

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

WITH INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

Opinion

We have audited the accompanying consolidated financial statements of Ssangyong Motor Company (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- The assessment of impairment for the cash generating unit

The accounting policy in relation with the impairment of non-financial assets is explained in Note 3. (13).

The reason why it is determined to be a key audit matter and the way how it is audited are as follows:

The reason why it is determined to be Key Audit Matter

The Group is currently facing the suspension of trading and potential delisting due to ongoing operating losses, necessitating the assessment of impairment for the cash generating unit. This assessment involves management's judgments for the financial position of the cash generating unit, its performance, estimation of future cash flows and determination of an appropriate discount rate. We considered the significant impact of these judgments on the financial statements and this matter has been identified as a key audit matter for the audit.

The way how the Key Audit Matter is audited

To assess impairment for the cash generating unit, our performed key audit procedures are as follows.

- We evaluated the Group's internal controls, including the Group's policy and process for identification and assessment of its cash generating units.
- We assessed the competence and objectivity of management's expert who estimated the recoverable amount.
- We assessed the rationality of the key assumptions used to estimate the recoverable amount.
- We evaluated the appropriateness of the valuation model used by management to estimate the recoverable amount.
- We used a valuation specialist to review the accuracy of the cash flow model used for estimating the value-in-use.

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 Company signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 and the Company 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 Company submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

According to 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) Delisting issue and regrant of a grace period for improvement

As discussed in note 35, the Group faced the risk of delisting from the Korea Stock Exchange under *Article 48 of the KOSPI Market Listing Regulation* due to the disclaimer of the audit opinion on the Group's financial statements as of December 31, 2020.

The Group filed official objection to the delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, the Korea Stock Exchange Listing Disclosure Committee regranted a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.

The Company made a request for a review of the implementation of the improvement plan on December 30, 2022 and the Company was granted an additional grace period until April 14, 2023 from Korea Stock Exchange.

Other Matter

KPMG SAMJONG Accounting Corp. audited the consolidated financial statement of financial position as of December 31, 2021, the consolidated financial statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021 and expressed disclaimer of opinion on the 2021 consolidated financial statements of the Group in auditors' report dated on March 31, 2022 because of the material uncertainty on the Group's ability to continue as a going concern and the inability to obtain appropriate audit evidences for adequacy that could reasonably estimate any adjustment of assets, liabilities and related profit or loss items including whether assets are impaired and liquidity classification of liabilities is accurate. The 2021 consolidated financial statements on which KPMG SAMJONG Accounting Corp. expressed disclaimer of opinion don't reflect the adjustments described in note 37. The consolidated statement of financial position as of December 31, 2021, presented herein for comparative purposes, reflects the adjustments described in note 37. We neither express any audit opinion nor give any assurance on the restated financial statements, presented for comparative purposes, for the year ended December 31, 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with K-IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF Seo-Hyun Accounting Corp.

Seoul, Korea
March 14, 2023

<p>This report is effective as of March 14, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

(In thousands of won and in thousands of dollar)

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Assets					
Cash and cash equivalents	4,5,33	₩ 104,961,806	54,668,032	\$ 82,823	43,137
Short-term financial instruments	5,33	5,808,774	21,275,651	4,584	16,788
Trade receivables	7,31,32,33	135,270,116	108,474,907	106,739	85,595
Other receivables	7,33	15,447,853	4,092,453	12,190	3,229
Loans and others	7,13,33	24,440,366	23,975,290	19,285	18,918
Inventories	8,25	253,331,386	155,736,354	199,899	122,888
Other current assets	10	87,899,079	71,146,262	69,359	56,140
Total current assets		627,159,380	439,368,949	494,878	346,697
Long-term financial instruments	5,33	4,000	4,000	3	3
	7,13,31,32,3				
Non-current other receivables	3	22,750,260	29,045,155	17,952	22,919
Non-current financial assets	6,33	560,000	560,000	442	442
Property, plant and equipment	11	1,149,726,517	1,191,589,568	907,225	940,258
Intangible assets	12	164,107,088	167,685,791	129,493	132,317
Investments in joint venture	9	22,476,322	22,039,325	17,736	17,391
Other non-current assets	10	275,882	275,957	218	218
Right-of-use assets	13	10,745,951	4,363,290	8,479	3,443
Deferred tax assets	24	4,101,895	-	3,237	-
Total non-current assets		1,374,747,915	1,415,563,086	1,084,785	1,116,991
Total assets		₩ 2,001,907,294	1,854,932,035	\$ 1,579,663	1,463,688

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2022 and 2021

(In thousands of won and in thousands of dollar)

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Liabilities					
Trade payables	32,33	₩ 152,401,057	516,983,239	\$ 120,256	407,941
Other payables	32,33	104,749,375	282,513,209	82,656	222,925
Short-term borrowings	14,30,32,33	-	314,998,021	-	248,558
Other financial liabilities	15,33	22,488,496	101,191,970	17,745	79,848
Provision of warranty for sale	16	40,689,846	46,539,918	32,108	36,724
Provision of others	19	23,705,590	35,426,691	18,706	27,954
Other current liabilities	17,31,32	52,885,935	43,337,384	41,731	34,197
Lease liabilities	13,30,33	5,036,434	5,135,068	3,974	4,052
Total current liabilities		401,956,733	1,346,125,500	317,176	1,062,200
Long-term borrowings	14,30,33	-	40,000,000	-	31,563
Non-current other payables	33	174,070	64,062	137	51
Other non-current liabilities	17,31	13,147,328	17,651,651	10,374	13,929
Defined benefit liabilities	18	280,119,084	363,150,322	221,036	286,554
Other long-term employee benefits liabilities	18	11,703,405	14,687,238	9,235	11,589
Non-current provision of warranty for sale	16	55,961,701	58,036,733	44,158	45,796
Non-current Provision of others	19	61,995,022	44,439,158	48,919	35,066
Non-current lease liabilities	13,30,33	3,834,620	4,106,688	3,026	3,241
Deferred tax liabilities	24	80,112,208	65,723,270	63,215	51,861
Total non-current liabilities		507,047,438	607,859,121	400,101	479,649
Total liabilities		909,004,172	1,953,984,621	717,276	1,541,849
Equity					
Capital stock	20	934,780,120	749,200,010	737,615	591,178
Other capital surplus	21	1,051,249,578	77,231,312	829,519	60,942
Other equity	22	223,911,464	224,136,245	176,684	176,861
Accumulated deficit	23	(1,117,038,040)	(1,149,620,153)	(881,431)	(907,141)
Equity attributable to owners of the Group		1,092,903,123	(99,052,587)	862,387	(78,160)
Non-controlling interests		-	-	-	-
Total equity		1,092,903,123	(99,052,587)	862,387	(78,160)
Total liabilities and equity		₩ 2,001,907,294	1,854,932,035	\$ 1,579,663	1,463,688

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2022 and 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Sales	31,32	₩ 3,423,340,873	2,429,327,701	\$ 2,701,287	1,916,932
Cost of sales	25,32	3,136,278,641	2,371,537,438	2,474,772	1,871,331
Gross profit		<u>287,062,233</u>	<u>57,790,263</u>	<u>226,515</u>	<u>45,601</u>
Selling, general and administrative expenses	25,26	399,012,260	319,051,059	314,852	251,757
Operating loss		<u>(111,950,027)</u>	<u>(261,260,797)</u>	<u>(88,337)</u>	<u>(206,155)</u>
Other income	27,32	67,161,829	22,471,851	52,996	17,732
Other expenses	27,32	(36,531,509)	(15,995,548)	(28,826)	(12,622)
Finance income	28	41,031,688	4,490,305	32,377	3,543
Finance costs	28	(21,832,353)	(16,585,505)	(17,227)	(13,087)
Share of profits of joint venture		246,246	930,540	194	734
Loss before income taxes		<u>(61,874,126)</u>	<u>(265,949,154)</u>	<u>(48,824)</u>	<u>(209,855)</u>
Income tax expenses	24	(1,740,585)	33,150	(1,373)	26
Loss for the year		<u>(60,133,542)</u>	<u>(265,982,304)</u>	<u>(47,450)</u>	<u>(209,881)</u>
Loss attributable to:					
Owners of the Group		(60,133,542)	(265,982,304)	(47,450)	(209,881)
Non-controlling interests		-	-	-	-
Other comprehensive income for the year		92,490,874	255,983,342	72,983	201,991
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	92,524,904	32,620,896	73,009	25,740
Defined benefit plan re-measurements of joint ventures	9,23	190,751	53,089	151	42
Gain on asset revaluation	11,22	-	223,495,126	-	176,355
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	22	(224,781)	(185,770)	(177)	(147)
Total comprehensive income (loss) for the year		<u>₩ 32,357,333</u>	<u>(9,998,962)</u>	<u>\$ 25,532</u>	<u>(7,890)</u>
Total comprehensive income (loss) attributable to:					
Owners of the Group		32,357,333	(9,998,962)	25,532	(7,890)
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share (in won and in US dollar)	29	₩ (1,068)	(17,103)	\$ (0.84)	(13.50)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(In thousands of won)

		Other capital surplus				Other equity	Accumulated deficit	Non-controlling interests	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2021	₩	749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)
Total comprehensive income (loss) for the year:									
Loss for the year		-	-	-	-	-	(265,982,304)	-	(265,982,304)
Defined benefit plan re-measurements		-	-	-	-	-	32,620,896	-	32,620,896
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	53,089	-	53,089
Debt to be swapped for equity		-	-	-	(931,508)	-	-	-	(931,508)
Gain on asset revaluation		-	-	-	-	223,495,126	-	-	223,495,126
Foreign currency translation difference for foreign operation		-	-	-	-	(185,770)	-	-	(185,770)
Balance at December 31, 2021	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>224,136,245</u>	<u>(1,149,620,153)</u>	<u>-</u>	<u>(99,052,587)</u>
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 year:									
Loss for the year		-	-	-	-	-	(60,133,542)	-	(60,133,542)
Defined benefit plan re-measurements		-	-	-	-	-	92,524,904	-	92,524,904
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	190,751	-	190,751
Foreign currency translation difference for foreign operation		-	-	-	-	(224,781)	-	-	(224,781)
Transactions with shareholders recognized directly in equity:									
Capital reduction without refund		(996,006,854)	-	996,006,854	-	-	-	-	-
Debt-for-equity swap		510,586,964	(21,369,524)	865	-	-	-	-	489,218,305
Stock issuance costs		-	(619,928)	-	-	-	-	-	(619,928)
Capital increase by issuing new stocks		671,000,000	-	-	-	-	-	-	671,000,000
Balance at December 31, 2022	₩	<u>934,780,120</u>	<u>(18,819,837)</u>	<u>1,070,069,416</u>	<u>-</u>	<u>223,911,464</u>	<u>(1,117,038,040)</u>	<u>-</u>	<u>1,092,903,123</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2022 and 2021

