

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

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

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

Reviewed financial statements

We have reviewed the accompanying consolidated interim financial statements of Ssangyong Motor Company and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of March 31, 2022, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-months ended March 31, 2022 and notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Accountants' review responsibility

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

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

Basis for Disclaimer of Opinion

- We were not able to obtain sufficient appropriate audit evidence that could reasonably estimate any adjustment of assets, liabilities and related profit or loss items of the consolidated financial statements of the Group as of January 1, 2022 because KPMG SAMJONG Accounting Corp. did not express an opinion on the 2021 consolidated financial statements of the Group in auditors' report dated on March 31, 2022. Also, we were not able to obtain sufficient appropriate audit evidence by alternative audit procedures. Accordingly, the effect on the financial position as of March 31, 2022, the consolidated interim statements of comprehensive income (loss) and cash flows for the three-months ended March 31, 2022 of the Group, which may arise from any adjustment as of January 1, 2022, cannot presently be determined.
- The accompanying consolidated interim financial statements have been prepared assuming that the Group will continue as a going concern and therefore the Group's assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. As discussed in note 34 to the consolidated interim financial statements, the Group has incurred operating loss of ₩30,864 million and a net loss of ₩31,611 million during the period ended March 31, 2022 and, as of that date, the Group's current liabilities exceed its current assets by ₩891,918 million and the total equity is (₩112,423) million, which is a complete capital erosion.

In addition, the Group has filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court (“the Court”) under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea on December 21, 2020. The Court commenced rehabilitation procedure on April 15, 2021, and the Group has resumed M&A process before the Court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 and the Group filed a rehabilitation plan to the court on February 25, 2022. However, immediate cancellation of M&A contract occurred on March 25, 2022 and the Group submitted revised rehabilitation plan to the court after seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan’s approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

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

Disclaimer of Opinion

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

Emphasis of matters

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

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

As stated in note 36, the Group has faced a risk of being delisted from the Korea Stock Exchange under *Article 48 of KOSPI Market Listing Regulation*, due to disclaimer of audit opinion on the Group’s consolidated financial statements as of December 31, 2020. The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, The Korea Stock Exchange Listing Disclosure Committee regranted a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.

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

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

The Group has resumed M&A process before the Court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 and the Group filed a rehabilitation plan to the court on February 25, 2022. However, immediate cancellation of M&A contract occurred on March 25, 2022 and the Group submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan’s approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

Other matters

KPMG SAMJONG Accounting Corp. reviewed the consolidated interim financial statements of comprehensive income (loss), changes in equity and cash flows for the three months ended March 31, 2021 and didn’t express a review opinion on the consolidated interim financial statements of the Group in accountants’ review report dated on May 14, 2022 because of the material uncertainty on the Group’s ability to continue as a going concern and inability to obtain sufficient appropriate evidence for the adequacy of the impairment losses of the tangible and intangible assets and other assets.

KPMG SAMJONG Accounting Corp. audited the consolidated financial statements of financial position as of December 31, 2021, the consolidated financial statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2021 and didn't express a audit opinion on the 2021 consolidated financial statements of the Group in auditors' report dated on March 31, 2022 because of the material uncertainty on the Group's ability to continue as a going concern and inabilities to obtain sufficient appropriate audit evidence for the adequacy that could reasonably estimate any adjustment of assets, liabilities and related profit or loss items including whether assets are impaired and liquidity classification of liabilities, etc. The statement of financial position of the Company as of December 31, 2021, presented for comparative purposes, is consistent, in all material respects, with the consolidated financial statements which KPMG SAMJONG Accounting Corp. audited.

PKF Seo-Hyun Accounting Corp.

Seoul, Korea
May 16, 2022

<p>This report is effective as of May 16, 2022 the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>

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

As of March 31, 2022 and December 31, 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Assets					
Cash and cash equivalents	4,5,33	₩ 48,381,336	54,668,032	\$ 39,958	45,150
Current financial instruments	5,33	36,303,737	21,275,651	29,983	17,572
Trade and other receivables, net	7,31,33	130,475,861	112,567,360	107,760	92,969
Loans and others	7,13,33	22,845,774	23,975,290	18,868	19,801
Inventories, net	8,25	155,338,764	155,736,354	128,294	128,623
Other current assets	7,13,33	92,357,005	71,146,262	76,278	58,760
Total current assets		485,702,477	439,368,949	401,142	362,875
Non-current financial instruments	5,33	4,000	4,000	3	3
Non-current other receivables, net	7,13,33	27,982,268	29,045,155	23,111	23,988
Non-current financial assets	6,33	560,000	560,000	463	463
Property, plant and equipment, net	11,14	1,176,648,318	1,191,589,568	971,794	984,134
Intangible assets, net	12	170,640,189	175,723,681	140,932	145,130
Investments in joint venture	9	21,922,570	22,039,325	18,106	18,202
Other non-current assets	10	275,957	275,957	228	228
Right of use assets	13	7,656,632	4,363,290	6,324	3,604
Total non-current assets		1,405,689,934	1,423,600,976	1,160,960	1,175,752
Total assets		₩ 1,891,392,411	1,862,969,925	\$ 1,562,101	1,538,627

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, 2022 and December 31, 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Liabilities					
Trade payables	33	₩ 510,912,876	516,983,239	\$ 421,963	426,977
Other payables	19,33	304,993,141	282,513,209	251,894	233,328
Short-term borrowings	14,19,30, 33	314,998,021	314,998,021	260,157	260,157
Other Financial Liabilities	15,33	108,342,881	101,191,970	89,480	83,574
Provision of warranty for sale - current	16	43,179,658	46,539,918	35,662	38,437
Provision of others - current	19	31,685,385	35,426,691	26,169	29,259
Other current liabilities	17,30,31, 33	57,410,312	43,337,384	47,415	35,792
Lease liabilities - current	13,30,33	6,098,365	5,135,068	5,037	4,241
Total current liabilities		<u>1,377,620,639</u>	<u>1,346,125,500</u>	<u>1,137,777</u>	<u>1,111,765</u>
Long-term borrowings	14,19,30, 33	70,000,000	40,000,000	57,813	33,036
Non-current other payables	33	64,263	64,062	53	53
Other non-current liabilities	17,31	17,253,866	17,651,651	14,250	14,579
Defined benefit liabilities	18	361,151,494	363,150,322	298,275	299,926
Other long-term employee benefits liabilities	18	14,941,143	14,687,238	12,340	12,130
Provision of warranty for sale – non-current	16	55,997,074	58,036,733	46,248	47,933
Provision of others – non- current		45,228,623	44,439,158	37,354	36,702
Lease liabilities – non-current	13,30,33	6,252,629	4,106,688	5,164	3,392
Deferred tax liabilities	24	55,305,230	55,305,230	45,677	45,677
Total non-current liabilities		<u>626,194,322</u>	<u>597,441,082</u>	<u>517,174</u>	<u>493,427</u>
Total liabilities		<u>2,003,814,961</u>	<u>1,943,566,582</u>	<u>1,654,951</u>	<u>1,605,192</u>
Equity					
Capital stock	20	749,200,010	749,200,010	618,764	618,764
Other capital surplus	21	77,231,312	77,231,312	63,785	63,785
Other equity	22	223,923,755	224,136,245	184,939	185,114
Accumulated deficit	23	(1,162,777,627)	(1,131,164,224)	(960,338)	(934,229)
Equity attributable to owners of the Company		<u>(112,422,550)</u>	<u>(80,596,657)</u>	<u>(92,850)</u>	<u>(66,565)</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>(112,422,550)</u>	<u>(80,596,657)</u>	<u>(92,850)</u>	<u>(66,565)</u>
Total liabilities and equity		<u>₩ 1,891,392,411</u>	<u>1,862,969,925</u>	<u>\$ 1,562,101</u>	<u>1,538,627</u>

See accompanying notes to the consolidated interim financial statements.

