

SSANGYONG MOTOR COMPANY

Separate Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Ssangyong Motor Company

Disclaimer of Opinion

We were engaged to audit the accompanying separate financial statements of Ssangyong Motor Company ("the Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, the separate statements of comprehensive Income(loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying separate financial statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these separate financial statements.

We were also engaged to audit the Company's Internal Control over Financial Reporting ("ICFR") and as our report dated March 31, 2022 stated, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the effectiveness of the Company's ICFR.

Basis for Disclaimer of Opinion

The accompanying separate financial statements have been prepared assuming that the Company will continue as a going concern and therefore the Company'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 separate financial statements, the Company has incurred operating loss of ₩260,692 million and a net loss of ₩257,819 million during the period ended December 31, 2021. As of that date, the Company's current liabilities exceed its current assets by ₩901,111 million and total equity is (₩76,539) million which is a complete capital erosion.

The Company filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court ("the court") on December 21, 2020. The court commenced rehabilitation procedures on April 15, 2021 and the Company filed a rehabilitation plan to the court on February 25, 2022. Also, the Company is resuming 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 Company under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Whether the Company to continue as a going concern or not includes a material uncertainty that depends on whether the court approves the Company's rehabilitation plan and the final result of M&A deal and the final results of the capital reorganization plan and business improvement plan of the Company including the implementation of the rehabilitation plan after the court approval, as discussed in note 34 to the separate financial statement. However, 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 including whether assets are impaired and liquidity classification of liabilities, etc. that might be resulted from the outcome of this uncertainty.

Emphasis of matters

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

(1) Criteria for delisting met

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



(2) Commencement of the rehabilitation process by the Seoul Bankruptcy Court and M&A deal before court approval of rehabilitation plan

As stated in Note 35, the Company filed for commencement of corporate rehabilitation procedure with the court on December 21, 2020. The court commenced rehabilitation procedures on April 15, 2021. Also, the Company is resuming 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 Company under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

After the end of reporting period, the Company signed an M&A contract on Jan 10, 2022 and the Company filed a rehabilitation plan to the court on February 25, 2022. However, immediate cancellation of M&A contract occurred on March 25, 2022. The Company will submit revised rehabilitation plan to the court after seeking a new buyer and reselling process.

Other matter

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

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our responsibility is to audit the Company's separate financial statements and issue an audit's reports in accordance with Korean Standards on Auditing (KSAs). However, because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence that provide a basis for an opinion on the separate financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Republic of Korea, and we have fulfilled our ethical responsibilities in accordance with these requirements.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 31, 2022

This report is effective as of March 31, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY
Separate Statements of Financial Position

As of December 31, 2021 and 2020

(In thousands of won and in thousands of dollar)

	<i>Note</i>	Korean won		US dollar	
		2021	2020	2021	2020
Assets					
Cash and cash equivalents	4,5,33	₩ 45,834,173	165,339,311	\$ 38,662	139,468
Current financial instruments	5,33	21,275,651	-	17,947	-
Trade and other receivables, net	7,13, 31,32,33	166,733,253	170,125,151	140,644	143,505
Inventories, net	8,25	134,530,829	177,972,128	113,480	150,124
Other current assets	10	70,741,318	37,425,262	59,672	31,569
Total current assets		<u>439,115,224</u>	<u>550,861,852</u>	<u>370,405</u>	<u>464,666</u>
Non-current financial instruments	5,33	4,000	4,000	3	3
Non-current trade and other receivables, net	7,13,31,32, 33	37,615,776	46,177,977	31,730	38,953
Non-current financial assets	6,33	560,000	560,000	472	472
Property, plant and equipment, net	11,14	1,190,309,298	938,275,635	1,004,057	791,460
Intangible assets, net	12	175,537,013	209,684,403	148,070	176,874
Investments in joint venture	9	10,200,000	10,200,000	8,604	8,604
Other non-current assets	10	275,957	275,956	233	233
Right-of-use assets	13	4,144,699	8,654,467	3,496	7,300
Total non-current assets		<u>1,418,646,743</u>	<u>1,213,832,438</u>	<u>1,196,665</u>	<u>1,023,899</u>
Total assets		₩ <u>1,857,761,967</u>	<u>1,764,694,290</u>	\$ <u>1,567,070</u>	<u>1,488,565</u>

See accompanying notes to the separate financial statements.

SSANGYONG MOTOR COMPANY
Separate Statements of Financial Position, Continued

As of December 31, 2021 and 2020

(In thousands of won and in thousands of dollar)

	Note	Korean won		US dollar	
		2021	2020	2021	2020
Liabilities					
Trade payables	32,33	₩ 515,796,052	531,345,654 \$	435,087	448,204
Other payables	32,33	277,222,798	200,247,620	233,845	168,913
Short-term borrowings	14,19,30,33	314,998,021	314,999,838	265,709	265,711
Other financial liabilities	15,33	101,017,254	54,904,748	85,211	46,314
Provision of warranty for sale					
- current	16	46,539,918	50,043,567	39,258	42,213
Provision of others - current	19	35,426,691	56,155,989	29,883	47,369
Other long-term employee benefits liabilities- current	18	-	1,985,709	-	1,675
Other current liabilities	17,30,31,32,33	44,215,679	39,042,928	37,296	32,933
Lease liabilities - current	13,30,33	5,009,687	5,477,728	4,226	4,621
Total current liabilities		<u>1,340,226,100</u>	<u>1,254,203,781</u>	<u>1,130,515</u>	<u>1,057,953</u>
Long-term borrowings	14,19,30,32,33	40,000,000	40,000,000	33,741	33,741
Non-current other payables	33	64,062	646,636	54	545
Other non-current liabilities	17,31	14,125,559	17,418,732	11,914	14,692
Defined benefit liabilities	18	363,150,322	382,379,014	306,327	322,547
Other long-term employee benefits liabilities					
- non-current	18	14,687,238	14,587,395	12,389	12,305
Provision of warranty for sale - non-current	16	58,290,755	69,272,223	49,170	58,433
Provision of other - non-current	19	44,439,158	68,422,537	37,486	57,716
Non-current lease liabilities	13,30,33	4,012,329	2,086,565	3,385	1,760
Deferred tax liabilities	24	55,305,230	-	46,651	-
Total non-current liabilities		<u>594,074,653</u>	<u>594,813,102</u>	<u>501,117</u>	<u>501,739</u>
Total liabilities		<u>1,934,300,753</u>	<u>1,849,016,883</u>	<u>1,631,632</u>	<u>1,559,692</u>
Equity					
Capital stock	20	749,200,010	749,200,010	631,970	631,970
Other capital surplus	21	77,231,312	78,162,820	65,147	65,933
Other equity	22	223,495,126	-	188,524	-
Accumulated deficit	23	(1,126,465,234)	(911,685,423)	(950,203)	(769,030)
Total equity		<u>(76,538,786)</u>	<u>(84,322,593)</u>	<u>(64,562)</u>	<u>(71,127)</u>
Total liabilities and equity		<u>₩ 1,857,761,967</u>	<u>1,764,694,290 \$</u>	<u>1,567,070</u>	<u>1,488,565</u>

See accompanying notes to the separate financial statements.

SSANGYONG MOTOR COMPANY
Separate Statements of Comprehensive Income(loss)

For the years ended December 31, 2021 and 2020

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

	Note	Korean won		US dollar	
		2021	2020	2021	2020
Sales	31,32 ₩	2,417,230,989	2,929,789,338	\$ 2,038,997	2,471,353
Cost of sales	25,32	2,372,335,265	2,859,739,557	2,001,126	2,412,264
Gross profit		<u>44,895,724</u>	<u>70,049,781</u>	<u>37,871</u>	<u>59,089</u>
Selling, general and administrative expenses	25,26	305,587,292	516,086,132	257,771	435,332
Operating loss		<u>(260,691,568)</u>	<u>(446,036,351)</u>	<u>(219,900)</u>	<u>(376,243)</u>
Other income	27,32	22,403,482	135,220,520	18,898	114,062
Other expenses	27,32	(7,449,592)	(178,475,438)	(6,284)	(150,549)
Finance income	28	4,485,203	3,729,248	3,783	3,146
Finance costs	28	(16,566,272)	(17,703,217)	(13,974)	(14,933)
Loss before income taxes		<u>(257,818,747)</u>	<u>(503,265,238)</u>	<u>(217,477)</u>	<u>(424,517)</u>
Income tax expenses	24	-	-	-	-
Loss for the year		<u>(257,818,747)</u>	<u>(503,265,238)</u>	<u>(217,477)</u>	<u>(424,517)</u>
Other comprehensive income for the year		266,534,062	13,403,052	224,828	11,306
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	43,038,936	13,403,052	36,304	11,306
Gain on asset revaluation	11,22	223,495,126	-	188,524	-
Items that are or may be reclassified subsequently to profit or loss:					
Total comprehensive income(loss) for the year	₩	<u>8,715,315</u>	<u>(489,862,186)</u>	\$ <u>7,351</u>	<u>(413,211)</u>
Losses per share					
Basic and diluted losses per share	29 ₩	(1,721)	(3,359)	\$ (1.45)	(2.83)

See accompanying notes to the separate financial statements.

SSANGYONG MOTOR COMPANY
Separate Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(In thousands of won)

	Korean won						
	Other capital surplus					Total	
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Other equity		Accumulated deficit
Balance at January 1, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	-	(421,823,237)	405,539,593
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(503,265,238)	(503,265,238)
Defined benefit plan re-measurements	-	-	-	-	-	13,403,052	13,403,052
Balance at December 31, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	-	(911,685,423)	(84,322,593)
Balance at January 1, 2021	₩ 749,200,010	3,169,615	74,061,697	931,508	-	(911,685,423)	(84,322,593)
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(257,818,747)	(257,818,747)
Defined benefit plan re-measurements	-	-	-	-	-	43,038,936	43,038,936
Debt to be swapped for equity	-	-	-	(931,508)	-	-	(931,508)
Gain on asset revaluation	-	-	-	-	223,495,126	-	223,495,126
Balance at December 31, 2021	₩ 749,200,010	3,169,615	74,061,697	-	223,495,126	(1,126,465,234)	(76,538,786)

SSANGYONG MOTOR COMPANY
Separate Statements of Changes in Equity, Continued

For the years ended December 31, 2021 and 2020

(In thousands of dollar)

	US dollar						
	Other capital surplus						
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Other equity	Accumulated deficit	Total
Balance at January 1, 2020	\$ 631,970	2,674	62,473	786	-	(355,819)	342,084
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(424,517)	(424,517)
Defined benefit plan re-measurements	-	-	-	-	-	11,306	11,306
Balance at December 31, 2020	\$ 631,970	2,674	62,473	786	-	(769,030)	(71,127)
Balance at January 1, 2021	\$ 631,970	2,674	62,473	786	-	(769,030)	(71,127)
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(217,477)	(217,477)
Defined benefit plan re-measurements	-	-	-	-	-	36,304	36,304
Debt to be swapped for equity	-	-	-	(786)	-	-	(786)
Gain on asset revaluation	-	-	-	-	188,524	-	188,524
Balance at December 31, 2021	\$ 631,970	2,674	62,473	-	188,524	(950,203)	(64,562)

See accompanying notes to the separate financial statements.