(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	Debt to be swapped for equity				
Balance at January 1, 2021	\$ 591,178	2,501	58,441	735	652	(723,043)	-	(69,535)
Total comprehensive income (loss) for the year:								
Loss for the year	-	-	-	-	-	(209,881)	-	(209,881)
Defined benefit plan re-measurements	-	-	-	-	-	25,740	-	25,740
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	42	-	42
Debt to be swapped for equity	-	-	-	(735)	-	-	-	(735)
Gain on asset revaluation	-	-	-	-	176,355	-	-	176,355
Foreign currency translation difference for foreign operation	-	-	-	-	(147)	-	-	(147)
Balance at December 31, 2021	<u>\$ 591,178</u>	<u>2,501</u>	<u>58,441</u>	<u>-</u>	<u>176,861</u>	<u>(907,141)</u>	<u>-</u>	<u>(78,160)</u>
Balance at January 1, 2022	\$ 591,178	2,501	58,441	-	176,861	(907,141)	-	(78,160)
Total comprehensive income (loss) for the year:								
Loss for the year	-	-	-	-	-	(47,450)	-	(47,450)
Defined benefit plan re-measurements	-	-	-	-	-	73,009	-	73,009
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	151	-	151
Foreign currency translation difference for foreign operation	-	-	-	-	(177)	-	-	(177)
Transactions with shareholders recognized directly in equity:								
Capital reduction without refund	(785,928)	-	785,928	-	-	-	-	-
Debt-for-equity swap	402,894	(16,862)	1	-	-	-	-	386,032
Stock issuance costs	-	(489)	-	-	-	-	-	(489)
Capital increase by issuing new stocks	529,472	-	-	-	-	-	-	529,472
Balance at December 31, 2022	<u>\$ 737,615</u>	<u>(14,850)</u>	<u>844,369</u>	<u>-</u>	<u>176,684</u>	<u>(881,431)</u>	<u>-</u>	<u>862,387</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Cash flows from operating activities				
Loss for the year	₩ (60,133,542)	(265,982,304)	\$ (47,450)	(209,881)
Adjustment	221,653,526	305,372,784	174,902	240,963
Changes in assets and liabilities	(380,325,280)	(25,090,755)	(300,107)	(19,799)
Cash generated from operations (note 30)	<u>(218,805,295)</u>	<u>14,299,724</u>	<u>(172,655)</u>	<u>11,284</u>
Interest received	3,388,170	1,230,106	2,674	971
Interest paid	(33,384,116)	(618,725)	(26,343)	(488)
Dividends received	11,000	11,000	9	9
Tax paid	(2,508,735)	-	(1,980)	-
Net cash provided by (used in) operating activities	<u>(251,298,976)</u>	<u>14,922,106</u>	<u>(198,295)</u>	<u>11,775</u>
Cash flows from investing activities				
Decrease of loans and others	2,169,712	4,604,132	1,712	3,633
Decrease of current financial instruments	15,466,877	-	12,205	-
Proceed from disposal of property, plant and equipment	3,693,866	1,093,028	2,915	862
Proceed from disposal of intangible assets	500,000	70,120	395	55
Decrease of other non-current assets	2,200	-	2	-
Increase of loans and others	-	(6,000,664)	-	(4,735)
Increase of current financial instruments	-	(21,275,651)	-	(16,788)
Disposal of subsidiary	-	(106,813)	-	(84)
Acquisition of property, plant and equipment	(90,378,829)	(95,996,080)	(71,316)	(75,749)
Acquisition of right-of-use	(11,340,000)	-	(8,948)	-
Acquisition of intangible assets	(67,185,725)	(35,390,364)	(53,015)	(27,926)
Net cash used in investing activities	<u>(147,071,900)</u>	<u>(153,002,291)</u>	<u>(116,051)</u>	<u>(120,731)</u>
Cash flows from financing activities				
Proceeds from borrowings	120,000,000	59,999,969	94,689	47,345
Proceeds from deposits	14,971,609	15,512,588	11,814	12,241
Capital increase by issuing new stocks	671,000,000	-	529,472	-
Repayment of borrowings	(349,022,348)	(60,001,785)	(275,406)	(47,346)
Payment of lease liabilities	(7,617,925)	(9,225,053)	(6,011)	(7,279)
Stock issuance costs	(619,928)	-	(489)	-
Net cash provided by financing activities	<u>448,711,408</u>	<u>6,285,718</u>	<u>354,069</u>	<u>4,960</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(46,759)</u>	<u>499,178</u>	<u>(37)</u>	<u>394</u>
Net increase (decrease) in cash and cash equivalents	<u>50,293,774</u>	<u>(131,295,289)</u>	<u>39,686</u>	<u>(103,602)</u>
Cash and cash equivalents at January 1	54,668,032	185,963,321	43,137	146,740
Cash and cash equivalents at December 31	<u>₩ 104,961,806</u>	<u>54,668,032</u>	<u>\$ 82,823</u>	<u>43,137</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. General Description of The Group

(1) Organization and description of business of The Group

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

(2) Major shareholders

As of December 31, 2022, The Group’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 KG Mobility holdings Co., Ltd.	20,000,000	10.70
3 rd KG Mobility holdings Co., Ltd.	4,200,000	2.25
KG Steel Co., Ltd.	26,026	0.01
KG Chemical Corporation	1,099	0.00
Mahindra & Mahindra Ltd.	12,429,511	6.65
Others	40,299,388	21.56
	186,956,024	100.00

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

2. Basis of Preparation and Accounting Policies

(1) Basis of translating consolidated financial statements

The consolidated financial statements are expressed in Korean won and have been translated into US dollars at the rate of W1,267.30 to \$1 on December 31, 2022, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into US dollars at this or any other rate.

(2) Statement of compliance

The Group has prepared its consolidated financial statements in accordance with the K-IFRS.

The consolidated financial statements as of and for the year ended December 31, 2022, were reported to the chief executive officer and authorized for issuance on February 21, 2023.

Some of amount in consolidated financial position as of December 31, 2021, was reclassified and modified to ensure comparability with the current period.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Basis of Preparation and Accounting Policies, Continued

(2) Statement of compliance, continued

1) Measurement Criteria

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

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

2) Use of estimates and judgments

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies

The significant accounting policies that we applied to the preparation of the Group's consolidated financial statements in accordance with K-IFRS are described below. The Group has consistently applied the accounting policies to the Group's consolidated financial statements for the years ended December 31, 2022 and 2021.

(1) New and amended standards

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

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

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

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

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, continued

- Annual Improvements to K-IFRS Standards 2018–2020

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

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

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

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

② K-IFRS 1109 Financial Instruments (Amendment)

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

③ K-IFRS 1116 Leases (Amendment)

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

As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

④ K-IFRS 1041 Agriculture (Amendment)

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

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, continued

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

- 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 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

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

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

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

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

- Amendments to Korean IFRS 1001 Presentation of Financial Statements

The amendments require companies to define and disclose their 'material' accounting policy information instead of its 'significant' accounting policies. The amendments explain how an entity can identify material accounting policy information. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively.

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

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, continued

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

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

The Board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

(2) Basis of consolidation

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

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

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

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

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

(3) Investments in joint ventures

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

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

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

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

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(4) Revenue recognition

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

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

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

(5) Foreign currencies

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets

1) Recognition and initial measurement

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

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

2) Classification and subsequent measurements

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

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

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

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

When evaluating this, we consider the following:

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

Subsequent measurement and profit and loss

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

3) Elimination

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

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

4) Offsetting

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

1) Financial instruments and contract assets

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

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

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

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

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

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

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

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

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

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

2) Measurement of ECLs

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

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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

3) Credit-impaired financial assets

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

The evidence that the credit of a financial asset is impaired includes the following observable information.

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

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

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

5) Write-Off

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

(8) Financial liabilities and Paid-in capital

1) Paid-in capital

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

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

2) Financial liabilities

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

① Financial liabilities at fair value through profit or loss

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

② Other financial liabilities

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

③ Elimination of financial liabilities

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

(9) Derivative financial instruments

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(10) Inventories

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

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

(11) Property, plant, and equipment

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

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

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

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

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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

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

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

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

(12) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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

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

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

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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

3) Derecognition of intangible assets

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

(13) Impairment of Non-financial assets

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

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

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

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

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

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3. Significant Accounting Policies, Continued

(14) Retirement benefit costs and termination benefits

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(15) Provisions

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

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

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

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

(16) Lease

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

1) As a lessor

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

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

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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

2) As a lessee

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

(17) Borrowing costs

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

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

(18) Government grants

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

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

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

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

(19) Finance income and expenses

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

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

(20) Earnings per share

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

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3. Significant Accounting Policies, Continued

(21) Taxation

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

3. Significant Accounting Policies, Continued

3) Current and deferred taxes for the year

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

(22) Fair value

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

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

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

(23) Segment information

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

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

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

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4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

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

(In thousands of won and in thousands of dollar)

	Financial institution	Korean won		US dollar		Description
		2022	2021	2022	2021	
Cash and cash equivalents	Shinhan Bank	₩ 219,392	171,226	\$ 173	135	Government grants
	Woori Bank and others	12,430	10,303	10	8	Government grants, etc.
Current financial instruments	Woori Bank and others	5,808,774	21,275,651	4,584	16,788	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	3	3	Bank account deposit
		₩ <u>6,044,596</u>	<u>21,461,180</u>	\$ <u>4,770</u>	<u>16,935</u>	

6. Non-current Financial Assets

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

(In thousands of won)

	Ownership (%)		2022		2021	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	₩	500,000	765,166	500,000	500,000
Korea Management Consultants Association (*)	1.50		60,000	1,110,489	60,000	60,000
		₩	<u>560,000</u>	<u>1,875,655</u>	<u>560,000</u>	<u>560,000</u>

(In thousands of dollar)

	Ownership (%)		2022		2021	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	\$	395	604	395	395
Korea Management Consultants Association (*)	1.50		47	876	47	47
		\$	<u>442</u>	<u>1,480</u>	<u>442</u>	<u>442</u>

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

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7. Trade and Other Receivables

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

(In thousands of won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 136,292,172	-	108,910,624	-
Less: Allowance for doubtful accounts	(1,022,056)	-	(435,717)	-
Other receivables	20,655,490	45,660	8,618,869	45,685
Less: Allowance for doubtful accounts	(5,207,637)	-	(4,526,416)	-
Loans and others (*)	24,440,366	22,704,600	23,975,290	28,999,826
Less: Allowance for doubtful accounts	-	-	-	(356)
	<u>₩ 175,158,335</u>	<u>22,750,260</u>	<u>136,542,650</u>	<u>29,045,155</u>

(*) The Loans and others listed above include ₩3,663,374 thousand and ₩6,644,671 thousand for sub lease receivables as of December 31, 2022 and 2021, respectively and the interest revenue received by the sub lease contract is ₩566,103 thousand and ₩606,336 thousand for the years ended December 31, 2022 and 2021, respectively.

(In thousands of dollar)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 107,545	-	85,939	-
Less: Allowance for doubtful accounts	(806)	-	(344)	-
Other receivables	16,299	36	6,801	36
Less: Allowance for doubtful accounts	(4,109)	-	(3,572)	-
Loans and others(*)	19,285	17,916	18,918	22,883
Less: Allowance for doubtful accounts	-	-	-	(0)
	<u>\$ 138,214</u>	<u>17,952</u>	<u>107,743</u>	<u>22,919</u>

(*) The Loans and others listed above include \$2,891 thousand and \$5,243 thousand for sub lease receivables as of December 31, 2022 and 2021, respectively and the interest revenue received by the sub lease contract is \$447 thousand and \$478 thousand for the years ended December 31, 2022 and 2021, respectively.

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For the years ended December 31, 2022 and 2021

7. Trade and Other Receivables, continued

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

(In thousands of won)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	₩ 135,144,758	56,922,327	104,998,715	55,541,258
Less than 180 days	37,326	1,176,637	68,864	596,568
Less than 270 days	-	1,919,889	30,744	481,100
Less than 365 days	2	1,187,043	1,440,456	219,969
More than 365 days	1,110,086	6,640,220	2,371,845	4,800,775
Total	₩ 136,292,172	67,846,116	108,910,624	61,639,670
Impaired receivables	1,022,056	5,207,637	435,717	4,526,772

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

(In thousands of dollar)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	\$ 106,640	44,916	82,852	43,826
Less than 180 days	29	928	54	471
Less than 270 days	-	1,515	24	380
Less than 365 days	0	937	1,137	174
More than 365 days	876	5,240	1,872	3,788
Total	\$ 107,545	53,536	85,939	48,639
Impaired receivables	806	4,109	344	3,572

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

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7. Trade and Other Receivables, continued

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 435,717	4,526,772	92,268	3,756,815
Bad debt expense	586,339	681,222	343,449	814,207
Reversal of allowance for bad debts	-	(357)	-	(44,250)
Ending balance	₩ 1,022,056	5,207,637	435,717	4,526,772

(In thousands of dollar)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 344	3,572	73	2,964
Bad debt expense	463	538	271	642
Reversal of allowance for bad debts	-	(0.3)	-	(35)
Ending balance	\$ 806	4,109	344	3,572

8. Inventories

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Merchandises	₩ 41,339,796	40,739,820	\$ 32,620	32,147
Finished goods	110,831,010	30,820,366	87,454	24,320
Work-in-process	25,873,492	22,449,034	20,416	17,714
Raw materials	45,555,698	37,651,217	35,947	29,710
Sub-materials	461,790	512,165	364	404
Supplies	3,339,254	3,363,625	2,635	2,654
Goods in transit	25,930,346	20,200,127	20,461	15,939
	₩ 253,331,386	155,736,354	\$ 199,899	122,888

The Group has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩6,090,003 thousand (\$4,805 thousand) and ₩7,071,887 thousand (\$5,580 thousand) for the years ended December 31, 2022 and 2021, respectively.

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For the years ended December 31, 2022 and 2021

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2022 are as follows:

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

(*) SY Auto Capital Co., Ltd. was established under joint venture agreement as a joint venture since the Group has rights only to the net assets, and their legal structures of arrangements are separated.

