

# Teaser Memorandum

*Prospectus*

**Reliance Restricted**

28 June 2021 | Draft



# Dashboard

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# 1

## Introduction

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# 1 Introduction

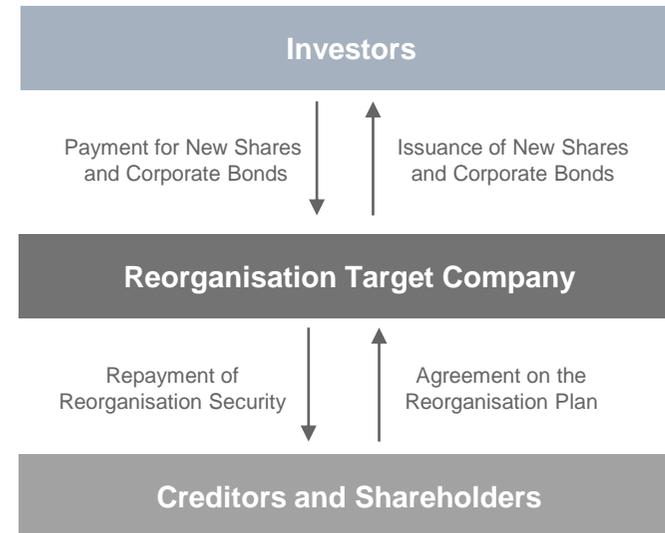
## Transaction Overview

The transaction involves acquiring the management rights of Ssangyong Motor Co., Ltd (hereinafter referred to as the “Target Company”) which has the longest history in Korea as the leading SUV automaker, through the acquisition of new shares through third-party allotment, etc.

### Transaction Highlight

Category	Content
<b>Applicable Provision</b>	Rules for M&A with regard to the reorganisation process (Seoul Bankruptcy Court Practice Rules No. 241)
<b>Investment Target</b>	New shares and corporate bonds of the Target Company
<b>Business Classification</b>	Manufacturing and sale of automobile and parts
<b>Transaction Method</b>	Acquisition of new shares through third-party allotment and corporate bonds
<b>Bidding Method</b>	Public auction bidding
<b>Other Matters</b>	<ul style="list-style-type: none"> <li>▶ More than 50% of the total consideration will be used to acquire new shares through third-party allotment</li> <li>▶ Raised capital will be used for repayment of reorganisation security and claims</li> <li>▶ In the event the total consideration exceeds the repayment amount of reorganisation security and claims: → <b>Remaining total consideration retained within the Target Company</b></li> <li>▶ In the event the total consideration falls short of the repayment amount of reorganisation security and claims: → <b>Secure acquirer’s position as the largest shareholder through methods such as capital reduction</b></li> </ul>

### Transaction Structure and Schedule



### [ M&A Schedule ]

Date	Content	Remark
June 28 <sup>th</sup>	M&A Notice	Distribution of Teaser and LOI Guide
July 30 <sup>th</sup>	LOI Application Deadline	Receipt of LOI and NDA
August 2 <sup>nd</sup> ~ August 27 <sup>th</sup>	Preliminary Due Diligence	Management Interview and Field Visit (if necessary)
TBD	Bid Submission	TBA

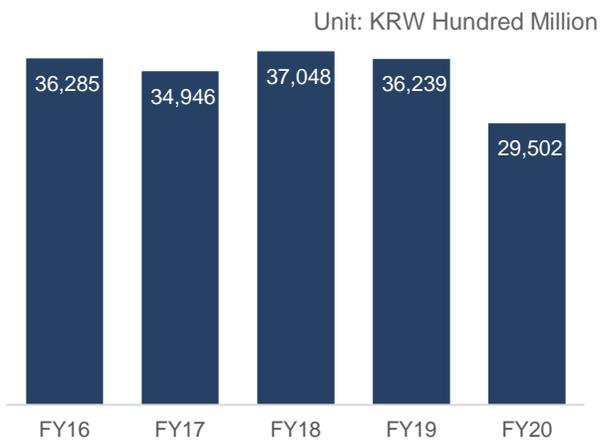
※ Schedule subject to change depending on the circumstances of the Target Company and the court  
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# 1 Introduction

## Snapshot

The Target Company started as Korea's longest-running automobile manufacturer, "Ha Dong-hwan Automobile Workshop". Since "Korando" was first unveiled in 1982, the Target Company has produced and sold a variety of SUV line-ups, establishing a brand specialising in SUV manufacturing.

### 5-Year Sales

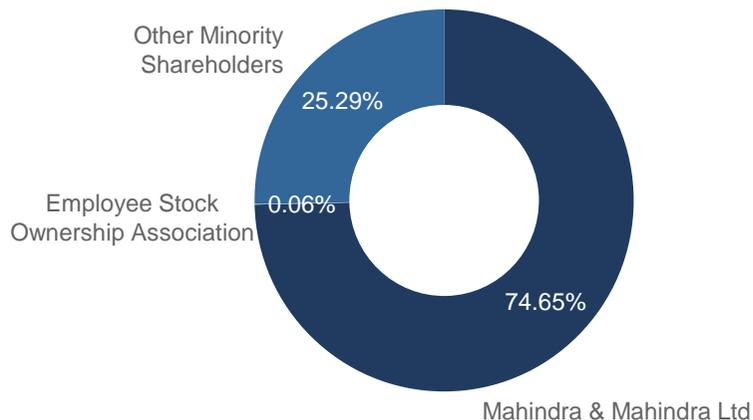


### Business Overview

#### Korea's Longest-running Automobile Target Company

- Started as "Ha Dong-hwan Automobile Workshop", Korea's longest-running automobile company to first produce a bus, which was the only public transportation method at that time
- Since "Korando" was first unveiled in 1982, the Target Company has produced and sold a variety of SUV line-ups to date, establishing a brand specialising in SUV
- 5-Year Avg. Annual Sales : KRW 3,480.4 Billion

### Shareholder Composition



### Manufacturing Plant

Pyeongtaek Plant				Changwon Plant			
<ul style="list-style-type: none"> <li><b>Location / Area :</b> Gyeonggi-do Pyeongtaek-Si / Approx. 860,000 m<sup>2</sup></li> <li><b>Product :</b> 6 Automobile Models</li> </ul>				<ul style="list-style-type: none"> <li><b>Location / Area :</b> Gyeongnam, Changwon-Si / Approx. 117,000 m<sup>2</sup></li> <li><b>Product :</b> Engine</li> </ul>			
Production Line	Product	JPH <sup>1</sup>	CAPA (2 Shifts)	Production Line	Product	JPH	CAPA (2 Shifts)
Line 1 (FF Monocoque)	Korando, Tivoli, Tivoli Air	30	117,600	D Line (Mid-size Engine)	GSL 2.0t DSL 2.2t	40	156,800
Line 2 (FF Monocoque)	(X200)	(16)	(62,700)	X Line (Small-size Engine)	GSL 1.5/1.6t DSL 1.6t	38	148,960
Line 3 (FR Frame)	Rexton, Rexton Sports/KHAN	22	86,200				
<b>Total</b>		<b>52(68)</b>	<b>203,800 (266,500)</b>	<b>Total</b>		<b>78</b>	<b>305,760</b>

# 2

## Investment Highlights

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# 2 Investment Highlights

## Investment Highlights

### Investment Highlights

1

#### ***Opportunity to Absorb Existing Production Lines & Production Know-how***

The Target Company was reborn as a company specialising in the production of buses and special-purpose vehicles from 1976 onwards, and has since contributed to the popularization of SUVs based on its unrivaled technology. By utilising the Target Company's production lines and production know-how, it is possible to seize growth opportunities in SUV and EV market with high upside.

2

#### ***Tapping into the SUV Market's Growth Potential***

Among the key segments in the automotive industry, the SUV market, where the Target Company's strengths lie, has recorded a higher growth rate over the other vehicle segments, and this growth is expected to continue in the future.

3

#### ***Market Expansion by Utilizing an Established Global Sales Network***

The Target Company is operating a total of 983 global networks in 74 countries around the world, and it has established a robust sales network in all countries within the European market through continued entry. Its overseas sales network can be used as a foundation for future overseas expansion.

4

#### ***Strengthening Synergy by Combining Traditional Vehicle and Mobility***

The paradigm is shifting towards the mobility industry that combines automobiles and modern technology. Through acquisition of the Target Company, synergy can be obtained by combining its production facilities, production know-how and EVs with the mobility industry.

5

#### ***Advantages of M&A Through Reorganisation Proceedings***

In the case of acquiring a reorganisation company, it is possible to reduce risk factors such as contingent liabilities that might occur in the general process of acquiring a company, thereby creating stable and predictable investment return.

Deemed acquisition tax can be exempted and corporate tax can be reduced through loss carryforward.

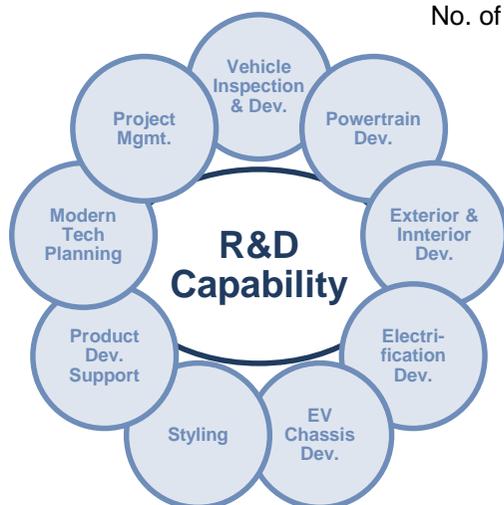
# 2 Investment Highlights

## Opportunity to Absorb Existing Production Lines & Production Know-how

The Target Company has the technology and production capacity for SUV models, and it will be possible to seize opportunities within the SUV and EV market with great growth potential by utilising the Target Company's production line & production know-how.

### R&D Capability

No. of R&D Employee = 683



\*As of April 15<sup>th</sup>, 2020

### SUV Technology and Production Capacity

#### IP Rights on Vehicle Production

Category	App.	Reg.	Total	
Patent	Domestic	84	606	690
	Overseas	-	6	6
<b>Subtotal</b>	<b>84</b>	<b>612</b>	<b>696</b>	
Design	Domestic	55	767	822
	Overseas	-	8	8
<b>Subtotal</b>	<b>55</b>	<b>775</b>	<b>830</b>	
<b>Total</b>	<b>139</b>	<b>1,387</b>	<b>1,526</b>	

#### Production Capacity

#### [ Pyeongtaek Plant ]



- **The Target Company registered a total of 612 domestic and foreign patents and has additional 84 applications that are pending**
- The Target Company possesses **the ability to produce products with high quality and competitiveness**

- Full production capacity from authentic body-on frame SUVs to cutting-edge monocoque SUVs.
- High production volume can be achieved through its advanced level of mixed production capacity
- **Annual CAPA : 266,500 units (2 shifts)**

Experience	Designer	Engineer	Technician	Total	(%)
20 Years <=	30	190	107	<b>327</b>	48%
20 Years >	16	95	32	<b>143</b>	21%
15 Years >	3	92	0	<b>95</b>	14%
10 Years >	11	104	3	<b>118</b>	17%

※ 83% of total employees have at least 10 years of experience

- ▶ The Target Company has a professional R&D team, **48% of whom have at least 20 years of experience**
- ▶ **The Target Company has the capacity and facilities to simultaneously run 1 major project (New Vehicle) and 1 minor project (Facelift) per year**

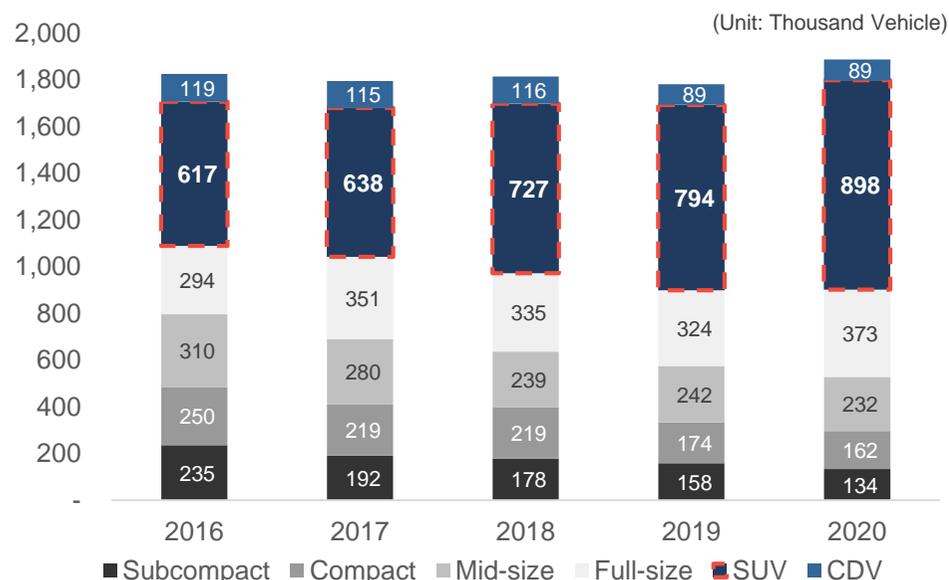
**Opportunity to seize growth potential by absorbing existing production lines & production know-how**

# 2 Investment Highlights

## Tapping into SUV Market's Growth Potential

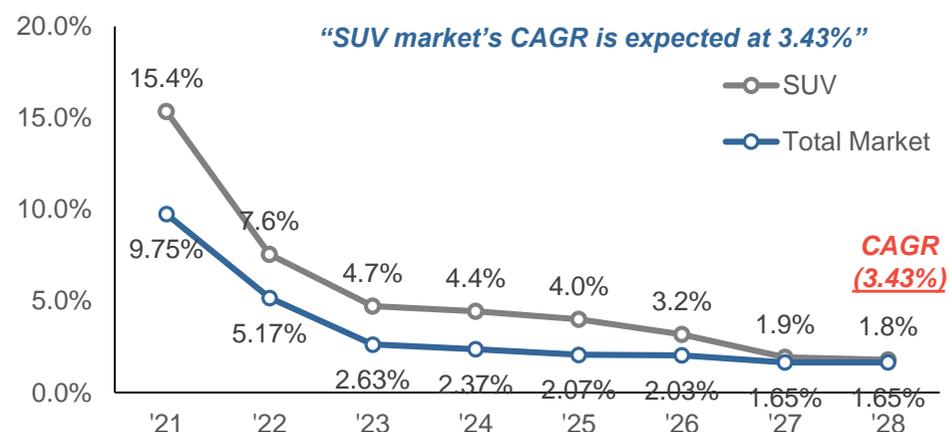
From 2016 to 2020, the domestic SUV sales rose by an average of 7.78% annually. From 2021 to 2028, the global SUV market is expected to grow with CAGR of 3.43%.

