteristic of assets used in providing service. The Group has not disclosed operating income or loss, profit or loss before income taxes and total assets and liabilities by reportable segment.
- (2) Geographic sales information of the Group for the six-month periods ended June 30, 2022 and 2021 is as follows:

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

Sales region	Korean won		US dollar	
	2022	2021	2022	2021
Republic of Korea	₩ 917,440,981	822,666,061	\$ 709,599	636,295
Europe	242,282,512	132,961,780	187,395	102,840
Asia Pacific	136,401,355	129,079,369	105,500	99,837
Others	177,607,399	113,168,518	137,371	87,531
Consolidated adjustment	(51,955,516)	(49,646,520)	(40,185)	(38,399)
	₩ 1,421,776,731	1,148,229,208	\$ 1,099,680	888,104

Non-current assets are not separately disclosed since those are located in Korea. There is no main customer who accounts for over ten percent of the total sales and thus should be disclosed, because most sales occur through contract with customers and authorized foreign agencies.

- (3) Information of sales of goods and service for the six-month periods ended June 30, 2022 and 2021 is as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Automobile	₩ 1,215,535,900	956,976,870	\$ 940,162	740,179
Merchandise and parts	142,052,910	147,374,800	109,872	113,988
Others	64,187,921	43,877,538	49,646	33,937
	₩ 1,421,776,731	1,148,229,208	\$ 1,099,680	888,104

- (4) Balances of Contracts as of June 30, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Receivables from contracts with customers	₩ 116,272,498	108,474,907	\$ 89,932	83,900
Contract liabilities (*)	24,892,144	32,817,530	19,253	25,383

(*) Contract liabilities in unearned revenue occurred from contracts with customers that would be recognized over time including product warranty and transportation.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
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2. Transactions and Balances with Related Parties

(1) Details of related parties as of June 30, 2022 are as follows:

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

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

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

(2) Transactions with related parties for the six-month periods ended June 30, 2022 and 2021 are as follows:

(In thousands of won)

Relationship	Company	Description	2022	2021
Parent	Mahindra & Mahindra Ltd. (*1)	Sales	₩ -	3,908,17
		Other income	-	-
		Purchases	-	2,516,38
		Other expenses	-	592,88
Joint venture	SY Auto Capital Co., Ltd.	Other income	736	89,70
		Other expenses	1,908,715	19,024,20
Others	Mahindra Vehicle Manufacturing Ltd. and others. (*1,*2)	Sales	-	370,50
		Other income	-	90
		Purchase	-	10,87
		Other expenses	-	353,27

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

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

(In thousands of US dollar)

Relationship	Company	Description	2022	2021
Parent	Mahindra & Mahindra Ltd. (*1)	Sales	\$ -	3,02
		Other income	-	-
		Purchases	-	1,94
		Other expenses	-	45
Joint venture	SY Auto Capital Co., Ltd.	Other income	1	4
		Other expenses	1,476	14,71
Others	Mahindra Vehicle Manufacturing Ltd. and others. (*1,*2)	Sales	-	28
		Other income	-	-
		Purchase	-	-
		Other expenses	-	27

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

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

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2. Transactions and Balances with Related Parties, Continued

(3) No account balances occurred with related parties for the six-month periods ended June 30, 2022 and 2021.

(4) No capital transactions occurred with related parties for the six-month periods ended June 30, 2022 and 2021.

(5) Executive compensation of the Group for the six-month periods ended June 30, 2022 and 2021, is as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Short-term employee benefits	₩ 859,050	1,687,200	\$ 664	1,305
Retirement benefits	61,685	70,732	48	55

3. Financial Instruments

(1) Capital risk management

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

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

Debt-to-equity ratio as of June 30, 2022 and December 31, 2021 is as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Debt (A)	₩ 2,076,624,052	1,943,566,582	\$ 1,606,175	1,503,264
Equity (B)	(111,100,631)	(80,596,657)	(85,931)	(62,338)
Debt-to-equity ratio (A/B) (*)	-	-	-	-

(*) Debt-to-equity ratio was not calculated because the total equity is negative.

(2) Details of financial assets and liabilities by category as of June 30, 2022 and December 31, 2021 are as follows:

1) Financial assets

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 88,334,947	-	88,334,947	88,334,947
Short-term financial instruments	42,356,488	-	42,356,488	42,356,488
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	170,171,533	-	170,171,533	170,171,533
Non-current financial assets	-	560,000	560,000	560,000
	₩ 300,866,968	560,000	301,426,968	301,426,968

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3. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of June 30, 2022 and December 31, 2021 are as follows, continued:

1) Financial assets, continued

(In thousands of won)

		2021			
		Amortized 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
	₩	<u>240,143,646</u>	<u>560,000</u>	<u>240,703,646</u>	<u>240,703,646</u>

(In thousands of US dollar)

		2022			
		Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$	68,323	-	68,323	68,323
Short-term financial instruments		32,761	-	32,761	32,761
Long-term financial instruments		3	-	3	3
Trade and other receivables		131,620	-	131,620	131,620
Non-current financial assets		-	433	433	433
	\$	<u>232,707</u>	<u>433</u>	<u>233,140</u>	<u>233,140</u>

(In thousands of US dollar)

		2021			
		Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$	42,283	-	42,283	42,283
Short-term financial instruments		16,456	-	16,456	16,456
Long-term financial instruments		3	-	3	3
Trade and other receivables		126,998	-	126,998	126,998
Non-current financial assets		-	433	433	433
	\$	<u>185,740</u>	<u>433</u>	<u>186,173</u>	<u>186,173</u>

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3. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of June 30, 2022 and December 31, 2021 are as follows, continued:

2) Financial liabilities

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

		2022			
Currency		Financial liability measured at amortized cost	Fair value	Financial liability measured at amortized cost	Fair value
Trade and other payables	₩	846,362,894	846,362,894	\$ 654,624	654,624
Borrowings		434,998,021	434,998,021	336,451	336,451
Other liabilities		11,640,387	11,640,387	9,003	9,003
	₩	<u>1,293,001,302</u>	<u>1,293,001,302</u>	<u>\$ 1,000,078</u>	<u>1,000,078</u>
		2021			
Currency		Financial liability measured at amortized cost	Fair value	Financial liability measured at amortized cost	Fair value
Trade and other payables	₩	818,743,396	818,743,396	\$ 633,261	633,261
Borrowings		354,998,021	354,998,021	274,575	274,575
Other liabilities		15,512,588	15,512,588	11,998	11,998
	₩	<u>1,189,254,005</u>	<u>1,189,254,005</u>	<u>\$ 919,834</u>	<u>919,834</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 factor.

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of June 30, 2022.

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3. Financial Instruments, Continued

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

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,222,408	(2,222,408)	\$ 1,719	(1,719)
EUR	4,304,919	(4,304,919)	3,330	(3,330)
JPY	7,433	(7,433)	6	(6)
Others	2,229,533	(2,229,533)	1,724	(1,724)
	₩ 8,764,293	(8,764,293)	\$ 6,779	(6,779)

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 ₩981,296 thousand (\$759 thousand) for the six-month period ended June 30, 2022, 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 receivables are collected within 75 days.

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

Maximum exposure in respect of credit risk as of June 30, 2022 and December 31, 2021 is as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Trade and other receivables	₩ 170,171,533	164,195,963	\$ 131,620	126,998
Short-term financial instruments	42,356,488	21,275,651	32,761	16,456

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3. Financial Instruments, Continued

(3) Financial risk management, continued:

3) Liquidity risk

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

The contractual maturities of financial liabilities as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands of won)

		2022		
		Within a year	Over 1 year	Total
Trade payables	₩	506,198,687	-	506,198,687
Other payables		275,991,083	-	275,991,083
Short-term borrowings (*)		408,293,363	-	408,293,363
Lease liabilities (*)		6,430,132	5,634,720	12,064,852
Other payables		64,108,939	-	64,108,939
Long-term borrowings (*)		-	33,840,000	33,840,000
Long-term other payables		-	64,185	64,185
	₩	<u>1,261,022,204</u>	<u>39,538,905</u>	<u>1,300,561,109</u>

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

(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
	₩	<u>1,147,070,166</u>	<u>46,795,961</u>	<u>1,193,866,127</u>

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

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3. Financial Instruments, Continued

(3) Financial risk management, continued:

3) Liquidity risk, continued

(In thousands of US dollar)

	2022		
	Within a year	Over 1 year	Total
Trade payables	\$ 391,522	-	391,522
Other payables	213,467	-	213,467
Short-term borrowings (*)	315,797	-	315,797
Lease liabilities (*)	4,973	4,358	9,332
Other payables	49,585	-	49,585
Long-term borrowings (*)	-	26,174	26,174
Long-term other payables	-	50	50
	<u>\$ 975,344</u>	<u>30,582</u>	<u>1,005,926</u>

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

(In thousands of US dollar)

	2021		
	Within a year	Over 1 year	Total
Trade payables	\$ 399,863	-	399,863
Other payables	200,810	-	200,810
Short-term borrowings (*)	243,637	-	243,637
Lease liabilities (*)	4,166	3,236	7,402
Other payables	26,733	-	26,733
Other liabilities	11,998	-	11,998
Long-term borrowings (*)	-	32,909	32,909
Long-term other payables	-	50	50
	<u>\$ 887,207</u>	<u>36,195</u>	<u>923,402</u>

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

(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 are not significant.

2) Valuation methods and assumptions applied in fair value measurement

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

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

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3. Financial Instruments, Continued

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

3) The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2 or 3, based on the degree to which the fair value is observable.

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or in indirectly (i.e. derived from prices)
Level 3	input for the asset or liability that are not based on observable market data (unobservable inputs)

No financial instruments are measured at fair value after initial recognition as of June 30, 2022.

4. Going concern assumption

The Group's financial statements are prepared on the assumption that it will continue as 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.

However, due to deteriorating financial structure, the Group has incurred operating losses of ₩59,091 million (\$46 million) and net losses of ₩30,348 million (\$23 million) during the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩939,039 million (\$726 million) and the Group is a complete capital erosion due to total equity is (-)₩111,101 million ((-) \$86 million) as of the end of the reporting period.

In addition, 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 on December 21, 2020. The Court commenced rehabilitation procedure on April 15, 2021, and the Group has resumed 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. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium 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 and the Group submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

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.

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4. 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, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The consolidated interim 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.

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

The Group filed for commencement of rehabilitation procedure with the Court under the Debtor Rehabilitation and Bankruptcy Act, and the Court commenced rehabilitation procedures on April 15, 2021.

The Group has resumed 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. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 with approval of the Court and received as down payment of ₩30.5 billion (\$23.6 million), 10% of total acquisition price. However, the acquisition contract with a consortium led by Edison Motors was terminated on March 25, 2022 after the buyer failed to pay the remaining payment of ₩274.3 billion (212.2 million) by March 25, 2022, the deadline date (5 business days before the date of the assembly of interested parties for the plan) and as a result, the received down payment of ₩30.5 billion (\$23.6 million) will be attributed to the Group.

Since then, the Company submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason. According to revised rehabilitation plan (Stalking-Horse bid M&A), the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Company will submit a rehabilitation plan reflected the term sheets of the investment contract with the KG Consortium.

5. Delisting issue occurrence and 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. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, The Korea Stock Exchange Listing Disclosure Committee regranted a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.