(2) Changes in the carrying amounts of investments in a joint venture for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	22,039,325	246,246	190,751	22,476,322

(In thousands of won)

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

(In thousands of US dollar)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	17,391	194	151	17,736

(In thousands of US dollar)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	16,615	734	42	17,391

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9. Investments in Subsidiaries and a Joint venture, continued

(3) Summarized financial information of the Group's subsidiaries and joint venture as of and for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

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

(In thousands of dollar)

		2022				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong European Parts Center B.V.	\$	11,088	13,290	(2,202)	17,374	124
Ssangyong Australia Pty Ltd.		55,147	54,706	442	122,826	4,457
SY Auto Capital Co., Ltd. (*)		67,132	34,522	32,611	7,991	374

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

(In thousands of won)

		2022					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	7,132,976	42,265,621	862,367	2,959,865	1,018,606	191,108

(In thousands of US dollar)

		2022					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$	5,628	33,351	680	2,336	804	151

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For the years ended December 31, 2022 and 2021

9. Investments in Subsidiaries and a Joint venture, continued

(In thousands of won)

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

(In thousands of dollar)

		2021				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	\$	269	47	222	105	33
Ssangyong European Parts Center B.V.		12,677	14,985	(2,307)	15,564	135
Ssangyong Australia Pty Ltd.		22,114	25,948	(3,834)	68,180	1,684
SY Auto Capital Co., Ltd. (*)		69,553	37,611	31,941	10,360	1,731

(*) Additional financial information for the joint venture for the year ended December 31, 2021 is as follows:

(In thousands of won)

		2021					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	5,313,867	46,527,944	868,800	2,474,936	1,118,449	692,790

(In thousands of US dollar)

		2021					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$	4,193	36,714	686	1,953	883	547

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of December 31, 2022 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
		SY Auto Capital Co., Ltd.	₩	41,327,507	51%	21,077,029

(In thousands of US dollar)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
		SY Auto Capital Co., Ltd.	\$	32,611	51%	16,631

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10. Other Assets

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Other current assets				
Advance payments	₩ 72,315,550	61,810,782	\$ 57,063	48,774
Prepaid expenses	15,213,712	9,291,879	12,005	7,332
Current tax assets	369,817	43,601	292	34
	₩ <u>87,899,079</u>	<u>71,146,262</u>	\$ <u>69,359</u>	<u>56,140</u>
Other non-current assets				
Other non-current assets	₩ 275,882	275,957	\$ 218	218

11. Property, Plant and Equipment

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

(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
	₩ <u>3,965,233,805</u>	<u>278,800,357</u>	<u>(3,623,356)</u>	<u>(2,605,024,428)</u>	<u>(485,659,861)</u>	<u>1,149,726,517</u>

(In thousands of won)

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

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11. Property, Plant and Equipment, Continued

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

(In thousands of dollar)

	2022					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 337,873	219,996	(6)	-	-	557,862
Buildings	424,324	-	(2,674)	(199,062)	(123,818)	98,770
Structures	88,621	-	(31)	(55,818)	(24,608)	8,164
Machinery	1,036,370	-	(86)	(885,700)	(87,202)	63,383
Vehicles	6,595	-	-	(4,354)	(263)	1,978
Tools and molds	1,156,479	-	(29)	(866,044)	(143,718)	146,689
Equipment	50,102	-	(34)	(44,592)	(2,703)	2,773
Construction in progress	28,518	-	-	-	(912)	27,606
	<u>\$ 3,128,883</u>	<u>219,996</u>	<u>(2,859)</u>	<u>(2,055,570)</u>	<u>(383,224)</u>	<u>907,225</u>

(In thousands of dollar)

	2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 337,873	219,996	(6)	-	-	557,862
Buildings	423,015	-	(2,749)	(193,443)	(123,818)	103,005
Structures	88,558	-	(34)	(54,880)	(24,614)	9,029
Machinery	1,035,129	-	(106)	(870,451)	(88,989)	75,583
Vehicles	6,370	-	(1)	(4,117)	(269)	1,982
Tools and molds	1,146,715	-	(43)	(839,021)	(153,761)	153,890
Equipment	52,135	-	(53)	(45,112)	(2,861)	4,109
Construction in progress	35,411	-	-	-	(1,002)	34,409
Machinery in transit	388	-	-	-	-	388
	<u>\$ 3,125,593</u>	<u>219,996</u>	<u>(2,992)</u>	<u>(2,007,024)</u>	<u>(395,315)</u>	<u>940,258</u>

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

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022					Ending	
		Beginning	Acquisition	Disposal	Depreciation	Impairment	Others (*)	balance
		balance						
Land	₩	706,978,971	-	-	-	-	-	706,978,971
Buildings		130,538,434	49,916	-	(7,025,696)	-	1,608,529	125,171,183
Structures		11,442,918	1,056	(729)	(1,208,225)	-	111,390	10,346,410
Machinery		95,786,762	-	(126,503)	(26,516,593)	-	11,181,000	80,324,666
Vehicles		2,512,027	1,098,437	(628,365)	(549,270)	-	73,969	2,506,798
Tools and molds		195,025,068	1,681,920	(1,377,017)	(89,291,267)	-	79,860,057	185,898,761
Equipment		5,207,378	416,739	(43,631)	(2,084,890)	-	19,250	3,514,846
Construction in progress		43,605,938	82,859,074	-	-	(40,797)	(91,439,333)	34,984,882
Machinery in transit		492,071	43,751	-	-	-	(535,822)	-
	₩	<u>1,191,589,567</u>	<u>86,150,893</u>	<u>(2,176,245)</u>	<u>(126,675,941)</u>	<u>(40,797)</u>	<u>879,040</u>	<u>1,149,726,517</u>

(*) Others were the amounts of ₩1,045,252 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2022.

(In thousands of won)

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

(*1) The amounts of ₩278,800 million increased as a result of a revaluation on lands and recognized as revaluation surplus (other equity) for the year ended December 31, 2021.

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

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For the years ended December 31, 2022 and 2021

11. Property, Plant and Equipment, Continued

(In thousands of dollar)

		2022						
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	Ending balance	
Land	\$ 557,862	-	-	-	-	-	557,862	
Buildings	103,005	39	-	(5,544)	-	1,269	98,770	
Structures	9,029	1	(1)	(953)	-	88	8,164	
Machinery	75,583	-	(100)	(20,924)	-	8,823	63,383	
Vehicles	1,982	867	(496)	(433)	-	58	1,978	
Tools and molds	153,890	1,327	(1,087)	(70,458)	-	63,016	146,689	
Equipment	4,109	329	(34)	(1,645)	-	15	2,773	
Construction in progress	34,409	65,382	-	-	(32)	(72,153)	27,606	
Machinery in transit	388	35	-	-	-	(423)	-	
	<u>\$ 940,258</u>	<u>67,980</u>	<u>(1,717)</u>	<u>(99,957)</u>	<u>(32)</u>	<u>694</u>	<u>907,225</u>	

(*) Others were the amounts of \$825 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2022.

(In thousands of dollar)

		2021						
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	Ending balance	
Land	\$ 317,662	27	(34)	-	-	240,208	557,862	
Buildings	108,479	5	-	(5,753)	-	274	103,005	
Structures	9,867	-	(0)	(976)	-	139	9,029	
Machinery	88,953	1	(0)	(20,556)	-	7,185	75,583	
Vehicles	1,288	917	(759)	(377)	(8)	920	1,982	
Tools and molds	180,948	369	(106)	(67,438)	-	40,118	153,890	
Equipment	5,971	259	(36)	(2,151)	-	66	4,109	
Construction in progress	27,601	74,322	-	-	-	(67,514)	34,409	
Machinery in transit	252	136	-	-	-	-	388	
	<u>\$ 741,021</u>	<u>76,035</u>	<u>(936)</u>	<u>(97,250)</u>	<u>(8)</u>	<u>221,396</u>	<u>940,258</u>	

(*1) The amounts of \$220 million increased as a result of a revaluation on lands and recognized as revaluation surplus (other equity) for the year ended December 31, 2021.

(*2) Others were the amounts of \$533 thousand from capitalized borrowing costs and the amounts of \$576 thousand replaced from inventories to vehicles for the year ended December 31, 2021.

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11. Property, Plant and Equipment, Continued

(3) Details of pledged assets provided as collateral for the borrowings as of December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	Book value	Collateralized amount (*)	Book value	Collateralized amount (*)
Land	₩ 142,756,836	135,890,112	\$ 112,646	107,228
Buildings and structures	41,996,246		33,138	
	₩ 184,753,082	135,890,112	\$ 145,785	107,228

(*) 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 year ended December 31, 2022.

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Capitalized interest expenses (*)	₩ 2,286,608	1,818,829	\$ 1,804	1,435
Capitalization interest rate	3.30%	2.44%	3.30%	2.44%

(*) The borrowing costs capitalized as intangible assets were ₩1,241,356 thousand (\$980 thousand) and ₩1,143,788 thousand (\$903 thousand) for the years ended December 31, 2022 and 2021, respectively.

(5) Revaluation on Lands

The Group has changed the accounting policy of the subsequent measurement of land classified as property, plant and equipment from the cost model to the revaluation model for the year ended December 31, 2022. The lands were 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. After deducting income tax effects, the revaluation income of ₩223,495 million (\$176 million) was recognized as other comprehensive income as a result of a revaluation on lands for the year ended December 31, 2021.

Details of book amounts of lands both the revaluation model and the cost model as of December 31, 2022 are as follows:

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 706,978,971	428,178,614	\$ 557,862	337,867

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12. Intangible Assets

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

(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
	₩	<u>802,869,334</u>	<u>(13,856)</u>	<u>(524,844,685)</u>	<u>(113,903,705)</u>	<u>164,107,088</u>

(In thousands of won)

		2021				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	582,795,578	-	(409,911,195)	(38,947,234)	133,937,149
Patents		5,332,194	(9,343)	(4,398,328)	(225,039)	699,484
Other intangible assets		146,815,002	(80,000)	(38,962,628)	(74,723,216)	33,049,158
	₩	<u>734,942,774</u>	<u>(89,343)</u>	<u>(453,272,151)</u>	<u>(113,895,489)</u>	<u>167,685,791</u>

(*) The Group recognized Impairment loss on intangible assets amounting to ₩8,038 million for the year ended December 31, 2021, and restated the 2011 financial statements (Note 37).

(In thousands of dollar)

		2022				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$	505,582	-	(378,220)	(30,732)	96,630
Patents		4,609	(2)	(3,780)	(184)	643
Other intangible assets		123,336	(9)	(32,144)	(58,963)	32,220
	\$	<u>633,527</u>	<u>(11)</u>	<u>(414,144)</u>	<u>(89,879)</u>	<u>129,493</u>

(In thousands of dollar)

		2021				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$	459,872	-	(323,452)	(30,732)	105,687
Patents		4,208	(7)	(3,471)	(178)	552
Other intangible assets		115,849	(63)	(30,745)	(58,963)	26,078
	\$	<u>579,928</u>	<u>(70)</u>	<u>(357,668)</u>	<u>(89,873)</u>	<u>132,317</u>

(*) The Group recognized impairment loss on intangible assets amounting to \$6 million for the year ended December 31, 2021, and restated the 2011 financial statements (Note 37).

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
Internally created intangible assets:									
Development cost									
₩		133,937,149	-	-	(69,406,679)	-	-	57,928,691	122,459,161
Other intangible assets									
		28,964,364	64,925,869	-	-	-	59,491,347	(116,178,681)	37,202,898
		<u>162,901,513</u>	<u>64,925,869</u>	<u>-</u>	<u>(69,406,679)</u>	<u>-</u>	<u>59,491,347</u>	<u>(58,249,990)</u>	<u>159,662,059</u>
Individually acquired intangible assets:									
Patents									
		699,484	509,352	-	(385,510)	(8,219)	-	-	815,107
Other intangible assets									
		4,084,794	1,750,505	(511,000)	(1,697,283)	-	-	2,906	3,629,922
		<u>4,784,278</u>	<u>2,259,857</u>	<u>(511,000)</u>	<u>(2,082,793)</u>	<u>(8,219)</u>	<u>-</u>	<u>2,906</u>	<u>4,445,029</u>
₩		<u>167,685,791</u>	<u>67,185,726</u>	<u>(511,000)</u>	<u>(71,489,472)</u>	<u>(8,219)</u>	<u>59,491,347</u>	<u>(58,247,085)</u>	<u>164,107,088</u>

(*) Capitalized borrowing costs in respect of other intangible assets are ₩1,241,356 thousand for the year ended December 31, 2022.

(In thousands of won)

		2021							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Transfer	Others (*2)	Ending balance
Internally created intangible assets:									
Development cost									
₩		136,853,007	-	-	(69,344,731)	-	(6,086,729)	72,515,602	133,937,149
Other intangible assets									
		67,409,197	34,878,142	-	-	(8,037,891)	6,086,729	(71,371,814)	28,964,364
		<u>204,262,204</u>	<u>34,878,142</u>	<u>-</u>	<u>(69,344,731)</u>	<u>(8,037,891)</u>	<u>-</u>	<u>1,143,788</u>	<u>162,901,513</u>
Individually acquired intangible assets:									
Patents									
		834,407	264,644	-	(378,739)	(20,828)	-	-	699,484
Other intangible assets									
		4,834,646	1,478,360	(70,120)	(2,163,551)	-	-	5,459	4,084,794
		<u>5,669,053</u>	<u>1,743,004</u>	<u>(70,120)</u>	<u>(2,542,290)</u>	<u>(20,828)</u>	<u>-</u>	<u>5,459</u>	<u>4,784,278</u>
₩		<u>209,931,257</u>	<u>36,621,146</u>	<u>(70,120)</u>	<u>(71,887,021)</u>	<u>(8,058,718)</u>	<u>-</u>	<u>1,149,247</u>	<u>167,685,791</u>

(*1) The Group recognized impairment loss on intangible assets amounting to ₩8,038 million for the year ended December 31, 2021, and restated the 2011 financial statements (Note 37).

(*2) Capitalized borrowing costs in respect of other intangible assets are ₩1,143,788 thousand for the year ended December 31, 2021.

