

**SSANGYONG MOTOR COMPANY AND SUBSIDIARIES**

Consolidated Interim Financial Statements

(Unaudited)

March 31, 2021 and 2020

(With Independent Auditors' Review Report Thereon)

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**Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Ssangyong Motor Company

We have reviewed the accompanying consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as of March 31, 2021, the consolidated interim statements of comprehensive income(loss), changes in equity and cash flows for the three-month periods ended March 31, 2021 and 2020 and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's responsibility**

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

**Auditors' review responsibility**

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

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

**Basis for Disclaimer of Opinion**

The accompanying consolidated interim financial statements have been prepared assuming that the Group will continue as a going concern and therefore the Group's assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. As discussed in note 34 to the consolidated interim financial statements, the Group has incurred operating loss of ₩84,734 million and a net loss of ₩86,290 million during the period ended March 31, 2021 and, as of that date, the Group's current liabilities exceed its current assets by ₩843,246 million. In addition the Group has filed for the commencement of rehabilitation under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea to the Seoul Bankruptcy Court("the Court") on December 21, 2020. The Court commenced rehabilitation procedures on April 15, 2021 after the end of reporting period and the Group has been preparing a rehabilitation plan.

Whether the Group to continue as a going concern or not includes a material uncertainty that depends on whether the court approves the Group's rehabilitation plan and the final results of the capital reorganization plan and business improvement plan of the Group including the implementation of the rehabilitation plan after the court approval. However, we have not been able to obtain sufficient appropriate review evidence to reasonably estimate any adjustment of assets, liabilities and related profit or loss items that might be resulted from the outcome of this uncertainty.

In addition, because of the material uncertainty on the ability to continue as a going concern described above, we were not able to obtain sufficient appropriate review evidence to determine the adequacy of the tangible and intangible assets which amount to ₩1,401,440 million and related impairment losses in the Group's consolidated financial statements. As a result, we were not able to determine whether those amounts need to be further adjusted.



### **Disclaimer of Opinion**

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

### **Emphasis of matters**

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

#### (1) Criteria for delisting met

As stated in note 36, the Group has faced a risk of being delisted from the Korea Stock Exchange, due to disclaimer of audit opinion on the Group's consolidated financial statements as of December 31, 2020. The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021.

#### (2) Initiating the rehabilitation process by the Seoul Bankruptcy Court

As stated in Note 34, the Group filed for commencement of rehabilitation procedure with the Seoul Bankruptcy Court in accordance with Debtor Rehabilitation and Bankruptcy Act. The Court commenced rehabilitation procedures on April 15, 2021 after the end of reporting period and the Group has been preparing a rehabilitation plan.

### **Other matters**

We were engaged to audit the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying to this report. Because of the material uncertainty on the Group's ability to continue as a going concern and insufficient audit evidence for the adequacy of the tangible and intangible assets, and related impairment losses, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Our report thereon, dated March 23, 2021, we did not express an opinion on the consolidated financial statements of the Group. The statement of financial position of the Group as of December 31, 2020, presented for comparative purposes, is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

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

The accompanying consolidated interim financial statements as of and for the three-month periods ended March 31, 2021 and 2020 have been translated into US dollars solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the consolidated interim financial statements expressed in Korean won have not been translated into US dollars on the basis set forth in note 2.(1) to the consolidated interim financial statements.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 14, 2021

This report is effective as of May 14, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of March 31, 2021 and December 31, 2020

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

	Note	Korean won		US dollar	
		2021	2020	2021	2020
<b>Assets</b>					
Cash and cash equivalents	4,5,33 ₩	78,121,252	185,963,321	\$ 68,920	164,061
Trade and other receivables, net	7,31,32,33	112,666,294	111,804,905	99,397	98,637
Loans and others	7,13,33	17,973,322	18,636,190	15,856	16,441
Inventories, net	8,25	203,544,386	192,365,295	179,572	169,709
Other current assets	10	45,862,180	37,941,809	40,461	33,473
<b>Total current assets</b>		<u>458,167,434</u>	<u>546,711,520</u>	<u>404,206</u>	<u>482,321</u>
Non-current financial instruments	5,33	4,000	4,000	4	4
Non-current other receivables, net	7,13,31,32,33	41,029,488	41,500,123	36,197	36,612
Non-current financial assets	6,33	560,000	560,000	494	494
Property, plant and equipment, net	11,14	1,194,484,609	939,096,382	1,053,802	828,493
Intangible assets, net	12	206,954,917	209,931,257	182,581	185,206
Investments in joint venture	9	20,620,969	21,055,695	18,192	18,576
Other non-current assets	10	275,957	275,957	243	243
Right of use assets	13	9,796,865	9,493,636	8,643	8,376
<b>Total non-current assets</b>		<u>1,473,726,805</u>	<u>1,221,917,050</u>	<u>1,300,156</u>	<u>1,078,004</u>
<b>Total assets</b>		<u>₩ 1,931,894,239</u>	<u>1,768,628,570</u>	<u>\$ 1,704,362</u>	<u>1,560,325</u>

See accompanying notes to the consolidated interim financial statements.

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

As of March 31, 2021 and December 31, 2020

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

	Note	Korean won		US dollar	
		2021	2020	2021	2020
<b>Liabilities</b>					
Trade payables	32,33 ₩	487,535,712	532,518,517	\$ 430,115	469,800
Other payables	19,32,33	341,321,256	328,819,897	301,122	290,092
Short-term borrowings	14,19,30, 32,33	314,998,021	314,999,838	277,899	277,900
Other Financial Liabilities	15,33	74,247,222	55,063,845	65,503	48,579
Provision of warranty for sale - current	16	47,235,585	50,043,567	41,672	44,150
Other long-term employee benefits liabilities- current		1,985,709	1,985,708	1,751	1,751
Other current liabilities	17,31,32	27,604,154	38,830,989	24,353	34,258
Current lease liabilities	13,30,33	6,486,022	6,279,275	5,722	5,540
<b>Total current liabilities</b>		<u>1,301,413,681</u>	<u>1,328,541,636</u>	<u>1,148,137</u>	<u>1,172,070</u>
Long-term borrowings	14,19,30, 32,33	40,000,000	40,000,000	35,289	35,289
Non-current other payables	33	542,457	646,636	479	570
Other non-current liabilities	17,31	19,349,750	19,326,729	17,071	17,051
Defined benefit liabilities	18	383,226,653	382,379,014	338,091	337,344
Other long-term employee benefits liabilities		14,865,649	14,587,394	13,115	12,869
Non-current provision of warranty for sale	16	64,747,462	69,127,778	57,121	60,986
Non-current lease liabilities	13,30,33	4,469,446	2,141,499	3,943	1,889
<b>Total non-current liabilities</b>		<u>527,201,417</u>	<u>528,209,050</u>	<u>465,109</u>	<u>465,998</u>
<b>Total liabilities</b>		<u>1,828,615,098</u>	<u>1,856,750,686</u>	<u>1,613,246</u>	<u>1,638,068</u>
<b>Equity</b>					
Capital stock	20	749,200,010	749,200,010	660,962	660,962
Other capital surplus	21	77,231,312	78,162,820	68,135	68,957
Other equity	22	279,452,734	826,888	246,540	730
Accumulated deficit	23	(1,002,604,915)	(916,311,834)	(884,521)	(808,392)
<b>Equity attributable to owners of the Company</b>		<u>103,279,141</u>	<u>(88,122,116)</u>	<u>91,116</u>	<u>(77,743)</u>
<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>103,279,141</u>	<u>(88,122,116)</u>	<u>91,116</u>	<u>(77,743)</u>
<b>Total liabilities and equity</b>	₩	<u>1,931,894,239</u>	<u>1,768,628,570</u>	\$ <u>1,704,362</u>	<u>1,560,325</u>

See accompanying notes to the consolidated interim financial statements.

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

**For the three-month periods ended March 31, 2021 and 2020**

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

	Note	Korean won		US dollar	
		2021	2020	2021	2020
Sales	31,32	₩ 535,833,026	649,187,371	\$ 472,724	572,728
Cost of sales	25,32	534,918,889	639,744,339	471,918	564,397
<b>Gross profit</b>		<u>914,137</u>	<u>9,443,032</u>	<u>806</u>	<u>8,331</u>
Selling, general and administrative expenses	25,26	85,647,810	108,077,295	75,560	95,348
<b>Operating loss</b>		<u>(84,733,673)</u>	<u>(98,634,263)</u>	<u>(74,754)</u>	<u>(87,017)</u>
Other income	27,32	5,599,314	3,830,501	4,940	3,379
Other expenses	27,32	3,282,186	91,807,977	2,896	80,995
Finance income	28	1,747,669	1,634,198	1,542	1,441
Finance costs	28	5,190,824	8,783,610	4,579	7,749
Share of profits of joint venture		(433,029)	224,474	(382)	198
<b>Loss before income taxes</b>		<u>(86,292,729)</u>	<u>(193,536,677)</u>	<u>(76,129)</u>	<u>(170,743)</u>
Income tax benefit	24	(2,428)	-	(2)	-
<b>Loss for the period</b>		<u>(86,290,301)</u>	<u>(193,536,677)</u>	<u>(76,127)</u>	<u>(170,743)</u>
<b>Loss attributable to:</b>					
Owners of the Company		(86,290,301)	(193,536,677)	(76,127)	(170,743)
Non-controlling interests		-	-	-	-
<b>Other comprehensive income for the period</b>		278,623,066	307,246	245,808	271
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	18,23	(1,083)	(791)	(1)	(1)
Defined benefit plan re-measurements of joint ventures	9,23	(1,697)	(194)	(1)	-
Gains on asset revaluation	11,22	278,800,357	-	245,964	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Changes in fair value of cash flow hedge	22	-	130,390	-	115
Foreign currency translation difference for foreign operation	22	(174,511)	177,841	(154)	157
<b>Total comprehensive income(loss) for the period</b>		<u>₩ 192,332,765</u>	<u>(193,229,431)</u>	<u>\$ 169,681</u>	<u>(170,472)</u>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		192,332,765	(193,229,431)	169,681	(170,472)
Non-controlling interests		-	-	-	-
<b>Losses per share</b>					
Basic and diluted losses per share (in won and in US dollar)	29	₩ (576)	(1,292)	\$ (0.51)	(1.14)

See accompanying notes to the consolidated interim financial statements.

