

KG MOBILITY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
WITH INDEPENDENT ACCOUNTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

**To the Shareholders and Board of Directors of
KG Mobility Company:**

Reviewed financial statements

We have reviewed the accompanying consolidated interim financial statements of KG Mobility Company (formerly known as Ssangyong Motor Company) and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of March 31, 2023, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-months ended March 31, 2023 and 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with K-IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

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

(1) Graduating from court-led debt rescheduling program

As stated in note 34, The Group filed for the commencement of the rehabilitation procedures with the Court under the Debtor Rehabilitation and Bankruptcy Act, and the Court commenced the rehabilitation procedures on April 15, 2021.

The Group has resumed the M&A process before the Court approval of its 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 the revised rehabilitation plan, the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Court approved the rehabilitation plan reflecting the details of the investment contract from the KG Consortium on August 26, 2022.

Finally, the Group has graduated from the court-led debt rescheduling program on November 11, 2022 in accordance with *the Article 283(1) of the "Debtor Rehabilitation and Bankruptcy Act"* of Republic of Korea, after the Group completed the redemption of most of the rehabilitation security rights and claims.

(2) Ruling of maintenance on listing and resuming of stock trading

As stated in Note 35, the Group have resolved the formal delisting issue by obtaining the auditors' report dated on March 14, 2023 with an unqualified opinion on the 2022 financial statements within the additional grace period until April 14, 2023.

However, the Korea Stock Exchange Listing Disclosure Committee have designated the Group for substantive examination on April 4, 2023 due to the occurrence of substantive examination reasons for listing suitability. The Korea Stock Exchange has conducted an eligibility review and ruled the maintenance on the Group's listing on April 27, 2023. Consequently, trading of its shares resumed from April 28, 2023.

Other matters

We have audited the consolidated financial statement of financial position of the Group as of December 31, 2022, the related consolidated financial statements of comprehensive income, changes in equity and cash flows for the year then ended, not presented herein, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements in our audit report dated March 14, 2023. The consolidated statement of financial position as of December 31, 2022, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2022.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

PKF Seo-Hyun Accounting Corp.

Seoul, Korea
May 15, 2023

<p>This report is effective as of May 15, 2023 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>

KG MOBILITY COMPANY AND ITS SUBSIDIARIES
Consolidated Interim Statements of Financial Position
(Unaudited)

As of March 31, 2023 and December 31, 2022

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

	Note	Korean won		US dollar			
		2023	2022	2023	2022		
Assets							
Cash and cash equivalents	4,5,33	₩	31,542,873	104,961,806	\$	24,193	80,505
Short-term financial instruments	5,33		193,206,266	5,808,774		148,187	4,455
Trade receivables	7,31,32,33		156,976,658	135,270,116		120,399	103,751
Other receivables	7,32,33		12,062,972	15,447,853		9,252	11,848
Loans and others	7,13,33		25,027,076	24,440,366		19,195	18,745
Inventories	8,25		291,741,657	253,331,386		223,763	194,302
Other current assets	10		114,327,342	87,899,079		87,688	67,418
Total current assets			824,884,844	627,159,380		632,677	481,024
Long-term financial instruments	5,33		4,000	4,000		3	3
Non-current other receivables	7,13,31,32,33		30,905,266	22,750,260		23,704	17,449
Non-current financial assets	6,33		560,000	560,000		430	430
Property, plant and equipment	11		1,141,979,962	1,149,726,517		875,886	881,827
Intangible assets	12		163,136,618	164,107,088		125,124	125,868
Investments in joint venture	9		20,085,019	22,476,322		15,405	17,239
Other non-current assets	10		275,580	275,882		211	212
Right-of-use assets	13		7,212,538	10,745,951		5,532	8,242
Deferred tax assets	24		4,798,932	4,101,895		3,681	3,146
Total non-current assets			1,368,957,916	1,374,747,915		1,049,975	1,054,416
Total assets		₩	2,193,842,760	2,001,907,294	\$	1,682,653	1,535,440

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND ITS SUBSIDIARIES
Consolidated Interim Statements of Financial Position, Continued
(Unaudited)

As of March 31, 2023 and December 31, 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
Liabilities					
Trade payables	32,33	₩ 200,328,779	152,401,057	\$ 153,650	116,890
Other payables	32,33	110,312,515	104,749,375	84,608	80,342
Other financial liabilities	15,33	16,640,562	22,488,496	12,763	17,248
Provision of warranty for sale	16	39,902,750	40,689,846	30,605	31,209
Provision of others	19	25,672,640	23,705,590	19,691	18,182
Other current liabilities	17,30,31,32, 33	66,891,076	52,885,935	51,305	40,563
Lease liabilities	13,30,33	5,043,269	5,036,434	3,868	3,863
Total current liabilities		464,791,590	401,956,733	356,490	308,296
Convertible bonds	14,30,33	84,905,944	-	65,122	-
Non-current other payables	33	129,219	174,070	99	134
Other non-current liabilities	17,31	13,404,050	13,147,328	10,281	10,084
Defined benefit liabilities	18	276,693,009	280,119,084	212,220	214,848
Other long-term employee benefits liabilities	18	11,979,480	11,703,405	9,188	8,976
Non-current provision of warranty for sale	16	57,851,069	55,961,701	44,371	42,922
Non-current Provision of others	19	67,792,832	61,995,022	51,996	47,549
Non-current lease liabilities	13,30,33	3,472,501	3,834,620	2,663	2,941
Deferred tax liabilities	24	85,027,319	80,112,208	65,215	61,445
Total non-current liabilities		601,255,422	507,047,438	461,156	388,900
Total liabilities		1,066,047,012	909,004,172	817,646	697,196
Equity					
Capital stock	20	934,780,120	934,780,120	716,966	716,966
Other capital surplus	21	1,069,739,755	1,051,249,578	820,478	806,297
Other equity	22	223,799,403	223,911,464	171,652	171,738
Accumulated deficit	23	(1,100,523,530)	(1,117,038,040)	(844,089)	(856,756)
Equity attributable to owners of the Group		1,127,795,748	1,092,903,123	865,007	838,244
Non-controlling interests		-	-	-	-
Total equity		1,127,795,748	1,092,903,123	865,007	838,244
Total liabilities and equity		₩ 2,193,842,760	2,001,907,294	\$ 1,682,653	1,535,440

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Consolidated Interim Statements of Comprehensive Income(loss)
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
Sales	31,32	₩ 1,085,018,862	714,027,019	\$ 832,197	547,651
Cost of sales	25,32	964,504,241	660,089,336	739,764	506,281
Gross profit		<u>120,514,622</u>	<u>53,937,683</u>	<u>92,433</u>	<u>41,370</u>
Selling, general and administrative expenses	25,26	111,130,362	84,801,430	85,236	65,042
Operating income (loss)		<u>9,384,260</u>	<u>(30,863,748)</u>	<u>7,198</u>	<u>(23,672)</u>
Other income	27,32	7,884,821	5,287,628	6,048	4,056
Other expenses	27,32	(3,078,236)	(2,664,495)	(2,361)	(2,044)
Finance income	28	3,514,983	1,290,826	2,696	990
Finance costs	28	(1,062,762)	(4,545,144)	(815)	(3,486)
Share of profits of joint venture		288,427	(116,520)	221	(89)
Income (loss) before income taxes		<u>16,931,492</u>	<u>(31,611,452)</u>	<u>12,986</u>	<u>(24,246)</u>
Income tax expenses	24	409,400	-	314	-
Income (loss) for the period		<u>16,522,092</u>	<u>(31,611,452)</u>	<u>12,672</u>	<u>(24,246)</u>
Income(loss) attributable to:					
Owners of the Company		16,522,092	(31,611,452)	12,672	(24,246)
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period		(119,643)	(214,441)	(92)	(164)
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(5,855)	(1,718)	(4.5)	(1.3)
Defined benefit plan re-measurements of joint ventures	9,23	(1,727)	(234)	(1.3)	(0.2)
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	22	(112,061)	(212,489)	(86)	(163)
Total comprehensive income (loss) for the period		<u>₩ 16,402,449</u>	<u>(31,825,893)</u>	<u>\$ 12,580</u>	<u>(24,410)</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		16,402,449	(31,825,893)	12,580	(24,410)
Non-controlling interests		-	-	-	-
Earnings (losses) per share					
Basic earnings (losses) per share (in won and in US dollar)	29	₩ 88	(2,033)	\$ 0.07	(1.56)
Diluted earnings (losses) per share (in won and in US dollar)		87	(2,033)	0.07	(1.56)

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Consolidated Interim Statements of Changes in Equity
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

(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					Consideration conversion rights
Balance at January 1, 2022	₩	749,200,010	3,169,615	74,061,697	-	224,136,245	(1,149,620,153)	-	(99,052,587)
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(31,611,452)	-	(31,611,452)
Defined benefit plan re-measurements		-	-	-	-	-	(1,718)	-	(1,718)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(234)	-	(234)
Foreign currency translation difference for foreign operation		-	-	-	-	(212,489)	-	-	(212,489)
Balance at March 31, 2022	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>223,923,755</u>	<u>(1,181,233,557)</u>	<u>-</u>	<u>(130,878,480)</u>
Balance at January 1, 2023	₩	934,780,120	(18,819,837)	1,070,069,416	-	223,911,464	(1,117,038,040)	-	1,092,903,123
Total comprehensive income (loss) for the period:									
Income for the period		-	-	-	-	-	16,522,092	-	16,522,092
Defined benefit plan re-measurements		-	-	-	-	-	(5,855)	-	(5,855)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(1,727)	-	(1,727)
Foreign currency translation difference for foreign operation		-	-	-	-	(112,061)	-	-	(112,061)
Transactions with shareholders recognized directly in equity:									
Issuance of convertible bonds		-	-	-	18,490,177	-	-	-	18,490,177
Balance at March 31, 2023	₩	<u>934,780,120</u>	<u>(18,819,837)</u>	<u>1,070,069,416</u>	<u>18,490,177</u>	<u>223,799,403</u>	<u>(1,100,523,530)</u>	<u>-</u>	<u>1,127,795,748</u>

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Consolidated Interim Statements of Changes in Equity, Continued
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

(In thousands of US dollar)

	Capital stock	Other capital surplus			Other equity	Accumulated deficit	Non-controlling interests	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Consideration conversion rights				
Balance at January 1, 2022	\$ 574,628	2,431	56,804	-	171,910	(881,746)	-	(75,972)
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(24,246)	-	(24,246)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(0)	-	(0)
Foreign currency translation difference for foreign operation	-	-	-	-	(163)	-	-	(163)
Balance at March 31, 2022	\$ 574,628	2,431	56,804	-	171,747	(905,993)	-	(100,382)
Balance at January 1, 2023	\$ 716,966	(14,435)	820,731	-	171,738	(856,756)	-	838,244
Total comprehensive income (loss) for the period:								
Income for the period	-	-	-	-	-	12,672	-	12,672
Defined benefit plan re-measurements	-	-	-	-	-	(4)	-	(4)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1)	-	(1)
Foreign currency translation difference for foreign operation	-	-	-	-	(86)	-	-	(86)
Transactions with shareholders recognized directly in equity:								
Issuance of convertible bonds	-	-	-	14,182	-	-	-	14,182
Balance at March 31, 2023	\$ 716,966	(14,435)	820,731	14,182	171,652	(844,089)	-	865,007