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12. Intangible Assets, Continued

(In thousands of dollar)

		2022						Ending	
		Beginning	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	balance
		balance							
Internally created intangible assets:									
Development									
cost	\$	105,687	-	-	(54,767)	-	-	45,710	96,630
Other intangible									
assets		22,855	51,232	-	-	-	46,943	(91,674)	29,356
		<u>128,542</u>	<u>51,232</u>	<u>-</u>	<u>(54,767)</u>	<u>-</u>	<u>46,943</u>	<u>(45,964)</u>	<u>125,986</u>
Individually acquired intangible assets:									
Patents		552	402	-	(304)	(6)	-	-	643
Other intangible									
assets		3,223	1,381	(403)	(1,339)	-	-	2	2,864
		<u>3,775</u>	<u>1,783</u>	<u>(403)</u>	<u>(1,643)</u>	<u>(6)</u>	<u>-</u>	<u>2</u>	<u>3,507</u>
	\$	<u>132,317</u>	<u>53,015</u>	<u>(403)</u>	<u>(56,411)</u>	<u>(6)</u>	<u>46,943</u>	<u>(45,962)</u>	<u>129,493</u>

(*) Capitalized borrowing costs in respect of other intangible assets are \$980 thousand for the year ended December 31, 2022.

(In thousands of dollar)

		2021						Ending	
		Beginning	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*2)	balance
		balance				(*1)			
Internally created intangible assets:									
Development									
cost	\$	107,988	-	-	(54,718)	-	(4,803)	57,221	105,687
Other intangible									
assets		53,191	27,522	-	-	(6,343)	4,803	(56,318)	22,855
		<u>161,179</u>	<u>27,522</u>	<u>-</u>	<u>(54,718)</u>	<u>(6,343)</u>	<u>-</u>	<u>903</u>	<u>128,542</u>
Individually acquired intangible assets:									
Patents		658	209	-	(299)	(16)	-	-	552
Other intangible									
assets		3,815	1,167	(55)	(1,707)	-	-	4	3,223
		<u>4,473</u>	<u>1,375</u>	<u>(55)</u>	<u>(2,006)</u>	<u>(16)</u>	<u>-</u>	<u>4</u>	<u>3,775</u>
	\$	<u>165,652</u>	<u>28,897</u>	<u>(55)</u>	<u>(56,725)</u>	<u>(6,359)</u>	<u>-</u>	<u>907</u>	<u>132,317</u>

(*1) The Group recognized Impairment loss on intangible assets amounting to \$6 million for the year ended December 31, 2021, and restated the 2011 financial statements (Note 37).

(*2) Capitalized borrowing costs in respect of other intangible assets are \$903 thousand for the year ended December 31, 2021.

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12. Intangible Assets, Continued

(3) Details of capitalized development costs as of December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Project name	Korean won	US dollar	Remaining amortization period (*1)
Development costs	RV (*2)	₩ 117,926,740	\$ 93,054	1~4 years
	Power train and others	4,532,421	3,576	1~4 years
Other intangible assets	RV (*3)	37,202,898	29,356	-
		₩ <u>159,662,059</u>	\$ <u>125,986</u>	

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

(*2) It is a development project for vehicles under sale as of December 31, 2022.

(*3) On-going development project for vehicles as of December 31, 2022 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Capitalization of intangible assets	₩ 66,167,225	36,021,930	\$ 52,211	28,424
Manufacturing costs	69,591,836	55,311,841	54,913	43,645
Selling and administrative expenses	20,222,584	11,853,410	15,957	9,353
	₩ <u>155,981,645</u>	<u>103,187,181</u>	\$ <u>123,082</u>	<u>81,423</u>

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For the years ended December 31, 2022 and 2021

13. Lease

(1) Changes in right-of-use assets for the years ended December 31, 2022 and 2021 are as follows:

		2022					
<i>(In thousands of won)</i>		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	3,917,593	11,421,894	(8,188,703)	(19,210)	3,356	7,134,930
Vehicle		165,824	5,067,681	(1,771,943)	-	731	3,462,293
Equipment		279,873	276,043	(407,188)	-	-	148,728
	₩	4,363,290	16,765,618	(10,367,834)	(19,210)	4,087	10,745,951

(*) The amount of ₩11,340 million increased due to the extension of the lease contract for Guro A/S Center for the year ended December 31, 2022.

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

(*) The amount of ₩2,234 million increased due to lease contract for Seoul office relocation for the year ended December 31, 2021.

(In thousands of dollar)

		2022					
<i>(In thousands of dollar)</i>		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	3,091	9,013	(6,462)	(15)	3	5,630
Vehicle		131	3,999	(1,398)	-	1	2,732
Equipment		221	218	(321)	-	-	117
	\$	3,443	13,229	(8,181)	(15)	3	8,479

(*) The amount of \$8 million increased due to the extension of the lease contract for Guro A/S Center for the year ended December 31, 2022.

(In thousands of dollar)

		2021					
<i>(In thousands of dollar)</i>		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,102	2,111	(4,040)	(88)	7	3,091
Vehicle		1,589	79	(1,486)	(52)	1	131
Equipment		801	-	(580)	-	-	221
	\$	7,491	2,191	(6,106)	(140)	7	3,443

(*) The amount of \$2 million increased due to lease contract for Seoul office relocation for the year ended December 31, 2021.

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13. Lease, Continued

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

		2022	
		<u>Within a year</u>	<u>Over 1 year</u>
<i>(In thousands of won)</i>			
Lease liabilities (*)	₩	5,036,434	3,834,620
		2021	
		<u>Within a year</u>	<u>Over 1 year</u>
<i>(In thousands of won)</i>			
Lease liabilities (*)	₩	5,135,068	4,106,688
		2022	
		<u>Within a year</u>	<u>Over 1 year</u>
<i>(In thousands of dollar)</i>			
Lease liabilities (*)	\$	3,974	3,026
		2021	
		<u>Within a year</u>	<u>Over 1 year</u>
<i>(In thousands of dollar)</i>			
Lease liabilities (*)	\$	4,052	3,241

(*) The total amounts of lease liabilities paid are ₩7,617,924 thousand (\$6,011 thousand) and ₩9,225,053 thousand (\$7,279 thousand) and interest expenses are ₩371,839 thousand (\$293 thousand) and ₩330,952 thousand (\$261 thousand) for the years ended December 31, 2022 and 2021, respectively.

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

	<u>Exemption of lease recognition</u>		<u>2022</u>	<u>2021</u>
<i>(In thousands of won)</i>				
Office equipment	Low cost	₩	608,743	531,672
Building	Short term		-	7,500
			2022	
			<u>2022</u>	<u>2021</u>
<i>(In thousands of US dollar)</i>				
Office equipment	Low cost	\$	480	420
Building	Short term		-	6

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13. Lease, Continued

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

(In thousands of won and in thousands of dollar)

	2022	
	Korean won	US dollar
Less than 1 year	₩ 2,678,402	\$ 2,113
1 year to 5 years	1,086,820	858
Lease to be received	3,765,222	2,971
Unrealized interests	(101,848)	(80)
Net investment in the lease	3,663,374	2,891
Interests from sublease for this year	164,753	130

(In thousands of won and in thousands of dollar)

	2021	
	Korean won	US dollar
Less than 1 year	₩ 4,280,274	\$ 3,377
1 year to 5 years	2,570,090	2,028
Lease to be received	6,850,364	5,405
Unrealized interests	(205,693)	(162)
Net investment in the lease	6,644,671	5,243
Interests from sublease for this year	188,456	149

(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:

	Main terms
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	₩180 Billion (\$142 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 an additional 1 year by exercising the extension option for the year ended December 31, 2022.
Extension option	It is possible to extend the lease term by up to one year (one-time only) prior to 4 months, subject to an 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 (\$48 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$83 million) increased.
- Lease deposit: ₩10,800 million (\$9 million) increased.

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14. Borrowings

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

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

Creditor	Type	Interest rate (%)	Korean won		US dollar	
			2022	2021	2022	2021
KDB Bank (*1)	Operating fund	-	₩ -	20,000,000	\$ -	15,782
	Facility fund	-	-	70,000,000	-	55,236
	Facility fund	-	-	100,000,000	-	78,908
Woori Bank (*2)	Loans	-	-	24,998,183	-	19,726
	Facility fund	-	-	40,000,000	-	31,563
Mahindra & Mahindra Ltd.(*3)	Overdraft	-	-	19,999,969	-	15,782
	Overdraft	-	-	29,999,869	-	23,672
KG Mobility Holdings (*4)	Loans	-	-	-	-	-
	Loans	-	-	-	-	-
BNP PARIBAS (*5)	-	-	-	10,000,000	-	7,891
			₩ -	314,998,021	\$ -	248,558

(*1, 2) During the preceding period of the previous year, due to the application for the commencement of court receivership, the Group lost the benefit of time limit. Meanwhile, the total cash repayment has been completed according to the approval of the rehabilitation plan on August 26, 2022.

(*3) During the current year, cash repayment and debt-to-equity swap have been completed according to the approval of the rehabilitation plan on August 26, 2022.

(*4) The Group have fully repaid the loans of KG Mobility Holdings, the largest shareholder of the Group.

(*5) Mahindra & Mahindra Ltd., the previous largest shareholder of the Group repaid loans of W 10,000 million (\$8 million) to the BNP PARIBAS on behalf of the Group. Meanwhile, cash repayment and debt-to-equity has been completed according to the approval of the rehabilitation plan on August 26, 2022.

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

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

Creditor	Type	Interest rate (%)	Korean won		US dollar	
			2022	2021	2022	2021
Mahindra & Mahindra Ltd	-	-	₩ -	40,000,000	\$ -	31,563

(*) During the current year, cash repayment and debt-to-equity swap have been completed according to the approval of the rehabilitation plan on August 26, 2022.

(3) There are no pledged assets as collateral for borrowings as of December 31, 2022.

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15. Other Financial Liabilities

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Accrued expenses	₩ 22,488,49	101,191,970	\$ 17,745	79,848

16. Provision of Warranty for sale

The Group generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 104,576,651	119,171,345	\$ 82,519	94,036
Increase	20,812,009	19,724,841	16,422	15,564
Decrease	(28,737,113)	(34,319,535)	(22,676)	(27,081)
Ending balance	₩ 96,651,547	104,576,651	\$ 76,266	82,519
Current	₩ 40,689,846	46,539,918	\$ 32,108	36,724
Non-current	55,961,701	58,036,733	44,158	45,796

17. Other Liabilities

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

(In thousands of won)

	2022		2021	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 9,009,588	-	9,888,538	-
Deposits received (*1)	429,007	-	15,916,385	-
Withholdings	27,161,100	-	10,780,078	-
Unearned revenue	15,360,211	13,147,328	5,277,341	17,651,651
Refund liabilities (*2)	926,029	-	1,475,042	-
	₩ 52,885,935	13,147,328	43,337,384	17,651,651

(In thousands of dollar)

	2022		2021	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 7,109	-	7,803	-
Deposits received (*1)	339	-	12,559	-
Withholdings	21,432	-	8,506	-
Unearned revenue	12,120	10,374	4,164	13,929
Refund liabilities (*2)	731	-	1,164	-
	\$ 41,731	10,374	34,197	13,929

(*) 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 December 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
<i>(In thousands of won and in thousands of dollar)</i>				
Present value of defined benefit obligations	₩ 280,901,431	363,990,154	\$ 221,653	287,217
Fair value of plan assets	(782,347)	(839,832)	(617)	(663)
	₩ 280,119,084	363,150,322	\$ 221,036	286,554

(2) Changes in defined benefit liabilities for the years ended December 31, 2022 and 2021 are as follows:

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 363,990,154	(839,832)	363,150,322
Current service cost	33,466,509	-	33,466,509
Interest expense (income)	9,969,873	(22,970)	9,946,903
Sub-total	407,426,536	(862,802)	406,563,734
Re-measurement factors:			
Re-measurements of plan assets	-	12,788	12,788
Loss (gain) from experience adjustments	(52,811,270)	-	(52,811,270)
Loss (gain) from changes in financial assumptions	(53,674,970)	-	(53,674,970)
Loss (gain) from changes in demographic assumptions	(440,390)	-	(440,390)
Sub-total	(106,926,630)	12,788	(106,913,842)
Benefit paid by plan	(67,667)	67,667	-
Benefit paid directly	(19,530,808)	-	(19,530,808)
Ending balance	₩ 280,901,431	(782,347)	280,119,084

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18. Employee Benefits, Continued

(In thousands of won)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 383,312,042	(933,028)	382,379,014
Current service cost	38,794,084	-	38,794,084
Interest expense (income)	9,051,194	(21,957)	9,029,237
Sub-total	431,157,320	(954,985)	430,202,335
Re-measurement factors:			
Re-measurements of plan assets	-	10,815	10,815
Loss (gain) from experience adjustments	2,999,303	-	2,999,303
Loss (gain) from changes in financial assumptions	(46,171,143)	-	(46,171,143)
Loss (gain) from changes in demographic assumptions	122,089	-	122,089
Sub-total	(43,049,751)	10,815	(43,038,936)
Benefit paid by plan	(104,338)	104,338	-
Benefit paid directly	(24,013,077)	-	(24,013,077)
Ending balance	₩ 363,990,154	(839,832)	363,150,322

(In thousands of dollar)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 287,217	(663)	286,554
Current service cost	26,408	-	26,408
Interest expense (income)	7,867	(18)	7,849
Sub-total	321,492	(681)	320,811
Re-measurement factors:			
Re-measurements of plan assets	-	10	10
Loss (gain) from experience adjustments	(41,672)	-	(41,672)
Loss (gain) from changes in financial assumptions			
Loss (gain) from changes in demographic assumptions	(348)	-	(348)
Sub-total			
Benefit paid by plan	(53)	53	-
Benefit paid directly	(15,411)	-	(15,411)
Ending balance	\$ 221,653	(617)	221,036

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For the years ended December 31, 2022 and 2021

18. Employee Benefits, Continued

(In thousands of dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 302,464	(736)	301,727
Current service cost	30,612	-	30,612
Interest expense (income)	7,142	(17)	7,125
Sub-total	340,217	(754)	339,464
Re-measurement factors:	-	-	-
Re-measurements of plan assets	-	9	9
Loss (gain) from experience adjustments	2,367	-	2,367
Loss (gain) from changes in financial assumptions	-	-	-
Loss (gain) from changes in demographic assumptions	96	-	96
Sub-total	(82)	82	-
Benefit paid by plan	(18,948)	-	(18,948)
Benefit paid directly	287,217	(663)	286,554
Ending balance	\$ 302,464	(736)	301,727

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Insurance contracts	₩ 782,347	839,832	\$ 617	663

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

	2022	2021
Discount rate (%)	5.20	2.80
Rate of future salary growth (%)	3.00	2.97

The discount rate is the market yield at the end of the reporting year on high quality corporate bonds (AA+) that have maturity which approximates the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The discount rate for the calculation of the present value of defined benefit obligations is also used as expected return on plan assets.