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

**For the three-month periods ended March 31, 2021 and 2020**

(In thousands of won)

	Other capital surplus					Total
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Other equity	
<b>Balance at January 1, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	1,109,395	403,123,557
<b>Total comprehensive income (loss) for the period:</b>						
Loss for the period	-	-	-	-	-	-
Defined benefit plan re-measurements	-	-	-	-	-	(193,536,677)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(791)
Changes in fair value of cash flow hedge	-	-	-	-	-	(194)
Foreign currency translation difference for foreign operation	-	-	-	-	130,390	130,390
	-	-	-	-	177,841	177,841
<b>Balance at March 31, 2020</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	1,417,626	209,894,126
<b>Balance at January 1, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	931,508	826,888	(88,122,116)
<b>Total comprehensive income (loss) for the period:</b>						
Loss for the period	-	-	-	-	-	-
Defined benefit plan re-measurements	-	-	-	-	-	(86,290,301)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1,083)
Debt equity swap	-	-	-	-	-	(1,697)
Gains on revaluation	-	-	-	(931,508)	-	(931,508)
Foreign currency translation difference for foreign operation	-	-	-	-	278,800,357	278,800,357
	-	-	-	-	(174,511)	(174,511)
<b>Balance at March 31, 2021</b>	₩ 749,200,010	3,169,615	74,061,697	-	279,452,734	103,279,141

See accompanying notes to the consolidated interim financial statements.

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

**For the three-month periods ended March 31, 2021 and 2020**

(In thousands of US dollar)

	Capital stock	Paid-in capital in excess of par value	Other capital surplus	Debt to be swapped for equity	Other equity	Accumulated deficit	Non-controlling interests	Total
			Gain on capital reduction					
<b>Balance at January 1, 2020</b>	\$ 660,962	2,796	65,339	822	979	(375,253)	-	355,645
<b>Total comprehensive income (loss) for the period:</b>								
Loss for the period	-	-	-	-	-	(170,743)	-	(170,743)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	-	-
Changes in fair value of cash flow hedge	-	-	-	-	115	-	-	115
Foreign currency translation difference for foreign operation	-	-	-	-	157	-	-	157
<b>Balance at March 31, 2020</b>	\$ 660,962	2,796	65,339	822	1,251	(545,997)	-	185,173
<b>Balance at January 1, 2021</b>	\$ 660,962	2,796	65,339	822	730	(808,392)	-	(77,743)
<b>Total comprehensive income (loss) for the period:</b>								
Loss for the period	-	-	-	-	-	(76,127)	-	(76,127)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1)	-	(1)
Debt equity swap	-	-	-	(822)	-	-	-	(822)
Gains on revaluation	-	-	-	-	245,964	-	-	245,964
Foreign currency translation difference for foreign operation	-	-	-	-	(154)	-	-	(154)
<b>Balance at March 31, 2021</b>	\$ 660,962	2,796	65,339	-	246,540	(884,521)	-	91,116

See accompanying notes to the consolidated interim financial statements.

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

For the three-month periods ended March 31, 2021 and 2020

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

	Korean won		US dollar	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
Loss for the period	₩ (86,290,301)	(193,536,677)	\$ (76,127)	(170,743)
Adjustment	70,717,051	168,971,496	62,388	149,071
Changes in assets and liabilities	(73,025,194)	(112,454,923)	(64,425)	(99,210)
<b>Cash generated from operations (note 30)</b>	<u>(88,598,444)</u>	<u>(137,020,104)</u>	<u>(78,164)</u>	<u>(120,882)</u>
Interest received	424,970	697,672	375	615
Interest paid	(367,907)	(2,982,507)	(324)	(2,631)
Dividends received	6,000	6,000	5	5
<b>Net cash used in operating activities</b>	<u>(88,535,381)</u>	<u>(139,298,939)</u>	<u>(78,108)</u>	<u>(122,893)</u>
<b>Cash flows from investing activities</b>				
Proceed from disposal of property, plant and equipment	431,389	939,403	380	829
Gains on sale of investments in subsidiaries	(106,813)	-	(94)	-
Acquisition of property, plant and equipment	(6,381,640)	(9,680,828)	(5,630)	(8,541)
Acquisition of intangible assets	(12,351,742)	(11,844,401)	(10,897)	(10,449)
Cash flow used in other investing activities	946,067	(870,349)	835	(768)
<b>Net cash used in investing activities</b>	<u>(17,462,739)</u>	<u>(21,456,175)</u>	<u>(15,406)</u>	<u>(18,929)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	96,999,947	-	85,576
Repayment of borrowings	(1,817)	(9,424,774)	(1)	(8,315)
Payment of lease liabilities	(2,353,065)	(2,445,567)	(2,076)	(2,158)
<b>Net cash provided by (used in) financing activities (note 30)</b>	<u>(2,354,882)</u>	<u>85,129,606</u>	<u>(2,077)</u>	<u>75,103</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>510,933</u>	<u>(365,235)</u>	<u>450</u>	<u>(322)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(107,842,069)</u>	<u>(75,990,743)</u>	<u>(95,141)</u>	<u>(67,041)</u>
Cash and cash equivalents at January 1	<u>185,963,321</u>	<u>125,800,194</u>	<u>164,061</u>	<u>110,984</u>
Cash and cash equivalents at March 31	₩ <u>78,121,252</u>	<u>49,809,451</u>	\$ <u>68,920</u>	<u>43,943</u>

See accompanying notes to the consolidated interim financial statements.

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

**For the three-month periods ended March 31, 2021 and 2020**

**1. General Description of the Company**

**(1) Organization and description of business of the Company**

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

**(2) Major shareholders**

As of March 31, 2021, the Company's shareholders are as follows:

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

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

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

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

The consolidated interim financial statements are expressed in Korean won and have been translated into US dollars at the rate of \$1,133.50 to ₩1 on March 31, 2021, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into US dollars at this or any other rate.

**(2) Statement of compliance**

The consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

These consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2020. These consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

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

**For the three-month periods ended March 31, 2021 and 2020**

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

**(3) Use of estimates and judgments**

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

The management's judgments in applying accounting estimation, used in consolidated interim financial statements, are the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2020.

**3. Changes in accounting policies**

The Group applied the following new standards, interpretations and amendments to existing standards from January 1, 2021, except for changing of land revaluation model (Note 11), the significant accounting policies applied to the preparation of consolidated interim financial statements are the same as those adopted when preparing annual financial statements for the year ended December 31, 2020.

K-IFRS 1109 'Financial Instruments', K-IFRS 1107 'Financial Instruments: Disclosures', K-IFRS 1104 'Insurance Contracts', K-IFRS 1116 'Leases' – Impact of application of Interest Rate Benchmark Reform-Phase 2

Related to Interest Rate Benchmark Reform, in case of substituting interest rate benchmark of financial instruments measured as amortized cost, the effective interest rate, not the book value would be adjusted. Also, the exceptional regulation includes being able to perform hedge accounting in case of interest rate benchmark substitution and applying new discount rate reflecting the new interest rate benchmark in case of lease modification. There is no significant effect on the consolidated interim financial statements by amending the Standard.

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The followings are newly required standards and amendments that the Group decided not to early adopt in preparation of the financial statements.

- K-IFRS No. 1001 Classification of Liabilities as Current or Non-current (Amendment)
- K-IFRS No. 1103 Reference to the Conceptual Framework (Amendment)
- K-IFRS No. 1016 Property, Plant and Equipment (Amendment)
- K-IFRS No. 1037 Onerous Contracts—Cost of Fulfilling a Contract (Amendment)
- Annual Improvements to K-IFRS Standards 2018–2020

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

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

For the three-month periods ended March 31, 2021 and 2020

#### 4. Cash and Cash Equivalents

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

#### 5. Restricted Financial Instruments

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

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

	Financial institution	Korean won		US dollar		Description
		2021	2020	2021	2020	
Cash and cash equivalents	Shinhan Bank	₩ 36,488	36,488	\$ 32	32	Government grants
	Woori Bank and others	7,914,059	8,121,902	6,982	7,165	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	4,000	4,000	4	4	Bank account deposit
		₩ 7,954,547	8,162,390	\$ 7,018	7,201	

#### 6. Non-current Financial Assets

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

(In thousands of won)

	Ownership (%)		2021		2020	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	₩	500,000	752,827	500,000	500,000
Korea Management Consultants Association(*)	1.50		60,000	1,038,861	60,000	60,000
		₩	560,000	1,791,688	560,000	560,000

(In thousands of US dollar)

	Ownership (%)		2021		2020	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	\$	441	664	441	441
Korea Management Consultants Association(*)	1.50		53	917	53	53
		\$	494	1,581	494	494

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

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**7. Trade and Other Receivables**

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

*(In thousands of won)*

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 101,201,981	-	100,646,367	-
Less: Allowance for doubtful accounts	(136,665)	-	(92,268)	-
Other receivables	15,478,806	56,243	14,963,013	139,755
Less: Allowance for doubtful accounts	(3,877,828)	-	(3,712,208)	(44,250)
Loans and others(*)	17,973,322	40,973,602	18,636,190	41,404,974
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	₩ 130,639,616	41,029,488	130,441,094	41,500,122

(\*) The Loans and others listed above include ₩5,622,483 thousand and ₩4,346,501 thousand for sub lease receivables as of March 31, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are ₩149,453 thousand and ₩150,324 thousand for the three-month periods ended March 31, 2021 and 2020, respectively.

*(In thousands of US dollar)*

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 89,283	-	88,792	-
Less: Allowance for doubtful accounts	(121)	-	(81)	-
Other receivables	13,656	49	13,201	123
Less: Allowance for doubtful accounts	(3,421)	-	(3,275)	(39)
Loans and others(*)	15,856	36,148	16,441	36,528
Less: Allowance for doubtful accounts	-	-	-	-)
	\$ 115,253	36,197	115,078	36,612

(\*) The Loans and others listed above include \$4,960 thousand and \$3,835 thousand for sub lease receivables as of March 31, 2021 and December 31, 2020, respectively. The interest revenue received by the sub lease contract are \$132 thousand and \$133 thousand for the three-month periods ended March 31, 2021 and 2020, respectively.