### Domestic Sales by Vehicle Type



(Source: Korea Automotive Industry Association)

### Global Automotive Market Outlook



(Source: IHS Markit 21.05.20)

**SUV Market's Growth Potential**



- From 2016 to 2020, while sales of most product groups decreased in the domestic automobile market, **SUV sales recorded a high growth rate of CAGR 7.78%.**
- The total sales of new vehicles in Korea is increasing mainly in passenger cars, **and the proportion of SUV sales in passenger cars is increasing, which accounts for the largest proportion of 47.5% of total sales in 2020.**
- Despite the contraction of the domestic market due to Covid-19 in 2020, **the SUV market increased by 13% from 794,030 units in 2019 to 897,541 units in 2020.**
- According to IHS Markit's **May 2021 report, the global SUV sales forecast for 2021 is 29.22 million units, and is expected to grow at a CAGR of 3.43% until 2028, exceeding the market CAGR of 2.19%.**

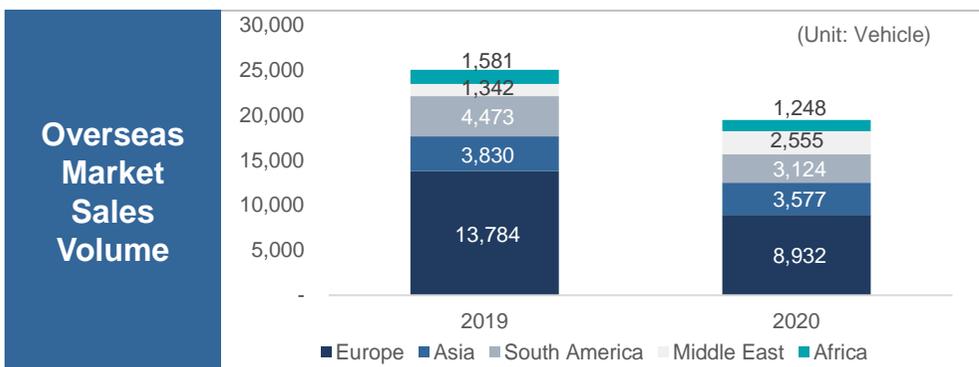
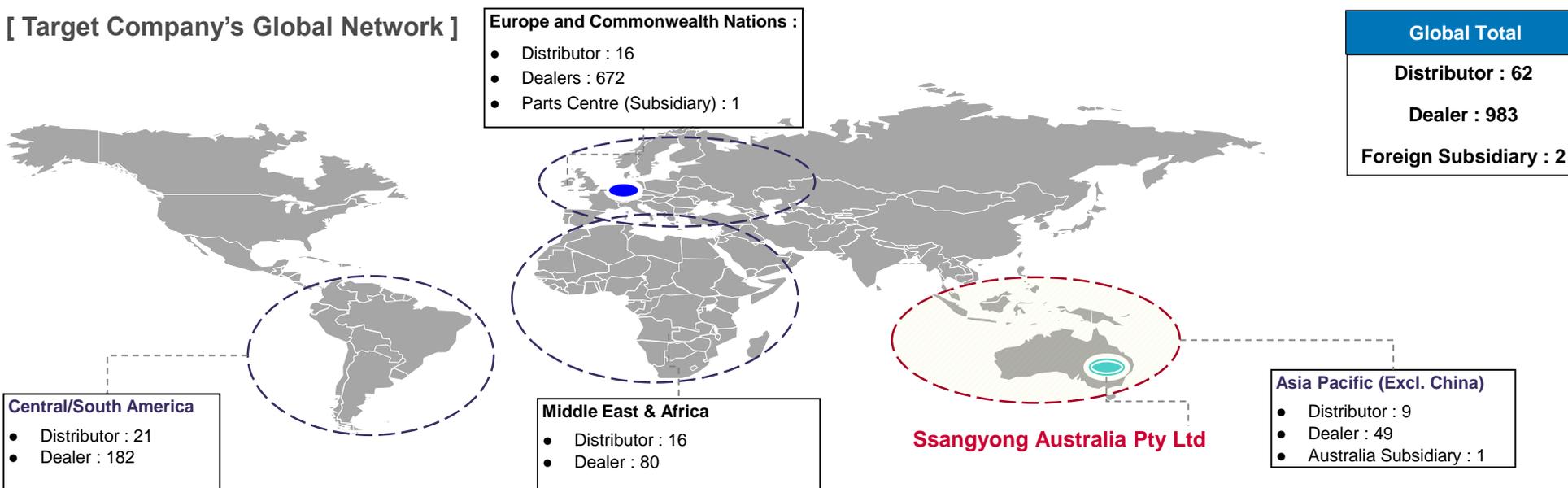
# 2 Investment Highlights

## Market Expansion by Utilising an Established Global Sales Network

Target Company has built a global network around the world including 2 subsidiaries and has the capacity to unleash its growth potential through the existing global network.

### Target Company's Existing Global Network

[ Target Company's Global Network ]



► **Global Expansion:** 2 subsidiaries (Australia, Netherlands), 62 distributors and 893 dealers

► As of 2020, the Target Company's **sales portion in Europe is the highest at 45%**, and sales are generated through establishment of distribution channels in Asia, Middle East and Africa

► **Possibility of Expansion Utilising Existing Network:** As of 2020, there are 120 countries with business relationships, and **sales can be expanded through existing sales network** depending on the acquirer's competencies

# 2 Investment Highlights

## Strengthening Synergy Between Traditional Finished Vehicles and Mobility Industry

The automotive industry is undergoing a paradigm shift from ICE to mobility industry incorporating advanced technology. Through the acquisition of the Target Company, synergy can be obtained by combining its production facilities, production know-how, and EVs with the mobility industry.

### Paradigm Change in the Automotive Industry

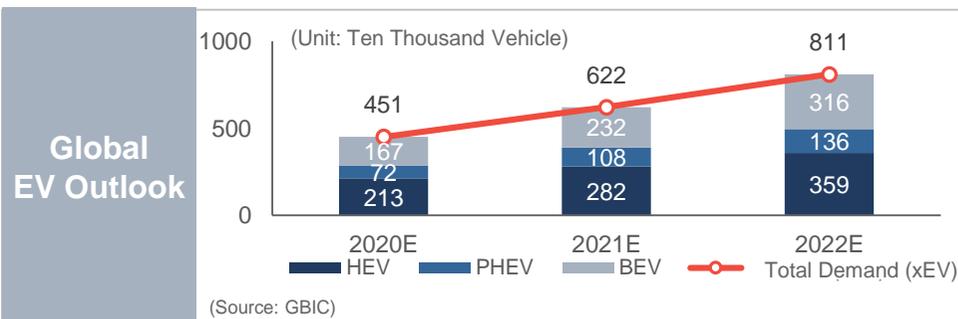
#### Autonomous Driving

[6 Stages of Autonomous Driving by the Society of Automotive Engineers (SAE)]

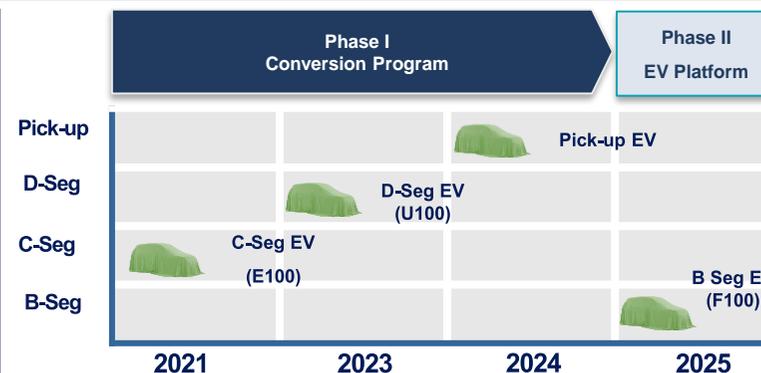
Level-0 Driver	Level-1 Feet Off	Level-2 Hands Off	Level-3 Eyes Off	Level-4 Mind Off	Level-5 Passenger
No Autonomous Driving	Part Autonomy in Acc./Dec.	Autonomy in > 2 Areas	Conditional Autonomy	Autonomous Driving in Certain Area	Fully Autonomous Driving

- ▶ Autonomous vehicle refers to **a vehicle that has the ability to recognise, judge, and control objects on its own**
- ▶ **Allied Market Research predicts that the autonomous vehicle market will reach approx. USD 556.7 billion in 2026, and major governments are allocating budgets for autonomous vehicle R&D support, as well as enacting and revising relevant legal system such as guidelines**
- ▶ The Target Company is working with **HERE and SK Telecom to develop a platform for high-quality maps for autonomous driving**
- ▶ The Target Company **is the 2<sup>nd</sup> Korean automaker to acquire Level 3 autonomous driving (Dec 2020)**
- ▶ The Target Company **is conducting autonomous driving tests on roads**

#### Electric Vehicle (EV)



#### Target Company EV Roadpath



- ▶ Demand for EV is expected to grow rapidly **with the introduction of environmental regulations and increased subsidies**
- ▶ The Target Company is planning to **develop three EVs by converting its existing ICE vehicles by 2024 and continue developing EV based on an EV-exclusive platform from 2025 onwards**

# 2 Investment Highlights

## Strengthening Synergy Between Traditional Finished Vehicles and Mobility Industry

The automotive industry is undergoing a paradigm shift from ICE to mobility industry incorporating advanced technology. Through the acquisition of the Target Company, synergy can be obtained by combining its production facilities, production know-how, and EVs with the mobility industry.

### Synergy Between Mobility Area

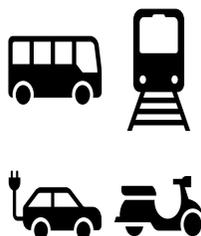
#### Paradigm Shift in the Automotive Industry (Convergence to MaaS)



Individual : Single mode of transport  
Manually Driven Vehicle

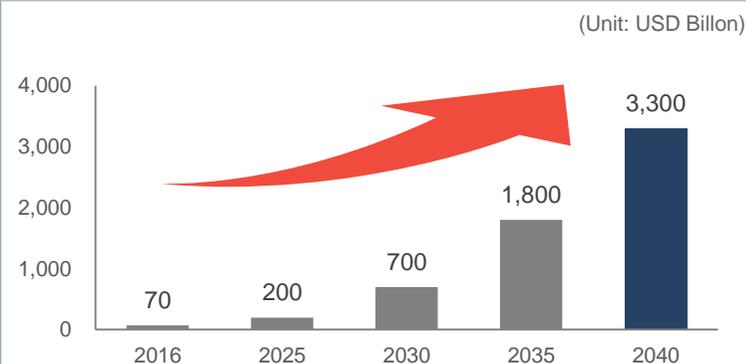


On-demand Mobility  
Shared : Single Mode of Transport  
Car Sharing by Uber, etc



MaaS  
Shared : Multi Mode of Transport  
Autonomous Driving

#### Global Car Sharing Market Outlook



(Source: IBS World, Daishin Securities Research Center)

- ▶ **MaaS (Mobility as a service) : Service that provides optimal routes to users by integrating all transportation systems (buses, taxis, railroads, shared cars, etc) with IT technology.**  
Growth expected with car sharing companies improving their efficiency and profitability by utilising advanced technology
- ▶ Car sharing companies, including Uber, have grown significantly, and **the market continues to grow with Toyota collaborating with Amazon/Nvidia to build a sharing platform**
- ▶ **Creating value-add outside of traditional manufacturing and sales**

*An opportunity to establish a horizontal cooperative relationship with the mobility industry and exploit synergy through M&A*

# 2 Investment Highlights

## Advantages of M&A Through Reorganisation Proceedings

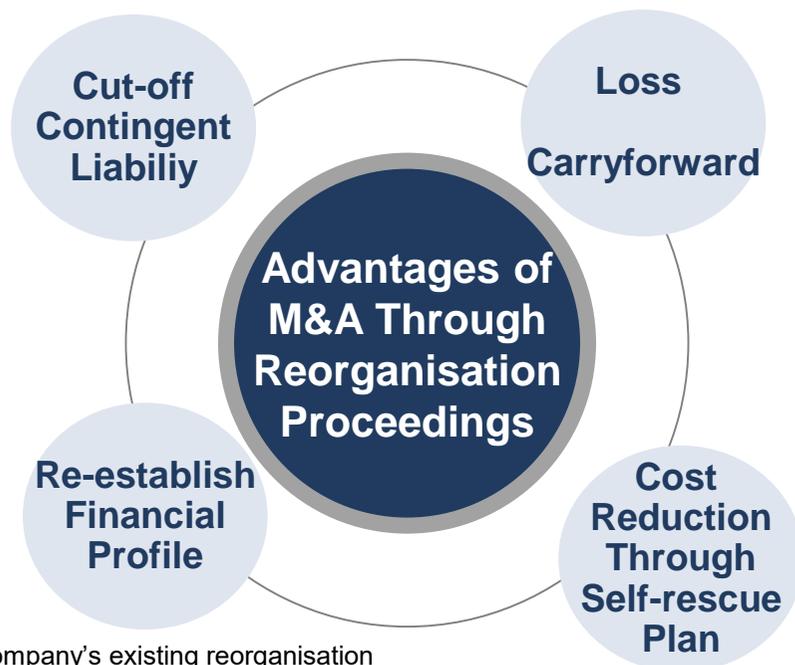
In the case of the acquiring a reorganisation company, it is possible to reduce risk factors such as contingent liabilities, as well as improve debt structure through repayment of reorganisation claims. Deemed acquisition tax can be exempted and corporate tax be reduced through loss carryforward.