SSANGYONG MOTOR COMPANY
Separate Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Cash flows from operating activities				
Loss for the year	₩ (257,818,747)	(503,265,238)	\$ (217,477)	(424,517)
Adjustment	296,703,191	427,508,922	250,277	360,615
Changes in assets and liabilities	(13,719,864)	123,493,446	(11,573)	104,170
Cash generated from operations (note 30)	<u>25,164,580</u>	<u>47,737,130</u>	<u>21,227</u>	<u>40,268</u>
Interest received	1,229,980	1,999,820	1,038	1,687
Interest paid	(599,561)	(10,844,785)	(506)	(9,148)
Dividends received	11,000	11,000	9	9
Net cash provided by operating activities	<u>25,805,999</u>	<u>38,903,165</u>	<u>21,768</u>	<u>32,816</u>
Cash flows from investing activities				
Decrease of loans and others	4,604,132	2,853,693	3,884	2,407
Proceed from disposal of property, plant and equipment	448,302	185,865,417	378	156,782
Proceed from disposal of intangible assets	70,120	-	59	-
Increase of loans and others	(6,000,664)	(1,900,000)	(5,062)	(1,603)
Acquisition of property, plant and equipment	(94,865,461)	(69,937,021)	(80,021)	(58,994)
Acquisition of intangible assets	(35,383,391)	(42,933,905)	(29,847)	(36,216)
Increase of current financial instruments	(21,275,651)	-	(17,947)	-
Net cash provided by (used in) investing activities	<u>(152,402,613)</u>	<u>73,948,184</u>	<u>(128,556)</u>	<u>62,376</u>
Cash flows from financing activities				
Proceeds from borrowings	59,999,969	157,000,113	50,612	132,434
Proceeds from deposits	15,512,588	-	13,085	-
Receipts of government grants	-	134,837	-	114
Repayment of borrowings	(60,001,786)	(214,856,722)	(50,613)	(181,237)
Payment of finance lease	(8,419,295)	(8,920,972)	(7,102)	(7,525)
Net cash provided by (used in) financing activities	<u>7,091,476</u>	<u>(66,642,744)</u>	<u>5,982</u>	<u>(56,214)</u>
Net increase (decrease) in cash and cash equivalents	<u>(119,505,138)</u>	<u>46,208,605</u>	<u>(100,806)</u>	<u>38,978</u>
Cash and cash equivalents at January 1	<u>165,339,311</u>	<u>119,130,706</u>	<u>139,468</u>	<u>100,490</u>
Cash and cash equivalents at December 31	<u>₩ 45,834,173</u>	<u>165,339,311</u>	<u>\$ 38,662</u>	<u>139,468</u>

See accompanying notes to the separate financial statements.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

1. General Description of the Company

(1) Organization and description of business of the Company

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

(2) Major shareholders

As of December 31, 2021, 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>

2. Basis of Preparation and Accounting Policies

(1) Basis of translating separate financial statements

The separate financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩1,185.50 to \$1 on December 31, 2021, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into US dollars at this or any other rate.

(2) Statement of compliance

The Company has prepared its separate financial statements in accordance with the K-IFRS. The Company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS No. 1027, Separate Financial Statements, in which a parent, or an investor with joint control of, or significant influence over, an investee, accounts for the investments on the basis of the direct equity interest rather than on the basis of the underlying results and net assets of the investees.

The separate financial statements as of and for the year ended December 31, 2021, were reported to the chief restructuring officer and authorized for issuance on March 23, 2022.

Some of amounts in the separate financial position as of December 31, 2020, was reclassified and modified to ensure comparability with the current period.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

2. Basis of Preparation and Accounting Policies, Continued

(2) Statement of compliance, continued

1) Measurement Criteria

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

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

2) Use of estimates and judgments

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

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

2. Basis of Preparation and Accounting Policies, Continued

(2) Statement of compliance, continued

3) Changes in accounting policies

① Revaluation on Lands

After initial recognition, land is recognized at a revalued amount, being its fair value at the date of the revaluation date. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The effect of the Company's separate financial statements is described Note 11.(5).

② Others

The Company has initially adopted 'Impact of the initial application of Covid-19-Related Rent Concessions beyond June 30, 2021'(K-IFRS No. 1116 Leases) and 'Interest Rate Benchmark Reform (K-IFRS No.1109 Financial Instruments, K-IFRS No. 1039 Financial Instruments Recognition and Measurement and K-IFRS No. 1107 Financial Instruments Disclosures) from January 1, 2021. A number of other new standards are also effective from January 1, 2021, but they do not have a material effect on the Company's separate financial statements.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies

The significant accounting policies that we applied to the preparation of the Company's separate financial statements in accordance with K-IFRS are described below. Except Note 2.(2),3) Changes in accounting policies, the Company has consistently applied the accounting policies to the Company's separate financial statements for the years ended December 31, 2021 and 2020.

(1) New standards and interpretations not yet adopted

As of December 31, 2021, new standards which are amended and effective but not applied for annual periods beginning after 1 January 2021 are the followings. The Company decided not to early adopt the followings in preparation of the separate financial statements.

The following amendment standards and interpretation are not expected to have a significant impact on the Company's separate financial statements.

- K-IFRS No. 1117 'Insurance Contracts' (Newly adopted)
- K-IFRS No. 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current (Amendment)
- K-IFRS No. 1103 'Business Combinations' - Reference to the Conceptual Framework (Amendment)
- 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)
- K-IFRS No. 1037 'Provisions, Contingent Liabilities and Contingent Assets' - Cost of Fulfilling a Contract (Amendment)
- Annual Improvements to K-IFRS Standards 2018–2020
- K-IFRS No. 1001 'Presentation of Financial Statements' and IFRS Practice Statement 2 the application of 'materiality' (Amendment)
- K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of accounting estimates (Amendment)
- K-IFRS No. 1012 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction

(2) Accounting for investments in subsidiaries and joint ventures

The Company in accordance with the K-IFRS No. 1110 'Consolidated financial statements' is a parent company and it has subsidiaries, Ssangyong European Parts Center B.V. and Ssangyong Australia Pty Ltd., and has a joint venture with SY auto capital Co., Ltd. When the Company prepares separate financial statements, the investments in subsidiaries and a joint venture are accounted for at cost basis by the direct investment proportion. Also, the Company recognizes a dividend from a subsidiary in profit or loss in the separate financial statements when its right to receive the dividend is established.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(3) Revenue recognition

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

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

Transaction price of a service warranty to a customer under a sales policy is allocated by relative individual sales price that is estimated by "expected cost plus a margin approach". The consideration paid to customers defined in K-IFRS 1115 are recognized by deducting from related sales.

(4) Foreign currencies

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

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

(5) Non-derivative financial assets

1) Recognition and initial measurement

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

2) Classification and subsequent measurements

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

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

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

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

2) Classification and subsequent measurements, continued

When evaluating this, we consider the following:

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

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

Subsequent measurement and profit and loss

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

3) Elimination

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

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

4) Offsetting

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(6) Impairment of financial assets

1) Financial instruments and contract assets

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

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

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

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

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

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

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

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

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

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

2) Measurement of ECLs

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(6) Impairment of financial assets, continued

3) Credit-impaired financial assets

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

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

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

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

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

5) Write- Off

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

(7) Financial liabilities and Paid-in capital

1) Paid-in capital

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

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

2) Financial liabilities

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(7) Financial liabilities and Paid-in capital, continued

2) Financial liabilities, continued

① Financial liabilities at fair value through profit or loss

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

② Other financial liabilities

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

③ Elimination of financial liabilities

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

(8) Derivative financial instruments

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(9) Inventories

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

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

(10) Property, plant and equipment

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(10) Property, plant and equipment, continued

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

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

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

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

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

(11) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(11) Intangible assets, continued

2) Internally generated intangible assets - research and development expenditure, continued

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

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

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

3) Derecognition of intangible assets

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

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(12) Impairment of Non-financial assets

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

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(13) Retirement benefit costs and termination benefits

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(14) Provisions

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

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

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

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

(15) Lease

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

1) As a lessor

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(15) Lease, continued

2) As a lessee

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY
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3. Significant Accounting Policies, Continued

(16) Borrowing costs

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

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

(17) Government grants

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

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

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

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

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3. Significant Accounting Policies, Continued

(18) Finance income and expenses

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

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

(19) Earnings per share

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

(20) Taxation

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

1) Current tax

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

2) Deferred tax

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

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(20) Taxation, continued

2) Deferred tax, continued

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

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

3) Current and deferred taxes for the year

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

(21) Fair value

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

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

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

3. Significant Accounting Policies, Continued

(22) Segment information

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

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

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

4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

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

(In thousands of won and in thousands of dollar)

	Financial institution		Korean won		US dollar		Description	
			2021	2020	2021	2020		
Cash and cash equivalents	Shinhan Bank	₩	171,226	36,488	\$	144	31	Government grants
	Woori Bank and others		10,303	8,121,902		9	6,851	Pledged as collateral, etc.
Current financial instruments	Woori Bank and others		21,275,651	-		17,947	-	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others		4,000	4,000		3	3	Bank account deposit
		₩	<u>21,461,180</u>	<u>8,162,390</u>	\$	<u>18,103</u>	<u>6,885</u>	

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

6. Non-current Financial Assets

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

(In thousands of won)

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

(In thousands of dollar)

	Ownership (%)	2021			2020
		Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	\$ 422	635	422	422
Korea Management Consultants Association(*)	1.50	50	876	50	50
		\$ 472	1,511	472	472

(*) 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.

7. Trade and Other Receivables

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

(In thousands of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Trade receivables	₩	140,319,718	8,621,493	141,018,129	4,733,011
Less: Allowance for doubtful accounts		(545,661)	(5,187)	(227,395)	(951)
Other receivables		8,128,574	-	14,516,306	85,550
Less: Allowance for doubtful accounts		(4,604,577)	-	(3,790,368)	(44,250)
Loans and others(*)		23,435,199	28,999,827	18,608,479	41,404,974
Less: Allowance for doubtful accounts		-	(357)	-	(357)
	₩	166,733,253	37,615,776	170,125,151	46,177,977

(*) The Loans and others listed above include ₩6,644,671 thousand and ₩4,346,501 thousand for sub lease receivables and the interest revenue received by the sub lease contract is ₩606,336 thousand and ₩577,204 thousand for the years ended December 31, 2021 and 2020, respectively.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

7. Trade and Other Receivables, Continued

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

(In thousands of dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 118,363	7,272	118,952	3,992
Less: Allowance for doubtful accounts	(460)	(3)	(192)	(1)
Other receivables	6,857	-	12,245	72
Less: Allowance for doubtful accounts	(3,884)	-	(3,197)	(36)
Loans and others(*)	19,768	24,462	15,697	34,927
Less: Allowance for doubtful accounts	-	(1)	-	(1)
	<u>\$ 140,644</u>	<u>31,730</u>	<u>143,505</u>	<u>38,953</u>

(*) The Loans and others listed above include \$5,605 thousand and \$3,666 thousand for sub lease receivables and the interest revenue received by the sub lease contract is \$511 thousand and \$487 thousand for the years ended December 31, 2021 and 2020, respectively.