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7. Trade and Other Receivables, Continued

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

(In thousands of won)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 97,470,924	69,103,694	98,794,136	69,621,117
Less than 180 days	2,927,718	311,054	160,381	716,835
Less than 270 days	112,453	784,172	721,249	602,574
Less than 365 days	243,124	190,529	-	226,890
More than 366 days	447,762	4,092,524	970,601	3,976,516
Total	₩ 101,201,981	74,481,973	100,646,367	75,143,932
Impaired receivables	136,665	3,878,185	92,268	3,756,815

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

(In thousands of US dollar)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 85,991	60,965	87,159	61,421
Less than 180 days	2,583	274	141	632
Less than 270 days	99	692	636	532
Less than 365 days	215	168	-	200
More than 366 days	395	3,610	856	3,508
Total	\$ 89,283	65,709	88,792	66,293
Impaired receivables	121	3,421	81	3,314

(\*) 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 three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 92,268	3,756,815	151,326	4,081,404
Bad debt expense	44,397	165,620	-	217,421
Reversal of allowance for bad debts	-	(44,250)	(95,650)	(95)
Ending balance	₩ 136,665	3,878,185	55,676	4,298,730

(In thousands of US dollar)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 81	3,314	133	3,600
Bad debt expense	40	146	-	192
Reversal of allowance for bad debts	-	(39)	(84)	-
Ending balance	\$ 121	3,421	49	3,792

8. Inventories

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Merchandises	₩ 38,601,815	39,416,800	\$ 34,055	34,774
Finished goods	58,355,958	71,539,083	51,483	63,114
Work-in-process	27,913,045	23,460,664	24,626	20,698
Raw materials	41,895,360	31,948,093	36,961	28,185
Sub-materials	351,584	397,082	310	350
Supplies	3,370,577	3,253,034	2,974	2,870
Goods in transit	33,056,047	22,350,539	29,163	19,718
	₩ 203,544,386	192,365,295	\$ 179,572	169,709

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩593,061 thousand (\$523 thousand) for the three-month period ended March 31, 2021 and the loss on valuation of inventories amounted to ₩770,552 thousand (\$680 thousand) for the three-month period ended March 31, 2020.

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9. Investments in Subsidiaries and a Joint venture

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

	<u>Company</u>	<u>Location</u>	<u>Owner ship</u>	<u>Closing month</u>	<u>Industry</u>
	Ssangyong Motor (Shanghai) Co., Ltd.(*2)	China	-	December	Sales of automobile
Subsidiaries	Ssangyong European Parts Center B.V.	Netherlands	100%	December	A/S and sales
	Ssangyong Australia Pty Ltd.	Australia	100%	December	Sales of automobile
Joint venture	SY Auto Capital Co., Ltd.(*1)	Korea	51%	December	Finance

(\*1) SY Auto Capital Co., Ltd. were established under joint venture agreement as a joint venture since the Group has rights only to the net assets, and their legal structures of arrangements are consolidated.

(\*2) The Group sold the whole shares of Ssangyong Motor(Shanghai) Co., Ltd for the three-month period ended March 31, 2021.

(2) Changes in the carrying amounts of investments in a joint venture for the three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

	<u>2021</u>			
	<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co.,Ltd.	₩ 21,055,695	(433,029)	(1,697)	20,620,969

(In thousands of won)

	<u>2020</u>			
	<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co.,Ltd.	₩ 19,053,781	224,474	(194)	19,278,061

(In thousands of US dollar)

	<u>2021</u>			
	<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co.,Ltd.	\$ 18,576	(382)	(1)	18,193

(In thousands of US dollar)

	<u>2020</u>			
	<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
SY Auto Capital Co.,Ltd.	\$ 16,810	198	-	17,008

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9. Investments in Subsidiaries and a Joint venture, Continued

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

1) The summarized financial information of the Group's subsidiaries and joint venture as of and for the three-month period ended March 31, 2021 is as follows:

(In thousands of won)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	-	-	133,547	42,112
Ssangyong European Parts Center B.V.	12,881,325	15,812,265	(2,930,940)	4,389,085	134,603
Ssangyong Australia Pty Ltd.	47,247,709	53,892,755	(6,645,046)	22,478,465	366,407
SY Auto Capital Co., Ltd.(*)	77,771,846	39,391,585	38,380,261	2,771,925	201,845

(In thousands of US dollar)

	2021				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong Motor (Shanghai) Co., Ltd.	\$ -	-	-	118	37
Ssangyong European Parts Center B.V.	11,364	13,950	(2,586)	3,872	119
Ssangyong Australia Pty Ltd.	41,683	47,545	(5,862)	19,831	323
SY Auto Capital Co., Ltd.(*)	68,612	34,752	33,860	2,445	178

(\*) Additional financial information for the joint venture for the three-month period ended March 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.	₩ 6,803,216	37,905,871	228,255	556,447	315,136	71,436

(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.	\$ 6,002	33,441	201	491	278	63

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9. Investments in Subsidiaries and a Joint venture, Continued

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

2) The summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2020 is as follows:

(In thousands of won)

		2020				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	331,398	99,491	231,907	396,724	(196,999)
Ssangyong European Parts Center B.V.		12,840,518	15,925,416	(3,084,898)	17,591,054	152,092
Ssangyong Australia Pty Ltd.		32,225,526	39,035,509	(6,809,983)	51,459,231	(3,039,629)
SY Auto Capital Co., Ltd.(*)		89,381,357	51,199,613	38,181,744	15,642,947	2,048,142

(In thousands of US dollar)

		2020				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	\$	293	88	205	350	(174)
Ssangyong European Parts Center B.V.		11,328	14,050	(2,722)	15,519	134
Ssangyong Australia Pty Ltd.		28,430	34,438	(6,008)	45,399	(2,682)
SY Auto Capital Co., Ltd.(*)		78,854	45,169	33,685	13,801	1,807

(\*) Additional financial information for the joint venture for the year ended December 31, 2020 is as follows:

(In thousands of won)

		2020					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	5,282,300	49,756,966	1,311,251	2,296,544	1,310,364	732,999

(In thousands of US dollar)

		2020					
		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$	4,660	43,897	1,157	2,026	1,156	647

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

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

*(In thousands of won)*

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd. ₩	38,380,261	51%	19,573,933	1,047,036	20,620,969

*(In thousands of US dollar)*

	<u>Net assets</u>	<u>Percentage of ownership</u>	<u>Share of the net assets of the Group</u>	<u>Reconciliation</u>	<u>Carrying amount</u>
SY Auto Capital Co., Ltd. \$	33,860	51%	17,269	924	18,193

**10. Other Assets**

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

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

	<u>Korean won</u>		<u>US dollar</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Other current assets</b>				
Advance payments ₩	39,999,251	29,858,242	\$ 35,288	26,342
Prepaid expenses	5,646,726	7,892,864	4,982	6,963
Current tax assets	216,203	190,703	191	168
	<u>₩ 45,862,180</u>	<u>37,941,809</u>	<u>\$ 40,461</u>	<u>33,473</u>
<b>Other non-current assets</b>				
Other non-current assets ₩	275,957	275,957	\$ 243	243

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11. Property, Plant and Equipment

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

(In thousands of won)

		2021				
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 402,580,149	278,800,357	(7,354)	-	-	681,373,152
Buildings	536,073,290	-	(3,555,586)	(239,644,896)	(156,914,544)	135,958,264
Structures	112,084,615	-	(47,730)	(68,644,541)	(31,207,526)	12,184,818
Machinery	1,302,929,228	-	(153,464)	(1,083,749,441)	(112,711,984)	106,314,339
Vehicles	7,179,432	-	(2,428)	(5,057,303)	(360,742)	1,758,959
Tools and molds	1,405,188,532	-	(68,007)	(1,003,234,849)	(192,520,713)	209,364,963
Equipment	66,250,693	-	(85,987)	(55,524,255)	(3,661,556)	6,978,895
Construction in progress	43,437,529	-	-	-	(3,206,143)	40,231,386
Machinery in transit	319,833	-	-	-	-	319,833
	₩ 3,876,043,301	278,800,357	(3,920,556)	(2,455,855,285)	(500,583,208)	1,194,484,609

(\*) The amounts increased as a result of a revaluation on lands for the three-month period ended March 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 won)

		2020			
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 402,580,149	(7,354)	-	-	402,572,795
Buildings	535,733,760	(3,579,504)	(237,764,195)	(156,914,544)	137,475,517
Structures	112,084,615	(50,238)	(68,322,549)	(31,207,525)	12,504,303
Machinery	1,303,530,860	(160,070)	(1,077,928,435)	(112,711,983)	112,730,372
Vehicles	7,295,660	(2,811)	(5,263,821)	(396,327)	1,632,701
Tools and molds	1,410,349,036	(72,559)	(987,011,007)	(193,950,222)	229,315,248
Equipment	66,273,245	(92,231)	(54,946,768)	(3,667,211)	7,567,035
Construction in progress	38,184,722	-	-	(3,206,144)	34,978,578
Machinery in transit	319,833	-	-	-	319,833
	₩ 3,876,351,880	(3,964,767)	(2,431,236,775)	(502,053,956)	939,096,382

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

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

(In thousands of US dollar)

	<b>2021</b>					
	<b>Acquisition cost</b>	<b>Revaluation (*)</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	\$ 355,166	245,964	(7)	-	-	601,123
Buildings	472,936	-	(3,137)	(211,420)	(138,434)	119,945
Structures	98,884	-	(42)	(60,560)	(27,532)	10,750
Machinery	1,149,474	-	(135)	(956,109)	(99,437)	93,793
Vehicles	6,333	-	(2)	(4,461)	(318)	1,552
Tools and molds	1,239,690	-	(60)	(885,077)	(169,846)	184,707
Equipment	58,448	-	(76)	(48,985)	(3,230)	6,157
Construction in progress	38,322	-	-	-	(2,829)	35,493
Machinery in transit	282	-	-	-	-	282
	<u>\$ 3,419,535</u>	<u>245,964</u>	<u>(3,459)</u>	<u>(2,166,612)</u>	<u>(441,626)</u>	<u>1,053,802</u>

(\*) The amounts increased as a result of a revaluation on lands for the three-month period ended March 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 US dollar)

	<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Land	\$ 355,166	(7)	-	-	355,159
Buildings	472,637	(3,158)	(209,761)	(138,434)	121,284
Structures	98,884	(44)	(60,276)	(27,532)	11,032
Machinery	1,150,005	(141)	(950,973)	(99,437)	99,454
Vehicles	6,436	(2)	(4,644)	(350)	1,440
Tools and molds	1,244,243	(64)	(870,764)	(171,108)	202,307
Equipment	58,468	(82)	(48,475)	(3,235)	6,676
Construction in progress	33,687	-	-	(2,828)	30,859
Machinery in transit	282	-	-	-	282
	<u>\$ 3,419,808</u>	<u>(3,498)</u>	<u>(2,144,893)</u>	<u>(442,924)</u>	<u>828,493</u>

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

		2021					
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	Ending balance
Land	₩	402,572,795	-	-	-	278,800,357	681,373,152
Buildings		137,475,517	6,530	-	(1,856,783)	333,000	135,958,264
Structures		12,504,303	-	-	(319,485)	-	12,184,818
Machinery		112,730,372	-	(20)	(6,531,213)	115,200	106,314,339
Vehicles		1,632,701	300,701	(429,436)	(113,463)	368,456	1,758,959
Tools and molds		229,315,248	-	(36,885)	(20,254,178)	340,778	209,364,963
Equipment		7,567,035	158,228	(20,250)	(731,780)	5,662	6,978,895
Construction in progress		34,978,578	5,847,296	-	-	(594,488)	40,231,386
Machinery in transit		319,833	-	-	-	-	319,833
	₩	<u>939,096,382</u>	<u>6,312,755</u>	<u>(486,591)</u>	<u>(29,806,902)</u>	<u>279,368,965</u>	<u>1,194,484,609</u>

(\*1) The amounts of ₩278,800 million increased as a result of a revaluation on lands and recognized as revaluation surplus(elements of other equity) for the three-month period ended March 31, 2021.