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Consolidated Interim Statements of Cash Flows
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

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

	Korean won		US dollar	
	2023	2022	2023	2022
Cash flows from operating activities				
Income (loss) for the period	₩ 16,522,092	(31,611,452)	\$ 12,672	(24,246)
Adjustment	71,669,597	69,235,764	54,970	53,103
Changes in assets and liabilities	(47,645,669)	(42,679,199)	(36,544)	(32,734)
Cash generated from operations (note 30)	40,546,019	(5,054,887)	31,098	(3,877)
Interest received	1,511,527	285,331	1,159	219
Interest paid	(91,980)	(106,404)	(71)	(82)
Dividends received	6,000	6,000	5	5
Tax paid	(1,026,869)	-	(788)	-
Net cash provided by (used in) operating activities	40,944,698	(4,869,961)	31,404	(3,735)
Cash flows from investing activities				
Decrease of loans and others	730,890	596,899	561	458
Decrease of current financial instruments	122,147	-	94	-
Disposal of property, plant and equipment	40,946	946,988	31	726
Disposal of intangible assets	1,563,636	-	1,199	-
Disposal of Investments in joint venture	2,470,000	-	1,894	-
Increase of loans and others	(29,735)	(151)	(23)	(0.1)
Increase of current financial instruments	(187,519,638)	(15,028,085)	(143,825)	(11,526)
Acquisition of property, plant and equipment	(23,606,849)	(17,669,938)	(18,106)	(13,553)
Acquisition of intangible assets	(14,646,910)	(14,349,709)	(11,234)	(11,006)
Net cash used in investing activities	(220,875,513)	(45,503,996)	(169,409)	(34,901)
Cash flows from financing activities				
Proceeds from borrowings	-	30,000,000	-	23,010
Issuance of convertible bonds	108,500,000	-	83,218	-
Proceeds from deposit	-	15,512,588	-	11,898
Bonds issuance costs	(402,536)	-	(309)	-
Payment of lease liabilities	(1,867,526)	(1,930,227)	(1,432)	(1,480)
Net cash provided by financing activities (note 30)	106,229,938	43,582,361	81,477	33,427
Effect of exchange rate fluctuations on cash and cash equivalents				
	281,945	504,900	216	387
Net decrease in cash and cash equivalents	(73,418,933)	(6,286,696)	(56,311)	(4,822)
Cash and cash equivalents at January 1	104,961,806	54,668,032	80,505	41,930
Cash and cash equivalents at March 31	₩ 31,542,873	48,381,336	\$ 24,193	37,108

See accompanying notes to the consolidated interim financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

1. General Description of the Company

(1) Organization and description of business of the Company

KG Mobility 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 March 31, 2022, the Company’s shareholders are as follows:

Name of shareholder	Number of shares (In shares)	Percentage of ownership (%)
KG Mobility holdings Co., Ltd.	110,000,000	58.83
2 nd Mobility holdings Co., Ltd.	20,000,000	10.70
3 rd Mobility holdings Co., Ltd.	4,200,000	2.25
KG Steel Co., Ltd.	26,026	0.01
KG Chemical Corporation	1,099	-
Mahindra & Mahindra Ltd.	12,536,341	6.71
Others	40,192,588	21.50
	186,956,024	100.00

The consolidated interim financial statements comprise the Company and its subsidiaries (the “Group”) and the Group’s interest in associates and joint ventures.

2. Basis of Preparation and Accounting Policies

The consolidated interim financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩1,303.80 to \$1 on March 31, 2023, 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, 2022. 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, 2022.

KG MOBILITY COMPANY AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

3. Significant accounting policies

The Group applied the following new standards, interpretations and amendments to existing standards from January 1, 2023, 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, 2022.

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

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

The amendments define important accounting policy information and require it to be disclosed. There is no significant impact on the financial statements of the amendments to the K-IFRS.

- K-IFRS No. 1001 “Presentation of Financial Statements” (Amendment) - Disclosure of gains and losses on valuation of financial liabilities with conditions on exercise price adjustment

The amendments require disclosure of the carrying amount and associated gains and losses of the financial liability if all or part of a financial instrument whose exercise price is adjusted according to the issuer's share price is classified as a financial liability. There is no significant impact on the financial statements of the amendments to the K-IFRS.

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

The amendments replaced the definition of changes in accounting estimates with the definition of accounting estimates and clearly stated how to distinguish it from changes in accounting policies. There is no significant impact on the financial statements of the amendments to the K-IFRS.

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

The amendments add a requirement that the transaction does not result in the same taxable temporary difference and deductible temporary difference at the time of the transaction to apply an exception to initial recognition.

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.

- 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 1104 Insurance Contracts.

K-IFRS 1117 'Insurance Contract' replaces K-IFRS 1104 'Insurance Contract'. The amendments require the entity to estimate all cash flows from insurance contracts, measure insurance liabilities using a discount rate that reflects assumptions and risks at the time of reporting, and recognize revenue as accrual, reflecting the services provided to the contractor for each reporting period. The amendments separate insurance gains and losses from investment gains and losses, allowing information users to identify sources of gains and losses, and exclude investment factors (cancellation/ expiration refunds) to be paid to policyholders regardless of the insurance event. The establishment of K-IFRS 1117 has no significant impact on financial statements.

KG MOBILITY COMPANY AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

3. Significant accounting policies, Continued

(2) New and revised K-IFRSs in issue but not yet effective

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

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.

In addition, the settlement of a liability includes the transfer of an equity instrument, except that the option to settle an equity instrument in a compound financial instrument meets the definition of an equity instrument and is recognised separately from the liability. These amendments apply for annual periods beginning after 1 January 2024, and may be applied early. The company is reviewing the impact of the financial statements resulting from the amendments.

The amendments are effective for annual periods beginning after January 1, 2024 and earlier application is permitted but the Company has not early adopted the amendments in preparing these financial statements.

4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

Restricted financial Instruments as of March 31, 2023 and December 31, 2022 are as follows:

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

	Financial institution	Korean won		US dollar		Description
		2023	2022	2023	2022	
Cash and cash equivalents	Shinhan Bank	₩ 218,036	219,392	\$ 167	168	Government grants
	Woori Bank and others	13,642	12,430	10	10	Government grants, etc.
Current financial instruments	Woori Bank and others	5,706,266	5,808,774	4,377	4,455	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	3	3	Bank account deposit
		₩ <u>5,941,944</u>	<u>6,044,596</u>	\$ <u>4,557</u>	<u>4,636</u>	

6. Non-current Financial Assets

Non-current financial assets as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

	Ownership (%)		2023		2022
			Acquisition cost	Net asset value	Book value
Korea Business Finance Loan (*)	1.72	₩ 500,000	779,000	500,000	500,000
Korea Management Consultants Association (*)	1.50		60,000	1,200,957	60,000
		₩ <u>560,000</u>	<u>1,979,957</u>	<u>560,000</u>	<u>560,000</u>

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	Ownership (%)	2023		2022	
		Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	\$ 383	597	383	383
Korea Management Consultants Association (*)	1.50	46	921	46	46
		\$ 430	1,519	430	430

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

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7. Trade and Other Receivables

(1) Details of trade and other receivables as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 157,612,965	-	136,292,172	-
Less: Allowance for doubtful accounts	(636,307)	-	(1,022,056)	-
Other receivables	17,229,213	46,520	20,655,490	45,660
Less: Allowance for doubtful accounts	(5,166,241)	-	(5,207,637)	-
Loans and others (*)	25,027,076	30,858,746	24,440,366	22,704,600
Less: Allowance for doubtful accounts	-	-	-	-
	<u>₩ 194,066,706</u>	<u>30,905,266</u>	<u>175,158,335</u>	<u>22,750,260</u>

(*) The Loans and others listed above include ₩4,026,475 thousand and ₩3,663,374 thousand for sub lease receivables as of March 31, 2023 and December 31, 2022, respectively. The interest revenue received by the sub lease contract are ₩132,206 thousand and ₩148,630 thousand for the three-month periods ended March 31, 2023 and 2022, respectively.

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 120,887	-	104,535	-
Less: Allowance for doubtful accounts	(488)	-	(784)	-
Other receivables	13,215	36	15,843	35
Less: Allowance for doubtful accounts	(3,962)	-	(3,994)	-
Loans and others (*)	19,195	23,668	18,745	17,414
Less: Allowance for doubtful accounts	-	-	-	-
	<u>\$ 148,847</u>	<u>23,704</u>	<u>134,344</u>	<u>17,449</u>

(*) The Loans and others listed above include \$3,088 thousand and \$2,810 thousand for sub lease receivables as of March 31, 2023 and December 31, 2022, respectively. The interest revenue received by the sub lease contract are \$101 thousand and \$114 thousand for the three-month periods ended March 31, 2023 and 2022, respectively.

(2) Details of aging analysis of the trade and other receivables as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

	2023		2022	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 156,910,029	61,772,633	135,144,758	56,922,327
Less than 180 days	330,169	3,056,657	37,326	1,176,637
Less than 270 days	37,308	1,167,999	-	1,919,889
Less than 365 days	-	1,823,904	2	1,187,043
More than 366 days	335,459	5,340,362	1,110,086	6,640,220
Total	<u>₩ 157,612,965</u>	<u>73,161,555</u>	<u>136,292,172</u>	<u>67,846,116</u>
Impaired receivables	636,307	5,166,241	1,022,056	5,207,637

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

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7. Trade and Other Receivables, Continued

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	\$ 120,348	47,379	103,655	43,659
Less than 180 days	253	2,344	29	902
Less than 270 days	29	896	-	1,473
Less than 365 days	-	1,399	0	910
More than 366 days	257	4,096	851	5,093
Total	\$ 120,887	56,114	104,535	52,037
Impaired receivables	488	3,962	784	3,994

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

(3) Changes in allowance for trade and other receivables for the three-month periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 1,022,056	5,207,637	435,717	4,604,933
Bad debt expense	5,089	-	381,736	153,888
Reversal of allowance for bad debts	(390,838)	(41,396)	-	-
Ending balance	₩ 636,307	5,166,241	817,453	4,758,821

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 784	3,994	334	3,532
Bad debt expense	4	-	293	118
Reversal of allowance for bad debts	(300)	(32)	-	-
Ending balance	\$ 488	3,962	627	3,650

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8. Inventories

Details of inventories as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Merchandises	₩ 47,907,595	41,339,796	\$ 36,745	31,707
Finished goods	141,354,157	110,831,010	108,417	85,006
Work-in-process	22,976,717	25,873,492	17,623	19,845
Raw materials	51,754,838	45,555,698	39,695	34,941
Sub-materials	453,869	461,790	348	354
Supplies	3,321,884	3,339,254	2,548	2,561
Goods in transit	23,972,597	25,930,346	18,387	19,888
	₩ <u>291,741,657</u>	<u>253,331,386</u>	\$ <u>223,763</u>	<u>194,302</u>

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩917,320 thousand (\$704 thousand) for the three-month period ended March 31, 2023 and ₩1,013,948 thousand (\$778 thousand) for the three-month period ended March 31, 2022.