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

For the three months ended March 31, 2022 and 2021

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

	Note	Korean won		US dollar	
		2022	2021	2022	2021
Sales	31,32	₩ 714,027,019	535,833,026	\$ 589,715	442,545
Cost of sales	25,32	660,089,336	534,918,889	545,168	441,790
Gross profit		<u>53,937,683</u>	<u>914,137</u>	<u>44,547</u>	<u>755</u>
Selling, general and administrative expenses	25,26	84,801,430	85,647,809	70,038	70,737
Operating loss		<u>(30,863,747)</u>	<u>(84,733,672)</u>	<u>(25,490)</u>	<u>(69,982)</u>
Other income	27,32	5,287,628	5,599,314	4,367	4,624
Other expenses	27,32	2,664,495	3,282,186	2,201	2,711
Finance income	28	1,290,826	1,747,669	1,066	1,443
Finance costs	28	4,545,144	5,190,824	3,754	4,287
Share of profits of joint venture		(116,520)	(433,030)	(96)	(358)
Loss before income taxes		<u>(31,611,452)</u>	<u>(86,292,729)</u>	<u>(26,108)</u>	<u>(71,269)</u>
Income tax expenses	24	-	(2,428)	-	(2)
Loss for the period		<u>(31,611,452)</u>	<u>(86,290,301)</u>	<u>(26,108)</u>	<u>(71,269)</u>
Loss attributable to:					
Owners of the Company		(31,611,452)	(86,290,301)	(26,108)	(71,269)
Non-controlling interests		-	-	-	-
Other comprehensive income (loss) for the period		(214,441)	278,623,066	(177)	230,115
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(1,718)	(1,083)	(1.4)	(0.9)
Defined benefit plan re-measurements of joint ventures	9,23	(234)	(1,697)	(0.2)	(1.4)
Gains on asset revaluation	11,22	-	278,800,357	-	230,261
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	22	(212,489)	(174,511)	(175)	(144)
Total comprehensive income(loss) for the period		<u>₩ (31,825,893)</u>	<u>192,332,765</u>	<u>\$ (26,285)</u>	<u>158,846</u>
Total comprehensive loss attributable to:					
Owners of the Company		(31,825,893)	192,332,765	(26,285)	158,846
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share (in won and in rupee)	29	₩ (211)	(576)	\$ (0.17)	(0.48)

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 months ended March 31, 2022 and 2021

(In thousands of won)

		Other capital surplus				Other equity	Accumulated deficit	Non-controlling interests	Total
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2021	₩	749,200,010	3,169,615	74,061,697	931,508	826,888	(916,311,834)	-	(88,122,116)
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(86,290,301)	-	(86,290,301)
Defined benefit plan re-measurements		-	-	-	-	-	(1,083)	-	(1,083)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(1,697)	-	(1,697)
Debt equity swap		-	-	-	(931,508)	-	-	-	(931,508)
Gains on revaluation		-	-	-	-	278,800,357	-	-	278,800,357
Foreign currency translation difference for foreign operation		-	-	-	-	(174,511)	-	-	(174,511)
Balance at March 31, 2021	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>279,452,734</u>	<u>(1,002,604,915)</u>	<u>-</u>	<u>103,279,141</u>
Balance at January 1, 2022	₩	749,200,010	3,169,615	74,061,697	-	224,136,245	(1,131,164,224)	-	(80,596,657)
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(31,611,452)	-	(31,611,452)
Defined benefit plan re-measurements		-	-	-	-	-	(1,718)	-	(1,718)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(234)	-	(234)
Foreign currency translation difference for foreign operation		-	-	-	-	(212,489)	-	-	(212,489)
Balance at March 31, 2022	₩	<u>749,200,010</u>	<u>3,169,615</u>	<u>74,061,697</u>	<u>-</u>	<u>223,923,756</u>	<u>(1,162,777,628)</u>	<u>-</u>	<u>(112,422,550)</u>

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 months ended March 31, 2022 and 2021

(In thousands of US dollar)

	Capital stock	Other capital surplus			Other equity	Accumulated deficit	Non-controlling interests	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity				
Balance at January 1, 2021	\$ 618,764	2,618	61,168	769	683	(756,782)	-	355,645
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	(71,267)	-	(71,267)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(1)	-	(1)
Debt equity swap	-	-	-	(769)	-	-	-	(769)
Gains on revaluation	-	-	-	-	230,261	-	-	230,261
Foreign currency translation difference for foreign operation	-	-	-	-	(144)	-	-	(144)
Balance at March 31, 2021	<u>\$ 618,764</u>	<u>2,618</u>	<u>61,168</u>	<u>-</u>	<u>230,800</u>	<u>(828,052)</u>	<u>-</u>	<u>85,298</u>
Balance at January 1, 2022	\$ 618,764	2,618	61,168	-	185,114	(934,229)	-	(66,565)
Total comprehensive income(loss) for the period:								
Loss for the period	-	-	-	-	-	(26,108)	-	(26,108)
Defined benefit plan re-measurements	-	-	-	-	-	(1)	-	(1)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(0.2)	-	(0.2)
Foreign currency translation difference for foreign operation	-	-	-	-	(175)	-	-	(175.5)
Balance at March 31, 2022	<u>\$ 618,764</u>	<u>2,618</u>	<u>61,168</u>	<u>-</u>	<u>184,939</u>	<u>(960,338)</u>	<u>-</u>	<u>(92,850)</u>

See accompanying notes to the consolidated interim financial statements.

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

For the three months ended March 31, 2022 and 2021

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

	Korean won		US dollar	
	2022	2021	2022	2021
Cash flows from operating activities				
Loss for the period	₩ (31,611,452)	(86,290,301)	\$ (26,108)	(71,267)
Adjustment	69,235,764	70,717,051	57,182	58,405
Changes in assets and liabilities	(42,679,199)	(73,025,194)	(35,249)	(60,312)
Cash generated from operations (note 30)	(5,054,887)	(88,598,444)	(4,175)	(73,173)
Interest received	285,331	424,970	236	351
Interest paid	(106,404)	(367,908)	(88)	(304)
Dividends received	6,000	6,000	5	5
Net cash used in operating activities	(4,869,960)	(88,535,382)	(4,022)	(73,121)
Cash flows from investing activities				
Decrease of loans and others	596,899	4,446,066	493	3,672
Proceed from disposal of property, plant and equipment	946,988	431,389	782	356
Increase of loans and others	(15,028,086)	-	(12,412)	-
Gains on sale of investments in subsidiaries	(151)	(3,500,000)	(0.1)	(2,891)
Acquisition of property, plant and equipment	-	(106,813)	-	(88)
Acquisition of intangible assets	(17,669,938)	(6,381,640)	(14,594)	(5,271)
Increase of current financial instruments	(14,349,709)	(12,351,742)	(11,851)	(10,201)
Net cash used in investing activities	(45,503,997)	(17,462,740)	(37,582)	(14,422)
Cash flows from financing activities				
Proceeds from borrowings	30,000,000	-	24,777	-
Proceeds from deposit	15,512,588	-	12,812	-
Repayment of borrowings	-	(1,817)	-	(2)
Payment of lease liabilities	(1,930,227)	(2,353,065)	(1,594)	(1,943)
Net cash provided by (used in) financing activities (note 30)	43,582,361	(2,354,882)	35,995	(1,945)
Effect of exchange rate fluctuations on cash and cash equivalents				
	504,900	510,933	417	422
Net decrease in cash and cash equivalents	(6,286,696)	(107,842,071)	(5,192)	(89,067)
Cash and cash equivalents at January 1	54,668,032	185,963,321	45,150	153,587
Cash and cash equivalents at March 31	₩ 48,381,336	78,121,250	\$ 39,958	64,520

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 months ended March 31, 2022 and 2021

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, 2022, the Company’s shareholders are as follows:

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

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

2. Basis of Preparation and Accounting Policies

The consolidated interim financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩ 1,210.80 to \$1 on March 31, 2022, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into US dollars at this or any other rate.

(1) Basis of Preparation and Accounting Policies

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

(2) Use of estimates and judgments

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

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

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

For the three months ended March 31, 2022 and 2021

3. Significant accounting policies

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

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

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

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

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

- K-IFRS No. 1016 'Property, Plant and Equipment' – Proceeds from selling produced before operating in the manner intended by management and related the cost (Amendment)

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

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

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

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

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

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3. Significant accounting policies, continued

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

- Annual Improvements to K-IFRS Standards 2018–2020

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

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

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

② K-IFRS 1109 Financial Instruments (Amendment)

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

③ K-IFRS 1116 Leases (Amendment)

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

④ K-IFRS 1041 Agriculture (Amendment)

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

(2) New or amended standards not yet adopted

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

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3. Significant accounting policies, continued

- K-IFRS 1117 Insurance Contracts

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

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

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

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

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

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

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

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

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

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.'

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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3. Significant accounting policies, continued

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

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

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

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

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

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

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

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

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

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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, 2022 and December 31, 2021 are as follows:

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

	Financial institution	Korean won		US dollar		Description
		2022	2021	2022	2021	
Cash and cash equivalents	Shinhan Bank	₩ -	171,226	\$ -	141	Government grants
	Woori Bank and others	15,036,984	10,303	12,419	9	Pledged as collateral, etc.
Current financial instruments	Woori Bank and others	21,275,651	21,275,651	17,572	17,572	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	4,000	4,000	3	3	Bank account deposit
		₩ <u>36,316,635</u>	<u>21,461,180</u>	\$ <u>29,994</u>	<u>17,725</u>	

6. Non-current Financial Assets

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

(In thousands of won)

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

(In thousands of US dollar)

	Ownership (%)		2022		2021	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	\$	413	622	413	413
Korea Management Consultants Association (*)	1.50		50	858	50	50
		\$	<u>463</u>	<u>1,480</u>	<u>463</u>	<u>463</u>

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

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7. Trade and Other Receivables

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

(In thousands of won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 125,437,399	-	108,910,624	-
Less: Allowance for doubtful accounts	(817,453)	-	(435,717)	-
Other receivables	10,614,379	48,351	8,618,869	45,685
Less: Allowance for doubtful accounts	(4,758,465)	-	(4,526,416)	-
Loans and others (*)	22,845,774	27,934,273	23,975,290	28,999,826
Less: Allowance for doubtful accounts	-	(356)	-	(356)
	₩ 153,321,634	27,982,268	136,542,650	29,045,155

(*) The Loans and others listed above include ₩5,543 million and ₩6,645 million for sub lease receivables as of March 31, 2022 and December 31, 2021, respectively. The interest revenue received by the sub lease contract are ₩149 million and ₩149 million for the three months ended March 31, 2022 and 2021, respectively.