### Main Advantages

- Reduce risk factors such as contingent liabilities by identifying beforehand the possibility of realisation and economic loss

→ **Create stable and predictable investment return**

- As of 2020, loss carryforward are at approx. KRW 911.1 billion
- Corporate tax can be reduced through loss carryforward



- A structure in which the company's existing reorganisation debts are paid through the acquisition money, and the rights of unpaid debts are changed with the consent of the creditors
- In the event the reorganisation plan is approved, financial stability can be gained by significantly reducing the debt through debt relief and debt-equity swap

- On June 14, 2021, a two-year unpaid leave has been agreed through labour-management negotiation
- Cost reduction through other self-rescue plans

By utilising the advantages of M&A through Reorganisation Proceedings,

**Re-establish Stable, Profitable Operation**



# 3

## Industry Overview

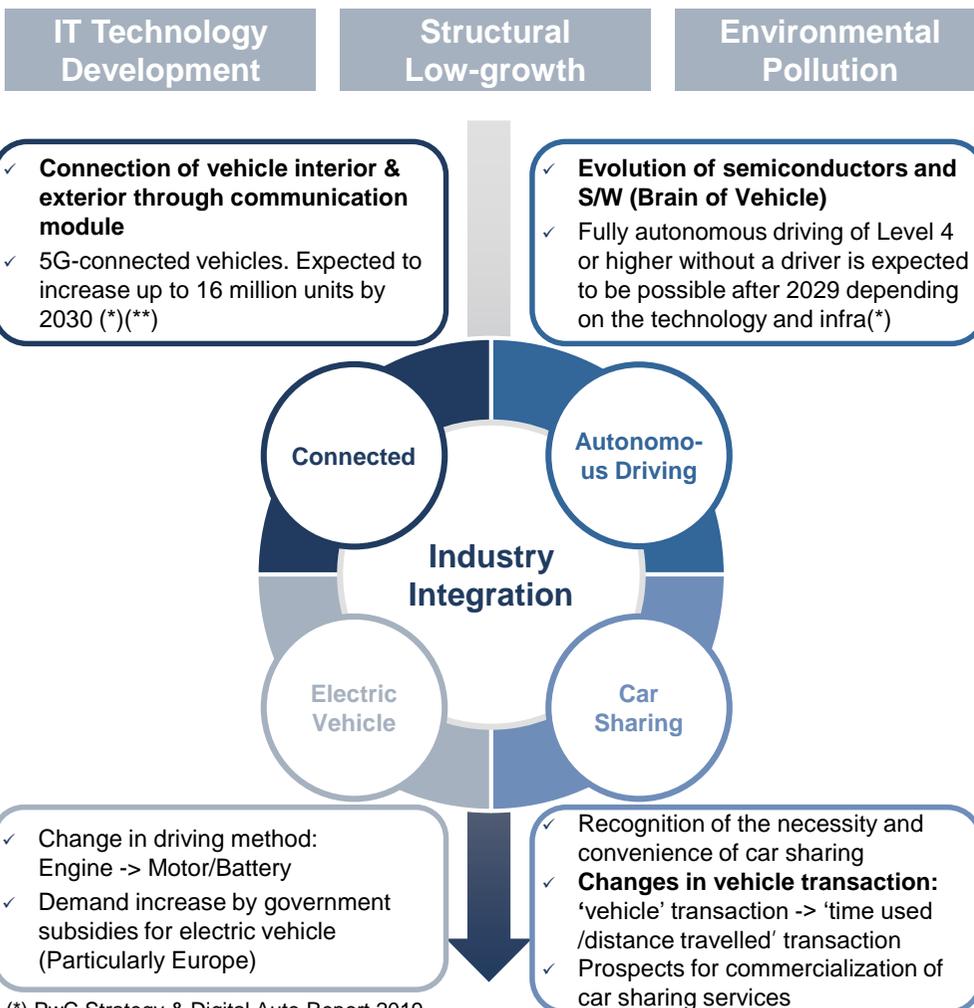
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# 3 Industry Overview

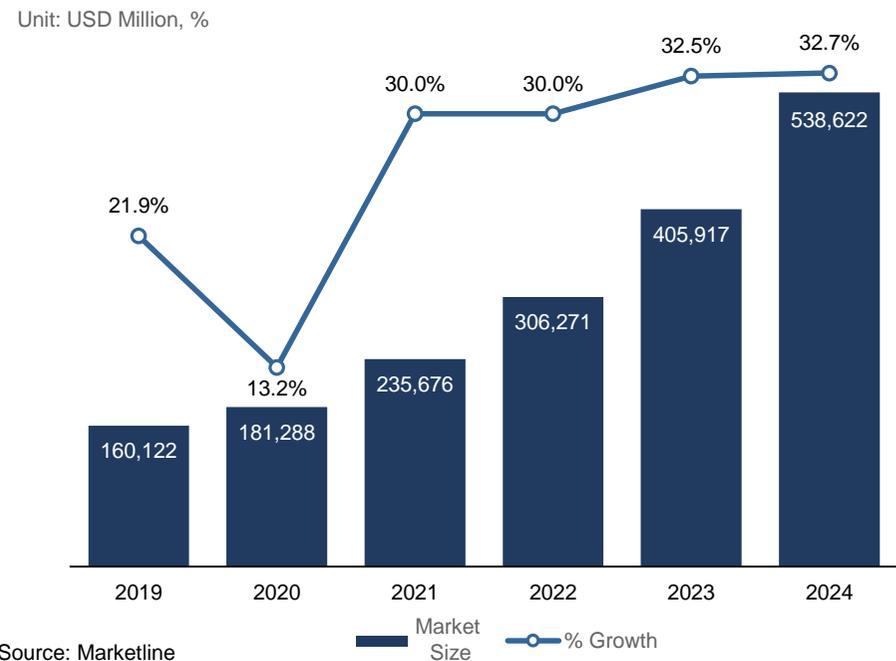
## Future Automotive Industry Trend

In the future automotive industry, various businesses will be integrated and structural changes will take place throughout the industry. The EV market is expected to record a CAGR of approx. 31.7% over the next 4 years.

### Future Industry Trend : Industry Integration



### Explosive Growth in the EV Market



- As of 2021, EVs accounted for only 2% of the global automobile market. The EV market recoded a CAGR of 52% over the past 5 years, **and is expected to record a CAGR of 31.7% for the next 4 years from 2021 to 2024.**

(\*) PwC Strategy & Digital Auto Report 2019

(\*\*) Europe, USA, China

# 3 Industry Overview

## Changes in the Automotive Industry: Integration of MaaS

The foremost axes of change in the automotive industry are car sharing and autonomous driving, ushering in a digital revolution of mobility in the form of ‘Mobility as a Service’ (MaaS) which provides optimal routes to users.

### Changes in the Automotive Industry: MaaS

Changes in the automotive industry are expected to usher in a digital revolution of mobility through integration of MaaS

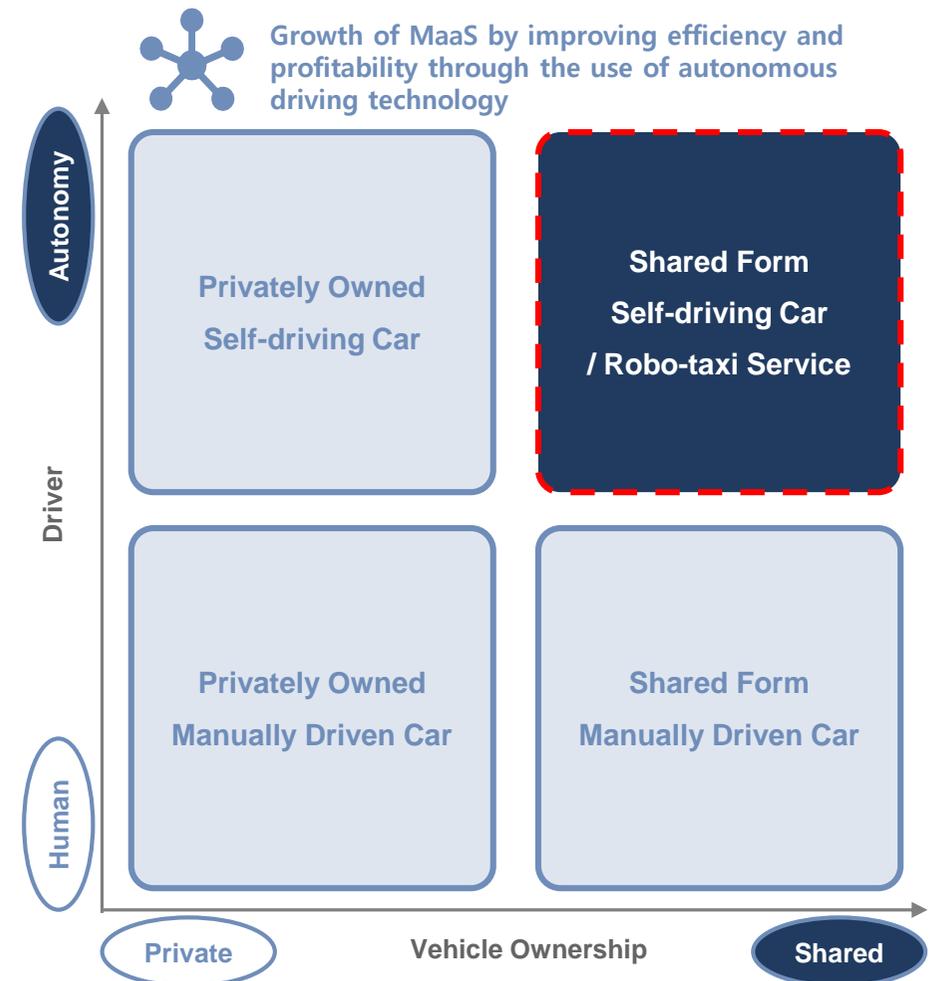
MaaS: “Mobility as a Service” provides optimal routes to users by integrating info on transportations such as bus, taxi, railroad, and shared car.

- The foremost axis of MaaS will be car sharing and autonomous driving, and the combination of these technologies will be realised through a robot taxi.

### Changes in the Mobility Paradigm

Category	Privately Owned Vehicle	Shared: Single Mode of Transportation	Shared: Multi Mode of Transportation
Content	Privately owned vehicles play a central role in transportation	Emergence of On-demand mobility with the rise of Uber	An end-to-end mobility service that covers the entire distance, not just 1 transportation option
Business Model	Products (buying vehicles)	Services (paying for transportation per mile)	
Key Edge	Production of High-quality Vehicles	Matching and Utilisation Software and Data	

### Structure of MaaS Business

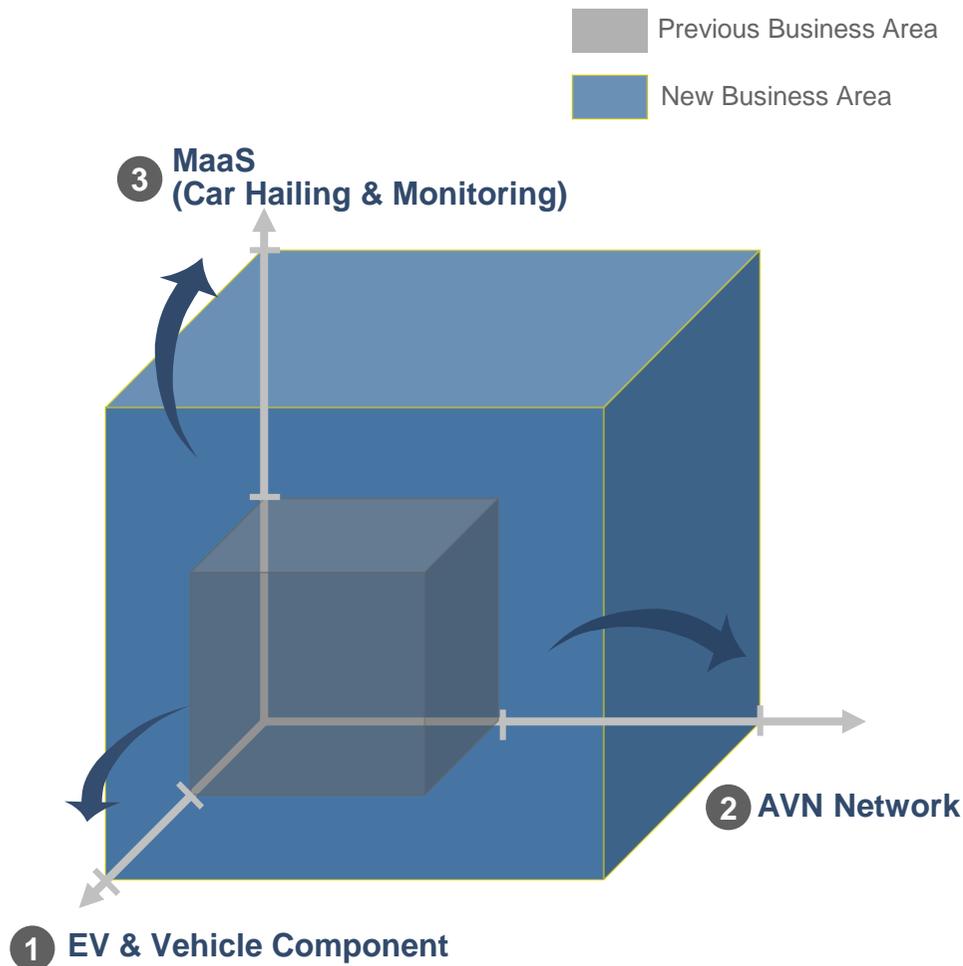


# 3 Industry Overview

## Paradigm Shift of Automotive Industry

The automotive industry's value chain is rapidly expanding from traditional OEM and parts industry to mobility EV & automotive application components, AVN network, and MaaS.