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of March 31, 2023 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	KG S&C Co. (*1)	Korea	100%	December	Sales of special-purpose vehicle
	KG Capital Co., Ltd (*2)	Korea	45%	December	Installment financing

(*1) 100% of the shares were acquired and classified as a subsidiary for the three-months period ended March 31, 2023.

(*2)) KG Capital Co., Ltd. (formerly known as 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 separated. During the current period, S&Y Auto Capital Co., Ltd. changed its name to KG Capital Co., Ltd., and the Company sold a 6% stake in KG Capital Co., Ltd. to KG Inicis Co., Ltd

(2) Changes in the carrying amounts of investments in a joint venture for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	2023				
	Beginning balance	Disposal	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
KG Capital Co., Ltd.	₩ 22,476,322	(2,678,003)	288,427	(1,727)	20,085,019
	\$ 17,239	(2,054)	221	(1)	15,405

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9. Investments in Subsidiaries and a Joint venture, Continued

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

	2022			
	Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
KG Capital Co., Ltd	₩ 22,039,325	(116,520)	(235)	21,922,570
	\$ 16,094	(89)	(0)	16,814

(3) The summarized financial information of the Group's subsidiaries and joint venture as of and for the three-month period ended March 31, 2023, and as of and for the year ended December 31, 2022 are as follows:

(In thousands of won)

	2023			
	Ssangyong European Parts Center B.V.	Ssangyong Australia Pty Ltd.	KG S&C Co.	KG Capital Co., Ltd. (*)
Assets	₩ 15,557,522	85,419,372	500,080	85,686,605
Liabilities	18,139,594	83,890,552	3,405	43,457,787
Equity	(2,582,072)	1,528,820	496,675	42,228,818
Sales	6,426,073	62,030,295	-	3,268,201
Net income	334,463	955,267	(3,325)	904,697

(In thousands of US dollar)

	2023			
	Ssangyong European Parts Center B.V.	Ssangyong Australia Pty Ltd.	KG S&C Co.	KG Capital Co., Ltd. (*)
Assets	\$ 11,932	65,516	384	65,721
Liabilities	13,913	64,343	3	33,332
Equity	(1,980)	1,173	381	32,389
Sales	4,929	47,577	-	2,507
Net income	257	733	(3)	694

(*) Additional financial information for the joint venture for the three-month period ended March 31, 2023 is as follows:

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

	2023					Income tax expense
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
₩	2,841,706	41,703,092	248,187	816,945	235,596	279,164
\$	2,180	31,986	190	627	181	214

(In thousands of won)

	2022		
	Ssangyong European Parts Center B.V.	Ssangyong Australia Pty Ltd.	KG Capital Co., Ltd. (*)
Assets	₩ 14,052,343	69,888,054	85,076,622
Liabilities	16,842,785	69,328,532	43,749,115
Equity	(2,790,442)	559,522	41,327,507
Sales	22,018,544	155,657,908	10,126,914
Net income	156,594	5,648,372	474,386

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9. Investments in Subsidiaries and a Joint venture, Continued

(In thousands of in thousands of US dollar)

	2022		
	Ssangyong European Parts Center B.V.	Ssangyong Australia Pty Ltd.	KG Capital Co., Ltd. (*)
Assets	\$ 10,778	53,603	65,253
Liabilities	12,918	53,174	33,555
Equity	(2,140)	429	31,698
Sales	16,888	119,388	7,767
Net income	120	4,332	364

(*) Additional financial information for the joint venture for the year ended December 31, 2022 is as follows:

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

	2022					Income tax expense
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	
₩	7,132,976	42,265,621	862,367	2,959,865	1,018,606	191,108
\$	5,471	32,417	661	2,270	781	147

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of March 31, 2023 is as follows:

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

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
KG Capital Co., Ltd.	₩	42,228,818	45.0%	19,002,968	1,082,051	20,085,019
	\$	32,389	45.0%	14,575	830	15,405

10. Other Assets

Details of other assets as of March 31, 2023 and December 31, 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Other current assets					
Advance payments	₩	93,723,359	72,315,550	\$ 71,885	55,465
Prepaid expenses		20,052,824	15,213,712	15,380	11,669
Current tax assets		551,159	369,817	423	284
	₩	<u>114,327,342</u>	<u>87,899,079</u>	<u>\$ 87,688</u>	<u>67,418</u>
Other non-current assets					
Other non-current assets	₩	275,580	275,882	\$ 211	212

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11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

		2023					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	₩ 428,185,968	278,800,357	(7,354)	-	-	706,978,971	
Buildings	538,733,952	-	(3,364,505)	(254,073,665)	(156,914,543)	124,381,239	
Structures	112,309,984	-	(38,521)	(71,021,695)	(31,186,162)	10,063,606	
Machinery	1,312,845,804	-	(103,559)	(1,128,532,714)	(110,260,919)	73,948,612	
Vehicles	8,686,010	-	-	(5,647,359)	(332,990)	2,705,661	
Tools and molds	1,464,926,437	-	(32,409)	(1,118,371,178)	(181,499,451)	165,023,399	
Equipment	63,768,080	-	(37,311)	(56,760,932)	(3,415,596)	3,554,241	
Construction in progress	56,480,490	-	-	-	(1,156,256)	55,324,234	
	₩ 3,985,936,725	278,800,357	(3,583,659)	(2,634,407,543)	(484,765,917)	1,141,979,963	

(*) The amounts were increased as a result of a revaluation on lands and conducted an assessment by Dae-il Appraisal Board as an independent appraisal as of March 31, 2021.

(In thousands of won)

		2022					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	₩ 428,185,968	278,800,357	(7,354)	-	-	706,978,971	
Buildings	537,745,678	-	(3,388,290)	(252,271,661)	(156,914,544)	125,171,183	
Structures	112,309,984	-	(39,478)	(70,737,933)	(31,186,163)	10,346,410	
Machinery	1,313,391,883	-	(108,986)	(1,122,447,718)	(110,510,513)	80,324,666	
Vehicles	8,358,007	-	-	(5,518,219)	(332,990)	2,506,798	
Tools and molds	1,465,606,300	-	(36,472)	(1,097,537,334)	(182,133,733)	185,898,761	
Equipment	63,494,846	-	(42,776)	(56,511,563)	(3,425,661)	3,514,846	
Construction in progress	36,141,139	-	-	-	(1,156,257)	34,984,882	
	₩ 3,965,233,805	278,800,357	(3,623,356)	(2,605,024,428)	(485,659,861)	1,149,726,517	

(*) The amounts were increased as a result of a revaluation on lands and conducted an assessment by Dae-il Appraisal Board as an independent appraisal as of March 31, 2021.

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11. Property, Plant and Equipment, Continued

(In thousands of US dollar)

	2023					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 328,414	213,837	(6)	-	-	542,245
Buildings	413,203	-	(2,581)	(194,872)	(120,352)	95,399
Structures	86,141	-	(30)	(54,473)	(23,919)	7,719
Machinery	1,006,938	-	(79)	(865,572)	(84,569)	56,718
Vehicles	6,662	-	-	(4,331)	(255)	2,075
Tools and molds	1,123,582	-	(25)	(857,778)	(139,208)	126,571
Equipment	48,909	-	(29)	(43,535)	(2,620)	2,726
Construction in progress	43,320	-	-	-	(887)	42,433
	<u>\$ 3,057,169</u>	<u>213,837</u>	<u>(2,749)</u>	<u>(2,020,561)</u>	<u>(371,810)</u>	<u>875,886</u>

(*) The amounts were increased as a result of a revaluation on lands and conducted an assessment by Dae-il Appraisal Board as an independent appraisal as of March 31, 2021.

(In thousands of US dollar)

	2022					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 328,414	213,837	(6)	-	-	542,245
Buildings	412,445	-	(2,599)	(193,490)	(120,352)	96,005
Structures	86,141	-	(30)	(54,255)	(23,919)	7,936
Machinery	1,007,357	-	(84)	(860,905)	(84,760)	61,608
Vehicles	6,410	-	-	(4,232)	(255)	1,923
Tools and molds	1,124,104	-	(28)	(841,799)	(139,695)	142,582
Equipment	48,700	-	(33)	(43,344)	(2,627)	2,696
Construction in progress	27,720	-	-	-	(887)	26,833
	<u>\$ 3,041,290</u>	<u>213,837</u>	<u>(2,779)</u>	<u>(1,998,025)</u>	<u>(372,496)</u>	<u>881,827</u>

(*) The amounts were increased as a result of a revaluation on lands and conducted an assessment by Dae-il Appraisal Board as an independent appraisal as of March 31, 2021.

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2022 and 2020 are as follows:

(In thousands of won)

		2023					
		Beginning	Acquisition	Disposal	Depreciation	Others (*)	Ending
Land	₩	706,978,971	-	-	-	-	706,978,971
Buildings		125,171,183	21,274	-	(1,774,777)	963,559	124,381,239
Structures		10,346,410	-	-	(282,804)	-	10,063,606
Machinery		80,324,666	-	(4)	(6,531,632)	155,582	73,948,612
Vehicles		2,506,799	261,132	(108,499)	(152,687)	198,916	2,705,661
Tools and molds		185,898,761	339,000	(37)	(21,953,625)	739,300	165,023,399
Equipment		3,514,844	481,070	(5,344)	(472,068)	35,739	3,554,241
Construction in progress		34,984,881	22,195,258	-	-	(1,855,905)	55,324,234
	₩	<u>1,149,726,515</u>	<u>23,297,734</u>	<u>(113,884)</u>	<u>(31,167,593)</u>	<u>237,191</u>	<u>1,141,979,963</u>

(*) Others were the amounts of ₩67,113 thousand from capitalized borrowing costs and replaced from construction in progress for the three month periods ended March 31, 2023.

(In thousands of won)

		2022					
		Beginning	Acquisition	Disposal	Depreciation	Others (*)	Ending
Land	₩	706,978,971	-	-	-	-	706,978,971
Buildings		130,538,434	16,500	-	(1,749,189)	750,000	129,555,745
Structures		11,442,918	-	(729)	(304,506)	-	11,137,683
Machinery		95,786,762	-	(22,635)	(6,445,311)	704,822	90,023,638
Vehicles		2,512,027	-	(24,547)	(130,644)	(3,858)	2,352,978
Tools and molds		195,025,068	146,360	(1,070,718)	(21,707,499)	1,923,962	174,317,173
Equipment		5,207,378	28,225	(1,733)	(565,849)	17,901	4,685,922
Construction in progress		43,605,938	16,466,902	-	-	(2,476,632)	57,596,208
Machinery in transit		492,071	43,751	-	-	(535,822)	-
	₩	<u>1,191,589,567</u>	<u>16,701,738</u>	<u>(1,120,362)</u>	<u>(30,902,998)</u>	<u>380,373</u>	<u>1,176,648,318</u>

(*) Others were the amounts of ₩364,765 thousand from capitalized borrowing costs and replaced from construction in progress for the three month period ended March 31, 2022.