(In thousands of US dollar)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 103,599	-	89,949	-
Less: Allowance for doubtful accounts	(675)	-	(360)	-
Other receivables	8,766	40	7,118	38
Less: Allowance for doubtful accounts	(3,930)	-	(3,738)	-
Loans and others (*)	18,868	23,071	19,801	23,951
Less: Allowance for doubtful accounts	-	(0.3)	-	(0.3)
	\$ 126,628	23,111	112,771	23,988

(*) The Loans and others listed above include \$4.6 million and \$5.5 thousand for sub lease receivables as of March 31, 2022 and December 31, 2021, respectively. The interest revenue received by the sub lease contract are \$0.1 million and \$0.1 million for the three months ended March 31, 2022 and 2021, respectively.

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

(In thousands of won)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	₩ 121,599,727	54,360,243	104,998,715	55,541,258
Less than 180 days	2,375	1,175,100	68,864	596,568
Less than 270 days	5,503	318,720	30,744	481,100
Less than 365 days	108,305	523,676	1,440,456	219,969
More than 366 days	3,721,489	5,065,038	2,371,845	4,800,775
Total	₩ 125,437,399	61,442,777	108,910,624	61,639,670
Impaired receivables	817,453	4,758,821	435,717	4,526,772

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

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7. Trade and Other Receivables, Continued

(In thousands of US dollar)

	2022		2021	
	Trade receivables	Others (*)	Trade receivables	Others (*)
Less than 90 days	\$ 100,429	44,896	86,718	45,872
Less than 180 days	2	971	57	493
Less than 270 days	5	263	25	397
Less than 365 days	89	433	1,190	182
More than 366 days	3,074	4,183	1,959	3,965
Total	\$ 103,599	50,746	89,949	50,908
Impaired receivables	675	3,930	360	3,739

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

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

(In thousands of won)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 435,717	4,604,933	92,268	3,756,815
Bad debt expense	381,736	153,888	44,397	165,620
Reversal of allowance for bad debts	-	-	-	(44,250)
Ending balance	₩ 817,453	4,758,821	136,665	3,878,185

(In thousands of US dollar)

	2022		2021	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 360	3,803	76	3,103
Bad debt expense	315	127	37	137
Reversal of allowance for bad debts	-	-	-	(37)
Ending balance	\$ 675	3,930	113	3,203

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8. Inventories

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Merchandises	₩ 42,275,212	40,739,820	\$ 34,915	33,647
Finished goods	31,084,352	30,820,366	25,673	25,455
Work-in-process	28,096,712	22,449,034	23,205	18,541
Raw materials	35,405,975	37,651,217	29,242	31,096
Sub-materials	436,236	512,165	360	423
Supplies	3,361,662	3,363,625	2,776	2,778
Goods in transit	14,678,615	20,200,127	12,123	16,683
	₩ <u>155,338,764</u>	<u>155,736,354</u>	\$ <u>128,294</u>	<u>128,623</u>

The Group has measured inventories at the lower of cost or net realizable value. The loss on valuation of inventories amounted to ₩1,013,948 thousand (\$837 thousand) for the three months ended March 31, 2022 and the loss on valuation of inventories amounted to ₩588,579 thousand (\$486 thousand) for the three months ended March 31, 2021.

9. Investments in Subsidiaries and a Joint venture

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

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

(*) SY Auto Capital Co., Ltd. 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 separated.

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9. Investments in Subsidiaries and a Joint venture, Continued

(2) Changes in the carrying amounts of investments in a joint venture for the three months ended March 31, 2022 and 2021 is as follows:

(In thousands of won)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	22,039,325	(116,520)	(235)	21,922,570

(In thousands of won)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	₩	21,055,695	(433,030)	(1,696)	20,620,969

(In thousands of US dollar)

		2022			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	18,202	(96)	(0.2)	18,106

(In thousands of US dollar)

		2021			
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ending balance
SY Auto Capital Co., Ltd.	\$	17,390	(368)	(1.4)	17,031

(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 periods ended March 31, 2022 and December 31, 2021 are as follows:

(In thousands of won)

		2022				
		Assets	Liabilities	Equity	Sales	Net income
Ssangyong European Parts Center B.V.	₩	16,788,018	19,621,175	(2,833,157)	5,336,899	110,092
Ssangyong Australia Pty Ltd.		26,538,465	30,094,559	(3,556,094)	24,655,759	1,524,252
SY Auto Capital Co., Ltd. (*)		87,393,842	46,739,642	40,654,200	2,637,186	175,560

(In thousands of US dollar)

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

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9. Investments in Subsidiaries and a Joint venture, Continued

(In thousands of US dollar)

	2022				
	Assets	Liabilities	Equity	Sales	Net income
Ssangyong European Parts Center B.V.	\$ 13,865	16,205	(2,340)	4,408	91
Ssangyong Australia Pty Ltd.	21,918	24,855	(2,937)	20,363	1,259
SY Auto Capital Co., Ltd. (*)	72,179	38,602	33,576	2,178	145

(In thousands of US dollar)

	2021				
	Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	\$ 281	49	233	110	35
Ssangyong European Parts Center B.V.	13,269	15,684	(2,415)	16,291	142
Ssangyong Australia Pty Ltd.	23,146	27,159	(4,013)	71,362	1,762
SY Auto Capital Co., Ltd. (*)	72,798	39,366	33,432	10,843	1,811

(*) Additional financial information for the joint venture for the periods ended March 31, 2022 and December 31, 2021 are as follows:

(In thousands of won)

	2022					
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩ 17,407,664	45,604,559	201,591	636,042	262,241	78,340

(In thousands of won)

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

(In thousands of US dollar)

	2022					
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$ 14,377	37,665	166	525	217	65

(In thousands of US dollar)

	2021					
	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	\$ 4,389	38,427	718	2,044	924	572

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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, 2022 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩	40,654,200	51%	20,733,642	1,188,928	21,922,570

(In thousands of US dollar)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	\$	33,576	51%	17,124	982	18,106

10. Other Assets

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

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

		Korean won		US dollar	
		2022	2021	2022	2021
Other current assets					
Advance payments	₩	69,334,757	61,810,782	\$ 57,264	51,050
Prepaid expenses		22,966,728	9,291,879	18,968	7,674
Current tax assets		55,520	43,601	46	36
	₩	92,357,005	71,146,262	\$ 76,278	58,760
Other non-current assets					
Other non-current assets	₩	275,957	275,957	\$ 228	228

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11. Property, Plant and Equipment

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

(In thousands of won)

		2022				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	706,986,325	(7,354)	-	-	706,978,971
Buildings		536,853,733	(3,459,912)	(246,923,532)	(156,914,544)	129,555,745
Structures		112,197,539	(42,350)	(69,831,343)	(31,186,163)	11,137,683
Machinery		1,309,311,592	(127,478)	(1,106,790,986)	(112,369,490)	90,023,638
Vehicles		7,979,828	(894)	(5,286,442)	(339,514)	2,352,978
Tools and molds		1,432,905,723	(49,801)	(1,067,030,018)	(191,508,731)	174,317,173
Equipment		66,047,695	(60,990)	(57,676,998)	(3,623,785)	4,685,922
Construction in progress		58,866,207	-	-	(1,269,999)	57,596,208
	₩	<u>4,231,148,642</u>	<u>(3,748,779)</u>	<u>(2,553,539,319)</u>	<u>(497,212,226)</u>	<u>1,176,648,318</u>

(In thousands of won)

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

(*) The amount was increased by revaluation on land for the three months ended March 31, 2021 and was revalued from an independent appraisal, Dae-il Appraisal Board, as of March 31, 2021.