### Paradigm Shift of Automotive Industry



### Profitability

#### 1 EV & Vehicle Component



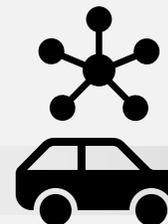
- Economical charging cost and reduction of number of parts compared to ICE vehicle
- Limited short-term profitability due to excess production capacity of battery
- Competition is intensifying due to an increase in market demand, and profitability is improving through inter-company integration and economy of scale

#### 2 AVN Network



- Exercise the highest degree of leverage as a core technology of mobile paradigm shift
- The autonomous driving system, which is the core of the paradigm shift, is the area with the highest value add. It is expected that **it will be dominated by a fewer platforms** similar to the mobile market, and **competitions will intensify as industry standards are converged, and an integrated system is developed**

#### 3 MaaS (Car Hailing & Monitoring)



- Profitability improvement through AV application
- Alternative source of revenue such as commanding a lease operating fee

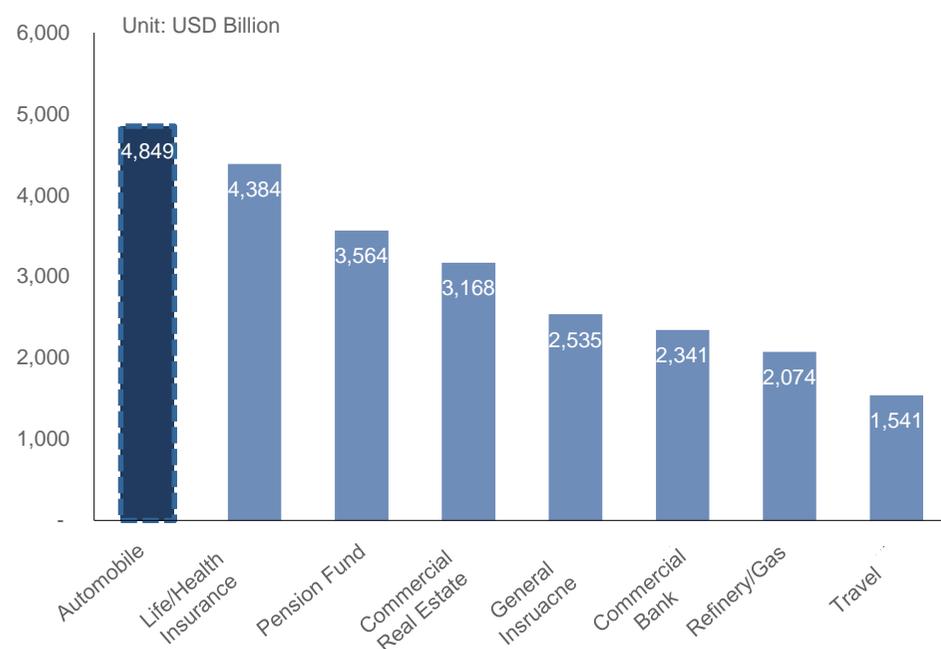
Expansion of Value Chain Towards Mobility

# 3 Industry Overview

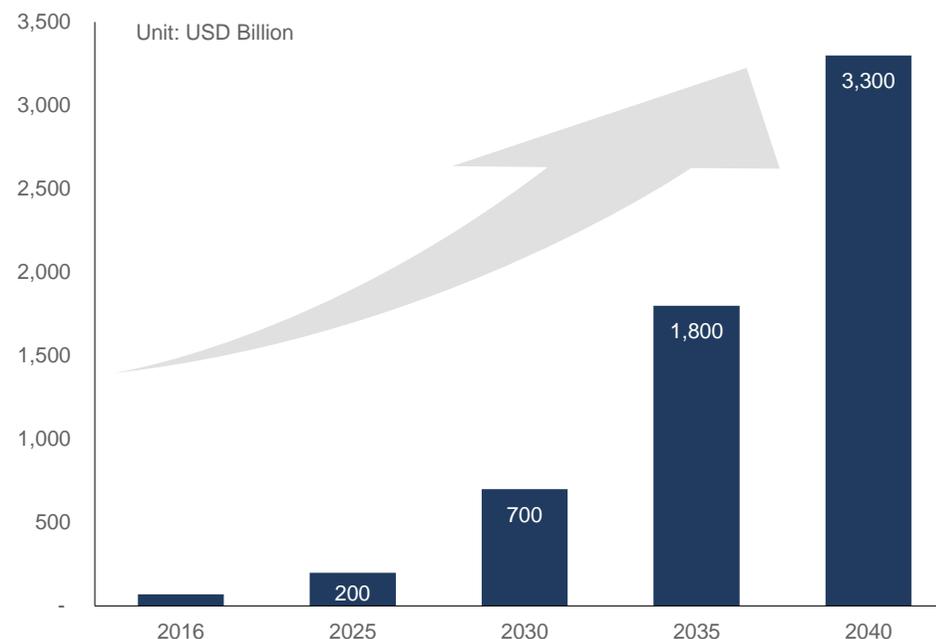
## Market Size of Automotive Industry

Currently, the automotive industry boasts the largest market size compared to other industries with a market size of approx. KRW 5,000 trillion, and has the potential to expand by approx. KRW 3,000 trillion with the advent of car sharing and autonomous driving technology.

### Automotive Industry Market Size



### Global Car Sharing Market Forecast



- The future automotive industry is expected to be **reshaped into a smart mobility service industry based on electrification and autonomous driving technology**
- The automotive industry commands **the largest market size of approx. KRW 5 trillion**
- With the advent of car sharing and autonomous driving technology, **there is a possibility of an increase in the market size by approx. KRW 3,000 trillion, and an integration of automobiles and IT will become necessary**

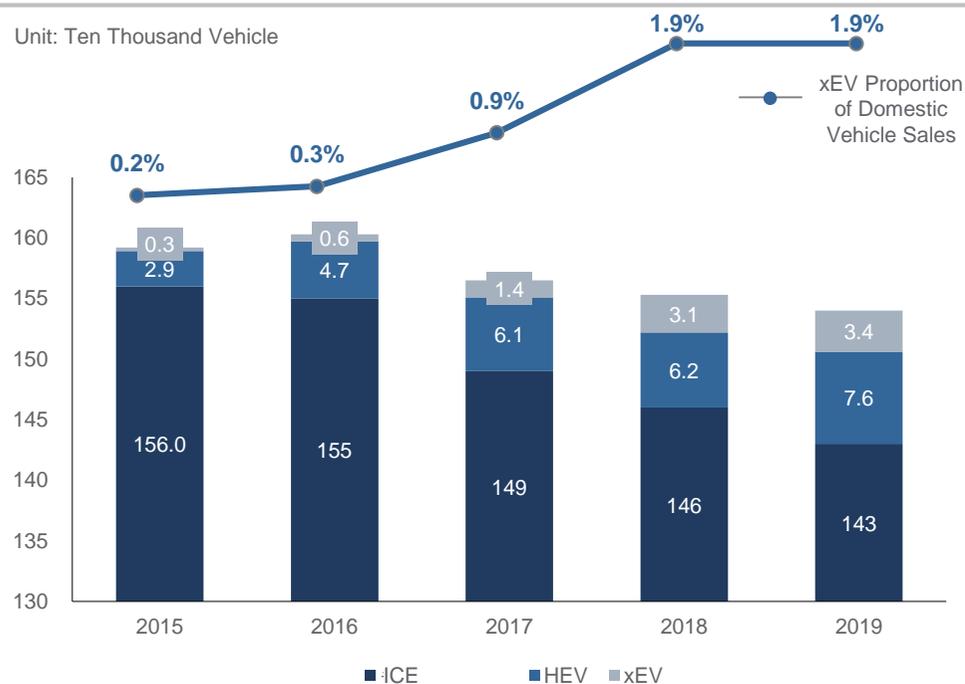
- In the future automobile era, **the OS (operating system) will become more valuable than a powertrain in a transition driven by IT integration towards electrification, network-based connectivity, and autonomous driving**
- A system that can safely and efficiently manage **not only driving, but also diverse functions such as infotainment, interoperability with road traffic system, and connections between cars and people are required**

# 3 Industry Overview

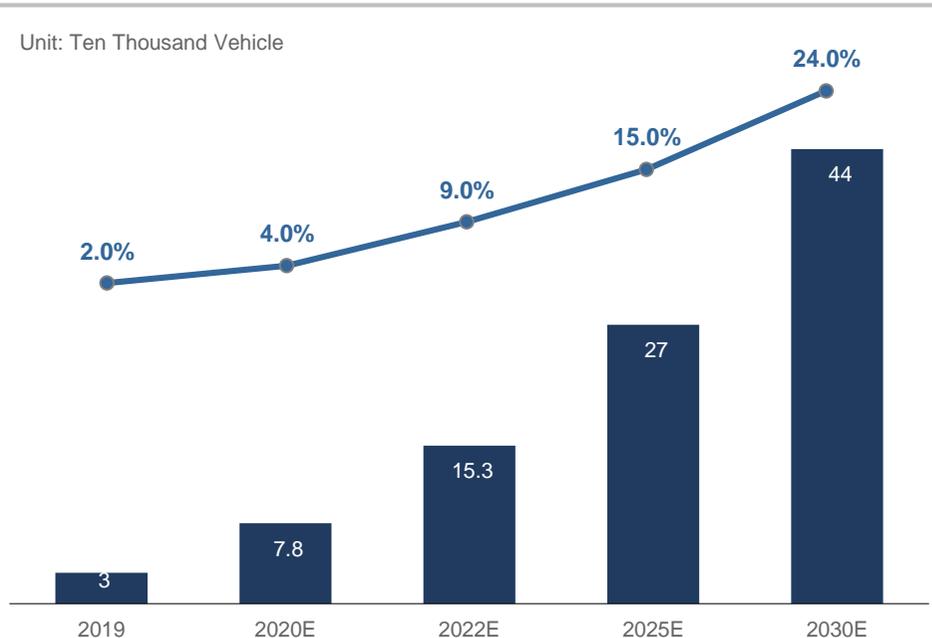
## Domestic Vehicle Sales

The domestic vehicle sales has been stagnant for several years with approx. 1.5 million units per year. However, the growth of eco-friendly vehicles (EV & HEV) is continuing with the government planning to support various companies with the goal of raising EV proportion of domestic vehicle sales to 15% by 2025. (equaling 44% CAGR over 6 Years)

### Total Domestic Vehicle Sales



### Government Target for xEV Domestic Sales



- The domestic new vehicle market has been stagnant for several years with 1.5 million units, but the growth of eco-friendly vehicles (EV & HEV) is continuing
- However, due to the high price of EV and lack of supporting infrastructure, **the penetration rate of EV in Korea remained at 2% as of 2019, which is less than the global average**
- The autonomous driving market only stands at Lv.1~2, and vehicles with Lv.3 or higher (driverless) are yet to be commercialised

- The government has set a company of 15% EV proportion of vehicle sales in Korea by 2025 (6-Year CAGR of 44%) and **plans to continue providing incentives for purchase and support for corporates, which are expected to result in a rapid transition from ICE vehicles to EVs.**
- Fully autonomous driving (Lv.4) vehicle commercialization by 2024. **Plans to support infrastructure maintenance and industrial ecosystem so that half of domestic vehicle sales in 2030 will be Lv.3 or higher**

# 4

## Target Company Overview

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# 4 Target Company Overview

## Target Company Overview

The Target Company was established in 1962 and is engaged in manufacturing and sale of automobile and parts. The product line-up includes best-selling SUV brands such as *Rexton*, *Korando*, *Tivoli*, etc.