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

(In thousands of won)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 126,534,687	54,510,870	120,502,440	69,146,700
Less than 180 days	11,928,692	596,568	10,939,798	716,835
Less than 270 days	4,283,357	481,100	7,594,498	602,574
Less than 365 days	3,822,630	174,284	3,183,546	172,684
More than 365 days	2,371,845	4,800,777	3,530,858	3,976,516
Total	₩ 148,941,211	60,563,599	145,751,140	74,615,309
Impaired receivables	550,848	4,604,934	228,346	3,834,975

(In thousands of dollar)

	2021		2020	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 106,735	45,981	101,647	58,327
Less than 180 days	10,062	503	9,228	605
Less than 270 days	3,613	406	6,406	508
Less than 365 days	3,224	147	2,685	146
More than 365 days	2,001	4,049	2,978	3,355
Total	\$ 125,635	51,086	122,944	62,941
Impaired receivables	463	3,885	193	3,234

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

7. Trade and Other Receivables, Continued

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 228,346	3,834,975	332,804	4,487,248
Bad debt expense	322,502	814,209	453	-
Reversal of allowance for bad debts	-	(44,250)	(104,911)	(310,059)
Removal	-	-	-	(342,214)
Ending balance	₩ 550,848	4,604,934	228,346	3,834,975

(In thousands of dollar)

	2021		2020	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 193	3,235	281	3,785
Bad debt expense	270	687	-	-
Reversal of allowance for bad debts	-	(37)	(88)	(262)
Removal	-	-	-	(290)
Ending balance	\$ 463	3,885	193	3,233

8. Inventories

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Merchandises	₩ 38,539,385	37,082,596	\$ 32,509	31,280
Finished goods	15,347,790	61,554,992	12,946	51,923
Work-in-process	22,449,034	23,460,664	18,936	19,790
Raw materials	37,651,217	31,948,093	31,760	26,949
Sub-materials	512,165	397,082	432	335
Supplies	3,363,625	3,253,034	2,837	2,744
Goods in transit	16,667,613	20,275,667	14,060	17,103
	₩ 134,530,829	177,972,128	\$ 113,480	150,124

The Company has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩7,152,809 thousand (\$6,034 thousand) for the years ended December 31, 2021 and the loss on valuation of inventories amounted to ₩5,650,962 thousand (\$4,767 thousand) for the years ended December 31, 2020.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

9. Investments in Subsidiaries and a Joint venture

Details of investment in subsidiaries and a joint venture as of December 31, 2021 and 2020 are as follows:

(In thousands of won)

	Company	Location	Owner ship	Closing month	2021		2020
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. (*1)	China	100%	December	₩ -	-	-
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	835,695	-	-
	Ssangyong Australia Pty Ltd.	Australia	100%	December	4,067,594	-	-
					<u>4,903,289</u>	<u>-</u>	<u>-</u>
Joint venture	SY Auto Capital Co., Ltd. (*2)	Korea	51%	December	10,200,000	10,200,000	10,200,000
					<u>₩ 15,103,289</u>	<u>10,200,000</u>	<u>10,200,000</u>

(*1) Impairment loss on investments in subsidiaries of ₩297,411 thousand was recognized for the year ended December 31, 2020, and was excluded from subsidiaries because the Company sold the whole shares of Ssangyong Motor(Shanghai) Co., Ltd for the year ended December 31, 2021.

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

(In thousands of dollar)

	Company	Location	Owner ship	Closing month	2021		2020
					Acquisition cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd. (*1)	China	100%	December	\$ -	-	-
	Ssangyong European Parts Center B.V.	Netherlands	100%	December	705	-	-
	Ssangyong Australia Pty Ltd.	Australia	100%	December	3,431	-	-
					<u>4,136</u>	<u>-</u>	<u>-</u>
Joint venture	SY Auto Capital Co., Ltd. (*2)	Korea	51%	December	8,604	8,604	8,604
					<u>\$ 12,740</u>	<u>8,604</u>	<u>8,604</u>

(*1) Impairment loss on investments in subsidiaries of \$251 thousand was recognized for the year ended December 31, 2020, and was excluded from subsidiaries because the Company sold the whole shares of Ssangyong Motor(Shanghai) Co., Ltd for the year ended December 31, 2021.

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

10. Other Assets

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Other current assets				
Advance payments	₩ 61,808,741	29,863,746	\$ 52,137	25,191
Prepaid expenses	8,888,976	7,370,813	7,498	6,217
Current tax assets	43,601	190,703	37	161
	₩ 70,741,318	37,425,262	\$ 59,672	31,569
Other non-current assets				
Other non-current assets	₩ 275,957	275,956	\$ 233	233

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment

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

(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		7,047,891	-	(1,278)	(5,141,229)	(341,445)	1,563,939
Tools and molds		1,453,231,689	-	(54,352)	(1,064,053,048)	(194,099,221)	195,025,068
Equipment		65,501,051	-	(67,235)	(56,924,790)	(3,625,715)	4,883,311
Construction in progress		44,867,824	-	-	-	(1,270,000)	43,597,824
Machinery in transit		492,071	-	-	-	-	492,071
	₩	<u>3,959,462,282</u>	<u>278,800,357</u>	<u>(3,791,264)</u>	<u>(2,543,941,546)</u>	<u>(500,220,531)</u>	<u>1,190,309,298</u>

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

(In thousands of won)

		2020				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	402,580,149	(7,354)	-	-	402,572,795
Buildings		535,733,760	(3,579,504)	(237,764,195)	(156,914,544)	137,475,517
Structures		112,084,615	(50,238)	(68,322,549)	(31,207,525)	12,504,303
Machinery		1,303,530,860	(160,070)	(1,077,928,435)	(112,711,983)	112,730,372
Vehicles		6,652,749	(2,811)	(5,183,989)	(396,327)	1,069,622
Tools and molds		1,410,349,036	(72,559)	(987,011,007)	(193,950,222)	229,315,248
Equipment		65,864,357	(92,231)	(54,749,681)	(3,667,212)	7,355,233
Construction in progress		38,138,856	-	-	(3,206,144)	34,932,712
Machinery in transit		319,833	-	-	-	319,833
	₩	<u>3,875,254,215</u>	<u>(3,964,767)</u>	<u>(2,430,959,856)</u>	<u>(502,053,957)</u>	<u>938,275,635</u>

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, continued

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

(In thousands of dollar)

	2021					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 361,186	235,175	(6)	-	-	596,355
Buildings	452,203	-	(2,939)	(206,791)	(132,361)	110,113
Structures	94,668	-	(37)	(58,667)	(26,312)	9,652
Machinery	1,106,554	-	(113)	(930,512)	(95,130)	80,799
Vehicles	5,945	-	(1)	(4,337)	(288)	1,319
Tools and molds	1,225,839	-	(46)	(897,556)	(163,728)	164,509
Equipment	55,252	-	(57)	(48,018)	(3,058)	4,119
Construction in progress	37,847	-	-	-	(1,071)	36,776
Machinery in transit	415	-	-	-	-	415
	<u>\$ 3,339,909</u>	<u>235,175</u>	<u>(3,199)</u>	<u>(2,145,880)</u>	<u>(421,948)</u>	<u>1,004,057</u>

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

(In thousands of dollar)

	2020				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 339,587	(6)	-	-	339,581
Buildings	451,905	(3,019)	(200,560)	(132,364)	115,962
Structures	94,546	(42)	(57,632)	(26,324)	10,548
Machinery	1,099,562	(135)	(909,261)	(95,075)	95,091
Vehicles	5,612	(2)	(4,373)	(334)	903
Tools and molds	1,189,666	(61)	(832,569)	(163,602)	193,434
Equipment	55,558	(78)	(46,183)	(3,093)	6,204
Construction in progress	32,171	-	-	(2,704)	29,467
Machinery in transit	270	-	-	-	270
	<u>\$ 3,268,877</u>	<u>(3,343)</u>	<u>(2,050,578)</u>	<u>(423,496)</u>	<u>791,460</u>

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows:

		2021					Ending balance
		Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	
Land	₩	402,572,795	33,760	(43,411)	-	304,415,827	706,978,971
Buildings		137,475,517	6,723	-	(7,290,556)	346,750	130,538,434
Structures		12,504,303	-	(114)	(1,237,158)	175,887	11,442,918
Machinery		112,730,372	739	(30)	(26,050,173)	9,105,854	95,786,762
Vehicles		1,069,622	184,880	(135,209)	(355,541)	800,187	1,563,939
Tools and molds		229,315,248	467,289	(134,829)	(85,464,068)	50,841,428	195,025,068
Equipment		7,355,233	174,362	(45,786)	(2,643,114)	42,616	4,883,311
Construction in progress		34,932,712	94,188,057	-	-	(85,522,945)	43,597,824
Machinery in transit		319,833	172,238	-	-	-	492,071
	₩	<u>938,275,635</u>	<u>95,228,048</u>	<u>(359,379)</u>	<u>(123,040,610)</u>	<u>280,205,604</u>	<u>1,190,309,298</u>

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

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

(*3) As of December 31, 2021, the Company is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit, but the Company do not recognize any impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A contract price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

	2020						Ending balance
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2,3)	Others (*4)	
Land	₩ 474,747,900	-	(72,175,105)	-	-	-	402,572,795
Buildings	151,331,150	18,767	(4,421,220)	(9,631,680)	-	178,500	137,475,517
Structures	15,397,302	-	(102,561)	(1,381,293)	(1,467,288)	58,143	12,504,303
Machinery	153,337,727	60,539	(158,651)	(32,496,622)	(14,145,255)	6,132,634	112,730,372
Vehicles	2,070,289	3,806	(649,862)	(376,957)	-	22,346	1,069,622
Tools and molds	321,098,431	643,905	(711,308)	(99,569,757)	(28,911,604)	36,765,581	229,315,248
Equipment	11,152,985	699,225	(112,268)	(3,493,734)	(996,376)	105,401	7,355,233
Construction in progress	12,017,789	67,855,976	-	-	(2,731,304)	(42,209,749)	34,932,712
Machinery in transit	233,039	564,215	-	-	-	(477,421)	319,833
	<u>₩ 1,141,386,612</u>	<u>69,846,433</u>	<u>(78,330,975)</u>	<u>(146,950,043)</u>	<u>(48,251,827)</u>	<u>575,435</u>	<u>938,275,635</u>

(*1) ₩76,699 million of land, buildings, and structures located in Guro-dong, Guro-gu, Seoul, and Gamjeon-dong, Sasang-gu, Busan was sold (disposal amount: ₩206,250 million), recognizing the related disposal gain of ₩ 115,251 million. Meanwhile, a sales and lease back agreement were signed regarding the disposal of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(*2) The Company judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩47,170 million for property, plant and equipment for the period ended March 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Company performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

(*3) The Company recognized ₩1,082 million in property, plant and equipment as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(*4) Capitalized borrowing costs in respect of construction in progress is ₩607,927 thousand and ₩22,348 thousand was transferred from inventory to vehicles during the year ended December 31, 2020. Meanwhile, the government grants of ₩54,838 thousand is adjusted in others.

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1,2)	Ending balance
Land	\$ 339,581	28	(37)	-	256,783	596,355
Buildings	115,964	6	-	(6,149)	294	110,115
Structures	10,548	-	(0)	(1,044)	148	9,652
Machinery	95,091	1	(0)	(21,974)	7,681	80,799
Vehicles	902	156	(114)	(300)	675	1,319
Tools and molds	193,433	394	(114)	(72,091)	42,886	164,508
Equipment	6,204	147	(39)	(2,230)	36	4,118
Construction in progress	29,467	79,450	-	-	(72,141)	36,776
Machinery in transit	270	145	-	-	-	415
	<u>\$ 791,460</u>	<u>80,327</u>	<u>(304)</u>	<u>(103,788)</u>	<u>236,362</u>	<u>1,004,057</u>

(*1) The amounts of \$235 million increased as a result of a revaluation on lands and recognized as revaluation surplus(other equity) for the year ended December 31, 2021.

(*2) Others were the amounts of \$569 thousand from capitalized borrowing costs and the amounts of \$616 thousand replaced from inventories to vehicles for the year ended December 31, 2021.

(*3) As of December 31, 2021, the Company is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit, but the Company do not recognize any impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A contract price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

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For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	2020						Ending balance
	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2,3)	Others (*4)	
Land	\$ 400,462	-	(60,882)	-	-	-	339,580
Buildings	127,652	16	(3,729)	(8,125)	-	151	115,965
Structures	12,988	-	(87)	(1,165)	(1,238)	49	10,547
Machinery	129,344	51	(134)	(27,412)	(11,932)	5,174	95,091
Vehicles	1,746	3	(548)	(318)	-	19	902
Tools and molds	270,855	543	(600)	(83,990)	(24,388)	31,014	193,434
Equipment	9,408	590	(95)	(2,947)	(840)	89	6,205
Construction in progress	10,137	57,238	-	-	(2,304)	(35,605)	29,466
Machinery in transit	197	476	-	-	-	(403)	270
	<u>\$ 962,789</u>	<u>58,917</u>	<u>(66,075)</u>	<u>(123,957)</u>	<u>(40,702)</u>	<u>488</u>	<u>791,460</u>

(*1) \$65 million of land, buildings, and structures located in Guro-dong, Guro-gu, Seoul, and Gamjeon-dong, Sasang-gu, Busan was sold (disposal amount: \$174 million), recognizing the related disposal gain of \$97 million. Meanwhile, a sales and lease back agreement was signed regarding the disposal of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(*2) The Company judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$40 million for property, plant and equipment for the period ended March 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Company performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

(*3) The Company recognized \$1 million in property, plant and equipment as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(*4) Capitalized borrowing costs in respect of construction in progress is \$513 thousand and \$19 thousand was transferred from inventory to vehicles during the year ended December 31, 2020. Meanwhile, the government grants of \$46 thousand is adjusted in others.