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18. Employee Benefits, Continued

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2022 is as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (18,706,635)	20,832,689	\$ (14,761)	16,439
Future salary growth	20,808,445	(18,950,364)	16,420	(14,953)

There is a correlation between actuarial assumptions, the above sensitivity analysis will not represent actual changes in defined benefit obligations because the assumptions will not change independently.

In the sensitivity analysis, the present value of the defined benefit obligation was measured using the predictive unit accumulation method applied to measure the defined benefit obligation in separate financial statements.

(6) Details of other long-term employee benefits liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Current	₩ -	-	\$ -	-
Non-current	11,703,405	14,687,238	9,235	11,589
	₩ 11,703,405	14,687,238	\$ 9,235	11,589

Since the other long-term employee benefits was suspended by an collective agreement between labor and management, other employee benefits liabilities were reclassified as non-current liabilities as of December 31, 2022.

(7) Details of adjustment of other employee benefits liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 14,687,238	16,573,104	\$ 11,589	13,077
Current service cost	691,584	851,457	546	672
Interest expense	324,058	261,582	256	206
Actuarial gains and losses	(3,903,905)	(2,998,905)	(3,080)	(2,366)
Benefit paid directly	(95,570)	-	(75)	-
Ending balance	₩ 11,703,405	14,687,238	\$ 9,235	11,589

(8) Actuarial assumptions used related to other long-term employee benefits liabilities as of December 31, 2022 and 2021 are as follows:

(Korean won and US dollar)

	2022	2021
Discount rate (%)	5.10	2.40
Rate of future salary growth (%)	2.00	2.00
Gold price (1-don = 3.75 g)	₩295,540 (\$233)	₩ 272,429 (\$215)

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

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19. Commitments and Contingencies

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

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2022, the loan agreement with Korea Development Bank and others has been terminated due to the application for the commencement of court receivership, however the total cash repayment has been completed according to the approval of the rehabilitation plan (August 26, 2022) and application for permission for cash repayment (Department of justice No. 2022-139, September 20, 2022) on September 21, 2022.
- (3) As of December 31, 2022, 5 claims were filed as a plaintiff with a claim amount of W4,093 million (\$3 million), and 12 claims were filed as a defendant with claims amounting to W4,510 million (\$4 million). The provision of W7,888 million (\$6 million) is recognized as other payables for the aforementioned lawsuits and claims, as the potential loss amounts can be estimated, and management expects it to be probable that the Group will incur an outflow.
- (4) Details of other provisions as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 79,865,848	124,578,526	\$ 63,020	98,302
Increase	57,691,222	519,292,953	45,523	409,763
Decrease	(51,856,459)	(564,005,630)	(40,919)	(445,045)
Ending balance	₩ 85,700,611	79,865,849	\$ 67,625	63,020

(*) In relation to CO2 emission regulations in Korea/EU (the Act on Allocation and Trading of Greenhouse Gas Emission), the Group estimates 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 Group has recognized provisions for CO2 emission regulations amounting to W19,534,283 thousand (\$15,414 thousand) and W62,777,752 thousand (\$49,537 thousand) as of December 31, 2022, and 2021, respectively. Additionally, the Group has recognized expected costs as provisions relating to the aforementioned lawsuits, sales incentives, and others.

- (5) Details of payment guarantee provided by others as of December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	2022	
		Korean Won	US Dollar
Seoul guarantee insurance company	Performance guarantee payment	₩ 3,048,923	\$ 2,406
	Deposits	906,500	715
	Prepaid	813,716	642
	Contract	137,404	108
	Approval	284,900	225
	Defect	80,160	63
		₩ 5,271,603	\$ 4,160

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For the years ended December 31, 2022 and 2021

20. Capital Stock

(1) The Group's capital stock as of December 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Number of shares				
authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	186,956,024	149,840,002	186,956,024	149,840,002
Par value (in won and US dollar)	₩ 5,000	5,000 \$	3.95	3.95
Capital stock	934,780,120	749,200,010	737,615	591,178

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For the years ended December 31, 2022 and 2021

20. Capital Stock, continued

(2) Changes in number of shares for the years ended December 31, 2022 and 2021 are as follows:

<i>(In shares)</i>	Number of shares	
	2022	2021
Beginning	149,840,002	149,840,002
Capital reduction (*1)	(100,669,598)	-
Debt-to-equity (*2)	93,316,700	-
Capital reduction (*3)	(97,420,918)	-
Capital increase (*4)	73,098,000	-
Capital increase (*5)	41,102,000	-
Capital increase (*6)	7,148,100	-
Debt-to-equity (*7)	1,711,896	-
Capital reduction (*8)	(1,170,158)	-
Capital increase (*9)	20,000,000	-
Total number of shares	186,956,024	149,840,002

(*1) The Group merged 10 shares of the largest shareholder (Mahindra & Mahindra Ltd.) into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea) (The effective date was September 2, 2022)

(*2) Debt-to-equity swap occurred in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea) (The effective date of the swap was September 3, 2022)

(*3) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea) (The effective date was September 19, 2022)

(*4) As of September 21, 2022, a paid-in capital increase by 3rd party allocation was carried out in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

(*5) As of October 21, 2022, a paid-in capital increase by 3rd party allocation was carried out in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

(*6) As of October 22, 2022, a paid-in capital increase by 3rd party allocation was carried out in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

(*7) Debt-to-equity swap was occurred in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea) (The effective date was November 8, 2022)

(*8) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea) (The effective date was November 10, 2022)

(*9) As of December 19, 2022, a paid-in capital increase by 3rd party allocation was carried out in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

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For the years ended December 31, 2022 and 2021

21. Other Capital Surplus

(1) Details of other capital surplus as of December 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Paid-up capital in excess of par value	₩ -	3,169,615	\$ -	2,501
Discount stock issuance	(18,819,837)		(14,850)	-
Gain on capital reduction	1,070,069,415	74,061,697	844,369	58,441
	₩ 1,051,249,578	77,231,312	\$ 829,519	60,942

(2) Changes in gain on capital reduction for the years ended December 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning	₩ 74,061,697	74,061,697	\$ 58,441	58,441
Capital reduction (*1)	503,347,990	-	397,181	-
Debt-to-equity (*2)	865	-	1	-
Capital reduction (*3)	486,808,073	-	384,130	-
Capital reduction (*4)	5,850,790	-	4,617	-
	₩ 1,070,069,415	74,061,697	\$ 844,369	58,441

(*1) The Group merged 10 shares of the largest shareholder (Mahindra & Mahindra Ltd) into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea) (The effective date was on September 2, 2022)

(*2) Debt-to-equity swap occurred in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea) (The effective date was on September 3, 2022)

(*3) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea) (The effective date was on September 19, 2022)

(*4) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan (August 26, 2022) by improving the financial structure of the Group (under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea) (The effective date was on November 10, 2022)

22. Other Equity

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Reserve from asset revaluation	₩ 223,495,126	223,495,126	\$ 176,355	176,355
Accumulated foreign currency translation difference for foreign operations	416,338	641,119	329	506
	₩ 223,911,464	224,136,245	\$ 176,684	176,861

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22. Other Equity, continued

(2) Changes in the foreign currency translation difference for foreign operation for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 641,119	826,888	\$ 506	652
Foreign currency translation difference for foreign operation	(224,781)	(185,769)	(177)	(147)
Ending balance	₩ <u>416,338</u>	<u>641,119</u>	\$ <u>329</u>	<u>506</u>

23. Deficit

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Deficit	₩ (1,117,038,040)	(1,149,620,153)	\$ (881,431)	(907,141)

(2) Changes in deficit for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ (1,149,620,153)	(916,311,834)	\$ (907,141)	(723,043)
Loss for the year	(60,133,542)	(265,982,304)	(47,450)	(209,881)
Defined benefit plan re-measurement	92,524,904	32,620,896	73,009	25,740
Defined benefit plan re-measurement from joint venture	190,751	53,089	151	42
Ending balance	₩ <u>(1,117,038,040)</u>	<u>(1,149,620,153)</u>	\$ <u>(881,431)</u>	<u>(907,141)</u>

24. Income Tax Expense

(1) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Current income tax	₩ -	-	\$ -	-
Deferred income tax	14,388,938	65,723,270	11,354	51,861
Items credited directly to equity	(14,388,938)	(65,723,270)	(11,354)	(51,861)
Income tax expense of parent company	-	-	-	-
Income tax expense of subsidiaries	(1,740,585)	33,150	(1,373)	26
Total	₩ <u>(1,740,585)</u>	<u>33,150</u>	\$ <u>(1,373)</u>	<u>26</u>

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For the years ended December 31, 2022 and 2021

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of won)

	2022			
	<u>Beginning</u>	<u>Decrease</u>	<u>Increase</u>	<u>Ending</u>
Allowance for doubtful accounts	₩ 3,139,259	3,139,259	4,120,967	4,120,967
Government grants	4,331,733	755,851	664,372	4,240,254
Provision for warranties	104,830,673	104,830,673	96,834,231	96,834,231
Defined benefit liabilities	364,995,740	82,955,074	(10,182)	282,030,484
Impairment loss of property, plant and equipment	96,152,262	8,257,079	113,742	88,008,925
Intangible assets	4,572,704	2,980,699	266,051	1,858,056
Depreciation	17,245,504	2,570,759	2,965,359	17,640,104
Other payables	79,941,848	79,941,848	87,140,604	87,140,604
Accrued expenses	82,545,087	82,545,087	20,702,517	20,702,517
Investment in joint-venture	(30,279,099)	848,408	-	(31,127,507)
Investment in subsidiaries	17,742,724	5,270,418	-	12,472,306
Other long-term employee benefits	14,687,238	14,687,238	11,703,405	11,703,405
Trade receivables	6,815,492	-	6,815,492	-
Other receivables	(1,391,842)	(1,391,842)	(5,817,799)	(5,817,799)
Land	(482,641,903)	-	-	(482,641,903)
Impairment loss of Intangible assets	89,516,437	75,325,499	71,564,406	85,755,344
Sub-lease receivables	(6,644,671)	(6,644,671)	(3,663,374)	(3,663,374)
Right-of-use assets	(4,144,699)	(4,144,699)	(10,653,623)	(10,653,623)
Lease liabilities	9,022,016	9,022,016	8,776,392	8,776,392
Others	7,306,239	(6,680,050)	4,117,148	18,103,437
Deficit carried over on tax	1,203,212,024	(1,268,633)	-	1,204,480,657
Sub-total	<u>1,580,954,766</u>	<u>453,000,013</u>	<u>295,639,708</u>	<u>1,409,963,477</u>
Not recognized as deferred tax assets	1,879,696,902	-	-	1,760,436,894
Recognized as deferred tax liabilities	(298,742,136)	-	-	(350,473,417)
Income tax rate	22.00%			21.00%
Deferred tax liabilities resulting from temporary differences or deficits carried over on tax	(65,723,270)	-	-	(76,010,313)
Tax credit carry-forwards:	<u>20,615,807</u>	<u>3,770,326</u>	-	<u>16,845,481</u>
Not recognized as deferred tax assets	20,615,807	3,770,326	-	16,845,481
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax liabilities	<u>₩ (65,723,270)</u>	<u>-</u>	<u>-</u>	<u>(76,010,313)</u>

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24. Income Tax Expense, Continued

(In thousands of won)