### Target Company Overview

Category	Content
<b>Name</b>	Ssangyong Motor Co., Ltd
<b>Administrative Receiver</b>	Jung, Yong-won
<b>Founding Date</b>	December 6 <sup>th</sup> , 1962
<b>HQ Address</b>	455-12, Dongsak-ro, Pyeongtaek-si, Gyeonggi-do
<b>Main Business</b>	Manufacturing and sale of automobile and parts
<b>No. of Employee</b>	4,869 (December 31 <sup>st</sup> , 2020)
<b>Capital</b>	KRW 749.2 Billion (December 31 <sup>st</sup> , 2020)
<b>Largest Shareholder</b>	Mahindra & Mahindra (74.65%)

### Affiliates and Stake Held

Affiliates (3) / Stake
Ssangyong Europe Parts Centre (Holland) / 100%
Ssangyong Australia (Australia) / 100%
SY Auto Capital (Korea) / 51%



(\*) Ssangyong Motor China Ltd. removed due to liquidation in January, 2021

### History

#### 1998~2004 Achievement & Hope: Restructuring and Successful Launches

- ✓ 1998.01: Takeover by Daewoo Group / 2000.04: Spin-off from Daewoo Group
- ✓ 1999.08: Selected for Corporate Workout / 2002.04: Removed from stock exchange special watch list
- ✓ 2003-2004: Launched brands such as *New Rexton*, *Musso*, *Korando*, *Rodius*

#### 2004~2010 Challenges & Adversity: A Leap Towards a Global Corporate

- ✓ 2004.10: Contract for the sale of shares between creditors and Shanghai Motor signed
- ✓ 2006-2009: Launched *Rexton II*, *New Chairman*, and established Ssangyong Europe Parts Centre (Holland)
- ✓ 2009.01/12: Application for corporate reorganisation proceedings; reorganisation plan approved

#### 2010~2021 New Leap: A Step Forward for a New Start in the Future

- ✓ 2010.01. Launched *2010 Rexton*, *Kyron*, *Actyon*, *Actyon Sports*, *Chairman H*
- ✓ 2010.11. Signed an investment contract with Mahindra & Mahindra
- ✓ 2015-2020: Launched *Tivoli* (Selected as SUV of the Year) & *All New Rexton*; Developing Autonomous Driving Map with SK Telecom
- ✓ 2021-: *Korando Emotion* (EV) released in June 2021

### Shareholder Composition

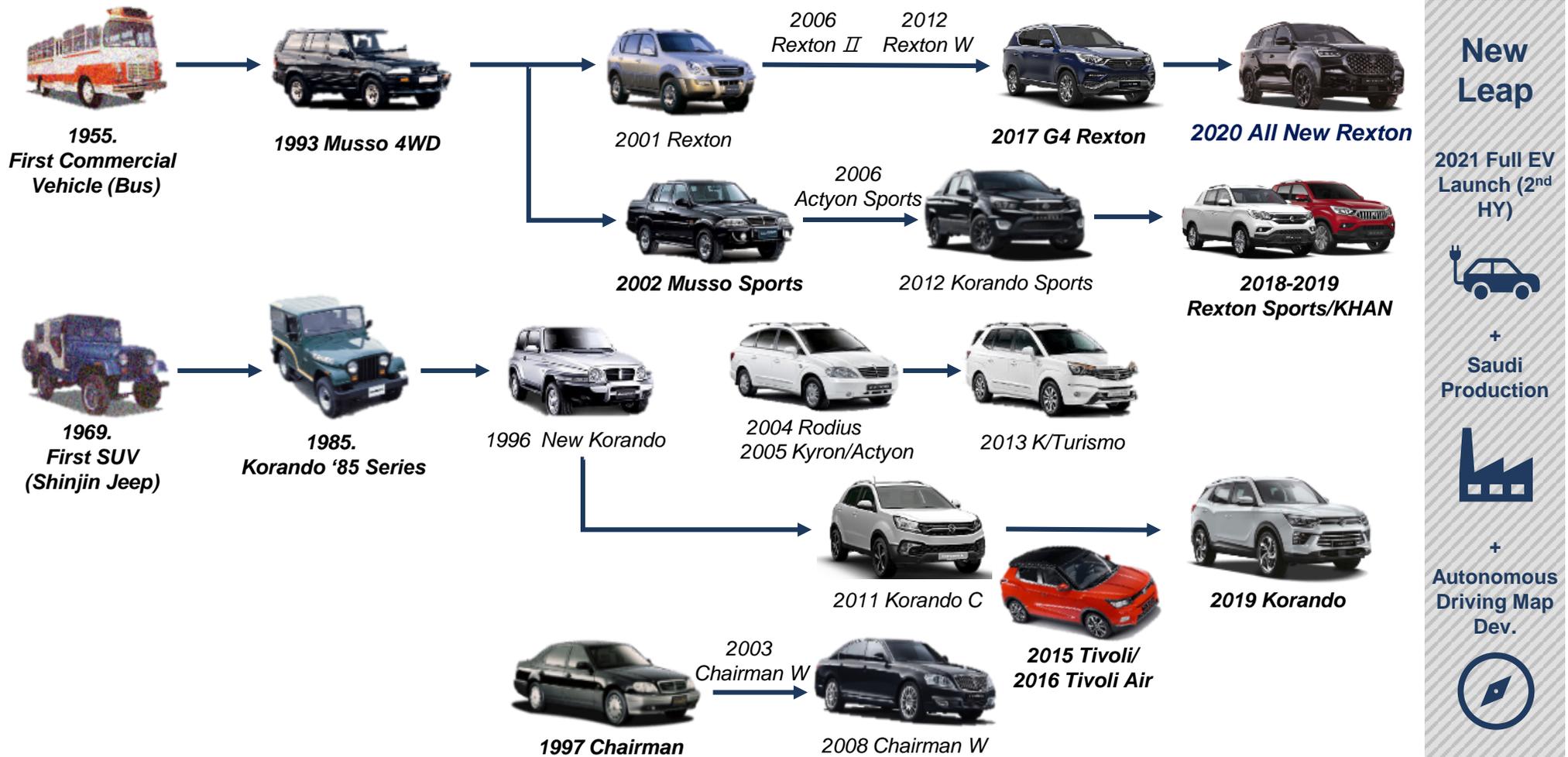


# 4 Target Company Overview

## Business Overview

The Target Company is an SUV-specialized automaker with more than 60 years of experience and has built a strong brand in the development, production and sales of various SUV segments

### Product History



# 4 Target Company Overview

## Product Overview

*Tivoli* is a compact SUV targeting the younger generation that instantly gained huge popularity after its launch in the market; it is still the product of choice for many consumers

### Product Overview

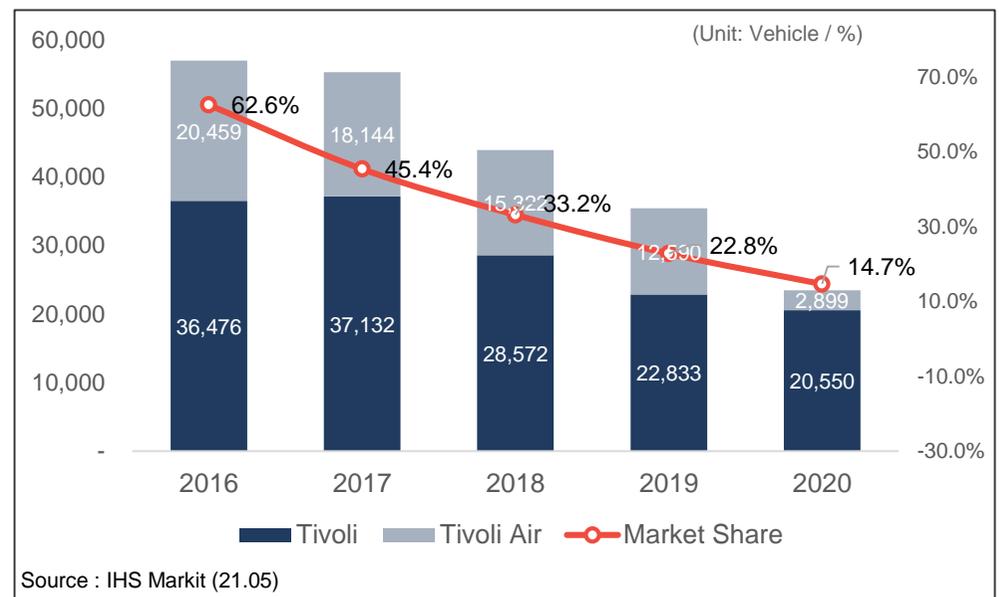
#### TIVOLI / TIVOLI AIR



- ▶ **Sale Price:** KRW 16,90 ~ 22,72 Million / 19,44 ~ 22,48 Million (Excl. Options)
- ▶ **Maximum Output:** 163ps / 5,500rpm
- ▶ **Maximum Torque:** Automatic 26.5, Manual 28.6kg/m / 1,500~4,000rpm

Product Spec.	Tivoli
	<ul style="list-style-type: none"> <li>▶ <b>Target customers in their 20s and 30s, launch marketing with a focus on optimized features for camping &amp; leisure activities</b></li> <li>▶ Achieved high score of 63.8pts for crash safety, <b>added various options and convenience specifications (safety device such as semi-autonomous driving and airbags)</b></li> </ul>
	Tivoli Air
	<ul style="list-style-type: none"> <li>▶ Introduced a long-body version of the <i>Tivoli</i>, <b>increasing the overall length by 215mm to enhance space utilization</b></li> <li>▶ Equipped with <i>Infoconn</i>, <b>a mobility system applied to Korando</b></li> </ul>

### Annual Sales Volume and Market Share in Domestic Market



- **First line-up introduced since acquired by Mahindra & Mahindra in 2011:** Launched *Tivoli* and *Tivoli Air* in 2015, 2016 respectively
- **Innovative design contributed to securing majority share in the compact SUV market in the beginning of its launch**
- However, due to delayed launch of full change and facelifts, market share in compact SUV market is decreasing

# 4 Target Company Overview

## Product Overview (Continued)

**Korando**, a brand first unveiled in 1982, is still the preferred SUV model for many customers. After the launch of its new model in 2019, sales have increased significantly, proving its steady value in terms of brand power.

### Product Overview

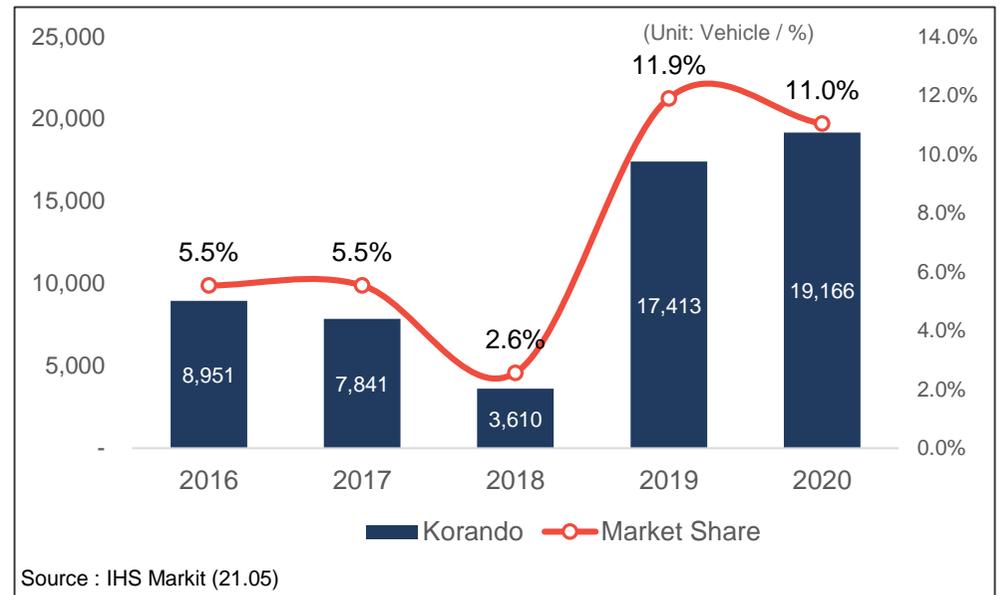


- ▶ **Sale Price** : KRW 23.25 ~ 30.08 Million (Excl. Options)
- ▶ **Maximum Output**: 170ps / 5,500rpm
- ▶ **Maximum Torque**: 28.6kg/m / 1,500~4,000rpm

### Product Spec.

- ▶ Equipped with driving assistance devices (deep control) such as safe exit, safe distance, front vehicle start alarm, rear-side collision warning
- ▶ **Excellent body rigidity and stability on account of its application of the highest tensile steel plate (74%) in its class**
- ▶ **Received 5 stars (highest grade) from EURO NCAP (New Car Assessment Program)**
- ▶ Equipped with a high quality semi-autonomous driving system

### Annual Sales Volume and Market Share in Domestic Market



- **Korando** is the Target Company's mid-size SUV line-up, and its market share declined from 2016 to 2018 due to the delay in the release of the new model of *Korando C*, which was released in 2011. **With the launch of *New Korando* in 2019, sales increased significantly YoY**
- In particular, **despite the impact of Covid-19, the Target Company recorded higher sales YoY in 2020 due to the significant growth of the mid-size SUV market**

# 4 Target Company Overview

## Product Overview (Continued)

The pick-up truck models sold by the Target Company include *Rexton Sports (Musso)* and *Rexton Sports Khan (Musso Grand)*, which have successfully solidified their unique position in the market with no competitors.