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11. Property, Plant and Equipment, Continued

(In thousands of US dollar)

		2023					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	\$	542,245	-	-	-	-	542,245
Buildings		96,005	16	-	(1,361)	739	95,399
Structures		7,936	-	-	(217)	-	7,719
Machinery		61,608	-	(0)	(5,010)	119	56,718
Vehicles		1,923	200	(83)	(117)	153	2,075
Tools and molds		142,582	260	(0)	(16,838)	567	126,571
Equipment		2,696	369	(4)	(362)	27	2,726
Construction in progress		26,833	17,024	-	-	(1,423)	42,433
	\$	<u>881,827</u>	<u>17,869</u>	<u>(87)</u>	<u>(23,905)</u>	<u>182</u>	<u>875,886</u>

(*) Others were the amounts of \$51 thousand from capitalized borrowing costs and replaced from construction in progress for the three month period ended March 31, 2023.

(In thousands of US dollar)

		2022					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	\$	542,245	-	-	-	-	542,245
Buildings		100,122	13	-	(1,342)	575	99,368
Structures		8,777	-	(1)	(234)	-	8,542
Machinery		73,467	-	(17)	(4,943)	541	69,047
Vehicles		1,927	-	(19)	(100)	(3)	1,805
Tools and molds		149,582	112	(821)	(16,649)	1,476	133,699
Equipment		3,994	22	(1)	(434)	14	3,594
Construction in progress		33,445	12,630	-	-	(1,900)	44,176
Machinery in transit		377	34	-	-	(411)	-
	\$	<u>913,936</u>	<u>12,810</u>	<u>(859)</u>	<u>(23,702)</u>	<u>292</u>	<u>902,476</u>

(*) Others were the amounts of \$280 thousand from capitalized borrowing costs and replaced from construction in progress for the three month period ended March 31, 2022.

(3) Details of pledged assets provided as collateral for the borrowings as of March 31, 2023 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	₩ 142,756,836	135,890,112	\$ 109,493	104,226
Buildings and structures	41,424,316		31,772	
	₩ <u>184,181,152</u>	<u>135,890,112</u>	\$ <u>141,265</u>	<u>104,226</u>

(*) The assets were provided due to the Group's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the three month ended March 31, 2023..

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11. Property, Plant and Equipment, Continued

- (4) Capitalized borrowing costs and capitalization interest rate for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Capitalized interest expenses (*)	₩ 190,468	666,609	\$ 146	511
Capitalization interest rate	5.44%	3.06%	5.44%	3.06%

(*) Capitalized borrowing costs for intangible assets are ₩123,355 thousand (\$95 thousand) and ₩301,844 thousand (\$232 thousand) for the three-month periods ended March 31, 2023 and 2022, respectively.

- (5) Revaluation of Lands

The Group has changed the accounting policy of the subsequent measurement of land as classified property, plant and equipment from the cost model to the revaluation model in 2021. The land was revalued by using appraisal results which conducted by independent and expertise appraisal institution, Dae-il Appraisal Board, as of March 31, 2022. 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. Details of book amounts of lands both the revaluation model and the cost model as of March 31, 2023 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	\$ 542,245	328,408

12. Intangible Assets

- (1) Details of intangible assets as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

	2023				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 640,724,271	-	(493,886,419)	(38,947,234)	107,890,618
Patents	5,961,366	(2,235)	(4,895,721)	(241,862)	821,548
Other intangible assets	170,222,942	(4,444)	(41,070,832)	(74,723,214)	54,424,452
	₩ 816,908,579	(6,679)	(539,852,972)	(113,912,310)	163,136,618

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12. Intangible Assets, Continued

(In thousands of won)

2022					
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 640,724,270	-	(479,317,875)	(38,947,234)	122,459,161
Patents	5,841,545	(2,745)	(4,790,435)	(233,258)	815,107
Other intangible assets	156,303,519	(11,111)	(40,736,375)	(74,723,213)	40,832,820
	₩ 802,869,334	(13,856)	(524,844,685)	(113,903,705)	164,107,088

(In thousands of US dollar)

2023					
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 491,428	-	(378,805)	(29,872)	82,751
Patents	4,572	(2)	(3,755)	(186)	630
Other intangible assets	130,559	(3)	(31,501)	(57,312)	41,743
	\$ 626,560	(5)	(414,061)	(87,369)	125,124

(In thousands of US dollar)

2022					
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 491,428	-	(367,631)	(29,872)	93,925
Patents	4,480	(2)	(3,674)	(179)	625
Other intangible assets	119,883	(9)	(31,244)	(57,312)	31,318
	\$ 615,792	(11)	(402,550)	(87,363)	125,868

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023						
		Beginning	Acquisition	Disposal	Amortization	Impairment	Others (*)	Ending
Internally created intangible assets:								
Development								
cost	₩	122,459,161	-	-	(14,568,543)	-	-	107,890,618
Other intangible								
assets		37,202,898	13,968,689	-	-	-	123,356	51,294,943
		<u>159,662,059</u>	<u>13,968,689</u>	<u>-</u>	<u>(14,568,543)</u>	<u>-</u>	<u>123,356</u>	<u>159,185,561</u>
Individually acquired intangible assets:								
Patents		815,107	119,821	-	(104,775)	(8,605)	-	821,548
Other intangible								
assets		3,629,920	558,400	(740,000)	(321,963)	-	3,152	3,129,509
		<u>4,445,027</u>	<u>678,221</u>	<u>(740,000)</u>	<u>(426,738)</u>	<u>(8,605)</u>	<u>3,152</u>	<u>3,951,057</u>
	₩	<u>164,107,086</u>	<u>14,646,910</u>	<u>(740,000)</u>	<u>(14,995,281)</u>	<u>(8,605)</u>	<u>126,508</u>	<u>163,136,618</u>

(*) Capitalized borrowing costs in respect of other intangible assets are ₩123,355 thousand for the three-month period ended March 31, 2023.

(In thousands of won)

		2022						
		Beginning	Acquisition	Disposal	Amortization	Impairment	Others (*)	Ending
Internally created intangible assets:								
Development								
cost	₩	133,937,149	-	-	(19,105,931)	-	-	114,831,218
Other intangible								
assets		28,964,363	14,026,329	-	-	-	301,845	43,292,536
		<u>162,901,512</u>	<u>14,026,329</u>	<u>-</u>	<u>(19,105,931)</u>	<u>-</u>	<u>301,845</u>	<u>158,123,754</u>
Individually acquired intangible assets:								
Patents		699,484	166,213	-	(92,481)	(4,818)	-	768,399
Other intangible								
assets		4,084,795	157,168	-	(539,628)	-	7,811	3,710,146
		<u>4,784,279</u>	<u>323,381</u>	<u>-</u>	<u>(632,109)</u>	<u>(4,818)</u>	<u>7,811</u>	<u>4,478,545</u>
	₩	<u>167,685,791</u>	<u>14,349,710</u>	<u>-</u>	<u>(19,738,040)</u>	<u>(4,818)</u>	<u>309,656</u>	<u>162,602,299</u>

(*) Capitalized borrowing costs in respect of other intangible assets are ₩301,844 thousand for the three-month periods ended March 31, 2022.

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12. Intangible Assets, Continued

(In thousands of US dollar)

		2023						
		Beginning	Acquisition	Disposal	Amortization	Impairment	Others (*)	Ending
Internally created intangible assets:								
Development								
cost	\$	93,925	-	-	(11,174)	-	-	82,751
Other intangible		28,534	10,714	-	-	-	95	39,343
assets		122,459	10,714	-	(11,174)	-	95	122,094
Individually acquired intangible assets:								
Patents		625	92	-	(80)	(7)	-	630
Other intangible		2,784	428	(568)	(247)	-	2	2,400
assets		3,409	520	(568)	(327)	(7)	2	3,030
	\$	125,868	11,234	(568)	(11,501)	(7)	97	125,124

(*) Capitalized borrowing costs in respect of other intangible assets are \$95 thousand for the three-month periods ended March 31, 2023.

(In thousands of US dollar)

		2022						
		Beginning	Acquisition	Disposal	Amortization	Impairment	Others (*)	Ending
Internally created intangible assets:								
Development								
cost	\$	102,728	-	-	(14,654)	-	-	88,074
Other intangible		22,215	10,758	-	-	-	232	33,205
assets		124,944	10,758	-	(14,654)	-	232	121,279
Individually acquired intangible assets:								
Patents		536	127	-	(71)	(4)	-	589
Other intangible		3,133	121	-	(414)	-	6	2,846
assets		3,669	248	-	(485)	(4)	6	3,435
	\$	128,613	11,006	-	(15,139)	(4)	238	124,714

(*) Capitalized borrowing costs in respect of other intangible assets are \$232 thousand for the three-month periods ended March 31, 2022.

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12. Intangible Assets, Continued

(3) Details of capitalized development costs as of March 31, 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)	₩ 104,208,026	\$ 79,926	1~4 years
	Power train and others	3,682,592	2,825	1~4 years
Other intangible assets	RV (*3)	51,294,943	39,343	-
		₩ 159,185,561	\$ 122,094	

(*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 March 31, 2023.

(*3) On-going development project for vehicles as of March 31, 2023 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Capitalization of intangible assets	₩ 14,092,044	14,328,172	\$ 10,808	10,990
Manufacturing costs	15,048,985	14,514,313	11,542	11,132
Selling and administrative expenses	3,877,374	2,709,502	2,974	2,078
	₩ 33,018,403	31,551,987	\$ 25,325	24,200

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13. Lease

(1) Changes in right-of-use assets for the three-month periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023					
		Beginning	Increase (*)	Depreciation	Others	Exchange rate effect	Ending
Land and building	₩	7,134,930	-	(3,002,025)	-	1,058	4,133,963
Vehicle		3,462,293	22,795	(429,557)	(24,486)	1,523	3,032,568
Equipment		148,728	-	(102,721)	-	-	46,007
	₩	<u>10,745,951</u>	<u>22,795</u>	<u>(3,534,303)</u>	<u>(24,486)</u>	<u>2,581</u>	<u>7,212,538</u>

(*) The amount of 23 million increased due to the contract for vehicles for the three-month period ended March 31, 2023.