	2021			
	Beginning	Decrease	Increase	Ending
Allowance for doubtful accounts	₩ 2,324,650	2,324,650	3,139,259	3,139,259
Government grants	4,419,025	313,531	226,239	4,331,733
Provision for warranties	119,315,790	119,315,790	104,830,673	104,830,673
Defined benefit liabilities	384,386,903	23,981,104	4,589,941	364,995,740
Impairment loss of property, plant and equipment	106,016,593	9,864,331	-	96,152,262
Intangible assets	8,706,456	4,339,311	205,559	4,572,704
Depreciation	21,754,033	6,285,218	1,776,689	17,245,504
Other payables	124,655,026	124,579,026	79,865,848	79,941,848
Accrued expenses	53,051,706	53,051,706	82,545,087	82,545,087
Investment in joint-venture	(10,855,695)	(15,789,889)	-	4,934,194
Other long-term employee benefits	16,573,103	16,573,103	14,687,238	14,687,238
Trade receivables	-	-	6,815,491	6,815,492
Other receivables	1,225,760	1,225,760	(1,391,842)	(1,391,842)
Land	(203,863,621)	(22,075)	(278,800,357)	(482,641,903)
Impairment loss of Intangible assets	89,248,173	75,701,551	75,969,815	89,516,437
Sub-lease receivables	(4,346,501)	(4,346,501)	(6,644,671)	(6,644,671)
Right-of-use assets	(8,654,468)	(8,654,468)	(4,144,699)	(4,144,699)
Lease liabilities	7,564,293	7,564,293	9,022,016	9,022,016
Others	9,055,998	8,567,034	6,817,275	7,306,239
Deficit carried over on tax	920,543,258	12,726,357	295,395,123	1,203,212,024
Sub-total	<u>1,641,120,482</u>	<u>437,599,832</u>	<u>394,904,684</u>	<u>1,598,425,335</u>
Not recognized as deferred tax assets	1,641,120,482	-	-	1,897,167,471
Recognized as deferred tax liabilities	-	-	-	(298,742,136)
Income tax rate	22.00%	-	-	22.00%
Deferred tax liabilities resulting from temporary differences or deficits carried over on tax	-	-	-	(65,723,270)
Tax credit carry-forwards:	<u>20,598,705</u>	-	<u>17,102</u>	<u>20,615,807</u>
Not recognized as deferred tax assets	20,598,705	-	17,102	20,615,807
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax liabilities	<u>₩ -</u>	<u>-</u>	<u>-</u>	<u>(65,723,270)</u>

The Group recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

The Group did not recognize deferred tax assets because it could not predict the corporate tax effect due to the occurrence of future taxable income for temporary differences, carryover losses, and carryover tax credits.

(In thousands of dollar)

	2022			
	Beginning	Decrease	Increase	Ending
Allowance for doubtful accounts	\$ 2,477	2,477	3,252	3,252
Government grants	3,418	596	524	3,346
Provision for warranties	82,720	82,720	76,410	76,410
Defined benefit liabilities	288,011	65,458	(8)	222,544
Impairment loss of property, plant and equipment	75,872	6,515	90	69,446
Intangible assets	3,608	2,352	210	1,466
Depreciation	13,608	2,029	2,340	13,919
Other payables	63,080	63,080	68,761	68,761
Accrued expenses	65,135	65,135	16,336	16,336
Investment in joint-venture	(23,893)	669	-	(24,562)
Investment in subsidiaries	14,000	4,159	-	9,842
Other long-term employee benefits	11,589	11,589	9,235	9,235
Trade receivables	5,378	-	5,378	-
Other receivables	(1,098)	(1,098)	(4,591)	(4,591)
Land	(380,843)	-	-	(380,843)
Impairment loss of Intangible assets	70,636	59,438	56,470	67,668
Sub-lease receivables	(5,243)	(5,243)	(2,891)	(2,891)
Right-of-use assets	(3,270)	(3,270)	(8,407)	(8,407)
Lease liabilities	7,119	7,119	6,925	6,925
Others	5,765	(5,271)	3,249	14,285
Deficit carried over on tax	949,430	(1,001)	-	950,431
Sub-total	<u>1,247,498</u>	<u>357,453</u>	<u>233,283</u>	<u>1,112,573</u>
Not recognized as deferred tax assets	1,483,230	-	-	1,389,124
Recognized as deferred tax liabilities	(235,731)	-	-	(276,551)
Income tax rate	22.00%	-	-	21.00%
Deferred tax liabilities resulting from temporary differences or deficits carried over on tax	<u>(51,861)</u>	<u>-</u>	<u>-</u>	<u>(59,978)</u>
Tax credit carry-forwards:	<u>16,268</u>	<u>2,975</u>	<u>-</u>	<u>13,292</u>
Not recognized as deferred tax assets	16,268	2,975	-	13,292
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax liabilities	<u>\$ (51,861)</u>	<u>-</u>	<u>-</u>	<u>(59,978)</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

24. Income Tax Expense, Continued

(In thousands of dollar)

	2021			
	Beginning	Decrease	Increase	Ending
Allowance for doubtful accounts	\$ 1,834	1,834	2,477	2,477
Government grants	3,487	247	179	3,418
Provision for warranties	94,150	94,150	82,720	82,720
Defined benefit liabilities	303,312	18,923	3,622	288,011
Impairment loss of property, plant and equipment	83,655	7,784	-	75,872
Intangible assets	6,870	3,424	162	3,608
Depreciation	17,166	4,960	1,402	13,608
Other payables	98,363	98,303	63,020	63,080
Accrued expenses	41,862	41,862	65,135	65,135
Investment in joint-venture	(8,566)	(12,459)	-	3,893
Other long-term employee benefits	13,077	13,077	11,589	11,589
Trade receivables	-	-	5,378	5,378
Other receivables	967	967	(1,098)	(1,098)
Land	(160,865)	(17)	(219,996)	(380,843)
Impairment loss of Intangible assets	70,424	59,735	59,946	70,636
Sub-lease receivables	(3,430)	(3,430)	(5,243)	(5,243)
Right-of-use assets	(6,829)	(6,829)	(3,270)	(3,270)
Lease liabilities	5,969	5,969	7,119	7,119
Others	7,146	6,760	5,379	5,765
Deficit carried over on tax	726,381	10,042	233,090	949,430
Sub-total	<u>1,294,974</u>	<u>345,301</u>	<u>311,611</u>	<u>1,261,284</u>
Not recognized as deferred tax assets	1,294,974	-	-	1,497,015
Recognized as deferred tax liabilities	-	-	-	(235,731)
Income tax rate	22.00%	-	-	22.00%
Deferred tax liabilities resulting from temporary differences or deficits carried over on tax	-	-	-	(51,861)
Tax credit carry-forwards:	<u>16,254</u>	-	<u>13</u>	<u>16,268</u>
Not recognized as deferred tax assets	16,254	-	13	16,268
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(51,861)</u>

The Group recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

The Group did not recognize deferred tax assets because it could not predict the corporate tax effect due to the occurrence of future taxable income for temporary differences, carryover losses, and carryover tax credits.

(3) Items credited directly to equity as of December 31, 2022 are as follows:

(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
	<u>434,245,628</u>	<u>(80,112,208)</u>	<u>354,133,420</u>

(In thousands of won)

Details	2021		
	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	48,531,428	(10,418,040)	38,113,388
	<u>327,331,785</u>	<u>(65,723,270)</u>	<u>261,608,515</u>

(In thousands of dollar)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 219,996	(43,640)	176,355
Re-measurements of defined benefit liabilities	122,659	(19,575)	103,084
	<u>342,654</u>	<u>(63,215)</u>	<u>279,439</u>

(In thousands of dollar)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 219,996	(43,640)	176,355
Re-measurements of defined benefit liabilities	38,295	(8,221)	30,074
	<u>258,291</u>	<u>(51,861)</u>	<u>206,430</u>

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For the years ended December 31, 2022 and 2021

24. Income Tax Expense, Continued

(4) Details of information that the expected expiration of tax losses and deferred tax credits which are not recognized as deferred tax assets as of December 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	Deficit carried over on tax	Tax credit carry-forwards	Deficit carried over on tax	Tax credit carry-forwards
0 ~ 1 Year	₩ 103,734,751	-	\$ 81,855	-
1 ~ 5 Years	84,898,432	10,858,882	66,992	8,569
5 ~ 10 Years	869,520,430	5,986,599	686,120	4,724
Over 10 Years	146,327,044	-	115,464	-
	₩ 1,204,480,657	16,845,481	\$ 950,431	13,292

25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Changes in inventories	₩ (84,035,077)	40,407,326	\$ (66,310)	31,885
Raw materials consumed and purchase of merchandise	2,730,112,802	1,771,275,193	2,154,275	1,397,676
Employee benefits	379,896,156	415,566,450	299,768	327,915
Depreciation	126,675,939	123,244,911	99,957	97,250
Amortization	71,489,522	71,887,020	56,411	56,725
Others	311,151,558	268,207,597	245,523	211,637
	₩ 3,535,290,900	2,690,588,497	\$ 2,789,624	2,123,087

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

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Warranty expenses	₩ 31,300,508	33,026,259	\$ 24,699	26,060
Commissions	146,093,819	127,197,048	115,280	100,369
Advertising	10,228,996	6,662,531	8,071	5,257
Export expenses (*)	9,068,267	(23,423,225)	7,156	(18,483)
Promotion	31,490,915	23,439,500	24,849	18,496
Others	13,022,557	11,450,374	10,276	9,035
	₩ 241,205,062	178,352,487	\$ 190,330	140,734

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

26. Selling, General and Administrative Expenses, Continued

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

(2) Details of general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
(In thousands of won and in thousands of dollar)				
Salaries	₩ 36,503,188	40,706,490	\$ 28,804	32,121
Retirement benefit costs	4,734,678	6,183,403	3,736	4,879
Employee welfare	7,879,505	9,412,332	6,218	7,427
Rent expense	9,157,363	10,056,502	7,226	7,935
Service fees	34,388,381	14,375,484	27,135	11,343
Depreciation	9,682,867	13,716,391	7,641	10,823
R&D expenses	20,222,584	11,853,410	15,957	9,353
Amortization	2,082,842	2,542,290	1,644	2,006
Bad debt expense	586,339	343,449	463	271
Others	32,569,451	31,508,821	25,700	24,863
	₩ <u>157,807,198</u>	<u>140,698,572</u>	\$ <u>124,522</u>	<u>111,022</u>

27. Other Income and Expenses

(1) Details of other income for the years ended December 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
(In thousands of won and in thousands of dollar)				
Foreign exchange transaction gain	₩ 13,993,497	5,533,006	\$ 11,042	4,366
Foreign exchange translation gain	559,467	628,024	441	496
Gain on disposal of property, plant and equipment	2,984,963	337,735	2,355	266
Others	49,623,902	15,973,086	39,157	12,604
	₩ <u>67,161,829</u>	<u>22,471,851</u>	\$ <u>52,996</u>	<u>17,732</u>

(2) Details of other expenses for the years ended December 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
(In thousands of won and in thousands of dollar)				
Foreign exchange transaction loss	₩ 22,011,968	4,798,370	\$ 17,369	3,786
Foreign exchange translation loss	1,030,762	875,171	813	691
Loss on disposal of PP&E	1,465,981	430,438	1,157	340
Loss on disposal of intangible assets	11,000	-	9	-
Impairment loss on PP&E	40,797	10,064	32	8
Impairment loss on Intangible assets	8,219	8,058,718	6	6,359
Loss on disposal of trade receivables	32,387	31,868	26	25
Loss on disposal of subsidiaries	-	232,536	-	183
Other bad-debt expenses	681,222	814,208	538	642
Others	11,249,173	744,175	8,876	587
	₩ <u>36,531,509</u>	<u>15,995,548</u>	\$ <u>28,826</u>	<u>12,622</u>

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28. Finance Income and Costs

(1) Details of finance income for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Interest income	₩ 3,600,944	1,178,537	\$ 2,841	930
Dividend income	11,000	11,000	9	9
Foreign exchange transaction gain	5,506,282	3,052,685	4,345	2,409
Gain on exemption of debts	31,913,462	248,083	25,182	196
	₩ <u>41,031,688</u>	<u>4,490,305</u>	\$ <u>32,377</u>	<u>3,543</u>

(2) Details of finance costs for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Interest expense	₩ 12,625,342	15,419,020	\$ 9,962	12,167
Foreign exchange transaction loss	9,207,011	1,166,485	7,265	920
	₩ <u>21,832,353</u>	<u>16,585,505</u>	\$ <u>17,227</u>	<u>13,087</u>

(3) Details of the Group's financial net profit or loss for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Financial assets/ liabilities at amortized cost	₩ 19,188,335	(12,106,200)	\$ 15,141	(9,553)
Financial assets at FVTPL	11,000	11,000	9	9
	₩ <u>19,199,335</u>	<u>(12,095,200)</u>	\$ <u>15,150</u>	<u>(9,544)</u>

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For the years ended December 31, 2022 and 2021

29. Losses per Share

(1) Basic loss per share for the years ended December 31, 2022 and 2021 are calculated as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Loss for the year	₩ (60,133,542)	(265,982,304)	\$ (47,450)	(209,881)
Loss contributed to common stocks	(60,133,542)	(265,982,304)	(47,450)	(209,881)
Weighted average number of common shares	56,286,104	15,551,741	44,414.19	12,271.55
Basic earnings (losses) per share (*)	₩ (1,068)	(17,103)	\$ (0.84)	(13.50)

(*) Diluted losses per share are not calculated for the years ended December 31, 2022 and 2021, due to the absence of dilutive shares as of December 31, 2022 and 2021.