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11. Property, Plant and Equipment, Continued

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

(In thousands of US dollar)

	2022				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 583,900	(6)	-	-	583,894
Buildings	443,388	(2,858)	(203,934)	(129,596)	107,000
Structures	92,664	(35)	(57,674)	(25,757)	9,199
Machinery	1,081,361	(105)	(914,099)	(92,806)	74,351
Vehicles	6,591	(1)	(4,366)	(280)	1,943
Tools and molds	1,183,437	(41)	(881,260)	(158,167)	143,969
Equipment	54,549	(50)	(47,635)	(2,993)	3,870
Construction in progress	48,618	-	-	(1,049)	47,569
	<u>\$ 3,494,507</u>	<u>(3,096)</u>	<u>(2,108,969)</u>	<u>(410,648)</u>	<u>971,794</u>

(In thousands of US dollar)

	2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 353,639	230,261	(6)	-	-	583,894
Buildings	442,755	-	(2,877)	(202,470)	(129,596)	107,812
Structures	92,690	-	(36)	(57,441)	(25,763)	9,451
Machinery	1,083,432	-	(111)	(911,069)	(93,142)	79,110
Vehicles	6,667	-	(1)	(4,309)	(282)	2,075
Tools and molds	1,200,224	-	(45)	(878,173)	(160,936)	161,071
Equipment	54,568	-	(56)	(47,217)	(2,994)	4,301
Construction in progress	37,063	-	-	-	(1,049)	36,014
Machinery in transit	406	-	-	-	-	406
	<u>\$ 3,271,444</u>	<u>230,261</u>	<u>(3,131)</u>	<u>(2,100,679)</u>	<u>(413,761)</u>	<u>984,134</u>

(*) The amount was increased by revaluation on land for the three months ended March 31, 2021 and was revalued from an independent appraisal, Dae-il Appraisal Board, as of March 31, 2021.

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11. Property, Plant and Equipment, Continued

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

(In thousands of won)

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

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

(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 was increased as a result of a revaluation on lands and recognized as revaluation surplus (elements of other equity) for the three months 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 months ended March 31, 2021.

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11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the three months ended March 31, 2022 and 2021 are as follows, continued:

(In thousands of US dollar)

		2022				
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*)	Ending balance
Land	\$ 583,894	-	-	-	-	583,894
Buildings	107,812	14	-	(1,445)	619	107,000
Structures	9,451	-	(1)	(251)	-	9,199
Machinery	79,110	-	(19)	(5,323)	582	74,351
Vehicles	2,075	-	(20)	(108)	(3)	1,943
Tools and molds	161,071	121	(884)	(17,928)	1,589	143,969
Equipment	4,301	23	(1)	(467)	15	3,870
Construction in progress	36,014	13,600	-	-	(2,045)	47,569
Machinery in transit	406	36	-	-	(443)	-
	<u>\$ 984,134</u>	<u>13,794</u>	<u>(925)</u>	<u>(25,523)</u>	<u>314</u>	<u>971,794</u>

(*) Others were the amounts of \$301 thousand from capitalized borrowing costs and replaced from construction in progress for the three months ended March 31, 2022.

(In thousands of US dollar)

		2021				
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1, 2)	Ending balance
Land	\$ 332,485	-	-	-	230,261	562,746
Buildings	113,541	5	-	(1,534)	275	112,288
Structures	10,327	-	-	(264)	-	10,063
Machinery	93,104	-	(0)	(5,394)	95	87,805
Vehicles	1,348	248	(355)	(94)	304	1,453
Tools and molds	189,392	-	(30)	(16,728)	281	172,915
Equipment	6,250	131	(17)	(604)	5	5,764
Construction in progress	28,889	4,829	-	-	(491)	33,227
Machinery in transit	264	-	-	-	-	264
	<u>\$ 775,600</u>	<u>5,214</u>	<u>(402)</u>	<u>(24,618)</u>	<u>230,731</u>	<u>986,525</u>

(*1) The amounts of \$230 million was increased as a result of a revaluation on lands and recognized as revaluation surplus (elements of other equity) for the three months ended March 31, 2021.

(*2) Others were the amounts of \$159 thousand from capitalized borrowing costs and replaced from construction in progress for the three months ended March 31, 2021.

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11. Property, Plant and Equipment, Continued

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

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

	Korean won		US dollar	
	Book value	Collateralized amount (*)	Book value	Collateralized amount
Land	₩ 654,009,321		\$ 540,146	
Buildings and structures	103,849,912	516,890,112	85,770	426,900
Machinery and others	7,076		6	
	₩ 757,866,309	516,890,112	\$ 625,922	426,900

(*) The amount includes ₩135,890 million (\$112 million) due to the provision of tax collateral in relation to the extension of VAT and individual consumption tax payment for the three months ended March 31, 2020.

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Capitalized interest expenses (*)	₩ 666,609	615,615	\$ 551	508
Capitalization interest rate	3.06%	2.50%	3.06%	2.50%

(*) Capitalized borrowing costs for intangible assets are ₩301,844 thousand (\$249 thousand) and ₩422,497 thousand (\$349 thousand) for the three months ended March 31, 2022 and 2021, respectively.

(5) Revaluation of Lands

The Group 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 three months ended March 31, 2021. The land was revalued by using the result of the appraisal conducted by a qualified and independent 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 ₩223,495 million (\$185 million) was recognized as other comprehensive income as a result of a revaluation on lands for the three months ended March 31, 2021.

Details of book amounts of lands measured based both on the revaluation model and the cost model as of March 31, 2022 are as follows:

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 706,978,971	428,178,614	\$ 583,894	353,633

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12. Intangible Assets

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

(In thousands of won)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 582,795,578	-	(429,017,126)	(38,947,234)	114,831,218
Patents	5,498,407	(4,913)	(4,495,238)	(229,857)	768,399
Other intangible assets	161,329,504	(37,779)	(39,565,827)	(66,685,326)	55,040,572
	<u>₩ 749,623,489</u>	<u>(42,692)</u>	<u>(473,078,191)</u>	<u>(105,862,417)</u>	<u>170,640,189</u>

(In thousands of won)

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

(In thousands of US dollar)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 481,331	-	(354,325)	(32,167)	94,839
Patents	4,541	(4)	(3,713)	(190)	635
Other intangible assets	133,242	(31)	(32,677)	(55,075)	45,458
	<u>\$ 619,114</u>	<u>(35)</u>	<u>(390,715)</u>	<u>(87,432)</u>	<u>140,932</u>

(In thousands of US dollar)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 481,331	-	(338,546)	(32,167)	110,619
Patents	4,404	(4)	(3,636)	(186)	578
Other intangible assets	121,255	(31)	(32,214)	(55,075)	33,934
	<u>\$ 606,989</u>	<u>(35)</u>	<u>(374,396)</u>	<u>(87,428)</u>	<u>145,130</u>

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three months ended March 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022					
		Beginning balance	Acquisition	Amortization	Impairment	Others (*)	Ending balance
Internally created intangible assets:							
Development cost	₩	133,937,149	-	(19,105,931)	-	-	114,831,218
Other intangible assets		37,002,253	14,026,329	-	-	301,844	51,330,426
		<u>170,939,402</u>	<u>14,026,329</u>	<u>(19,105,931)</u>	<u>-</u>	<u>301,844</u>	<u>166,161,644</u>
Individually acquired intangible assets:							
Patents		699,484	166,214	(92,481)	(4,818)	-	768,399
Other intangible assets		4,084,795	157,167	(539,628)	-	7,812	3,710,146
		<u>4,784,279</u>	<u>323,381</u>	<u>(632,109)</u>	<u>(4,818)</u>	<u>7,812</u>	<u>4,478,545</u>
	₩	<u>175,723,681</u>	<u>14,349,710</u>	<u>(19,738,040)</u>	<u>(4,818)</u>	<u>309,656</u>	<u>170,640,189</u>

(*) Capitalized borrowing costs in respect of other intangible assets was ₩301,844 thousand for the three months ended March 31, 2022, including the effects of changes in foreign exchange rates.

(In thousands of won)

		2021					
		Beginning balance	Acquisition	Amortization	Others (*)	Ending balance	
Internally created intangible assets:							
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>-</u>	<u>201,568,665</u>
Individually acquired intangible assets:							
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>-</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>-</u>	<u>206,954,917</u>

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

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the three months ended March 31, 2022 and 2021 are as follows, continued:

(In thousands of US dollar)

		2022					
		Beginning balance	Acquisition	Amortization	Impairment	Others (*)	Ending balance
Internally created intangible assets:							
Development cost	\$	110,619	-	(15,780)	-	-	94,839
Other intangible assets		30,560	11,584	-	-	249	42,394
		141,179	11,584	(15,780)	-	249	137,233
Individually acquired intangible assets:							
Patents		578	137	(76)	(4)	-	635
Other intangible assets		3,374	130	(446)	-	6	3,064
		3,951	267	(522)	(4)	6	3,699
	\$	145,130	11,851	(16,302)	(4)	256	140,932

(*) Capitalized borrowing costs in respect of other intangible assets was \$249 thousand for the three months ended March 31, 2022, including the effects of changes in foreign exchange rates.