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For the years ended December 31, 2021 and 2020

11. Property, Plant and Equipment, Continued

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	Book value	Collateralized amount(*)	Book value	Collateralized amount(*)
Land	₩ 656,826,641		\$ 554,050	
Buildings and structures	101,065,390	483,890,112	85,251	408,174
Machinery and others	8,032		7	
	₩ <u>757,900,063</u>	<u>483,890,112</u>	\$ <u>639,308</u>	<u>408,174</u>

(*) ₩135,890,112 thousand (\$114,627 thousand) was included due to the Company's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the year ended December 31, 2021.

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Capitalized interest expenses(*)	₩ 1,818,829	3,179,542	\$ 1,534	2,682
Capitalization interest rate	2.44%	2.95%	2.44%	2.95%

(*)The borrowing costs capitalized as intangible assets were ₩1,143,788 thousand (\$965 thousand) and ₩2,571,615 thousand (\$2,169 thousand) for the years ended December 31, 2021 and 2020, respectively.

(5) Revaluation on Lands

The Company has changed the accounting policy of the subsequent measurement of land classified as property, plant and equipment from the cost model to the revaluation model for the year ended December 31, 2021. The lands were revalued by using appraisal results which conducted by independent and expertise appraisal institution, Dae-il Appraisal Board, as of March 31, 2021. The appraisal board valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties. After deducting tax effects, the revaluation income of ₩223,495 million (\$189 million) was recognized as other comprehensive income as a result of a revaluation on lands for the year ended December 31, 2021.

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

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 706,978,971	428,178,614	\$ 596,355	361,180

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

12. Intangible Assets

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

(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)	(4,402,757)	(225,039)	699,485
Other intangible assets	146,450,785	(37,779)	(38,827,301)	(66,685,326)	40,900,379
	<u>₩ 734,578,557</u>	<u>(42,692)</u>	<u>(453,141,253)</u>	<u>(105,857,599)</u>	<u>175,537,013</u>

(In thousands of won)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 510,279,976	-	(340,566,464)	(32,860,505)	136,853,007
Patents	5,067,550	(9,343)	(4,019,589)	(204,211)	834,407
Other intangible assets	175,456,461	(80,000)	(36,694,146)	(66,685,326)	71,996,989
	<u>₩ 690,803,987</u>	<u>(89,343)</u>	<u>(381,280,199)</u>	<u>(99,750,042)</u>	<u>209,684,403</u>

(In thousands of dollar)

	2021				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 491,603	-	(345,771)	(32,853)	112,979
Patents	4,498	(4)	(3,714)	(190)	590
Other intangible assets	123,535	(32)	(32,751)	(56,251)	34,501
	<u>\$ 619,636</u>	<u>(36)</u>	<u>(382,236)</u>	<u>(89,294)</u>	<u>148,070</u>

(In thousands of dollar)

	2020				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 430,434	-	(287,276)	(27,719)	115,439
Patents	4,275	(8)	(3,391)	(172)	704
Other intangible assets	148,002	(67)	(30,953)	(56,251)	60,731
	<u>\$ 582,711</u>	<u>(75)</u>	<u>(321,620)</u>	<u>(84,142)</u>	<u>176,874</u>

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For the years ended December 31, 2021 and 2020

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Others (*2)	Ending balance
Internally created intangible assets:							
Development cost	₩ 136,853,007	-	-	(69,344,731)	-	66,428,873	133,937,149
Other intangible assets	67,409,197	34,878,142	-	-	-	(65,285,086)	37,002,253
	<u>204,262,204</u>	<u>34,878,142</u>	<u>-</u>	<u>(69,344,731)</u>	<u>-</u>	<u>1,143,787</u>	<u>170,939,402</u>
Individually acquired intangible assets:							
Patents	834,407	264,644	-	(378,738)	(20,828)	-	699,485
Other intangible assets	4,587,792	1,471,387	(70,120)	(2,090,933)	-	-	3,898,126
	<u>5,422,199</u>	<u>1,736,031</u>	<u>(70,120)</u>	<u>(2,469,671)</u>	<u>(20,828)</u>	<u>-</u>	<u>4,597,611</u>
	<u>₩ 209,684,403</u>	<u>36,614,173</u>	<u>(70,120)</u>	<u>(71,814,402)</u>	<u>(20,828)</u>	<u>1,143,787</u>	<u>175,537,013</u>

(*1) As of December 31, 2021, the Company is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit, but the Company do not recognize impairment loss for intangible assets for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

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

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For the years ended December 31, 2021 and 2020

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

	Beginning balance	Acquisition	Amortization	Impairment (*1,2)	Others (*3)	Ending balance
Internally created intangible assets:						
Development cost	₩ 222,019,365	-	(65,234,512)	(19,931,846)	-	136,853,007
Other intangible assets	82,875,485	41,667,176	-	(59,705,079)	2,571,615	67,409,197
	<u>304,894,850</u>	<u>41,667,176</u>	<u>(65,234,512)</u>	<u>(79,636,925)</u>	<u>2,571,615</u>	<u>204,262,204</u>
Individually acquired intangible assets:						
Patents	1,157,589	218,808	(494,075)	(47,915)	-	834,407
Other intangible assets	6,803,160	1,047,921	(2,747,382)	(435,907)	(80,000)	4,587,792
	<u>7,960,749</u>	<u>1,266,729</u>	<u>(3,241,457)</u>	<u>(483,822)</u>	<u>(80,000)</u>	<u>5,422,199</u>
	<u>₩ 312,855,599</u>	<u>42,933,905</u>	<u>(68,475,969)</u>	<u>(80,120,747)</u>	<u>2,491,615</u>	<u>209,684,403</u>

(*1) The Company judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit and recognized impairment loss at ₩29,700 million for intangible assets for the period ended March 31, 2020. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Company performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

(*2) The Company recognized ₩50,393 million in intangible assets as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(*3) Capitalized borrowing costs in respect of other intangible assets is ₩2,571,615 thousand for the year ended December 31, 2020. Meanwhile, ₩80,000 thousand of government grants used for asset acquisition was adjusted by others.

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For the years ended December 31, 2021 and 2020

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

		2021						
		Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Others (*2)	Ending balance
Internally created intangible assets:								
Development cost	\$	115,439	-	-	(58,494)	-	56,034	112,979
Other intangible assets		56,861	29,421	-	-	-	(55,069)	31,213
		<u>172,300</u>	<u>29,421</u>	<u>-</u>	<u>(58,494)</u>	<u>-</u>	<u>965</u>	<u>144,192</u>
Individually acquired intangible assets:								
Patents		704	223	-	(319)	(18)	-	590
Other intangible assets		3,870	1,241	(59)	(1,764)	-	-	3,288
		<u>4,574</u>	<u>1,464</u>	<u>(59)</u>	<u>(2,083)</u>	<u>(18)</u>	<u>-</u>	<u>3,878</u>
	\$	<u>176,874</u>	<u>30,885</u>	<u>(59)</u>	<u>(60,577)</u>	<u>(18)</u>	<u>965</u>	<u>148,070</u>

(*1) As of December 31, 2021, the Company is in progress of commencement for corporate rehabilitation procedure under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea and judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit, but the Company do not recognize impairment loss for property, plant and equipment for the year ended December 31, 2021. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell(M&A price), but there is a material uncertainty in the cash flow of the M&A process. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

(*2) Capitalized borrowing costs in respect of other intangible assets is \$965 thousand for the year ended December 31, 2021.

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For the years ended December 31, 2021 and 2020

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Amortization</u>	<u>Impairment (*1,2)</u>	<u>Others (*3)</u>	<u>Ending balance</u>
Internally created intangible assets:						
Development cost	\$ 187,279	-	(55,027)	(16,813)	-	115,439
Other intangible assets	69,908	35,147	-	(50,363)	2,169	56,861
	<u>257,187</u>	<u>35,147</u>	<u>(55,027)</u>	<u>(67,176)</u>	<u>2,169</u>	<u>172,300</u>
Individually acquired intangible assets:						
Patents	976	185	(417)	(40)	-	704
Other intangible assets	5,739	884	(2,317)	(368)	(68)	3,870
	<u>6,715</u>	<u>1,069</u>	<u>(2,734)</u>	<u>(408)</u>	<u>(68)</u>	<u>4,574</u>
	<u>\$ 263,902</u>	<u>36,216</u>	<u>(57,761)</u>	<u>(67,584)</u>	<u>2,101</u>	<u>176,874</u>

(*1) The Company judged that there is an indication of impairment to the cash-generating unit due to continuous deterioration of competitiveness and the deterioration of the market due to the spread of COVID-19. Accordingly, the Company conducted an impairment assessment on the cash-generating unit and recognized impairment loss at \$25 million for intangible assets for the period ended March 31, 2020. The recoverable amount of the cash-generating unit in the impairment assessment was determined on the basis of its fair value less costs to sell. Meanwhile, the Company performed an impairment assessment by calculating the value in use for the year ended December 31, 2020, but there is a material uncertainty in the cash flow of the business plan used to calculate the value in use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Company recognized.

(*2) The Company recognized \$43 million in intangible assets as impairment losses for the year ended December 31, 2020 due to the discontinuation of some development projects.

(*3) Capitalized borrowing costs in respect of other intangible assets is \$2,169 thousand for the year ended December 31, 2020. Meanwhile, \$67 thousand of government grants used for asset acquisition was adjusted by others.

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For the years ended December 31, 2021 and 2020

12. Intangible Assets, Continued

(3) Details of capitalized development costs as of December 31, 2021 are as follows.

(In thousands of won and in thousands of dollar)

	<u>Project name</u>	<u>Korean won</u>	<u>US dollar</u>	<u>Remaining amortization period(*1)</u>
Development costs	RV(*2)	₩ 122,923,016	\$ 103,689	1~4 years
	Power train and others	11,014,133	9,291	1~4 years
Other intangible assets	RV(*3)	37,002,253	31,212	-
		₩ <u>170,939,402</u>	\$ <u>144,192</u>	

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

(*2) It is a development project for vehicles under sale as of December 31, 2021.

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

(4) Details of expenditures for research and developments for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	<u>Korean won</u>		<u>US dollar</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capitalization of intangible assets	₩ 36,021,930	44,238,791	\$ 30,385	37,317
Manufacturing costs	55,311,841	99,292,469	46,657	83,756
Selling and administrative expenses	<u>11,853,410</u>	<u>12,923,031</u>	<u>9,999</u>	<u>10,901</u>
	₩ <u>103,187,181</u>	<u>156,454,291</u>	\$ <u>87,041</u>	<u>131,974</u>

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13. Lease

(1) Changes in right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

	2021				Ending balance
	Beginning balance	Increase(*)	Depreciation	Others	
<i>(In thousands of won)</i>					
Land and building	₩ 5,754,416	2,515,439	(4,380,246)	(112,026)	3,777,583
Vehicle	1,885,418	35,887	(1,834,061)	-	87,244
Equipment	1,014,633	-	(734,761)	-	279,872
	₩ 8,654,467	2,551,326	(6,949,068)	(112,026)	4,144,699

(*) ₩2,234 million increased due to a lease contract related to the relocation of the Seoul office.