(\*2) Others were the amounts of ₩193,118 thousand from capitalized borrowing costs and replaced from construction in progress for the three-month period ended March 31, 2021.

(In thousands of won)

		2020						
		Beginning balance	Acquisition	Disposal	Depreciation	Impairment (*1)	Others (*2)	Ending balance
Land	₩	474,747,900	-	-	-	-	(13,422,033)	461,325,867
Buildings		151,331,150	-	-	(2,656,310)	-	(2,430,782)	146,244,058
Structures		15,397,302	-	-	(383,632)	(1,467,288)	(12,345)	13,534,037
Machinery		153,337,727	-	(60,672)	(9,875,068)	(14,145,255)	1,216,896	130,473,628
Vehicles		2,710,974	-	(816,642)	(134,068)	-	259,163	2,019,427
Tools and molds		321,098,431	201,910	(95,865)	(26,964,880)	(28,911,604)	1,348,136	266,676,128
Equipment		11,385,439	72,702	(11,995)	(1,037,064)	(996,376)	(14,175)	9,398,531
Construction in progress		12,020,367	6,927,402	-	-	(1,648,991)	(2,060,111)	15,238,667
Machinery in transit		233,039	160,978	-	-	-	(394,017)	-
	₩	<u>1,142,262,329</u>	<u>7,362,992</u>	<u>(985,174)</u>	<u>(41,051,022)</u>	<u>(47,169,514)</u>	<u>(15,509,268)</u>	<u>1,044,910,343</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩47,170 million for property, plant and equipment for the period ended March 31, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of construction in progress is ₩112,185 thousand and the carrying amount classified as a non-current asset held for sale is ₩15,865,159 thousand for the three-month period ended March 31, 2020.

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three-month periods ended March 31, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	Ending balance
Land	\$ 355,159	-	-	-	245,964	601,123
Buildings	121,284	5	-	(1,638)	294	119,945
Structures	11,032	-	-	(282)	-	10,750
Machinery	99,454	-	-	(5,762)	101	93,793
Vehicles	1,440	265	(378)	(100)	325	1,552
Tools and molds	202,307	-	(33)	(17,868)	301	184,707
Equipment	6,676	140	(18)	(646)	5	6,157
Construction in progress	30,859	5,159	-	-	(525)	35,493
Machinery in transit	282	-	-	-	-	282
	<u>\$ 828,493</u>	<u>5,569</u>	<u>(429)</u>	<u>(26,296)</u>	<u>246,465</u>	<u>1,053,802</u>

(\*1) The amounts of \$246 million was increased as a result of a revaluation on lands and recognized as revaluation surplus(elements of other equity) for the three-month period ended March 31, 2021.

(\*2) Others were the amounts of \$170 thousand from capitalized borrowing costs and replaced from construction in progress for the three-month periods ended March 31, 2021.

(In thousands of US dollar)

	2020						
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment (*1)	Others(*2)	Ending balance
Land	\$ 418,833	-	-	-	-	(11,841)	406,992
Buildings	133,508	-	-	(2,344)	-	(2,144)	129,020
Structures	13,584	-	-	(338)	(1,295)	(11)	11,940
Machinery	135,278	-	(54)	(8,712)	(12,479)	1,074	115,107
Vehicles	2,391	-	(720)	(118)	-	229	1,782
Tools and molds	283,281	178	(85)	(23,789)	(25,506)	1,189	235,268
Equipment	10,044	64	(10)	(915)	(879)	(13)	8,291
Construction in progress	10,605	6,112	-	-	(1,455)	(1,818)	13,444
Machinery in transit	206	142	-	-	-	(348)	-
	<u>\$ 1,007,730</u>	<u>6,496</u>	<u>(869)</u>	<u>(36,216)</u>	<u>(41,614)</u>	<u>(13,683)</u>	<u>921,844</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$42 million for property, plant and equipment for the period ended March 31, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of construction in progress is \$99 thousand and the carrying amount classified as a non-current asset held for sale is \$13,997 thousand for the three-month period ended March 31, 2020.

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11. Property, Plant and Equipment, Continued

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

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

	Korean won		US dollar	
	Book value	Collateralized amount(*)	Book value	Collateralized amount
Land	₩ 654,044,673		\$ 577,013	
Buildings and structures	105,058,107	403,890,112	92,685	356,321
Machinery and others	10,868		10	
	₩ 759,113,648	403,890,112	\$ 669,708	356,321

(\*) ₩55,890,112 thousand (\$49,308 thousand) was included due to the Group's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the year ended December 31, 2020.

(4) Capitalized borrowing costs and capitalization interest rate for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Capitalized interest expenses(*)	₩ 615,615	807,347	\$ 543	712
Capitalization interest rate	2.50%	3.28%	2.50%	3.28%

(\*) Capitalized borrowing costs for intangible assets are ₩422,497 thousand (\$373 thousand) and ₩695,162 thousand (\$613 thousand) for the three-month periods ended March 31, 2021 and 2020, respectively.

(5) Revaluation of Lands

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

The revaluation income of ₩278,800 million(\$246 million) was recognized as other comprehensive income as a result of a revaluation on lands for the three-month period ended March 31, 2021.

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11. Property, Plant and Equipment, Continued

(5) Revaluation of Lands, continued

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

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 681,373,152	402,572,795	\$ 601,123	355,159

12. Intangible Assets

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

(In thousands of won)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 510,279,976	-	(355,683,118)	(32,860,505)	121,736,353
Patents	5,101,433	(9,343)	(4,121,910)	(204,211)	765,969
Other intangible assets	188,562,986	(80,000)	(37,345,063)	(66,685,328)	84,452,595
	₩ 703,944,395	(89,343)	(397,150,091)	(99,750,044)	206,954,917

(In thousands of won)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 510,279,976	-	(340,566,464)	(32,860,505)	136,853,007
Patents	5,067,550	(9,343)	(4,019,589)	(204,211)	834,407
Other intangible assets	175,815,635	(80,000)	(36,806,466)	(66,685,326)	72,243,843
	₩ 691,163,161	(89,343)	(381,392,519)	(99,750,042)	209,931,257

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12. Intangible Assets, continued

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

(In thousands of US dollar)

	<b>2021</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	\$ 450,181	-	(313,792)	(28,990)	107,399
Patents	4,500	(8)	(3,636)	(180)	676
Other intangible assets	166,355	(71)	(32,947)	(58,831)	74,506
	<u>\$ 621,036</u>	<u>(79)</u>	<u>(350,375)</u>	<u>(88,001)</u>	<u>182,581</u>

(In thousands of US dollar)

	<b>2020</b>				
	<b>Acquisition cost</b>	<b>Government grants</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Development cost	\$ 450,181	-	(300,456)	(28,990)	120,735
Patents	4,470	(8)	(3,546)	(180)	736
Other intangible assets	155,109	(71)	(32,472)	(58,831)	63,735
	<u>\$ 609,760</u>	<u>(79)</u>	<u>(336,474)</u>	<u>(88,001)</u>	<u>185,206</u>

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

		2021				
		Beginning balance	Acquisition	Amortization	Others(*)	Ending balance
<b>Internally created intangible assets:</b>						
Development cost	₩	136,853,007	-	(15,116,654)	-	121,736,353
Other intangible assets		67,409,197	12,000,618	-	422,497	79,832,312
		<u>204,262,204</u>	<u>12,000,618</u>	<u>(15,116,654)</u>	<u>422,497</u>	<u>201,568,665</u>
<b>Individually acquired intangible assets:</b>						
Patents		834,407	33,883	(102,321)	-	765,969
Other intangible assets		4,834,646	317,241	(537,013)	5,409	4,620,283
		<u>5,669,053</u>	<u>351,124</u>	<u>(639,334)</u>	<u>5,409</u>	<u>5,386,252</u>
	₩	<u>209,931,257</u>	<u>12,351,742</u>	<u>(15,755,988)</u>	<u>427,906</u>	<u>206,954,917</u>

(\*) Capitalized borrowing costs in respect of other intangible assets was ₩422,497 thousand for the three-month periods ended March 31, 2021.