(In thousands of won)

		2022					
		Beginning	Increase (*)	Depreciation	Others	Exchange rate effect	Ending
Land and building	₩	3,917,595	-	(1,085,940)	-	7,342	2,838,997
Vehicle		165,824	4,919,044	(447,124)	-	524	4,638,268
Equipment		279,871	-	(100,504)	-	-	179,367
	₩	<u>4,363,290</u>	<u>4,919,044</u>	<u>(1,633,568)</u>	<u>-</u>	<u>7,866</u>	<u>7,656,632</u>

(*) The amount of 4,919 million increased due to the renewal of the contract for vehicles, including business logistics equipment.

(In thousands of US dollar)

		2023					
		Beginning	Increase (*)	Depreciation	Others	Exchange rate effect	Ending
Land and building	\$	5,472	-	(2,303)	-	1	3,171
Vehicle		2,656	17	(329)	(19)	1	2,326
Equipment		114	-	(79)	-	-	35
	\$	<u>8,242</u>	<u>17</u>	<u>(2,711)</u>	<u>(19)</u>	<u>2</u>	<u>5,532</u>

(*) The amount of \$17 thousand increased due to the contract for vehicles for the three-month period ended March 31, 2023.

(In thousands of US dollar)

		2022					
		Beginning	Increase (*)	Depreciation	Others	Exchange rate effect	Ending
Land and building	\$	3,005	-	(833)	-	6	2,177
Vehicle		127	3,773	(343)	-	0	3,557
Equipment		215	-	(77)	-	-	138
	\$	<u>3,347</u>	<u>3,773</u>	<u>(1,253)</u>	<u>-</u>	<u>6</u>	<u>5,873</u>

(*) The amount of \$3,773 thousand increased due to the renewal of the contract for vehicles, including business logistics equipment.

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13. Lease, Continued

(2) Details of lease liabilities as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

		2023		2022	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	₩	5,043,269	3,472,501	5,036,434	3,834,620

(In thousands of US dollar)

		2023		2022	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	\$	3,868	2,663	3,863	2,941

(*) The total amount of lease liabilities paid is ₩1,867,526 thousand (\$1,432 thousand) and ₩1,930,226 thousand (\$1,480 thousand) and interests expenses are ₩87,732 thousand (\$67 thousand) and ₩101,988 thousand (\$78 thousand) during the three-month periods ended March 31, 2023 and 2022, respectively.

(3) Expenses from lease contracts with low cost and short-term contract for the three-month periods ended March 31, 2023 and 2022 are as the following:

(In thousands of won)

	Exemption of lease recognition		2023		2022	
Office equipment	Low cost	₩	130,390		152,520	

(In thousands of US dollar)

	Exemption of lease recognition		2023		2022	
Office equipment	Low cost	\$	100		117	

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

(In thousands of won and US dollar)

		Korean won		US dollar		
		2023	2022	2023	2022	
Sub lease						
Less than 1 year	₩	2,872,968	3,713,659	\$	2,204	2,848
1 year to 5 years		1,294,327	1,994,960		993	1,530
Lease to be received		4,167,295	5,708,619		3,196	4,378
Unrealized interests		(140,820)	(165,183)		(108)	(127)
Net investment in the lease		4,026,475	5,543,436		3,088	4,252
Interests from sublease for this period		47,640	45,315		37	35

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13. Lease, Continued

(5) Sales and lease back

The Group liquidated the land and buildings of the factory in Guro-dong, Guro-gu, Seoul to enhance asset efficiency and financial stability in 2020. The main terms of sales and lease back transactions are as the following:

	<u>Main terms</u>
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	₩180 Billion (\$138 Million)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul 1 year (July 2022 ~ June 2023)
Lease term	(*) The lease was extended for 1 year by exercising the extension option for the year ended December 31, 2022.
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

The details of the Group's recognition in 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 (\$49 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$80 million) increased.
- Lease deposit: ₩10,800 million (\$8 million) increased.

14. Convertible Bonds

(1) Details of convertible bonds as of March 31, 2023 are as follows:

(In thousands of won)

	<u>2023</u>			
	<u>Guaranteed</u>			
	<u>Yield to</u>			
	<u>Maturity</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Amounts</u>
Convertible bonds(119 th)	2.00%	2023-03-17	2028-03-17	₩ 73,500,000
Convertible bonds(120 th)	2.00%	2023-03-24	2028-03-24	30,000,000
Convertible bonds(121 st)	2.00%	2023-03-24	2028-03-24	5,000,000
Sub-total				108,500,000
Add: Redemption premium on bonds				7,263,940
Deduction: Conversion rights adjustment				(30,857,996)
Total				₩ <u>84,905,944</u>

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14. Convertible Bonds, continued

(In thousands of US dollar)

	2023			Amounts
	Guaranteed Yield to Maturity	Issuance date	Maturity date	
Convertible bonds(119 th)	2.00%	2023-03-17	2028-03-17	\$ 56,374
Convertible bonds(120 th)	2.00%	2023-03-24	2028-03-24	23,010
Convertible bonds(121 st)	2.00%	2023-03-24	2028-03-24	3,835
Sub-total				83,218
Add: Redemption premium on bonds				5,571
Deduction: Conversion rights adjustment				(23,668)
Total				\$ 65,122

(2) The main terms of issuance of convertible bonds as of March 31, 2023 are as follows:

	Main terms
Type	The 119 th Unguaranteed private equity convertible bonds
Issuance date	Mar 17, 2023
Bond issuance amounts	₩73,500,000,000(\$56,373,677)
Maturity date	Mar 17, 2028
Coupon rate	1.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 17, 2024 ~ Feb 17, 2028
Conversion price	₩5,040(\$3.9)
	1) When issuing shares at a price below the market value through a capital increase with paid-in capital, stock dividends, or capital transfer from reserves, or when issuing convertible bonds or warrants below the market value through a conversion price or exercise price below the market value
Refixing clause (*1)	2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital increases and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital increases and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*1, 2)	From the date of issuance until 3 months prior to the maturity date of 2 years from the issuance date

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14. Convertible Bonds, continued

	Main terms
Type	The 120 th Unguaranteed private equity convertible bonds
Issuance date	Mar 24, 2023
Bond issuance amounts	₩30,000,000,000(\$23,009,664)
Maturity date	Mar 24, 2028
Coupon rate	0.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 24, 2024 ~ Feb 24, 2028
Conversion price	₩5,040(\$3.9)
Refixing clause (*1)	1) When issuing convertible bonds or stock-related bonds at a price below the conversion price or issuing new shares through stock dividends or capital transfer from reserves 2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital increases and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital increases and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*1, 2)	From the date of issuance until 3 months prior to the maturity date of 2 years from the issuance date
	Main terms
Type	The 121 st Unguaranteed private equity convertible bonds
Issuance date	Mar 24, 2023
Bond issuance amounts	₩5,000,000,000(\$3,834,944)
Maturity date	Mar 24, 2028
Coupon rate	1.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 24, 2024 ~ Feb 24, 2028
Conversion price	₩5,040(\$3.9)
Refixing clause (*1)	1) When issuing shares at a price below the market value through a capital increase with paid-in capital, stock dividends, or capital transfer from reserves, or when issuing convertible bonds or warrants below the market value through a conversion price or exercise price below the market value 2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital increases and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital increases and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*1, 2)	From the date of issuance until 3 months prior to the maturity date of 2 years from the issuance date

(*1) Despite the potential fall in market price of the shares to be issued upon conversion, the exercise price of the conversion right remains fixed. Therefore, the consideration for the conversion right has been classified as equity, and the early redemption rights have not been separately classified due to meeting the criteria for non-separability

(*2) If the common shares of the issuing company are not traded on the securities market for a period of 1 year and 6 months from the issuance date, the bondholders may request early redemption of all or part of this bond before maturity at any time

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15. Other Financial Liabilities

Details of other financial liabilities as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Accrued expenses	₩ 16,640,562	22,488,496	\$ 12,763	17,248

16. Provision of Warranty for sale

The Group generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 96,834,231	104,576,650	\$ 74,271	80,209
Increase	7,454,166	2,856,231	5,717	2,191
Decrease	(6,534,578)	(8,256,149)	(5,012)	(6,332)
Ending balance	₩ 97,753,819	99,176,732	\$ 74,976	76,067
Current	₩ 39,902,750	43,179,658	\$ 30,605	33,118
Non-current	57,851,069	55,997,074	44,371	42,949

17. Other Liabilities

Details of other liabilities as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 12,176,059	-	9,009,588	-
Deposits received	352,144	-	429,007	-
Withholdings	33,347,059	-	27,161,100	-
Unearned revenue	18,387,582	13,404,050	15,360,211	13,147,328
Refund liability (*)	2,628,232	-	926,029	-
	₩ 66,891,076	13,404,050	52,885,935	13,147,328

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

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 9,339	-	6,910	-
Deposits received	270	-	329	-
Withholdings	25,577	-	20,832	-
Unearned revenue	14,103	10,281	11,781	10,084
Refund liability (*)	2,016	-	710	-
	\$ 51,305	10,281	40,563	10,084

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

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18. Employee Benefits

(1) Details of defined benefit liabilities as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Present value of defined benefit obligations	₩ 277,439,866	280,901,431	\$ 212,793	215,448
Fair value of plan assets	(746,857)	(782,347)	(573)	(600)
	₩ <u>276,693,009</u>	<u>280,119,084</u>	\$ <u>212,220</u>	<u>214,848</u>

(2) Changes in defined benefit liabilities for the three-month periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

Details	2023		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,901,431	(782,347)	280,119,084
Current service cost	5,977,732	-	5,977,732
Interest expense (income)	3,577,571	(9,963)	3,567,608
Sub-total	<u>290,456,734</u>	<u>(792,310)</u>	<u>289,664,424</u>
Re-measurement factors:			
Re-measurements of plan assets	-	5,855	5,855
Sub-total	-	5,855	5,855
Benefit paid by plan	(39,598)	39,598	-
Benefit paid directly	(12,977,270)	-	(12,977,270)
Ending balance	₩ <u>277,439,866</u>	<u>(746,857)</u>	<u>276,693,009</u>

(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	8,366,621	-	8,366,621
Interest expense (income)	2,492,468	(5,743)	2,486,725
Sub-total	<u>374,849,243</u>	<u>(845,575)</u>	<u>374,003,668</u>
Re-measurement factors:			
Re-measurements of plan assets	-	1,718	1,718
Sub-total	-	1,718	1,718
Benefit paid by plan	(55,836)	55,836	-
Benefit paid directly	(12,853,892)	-	(12,853,892)
Ending balance	₩ <u>361,939,515</u>	<u>(788,021)</u>	<u>361,151,494</u>

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18. Employee Benefits, Continued

(In thousands of US dollar)

Details	2023		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 215,448	(600)	214,848
Current service cost	4,585	-	4,585
Interest expense (income)	2,744	(8)	2,736
Sub-total	222,777	(608)	222,169
Re-measurement factors:	-	-	-
Re-measurements of plan assets	-	4	4
Sub-total	-	4	4
Benefit paid by plan	(30)	30	-
Benefit paid directly	(9,953)	-	(9,953)
Ending balance	\$ 212,793	(573)	212,220

(In thousands of US dollar)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 279,176	(644)	278,532
Current service cost	6,417	-	6,417
Interest expense (income)	1,912	(4)	1,907
Sub-total	287,505	(649)	286,857
Re-measurement factors:	-	-	-
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(43)	43	-
Benefit paid directly	(9,859)	-	(9,859)
Ending balance	\$ 277,604	(604)	276,999

(3) The components of plan assets as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Insurance contracts	₩ 746,857	782,347	\$ 573	600

(4) Actuarial assumptions used related to plans as of March 31, 2023 and December 31, 2022 are as follows:

	2023	2022
Discount rate (%)	5.20	5.20
Rate of future salary growth (%)	3.00	3.00

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18. 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.