	2020				Ending balance
	Beginning balance	Increase(*)	Depreciation	Others	
<i>(In thousands of won)</i>					
Land and building	₩ 919,240	7,632,929	(2,797,752)	-	5,754,417
Vehicle	3,575,908	161,325	(1,848,743)	(3,072)	1,885,418
Equipment	1,356,006	417,564	(748,247)	(10,690)	1,014,633
	₩ 5,851,154	8,211,818	(5,394,742)	(13,762)	8,654,468

(*) ₩7,300 million increased due to the lease transaction of the Guro A/S Center.

	2021				Ending balance
	Beginning balance	Increase(*)	Depreciation	Others	
<i>(In thousands of dollar)</i>					
Land and building	\$ 4,854	2,122	(3,696)	(94)	3,186
Vehicle	1,590	30	(1,546)	-	74
Equipment	856	-	(620)	-	236
	\$ 7,300	2,152	(5,862)	(94)	3,496

(*) \$2 million increased due to a lease contract related to the relocation of the Seoul office.

	2020				Ending balance
	Beginning balance	Increase(*)	Depreciation	Others	
<i>(In thousands of dollar)</i>					
Land and building	\$ 775	6,439	(2,360)	-	4,854
Vehicle	3,016	136	(1,560)	(2)	1,590
Equipment	1,144	352	(631)	(9)	856
	\$ 4,935	6,927	(4,551)	(11)	7,300

(*) \$6 million increased due to the lease transaction of the Guro A/S Center.

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For the years ended December 31, 2021 and 2020

13. Lease, Continued

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

		2021	
		Within a year	Over 1 year
<i>(In thousands of won)</i>			
Lease liabilities(*)	₩	5,009,687	4,012,329
		2020	
		Within a year	Over 1 year
<i>(In thousands of won)</i>			
Lease liabilities(*)	₩	5,477,728	2,086,565
		2021	
		Within a year	Over 1 year
<i>(In thousands of dollar)</i>			
Lease liabilities(*)	\$	4,226	3,385
		2020	
		Within a year	Over 1 year
<i>(In thousands of dollar)</i>			
Lease liabilities(*)	\$	4,621	1,760

(*) The total amounts of lease liabilities paid are ₩8,419,295 thousand (\$7,102 thousand) and ₩8,920,972 thousand (\$7,525 thousand) and interests expenses are ₩326,785 thousand (\$276 thousand) and ₩361,117 thousand (\$305 thousand) for the years ended December 31, 2021 and 2020, respectively.

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

		Exemption of lease recognition		2021		2020	
<i>(In thousands of won)</i>							
Office equipment	Low cost	₩	526,934			828,563	
	Short term		-			11,110	
Building	Short term		7,500			30,000	
		Exemption of lease recognition		2021		2020	
<i>(In thousands of US dollar)</i>							
Office equipment	Low cost	\$	444			699	
	Short term		-			9	
Building	Short term		6			25	

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13. Lease, Continued

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

(In thousands of won and in thousands of dollar)

		2021	
		Korean won	US dollar
Less than 1 year	₩	4,280,274	\$ 3,611
1 year to 5 years		2,570,090	2,168
Lease to be received		6,850,364	5,779
Unrealized interests		(205,693)	(174)
Net investment in the lease		6,644,671	5,605
Interests from sublease for this year		188,456	159

(In thousands of won and in thousands of dollar)

		2020	
		Korean won	US dollar
Less than 1 year	₩	2,764,810	\$ 2,332
1 year to 5 years		1,722,020	1,453
Lease to be received		4,486,830	3,785
Unrealized interests		(140,330)	(118)
Net investment in the lease		4,346,500	3,667
Interests from sublease for this year		152,322	128

(5) Sales and lease back

The Company liquidated 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 (\$152 Million)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term(*)	2 years(July 2020 ~ June 2022)
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties. 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).
Lessee's preemption preference	

(*) The lease was extended for 1 year by exercising the extension option after reporting period. The details of the Company'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 (\$51 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (\$88 million) increased.
- Lease deposit: ₩10,800 million (\$9 million) increased.

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14. Borrowings

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

(In thousands of won and in thousands of dollar)

Creditor	Type	Interest rate (%)(*5)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Operating fund(*1)	CD+5.10	₩ 20,000,000	20,000,000	\$ 16,871	16,871
	Facility fund(*1)	CD+4.57	70,000,000	70,000,000	59,047	59,047
Woori Bank	Facility fund(*2)	CD+4.60	100,000,000	100,000,000	84,353	84,353
	General loan(*2)	CD+5.00	24,998,183	25,000,000	21,087	21,088
JP Morgan(*3)	Facility fund and others	-	-	40,000,000	-	33,741
	Overdraft	-	-	19,999,969	-	16,870
Mahindra & Mahindra Ltd.(*3,4)	General loan	2.66	40,000,000	-	33,741	-
	Overdraft	CD+2.00	19,999,969	-	16,869	-
BNP PARIBAS(*6)	Overdraft	CD+2.00	29,999,869	29,999,869	25,306	25,306
	Overdraft	CD+4.00	10,000,000	10,000,000	8,435	8,435
			₩ 314,998,021	314,999,838	\$ 265,709	265,711

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

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

(*3) During the current year, Mahindra & Mahindra Ltd., the largest shareholder of the Company repaid loans of ₩19,999,969 thousand (\$16,869 thousand) and overdraft of ₩40,000,000 thousand (\$33,741 thousand) to the JP Morgan on behalf of the Company.

(*4) During the previous year, Mahindra & Mahindra Ltd., the largest shareholder of the Company repaid loans of ₩29,999,869 thousand (\$25,306 thousand) to the Bank of America (BOA) on behalf of the Company.

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

(*6) The conditions for these loans stipulate that the largest shareholder of the Company, Mahindra & Mahindra's stake in the Company must exceed 51% (Notes 19). After the end of reporting period, the largest shareholder of the Company repaid loans of ₩10,000,000 thousand (\$8,435 thousand) on behalf of the Company.

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

14. Borrowings, Continued

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

(In thousands of won and in thousands of dollar)

Creditor	Type	Interest rate(%)(*2)	Korean won		US dollar	
			2021	2020	2021	2020
Korea Development Bank	Facility fund	CD+4.57	₩ 70,000,000	70,000,000 \$	59,047	59,047
	Facility fund	CD+4.60	100,000,000	100,000,000	84,353	84,353
JP Morgan(*3)	Facility fund and others	-	-	40,000,000	-	33,741
Mahindra & Mahindra Ltd.(*1, 3)	Facility fund	2.66	40,000,000	-	33,741	-
	General loan	3.00	40,000,000	40,000,000	33,741	33,741
Woori Bank	General loan	CD+5.00	24,998,183	25,000,000	21,086	21,088
Less: Current portion			(234,998,183)	(235,000,000)	(198,227)	(198,229)
			₩ 40,000,000	40,000,000 \$	33,741	33,741

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

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

(*3) During the current year, Mahindra & Mahindra Ltd., the largest shareholder of the Company repaid overdraft of ₩40,000,000 thousand (\$33,741 thousand) to the JP Morgan on behalf of the Company.

(3) Details of pledged assets as collateral for borrowings as of December 31, 2020 are as follows:

(In thousands of won)

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

(In thousands of dollar)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	\$ 160,270	253,058
Woori Bank	Land and buildings	21,087	40,489
		\$ 181,357	293,547

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For the years ended December 31, 2021 and 2020

15. Other Financial Liabilities

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Accrued expenses	₩ 101,017,254	54,904,748	\$ 85,211	46,314

16. Provision of Warranty for sale

The Company generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 119,315,790	128,531,252	\$ 100,646	108,419
Increase	19,834,418	33,180,206	16,731	27,989
Decrease	(34,319,535)	(42,395,668)	(28,949)	(35,762)
Ending balance	₩ 104,830,673	119,315,790	\$ 88,428	100,646
Current	₩ 46,539,918	50,043,567	\$ 39,258	42,213
Non-current	58,290,755	69,272,223	49,170	58,433

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For the years ended December 31, 2021 and 2020

17. Other Liabilities

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

(In thousands of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 9,979,084	-	6,743,752	-
Deposits received(*1)	15,839,160	-	571,022	-
Withholdings	10,753,617	-	23,179,333	-
Unearned revenue	6,168,776	14,125,559	5,064,893	17,418,732
Refund liabilities(*2)	1,475,042	-	3,483,928	-
	₩ <u>44,215,679</u>	<u>14,125,559</u>	<u>39,042,928</u>	<u>17,418,732</u>

(In thousands of dollar)

	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 8,418	-	5,689	-
Deposits received(*1)	13,361	-	482	-
Withholdings	9,071	-	19,552	-
Unearned revenue	5,202	11,914	4,271	14,692
Refund liabilities(*2)	1,244	-	2,939	-
	\$ <u>37,296</u>	<u>11,914</u>	<u>32,933</u>	<u>14,692</u>

(*1) The amounts include the performance deposits amounting to ₩15,513 million (\$13 million) provided by "Edison Motors Consortium" as a preferred bidder.

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

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18. Employee Benefits

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Present value of defined benefit obligations	₩ 363,990,154	383,312,042	\$ 307,035	323,334
Fair value of plan assets	(839,832)	(933,028)	(708)	(787)
	₩ 363,150,322	382,379,014	\$ 306,327	322,547

(2) Changes in defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

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

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For the years ended December 31, 2021 and 2020

18. Employee Benefits, continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 357,109,529	(954,268)	356,155,261
Current service cost	40,348,672	-	40,348,672
Interest expense (income)	8,107,730	(21,601)	8,086,129
Sub-total	405,565,931	(975,869)	404,590,062
Re-measurement factors:			
Re-measurements of plan assets	-	9,631	9,631
Loss (gain) from experience adjustments	(11,105,494)	-	(11,105,494)
Loss (gain) from changes in financial assumptions	(2,698,844)	-	(2,698,844)
Loss (gain) from changes in demographic assumptions	391,655	-	391,655
Sub-total	(13,412,683)	9,631	(13,403,052)
Benefit paid by plan	(33,210)	33,210	-
Benefit paid directly	(8,807,996)	-	(8,807,996)
Ending balance	₩ 383,312,042	(933,028)	382,379,014

(In thousands of dollar)

Details	2021		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 323,334	(787)	322,547
Current service cost	32,724	-	32,724
Interest expense (income)	7,635	(19)	7,616
Sub-total	363,693	(806)	362,887
Re-measurement factors:			
Re-measurements of plan assets	-	9	9
Loss (gain) from experience adjustments	2,530	-	2,530
Loss (gain) from changes in financial assumptions	(38,947)	-	(38,947)
Loss (gain) from changes in demographic assumptions	103	-	103
Sub-total	(36,314)	9	(36,303)
Benefit paid by plan	(88)	88	-
Benefit paid directly	(20,256)	-	(20,256)
Ending balance	\$ 307,036	(708)	306,327

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For the years ended December 31, 2021 and 2020

18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

Details	2020		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 301,231	(805)	300,426
Current service cost	34,035	-	34,035
Interest expense (income)	6,839	(18)	6,821
Sub-total	342,105	(823)	341,282
Re-measurement factors:			
Re-measurements of plan assets	-	8	8
Loss (gain) from experience adjustments	(9,368)	-	(9,368)
Loss (gain) from changes in financial assumptions	(2,277)	-	(2,277)
Loss (gain) from changes in demographic assumptions	330	-	330
Sub-total	(11,315)	8	(11,307)
Benefit paid by plan	(28)	28	-
Benefit paid directly	(7,430)	-	(7,430)
Ending balance	\$ 323,334	(787)	322,547

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Insurance contracts	₩ 839,832	933,028	\$ 708	787

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

	2021	2020
Discount rate (%)	2.80	2.40
Rate of future salary growth (%)	2.97	3.97

The discount rate is the market yield at the end of the reporting year on high quality corporate bonds (AA+) that have maturity which approximates the terms of the Company'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.

Weighted average duration of defined benefit obligation as of December 31, 2021 and 2020 are 9.4 years and 10.5 years, respectively.