(In thousands of US dollar)

		2021					
		Beginning balance	Acquisition	Amortization	Others (*)	Ending balance	
Internally created intangible assets:							
Development cost	\$	113,027	-	(12,485)	-	-	100,542
Other intangible assets		55,673	9,911	-	349	-	65,934
		168,700	9,911	(12,485)	349	-	166,476
Individually acquired intangible assets:							
Patents		689	28	(85)	-	-	633
Other intangible assets		3,993	262	(444)	4	-	3,816
		4,682	290	(528)	4	-	4,449
	\$	173,382	10,201	(13,013)	353	-	170,924

(*) Capitalized borrowing costs in respect of other intangible assets was \$349 thousand for the three months ended March 31, 2021.

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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)

	Project name		Korean won	US dollar	Remaining amortization period (*1)
Development costs	RV (*2)	₩	105,507,568	\$ 87,139	1~4 years
	Power train and others		9,323,650	7,700	1~4 years
Other intangible assets	RV (*3)		51,330,427	42,394	-
		₩	166,161,645	\$ 137,233	

(*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, 2022.

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

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

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

		Korean won		US dollar	
		2022	2021	2022	2021
Capitalization of intangible assets	₩	14,328,172	12,423,117	\$ 11,834	10,260
Manufacturing costs		14,514,313	13,729,753	11,987	11,339
Selling and administrative expenses		2,709,502	2,383,305	2,238	1,968
	₩	31,551,987	28,536,175	\$ 26,059	23,568

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13. Lease

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

(In thousands of won)

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

(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
	₩ 9,493,636	2,378,882	(2,008,521)	(64,864)	(2,268)	9,796,865

(In thousands of US dollar)

	2022				
	Beginning balance	Increase	Depreciation	Exchange rate effect	Ending balance
Land and building	\$ 3,236	-	(897)	6	2,345
Vehicle	137	4,063	(369)	0	3,831
Equipment	231	-	(83)	-	148
	\$ 3,604	4,063	(1,349)	6	6,324

(In thousands of US dollar)

	2021					
	Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$ 5,340	1,882	(1,103)	-	(1)	6,117
Vehicle	1,663	83	(397)	(54)	(1)	1,294
Equipment	838	-	(158)	-	-	680
	\$ 7,841	1,965	(1,659)	(54)	(2)	8,091

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13. Lease, Continued

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

		2022		2021	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	₩	6,098,365	6,252,629	5,135,068	4,106,688

		2022		2021	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	\$	5,037	5,164	4,241	3,392

(*) The total amount of lease liabilities paid is ₩1,930 million (\$1.6 million) and ₩2,353 million (\$1.9 million) and interest expenses is ₩102 million (\$0.1 million) and ₩91 million (\$0.1 million) during the three months ended March 31, 2022 and 2021, respectively.

(3) Expenses from lease contracts with low cost and short-term contracts for the three months ended March 31, 2022 and 2021 are as the following:

	Exemption of lease recognition		2022		2021	
Office equipment	Low cost	₩	152,520		122,062	
Building	Short term		-		7,500	

	Exemption of lease recognition		2022		2021	
Office equipment	Low cost	\$	126		101	
Building	Short term		-		6	

(4) The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under K-IFRS No 1017, the Group did not have any finance leases as a lessor.

		2022		2021	
Sub lease					
Less than 1 year	₩	3,713,659	₩	3,314,852	
1 year to 5 years		1,994,960		2,480,634	
Lease to be received		5,708,619		5,795,486	
Unrealized interests		(165,183)		(173,003)	
Net investment in the lease		5,543,436		5,622,483	
Interests from sublease for this period		45,315		44,141	

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13. Lease, Continued

<i>(In thousands of US dollar)</i>	2022	2021
Sub lease		
Less than 1 year	\$ 3,067	\$ 2,738
1 year to 2 years	1,648	2,049
Lease to be received	4,715	4,786
Unrealized interests	(136)	(143)
Net investment in the lease	4,578	4,644
Interests from sublease for this period	37	36

(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:

	Main terms
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	₩180 Billion (\$0.15 Billion)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years (2020.07 ~ 2022.06)
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

(*) The Group has opted to exercise the extension option to extend the lease period by one year for the three months ended March 31, 2022.

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

- Right-of-use asset: ₩7,300 million (\$6 million) increased.
- Property, plant and equipment: ₩60,834 million (\$50 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$87 million) increased.
- Lease deposit: ₩10,800 million (\$9 million) increased.

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14. Borrowings

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

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

Creditor	Type	Interest rate (%) (*6)	Korean won		US dollar	
			2022	2021	2022	2021
KDB Bank	Operating fund (*1)	CD+5.10	₩ 20,000,000	20,000,000	\$ 16,518	16,518
	Facility fund (*1)	CD+4.57	70,000,000	70,000,000	57,813	57,813
	Facility fund (*2)	CD+4.60	100,000,000	100,000,000	82,590	82,590
Woori Bank	Loans (*2)	CD+5.00	24,998,183	24,998,183	20,646	20,646
	Facility fund	2.66	40,000,000	40,000,000	33,036	33,036
Mahindra & Mahindra Ltd. (*3, 4,5)	Overdraft	CD+2.00	19,999,969	19,999,969	16,518	16,518
	Overdraft	CD+2.00	29,999,869	29,999,869	24,777	24,777
	Overdraft	CD+4.00	10,000,000	-	8,259	-
BNP PARIBAS (*5)	-	-	-	10,000,000	-	8,259
			₩ 314,998,021	314,998,021	\$ 260,157	260,157

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

(*2) During the previous year, due to the application for the commencement of court receivership, the Group cannot claim the benefit of time and it's reclassified as short-term borrowings.

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

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

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

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

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14. Borrowings, Continued

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

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

Creditor	Type	Interest rate (%) (*3)	Korean won		US dollar	
			2022	2021	2022	2021
KDB Bank	Facility fund	CD+4.57	₩ 70,000,000	70,000,000	\$ 57,813	57,813
	Facility fund	CD+4.60	100,000,000	100,000,000	82,590	82,590
Mahindra & Mahindra Ltd (*1, 2)	Facility fund	2.66	40,000,000	40,000,000	33,036	33,036
	Loans	3.00	40,000,000	40,000,000	33,036	33,036
Woori Bank	Loans	CD+5.00	24,998,183	24,998,183	20,646	20,646
Edison Motors (*4)	Loans	8.00	15,000,000	-	12,389	-
Edison EV (*4)	Loans	8.00	15,000,000	-	12,389	-
Less : Current portion			(234,998,183)	(234,998,183)	(194,085)	(194,085)
			₩ 70,000,000	40,000,000	\$ 57,813	33,036

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

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

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

(*4) On April 26, 2022, the Group received a transfer notice of collateral security and related borrowings to a 3rd party (Note 37)

(3) Details of pledged assets as collateral for borrowings as of March 31, 2022 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
Edison Motors & Edison EV	Land and buildings	30,000,000	33,000,000
		₩ 244,998,183	381,000,000

(In thousands of US dollar)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	\$ 156,921	247,770
Woori Bank	Land and buildings	20,646	39,643
Edison Motors & Edison EV	Land and buildings	24,777	27,255
		\$ 202,344	314,668

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15. Other Financial Liabilities

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

	Korean won		US dollar	
	2022	2021	2022	2021
Accrued expenses	₩ 108,342,881	101,191,970	\$ 89,480	83,574

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 months ended March 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 104,576,650	119,315,790	\$ 86,370	98,543
Increase	2,856,231	2,018,673	2,359	1,667
Decrease	(8,256,149)	(9,352,416)	(6,819)	(7,724)
Ending balance	₩ 99,176,732	111,982,047	\$ 81,910	92,486
Current	₩ 43,179,658	47,235,585	\$ 35,662	39,012
Non-current	55,997,074	64,747,462	46,248	53,475

17. Other Liabilities

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

	2022		2021	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 8,875,213	-	9,888,538	-
Deposits received (*1)	30,904,472	-	15,916,385	-
Withholdings	9,370,033	-	10,780,078	-
Unearned revenue	7,138,377	17,253,866	5,277,341	17,651,651
Refund liability (*2)	1,122,217	-	1,475,042	-
	₩ 57,410,312	17,253,866	43,337,384	17,651,651

	2022		2021	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 7,330	-	8,167	-
Deposits received (*1)	25,524	-	13,145	-
Withholdings	7,739	-	8,903	-
Unearned revenue	5,896	14,250	4,359	14,579
Refund liability (*2)	927	-	1,218	-
	\$ 47,415	14,250	35,792	14,579

(*1) The amounts include the performance deposits amounting to ₩30,486 million (\$25 million) provided by “Edison Motors Consortium” as a preferred bidder.