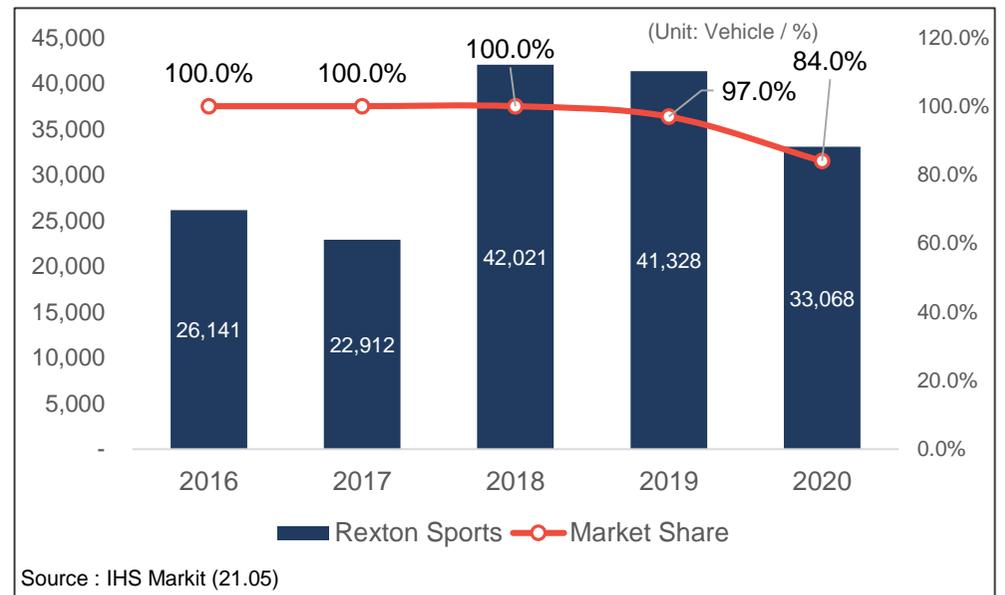
### Product Overview



- ▶ **Sale Price:** KRW 24.59 ~ 33.45 Million / 28.76 ~ 36.49 Million (Excl. Options)
- ▶ **Maximum Output:** 187ps / 3,800rpm
- ▶ **Maximum Torque:** 40.8kg/m / 1,400~2,800rpm / 42.8kg/m / 1,600~2,600rpm

Product Spec.	Rexton Sports
	<ul style="list-style-type: none"> <li>▶ <b>High on/off-road performance based on 4-wheel drive and space utilisation</b></li> <li>▶ <b>Highlight its position as Korea's signature pick-up truck to target campers</b></li> </ul>
	Rexton Sports Khan
	<ul style="list-style-type: none"> <li>▶ Introduced long body for longer exterior and smoother ride compared to Rexton Sports (Marketing: Open SUV -&gt; Pickup Truck)</li> <li>▶ <b>Improved safety and convenience</b> through advanced driver assistance system</li> </ul>

### Annual Sales Volume and Market Share in Domestic Market



- In the case of *Rexton Sports*, it occupies a unique position in the **domestic pick-up truck market, and has maintained this position from 2016 to 2018 with no substitutes in the market**
- In 2019, Chevrolet released their pick-up truck line *Colorado*, and the Target Company's market share decreased slightly as a result. **Nonetheless, it still dominates the majority of the market**

# 4 Target Company Overview

## Product Overview (Continued)

Rexton is the company's large-size SUV product line, which has been achieving steady sales since its launch in 2001.

### Product Overview

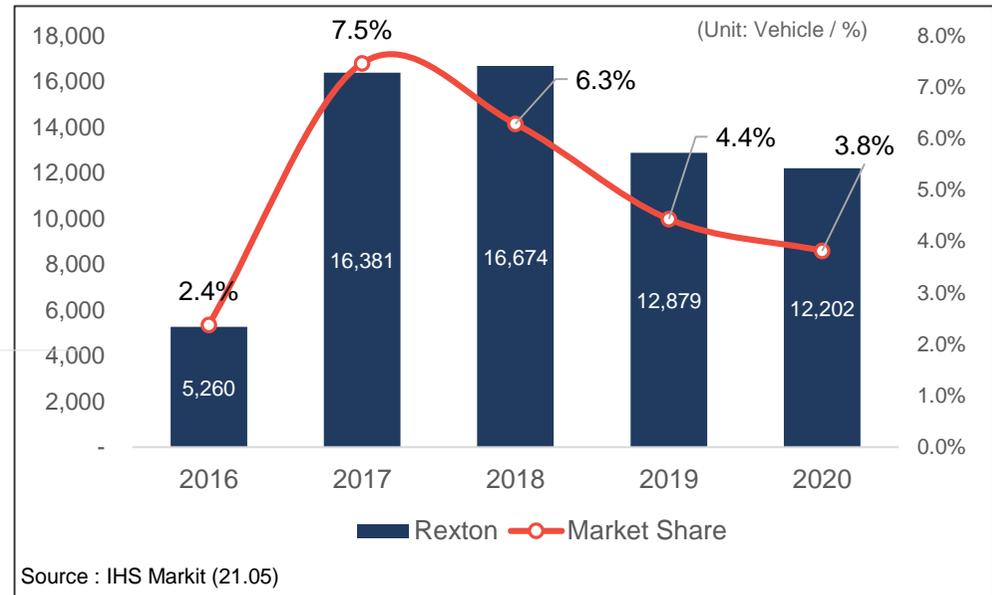


- ▶ **Sale Price:** KRW 37.66 ~ 50.07 Million (Excl. Options)
- ▶ **Maximum Output:** 202ps / 3,800rpm
- ▶ **Maximum Torque:** 45.0kg/m / 1,600~2,600rpm

### Product Spec.

- ▶ **Designed as a body-on-frame vehicle, it has excellent rigidity and is suitable for off-road use**
- ▶ Emphasis on safety due to application of **ultra-high-strength quadruple structure frame body and 9 airbag system**
- ▶ **Equipped with the latest convenience features such as the state-of-the-art driving assistance system (ADAS), semi-autonomous driving function, Infinity sound system and Infoconn connected car system**
- ▶ Equipped with **trailer sway control function to restrain the shaking of the towed trailer while driving**

### Yearly Sales Volume and Market Share in Domestic Market



- *Rexton* is the largest SUV product in the Target Company's production line-up
- **Due to the launch of *G4 Rexton* in 2017, the market share and sales volume increased significantly YoY, and it has achieved steady sales onwards**
- In November 2020, **a new model, *The All New Rexton* was launched and sold in the market**

# 4 Target Company Overview

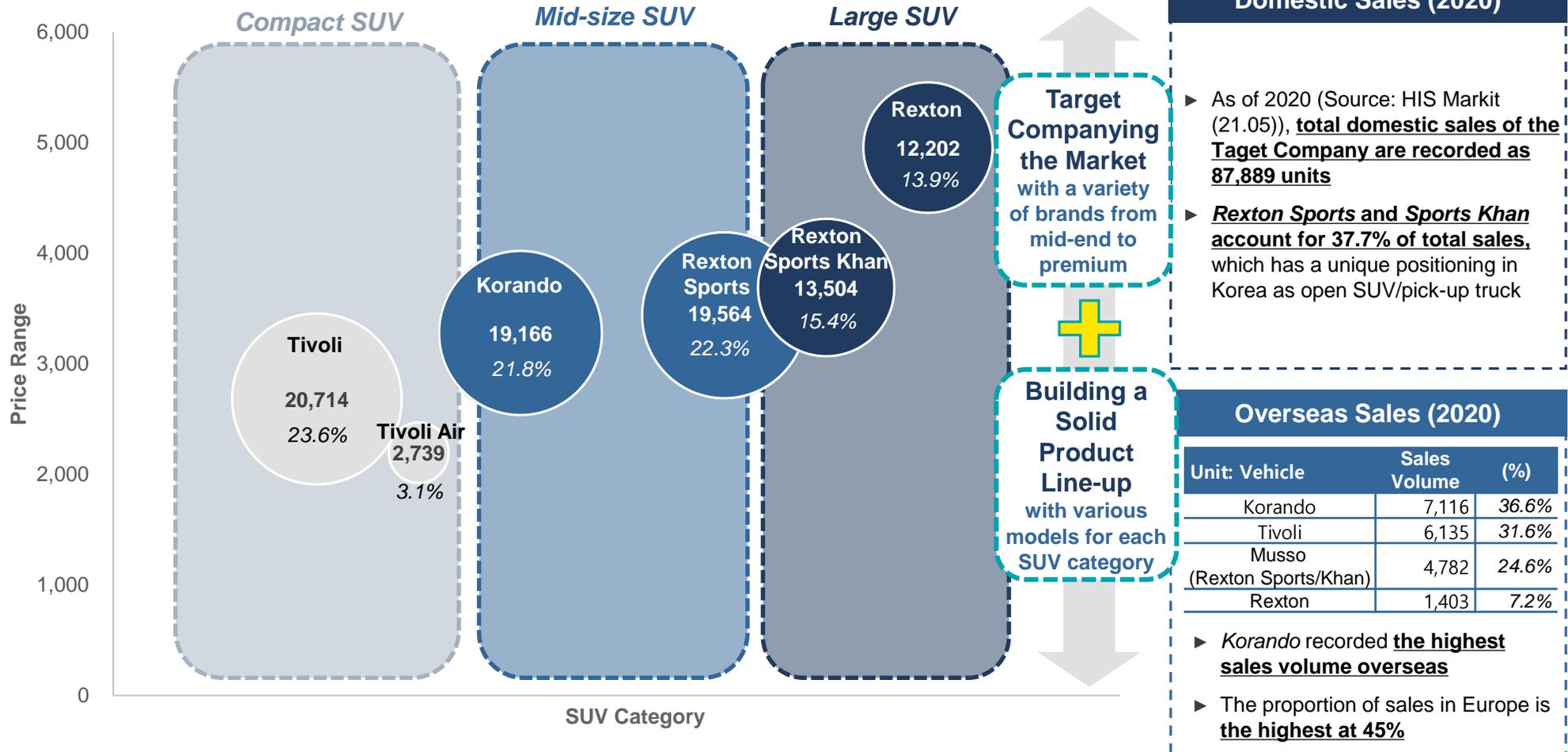
## Product Price Range and Sales Volume

The Target Company manufactures various models by SUV category from mid-end to premium brands, and the domestic sales and overseas sales in 2020 are as follows:

N : Sales N Unit

### Product Price Range and Sales Volume

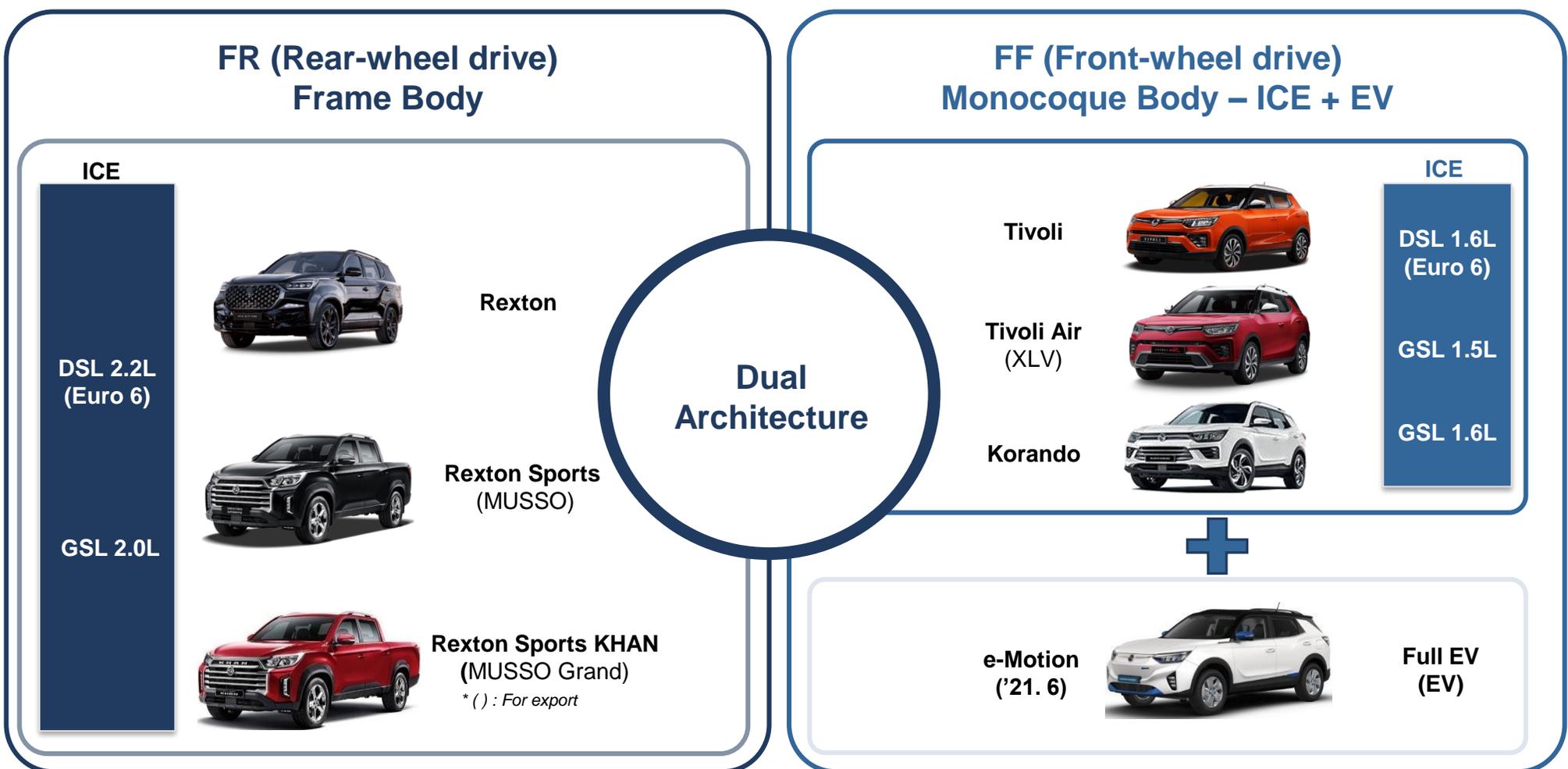
(Unit: Ten Thousand KRW)



# 4 Target Company Overview

## Platform

The Target Company offers vehicle products built on a frame-type platform as well as products that use a monocoque construction. The Company launched its first monocoque EV in June 2021.



# 4 Target Company Overview

## Manufacturing Process and Service Overview

The Target Company produces various parts including engines at its Changwon Plant and manufactures finished products at the Pyeongtaek Plant.