(5) Details of other long-term employee benefits liabilities as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Current (*)	₩ -	-	\$ -	-
Non-current	11,979,480	11,703,405	9,188	8,976
	₩ 11,979,480	11,703,405	\$ 9,188	8,976

(*) Since the other long-term employee benefits were suspended by a collective agreement between labor and management, other employee benefits liabilities were reclassified as non-current liabilities as of March 31, 2023 and December 31, 2022.

19. Commitments and Contingencies

Details of commitments and contingencies as of March 31, 2022 are as follows:

- The Group carries product liability insurances for all products that it sells.
- As of March 31, 2023, 3 claims were filled as a plaintiff with the claim amount of ₩4,324 million (\$3 million) and 12 claims were filled as a defendant with the claims of ₩5,247 million (\$4 million). The provision amounting to ₩7,888 million (\$6 million) is recognized as other payable for the ongoing lawsuits and claims, since the amounts for potential loss can be estimated and management expect that it is probable that the Group will be required to incur an outflow.
- Changes in other provision for the three-month periods ended March 31, 2023 and, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 85,700,612	79,694,475	\$ 65,731	61,125
Increase	33,760,845	11,412,085	25,894	8,753
Decrease	(25,995,985)	(14,192,552)	(19,939)	(10,886)
Ending balance	₩ 93,465,472	76,914,008	\$ 71,687	58,992

(*) 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 shortage of fuel efficiency compared to the standard fuel efficiency and the quantity of emissions in excess of the free-allocated emission quantity. The Company has recognized provisions for CO2 emission regulations amounting to ₩7,081,092 thousand (\$5,431 thousand) for the three-month period ended March 31, 2023 and provisions for CO2 emission regulations amounting to ₩68,039,094 thousand (\$52,185 thousand) was recognized as of March 31, 2023. Additionally, the Group recognized expected costs as a provision with regard to aforementioned lawsuits, sales incentives and others.

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19. Commitments and Contingencies, Continued

(4) Details of payment guarantee provided by others as of March 31, 2023 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	2023	
		Korean won	US dollar
	Performance guarantee payment	₩ 3,725,633	\$ 2,858
	Deposits	906,500	695
Seoul guarantee insurance company	Contract	545,929	419
	Approval	284,900	219
	Defect	82,466	63
	Commercial credit insurance security	17,017,680	13,052
		₩ 22,563,108	\$ 17,306

20. Capital Stock

The Group's capital stock as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
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)	186,956,024	186,956,024	186,956,024	186,956,024
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 3.8	3.8
Capital stock	₩ 934,780,120	934,780,120	\$ 716,966	716,966

21. Other Capital Surplus and Retained Earnings

Details of other capital surplus and retained earnings as of March 31, 2023 and December 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Discount stock issuance	₩ (18,819,837)	(18,819,837)	\$ (14,435)	(14,435)
Gain on capital reduction	1,070,069,415	1,070,069,415	820,731	820,731
Conversion rights	18,490,177	-	14,182	-
	₩ 1,069,739,755	1,051,249,578	\$ 820,478	806,297

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22. Other Equity

(1) Details of the Group's other equity as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Accumulated revaluation surplus from revaluation on land	₩ 223,495,126	223,495,126	\$ 171,418	171,418
Accumulated foreign currency translation difference for foreign operations	304,277	416,338	233	319
	₩ <u>223,799,403</u>	<u>223,911,464</u>	\$ <u>171,652</u>	<u>171,738</u>

(2) Changes in the foreign currency translation difference for foreign operation for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 416,338	641,119	\$ 319	492
Foreign currency translation difference for foreign operation	(112,061)	(212,490)	(86)	(163)
Ending balance	₩ <u>304,277</u>	<u>428,629</u>	\$ <u>233</u>	<u>329</u>

23. Deficit

(1) Details of deficit as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Deficit	₩ (1,100,523,530)	(1,117,038,040)	\$ (844,089)	(856,756)

(2) Changes in deficit for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ (1,117,038,040)	(1,149,620,153)	\$ (856,756)	(881,746)
Income (loss) for the period	16,522,092	(31,611,452)	12,672	(24,246)
Defined benefit plan re-measurement	(5,855)	(1,718)	(4)	(1)
Defined benefit plan re-measurement from joint venture	(1,727)	(233)	(1)	(0)
Ending balance	₩ <u>(1,100,523,530)</u>	<u>(1,181,233,556)</u>	\$ <u>(844,089)</u>	<u>(905,993)</u>

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24. Income Tax Expense

(1) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Current income tax	₩ -	-	\$ -	-
Deferred income tax	14,388,938	-	11,036	-
Items credited directly to equity	(14,388,938)	-	(11,036)	-
Income tax expense of parent company	-	-	-	-
Income tax expense of subsidiaries	409,400	-	314	-
Total	₩ 409,400	-	\$ 314	-

(2) Items credited directly to equity as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

Details	2023		
	Before tax	Tax effect	After tax
Gain from revaluation of land	₩ 278,800,357	(55,305,230)	223,495,127
Re-measurements of defined benefit liabilities	155,445,271	(24,806,978)	130,638,293
Conversion rights	23,405,287	(4,915,110)	18,490,177
	457,650,915	(85,027,318)	372,623,597

(In thousands of won)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	₩ 278,800,357	(55,305,230)	223,495,127
Re-measurements of defined benefit liabilities	155,445,271	(24,806,978)	130,638,293
Conversion rights	-	-	-
	434,245,628	(80,112,208)	354,133,420

(In thousands of dollar)

Details	2023		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 213,837	(42,418)	171,418
Re-measurements of defined benefit liabilities	119,225	(19,027)	100,198
Conversion rights	17,952	(3,770)	14,182
	351,013	(65,215)	285,798

(In thousands of dollar)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 213,837	(42,418)	171,418
Re-measurements of defined benefit liabilities	119,225	(19,027)	100,198
Conversion rights	-	-	-
	333,062	(61,445)	271,616

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25. Nature of Expenses

Details of nature of expenses for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Changes in inventories	₩ (110,782,193)	(7,447,056)	\$ (84,969)	(5,712)
Raw materials consumed and purchase of merchandise	891,017,602	548,897,710	683,401	420,998
Employee benefits	108,129,705	88,001,660	82,934	67,496
Depreciation	31,167,593	30,902,998	23,905	23,702
Amortization	14,995,281	19,738,040	11,501	15,139
Others	141,106,614	64,797,414	108,227	49,699
	₩ <u>1,075,634,602</u>	<u>744,890,766</u>	\$ <u>825,000</u>	<u>571,323</u>

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

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Warranty expenses	₩ 11,333,645	5,420,705	\$ 8,693	4,158
Commissions	37,769,181	34,283,896	28,969	26,295
Advertising	3,371,093	2,422,119	2,586	1,858
Export expenses	4,467,563	3,002,122	3,427	2,303
Sales promotion expenses	8,312,007	2,142,102	6,375	1,643
Others	3,993,031	2,932,733	3,063	2,249
	₩ <u>69,246,520</u>	<u>50,203,677</u>	\$ <u>53,111</u>	<u>38,506</u>

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26. Selling, General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Salaries	₩ 9,663,626	8,987,787	\$ 7,412	6,894
Retirement benefit costs	1,207,755	1,190,271	926	913
Employee welfare	2,078,057	1,679,149	1,594	1,288
Rent expense	3,498,624	2,274,782	2,683	1,745
Service fees	10,631,600	5,621,493	8,154	4,312
Depreciation	1,464,530	2,867,445	1,123	2,199
R&D expenses	3,877,374	2,709,502	2,974	2,078
Amortization	426,738	632,110	327	485
(Reversal of) Bad debt expense	(385,749)	381,736	(296)	293
Others	9,421,287	8,253,479	7,226	6,330
	₩ 41,883,842	34,597,754	\$ 32,124	26,536

27. Other Income and Expenses

(1) Details of other income for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Foreign exchange transaction gain	₩ 4,548,159	2,012,908	\$ 3,488	1,544
Foreign exchange translation gain	1,512,971	1,228,556	1,160	942
Gain on disposal of property, plant and equipment	35,818	819,723	27	629
Gain on disposal of intangible assets	823,636	-	632	-
Others	964,237	1,226,441	740	941
	₩ 7,884,821	5,287,628	\$ 6,048	4,056

(2) Details of other expenses for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Foreign exchange transaction loss	₩ 2,245,310	673,653	\$ 1,722	517
Foreign exchange translation loss	419,240	367,351	322	282
Loss on disposal of property, plant and equipment	108,756	993,095	83	762
Impairment loss on Intangible	8,605	4,818	7	4
Loss on disposal of trade receivables	14,178	8,399	11	6
Losses on sale of investments in Joint venture	208,003	-	160	-
Other bad-debt expenses	-	153,888	-	118
Others	74,144	463,291	57	355
	₩ 3,078,236	2,664,495	\$ 2,361	2,044

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28. Finance Income and Costs

(1) Details of finance income for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Interest income	₩ 1,426,857	284,709	\$ 1,094	218
Dividend income	6,000	6,000	5	5
Foreign exchange transaction gain	2,082,126	990,767	1,597	760
Gain on exemption of debts	-	9,350	-	7
	₩ 3,514,983	1,290,826	\$ 2,696	990

(2) Details of finance costs for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Interest expense	₩ 144,590	3,661,903	\$ 111	2,809
Foreign exchange transaction loss	918,172	883,241	704	677
	₩ 1,062,762	4,545,144	\$ 815	3,486

(3) Details of the Group's financial net profit or loss for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Financial assets/ liabilities at amortized cost	₩ 2,446,221	(3,269,668)	\$ 1,876	(2,508)
Financial assets at FVTPL	6,000	6,000	5	5
	₩ 2,452,221	(3,263,668)	\$ 1,881	(2,503)

29. Earnings (losses) per Share

(1) Basic and diluted earnings (losses) per share for the three-month periods ended March 31, 2023 and 2022 are calculated as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Income (loss) for the periods	₩ 16,522,092	(31,611,452)	\$ 12,672	(24,246)
Income (loss) contributed to common stocks	16,522,092	(31,611,452)	12,672	(24,246)
Weighted average number of common shares (in shares)	186,956,024	15,551,741	186,956,024	15,551,741
Basic earnings (losses) per share	₩ 88	(2,033)	\$ 0.07	(1.56)
Diluted earnings (losses) per share	87	(2,033)	0.07	(1.56)