(In thousands of won)

		2020					
		Beginning balance	Acquisition	Amortization	Impairment(*1)	Others(*2)	Ending balance
<b>Internally created intangible assets:</b>							
Development cost	₩	222,019,365	-	(18,239,281)	(19,931,846)	-	183,848,238
Other intangible assets		82,875,485	11,638,942	-	(9,312,504)	695,162	85,897,085
		<u>304,894,850</u>	<u>11,638,942</u>	<u>(18,239,281)</u>	<u>(29,244,350)</u>	<u>695,162</u>	<u>269,745,323</u>
<b>Individually acquired intangible assets:</b>							
Patents		1,157,589	87,571	(135,973)	(9,227)	-	1,099,960
Other intangible assets		7,052,315	117,888	(822,792)	(435,907)	(17,191)	5,894,313
		<u>8,209,904</u>	<u>205,459</u>	<u>(958,765)</u>	<u>(445,134)</u>	<u>(17,191)</u>	<u>6,994,273</u>
	₩	<u>313,104,754</u>	<u>11,844,401</u>	<u>(19,198,046)</u>	<u>(29,689,484)</u>	<u>677,971</u>	<u>276,739,596</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩29,680 million for intangible assets for the period ended March 31, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of other intangible assets was ₩695,162 thousand for the three-month periods ended March 31, 2020.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

		<b>2021</b>				
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Others(*)</b>	<b>Ending balance</b>
<b>Internally created intangible assets:</b>						
Development cost	\$	120,735	-	(13,336)	-	107,399
Other intangible assets		59,470	10,587	-	373	70,430
		<u>180,205</u>	<u>10,587</u>	<u>(13,336)</u>	<u>373</u>	<u>177,829</u>
<b>Individually acquired intangible assets:</b>						
Patents		736	30	(90)	-	676
Other intangible assets		4,265	280	(474)	5	4,076
		<u>5,001</u>	<u>310</u>	<u>(564)</u>	<u>5</u>	<u>4,752</u>
	\$	<u>185,206</u>	<u>10,897</u>	<u>(13,900)</u>	<u>378</u>	<u>182,581</u>

(\*) Capitalized borrowing costs in respect of other intangible assets was \$373 thousand for the three-month periods ended March 31, 2021.

(In thousands of US dollar)

		<b>2020</b>					
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Impairment(*1)</b>	<b>Others(*2)</b>	<b>Ending balance</b>
<b>Internally created intangible assets:</b>							
Development cost	\$	195,870	-	(16,091)	(17,584)	-	162,195
Other intangible assets		73,115	10,268	-	(8,215)	613	75,781
		<u>268,985</u>	<u>10,268</u>	<u>(16,091)</u>	<u>(25,799)</u>	<u>613</u>	<u>237,976</u>
<b>Individually acquired intangible assets:</b>							
Patents		1,021	77	(120)	(8)	-	970
Other intangible assets		6,222	104	(726)	(385)	(15)	5,200
		<u>7,243</u>	<u>181</u>	<u>(846)</u>	<u>(393)</u>	<u>(15)</u>	<u>6,170</u>
	\$	<u>276,228</u>	<u>10,449</u>	<u>(16,937)</u>	<u>(26,192)</u>	<u>598</u>	<u>244,146</u>

(\*1) The Group judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Group conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$26 million for intangible assets for the period ended March 31, 2020. The recoverable amount of the cash generating unit during the impairment assessment was determined on the basis of its fair value less costs to sell.

(\*2) Capitalized borrowing costs in respect of other intangible assets was \$613 thousand for the three-month periods ended March 31, 2020.

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**12. Intangible Assets, Continued**

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

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

	<b>Project name</b>	<b>Korean won</b>	<b>US dollar</b>	<b>Remaining amortization period(*1)</b>
Development costs	RV(*2)	₩ 105,650,773	\$ 93,208	1~4 years
	Power train and others	16,085,580	14,191	1~4 years
Other intangible assets	RV(*3)	79,832,312	70,430	-
		₩ <u>201,568,665</u>	\$ <u>177,829</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 March 31, 2021.

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

(4) Details of expenditures for research and developments for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

		<b>Korean won</b>		<b>US dollar</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Capitalization of intangible assets	₩	12,423,117	12,334,104	\$ 10,960	10,881
Manufacturing costs		13,729,753	19,488,398	12,113	17,193
Selling and administrative expenses		2,383,305	5,294,480	2,102	4,671
	₩	<u>28,536,175</u>	<u>37,116,982</u>	<u>\$ 25,175</u>	<u>32,745</u>

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**13. Lease**

(1) Changes in right-of-use assets for the three-month periods ended March 31, 2021 and 2020 are as follows:

*(In thousands of won)*

		2021					
		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	6,465,798	2,278,695	(1,336,064)	-	(1,474)	7,406,955
Vehicle		2,013,206	100,187	(481,204)	(64,864)	(794)	1,566,531
Equipment		1,014,632	-	(191,253)	-	-	823,379
	₩	<u>9,493,636</u>	<u>2,378,882</u>	<u>(2,008,521)</u>	<u>(64,864)</u>	<u>(2,268)</u>	<u>9,796,865</u>

*(In thousands of won)*

		2020					
		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	2,316,703	1,275	(438,244)		37,852	1,917,586
Vehicle		3,786,859	-	(485,258)		7,791	3,309,392
Equipment		1,356,006	415,757	(170,683)		-	1,601,080
	₩	<u>7,459,568</u>	<u>417,032</u>	<u>(1,094,185)</u>		<u>45,643</u>	<u>6,828,058</u>

*(In thousands of US dollar)*

		2021					
		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	5,705	2,010	(1,179)	-	(1)	6,535
Vehicle		1,776	88	(424)	(57)	(1)	1,382
Equipment		895	-	(169)	-	-	726
	\$	<u>8,376</u>	<u>2,098</u>	<u>(1,772)</u>	<u>(57)</u>	<u>(2)</u>	<u>8,643</u>

*(In thousands of US dollar)*

		2020					
		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	2,044	1	(387)		33	1,691
Vehicle		3,341	-	(428)		7	2,920
Equipment		1,196	367	(150)		-	1,413
	\$	<u>6,581</u>	<u>368</u>	<u>(965)</u>		<u>40</u>	<u>6,024</u>

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**13. Lease, Continued**

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

(In thousands of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	₩	6,486,022	4,469,446	6,279,275	2,141,499

(In thousands of US dollar)

		2021		2020	
		Current	Non-current	Current	Non-current
Lease liabilities(*)	\$	5,722	3,943	5,540	1,889

(\*) The total amount of lease liabilities paid is ₩2,353,065 thousand (\$2,076 thousand) and ₩2,445,567 thousand (\$2,158 thousand) and interest expenses is ₩91,427 thousand (\$81 thousand) and ₩109,093 thousand (\$96 thousand) during the three-month periods ended March 31, 2021 and 2020, respectively.

(3) Expenses from lease contracts with low cost and short-term contract for the three-month period ended March 31, 2021 and 2020 are as the following:

(In thousands of won)

	Exemption of lease recognition	2021		2020	
Office equipment	Low cost	₩	122,062		228,767
	Short term		-		11,110
Building	Short term		7,500		7,500

(In thousands of US dollar)

	Exemption of lease recognition	2021		2020	
Office equipment	Low cost	\$	108		202
	Short term		-		10
Building	Short term		7		7

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

(In thousands of won)

		2021	2020
<b>Sub lease</b>			
Less than 1 year	₩	3,314,852	3,041,105
1 year to 2 years		2,480,634	914,818
Lease to be received		5,795,486	3,955,923
Unrealized interests		(173,003)	(103,161)
Net investment in the lease		5,622,483	3,852,762
Interests from sublease for this period		44,141	42,551

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13. Lease, Continued

(In thousands of US dollar)

	<u>2021</u>	<u>2020</u>
<b>Sub lease</b>		
Less than 1 year	\$ 2,924	2,683
1 year to 2 years	2,189	807
Lease to be received	5,113	3,490
Unrealized interests	(153)	(91)
Net investment in the lease	4,960	3,399
Interests from sublease for this period	39	38

(5) Sales and lease back

The Group has been liquidating the land and buildings of the factory in Guro-dong, Guro-gu, Seoul to enhance asset efficiency and financial stability for the year ended December 31, 2020. The main terms of sales and lease back transactions are as the following:

	<u>Main terms</u>
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	<del>₩</del> 180 Billion (\$0.16 Billion)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

The details of the Group's recognition for the year ended December 31, 2020 due to sales and lease back transactions are as the following:

- Right-of-use asset: ~~₩~~7,300 million (\$6 million) increased.
- Property, plant and equipment: ~~₩~~60,834 million (\$54 million) decreased.
- Gains on disposal of PPE: ~~₩~~104,866 million (\$93 million) increased.
- Lease deposit: ₩10,800 million (\$10 million) increased.

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14. Borrowings

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

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

Creditor	Type	Interest rate (%)(*5)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Operating fund(*1)	CD+5.10	₩ 20,000,000	20,000,000	\$ 17,645	17,645
	Facility fund(*1)	CD+4.57	70,000,000	70,000,000	61,756	61,756
	Facility fund(*2)	CD+4.60	100,000,000	100,000,000	88,222	88,222
Woori Bank	Loans(*2)	CD+5.00	24,998,183	25,000,000	22,054	22,055
JP Morgan(*6)	Facility fund(*1)	CD+3.00	40,000,000	40,000,000	35,289	35,289
	Overdraft(*3)	CD+2.00	19,999,969	19,999,969	17,644	17,644
BNP PARIBAS(*6)	Overdraft(*3)	CD+2.00	10,000,000	10,000,000	8,822	8,822
Mahindra & Mahindra Ltd.	Overdraft(*4)	CD+2.00	29,999,869	29,999,869	26,467	26,467
			₩ 314,998,021	314,999,838	\$ 277,899	277,900

(\*1) Due to the application for the commencement of court receivership, the Group cannot claim the benefit of time for the year ended December 31, 2020.

(\*2) Due to the application for the commencement of court receivership, the Group cannot claim the benefit of time and it's reclassified as short-term borrowings for the year ended December 31, 2020.

(\*3) The Group missed debt repayment and cannot claim the benefit of time for the year ended December 31, 2020.

(\*4) Mahindra & Mahindra, the largest shareholder of the Group repaid loans of ₩29,999,869 thousand (\$26,378 thousand) to the Bank of America(BOA) on behalf of the Group for the year ended December 31, 2020.

(\*5) Due to failure to make payment on a due date, default interest rate is applied on it.

(\*6) The conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceed 51%(Note 19).

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14. Borrowings, Continued

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

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

Creditor	Type	Interest rate(%)(*2)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Facility fund	CD+4.57 ₩	70,000,000	70,000,000 \$	61,756	61,756
	Facility fund	CD+4.60	100,000,000	100,000,000	88,222	88,222
JP Morgan(*3)	Facilities fund	CD+3.00	40,000,000	40,000,000	35,289	35,289
Woori Bank	Operating fund	CD+5.00	24,998,183	25,000,000	22,054	22,056
Mahindra & Mahindra Ltd(*1)	Operating fund	3.00	40,000,000	40,000,000	35,289	35,289
Less: Current portion			(234,998,183)	(235,000,000)	(207,321)	(207,323)
			₩ 40,000,000	40,000,000 \$	35,289	35,289

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

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

(\*3) The conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceed 51%(Note 19).