(2) Weighted average number of common shares outstanding for the years ended December 31, 2022 and 2021 are calculated as follows:

(In shares)

	Outstanding period	2022		Common shares outstanding
		Common shares issued (*)	Weighted-average	
Beginning	2022-01-01 ~ 2022-12-31	15,551,741	365/365	15,551,741
Deb-to-equity	2022-09-03 ~ 2022-12-31	29,514,445	120/365	9,703,379
Capital increase	2022-09-20 ~ 2022-12-31	73,098,000	103/365	20,627,655
Capital increase	2022-10-20 ~ 2022-12-31	41,102,000	73/365	8,220,400
Capital increase	2022-10-22 ~ 2022-12-31	7,148,100	71/365	1,390,452
Deb-to-equity	2022-11-08 ~ 2022-12-31	541,738	54/365	80,148
Capital increase	2022-12-19 ~ 2022-12-31	20,000,000	13/365	712,329
				<u>56,286,104</u>

(*) The number of issued and outstanding shares was calculated by reflecting capital reduction in accordance with K-IFRS 1033.

(In shares)

	Outstanding period	2021		Common shares outstanding
		Common shares issued (*)	Weighted-average	
Beginning	2021-01-01~2021-12-31	15,551,741	365/365	15,551,741

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

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30. Cash Flows

(1) Details of cash flows from operating activities for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Loss for the year	₩ (60,133,542)	(265,982,304)	\$ (47,450)	(209,881)
Adjustments for:				
Retirement benefit costs	43,413,413	47,823,320	34,257	37,736
Depreciation	126,675,939	123,244,911	99,957	97,250
Amortization	71,489,522	71,887,021	56,411	56,725
Depreciation of right-of-use assets	10,367,833	7,738,500	8,181	6,106
Impairment loss on PP&E	40,797	10,064	32	8
Impairment loss on Intangible assets	8,219	8,058,718	6	6,359
Losses on disposal of trade receivables	32,387	31,868	26	25
Foreign exchange translation gain and loss	471,294	247,147	372	195
Losses (Gains) on disposal of PP&E	(1,519,057)	92,700	(1,199)	73
Losses (Gains) on disposal of intangible asset	11,000	-	9	-
Interest expense and income, net	9,024,397	14,240,483	7,121	11,237
Dividends income	(11,000)	(11,000)	(9)	(9)
Losses (Gains) on valuation of inventories	(6,099,003)	(7,071,887)	(4,813)	(5,580)
Increase in provision of warranty for sale	20,812,008	19,724,840	16,422	15,564
Sales promotion expenses	19,391,345	14,825,133	15,301	11,698
Export overall expenses	142,938	4,987,572	113	3,936
Bad-debt expenses	586,339	343,449	463	271
Loss on equity method	680,865	769,958	537	608
Other bad-debt expenses	(246,246)	(930,540)	(194)	(734)
Gain on exemption of debts	(31,913,462)	-	(25,182)	-
Miscellaneous income	(40,430,120)	-	(31,903)	-
Others	(1,275,883)	(639,472)	(1,007)	(505)
	<u>221,653,525</u>	<u>305,372,785</u>	<u>174,902</u>	<u>240,963</u>
Changes in assets and liabilities				
Increase of trade receivables	(29,745,718)	(10,283,368)	(23,472)	(8,114)
Decrease (increase) of other receivables	(11,263,456)	6,667,205	(8,888)	5,261
Decrease (increase) of inventories	(92,597,662)	42,920,979	(73,067)	33,868
Increase of other assets	(11,229,259)	(24,496,657)	(8,861)	(19,330)
Decrease of trade payables	(74,281,312)	(11,434,993)	(58,614)	(9,023)
Increase (decrease) of other payables	(86,545,144)	59,693,679	(68,291)	47,103
Increase (decrease) of accrued expenses	(59,114,416)	29,504,759	(46,646)	23,282
Decrease of provision of warranty for sale	(28,737,111)	(34,319,535)	(22,676)	(27,081)
Increase (decrease) of provision for others	15,779,083	(44,712,677)	12,451	(35,282)
Payment of retirement benefits	(19,530,808)	(24,013,077)	(15,411)	(18,948)
Increase (decrease) of other liabilities	16,940,525	(14,617,072)	13,367	(11,534)
	<u>(380,325,278)</u>	<u>(25,090,757)</u>	<u>(300,107)</u>	<u>(19,799)</u>
Net cash provided by operating activities	₩ <u>(218,805,295)</u>	<u>14,299,724</u>	\$ <u>(172,655)</u>	<u>11,284</u>

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30. Cash Flows, continued

(2) Significant non-cash activities for the years ended December 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Changes in other payables related to the acquisition of property, plant and equipment	₩ 4,114,687	362,587	\$ 3,247	286
Changes in other payables related to the acquisition of intangible assets	-	1,230,783	-	971
Changes in other comprehensive income from revaluation on land	-	278,800,357	-	219,996
Debt-to-equity	475,143,845	-	374,926	-
Capital reduction	996,303,370	-	786,162	-

(3) Changes in liabilities from financial activities for the year ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,998,021	90,000,000	(319,022,348)	(85,975,673)	-	-
Long-term borrowings	40,000,000	30,000,000	(30,000,000)	(40,000,000)	-	-
Lease liabilities	9,241,756	-	(7,617,925)	7,247,223	4,031	8,871,054
Deposit withholdings	15,512,588	14,971,609	-	(30,484,197)	-	-
	₩ 379,752,365	134,971,609	(356,640,273)	(149,212,647)	4,031	8,871,054

(In thousands of won)

	2021					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,999,838	59,999,968	(60,001,785)	-	-	314,998,021
Long-term borrowings	40,000,000	-	-	-	-	40,000,000
Lease liabilities	8,420,774	-	(9,225,053)	10,036,287	9,748	9,241,756
Other liabilities	-	15,512,588	-	-	-	15,512,588
	₩ 363,420,612	75,512,556	(69,226,838)	10,036,287	9,748	379,752,365

(In thousands of US dollar)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 248,558	71,017	(251,734)	(67,842)	-	-
Long-term borrowings	31,563	23,672	(23,672)	(31,563)	-	-
Lease liabilities	7,292	-	(6,011)	5,719	3	7,000
Deposit withholdings	12,241	11,814	-	(24,054)	-	-
	\$ 299,655	106,503	(281,417)	(117,741)	3	7,000

(In thousands of US dollar)

	2021					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 248,560	47,345	(47,346)	-	-	248,558
Long-term borrowings	31,563	-	-	-	-	31,563
Lease liabilities	6,645	-	(7,279)	7,919	8	7,292
Other liabilities	-	12,241	-	-	-	12,241
	\$ 286,768	59,585	(54,625)	7,919	8	299,655

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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 years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

Sales region	Korean won		US dollar	
	2022	2021	2022	2021
Republic of Korea	₩ 2,227,552,458	1,749,267,781	\$ 1,757,715	1,380,311
Europe	611,050,599	309,896,414	482,167	244,533
South America	246,586,590	155,720,640	194,576	122,876
Asia Pacific	397,875,354	245,138,620	313,955	193,434
Others	118,158,772	63,470,704	93,237	50,083
Consolidated adjustment	(177,882,900)	(94,166,458)	(140,364)	(74,305)
	₩ 3,423,340,873	2,429,327,701	\$ 2,701,287	1,916,932

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 years ended December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Automobile	₩ 2,976,339,481	2,023,489,369	\$ 2,348,567	1,596,693
Merchandise and parts	298,268,392	302,520,130	235,357	238,712
Others	148,733,000	103,318,202	117,362	81,526
	₩ 3,423,340,873	2,429,327,701	\$ 2,701,287	1,916,932

(4) Balance of Contracts as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Receivables from contracts with customers	₩ 135,270,116	108,474,907	\$ 106,739	85,595
Contract liabilities (*)	37,517,128	32,817,530	29,604	25,896

(*) Contract liabilities include advance payments and contracts with customers that would be recognized over time, including product warranty and transportation.

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32. Transactions and Balances with Related Parties

(1) Details of parent and subsidiary relationships as of December 31, 2022 are as follows:

Relationship	Company
Ultimate parent Company	KG Chemical Corporation
Intermediate parent Company	KG Eco Technology Services Co., Ltd.
Largest shareholder	KG Mobility Holdings Co., Ltd. (*)
Subsidiaries	Ssangyong European Parts Center B.V. Ssangyong Australia Pty Ltd.
Joint venture	SY Auto Capital Co., Ltd.
Others	KG ICT CO., LTD., KG EDUONE CO., LTD., KG Hollys F&B Co., Ltd, KG ZEROIN Co.Ltd., edaily C&B Co.,Ltd, KG FRESH Co., Ltd., KG Steel Co., Ltd.

(*) During the current year (September 20, 2022), the Group became the largest shareholder due to a paid-in capital increase.

(2) Transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

Relationship	Company	Description	2022	
Ultimate parent company	KG Chemical Corporation	Purchases	₩ 139,876	
Largest Shareholder	KG Mobility Holdings Co., Ltd.	Other expenses	797,260	
		Asset acquisition	399,300	
Others	KG ICT CO., LTD.	Other expenses	2,000	
	KG EDUONE CO.	Other expenses	262,461	
	KG Hollys F&B Co., Ltd.	Asset acquisition	37,100	
	KG ZEROIN Co.Ltd.	Other expenses	12,000	
Joint venture	edaily C&B Co.,Ltd.	Other expenses	265,359	
		SY Auto Capital Co., Ltd.	Other income	736
			Other expenses	1,792,292

(*) The transaction details after being included of the Group's related parties.

(In thousands of won)

Relationship	Company	Description	2021
Parent	Mahindra & Mahindra Ltd. (*1)	Sales	₩ 3,908,170
		Purchases	2,516,389
		Other expenses	592,885
Joint venture	SY Auto Capital Co., Ltd. (*1)	Other income	106,638
		Other expenses	40,363,851
Others	Mahindra Vehicle Manufacturing Ltd. and others (*1, 2)	Sales	370,501
		Other income	906
		Purchases	10,877
		Other expenses	353,272

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

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

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For the years ended December 31, 2022 and 2021

32. Transactions and Balances with Related Parties, Continued

(In thousands of US dollar)

Relationship	Company	Description	2022
Ultimate parent company	KG Chemical Corporation	Purchases	\$ 110
Largest Shareholder	KG Mobility Holdings Co., Ltd.	Other expenses	629
Others	KG ICT CO., LTD.	Asset acquisition	315
	KG EDUONE CO.	Other expenses	2
	KG Hollys F&B Co., Ltd.	Other expenses	207
	KG ZEROIN Co.Ltd.	Asset acquisition	29
	edaily C&B Co.,Ltd.	Other expenses	9
	KG FRESH Co., Ltd.	Other expenses	209
	Other income		1
Joint venture	SY Auto Capital Co., Ltd.	Other expenses	1,414

(*) The transaction details after being included of the Group's related parties.

(In thousands of US dollar)

Relationship	Company	Description	2021
Parent	Mahindra & Mahindra Ltd. (*1)	Sales	\$ 3,084
		Purchases	1,986
		Other expenses	468
Joint venture	SY Auto Capital Co., Ltd. (*1)	Other income	106
		Other expenses	31,850
		Sales	292
Others	Mahindra Vehicle Manufacturing Ltd. and others (*1, 2)	Other income	1
		Purchases	9
		Other expenses	279

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

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

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

(In thousands of won)

Relationship	Company	Description	2022
Ultimate parent Company	KG Chemical Corporation	Trade payable	₩ 28,152
Others	KG EDUONE CO.	Other liability	2,200
	KG Hollys F&B Co., Ltd.	Other liability	263,663
	KG ZEROIN Co.Ltd.	Other liability	40,810

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32. Transactions and Balances with Related Parties, Continued

(In thousands of US dollar)

Relationship	Company	Description	2022	
Ultimate parent Company	KG Chemical Corporation	Trade payable	\$	22
Others	KG EDUONE CO.	Other liability		2
	KG Hollys F&B Co., Ltd.	Other liability		208
	KG ZEROIN Co.Ltd.	Other liability		32

(4) Capital transaction with related parties for the year ended December 31,2022 are as follows:

Relationship	Company	Description	2022	
Ultimate parent Company	KG Chemical Corporation	Debt-to-equity	₩ 5,495	\$ 4
Largest shareholders	KG Mobility Holdings Co., Lt	Capital increase	550,000,000	433,994
		Borrowings (*)	-	-
Others	KG Steel Co., Ltd.	Debt-to-equity	130,130	103

(*) During the current year, the Company borrowed ₩ 80 billion from its largest shareholder, KG Mobility Holdings Co., Ltd., and fully repaid the loan within the same year.