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29. Earnings (losses) per Share, Continued

(2) Weighted average number of common shares outstanding for the three-month periods ended March 31, 2023 and 2022 are calculated as follows:

(In shares)

	2023			
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2023-01-01~2023-03-31	186,956,024	90/90	186,956,024

(In shares)

	2022			
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2022-01-01~2022-03-31	15,551,741	90/90	15,551,741

(*) The number of issued and outstanding shares was calculated by reflecting capital reduction without refund in accordance with K-IFRS 1033

(3) Diluted earnings (losses) per share for the three-month periods ended March 31, 2023 are calculated as follows:

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

	2023	
	Korean won	US dollar
Income for the period	₩ 16,522,092	\$ 12,672
Interest expenses after tax	-	-
Income contributed to diluted common stocks	16,522,092	12,672
Weighted average number of common shares (in shares)	186,956,024	186,956,024
Conversion effect of convertible bonds	3,047,840	2,338
Weighted average number of diluted common shares (in shares)	190,003,864	190,003,864
Diluted earnings per share	87	0.07

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30. Cash Flows

(1) Details of cash flows from operating activities for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Income(loss) for the period	₩ 16,522,092	(31,611,452)	\$ (26,108)	(71,267)
Adjustments for:				
Retirement benefit costs	9,545,340	10,853,346	7,321	8,324
Depreciation	31,167,593	30,902,998	23,905	23,702
Amortization	14,995,281	19,738,040	11,501	15,139
Depreciation of right-of-use asset	3,534,303	1,633,568	2,711	1,253
Impairment loss on intangible asset	8,605	4,818	7	4
Losses on disposal of trade receivables	14,178	8,399	11	6
Foreign exchange translation gain	(1,093,732)	(861,205)	(839)	(661)
Losses on disposal of property, plant and equipment	72,938	173,373	56	133
Gain on disposal of intangible assets	(823,636)	-	(632)	-
Interest expense (income)	(1,282,267)	3,377,194	(983)	2,590
Dividends income	(6,000)	(6,000)	(5)	(5)
Loss (gain) on valuation of inventories	917,320	(1,013,948)	704	(778)
Increase in provision of warranty for sale	7,636,850	2,856,230	5,857	2,191
Promotion expenses	6,600,672	-	5,063	-
Export overall expenses	480,420	789,466	368	606
(Reversal of) Bad-debt expenses	(385,749)	381,736	(296)	293
(Reversal of) other bad-debt expenses	(41,396)	153,888	(32)	118
Income (loss) on equity method	(288,427)	116,520	(221)	89
Loss on disposal of investments in joint venture	208,003	-	160	-
Miscellaneous income	(401)	-	(0)	-
Others	409,702	127,340	314	98
	<u>71,669,597</u>	<u>69,235,763</u>	<u>54,970</u>	<u>53,103</u>
Changes in assets and liabilities				
Increase of trade receivables	(18,720,590)	(16,173,715)	(14,358)	(12,405)
Decrease (increase) of other receivables	3,716,599	(1,410,226)	2,851	(1,082)
Decrease (increase) of inventories	(37,857,325)	2,673,600	(29,036)	2,051
Increase of other assets	(34,425,304)	(19,682,756)	(26,404)	(15,096)
Increase (decrease) of trade payables	44,689,954	(6,644,184)	34,277	(5,096)
Increase of other payables	5,452,823	22,230,723	4,182	17,051
Increase (decrease) of accrued expenses	(5,910,689)	2,918,523	(4,533)	2,238
Decrease of provision of warranty for sale	(6,534,578)	(8,256,149)	(5,012)	(6,332)
Increase (decrease) of provision for others	683,768	(2,951,840)	524	(2,264)
Payment of retirement benefits	(12,977,270)	(12,853,892)	(9,953)	(9,859)
Increase (decrease) of other liabilities	14,236,942	(2,529,282)	10,920	(1,940)
	<u>(47,645,670)</u>	<u>(42,679,198)</u>	<u>(36,544)</u>	<u>(32,734)</u>
Net cash provided by (used in) operating activities	₩ <u>40,546,019</u>	<u>(5,054,887)</u>	\$ <u>31,098</u>	<u>(3,877)</u>

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30. Cash Flows, Continued

(2) Significant non-cash activities for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar			
	2023	2022	2023	2022		
Changes in other payables related to the acquisition of property, plant and equipment	₩	309,115	968,200	\$	237	743

(3) Changes in liabilities from financial activities for the three-month periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Convertible bonds	₩ -	108,097,464	-	(23,191,520)	-	84,905,944
Lease liabilities	8,871,054	-	(1,867,526)	1,509,640	2,601	8,515,769
	₩ 8,871,054	108,097,464	(1,867,526)	(21,681,880)	2,601	93,421,713

(In thousands of won)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,998,021	-	-	-	-	314,998,021
Long-term borrowings	40,000,000	30,000,000	-	-	-	70,000,000
Lease liabilities	9,241,756	-	(1,930,227)	5,031,515	7,949	12,350,993
Deposit withholdings	15,916,385	15,512,588	(524,501)	-	-	30,904,472
	₩ 380,156,162	45,512,588	(2,454,728)	5,031,515	7,949	428,253,486

(In thousands of US dollar)

	2023					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Convertible bonds	\$ -	82,910	-	(17,788)	-	65,122
Lease liabilities	6,804	-	(1,432)	1,158	2	6,531
	\$ 6,804	82,910	(1,432)	(16,630)	2	71,653

(In thousands of US dollar)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 241,600	-	-	-	-	241,600
Long-term borrowings	30,680	23,010	-	-	-	53,689
Lease liabilities	7,088	-	(1,480)	3,859	6	9,473
Deposit withholdings	12,208	11,898	(402)	-	-	23,703
	\$ 291,576	34,908	(1,883)	3,859	6	328,466

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31. Segment Information

(1) The Group determined itself as a single reportable segment by considering the nature of goods and service as well as the characteristic of assets used in providing service. The Group has not disclosed operating income or loss, profit or loss before income taxes and total assets and liabilities by reportable segment.

(2) Geographic sales information of the Group for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

Sales region	Korean won		US dollar	
	2023	2022	2023	2022
Republic of Korea	₩ 732,410,441	483,673,805	\$ 561,751	370,972
Europe	201,064,493	116,667,370	154,214	89,483
Asia Pacific	141,456,614	53,232,580	108,496	40,829
Others	77,779,455	78,169,460	59,656	59,955
Consolidated adjustment	(67,692,141)	(17,716,196)	(51,919)	(13,588)
	₩ 1,085,018,862	714,027,019	\$ 832,197	547,651

Non-current assets are not separately disclosed since those are located in Korea. There is no significant customer contributing more than 10% of total sales since the majority of sales are made through individual customer contracts and authorized foreign agencies.

(3) Information of sales of goods and service for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Automobile	₩ 958,541,571	606,646,327	\$ 735,191	465,291
Merchandise and parts	79,577,148	73,327,964	61,035	56,242
Others	46,900,143	34,052,728	35,972	26,118
	₩ 1,085,018,862	714,027,019	\$ 832,197	547,651

(4) Balance of Contracts as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Receivables from contracts with customers	₩ 156,976,658	135,270,116	\$ 120,399	103,751
Contract liabilities (*)	43,967,690	37,517,128	33,723	28,775

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

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32. Transactions and Balances with Related Parties

(1) Details of related parties as of March 31, 2023 are as follows:

Relationship	Company
Ultimate parent Company	KG Chemical Corporation
Intermediate parent Company	KG Eco Technology Services Co., Ltd.
Parent Company	KG Mobility holdings Co., Ltd. (*)
Joint venture	KG Capital Co., Ltd. (formerly known as SY Auto Capital Co., Ltd.)
Others	Affiliated companies of a large conglomerate KG group

(*) On September 20, 2022, the Company became the largest shareholder due to a paid-in capital increase.

(2) Transactions with related parties for the three-month periods ended March 31, 2023 and 2022 are as follows:

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

Relationship	Company	Description	2023	
			Korean won	US dollar
Ultimate parent company	KG Chemical Corporation	Purchases	₩ 77,519	\$ 59
		Other expenses	26,700	20
Others	KG ICT CO., LTD.	Asset acquisition	532,400	408
		Other expenses	4,400	3
	KG Hollys F&B Co., Ltd.	Other expenses	25,988	20
		edaily Co.,Ltd.	Other expenses	40,000
	KG ZEROIN Co.Ltd.	Asset acquisition	131,000	100
	edaily C&B Co.,Ltd.	Other expenses	225	0
	KG FRESH Co., Ltd.	Other expenses	17,627	14
	FLC Ltd.	Other expenses	19,581	15
	KGINICIS CO., LTD.	Asset acquisition	20,473	16
		Other expenses	1	0.001
Joint venture	KG Capital Co., Ltd.	Other income	87,070	67
		Other expenses	1,919,072	1,472

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

Relationship	Company	Description	2022	
			Korean won	US dollar
Joint venture	KG Capital Co., Ltd.	Other income	₩ 736	\$ 1
		Other expenses	8,802,413	6,751

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32. Transactions and Balances with Related Parties, Continued

(3) Account balances with related parties as of March 31, 2023 and December 31, 2022 are as follows:

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

Relationship	Company	Description	2023	
			Korean won	US dollar
Ultimate parent Company	KG Chemical Corporation	Trade payable	₩ 28,490	\$ 22
		Other liability	29,370	23
Others	KG ICT CO., LTD.	Other liability	4,840	4
	KG Hollys F&B Co., Ltd.	Other liability	26,394	20
	edailym Co.,Ltd.	Other liability	44,000	34
	KGINICIS CO., LTD.	Other liability	1	0

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

Relationship	Company	Description	2022	
			Korean won	US dollar
Ultimate parent Company	KG Chemical Corporation	Trade payable	₩ 28,152	\$ 22
Others	KG EDUONE CO., LTD.	Other liability	2,200	2
	KG Hollys F&B Co., Ltd.	Other liability	263,663	202
	KG ZEROIN Co.,Ltd.	Other liability	40,810	31

(4) Capital transaction with related parties for the three-months periods ended March 31, 2023 and 2022 are as follows:

(In thousands of won)

Relationship	Company	Description	2023	2022
Others	KGINICIS CO., LTD..	Disposal of investments in joint venture	₩ 2,470,000	-

(In thousands of US dollar)

Relationship	Company	Description	2023	2022
Others	KGINICIS CO., LTD..	Disposal of investments in joint venture	\$ 1,894	-

(5) Executive compensation of the Group for the three-month periods ended March 31, 2023 and 2022, are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Short-term employee benefits	₩ 886,049	429,282	\$ 680	329
Retirement benefits	57,469	32,656	44	25