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

18. Employee Benefits

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Present value of defined benefit obligations	₩ 361,939,515	363,990,154	\$ 298,926	300,620
Fair value of plan assets	(788,021)	(839,832)	(651)	(694)
	₩ 361,151,494	363,150,322	\$ 298,275	299,926

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

(In thousands of won)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 363,990,154	(839,832)	363,150,322
Current service cost	8,366,621	-	8,366,621
Interest expense (income)	2,492,468	(5,743)	2,486,725
Sub-total	374,849,243	(845,575)	374,003,668
Re-measurement factors:			
Re-measurements of plan assets	-	1,718	1,718
Sub-total	-	1,718	1,718
Benefit paid by plan	(55,836)	55,836	-
Benefit paid directly	(12,853,892)	-	(12,853,892)
Ending balance	₩ 361,939,515	(788,021)	361,151,494

(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

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the three months ended March 31, 2022 and 2021 are as follows, continued:

(In thousands of US dollar)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 300,620	(694)	299,926
Current service cost	6,910	-	6,910
Interest expense (income)	2,059	(5)	2,054
Sub-total	309,588	(698)	308,890
Re-measurement factors:			
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(46)	46	-
Benefit paid directly	(10,616)	-	(10,616)
Ending balance	\$ 298,926	(651)	298,275

(In thousands of US dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 316,578	(771)	315,807
Current service cost	8,010	-	8,010
Interest expense (income)	1,869	(5)	1,864
Sub-total	326,456	(775)	325,681
Re-measurement factors:			
Re-measurements of plan assets	-	1	1
Sub-total	-	1	1
Benefit paid by plan	(39)	39	-
Benefit paid directly	(9,175)	-	(9,175)
Ending balance	\$ 317,242	(735)	316,507

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18. Employee Benefits, Continued

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Insurance contracts	₩ 788,021	839,832	\$ 651	694

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

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

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, 2022 are as follows:

- The Group carries product liability insurance for all products that it sells.
- As of March 31, 2022, the loan agreement with Korea Development Bank and others has been terminated due to the application for the commencement of court receivership, and the borrowing amounts were ₩384,998 million (\$318 million).
- As of March 31, 2022, 4 claims as a plaintiff were filled with the claim amount of ₩3,417 million (\$3 million) and 12 claims as a defendant were filled with the claims of ₩32,137 million (\$274 million). The provision amounting to ₩7,888 million (\$7 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and the management expects that it is probable that the Group will be required to incur an outflow.
- Details of other payable recognized as provisions as of March 31, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 79,694,475	124,578,526	\$ 65,820	102,889
Increase	11,412,085	10,557,352	9,425	8,719
Decrease	(14,192,552)	(14,249,885)	(11,722)	(11,769)
Ending balance	₩ 76,914,008	120,885,993	\$ 63,523	99,840

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19. Commitments and Contingencies, continued

(*) 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 emissions in excess of free allocated emission right comparing standard fuel efficiency. As of March 31, 2022, the emission liability of ₩44,935,442 thousand (\$37,112 thousand) was recognized after recognition of additional expenses of ₩789,466 thousand (\$652 thousand) for the three months ended March 31, 2022. And the Group recognized expected costs as a provision with regard to foregoing lawsuits and sales incentive, etc.

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

(6) Details of payment guarantee provided by others as of March 31, 2022 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	2022	
		Korean Won	US Dollar
Seoul guarantee insurance company	Performance guarantee payment	3,048,923	2,518
	Deposits	1,127,500	931
		<u>4,176,423</u>	<u>3,449</u>

20. Capital Stock

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Number of shares authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	149,840,002	149,840,002	149,840,002	149,840,002
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 4.1	4.1
Capital stock	₩ 749,200,010	749,200,010	\$ 618,764	618,764

21. Other Capital Surplus and Retained Earnings

Details of other capital surplus and retained earnings as of March 31, 2022 and December 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,618	2,618
Gain on capital reduction	74,061,697	74,061,697	61,168	61,168
	<u>₩ 77,231,312</u>	<u>77,231,312</u>	<u>\$ 63,785</u>	<u>63,785</u>

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22. Other Equity

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Gains on valuation of derivatives	₩ 223,495,126	223,495,126	\$ 184,585	184,585
Accumulated foreign currency translation difference for foreign operations	428,629	641,119	354	530
	₩ <u>223,923,755</u>	<u>224,136,245</u>	\$ <u>184,939</u>	<u>185,114</u>

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ 641,119	826,888	\$ 530	683
Foreign currency translation difference for foreign operation	(212,490)	(174,511)	(175)	(144)
Ending balance	₩ <u>428,629</u>	<u>652,377</u>	\$ <u>354</u>	<u>539</u>

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23. Deficit

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Deficit	₩ (1,162,777,627)	(1,131,164,224)	\$ (960,338)	(934,229)

(2) Changes in deficit for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Beginning balance	₩ (1,131,164,224)	(916,311,834)	\$ (934,229)	(756,782)
Loss for the year	(31,611,452)	(86,290,301)	(26,108)	(71,267)
Defined benefit plan re-measurement	(1,718)	(1,083)	(1)	(1)
Defined benefit plan re-measurement from joint venture	(233)	(1,697)	(0)	(1)
Ending balance	₩ <u>(1,162,777,627)</u>	<u>(1,002,604,915)</u>	\$ <u>(960,338)</u>	<u>(828,052)</u>

24. Income Tax Expense

Details of income tax expenses for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Parent Company	₩ -	-	\$ -	-
Subsidiaries	-	(2,428)	-	(2)
	₩ <u>-</u>	<u>(2,428)</u>	\$ <u>-</u>	<u>(2)</u>

(*) The tax effect from deficit carried forward and others are not recognized as of March 31, 2022 due to lack of probability of future taxable income.

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25. Nature of Expenses

Details of nature of expenses for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Changes in inventories	₩ (7,447,056)	35,142,568	\$ (6,151)	29,024
Raw materials consumed and purchase of merchandise	548,897,710	381,705,241	453,335	315,250
Employee benefits	88,001,660	120,786,905	72,681	99,758
Depreciation	30,902,998	29,806,902	25,523	24,618
Amortization	19,738,040	15,755,988	16,302	13,013
Others	64,797,414	37,369,095	53,516	30,863
	₩ <u>744,890,766</u>	<u>620,566,699</u>	\$ <u>615,205</u>	<u>512,526</u>

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

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Warranty expenses	₩ 5,420,705	6,066,036	\$ 4,477	5,010
Commissions	34,283,896	28,200,281	28,315	23,291
Advertising	2,422,119	1,018,345	2,000	841
Export expenses	3,002,122	1,951,594	2,479	1,612
Sales promotion expenses	2,142,102	7,145,525	1,769	5,901
Others	2,932,733	2,722,695	2,422	2,249
	₩ <u>50,203,677</u>	<u>47,104,476</u>	\$ <u>41,463</u>	<u>38,904</u>

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26. Selling, General and Administrative Expenses, Continued

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Salaries	₩ 8,987,787	12,496,115	\$ 7,423	10,321
Retirement benefit costs	1,190,271	1,499,981	983	1,239
Employee welfare	1,679,149	2,093,569	1,387	1,729
Rent expense	2,274,782	2,583,107	1,879	2,133
Service fees	5,621,493	3,496,994	4,643	2,888
Depreciation	2,867,445	3,778,939	2,368	3,121
R&D expenses	2,709,502	2,383,305	2,238	1,968
Amortization	632,110	639,333	522	528
Bad debt expense	381,736	44,398	315	37
Others	8,253,479	9,527,593	6,817	7,869
	₩ <u>34,597,754</u>	<u>38,543,334</u>	\$ <u>28,574</u>	<u>31,833</u>

27. Other Income and Expenses

(1) Details of other income for the three months ended March 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
Foreign exchange transaction gain	₩ 2,012,908	846,504	\$ 1,662	699
Foreign exchange translation gain	1,228,556	1,286,776	1,015	1,063
Gain on disposal of PP&E	819,723	185,397	677	153
Others	1,226,441	3,280,637	1,013	2,709
	₩ <u>5,287,628</u>	<u>5,599,314</u>	\$ <u>4,367</u>	<u>4,624</u>

(2) Details of other expenses for the three months ended March 31, 2022 and 2021 are as follows:

	Korean won		US dollar	
	2022	2021	2022	2021
Foreign exchange transaction loss	₩ 673,653	1,982,824	\$ 556	1,638
Foreign exchange translation loss	367,351	598,733	303	494
Loss on disposal of property, plant and equipment	993,095	231,173	820	191
Loss on disposal of trade receivables	8,399	5,836	7	5
Impairment loss on Intangible	4,818	-	4	-
Losses on sale of investments in subsidiaries	-	232,536	-	192
Other bad-debt expenses	153,888	-	127	-
Others	463,291	231,084	383	191
	₩ <u>2,664,495</u>	<u>3,282,186</u>	\$ <u>2,201</u>	<u>2,711</u>

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28. Finance Income and Costs

(1) Details of finance income for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Interest income	₩ 284,709	377,846	\$ 235	312
Dividend income	6,000	6,000	5	5
Foreign exchange transaction gain	990,767	1,363,823	818	1,126
Gain on exemption of debts	9,350	-	8	-
	₩ <u>1,290,826</u>	<u>1,747,669</u>	\$ <u>1,066</u>	<u>1,443</u>

(2) Details of finance costs for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Interest expense	₩ 3,661,903	4,615,605	\$ 3,024	3,812
Foreign exchange transaction loss	883,241	575,219	729	475
	₩ <u>4,545,144</u>	<u>5,190,824</u>	\$ <u>3,754</u>	<u>4,287</u>

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Financial assets/ liabilities at amortized cost	₩ (3,269,668)	(3,449,155)	\$ (2,700)	(2,849)
Financial assets at FVTPL	6,000	6,000	5	5
	₩ <u>(3,263,668)</u>	<u>(3,443,155)</u>	\$ <u>(2,695)</u>	<u>(2,844)</u>

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29. Losses per Share

(1) Basic losses per share for the three months ended March 31, 2022 and 2021 are calculated as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Loss for the periods	₩ (31,611,452)	(86,290,301)	\$ (26,108)	(71,267)
Loss contributed to common stocks	(31,611,452)	(86,290,301)	(26,108)	(71,267)
Weighted average number of common shares (in shares)	149,840,002	149,840,002	123,753	123,753
Basic losses per share (*) (in won and in dollar)	₩ (211)	(576)	\$ (0.17)	(0.48)

(*) Diluted losses per share are not calculated for the three months ended March 31, 2022 and 2021, because there are no dilutive shares.