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18. Employee Benefits, Continued

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2021 is as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (29,968,389)	33,485,336	\$ (25,279)	28,246
Future salary growth	32,797,523	(29,835,582)	27,666	(25,167)

There is a correlation between actuarial assumptions, the above sensitivity analysis will not represent actual changes in defined benefit obligations because the assumptions will not change independently. In the sensitivity analysis, the present value of the defined benefit obligation was measured using the predictive unit accumulation method applied to measure the defined benefit obligation in separate financial statements.

(6) Details of other long-term employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Current	₩ -	1,985,709	\$ -	1,675
Non-current	14,687,238	14,587,395	12,389	12,305
	₩ 14,687,238	16,573,104	\$ 12,389	13,980

Since the other long-term employee benefits was suspended until June 2023 by collective agreement between labor and management, other employee benefits liabilities were reclassified as non-current liabilities as of December 31, 2021.

(7) Details of adjustment of other employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 16,573,104	16,253,294	\$ 13,980	13,710
Current service cost	851,457	868,262	718	732
Interest expense	261,582	288,298	221	243
Actuarial gains and losses	(2,998,905)	(743,720)	(2,530)	(627)
Benefit paid directly	-	(93,030)	-	(78)
Ending balance	₩ 14,687,238	16,573,104	\$ 12,389	13,980

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18. Employee Benefits, Continued

(8) Actuarial assumptions used related to other long-term employee benefits liabilities as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate (%)	2.40	1.70
Increase rate of gold price(%)	2.00	2.00
Increase rate of travel expense and plaque (%)	0.00	0.00
Gold price(1-don)	₩ 260,869	272,429
	<u>2021</u>	<u>2020</u>
Discount rate (%)	2.40	1.70
Increase rate of gold price (%)	2.00	2.00
Increase rate of travel expense and plaque (%)	0.00	0.00
Gold price(1-don)	\$ 220	230

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

Weighted average duration of other long-term employee benefit liabilities as of December 31, 2021 and 2020 are 4.7 years and 5.2 years, respectively.

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For the years ended December 31, 2021 and 2020

19. Commitments and Contingencies

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

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of December 31, 2021, the Company has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩354,998 million (\$299 million). With regard to the overdraft from BNP Paribas, the conditions for these loans stipulate that the largest shareholder of the Company, Mahindra & Mahindra's stake in the Company must exceeds 51 %.
- (3) As of December 31, 2021, 4 claims as a plaintiff were filed with the claim amount of ₩3,417 million (\$3 million) and 9 claims as a defendant were filed with the claims of ₩1,548 million (\$1 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 management expect that it is probable that the Company will be required to incur an outflow.
- (4) Details of other provisions as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ 124,578,526	27,238,937	\$ 105,085	22,977
Increase	519,292,953	141,957,483	438,037	119,745
Decrease	(564,005,630)	(44,617,894)	(475,753)	(37,637)
Ending balance	₩ 79,865,849	124,578,526	\$ 67,369	105,085

(*) In relation to CO2 emission regulations in Korea/EU(the Act on Allocation and Trading of Greenhouse Gas Emission), the Company estimates the expenses based on shortage of fuel efficiency comparing to the standard fuel efficiency and emission quantity in excess of free-allocated emission quantity.. The Company has recognized a provision of CO2 emission regulations of ₩44,439,537 thousand(\$37,485 thousand) and ₩68,422,537 thousand(\$57,716 thousand) as of December 31, 2021 and 2020, respectively. And the Company recognized expected costs as a provision with regard to foregoing lawsuits and sales incentive, etc.

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

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For the years ended December 31, 2021 and 2020

19. Commitments and Contingencies, continued

(6) Details of payment guarantee provided by others as of December 31, 2021 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	Guarantee amount	
		Korean won	US dollar
Seoul guarantee insurance company	Performance guarantee payment	₩ 3,544,144	\$ 2,990
	Approval and license	6,791	6
	Deposits	1,127,500	951
		₩ 4,678,435	\$ 3,947

20. Capital Stock

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

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

	Korean won		US dollar	
	2021	2020	2021	2020
Number of shares authorized	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding	149,840,002	149,840,002	149,840,002	149,840,002
Par value	₩ 5,000	5,000	\$ 4.22	4.22
Capital stock	749,200,010	749,200,010	631,970	631,970

21. Other Capital Surplus

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Paid-up capital in excess of par value	₩ 3,169,615	3,169,615	\$ 2,674	2,674
Gain on capital reduction	74,061,697	74,061,697	62,473	62,473
Debt to be swapped for equity	-	931,508	-	786
	₩ 77,231,312	78,162,820	\$ 65,147	65,933

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For the years ended December 31, 2021 and 2020

22. Other Equity

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Reserve from asset revaluation	₩ 223,495,126	-	\$ 188,524	-

(2) Changes in the Company's gains (losses) on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ -	-	\$ -	-
Gains on valuation of derivatives	-	130,390	-	110
Reclassified to net profits	-	(130,390)	-	(110)
Ending balance	₩ -	-	\$ -	-

23. Deficit

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Deficit	₩ (1,126,465,234)	(911,685,423)	\$ (950,203)	(769,030)

(2) Changes in deficit for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Beginning balance	₩ (911,685,423)	(421,823,237)	\$ (769,030)	(355,819)
Loss for the year	(257,818,747)	(503,265,238)	(217,477)	(424,517)
Defined benefit plan re-measurement	43,038,936	13,403,052	36,304	11,306
Ending balance	₩ (1,126,465,234)	(911,685,423)	\$ (950,203)	(769,030)

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For the years ended December 31, 2021 and 2020

23. Deficit, continued

(3) Statements of disposition of accumulated deficits for the years ended December 31, 2021 and 2020 are as follows:

Date of Disposition for 2021: March 31, 2022

Date of Disposition for 2020: March 31, 2021

(In thousands of won)

	<u>2021</u>	<u>2020</u>
Undisposed accumulated Deficits		
Balance at beginning of year	₩ (911,685,423)	(421,823,237)
Loss for the year	(257,818,747)	(503,265,238)
Re-measurements of defined benefit liabilities	43,038,936	13,403,052
	<u>(1,126,465,234)</u>	<u>(911,685,423)</u>
Disposition of deficit	<u>-</u>	<u>-</u>
Undisposed accumulated deficits to be carried over to subsequent year	<u>₩ (1,126,465,234)</u>	<u>(911,685,423)</u>

(In thousands of dollar)

	<u>2021</u>	<u>2020</u>
Undisposed accumulated Deficits		
Balance at beginning of year	\$ (769,030)	(355,819)
Loss for the year	(217,477)	(424,517)
Re-measurements of defined benefit liabilities	36,304	11,306
	<u>(950,203)</u>	<u>(769,030)</u>
Disposition of deficit	<u>-</u>	<u>-</u>
Undisposed accumulated deficits to be carried over to subsequent year	<u>\$ (950,203)</u>	<u>(769,030)</u>

24. Income Tax Expense

(1) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	<u>Korean won</u>		<u>US dollar</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax	₩ -	-	\$ -	-
Deferred income tax	55,305,230	-	46,651	-
Items credited directly to equity	<u>(55,305,230)</u>	<u>-</u>	<u>(46,651)</u>	<u>-</u>
Income tax expense	₩ -	-	\$ -	-

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For the years ended December 31, 2021 and 2020

24. Income Tax Expense, continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of won)

		2021			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	2,324,650	2,324,650	3,139,259	3,139,259
Government grants		4,419,025	313,531	226,239	4,331,733
Provision for warranties		119,315,790	119,315,790	104,830,673	104,830,673
Defined benefit liabilities		384,386,903	23,981,104	4,589,941	364,995,740
Impairment loss of property, plant and equipment		106,016,593	9,864,331	-	96,152,262
Intangible assets		8,706,456	4,339,311	205,559	4,572,704
Depreciation		21,754,033	6,285,218	1,776,689	17,245,504
Other payables		124,655,026	124,579,026	79,865,848	79,941,848
Accrued expenses		53,051,706	53,051,706	82,545,087	82,545,087
Investment in subsidiaries		10,272,291	5,338,097	-	4,934,194
Other long-term employee benefit		16,573,103	16,573,103	14,687,238	14,687,238
Trade receivable		5,220,673	(1)	1,594,818	6,815,492
Other receivable		1,225,760	1,225,760	(1,391,842)	(1,391,842)
Land		(203,863,621)	(22,075)	(278,800,357)	(482,641,903)
Impairment loss of Intangible assets		89,248,173	75,701,551	67,931,925	81,478,547
Sub-lease receivables		(4,346,501)	(4,346,501)	(6,644,671)	(6,644,671)
Right-of-use assets		(8,654,468)	(8,654,468)	(4,144,699)	(4,144,699)
Lease liabilities		7,564,293	7,564,293	9,022,016	9,022,016
Others		9,055,998	8,567,034	6,817,275	7,306,239
Deficit carried over on tax		911,376,853	3,559,952	295,395,123	1,203,212,024
Sub-total		1,658,302,736	449,561,412	381,646,121	1,590,387,445
Not recognized as deferred tax assets(liabilities)		1,658,302,736	449,561,412	381,646,121	1,841,774,854
Recognized as deferred tax assets(liabilities)		-	-	-	(251,387,409)
Income tax rate		22%			22%
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax		-	-	-	(55,305,230)
Tax credit carry-forwards:		20,598,705	-	17,102	20,615,807
Not recognized as deferred tax assets		20,598,705	-	17,102	20,615,807
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred tax assets(liabilities)	₩	-	-	-	(55,305,230)

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For the years ended December 31, 2021 and 2020

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued:

(In thousands of won)

		2020			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	2,946,429	2,946,429	2,324,650	2,324,650
Government grants		4,474,574	646,761	591,212	4,419,025
Provision for warranties		128,531,252	128,531,252	119,315,790	119,315,790
Defined benefit liabilities		358,212,110	8,616,773	34,791,566	384,386,903
Impairment loss of property, plant and equipment		96,656,705	38,891,940	48,251,828	106,016,593
Intangible assets		13,111,032	5,291,532	886,956	8,706,456
Depreciation		22,229,988	2,564,311	2,088,356	21,754,033
Other payables		27,238,937	27,238,937	124,655,026	124,655,026
Accrued expenses		38,787,848	38,787,848	53,051,706	53,051,706
Investment in subsidiaries		9,974,881	-	297,410	10,272,291
Other long-term employee benefit		16,253,294	16,253,294	16,573,103	16,573,103
Trade receivable		3,978,274	-	1,242,399	5,220,673
Other receivable		297,495	297,495	1,225,760	1,225,760
Land		(260,655,312)	(56,791,691)	-	(203,863,621)
Impairment loss of Intangible assets		17,763,809	14,025,558	85,509,922	89,248,173
Sub-lease receivables		(4,037,510)	(4,037,510)	(4,346,501)	(4,346,501)
Right-of-use assets		(5,851,154)	(5,851,154)	(8,654,468)	(8,654,468)
Lease liabilities		9,992,220	9,992,220	7,564,293	7,564,293
Others		8,496,426	8,044,052	8,603,624	9,055,998
Deficit carried over on tax		858,023,765	162,489,141	215,842,229	911,376,853
Sub-total		1,346,425,063	397,937,188	709,814,861	1,658,302,736
Not recognized as deferred tax assets(liabilities)		1,346,425,063	397,937,188	709,814,861	1,658,302,736
Recognized as deferred tax assets(liabilities)		-	-	-	-
Income tax rate		22%			22%
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax		-	-	-	-
Tax credit carry-forwards:		20,433,305	-	165,400	20,598,705
Not recognized as deferred tax assets		20,433,305	-	165,400	20,598,705
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred tax(liabilities)	₩	-	-	-	-

The Company recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

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For the years ended December 31, 2021 and 2020

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued:

In circumstances where material uncertainty on the judgement to determine whether it's probable that the temporary difference will not reverse in the foreseeable future, a significant uncertainty depends on the future result of M&A deal. The deferred tax liabilities recognized by the Company may differ from the outcome of this uncertainty.