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33. Financial Instruments

(1) Capital risk management

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

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

Debt-to-equity ratio as of March 31, 2023 and December 31, 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Debt (A)	₩ 1,066,047,012	909,004,172	\$ 817,646	697,196
Equity (B)	1,127,795,748	1,092,903,123	865,007	838,244
Debt-to-equity ratio (A/B)	94.52%	83.17%	94.52%	83.17%

(2) Details of financial assets and liabilities by category as of March 31, 2023 and December 31, 2022 are as follows:

1) Financial assets

(In thousands of won)

	2023			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 31,542,873	-	31,542,873	31,542,873
Short-term financial instruments	85,706,266	107,500,000	193,206,266	193,206,266
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	215,934,824	-	215,934,824	215,934,824
Non-current financial assets	-	560,000	560,000	560,000
	₩ 333,187,963	108,060,000	441,247,963	441,247,963

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 104,961,806	-	104,961,806	104,961,806
Short-term financial instruments	5,808,774	-	5,808,774	5,808,774
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	186,665,279	-	186,665,279	186,665,279
Non-current financial assets	-	560,000	560,000	560,000
	₩ 297,439,859	560,000	297,999,859	297,999,859

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33. Financial Instruments, Continued

(In thousands of US dollar)

	2023			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 24,193	-	24,193	24,193
Short-term financial instruments	65,736	82,451	148,187	148,187
Long-term financial instruments	3	-	3	3
Trade and other receivables	165,620	-	165,620	165,620
Non-current financial assets	-	430	430	430
	<u>\$ 255,551</u>	<u>82,881</u>	<u>338,432</u>	<u>338,432</u>

(In thousands of US dollar)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 80,505	-	80,505	80,505
Short-term financial instruments	4,455	-	4,455	4,455
Long-term financial instruments	3	-	3	3
Trade and other receivables	143,170	-	143,170	143,170
Non-current financial assets	-	430	430	430
	<u>\$ 228,133</u>	<u>430</u>	<u>228,563</u>	<u>228,563</u>

2) Financial liabilities

(In thousands of won
and in thousands of dollar)

	2023			
	Financial liability measured at amortized cost	Fair value	Financial liability measured at amortized cost	Fair value
Trade and other payables	₩ 312,287,940	312,287,940	\$ 239,521	239,521
Convertible bonds	84,905,944	84,905,944	65,122	65,122
Other liabilities	8,515,769	8,515,769	6,531	6,531
	<u>₩ 405,709,653</u>	<u>405,709,653</u>	<u>\$ 311,175</u>	<u>311,175</u>

(In thousands of won
and in thousands of dollar)

	2022			
	Financial liability measured at amortized cost	Fair value	Financial liability measured at amortized cost	Fair value
Trade and other payables	₩ 258,307,313	258,307,313	\$ 198,119	198,119
Other liabilities	8,871,054	8,871,054	6,804	6,804
	<u>₩ 267,178,367</u>	<u>267,178,367</u>	<u>\$ 204,923</u>	<u>204,923</u>

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33. Financial Instruments, Continued

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of March 31, 2022.

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

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 614,725	(614,725)	\$ 471	(471)
EUR	7,318,049	(7,318,049)	5,613	(5,613)
JPY	875	(875)	1	(1)
Others	7,140,806	(7,140,806)	5,477	(5,477)
	₩ 15,074,455	(15,074,455)	\$ 11,562	(11,562)

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.

The Group is not exposed to interest rate risk because there are no floating rate borrowings as of the end of the reporting period.

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.

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33. Financial Instruments, Continued

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 the receivables that are over more than 90 days, but less than one year and doubtful accounts (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.) through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

Maximum exposure in respect of credit risk as of March 31, 2023 and December 31, 2022 are as follows:

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

		Korean won			US dollar	
		2023	2022		2023	2022
Trade and other receivables	₩	215,934,824	186,665,279	\$	165,620	143,170
Short-term financial instrument		193,206,266	5,808,774		148,187	4,455

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33. Financial Instruments, Continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of March 31, 2023 and December 31, 2022 are as follows:

(In thousands of won)

		2023		
		Within a year	Over 1 year	Total
Trade payables	₩	200,328,779	-	200,328,779
Other payables		109,689,230	-	109,689,230
Lease liabilities (*)		5,281,391	3,536,562	8,817,953
Other liabilities		2,140,712	-	2,140,712
Convertible bonds (*)		785,000	119,695,392	120,480,392
Long-term other payables		-	129,219	129,219
	₩	<u>318,225,112</u>	<u>123,361,173</u>	<u>441,586,285</u>

(In thousands of won)

		2022		
		Within a year	Over 1 year	Total
Trade payables	₩	152,401,057	-	152,401,057
Other payables		103,517,199	-	103,517,199
Lease liabilities (*)		5,296,666	3,877,094	9,173,760
Other liabilities		2,214,986	-	2,214,986
Long-term other payables		-	174,070	174,070
	₩	<u>263,429,908</u>	<u>4,051,164</u>	<u>267,481,072</u>

(*) Amount including expected interest expense.

(In thousands of US dollar)

		2023		
		Within a year	Over 1 year	Total
Trade payables	\$	153,650	-	153,650
Other payables		84,130	-	84,130
Lease liabilities(*)		4,051	2,713	6,763
Other liabilities		1,642	-	1,642
Convertible bonds		602	91,805	92,407
Long-term other payables		-	99	99
	\$	<u>244,075</u>	<u>94,617</u>	<u>338,692</u>

(In thousands of US dollar)

		2022		
		Within a year	Over 1 year	Total
Trade payables	\$	116,890	-	116,890
Other payables		79,397	-	79,397
Lease liabilities(*)		4,062	2,974	7,036
Other liabilities		1,699	-	1,699
Long-term other payables		-	134	134
	\$	<u>202,048</u>	<u>3,107</u>	<u>205,155</u>

(*) Amount including expected interest expense.

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33. Financial Instruments, Continued

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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

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

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34. Graduate from court-led debt rescheduling program

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

The Group has resumed the M&A process before the Court approval of its 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 the revised rehabilitation plan, the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Court approved the rehabilitation plan reflecting the details of the investment contract from the KG Consortium on August 26, 2022.

Finally, the Group has graduated from the court-led debt rescheduling program on November 11, 2022 in accordance with the Article 283(1) of the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea, after the Group completed the redemption of most of the rehabilitation security rights and claims.

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34. Graduate from court-led debt rescheduling program, Continued

Details of the Group's approved rehabilitation plan are as follows:

Date	Title	Description
August 16, 2022	Deposit of acquisition price according to M&A investment contract	Acquisition price ₩365.5 billion
September 02, 2022	The first round of reverse stock splits of the previous largest shareholder(M&M)	1-for-10 reverse stock splits for 111,855,108 shares held by the previous largest shareholder
September 03, 2022	Debt-to-equity swaps for rehabilitation obligations	Debt-to-equity swap for ₩466.6 billion of rehabilitation obligations
September 19, 2022	The second round of reverse stock splits of the shares newly issued through debt-to-equity swaps	1-for-3.16 reverse stock splits for 93,316,700 shares newly issued through debt-to-equity swaps
September 20, 2022	1 st capital increase(M&A acquisition proceeds-to-equity)	Acquisition price ₩365.5 billion, 73,098,000 shares
October 20, 2022	2 nd capital increase	Paid-in capital: ₩205.5 billion, 41,102,000 shares
October 22, 2022	Debt-to-equity swaps for wage claims	Debt-to-equity swaps for ₩35.7 billion of wage claims
November 08, 2022	Debt-to-equity swaps for foreign currency claims due to differences in foreign exchange rate	Debt-to-equity swaps for ₩8.6 billion of foreign currency claims
November 10, 2022	Reverse stock splits without refund for new shares of foreign currency claims through additional debt-to-equity swap	1-for-3.16 reverse stock splits for new shares of foreign currency claims through additional debt-to-equity swap
December 19, 2022	3 rd capital increase	Paid-in capital: ₩100 billion, 20,00,000 shares

Details of the Group's rehabilitation obligation debt conversion to equity as of December 31, 2022 are as follows:

(In thousands of won)

	2022			
	Amounts	Amounts converted	Odd lot	Shares issued (*)
Commercial claims	₩ 330,200,385	330,199,530	855	66,039,906
Loan claims	2,019,041	2,019,040	1	403,808
Indemnity claims	490,752	490,750	2	98,150
Commercial claims from related party	6,674,227	6,674,225	2	1,334,845
Loan and indemnity claims from related party	127,023,256	127,023,255	1	25,404,651
Wage claims	176,704	176,700	4	35,340
Foreign currency claims	8,559,480	8,559,480	-	1,711,896
	₩ 475,143,845	475,142,980	865	95,028,596

KG MOBILITY COMPANY AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022

34. Graduate from court-led debt rescheduling program, Continued

(In thousands of US dollar)

	2022			
	Amounts	Amounts converted	Odd lot	Shares issued (*)
Commercial claims	\$ 260,554	260,554	855	66,039,906
Loan claims	1,593	1,593	1	403,808
Indemnity claims	387	387	2	98,150
Commercial claims from related party	5,266	5,266	2	1,334,845
Loan and indemnity claims from related party	100,231	100,231	1	25,404,651
Wage claims	139	139	4	35,340
Foreign currency claims	6,754	6,754	-	1,711,896
	<u>\$ 374,926</u>	<u>374,925</u>	<u>865</u>	<u>95,028,596</u>

(*) 1-for-3.16 reverse stock splits for new shares through debt-to-equity swaps as of September 19, 2022.

35. Events after reporting period

- (1) The Group have resolved the formal delisting issue by obtaining the auditors' report dated on March 14, 2023 with an unqualified opinion on the 2022 financial statements within the additional grace period until April 14, 2023.

However, the Korea Stock Exchange Listing Disclosure Committee have designated the Group for substantive examination on April 4, 2023 due to the occurrence of substantive examination reasons for listing suitability. The Korea Stock Exchange has conducted an eligibility review and ruled the maintenance on the Group's listing on April 27, 2023. Consequently, trading of its shares resumed from April 28, 2023.

- (2) The Group entered into a conditional investment agreement for M&A of Edison Motors Co., Ltd as of May 2, 2023 and detail terms of condition are as follows:

Contents	Description
Contract	Conditional investment agreement for M&A of Edison Motors Co., Ltd which is in the process of rehabilitation
Counter part	Edison Motors Co., Ltd which is in the process of rehabilitation plan
Investment method	Conditional investment agreement based on limited competitive bidding of the Stalking-horse bid method
Terms of condition	The conditional investment agreement are entered into in relation to the authorized pre-M&A process in the Changwon District Court's '2022-HOEHAP No. 10025' corporate restructuring case. In the event that there is no parties to intend to acquire or bid with more favorable terms than the acquisition terms of KG Mobility in future public bidding process, the agreement stipulates that KG Mobility will be selected as the final takeover.