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

(In shares)

	2022		
	Outstanding period	Common shares issued	Weighted-average
Beginning	2022-01-01~2022-03-31	149,840,002	90/90

(In shares)

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

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30. Cash Flows

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Loss for the period	₩ (31,611,452)	(86,290,301)	\$ (26,108)	(71,267)
Adjustments for:				
Retirement benefit costs	10,853,346	11,955,823	8,964	9,874
Depreciation	30,902,998	29,806,902	25,523	24,618
Amortization	19,738,040	15,755,988	16,302	13,013
Depreciation of right-of-use asset	1,633,568	2,008,521	1,349	1,659
Impairment loss on intangible asset	4,818	-	4	-
Losses on disposal of trade receivables	8,399	5,836	7	5
Foreign exchange translation gain and loss, net	(861,205)	(688,043)	(711)	(568)
Losses on disposal of property, plant and equipment	173,373	45,776	143	38
Interest expense and income, net	3,377,194	4,237,758	2,789	3,500
Dividends income	(6,000)	(6,000)	(5)	(5)
Loss (gain) on valuation of inventories	(1,013,948)	588,579	(837)	486
Increase in provision of warranty for sale	2,856,230	2,164,118	2,359	1,787
Gain on equity method	-	433,030	-	358
Loss on equity method	116,520	-	96	-
Sales promotion expenses	-	4,679,220	-	3,865
Export overall expenses	789,466	237,734	652	196
Bad-debt expenses	381,736	44,398	315	37
Other bad-debt expenses	153,888	121,370	127	100
Others	127,340	(673,959)	105	(557)
	<u>69,235,763</u>	<u>70,717,051</u>	<u>57,182</u>	<u>58,405</u>
Changes in assets and liabilities				
Increase of trade receivables	(16,173,715)	(1,637,969)	(13,358)	(1,353)
Increase of other receivables	(1,410,226)	(400,416)	(1,165)	(331)
Increase (decrease) of inventories	2,673,600	(11,828,370)	2,208	(9,769)
Increase of other assets	(19,682,756)	(5,234,092)	(16,256)	(4,323)
Decrease of trade payables	(6,644,184)	(44,033,905)	(5,487)	(36,368)
Increase of other payables	22,230,723	7,237,536	18,360	5,977
Increase of accrued expenses	2,918,523	14,315,370	2,410	11,823
Decrease of provision of warranty for sale	(8,256,149)	(9,352,416)	(6,819)	(7,724)
Decrease of provision for others	(2,951,840)	-	(2,438)	-
Payment of retirement benefits	(12,853,892)	(11,109,267)	(10,616)	(9,175)
Decrease of other liabilities	(2,529,282)	(10,981,665)	(2,089)	(9,070)
	<u>(42,679,198)</u>	<u>(73,025,194)</u>	<u>(35,249)</u>	<u>(60,312)</u>
Net cash used in operating activities	₩ <u>(5,054,887)</u>	<u>(88,598,444)</u>	\$ <u>(4,175)</u>	<u>(73,173)</u>

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30. Cash Flows, Continued

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Changes in other payables related to the acquisition of property, plant and equipment	₩ 968,200	68,885	\$ 800	57
Changes in other comprehensive income gains on revaluation	-	278,800,357	-	230,261
Changes in asset from sale of investments in subsidiaries	-	291,715	-	241
Changes in liabilities and equity from sale of investments in subsidiaries	-	31,737	-	26

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the three months ended March 31, 2022 and 2021 are as follows:

(In thousands of won)

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

	2021					
	Beginning balance	Increase	Decrease	Liquidity	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

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30. Cash Flows, Continued

(In thousands of US dollar)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 260,157	-	-	-	-	260,157
Long-term borrowings	33,036	24,777	-	-	-	57,813
Lease liabilities	7,633	-	(1,594)	4,156	7	10,201
Deposit withholdings	13,145	12,812	(433)	-	-	25,524
	<u>\$ 313,971</u>	<u>37,589</u>	<u>(2,027)</u>	<u>4,156</u>	<u>7</u>	<u>353,695</u>

	2021					
	Beginning balance	Increase	Decrease	Liquidity	Exchange rate effect	Ending balance
Short-term borrowings	\$ 260,158	-	(2)	-	-	260,157
Long-term borrowings	33,036	-	-	-	-	33,036
Lease liabilities	6,955	-	(1,943)	4,039	(2)	9,048
	<u>\$ 300,149</u>	<u>-</u>	<u>(1,945)</u>	<u>4,039</u>	<u>(2)</u>	<u>302,241</u>

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 months ended March 31, 2022 and 2021 are as follows:

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

Sales region	Korean won		US dollar	
	2022	2021	2022	2021
Republic of Korea	₩ 483,673,805	387,321,185	\$ 399,466	319,889
Europe	116,667,370	63,403,737	96,356	52,365
Asia Pacific	53,232,580	61,273,422	43,965	50,606
Others	78,169,460	47,892,035	64,560	39,554
Consolidated adjustment	<u>(17,716,196)</u>	<u>(24,057,353)</u>	<u>(14,632)</u>	<u>(19,869)</u>
	<u>₩ 714,027,019</u>	<u>535,833,026</u>	<u>\$ 589,715</u>	<u>442,545</u>

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

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31. Segment Information, continued

(3) Information of sales of goods and service for the three months ended March 31, 2022 and 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Automobile	₩ 606,646,327	442,898,150	\$ 501,029	365,790
Merchandise and parts	73,327,964	72,835,788	60,562	60,155
Others	34,052,728	20,099,088	28,124	16,600
	₩ <u>714,027,019</u>	<u>535,833,026</u>	\$ <u>589,715</u>	<u>442,545</u>

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

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

	Korean won		US dollar	
	2022	2021	2022	2021
Receivables from contracts with customers	₩ 125,437,399	108,474,907	\$ 103,599	89,589
Contract liabilities (*)	24,392,243	32,817,530	20,146	27,104

(*) Contract liabilities include advances from contracts with customers, warranties satisfied over time, and income in advance from transportation contracts.

32. Transactions and Balances with Related Parties

(1) Details of related parties as of March 31, 2022 are as follows:

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

(*1) According to court approval of commencement of rehabilitation procedures on April 15, 2021, Mahindra & Mahindra and other related parties of its affiliates lost control of the Group and were excluded from related parties for the year ended December 31, 2021.

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

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32. Transactions and Balances with Related Parties, Continued

(2) Transactions with related parties for the three months ended March 31, 2022 and 2021 are as follows:

(In thousands of won)

Relationship	Company	Description	2022	2021
Parent	Mahindra & Mahindra Ltd.	Sales	₩ -	2,139,129
		Purchases	-	3,188,954
		Other expenses	-	536,592
Joint venture	SY Auto Capital Co., Ltd.	Other income	736	55,300
		Other expenses	8,802,413	10,227,043
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	-	370,308
		Other expenses	-	364,149

(In thousands of US dollar)

Relationship	Company	Description	2022	2021
Parent	Mahindra & Mahindra Ltd.	Sales	\$ -	1,767
		Purchases	-	2,634
		Other expenses	-	443
Joint venture	SY Auto Capital Co., Ltd.	Other income	1	46
		Other expenses	7,270	8,447
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	-	306
		Other expenses	-	301

(3) There were no account balances with related parties as of March 31, 2022 and 2021.

(4) No capital transactions occurred with related parties for the three-month period ended March 31, 2022.