(In thousands of dollar)

	2021			
	Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	\$ 1,961	1,961	2,648	2,648
Government grants	3,728	264	191	3,655
Provision for warranties	100,646	100,646	88,427	88,427
Defined benefit liabilities	324,240	20,229	3,872	307,883
Loss on revaluation of property, plant and equipment	89,428	8,321	-	81,107
Intangible assets	7,344	3,660	173	3,857
Depreciation	18,350	5,302	1,499	14,547
Other payables	105,150	105,086	67,369	67,433
Accrued expenses	44,750	44,750	69,629	69,629
Investment in subsidiaries	8,665	4,503	-	4,162
Other long-term employee benefit	13,980	13,980	12,389	12,389
Trade receivable	4,404	(0)	1,345	5,749
Other receivable	1,034	1,034	(1,174)	(1,174)
Land	(171,964)	(19)	(235,175)	(407,120)
Impairment loss of Intangible assets	75,283	63,856	57,302	68,729
Sub-lease receivables	(3,666)	(3,666)	(5,605)	(5,605)
Right-of-use assets	(7,300)	(7,300)	(3,496)	(3,496)
Lease liabilities	6,381	6,381	7,610	7,610
Others	7,637	7,227	5,752	6,162
Deficit carried over on tax	768,770	3,003	249,173	1,014,941
Sub-total	1,398,821	379,217	321,929	1,341,533
Not recognized as deferred tax assets(liabilities)	1,398,821	379,217	321,928	1,553,585
Recognized as deferred tax assets(liabilities)	-	-	-	(212,052)
Income tax rate	22%			22%
Deferred tax assets(liabilities) resulting from temporary differences	-	-	-	(46,651)
Tax credit carry-forwards:	17,376	-	14	17,390
Not recognized as deferred tax assets	17,376	-	14	17,390
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax assets(liabilities)	\$ -	-	-	(46,651)

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For the years ended December 31, 2021 and 2020

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2021 and 2020, are as follows, continued:

(In thousands of dollar)

	2020			
	Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	\$ 2,485	2,485	1,961	1,961
Government grants	3,774	546	499	3,729
Provision for warranties	108,419	108,419	100,646	100,646
Defined benefit liabilities	302,161	7,268	29,348	324,241
Loss on revaluation of property, plant and equipment	81,532	32,806	40,702	89,428
Intangible assets	11,059	4,464	748	7,343
Depreciation	18,752	2,163	1,762	18,351
Other payables	22,977	22,977	105,150	105,150
Accrued expenses	32,719	32,719	44,750	44,750
Investment in subsidiaries	8,414	-	251	8,665
Other long-term employee benefit	13,710	13,710	13,980	13,980
Trade receivable	3,356	-	1,048	4,404
Other receivable	251	251	1,034	1,034
Land	(219,870)	(47,905)	-	(171,965)
Impairment loss of Intangible assets	14,984	11,831	72,130	75,283
Sub-lease receivables	(3,406)	(3,406)	(3,666)	(3,666)
Right-of-use assets	(4,936)	(4,936)	(7,300)	(7,300)
Lease liabilities	8,429	8,429	6,381	6,381
Others	7,169	6,785	7,254	7,636
Deficit carried over on tax	723,765	137,064	182,069	768,770
Sub-total	1,135,744	335,670	598,747	1,398,821
Not recognized as deferred tax assets(liabilities)	1,135,744	335,670	598,747	1,398,821
Recognized as deferred tax assets(liabilities)	-	-	-	-
Income tax rate	22%			22%
Deferred tax assets(liabilities) resulting from temporary differences	-	-	-	-
Tax credit carry-forwards:	17,236	-	140	17,376
Not recognized as deferred tax assets	17,236	-	140	17,376
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax(liabilities)	\$ -	-	-	-

The Company recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset.

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For the years ended December 31, 2021 and 2020

24. Income Tax Expense, Continued

- (2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2021 and 2020, are as follows, continued:

In circumstances where material uncertainty on the judgement to determine whether it's probable that the temporary difference will not reverse in the foreseeable future, a significant uncertainty depends on the future result of M&A deal. The deferred tax liabilities recognized by the Company may differ from the outcome of this uncertainty.

- (3) Items credited directly to equity as of December 31, 2021 are as follows:

(In thousands of won)

Details	2021		
	Before tax	Tax effect	After tax
Gain(loss) from revaluation of land	₩ 278,800,357	(55,305,230)	223,495,127

(In thousands of dollar)

Details	2021		
	Before tax	Tax effect	After tax
Gain(loss) from revaluation of land	\$ 235,175	(46,651)	188,524

- (4) Details of information that the expected expiration of tax losses and deferred tax credits which are not recognized as deferred tax assets as of December 31, 2021 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	Deficit carried over on tax	Tax credit carry-forwards	Deficit carried over on tax	Tax credit carry-forwards
0 ~ 1 Year	₩ 145,058,434	-	\$ 122,361	-
1 ~ 5 Years	188,633,183	14,629,209	159,117	12,340
5 ~ 10 Years	574,125,284	5,986,598	484,290	5,050
Over 10 Years	295,395,123	-	249,173	-
	₩ 1,203,212,024	20,615,807	\$ 1,014,941	17,390

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25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in inventories	₩ 47,206,594	12,218,285	\$ 39,820	10,306
Raw materials consumed and purchase of merchandise	1,682,123,236	2,131,396,883	1,418,915	1,797,889
Employee benefits	412,579,897	439,645,896	348,022	370,853
Depreciation	123,040,610	146,950,043	103,788	123,956
Amortization	71,814,402	68,475,969	60,577	57,761
Others	341,157,818	577,138,613	287,775	486,831
	<u>₩ 2,677,922,557</u>	<u>3,375,825,689</u>	<u>\$ 2,258,897</u>	<u>2,847,596</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 years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Warranty expenses	₩ 32,578,225	49,983,388	\$ 27,481	42,162
Commissions	127,197,048	207,545,138	107,294	175,070
Advertising	4,222,168	16,564,390	3,562	13,972
Export expenses(*)	(23,423,225)	43,610,394	(19,758)	36,786
Promotion	21,521,514	36,860,251	18,154	31,093
Others	9,507,864	7,429,977	8,019	6,268
	<u>₩ 171,603,594</u>	<u>361,993,538</u>	<u>\$ 144,752</u>	<u>305,351</u>

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

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For the years ended December 31, 2021 and 2020

26. Selling, General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Salaries	₩ 38,364,310	41,250,068	\$ 32,361	34,796
Retirement benefit costs	6,183,403	6,247,699	5,216	5,270
Employee welfare	8,767,958	9,188,185	7,396	7,750
Rent expense	10,046,157	9,802,685	8,474	8,269
Service fees	14,058,314	18,040,222	11,859	15,217
Depreciation	13,512,090	21,588,167	11,398	18,210
R&D expenses	11,853,410	12,923,031	9,999	10,901
Amortization	2,469,671	3,241,458	2,083	2,734
(Reversal of) bad debt expense	322,502	(104,457)	272	(88)
Others	28,405,883	31,915,536	23,961	26,922
	₩ <u>133,983,698</u>	<u>154,092,594</u>	\$ <u>113,019</u>	<u>129,981</u>

27. Other Income and Expenses

(1) Details of other income for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Foreign exchange transaction gain	₩ 5,533,006	5,517,519	\$ 4,667	4,654
Foreign exchange translation gain	628,024	1,438,828	530	1,214
Gain on disposal of property, plant and equipment	253,895	118,289,721	214	99,780
Gain on disposal of subsidiary	27,441	-	23	-
Others	15,961,116	9,974,452	13,464	8,414
	₩ <u>22,403,482</u>	<u>135,220,520</u>	\$ <u>18,898</u>	<u>114,062</u>

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For the years ended December 31, 2021 and 2020

27. Other Income and Expenses, Continued

(2) Details of other expenses for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Foreign exchange transaction loss	₩ 4,798,370	7,188,255	\$ 4,048	6,063
Foreign exchange translation loss	875,171	920,020	738	776
Loss on disposal of property, plant and equipment	164,972	3,455,234	139	2,915
Loss on disposal of trade receivables	31,868	80,028	27	68
Impairment loss on investments in subsidiaries	-	297,411	-	251
Impairment loss on PP&E	-	48,251,827	-	40,702
Other bad-debt expense	814,208	-	687	-
Impairment loss on Intangible assets	20,828	80,120,747	18	67,584
Others	744,175	38,161,916	627	32,190
	₩ <u>7,449,592</u>	<u>178,475,438</u>	\$ <u>6,284</u>	<u>150,549</u>

28. Finance Income and Costs

(1) Details of finance income for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Interest income	₩ 1,178,412	2,049,109	\$ 994	1,728
Dividend income	11,000	11,000	9	9
Foreign exchange transaction gain	3,047,708	1,669,139	2,571	1,409
Gain on exemption of debts	248,083	-	209	-
	₩ <u>4,485,203</u>	<u>3,729,248</u>	\$ <u>3,783</u>	<u>3,146</u>

(2) Details of finance costs for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Interest expense	₩ 15,399,857	8,878,317	\$ 12,990	7,489
Foreign exchange transaction loss	1,166,415	8,824,900	984	7,444
	₩ <u>16,566,272</u>	<u>17,703,217</u>	\$ <u>13,974</u>	<u>14,933</u>

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

28. Finance Income and Costs, continued

(3) Details of the Company's financial net profit or loss for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Financial assets/ liabilities at amortized cost	₩ (12,092,069)	(13,984,969)	\$ (10,200)	(11,797)
Financial assets at FVTPL	11,000	11,000	9	9
	₩ (12,081,069)	(13,973,969)	\$ (10,191)	(11,786)

29. Losses per Share

(1) Basic losses per share for the years ended December 31, 2021 and 2020 are calculated as follows:

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

	Korean won		US dollar	
	2021	2020	2021	2020
Loss for the year	₩ (257,818,747)	(503,265,238)	\$ (217,477)	(424,517)
Loss contributed to common stocks	(257,818,747)	(503,265,238)	(217,477)	(424,517)
Weighted average number of common shares	149,840,002	149,840,002	149,840,002	149,096,397
Basic earnings (losses) per share(*)	₩ (1,721)	(3,359)	\$ (1.45)	(2.83)

(*) Diluted losses per share are not calculated for the years ended December 31, 2021 and 2020, because there are no dilutive shares as of December 31, 2021 and 2020.