(5) Executive compensation of the Group for the years ended December 31, 2022 and 2021, are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Short-term employee benefits	₩ 2,584,973	2,444,828	\$ 2,040	1,929
Retirement benefits	182,483	128,778	144	102

33. Financial Instruments

(1) Capital risk management

The Group manages capital risk in order to maximize shareholders' profit by maintaining sound or optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary. The Group uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity on financial statements. The Group is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of December 31, 2022 and 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2022	2021	2022	2021
Debt (A)	₩ 909,004,172	1,953,984,621	\$ 717,276	1,541,849
Equity (B)	1,092,903,123	(99,052,587)	862,387	(78,160)
Debt-to-equity ratio (A/B) (*)	83.17%	-	83.17%	-

(*) The debt-to-equity ratio was not calculated due to the negative total equity amount as of December 31, 2021.

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For the years ended December 31, 2022 and 2021

33. Financial Instruments, Continued

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

1) Financial assets

(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
	₩	<u>297,439,859</u>	<u>560,000</u>	<u>297,999,859</u>	<u>297,999,859</u>

(In thousands of won)

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

(In thousands of dollar)

		2022			
		Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$	82,823	-	82,823	82,823
Short-term financial instruments		4,584	-	4,584	4,584
Long-term financial instruments		3	-	3	3
Trade and other receivables		147,294	-	147,294	147,294
Non-current financial assets		-	442	442	442
	\$	<u>234,704</u>	<u>442</u>	<u>235,145</u>	<u>235,145</u>

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For the years ended December 31, 2022 and 2021

33. Financial Instruments, Continued

(In thousands of dollar)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 43,137	-	43,137	43,137
Short-term financial instruments	16,788	-	16,788	16,788
Long-term financial instruments	3	-	3	3
Trade and other receivables	129,564	-	129,564	129,564
Non-current financial assets	-	442	442	442
	<u>\$ 189,492</u>	<u>442</u>	<u>189,934</u>	<u>189,934</u>

2) Financial liabilities

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	₩ 258,307,313	-	258,307,313	258,307,313
Other liabilities	8,871,054	-	8,871,054	8,871,054
	<u>₩ 267,178,367</u>	<u>-</u>	<u>267,178,367</u>	<u>267,178,367</u>

(In thousands of won)

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

(In thousands of dollar)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$ 203,825	-	203,825	203,825
Other liabilities	7,000	-	7,000	7,000
	<u>\$ 210,825</u>	<u>-</u>	<u>210,825</u>	<u>210,825</u>

(In thousands of dollar)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$ 646,053	-	646,053	646,053
Borrowings	280,122	-	280,122	280,122
Other liabilities	12,241	-	12,241	12,241
	<u>\$ 938,416</u>	<u>-</u>	<u>938,416</u>	<u>938,416</u>

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

33. Financial Instruments, Continued

(3) Financial risk management, continued

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 December 31, 2022.

(In thousands of won and in thousands of dollar)

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,176,293	(1,176,293)	\$ 928	(928)
EUR	5,823,815	(5,823,815)	4,595	(4,595)
JPY	(32,913)	32,913	(26)	26
Others	4,560,971	(4,560,971)	3,599	(3,599)
	₩ 11,528,166	(11,528,166)	\$ 9,097	(9,097)

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 are not exposed to interest rate risk because there are no floating rate borrowings as of December 31, 2022.

2) Credit risk

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

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

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33. Financial Instruments, Continued

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

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

(In thousands of won and in thousands of dollar)

		Korean won		US dollar	
		2022	2021	2022	2021
Trade and other receivables	₩	186,665,279	164,195,963	\$ 147,294	129,564
Short-term financial instruments		5,808,774	21,275,651	4,584	16,788

3) Liquidity risk

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

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

(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>

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

(In thousands of won)

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

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

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33. Financial Instruments, Continued

(In thousands of dollar)

	2022		
	Within a year	Over 1 year	Total
Trade payables	\$ 120,256	-	120,256
Other payables	81,683	-	81,683
Lease liabilities (*)	4,179	3,059	7,239
Other liabilities	1,748	-	1,748
Long-term other payables	-	137	137
	<u>\$ 207,867</u>	<u>3,197</u>	<u>211,064</u>

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

(In thousands of dollar)

	2021		
	Within a year	Over 1 year	Total
Trade payables	\$ 407,941	-	407,941
Other payables	204,866	-	204,866
Short-term borrowings (*)	248,558	-	248,558
Lease liabilities (*)	4,250	3,301	7,552
Other payables	27,273	-	27,273
Other liabilities	12,241	-	12,241
Long-term borrowings (*)	-	33,574	33,574
Long-term other payables	-	51	51
	<u>\$ 905,129</u>	<u>36,926</u>	<u>942,055</u>

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

(4) Fair value of financial instruments

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

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33. Financial Instruments, Continued

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

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

No financial instruments are measured at fair value after initial recognition as of December 31, 2022 and 2021.

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 on December 21, 2020, 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 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 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 Article 283(1) of the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea, after the Group completed the repayment 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

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

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

(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
	\$ 374,926	374,925	865	95,028,596

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

35. Delisting issue and regrant of a grace period for improvement

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

The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, The Korea Stock Exchange Listing Disclosure Committee regrant a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.

The Group made a request for a review of the implementation of the improvement plan on December 30, 2022 and the Group was granted an additional grace period until April 14, 2023 from Korea Stock Exchange.

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36. Events after reporting period

- (1) The Group will issue the 119th, 120th and 121st unguaranteed private equity convertible bonds for the purpose of raising funds necessary for the management of the Group in accordance with the resolution of the Board of Directors on March 10, 2023, as follows:

(Korean Won)

	<u>Bond Issuance amounts</u>	<u>Convertible amounts</u>	<u># of convertible shares</u>	<u>Convertible periods</u>
The 119 th Unguaranteed private equity convertible bonds	₩ 73,500,000,000	5,040	14,583,3333	March 17, 2024 ~ Feb 17, 2028
The 120 th Unguaranteed private equity convertible bonds	30,000,000,000	5,040	5,952,380	March 24, 2024 ~ Feb 24, 2028
The 121 st Unguaranteed private equity convertible bonds	5,000,000,000	5,040	992,063	March 24, 2024 ~ Feb 24, 2028
	<u>₩ 108,500,000,000</u>	-	<u>21,527,776</u>	-

(US dollar)

	<u>Bond Issuance amounts</u>	<u>Convertible amounts</u>	<u># of convertible shares</u>	<u>Convertible periods</u>
The 119 th Unguaranteed private equity convertible bonds	\$ 57,997,317	3.98	14,583,3333	March 17, 2024 ~ Feb 17, 2028
The 120 th Unguaranteed private equity convertible bonds	23,672,374	3.98	5,952,380	March 24, 2024 ~ Feb 24, 2028
The 121 st Unguaranteed private equity convertible bonds	3,945,396	3.98	992,063	March 24, 2024 ~ Feb 24, 2028
	<u>\$ 85,615,087</u>	-	<u>21,527,776</u>	-

- (2) On March 10, 2023, the Company entered into an agreement with KGINICIS CO., LTD. to sell a 6% ownership interest (240,000 shares) in SY Auto Capital Co., Ltd. of which the Company holds a 51% stake.

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37. Correction of accounting errors

The Group has restated the 2011 financial statements to reflect adjustments in relation to asset impairment a deferred tax effect from defined benefit plan re-measurement.

The effect of correction of accounting errors on the financial statements is as follows.

(1) Statement of financial position

(In thousands of won)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Current assets	₩	439,368,949	-	439,368,949
Non-current assets		1,423,600,976	(8,037,890)	1,415,563,086
Total assets		1,862,969,925	(8,037,890)	1,854,932,035
Current liabilities		1,346,125,500	-	1,346,125,500
Non-current liabilities		597,441,081	10,418,040	607,859,121
Total liabilities		1,943,566,581	10,418,040	1,953,984,621
Capital stock		749,200,010	-	749,200,010
Other capital surplus		77,231,312	-	77,231,312
Other equity		224,136,245	-	224,136,245
Accumulated deficit		(1,131,164,223)	(18,455,930)	(1,149,620,153)
Total equity		(80,596,656)	(18,455,930)	(99,052,586)
Total liabilities and equity	₩	1,862,969,925	(8,037,890)	1,854,932,035

(In thousands of US dollar)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Current assets	\$	346,697	-	346,697
Non-current assets		1,123,334	(6,343)	1,116,991
Total assets		1,470,031	(6,343)	1,463,688
Current liabilities				
Non-current liabilities		471,428	8,221	479,649
Total liabilities		1,533,628	8,221	1,541,849
Capital stock				
Other capital surplus		60,942	-	60,942
Other equity		176,861	-	176,861
Accumulated deficit		(892,578)	(14,563)	(907,141)
Total equity		(63,597)	(14,563)	(78,160)
Total liabilities and equity	\$	1,470,031	(6,343)	1,463,688

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For the years ended December 31, 2022 and 2021

37. Correction of accounting errors, continued

(2) Statement of comprehensive income (loss)

(In thousands of won)

	2021		
	Prior presented amounts	Corrected amounts	Restated Amounts
Sales	₩ 2,429,327,701	-	2,429,327,701
Cost of sales	2,371,537,438	-	2,371,537,438
Gross profit	57,790,263	-	57,790,263
Selling, general and administrative expenses	319,051,060	-	319,051,060
Operating loss	(261,260,797)	-	(261,260,797)
Other income	22,471,851	-	22,471,851
Other expenses	(7,957,658)	(8,037,890)	(15,995,548)
Financial income	4,490,305	-	4,490,305
Financial costs	(16,585,505)	-	(16,585,505)
Share of profits of joint venture	930,540	-	930,540
Loss before income taxes	(257,911,264)	(8,037,890)	(265,949,154)
Income tax expense	33,150	-	33,150
Loss for the year	(257,944,414)	(8,037,890)	(265,982,304)
Other comprehensive income	266,401,382	(10,418,040)	255,983,342
Total comprehensive income (loss)	8,456,968	(18,455,930)	(9,998,962)
Losses per share			
Basic and diluted losses per share	₩ (1,721)	(4)	(17,103)

(In thousands of US dollar)

	2021		
	Prior presented amounts	Corrected amounts	Restated Amounts
Sales	\$ 1,916,932	-	1,916,932
Cost of sales	1,871,331	-	1,871,331
Gross profit	45,601	-	45,601
Selling, general and administrative expenses	251,757	-	251,757
Operating loss	(206,155)	-	(206,155)
Other income	17,732	-	17,732
Other expenses	(6,279)	(6,343)	(12,622)
Financial income	3,543	-	3,543
Financial costs	(13,087)	-	(13,087)
Share of profits of joint venture	734	-	734
Loss before income taxes	(203,512)	(6,343)	(209,855)
Income tax expense	26	-	26
Loss for the year	(203,539)	(6,343)	(209,881)
Other comprehensive income	210,212	(8,221)	201,991
Total comprehensive income (loss)	-	-	-
Losses per share			
Basic and diluted losses per share	\$ (1.36)	(0.00)	(13.50)

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37. Correction of accounting errors, continued

(3) Statement of changes in equity

(In thousands of won)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Balance at January 1, 2021	₩	(88,122,116)	-	(88,122,116)
Total comprehensive income:				
Loss for the year		(257,944,414)	(8,037,890)	(265,982,304)
Defined benefit plan re-measurements		43,038,936	(10,418,040)	32,620,896
Defined benefit plan re-measurements of JV		53,089	-	53,089
Debt to be swapped for equity		(931,508)	-	(931,508)
Gains on assets revaluation		223,495,126	-	223,495,126
Foreign currency translation difference for foreign operation		(185,769)	-	(185,769)
Balance at December 31, 2021	₩	(80,596,656)	(18,455,930)	(99,052,586)

(In thousands of US dollar)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Balance at January 1, 2021	\$	(69,535)	-	(69,535)
Total comprehensive income:				
Loss for the year		(203,539)	(6,343)	(209,881)
Defined benefit plan re-measurements		33,961	(8,221)	25,740
Defined benefit plan re-measurements of JV		42	-	42
Debt to be swapped for equity		(735)	-	(735)
Gains on assets revaluation		176,355	-	176,355
Foreign currency translation difference for foreign operation		(147)	-	(147)
Balance at December 31, 2021	\$	(63,597)	(14,563)	(78,160)

(4) Statement of cash flows

(In thousands of US dollar)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Cash flows from operating activities	₩	14,922,106	-	14,922,106
Cash flow from investing activities		(153,002,291)	-	(153,002,291)
Cash flow from financing activities	₩	6,285,718	-	6,285,718

(In thousands of US dollar)

		2021		
		Prior presented amounts	Corrected amounts	Restated Amounts
Cash flows from operating activities	\$	11,775	-	11,775
Cash flow from investing activities		(120,731)	-	(120,731)
Cash flow from financing activities	\$	4,960	-	4,960

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37. Correction of accounting errors, continued

(5) Notes

As a result of the aforementioned corrections, the relevant amounts and notes in the financial statements have been appropriately adjusted.

(*) The above “prior presented amounts” are the reported amount in the 2021 financial statements attached to the audit report dated on March 31, 2022.