(5) Executive compensation of the Group for the three months ended March 31, 2022 and 2021, are as follows:

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

		Korean won		US dollar	
		2022	2021	2022	2021
Short-term employee benefits	₩	429,282	1,078,121	\$ 355	890
Retirement benefits		32,656	40,057	27	33

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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, 2022 and December 31, 2021 are as follows:

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

	Korean won		US dollar	
	2022	2021	2022	2021
Debt (A)	₩ 2,003,814,962	1,943,566,582	\$ 1,654,951	1,605,192
Equity (B)	(112,422,550)	(80,596,657)	(92,850)	(66,565)
Debt-to-equity ratio (A/B) (*)				

(*) The debt-to-equity ratio is not calculated since the total equity is negative as of March 31, 2022 and December 31, 2021.

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

1) Financial assets

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 48,381,336	-	48,381,336	48,381,336
Short-term financial instruments	36,303,736	-	36,303,736	36,303,736
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	178,661,052	-	178,661,052	178,661,052
Non-current financial assets	-	560,000	560,000	560,000
	₩ 263,350,124	560,000	263,910,124	263,910,124

(In thousands of won)

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

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33. Financial Instruments, Continued

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

1) Financial assets, continued

(In thousands of US dollar)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 39,958	-	39,958	39,958
Short-term financial instruments	29,983	-	29,983	29,983
Long-term financial instruments	3	-	3	3
Trade and other receivables	147,556	-	147,556	147,556
Non-current financial assets	-	463	463	463
	<u>\$ 217,501</u>	<u>463</u>	<u>217,963</u>	<u>217,963</u>

(In thousands of US dollar)

	2021			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 45,150	-	45,150	45,150
Short-term financial instruments	17,572	-	17,572	17,572
Long-term financial instruments	3	-	3	3
Trade and other receivables	135,609	-	135,609	135,609
Non-current financial assets	-	463	463	463
	<u>\$ 198,335</u>	<u>463</u>	<u>198,797</u>	<u>198,797</u>

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

2) Financial liabilities

(In thousands of won)

	2022			
	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	₩ 854,375,738	-	854,375,738	854,375,738
Borrowings	384,998,021	-	384,998,021	384,998,021
Other liabilities	12,350,993	-	12,350,993	12,350,993
	<u>₩ 1,251,724,752</u>	<u>-</u>	<u>1,251,724,752</u>	<u>1,251,724,752</u>

(In thousands of won)

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

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33. Financial Instruments, Continued

(In thousands of US dollar)

	2022			
	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	\$ 705,629	-	705,629	705,629
Borrowings	317,970	-	317,970	317,970
Other liabilities	10,201	-	10,201	10,201
	<u>\$ 1,033,800</u>	<u>-</u>	<u>1,033,800</u>	<u>1,033,800</u>

(In thousands of US dollar)

	2021			
	Financial liability measured at amortized cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	\$ 676,200	-	676,200	676,200
Borrowings	293,193	-	293,193	293,193
Other liabilities	12,812	-	12,812	12,812
	<u>\$ 982,205</u>	<u>-</u>	<u>982,205</u>	<u>982,205</u>

(3) Financial risk management

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

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

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	₩ 2,501,743	(2,501,743)	\$ 2,066	(2,066)
EUR	4,754,048	(4,754,048)	3,926	(3,926)
JPY	(8,246)	8,246	(7)	7
Others	2,407,105	(2,407,105)	1,988	(1,988)
	<u>₩ 9,654,650</u>	<u>(9,654,650)</u>	<u>\$ 7,974</u>	<u>(7,974)</u>

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33. Financial Instruments, Continued

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 ₩441,367 thousand (\$365 thousand) for the three months ended March 31, 2021, due to floating rate debt's interest rate risk.

(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 receivable 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, 2022 and December 31, 2021 are as follows:

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

		Korean won			US dollar	
		2022	2021		2022	2021
Trade and other receivables	₩	178,661,052	164,195,963	\$	147,556	135,609
Short-term financial instrument		36,303,736	21,275,651		29,983	17,572

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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 periodically projecting cash outflows. To manage the risks, the Group has entered into a factoring agreement with capital financial institutions.

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

(In thousands of won)

		2022		
		Within a year	Over 1 year	Total
Trade payables	₩	510,912,876	-	510,912,876
Other payables		289,612,759	-	289,612,759
Short-term borrowings (*)		314,998,021	-	314,998,021
Lease liabilities (*)		6,433,980	6,403,004	12,836,984
Other payables		53,785,840	-	53,785,840
Long-term borrowings (*)		-	72,547,945	72,547,945
Long-term other payables		-	64,263	64,263
	₩	<u>1,175,743,476</u>	<u>79,015,212</u>	<u>1,254,758,688</u>

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

(In thousands of won)

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

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

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of US dollar)

	2022		
	Within a year	Over 1 year	Total
Trade payables	\$ 421,963	-	421,963
Other payables	239,191	-	239,191
Short-term borrowings (*)	260,157	-	260,157
Lease liabilities	5,314	5,288	10,602
Other payables	44,422	-	44,422
Long-term borrowings (*)	-	59,917	59,917
Long-term other payables	-	53	53
	<u>\$ 971,047</u>	<u>65,259</u>	<u>1,036,305</u>

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

(In thousands of US dollar)

	2021		
	Within a year	Over 1 year	Total
Trade payables	\$ 426,977	-	426,977
Other payables	214,426	-	214,426
Short-term borrowings (*)	260,157	-	260,157
Lease liabilities	4,449	3,456	7,904
Other payables	28,546	-	28,546
Other liabilities	12,812	-	12,812
Long-term borrowings (*)	-	35,140	35,140
Long-term other payables	-	53	53
	<u>\$ 947,366</u>	<u>38,649</u>	<u>986,014</u>

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

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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, 2022.

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.

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34. Going concern assumption, continued

However, due to deteriorating financial structure, the Group has incurred operating losses of ₩30,864 million (\$25 million) and net losses of ₩31,611 million (\$26 million) during the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩891,918 million (\$737 million) and the Group is a complete capital erosion due to total equity is (₩112,423 million) ((\$93 million)) as of the end of the reporting period.

In addition, the Group has filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court ("the Court") under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea on December 21, 2020. The Court commenced rehabilitation procedure on April 15, 2021, and the Group has resumed M&A process before the Court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 and the Group filed a rehabilitation plan to the court on February 25, 2022. However, immediate cancellation of M&A contract occurred on March 25, 2022 and the Group submitted revised rehabilitation plan to the court after seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

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

As it will be difficult for the Group to continue as a going concern if the Group fails to succeed M&A deal before approval of rehabilitation plan or achieve its plan, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The consolidated interim financial statements do not include any adjustments of carrying amount of assets and liabilities, presentation of classification, and related profit and loss that might result from the outcome of this uncertainty.

35. Commencement of rehabilitation procedure and recommencement of M&A process before court approval of rehabilitation plan

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

The Group has resumed M&A process before the Court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under the Section 241 of Practice Rule of Seoul Bankruptcy Court. Accordingly, the Group signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 with approval of the Court and received as down payment of ₩30.5 billion (\$25.2 million, 10% of total acquisition price). However, the acquisition contract with a consortium led by Edison Motors was terminated on March 25, 2022 after the buyer failed to pay the remaining payment of ₩274.3 billion (226.5 million) by March 25, the deadline date (5 business days before the date of the assembly of interested parties for the plan) and as a result, the received down payment of ₩30.5 billion (\$25.2 million) will be attributed to the Group.

Since then, the Group submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process and on April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

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36. Delisting issue and regrant of a grace period for improvement by filing of objection

The Group has faced a risk of being delisted from the Korea Stock Exchange under Article 48 of KOSPI Market Listing Regulation, due to disclaimer of audit opinion on the Group's consolidated financial statements as of December 31, 2020. The Group filed official objection to delisting decision on April 13, 2021 and Korea Stock Exchange granted a grace period for improvement until April 14, 2022 as a result of the review of the Listing and Disclosure Committee on April 15, 2021. However, as the improvement period is over, the Group has made a request for deliberation on the implementation of the improvement plan as of April 21, 2022, which is within 7 days after the end of the improvement period. Accordingly, The Korea Stock Exchange Listing Disclosure Committee regranting a grace period for improvement until December 31, 2022 as of May 13, 2022 after a combined deliberation of the reasons for the delisting caused by the disclaimers of audit opinions for the fiscal year 2020 and 2021.

37. Subsequent events

(1) During the current period, the Group has provided land and buildings in Pyeongtaek (maximum amount of ₩ 33,000 million (\$27 million)) as collateral for borrowings amounting to ₩ 30,000 million (\$25 million) under the loan agreement with Edison Motors and Edison EV and received a transfer notice of related loan amounting to ₩ 15,000 million (\$12 million) and collateral security amounting to ₩16,500 million (\$14 million) to a 3rd party on April 26, 2022.

(2) During the current period, the Court approved a consortium led by KG Group as the preliminary bidder on May 13, 2022, in relation to Stalking-Horse bid M&A, M&A process before the Court approval of rehabilitation plan.