### Manufacturing Process and Service Overview

Manufacturing Facilities for Engines and Vehicle Production with Excellent CAPA

Maintenance Centre and A/S

[ Changwon Plant ]



- ▶ Mixed production of various types of engines such as gasoline and diesel
- ▶ **Production of core parts** including engines for the Target Company, rear axles and cylinder heads
- ▶ **Production of state-of-the-art eco-friendly engine** through a centrally controlled system

[ Pyeongtaek Plant ]



- ▶ As the birthplace of Korea's SUV, the Target Company's HQ and assembly line are located
- ▶ **Full production system from authentic SUVs frame models to cutting-edge monocoque SUVs**
- ▶ High production efficiency can be achieved through advanced mixed production capacity
- ▶ **Annual Design CAPA: 266K units (2 shifts)**



Service Network



Maintenance Reservation



Repair / Fee Estimation



My Car Parts Info



A/S Letter



Maintenance Guide

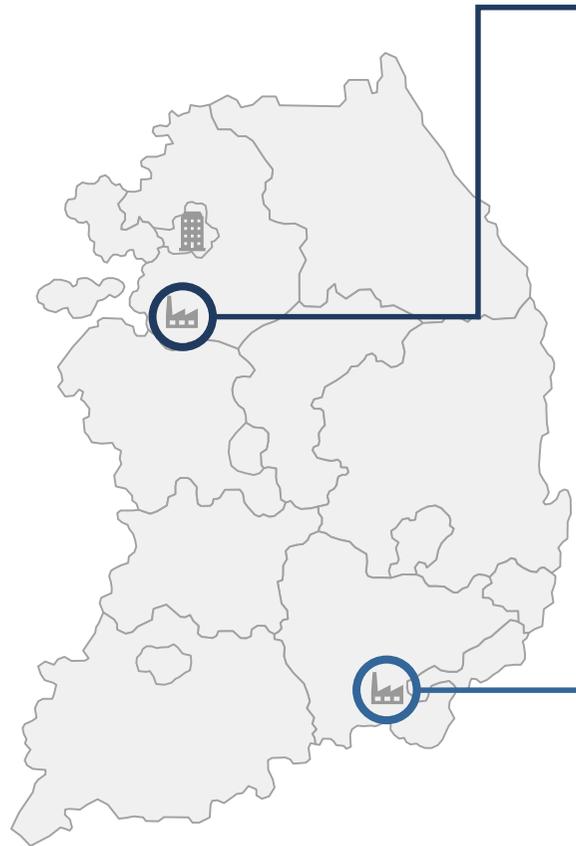
- ▶ Under the name, "Remember Service", various A/S from car maintenance, repair reservation, to warranty repair are provided
- ▶ Excellent service quality and improved CSI satisfaction through **optimised care programs**

# 4 Target Company Overview

## Manufacturing Plant

The Target Company owns the state-of-the-art manufacturing plant in Pyeongtaek and Changwon, and boasts state-of-the-art facilities and production capabilities.

### Manufacturing Plant



#### Pyeongtaek Plant



- **Location / Area:** Gyeonggi-do, Pyeongtaek-si / approx. 860,000 m<sup>2</sup>
- **Product :** 6 Models

Production Line	Product	JPH <sup>1</sup>	CAPA (2 Shift)
Line 1 (FF Monocoque)	Korando, Tivoli, Tivoli Air	30	117,600
Line 2 (FF Monocoque)	(X200)	(16)	(62,700)
Line 3 (FR Frame)	Rexton, Rexton Sports/KHAN	22	86,200
<b>Total</b>		<b>52(68)</b>	<b>203,800 (266,500)</b>

#### Changwon Plant



- **Location / Area:** Gyeongnam, Changwon-si / approx. 117,000 m<sup>2</sup>
- **Product :** Engines

Production Line	Product	JPH <sup>1</sup>	CAPA (2 Shift)
D Line (Mid-size Engine)	GSL 2.0ℓ DSL 2.2ℓ	40	156,800
X Line (Small-size Engine)	GSL 1.5/1.6ℓ DSL 1.6ℓ	38	148,960
<b>Total</b>		<b>78</b>	<b>305,760</b>

#### Notes

1. JPH: Jobs Per Hour
2. X200 has yet to be produced, thus expected production represented in brackets.

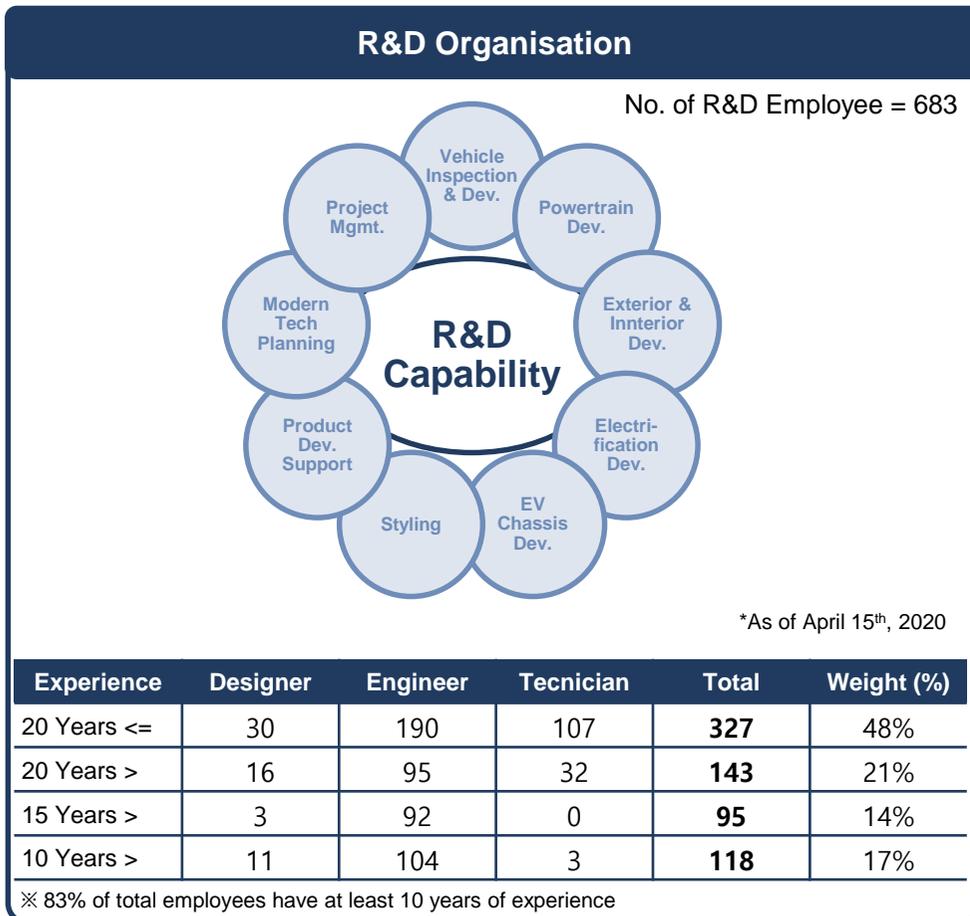
# 4 Target Company Overview

## R&D Capabilities & Facilities

The Target Company has the capabilities and facilities to perform 1 major project (New Vehicle) and 1 minor project (Facelift) simultaneously a year.

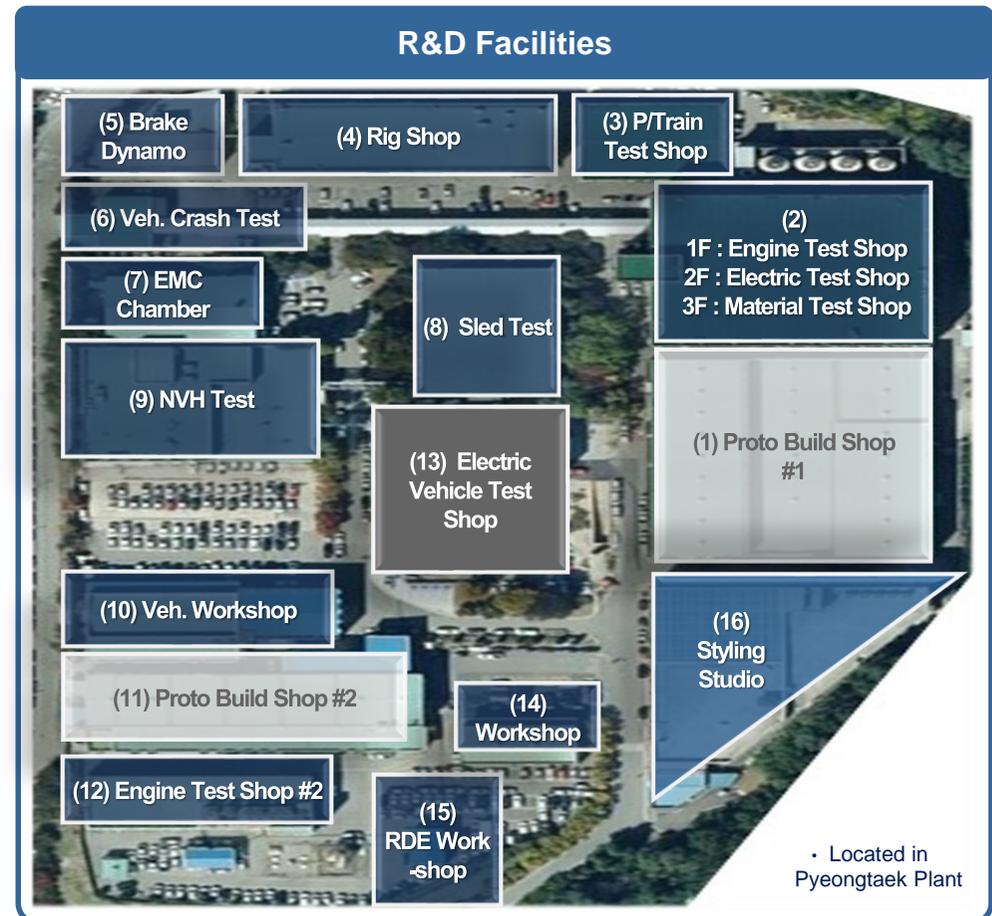
### R&D Organisation

The Target Company is led by a highly skilled R&D team with 48% of the team having more than 20 years of experience



### R&D Facilities

Vehicle Test, P/T Development and Styling Studio make Pyeongtaek an all encompassing facility for the Target Company



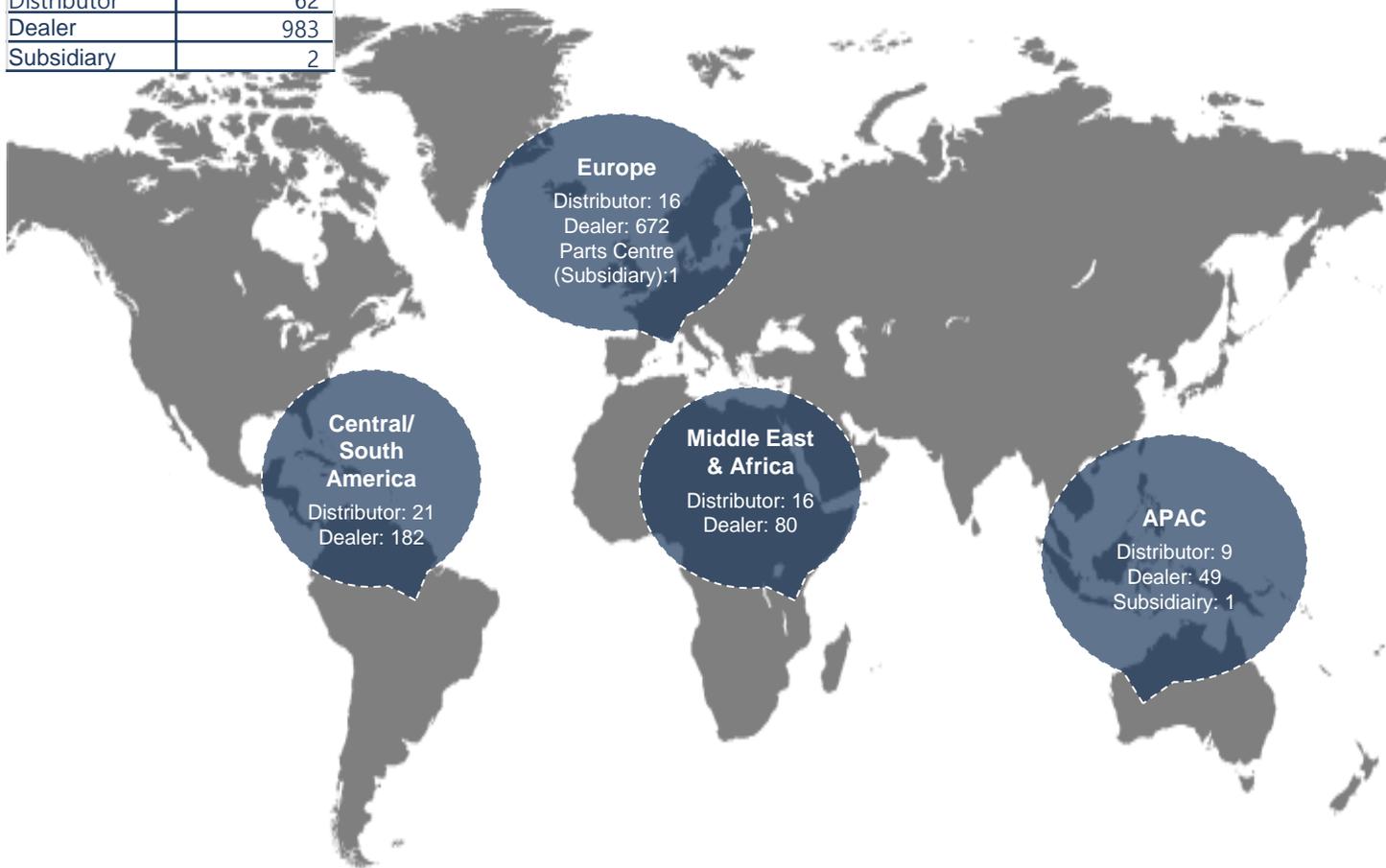
# 4 Target Company Overview

## Global Sales Network

The Target Company is operating a global sales network in 74 countries around the world, and has established a sales network in all countries in the European market.