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

(In thousands of won)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	₩ 190,000,000	300,000,000
Woori Bank	Land and buildings	24,998,183	48,000,000
		₩ 214,998,183	348,000,000

(In thousands of US dollar)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	\$ 167,622	264,667
Woori Bank	Land and buildings	22,054	42,347
		\$ 189,676	307,014

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**15. Other Financial Liabilities**

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

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

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Accrued expenses	₩ 74,247,222	55,063,845	\$ 65,503	48,579

**16. Provision of Warranty for sale**

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

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

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Beginning balance	₩ 119,171,345	128,285,606	\$ 105,136	113,176
Increase	2,164,118	11,549,858	1,909	10,190
Decrease	(9,352,416)	(9,069,096)	(8,252)	(8,001)
Ending balance	₩ 111,983,047	130,766,368	\$ 98,793	115,365
Current	₩ 47,235,585	56,566,741	\$ 41,672	49,904
Non-current	64,747,462	74,199,627	57,121	65,461

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**17. Other Liabilities**

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 9,756,289	-	6,745,066	-
Deposits received	645,120	-	652,934	-
Withholdings	12,570,290	-	23,215,826	-
Unearned revenue	3,505,150	19,349,750	4,733,235	19,326,729
Refund liability(*)	1,127,305	-	3,483,928	-
	₩ <u>27,604,154</u>	<u>19,349,750</u>	<u>38,830,989</u>	<u>19,326,729</u>

(In thousands of US dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 8,607	-	5,951	-
Deposits received	569	-	576	-
Withholdings	11,090	-	20,481	-
Unearned revenue	3,092	17,071	4,176	17,051
Refund liability(*)	995	-	3,074	-
	\$ <u>24,353</u>	<u>17,071</u>	<u>34,258</u>	<u>17,051</u>

(\*) The Group estimates the returnable sales and calculates the expected future return as a return provision.

**18. Employee Benefits**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Present value of defined benefit obligations	₩ 384,116,508	383,312,042	\$ 338,876	338,167
Fair value of plan assets	(889,855)	(933,028)	(785)	(823)
	₩ <u>383,226,653</u>	<u>382,379,014</u>	\$ <u>338,091</u>	<u>337,344</u>

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 383,312,042	(933,028)	382,379,014
Current service cost	9,698,514	-	9,698,514
Interest expense (income)	2,262,799	(5,490)	2,257,309
Sub-total	395,273,355	(938,518)	394,334,837
Re-measurement factors:			
Re-measurements of plan assets	-	1,083	1,083
Sub-total	-	1,083	1,083
Benefit paid by plan	(47,580)	47,580	-
Benefit paid directly	(11,109,267)	-	(11,109,267)
Ending balance	₩ 384,116,508	(889,855)	383,226,653

(In thousands of won)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 357,109,529	(954,268)	356,155,261
Current service cost	10,137,667	-	10,137,667
Interest expense (income)	2,026,926	(5,400)	2,021,526
Sub-total	369,274,122	(959,668)	368,314,454
Re-measurement factors:			
Re-measurements of plan assets	-	791	791
Sub-total	-	791	791
Benefit paid by plan	(28,197)	28,197	-
Benefit paid directly	(6,570,182)	-	(6,570,182)
Ending balance	₩ 362,675,743	(930,680)	361,745,063

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the three-month periods ended March 31, 2021 and 2020 are as follows, continued:

(In thousands of US dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 338,167	(823)	337,344
Current service cost	8,556	-	8,556
Interest expense (income)	1,996	(5)	1,991
Sub-total	348,719	(828)	347,891
Re-measurement factors:			
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(42)	42	-
Benefit paid directly	(9,801)	-	(9,801)
Ending balance	\$ 338,876	(785)	338,091

(In thousands of US dollar)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 315,050	(842)	314,208
Current service cost	8,944	-	8,944
Interest expense (income)	1,788	(5)	1,783
Sub-total	325,782	(847)	324,935
Re-measurement factors:			
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(25)	25	-
Benefit paid directly	(5,796)	-	(5,796)
Ending balance	\$ 319,961	(821)	319,140

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**18. Employee Benefits, Continued**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Insurance contracts	₩ 889,855	933,028	\$ 785	823

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

	2021	2020
Discount rate (%)	2.40	2.40
Rate of future salary growth (%)	3.97	3.97

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

**19. Commitments and Contingencies**

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

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of March 31, 2021, the loan agreement with Korea Development Bank and others has been terminated due to the application for the commencement of court receivership, and the borrowing amounts was ₩354,998 million (\$313 million). In addition, there is a requirement to retain over 51% of the majority interest in Mahindra & Mahindra Ltd., in relation to JP Morgan, BNP PARIBAS's overdraft borrowings and JP Morgan facility fund borrowings.
- (3) As of March 31, 2021, 5 claims as a plaintiff were filled with the claim amount of ₩5,801 million (\$5 million) and 8 claims as a defendant were filled with the claims of ₩1,002 million (\$1 million). The provision amounting to ₩8,092 million (\$7 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and management expect that it is probable that the Group will be required to incur an outflow.

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**19. Commitments and Contingencies, continued**

(4) Details of other payable recognized as provisions as of March 31, 2021 are as follows:

<i>(In thousands of won and in thousands of US dollar)</i>	<b>2021</b>		<b>2021</b>	
Beginning balance	₩	124,578,526	\$	109,906
Increase(*)		10,557,352		9,314
Decrease		(14,249,885)		(12,572)
Ending balance	₩	120,885,993	\$	106,648

(\*) In relation to *CO2 emission regulations in Korea/EU(the Act on Allocation and Trading of Greenhouse Gas Emission)*, the Group estimates the expenses based on the expected quantity of emission in excess of free allocated emission right comparing standard fuel efficiency. As a result of additional recognition of ₩4,916,954 thousand(\$4,338 thousand) for the three-month period ended March 31, 2021, the Company has recognized a provision of ₩73,339,491 thousand(\$64,702 thousand) as of March 31, 2021. And the Group recognized expected costs as a provision with regard to foregoing lawsuits and sales incentive, etc.

(5) As of December 21, 2020, the Group filed for commencement of rehabilitation procedure and received a disposition of property preservation and an order of comprehensive prohibition from the courts.

**20. Capital Stock**

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

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

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Number of shares authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 4.4	4.4
Capital stock	749,200,010	749,200,010	660,962	660,962

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**21. Other Capital Surplus and Retained Earnings**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,796	2,796
Gain on capital reduction	74,061,697	74,061,697	65,339	65,339
Debt to be swapped for equity	-	931,508	-	822
	₩ <u>77,231,312</u>	<u>78,162,820</u>	\$ <u>68,135</u>	<u>68,957</u>

**22. Other Equity**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Accumulated revaluation surplus from revaluation on land	₩ 278,800,357	-	\$ 245,964	-
Accumulated foreign currency translation difference for foreign operations	652,377	826,888	576	730
	₩ <u>279,452,734</u>	<u>826,888</u>	\$ <u>246,540</u>	<u>730</u>

(2) Changes in the Group's gains (losses) on valuation of derivatives for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ -	-	\$ -	-
Gains on valuation of derivatives	-	130,390	-	115
Reclassified to net income (losses)	-	-	-	-
Ending balance	₩ <u>-</u>	<u>130,390</u>	\$ <u>-</u>	<u>115</u>

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**22. Other Equity, Continued**

(3) Changes in the foreign currency translation difference for foreign operation for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 826,888	1,109,395	\$ 730	979
Foreign currency translation difference for foreign operation	(174,511)	177,841	(154)	157
Ending balance	₩ <u>652,377</u>	<u>1,287,236</u>	\$ <u>576</u>	<u>1,136</u>

**23. Deficit**

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Deficit	₩ (1,002,604,915)	(916,311,834)	\$ (884,521)	(808,392)

(2) Changes in deficit for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ (916,311,834)	(425,348,668)	\$ (808,392)	(375,252)
Loss for the year	(86,290,301)	(193,536,677)	(76,127)	(170,743)
Defined benefit plan re-	(1,083)	(791)	(1)	(1)
Defined benefit plan re-measurement from joint venture	(1,697)	(194)	(1)	-
Ending balance	₩ <u>(1,002,604,915)</u>	<u>(618,886,330)</u>	\$ <u>(884,521)</u>	<u>(545,996)</u>

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**24. Income Tax Expense**

Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of March 31, 2021.

**25. Nature of Expenses**

Details of nature of expenses for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in inventories	₩ 35,142,568	(7,128,438)	\$ 31,004	(6,289)
Raw materials consumed and purchase of merchandise	381,705,241	486,871,387	336,749	429,529
Employee benefits	120,786,905	111,077,782	106,561	97,995
Depreciation	29,806,902	41,051,022	26,296	36,216
Amortization	15,755,988	19,198,046	13,900	16,937
Others	37,369,095	96,751,835	32,968	85,357
	₩ <u>620,566,699</u>	<u>747,821,634</u>	\$ <u>547,478</u>	<u>659,745</u>

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

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

(1) Details of selling expenses for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Warranty expenses	₩ 6,066,036	16,005,160	\$ 5,352	14,120
Commissions	28,200,281	39,645,987	24,879	34,977
Advertising	1,018,345	2,327,237	898	2,053
Export expenses	1,951,594	1,658,404	1,722	1,463
Sales promotion expenses	7,145,525	2,731,438	6,304	2,410
Others	2,722,695	1,784,700	2,402	1,574
	₩ <u>47,104,476</u>	<u>64,152,926</u>	\$ <u>41,557</u>	<u>56,597</u>

(2) Details of general and administrative expenses for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Salaries	₩ 12,496,115	11,281,027	\$ 11,024	9,952
Retirement benefit costs	1,499,981	1,560,508	1,323	1,377
Employee welfare	2,093,569	2,540,300	1,847	2,241
Rent expense	2,583,107	2,452,503	2,279	2,164
Service fees	3,496,994	4,755,648	3,085	4,195
Depreciation	3,778,939	6,894,690	3,334	6,083
R&D expenses	2,383,305	5,294,480	2,103	4,671
Amortization	639,333	958,765	564	846
Bad debt expense	44,398	(95,650)	39	(84)
Others	9,527,593	8,282,097	8,406	7,306
	₩ <u>38,543,334</u>	<u>43,924,368</u>	\$ <u>34,004</u>	<u>38,751</u>

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**27. Other Income and Expenses**

(1) Details of other income for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