### Global Sales Network and Export Strategy

Category	Total
Distributor	62
Dealer	983
Subsidiary	2



- ▶ In 2018, the first directly managed distributor was established in Australia, and overseas service capabilities were strengthened **by expanding training centres, retailers and dealers**
- ▶ **Plans to actively utilize video conference and marketing** in light of the Covid-19 crisis.

# 4 Target Company Overview

## Relationship with the Labour Union – Strike Free for 12 Years

The Target Company has conducted its business without labour disputes for 12 consecutive years. In addition, the labour union of the Target Company has actively co-operated in overcoming the crisis through self-rescue measures such as unpaid suspension of work after the start of the reorganisation process.

### Relationship with the Labour Union

#### No. of Union Members: 3,287

- Union Shop / Blue-collars (3,154), White-collars (133)
- ※ Non-union Members: 1,452

#### Individual Corporate Labour Union

- Unlike other automobile companies, the Target Company has not joined the industrial union.
- ※ HMC, KMC, GM : Membership of Korea Metal Workers Union under Korean Confederation of Trade Unions

#### Seeking Productive and Cooperative Labour-Management Relationship

- Take moderate and reasonable approach to management policy.
- Conclude collective negotiations without disputes for 12<sup>th</sup> consecutive years since 2010
- ※ “HMC” : Gone on strike for 7 years in a row from 2012 to 2018, no strike in 2019.
- Actively participate in the management’s efforts to overcome financial difficulties (2019: agreed to wage cut and discontinuance of employee benefits)
  - ✓ Labour-Management agreement for productivity improvement
    - Maintain productivity without hiring new employees despite retirement vacancy (Through adjustment of JPH[Jobs Per Hour])
- After the start of the reorganisation process, the labour union is actively cooperating with the Target Company to overcome the crisis through self-rescue measures such as unpaid suspension of work.

# 5

## Financial Overview

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# 5 Financial Overview

## Financial Overview

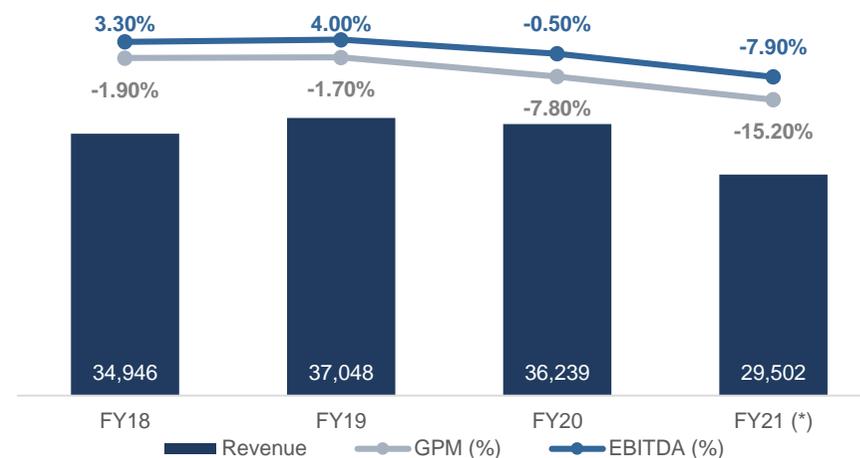
The Target Company has consistently recorded sales of more than KRW 3.5 trillion since FY17, but FY20 sales performance temporarily deteriorated due to Covid-19 and a liquidity crisis due in part to an ongoing loss-making situation that led to the commencement of the M&A process.

### Consolidated BS

Unit: KRW '000 Million	FY17	FY18	FY19	FY20
<b>Current Asset</b>	<b>6,552</b>	<b>5,711</b>	<b>4,975</b>	<b>5,467</b>
Cash and Equivalent	2,154	1,561	1,258	1,860
Account Receivable	1,871	1,572	1,213	1,006
Inventory	2,284	2,286	2,261	1,924
Other CA	243	292	243	678
<b>Non-current Asset</b>	<b>15,928</b>	<b>16,346</b>	<b>15,217</b>	<b>12,219</b>
Fixed Asset	12,397	12,281	11,423	9,391
Intangible Asset	3,033	3,538	3,131	2,099
Investment in JV	151	167	191	211
Other LT Receivables	340	351	389	415
Other Non-CA	8	9	83	103
<b>Total Asset</b>	<b>22,480</b>	<b>22,056</b>	<b>20,192</b>	<b>17,686</b>
<b>Current Liability</b>	<b>10,066</b>	<b>9,951</b>	<b>9,871</b>	<b>13,285</b>
Account Payable	5,265	5,349	4,774	5,325
Outstanding Expense	1,893	1,590	1,311	3,288
ST Debt	1,638	1,782	2,541	3,150
Other CL	1,270	1,230	1,245	1,522
<b>Non-current Liability</b>	<b>4,663</b>	<b>5,172</b>	<b>6,290</b>	<b>5,282</b>
LT Debt	700	750	1,588	400
Net Benefit Liability	2,846	3,292	3,562	3,824
Other Non-CL	1,117	1,131	1,141	1,058
<b>Total Liability</b>	<b>14,729</b>	<b>15,124</b>	<b>16,161</b>	<b>18,568</b>
<b>Total Equity</b>	<b>7,752</b>	<b>6,933</b>	<b>4,031</b>	<b>(881)</b>
<b>Liability Ratio</b>	<b>190.0%</b>	<b>218.1%</b>	<b>400.9%</b>	<b>-2107.0%</b>
<b>Current Ratio</b>	<b>65.1%</b>	<b>57.4%</b>	<b>50.4%</b>	<b>41.2%</b>

### Consolidated PL

Unit: KRW '000 Million	FY17	FY18	FY19	FY20
<b>Revenue</b>	<b>34,946</b>	<b>37,048</b>	<b>36,239</b>	<b>29,502</b>
<i>Growth rate %</i>	-	6.0%	-2.2%	-18.6%
COGS	29,786	32,425	33,563	28,701
<i>% of Revenue</i>	85.2%	87.5%	92.6%	97.3%
<b>Gross Profit</b>	<b>5,161</b>	<b>4,623</b>	<b>2,676</b>	<b>801</b>
<i>% of Revenue</i>	14.77%	12.48%	7.38%	2.71%
SG&A	5,814	5,264	5,495	5,294
<b>Operating Profit</b>	<b>(653)</b>	<b>(642)</b>	<b>(2,819)</b>	<b>(4,494)</b>
<i>% of Revenue</i>	-1.9%	-1.7%	-7.8%	-15.2%
D&A	1,790	2,124	2,622	2,156
<b>EBITDA</b>	<b>1,137</b>	<b>1,482</b>	<b>(197)</b>	<b>(2,337)</b>
<i>% of Revenue</i>	3.3%	4.0%	-0.5%	-7.9%



# 5 Financial Overview

## Financial Overview

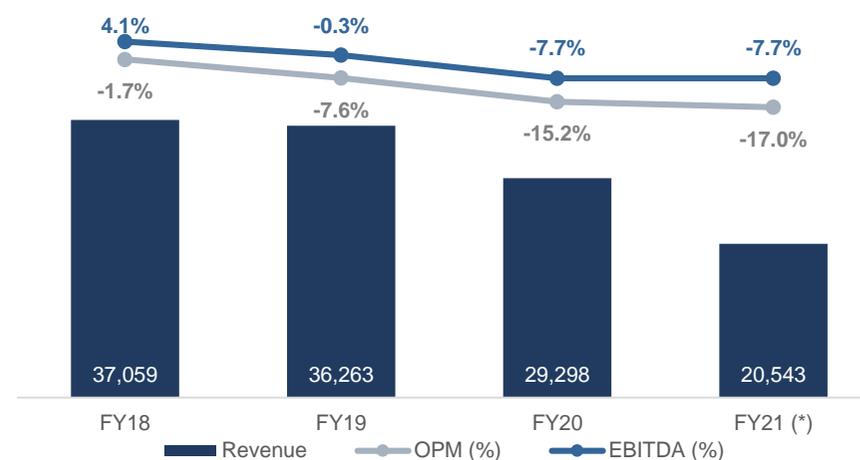
The Target Company has consistently recorded sales of more than KRW 3.5 trillion since FY17, but FY20 sales performance temporarily deteriorated due to Covid-19 and a liquidity crisis due in part to an ongoing loss-making situation that led to the commencement of the M&A process.

### Standalone BS

Unit: KRW '000 Million	FY18	FY19	FY20	2021-04-15
<b>Current Asset</b>	<b>5,757</b>	<b>5,065</b>	<b>5,509</b>	<b>4,840</b>
Cash and Equivalent	1,519	1,195	1,657	753
Account Receivable	1,790	1,590	1,408	1,271
Inventory	2,170	2,046	1,780	1,874
Other CA	3	2	7	9
<b>Non-current Asset</b>	<b>16,304</b>	<b>15,103</b>	<b>12,138</b>	<b>14,651</b>
Fixed Asset	12,272	11,414	9,383	11,924
Intangible Asset	3,538	3,129	2,097	2,061
Investment in JV	102	102	102	102
Other LT Receivables	351	389	462	463
Other Non-CA	0	1	1	1
<b>Total Asset</b>	<b>22,061</b>	<b>20,168</b>	<b>17,647</b>	<b>19,491</b>
<b>Current Liability</b>	<b>9,936</b>	<b>9,834</b>	<b>13,226</b>	<b>13,288</b>
Account Payable	5,347	4,771	5,313	4,852
Outstanding Expense	1,578	1,288	3,248	3,593
ST Debt	1,782	2,541	3,150	3,150
Other CL	12	12	15	17
<b>Non-current Liability</b>	<b>5,172</b>	<b>6,279</b>	<b>5,264</b>	<b>5,272</b>
LT Debt	750	1,588	400	400
Net Benefit Liability	3,292	3,562	3,824	3,849
Other Non-CL	11	11	10	10
<b>Total Liability</b>	<b>15,108</b>	<b>16,113</b>	<b>18,490</b>	<b>18,560</b>
<b>Total Equity</b>	<b>6,953</b>	<b>4,055</b>	<b>(843)</b>	<b>931</b>
<b>Liability Ratio</b>	<b>217%</b>	<b>397%</b>	<b>-2193%</b>	<b>1993%</b>
<b>Current Ratio</b>	<b>58%</b>	<b>52%</b>	<b>42%</b>	<b>36%</b>

### Standalone PL

Unit: KRW '000 Million	FY18	FY19	FY20	2021-04-15
<b>Revenue</b>	<b>37,059</b>	<b>36,263</b>	<b>29,298</b>	<b>5,853</b>
<i>Growth rate %</i>	-	-2.1%	-19.2%	-80.0%
COGS	32,479	33,635	28,597	5,960
<i>% of Revenue</i>	87.6%	92.8%	97.6%	101.8%
<b>Gross Profit</b>	<b>4,580</b>	<b>2,627</b>	<b>700</b>	<b>(107)</b>
<i>% of Revenue</i>	12.4%	7.2%	2.4%	-1.8%
SG&A	5,199	5,379	5,161	887
<b>Operating Profit</b>	<b>(619)</b>	<b>(2,752)</b>	<b>(4,460)</b>	<b>(994)</b>
<i>% of Revenue</i>	-1.7%	-7.6%	-15.2%	-17.0%
D&A	2,123	2,654	2,208	543
<b>EBITDA</b>	<b>1,504</b>	<b>(98)</b>	<b>(2,252)</b>	<b>(451)</b>
<i>% of Revenue</i>	4.1%	-0.3%	-7.7%	-7.7%



(\*) Revenue for FY21 is computed by annualizing the reported revenue as of April 15<sup>th</sup>, 2021

# 5 Financial Overview

## Claim Overview

The total liability amount of the Target Company is KRW 1.756 trillion, of which reorganisation secured claims amount to KRW 255.3 billion, reorganisation claims KRW 821.2 billion, and public interest claims 679.9 billion.

### Reorganisation Secured Claims and Other Claims

Unit: KRW Hundred Million	Category	Amount	Voting Right (%)	
Reorganisation Secured Claim	Financial Institution Loan Claim	2,201	100.00%	<b>Reorganisation Secured Claims and Other Claims</b>  Use M&A proceeds for repayment in accordance with the reorganisation plan
	Tax Claim	353	NA	
	<b>Subtotal</b>	<b>2,553</b>	<b>100.00%</b>	
Reorganisation Claim	Commercial Claim	4,290	54.43%	
	Loan Claim	735	10.23%	
	Fixed Indemnity Claim	1	0.02%	
	Related Party Claim	776	0.24%	
	Board Member Benefit Claim	6	0.08%	
	Unconfirmed Provisional Claim	2,194	34.95%	
	Government Grant	4	0.06%	
	Tax Claim	206	NA	
<b>Subtotal</b>	<b>8,212</b>	<b>100.00%</b>	<b>Public Interest Claims</b>  Use operating cash flow for repayment	
Public Interest Claim	Commercial Claim	2,223		
	Related Party Claim	13		
	Benefit Claim(*)	4,467		
	Tax Claim	95		
<b>Subtotal</b>	<b>6,799</b>			
<b>Total</b>		<b>17,564</b>		

(\*) Allowance for retirement benefit of employees amount to KRW 313 billion

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