		Korean won		US dollar	
		2021	2020	2021	2020
Foreign exchange transaction gain	₩	846,504	1,092,309	\$ 747	964
Foreign exchange translation gain		1,286,776	1,083,534	1,135	956
Gain on disposal of PP&E		185,397	220,181	164	194
Others		3,280,637	1,434,477	2,894	1,265
	₩	<u>5,599,314</u>	<u>3,830,501</u>	<u>\$ 4,940</u>	<u>3,379</u>

(2) Details of other expenses for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

		Korean won		US dollar	
		2021	2020	2021	2020
Foreign exchange transaction loss	₩	1,982,824	2,526,126	\$ 1,750	2,229
Foreign exchange translation loss		598,733	1,842,880	528	1,626
Loss on disposal of property, plant and equipment		231,173	265,952	204	235
Loss on disposal of trade receivables		5,836	30,782	5	27
Impairment loss on PP&E		-	47,169,514	-	41,614
Impairment loss on Intangible		-	29,689,484	-	26,193
Gains on sale of investments in subsidiaries		232,536	-	205	-
Others		231,084	10,283,239	204	9,071
	₩	<u>3,282,186</u>	<u>91,807,977</u>	<u>\$ 2,896</u>	<u>80,995</u>

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**28. Finance Income and Costs**

(1) Details of finance income for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Interest income	₩ 377,846	699,624	\$ 334	617
Dividend income	6,000	6,000	5	5
Foreign exchange transaction gain	1,363,823	753,942	1,203	665
Foreign exchange translation gain	-	144,472	-	127
Unrealized gain of financial derivatives	-	30,160	-	27
	₩ <u>1,747,669</u>	<u>1,634,198</u>	\$ <u>1,542</u>	<u>1,441</u>

(2) Details of finance costs for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Interest expense	₩ 4,615,605	2,488,052	\$ 4,072	2,195
Foreign exchange transaction loss	575,219	1,633,261	507	1,441
Foreign exchange translation loss	-	4,644,817	-	4,098
Unrealized loss of financial derivatives	-	17,480	-	15
	₩ <u>5,190,824</u>	<u>8,783,610</u>	\$ <u>4,579</u>	<u>7,749</u>

(3) Details of the Group's financial net profit or loss for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Financial assets/ liabilities at amortized cost	₩ (3,449,155)	(7,168,092)	\$ (3,042)	(6,323)
Financial assets at FVTPL	6,000	6,000	5	5
Derivatives financial assets (liabilities)	-	12,680	-	11
	₩ <u>(3,443,155)</u>	<u>(7,149,412)</u>	\$ <u>(3,037)</u>	<u>(6,307)</u>

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**29. Losses per Share**

(1) Basic losses per share for the three-month periods ended March 31, 2021 and 2020 are calculated as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Loss for the periods	₩ (86,290,301)	(193,536,677)	\$ (76,127)	(170,743)
Loss contributed to common stocks	(86,290,301)	(193,536,677)	(76,127)	(170,743)
Weighted average number of common shares (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Basic losses per share(*) (in won and in US dollar)	₩ (576)	(1,292)	\$ (0.5)	(1.1)

(\*) Diluted losses per share are not calculated for the three-month periods ended March 31, 2021 and 2020, because there are no dilutive shares as of March 31, 2021 and 2020.

(2) Weighted average number of common shares outstanding for the three-month periods ended March 31, 2021 and 2020 are calculated as follows:

*(In shares)*

	Outstanding period	2021		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2021-01-01~2021-03-31	149,840,002	90/90	149,840,002

*(In shares)*

	Outstanding period	2020		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2020-01-01~2020-03-31	149,840,002	91/91	149,840,002

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**30. Cash Flows**

(1) Details of cash flows from operating activities for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	<b>Korean won</b>		<b>US dollar</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Loss for the period</b>	₩ (86,290,301)	(193,536,677)	\$ (76,127)	(170,743)
<b>Adjustments for:</b>				
Retirement benefit costs	11,955,823	12,159,193	10,548	10,727
Depreciation	29,806,902	41,051,022	26,296	36,216
Amortization	15,755,988	19,198,046	13,900	16,937
Depreciation of right-of-use asset	2,008,521	1,094,185	1,772	965
Losses on disposal of trade receivables	5,836	30,782	5	27
Foreign exchange translation gain and loss, net	(688,043)	5,259,691	(607)	4,640
Losses on disposal of property, plant and equipment	45,776	45,771	40	40
Interest expense and income, net	4,237,758	1,788,428	3,739	1,578
Dividends income	(6,000)	(6,000)	(5)	(5)
Unrealized gain and loss of financial derivatives, net	-	(12,680)	-	(11)
Losses on valuation of inventories	588,579	56,976	519	50
Increase in provision of warranty for sale	2,164,118	11,549,858	1,909	10,190
Equity profit on investments	433,030	(224,474)	382	(198)
Sales promotion expenses	4,679,220	-	4,128	-
Export overall expenses	237,734	-	210	-
Impairment loss on Tangible assets	-	47,169,514	-	41,614
Impairment loss on Intangible assets	-	29,689,484	-	26,193
Others	(508,191)	121,700	(448)	108
	<u>70,717,051</u>	<u>168,971,496</u>	<u>62,388</u>	<u>149,071</u>
<b>Changes in assets and liabilities</b>				
Trade receivables	(1,637,969)	46,153,407	(1,445)	40,718
Other receivables	(400,416)	(935,543)	(353)	(825)
Inventories	(11,828,370)	(12,525,257)	(10,435)	(11,050)
Trade payables	(44,033,905)	(113,149,801)	(38,848)	(99,823)
Other payables	7,237,536	(15,649,012)	6,385	(13,806)
Accrued expenses	14,315,370	3,388,988	12,629	2,990
Usage of provision of warranty for sale	(9,352,416)	(9,069,096)	(8,251)	(8,001)
Payment of retirement benefits	(11,109,267)	(6,570,182)	(9,801)	(5,797)
Others	(16,215,757)	(4,098,427)	(14,306)	(3,616)
	<u>(73,025,194)</u>	<u>(112,454,923)</u>	<u>(64,425)</u>	<u>(99,210)</u>
<b>Net cash used in operating activities</b>	₩ <u>(88,598,444)</u>	<u>(137,020,104)</u>	\$ <u>(78,164)</u>	<u>(120,882)</u>

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30. Cash Flows, Continued

(2) Significant non-cash activities for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in other payables related to the acquisition of property, plant and equipment	₩ 68,885	2,317,836	\$ 61	2,045
Changes in other comprehensive income gains on revaluation	278,800,357	-	245,964	-
Changes in asset from sale of investments in subsidiaries	291,715	-	257	-
Changes in liabilities and equity from sale of investments in subsidiaries	31,737	-	28	-

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the three-month periods ended March 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,999,838	-	(1,817)	-	-	-	314,998,021
Long-term borrowings	40,000,000	-	-	-	-	-	40,000,000
Lease liabilities	8,420,774	-	(2,353,065)	4,890,188	-	(2,429)	10,955,468
	₩ 363,420,612	-	(2,354,882)	4,890,188	-	(2,429)	365,953,489

(In thousands of won)

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	₩ 106,606,448	-	(1,924,774)	-	-	4,501,344	109,183,018
Short-term borrowings	147,500,000	96,999,947	(7,500,000)	43,750,000	-	-	280,749,947
Long-term borrowings	158,750,000	-	-	(43,750,000)	-	-	115,000,000
Lease liabilities	11,630,384	-	(2,445,567)	-	1,575,005	43,955	10,803,777
	₩ 424,486,832	96,999,947	(11,870,341)	-	1,575,005	4,545,299	515,736,742

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

(In thousands of US dollar)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 277,900	-	(1)	-	-	-	277,899
Long-term borrowings	35,289	-	-	-	-	-	35,289
Lease liabilities	7,429	-	(2,076)	4,314	-	(2)	9,665
	\$ 320,618	-	(2,077)	4,314	-	(2)	322,853

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**30. Cash Flows, Continued**

(3) Adjustment of liabilities from financing activities, continued

Changes in liabilities from financial activities for the three-month periods ended March 31, 2021 and 2020 are as follows, continued:

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*)	\$ 94,051	-	(1,698)	-	-	3,971	96,324
Short-term borrowings	130,128	85,576	(6,617)	38,597	-	-	247,684
Long-term borrowings	140,053	-	-	(38,597)	-	-	101,456
Lease liabilities	10,260	-	(2,157)	-	1,389	39	9,531
	<u>\$ 374,492</u>	<u>85,576</u>	<u>(10,472)</u>	<u>-</u>	<u>1,389</u>	<u>4,010</u>	<u>454,995</u>

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

**31. Segment Information**

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

(2) Geographic sales information of the Group for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

Sales region	Korean won		US dollar	
	2021	2020	2021	2020
Republic of Korea	₩ 387,321,185	495,057,153	\$ 341,704	436,751
Europe	63,403,737	78,961,242	55,936	69,661
Asia Pacific	61,273,422	33,614,975	54,057	29,656
Others	47,892,035	48,670,410	42,251	42,938
Consolidated adjustment	(24,057,353)	(7,116,409)	(21,224)	(6,278)
	<u>₩ 535,833,026</u>	<u>649,187,371</u>	<u>\$ 472,724</u>	<u>572,728</u>

Non-current assets are not separately disclosed since those are located in Korea. Main customer over 10% of sales is not disclosed since most sales are occurred through contract with individual customer and authorized foreign agencies.

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**31. Segment Information, continued**

(3) Information of sales of goods and service for the three-month periods ended March 31, 2021 and 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Automobile	₩ 442,898,150	556,991,594	\$ 390,735	491,391
Merchandise and parts	72,835,788	73,364,448	64,257	64,724
Others	20,099,088	18,831,329	17,732	16,613
	₩ 535,833,026	649,187,371	\$ 472,724	572,728

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Receivables from contracts with customers	₩ 101,065,315	100,554,100	\$ 89,162	88,711
Contract liabilities	32,611,190	30,805,029	28,770	27,177

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

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

(1) Details of related parties as of March 31, 2021 are as follows:

Relationship	Company
Parent	Mahindra & Mahindra Ltd.
Joint venture	SY Auto Capital Co., Ltd.
Others	Mahindra Vehicle Manufacturing Ltd. Mahindra Electric Mobility Ltd. Mahindra & Mahindra South Africa Ltd.

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

(2) Transactions with related parties for the three-month periods ended March 31, 2021 and 2020 are as follows:

*(In thousands of won)*

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2021</b>	<b>2020</b>
Parent	Mahindra & Mahindra Ltd.	Sales	₩	2,139,129	5,389,233
		Purchases		3,188,954	2,642,417
		Other expenses		536,592	229,808
Joint venture	SY Auto Capital Co., Ltd.	Other income		55,300	257,256
		Other expenses		10,227,043	6,635,970
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales		370,308	501,633
		Other expenses		364,149	1,305,126

*(In thousands of US dollar)*

<b>Relationship</b>	<b>Company</b>	<b>Description</b>		<b>2021</b>	<b>2020</b>
Parent	Mahindra & Mahindra Ltd.	Sales	\$	1,887	4,755
		Purchases		2,813	2,331
		Other expenses		473	203
Joint venture	SY Auto Capital Co., Ltd.	Other income		49	227
		Other expenses		9,023	5,854
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales		327	443
		Other expenses		321	1,151

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

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

(In thousands of won)

<u>Relationship</u>	<u>Company</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
		Trade receivables ₩	2,498,621	2,437,886
		Other receivables	1,010,081	252,632
Parent	Mahindra & Mahindra Ltd.	Trade payables	5,381,611	3,624,172
		Other payables	5,531,009	2,514,361
		Borrowings	69,999,869	69,999,869
	Mahindra Vehicle Manufacturing Ltd.	Trade receivables	680,332	531,781
		Other payables	1,375,000	1,500,000
Others	Mahindra Electric Mobility Ltd.	Other receivables	716,002	-
		Other payables	1,971,167	1,932,669
	Mahindra&Mahindra South Africa Ltd.	Other payables	5,947	4,937

(In thousands of US dollar)

<u>Relationship</u>	<u>Company</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
		Trade receivables \$	2,204	2,151
		Other receivables	891	223
Parent	Mahindra & Mahindra Ltd.	Trade payables	4,748	3,197
		Other payables	4,880	2,218
		Borrowings	61,756	61,756
	Mahindra Vehicle Manufacturing Ltd.	Trade receivables	600	469
		Other payables	1,213	1,323
Others	Mahindra Electric Mobility Ltd.	Other receivables	632	-
		Other payables	1,739	1,705
	Mahindra&Mahindra South Africa Ltd.	Other payables	5	4

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

(4) No capital transactions were occurred with related parties for the three-month periods ended March 31, 2021.

(5) Executive compensation of the Group for the three-month periods ended March 31, 2021 and 2020, are as follows:

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

		<u>Korean won</u>		<u>US dollar</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	₩	1,078,121	1,476,452	\$	951
Retirement benefits		40,057	31,553		35
					1,303
					28

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**33. Financial Instruments**

(1) Capital risk management

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

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

Debt-to-equity ratio as of March 31, 2021 and December 31, 2020 are as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Debt (A)	₩ 1,828,615,098	1,856,750,687	\$ 1,613,246	1,638,068
Equity (B)	103,279,141	(88,122,116)	91,116	(77,743)
Debt-to-equity ratio (A/B)(*)	1,770.6%	-	1,770.6%	-

(\*) Debt-to-equity ratio was not calculated because total equity as of December 31, 2020 is negative.

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

1) Financial assets

(In thousands of won)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 78,121,252	-	78,121,252	78,121,252
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	163,806,304	-	163,806,304	163,806,304
Non-current financial assets	-	560,000	560,000	560,000
	₩ 241,931,556	560,000	242,491,556	242,491,556

(In thousands of won)

	2020			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 185,963,321	-	185,963,321	185,963,321
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	163,500,821	-	163,500,821	163,500,821
Non-current financial assets	-	560,000	560,000	560,000
	₩ 349,468,142	560,000	350,028,142	350,028,142

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**33. Financial Instruments, Continued**

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

1) Financial assets, continued

*(In thousands of US dollar)*

	<b>2021</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 68,920	-	68,920	68,920
Long-term financial instruments	4	-	4	4
Trade and other receivables	144,514	-	144,514	144,514
Non-current financial assets	-	494	494	494
	<u>\$ 213,438</u>	<u>494</u>	<u>213,932</u>	<u>213,932</u>

*(In thousands of US dollar)*

	<b>2020</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 164,061	-	164,061	164,061
Long-term financial instruments	4	-	4	4
Trade and other receivables	144,244	-	144,244	144,244
Non-current financial assets	-	494	494	494
	<u>\$ 308,309</u>	<u>494</u>	<u>308,803</u>	<u>308,803</u>

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**33. Financial Instruments, Continued**

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

2) Financial liabilities

(In thousands of won)

	<b>2021</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩ 702,084,574	-	702,084,574	702,084,574
Borrowings	354,998,021	-	354,998,021	354,998,021
	<u>₩ 1,057,082,595</u>	<u>-</u>	<u>1,057,082,595</u>	<u>1,057,082,595</u>

(In thousands of won)

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

(In thousands of US dollar)

	<b>2021</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 619,395	-	619,395	619,395
Borrowings	313,188	-	313,188	313,188
	<u>\$ 932,583</u>	<u>-</u>	<u>932,583</u>	<u>932,583</u>

(In thousands of US dollar)

	<b>2020</b>			
	<b>Financial liability measured at amortized cost</b>	<b>Financial liabilities at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	\$ 636,145	-	636,145	636,145
Borrowings	313,189	-	313,189	313,189
	<u>\$ 949,334</u>	<u>-</u>	<u>949,334</u>	<u>949,334</u>

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**33. Financial Instruments, Continued**

(3) Financial risk management

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

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

1) Market risk

a. Foreign exchange risk

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

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

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

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,672,594	(1,672,594)	\$ 1,476	(1,476)
EUR	3,049,378	(3,049,378)	2,690	(2,690)
JPY	(272)	272	-	-
Others	(380,472)	380,472	(336)	336
	₩ 4,341,228	(4,341,228)	\$ 3,830	(3,830)

b. Interest rate risk

Sensitivity analysis was conducted assuming floating rate debt current balance is the same during the whole reporting year. When reporting interest rate risk to management internally, 0.5% variation is used, representing management's assessment about reasonably possible fluctuations of interest rates.

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Group's current income will decrease or increase in ₩444,086 thousand (\$392 thousand) for the three-month period ended March 31, 2021, due to floating rate debt's interest rate risk.

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

2) Credit risk

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

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

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

For the receivables that are not subject to individual analysis, the allowance is estimated by applying the average loss rate for the past three years to the remaining balance of the receivables at the end of a reporting year; the average loss rate for the past three-years is calculated by dividing the amount of actual loss occurred in the past three years by the average balance of the receivables.

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

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

		<b>Korean won</b>			<b>US dollar</b>	
		<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>
Trade and other receivables	₩	163,806,304	163,500,821	\$	144,514	144,244

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk

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

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

*(In thousands of won)*

		2021		
		Within a year	Over 1 year	Total
Trade payables	₩	487,535,712	-	487,535,712
Other payables		206,503,458	-	206,503,458
Short-term borrowings(*)		314,998,021	-	314,998,021
Lease liabilities		6,843,433	4,493,052	11,336,485
Other payables		7,502,947	-	7,502,947
Long-term borrowings(*)		-	42,547,945	42,547,945
Long-term other payables		-	542,457	542,457
	₩	<u>1,023,383,571</u>	<u>47,583,454</u>	<u>1,070,967,025</u>

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

*(In thousands of won)*

		2020		
		Within a year	Over 1 year	Total
Trade payables	₩	532,518,517	-	532,518,517
Other payables		185,240,179	-	185,240,179
Short-term borrowings(*)		316,199,838	-	316,199,838
Lease liabilities		6,447,861	2,202,076	8,649,937
Other payables		2,665,074	-	2,665,074
Long-term borrowings(*)		-	43,146,301	43,146,301
Long-term other payables		-	646,636	646,636
	₩	<u>1,043,071,469</u>	<u>45,995,013</u>	<u>1,089,066,482</u>

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

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**33. Financial Instruments, Continued**

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of US dollar)

		2021		
		Within a year	Over 1 year	Total
Trade payables	\$	430,115	-	430,115
Other payables		182,182	-	182,182
Short-term borrowings(*)		277,899	-	277,899
Lease liabilities		6,038	3,963	10,001
Other payables		6,619	-	6,619
Long-term borrowings(*)		-	37,537	37,537
Long-term other payables		-	479	479
	\$	<u>902,853</u>	<u>41,979</u>	<u>944,832</u>

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

(In thousands of US dollar)

		2020		
		Within a year	Over 1 year	Total
Trade payables	\$	469,800	-	469,800
Other payables		163,423	-	163,423
Short-term borrowings(*)		278,959	-	278,959
Lease liabilities		5,689	1,943	7,632
Other payables		2,351	-	2,351
Long-term borrowings(*)		-	38,065	38,065
Long-term other payables		-	570	570
	\$	<u>920,222</u>	<u>40,578</u>	<u>960,800</u>

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

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

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

		Korean won		US dollar	
		2021(*)	2020	2021(*)	2020
Borrowing limit (used)	₩	-	355,000,000	\$	-
Borrowing limit (unused)		-	-	-	-

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

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**33. Financial Instruments, Continued**

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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

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

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

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**34. Going concern assumption**

The Group's financial statements are prepared on the assumption that it will continue as going concern, and therefore our assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities.

However, due to deteriorating financial structure, the Group has incurred operating losses of ₩84,734 million (\$75 million) and net losses of ₩86,290 million (\$76 million) as of the end of the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩843,246 million (\$744 million) as of the end of the reporting period.

As of December 21, 2020, the Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court ("the court") under the Debtor Rehabilitation and Bankruptcy Act of South Korea. The Group received a commencement of rehabilitation procedure on April 15, 2021 after the end of reporting period and have been preparing rehabilitation plan. These circumstances raise a material uncertainty on the ability to continue as a going concern.

In circumstances where material uncertainty on the ability to continue as a going concern, which is the basis for preparation of the financial statements, a significant uncertainty exists whether the Group will continue as going concern, it will depend on the court approval of rehabilitation plan, and the implementation of the rehabilitation plan including of business improvement plan after the court approval.

As it will be difficult for the Group to continue as a going concern if the Group fails to achieve its plan according to the final results of corporate rehabilitation procedure, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**35. Subsequent events**

As of December 21, 2020, the Group filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court. The Court commenced rehabilitation procedures on April 15, 2021 after the end of reporting period and the Group has been preparing a rehabilitation plan.

**36. Delisting issue occurrence & grant a grace period for improvement by filing of objection**

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

The Group submit filing of 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.