(2) Weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020 are calculated as follows:

(In shares)

		2021		
		Common shares issued	Weighted-average	Common shares outstanding
Beginning	Outstanding period			
	2021-01-01~2021-12-31	149,840,002	365/365	149,840,002
				<u>149,840,002</u>
		2020		
		Common shares issued	Weighted-average	Common shares outstanding
Beginning	Outstanding period			
	2020-01-01~2020-12-31	149,840,002	366/366	149,840,002
				<u>149,840,002</u>

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30. Cash Flows

(1) Details of cash flows from operating activities for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Loss for the year	₩ (257,818,747)	(503,265,238)	\$ (217,477)	(424,517)
Adjustments for:				
Retirement benefit costs	47,823,320	48,434,801	40,340	40,856
Depreciation	123,040,610	146,950,043	103,788	123,956
Amortization	71,814,402	68,475,969	60,577	57,761
Depreciation of right-of-use assets	6,949,068	5,394,742	5,862	4,551
Losses on disposal of trade receivables	31,868	80,028	27	68
Impairment loss on investments in subsidiaries	-	297,411	-	251
Foreign exchange translation gain and loss, net	247,147	(518,808)	208	(438)
Losses (Gains) on disposal of property, plant and equipment	(88,923)	(114,834,487)	(75)	(96,866)
Interest expense and income, net	14,221,445	6,829,209	11,996	5,761
Dividends income	(11,000)	(11,000)	(9)	(9)
Losses (Gains) on valuation of inventories	(7,152,809)	5,650,962	(6,034)	4,767
Increase in provision of warranty for sale	19,834,418	33,180,206	16,731	27,988
Impairment loss on Tangible assets	-	48,251,827	-	40,702
Impairment loss on Intangible assets	20,828	80,120,747	18	67,584
Promotion	14,825,133	25,882,537	12,505	21,833
Export expenses	4,987,572	37,248,248	4,207	31,420
Others	160,112	36,076,485	136	30,430
	<u>296,703,191</u>	<u>427,508,920</u>	<u>250,277</u>	<u>360,615</u>
Changes in assets and liabilities				
Trade receivables	(3,335,765)	13,800,290	(2,814)	11,641
Other receivables	6,835,800	(8,000,830)	5,766	(6,749)
Inventories	49,863,920	20,978,903	42,062	17,696
Trade payables	(12,595,372)	54,846,993	(10,625)	46,265
Other payables	58,676,672	96,361,424	49,495	81,283
Accrued expenses	29,493,382	14,263,292	24,878	12,031
Usage of provision of warranty for sale	(34,319,535)	(42,395,668)	(28,949)	(35,762)
Decrease of provision for others	(44,712,677)	-	(37,716)	-
Payment of retirement benefits	(24,013,077)	(8,807,996)	(20,256)	(7,430)
Others	(39,613,212)	(17,552,960)	(33,414)	(14,805)
	<u>(13,719,864)</u>	<u>123,493,448</u>	<u>(11,573)</u>	<u>104,170</u>
Net cash provided by operating activities	₩ <u>25,164,580</u>	<u>47,737,130</u>	\$ <u>21,227</u>	<u>40,268</u>

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

30. Cash Flows, Continued

(2) Significant non-cash activities for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Changes in other payables related to the acquisition of property, plant and equipment	₩ (362,587)	(90,588)	\$ (306)	(76)
Changes in other payables related to the acquisition of intangible assets	1,230,783	-	1,038	-
Changes in asset revaluations	278,800,357	-	235,175	-

(3) Changes in liabilities from financial activities for the year ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,999,838	59,999,968	(60,001,785)	-	-	-	314,998,021
Long-term borrowings	40,000,000	-	-	-	-	-	40,000,000
Lease liabilities	7,564,293	-	(8,419,295)	-	9,877,018	-	9,022,016
Other liabilities	-	15,512,588	-	-	-	-	15,512,588
	₩ 362,564,131	75,512,556	(68,421,080)	-	9,877,018	-	379,532,625

(In thousands of dollar)

	2021						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 265,710	50,612	(50,613)	-	-	-	265,709
Long-term borrowings	33,741	-	-	-	-	-	33,741
Lease liabilities	6,380	-	(7,102)	-	8,332	-	7,610
Other liabilities	-	13,085	-	-	-	-	13,085
	\$ 305,831	63,697	(57,715)	-	8,332	-	320,145

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For the years ended December 31, 2021 and 2020

30. Cash Flows, Continued

(3) Changes in liabilities from financial activities for the year ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of won)

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*) ₩	106,606,448	-	(106,606,448)	-	-	-	-
Short-term borrowings	147,500,000	117,000,113	(108,250,275)	158,750,000	-	-	314,999,838
Long-term borrowings	158,750,000	40,000,000	-	(158,750,000)	-	-	40,000,000
Lease liabilities	9,992,220	-	(8,920,972)	-	6,493,045	-	7,564,293
₩	<u>422,848,668</u>	<u>157,000,113</u>	<u>(223,777,695)</u>	<u>-</u>	<u>6,493,045</u>	<u>-</u>	<u>362,564,131</u>

(In thousands of dollar)

	2020						
	Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance(*) \$	89,925	-	(89,925)	-	-	-	-
Short-term borrowings	124,420	98,693	(91,312)	133,910	-	-	265,711
Long-term borrowings	133,910	33,741	-	(133,910)	-	-	33,741
Lease liabilities	8,429	-	(7,525)	-	5,477	-	6,381
\$	<u>356,684</u>	<u>132,434</u>	<u>(188,762)</u>	<u>-</u>	<u>5,477</u>	<u>-</u>	<u>305,833</u>

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

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Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

31. Segment Information

(1) The Company determined itself as a single reportable segment by considering the nature of goods and service as well as the characteristic of assets providing service. The Company 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 Company for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

Sales region	Korean won		US dollar	
	2021	2020	2021	2020
Republic of Korea	₩ 1,749,267,781	2,476,227,092	\$ 1,475,553	2,088,762
Europe	290,171,639	187,466,070	244,767	158,132
South America	155,720,640	64,570,489	131,354	54,467
Asia Pacific	158,600,225	127,315,583	133,783	107,394
Others	63,470,704	74,210,104	53,540	62,598
	₩ 2,417,230,989	2,929,789,338	\$ 2,038,997	2,471,353

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

(3) Information of sales of goods and service for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Automobile	₩ 2,011,197,615	2,514,208,972	\$ 1,696,497	2,120,800
Merchandise and parts	297,916,433	322,501,945	251,300	272,039
Others	108,116,941	93,078,421	91,198	78,514
	₩ 2,417,230,989	2,929,789,338	\$ 2,038,995	2,471,353

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Receivables from contracts with customers	₩ 148,390,363	145,522,793	\$ 125,171	122,752
Contract liabilities	30,273,419	29,227,377	25,536	24,654

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

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For the years ended December 31, 2021 and 2020

32. Transactions and Balances with Related Parties

(1) Details of parent and subsidiary relationships as of December 31, 2021 are as follows:

Relationship	Company
Largest shareholder	Mahindra & Mahindra Ltd.(*1) Ssangyong Motor (Shanghai) Co., Ltd.(*2)
Subsidiaries	Ssangyong Australia Pty Ltd. Ssangyong European Parts Center B.V.
Joint venture	SY Auto Capital Co., Ltd. Mahindra Vehicle Manufacturing Ltd.(*1,3)
Others	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 Company and were excluded from related parties for the year ended December 31, 2021.

(*2) Ssangyong Motor(Shanghai) Co., Ltd was excluded from subsidiaries due to disposal of all shares for the period ended December 31, 2021.

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

(2) Transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.(*1)	Sales	₩ 3,908,170	28,948,012
		Other income	-	73,365
		Purchases	2,516,389	8,691,587
		Other expenses	592,885	1,095,026
Subsidiaries	Ssangyong European Parts Center B.V.	Sales	18,319,757	11,572,611
		Sales	76,053,360	36,849,021
		Other income	13,762	29,840
		Other expenses	134,954	392,545
Joint venture	SY Auto Capital Co., Ltd.	Other income	106,638	629,888
		Other expenses	40,363,851	81,320,276
		Sales	370,501	1,847,674
Others	Mahindra Vehicle Manufacturing Ltd. and others.(*1,2)	Purchase	10,877	-
		Other income	906	-
		Other expenses	353,272	3,576,964

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

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

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For the years ended December 31, 2021 and 2020

32. Transactions and Balances with Related Parties, continued

(2) Transactions with related parties for the years ended December 31, 2021 and 2020 are as follows, continued:

(In thousands of dollar)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.(*1)	Sales	\$ 3,297	24,418
		Other income	-	62
		Purchases	2,123	7,332
		Other expenses	500	924
Subsidiaries	Ssangyong European Parts Center B.V.	Sales	15,453	9,762
		Sales	64,153	31,083
	Ssangyong Australia Pty Ltd	Other income	12	25
		Ssangyong Motor (Shanghai) Co.Ltd. (*1)	Other expenses	114
Joint venture	SY Auto Capital Co., Ltd.	Other income	90	531
		Other expenses	34,048	68,596
		Sales	313	1,559
Others	Mahindra Vehicle Manufacturing Ltd. and others.(*1,2)	Purchase	9	-
		Other income	1	-
		Other expenses	298	3,017

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

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

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

(In thousands of won)

Relationship	Company	Description	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd.	Trade receivables ₩	-	2,437,886
		Other receivables	-	252,632
		Trade payables	-	3,624,172
		Other payables	-	2,514,361
		Borrowings	-	69,999,869
Subsidiaries	Ssangyong European Parts Center B.V.	Trade receivables	18,498,556	14,854,519
		Other payables	666,005	192,223
	Ssangyong Australia Pty Ltd.	Trade receivables	23,393,184	32,229,030
		Other payables	287,719	325,990
Others	Ssangyong Motor (Shanghai) Co.Ltd. Mahindra Vehicle Manufacturing Ltd. and others	Other payables	-	87,793
		Trade receivables	-	531,781
		Other payables	-	3,437,606

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For the years ended December 31, 2021 and 2020

32. Transactions and Balances with Related Parties, continued

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

(In thousands of dollar)

Relationship	Company	Description	2021		2020	
Largest shareholder	Mahindra & Mahindra Ltd.	Trade receivables	\$	-		2,056
		Other receivables		-		213
		Trade payables		-		3,057
		Other payables		-		2,121
		Borrowings		-		59,047
Subsidiaries	Ssangyong European Parts Center B.V.	Trade receivables		15,604		12,530
		Other payables		562		162
	Ssangyong Australia Pty Ltd.	Trade receivables		19,733		27,186
		Other payables		243		275
Others	Ssangyong Motor (Shanghai) Co.Ltd.	Other receivables		-		-
		Other payables		-		74
	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables		-		449
		Other payables		-		2,900

Allowance for receivables from related parties were ₩115,131 thousand (\$97 thousand) as of December 31, 2021 ₩136,079 thousand (\$115 thousand) recognized as of December 31, 2020.

(4) Capital transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

Relationship	Company	Description	Korean won		US dollar	
			2021	2020	2021	2020
Largest shareholder	Mahindra & Mahindra Ltd. (*)	Loan	₩	- 69,999,869	\$	- 59,047

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

(5) Executive compensation of the Company for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of won and in thousands of dollar)

		Korean won		US dollar	
		2021	2020	2021	2020
Short-term employee benefits	₩	2,349,889	4,240,272	\$	1,982
Retirement benefits		123,840	376,819		318

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

33. Financial Instruments

(1) Capital risk management

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

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Debt (A)	₩ 1,934,300,753	1,849,016,883	\$ 1,631,632	1,559,692
Equity (B)	(76,538,786)	(84,322,593)	(64,562)	(71,127)
Debt-to-equity ratio (A/B)(*)	-	-	-	-

(*) The debt to equity ratio was not calculated because the total equity is the negative amount as of December 31, 2021 and 2020.

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

1) Financial assets

(In thousands of won)

	2021			
	Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 45,834,173	-	45,834,173	45,834,173
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	202,957,187	-	202,957,187	202,957,187
Non-current financial assets	-	560,000	560,000	560,000
	₩ 270,071,011	560,000	270,631,011	270,631,011

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Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

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

1) Financial assets, continued

(In thousands of won)

		2020			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩	165,339,311	-	165,339,311	165,339,311
Long-term financial instruments		4,000	-	4,000	4,000
Trade and other receivables		207,862,732	-	207,862,732	207,862,732
Non-current financial assets		-	560,000	560,000	560,000
	₩	<u>373,206,043</u>	<u>560,000</u>	<u>373,766,043</u>	<u>373,766,043</u>

(In thousands of dollar)

		2021			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash Equivalents	\$	38,662	-	38,662	38,662
Short-term financial instruments		17,947	-	17,947	17,947
Long-term financial instruments		3	-	3	3
Trade and other receivables		171,200	-	171,200	171,200
Non-current financial assets		-	472	472	472
	\$	<u>227,812</u>	<u>472</u>	<u>228,284</u>	<u>228,284</u>

(In thousands of dollar)

		2020			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash Equivalents	\$	139,468	-	139,468	139,468
Long-term financial instruments		3	-	3	3
Trade and other receivables		175,338	-	175,338	175,338
Non-current financial assets		-	472	472	472
	\$	<u>314,809</u>	<u>472</u>	<u>315,281</u>	<u>315,281</u>

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For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

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

2) Financial liabilities

(In thousands of won)

		2021			
		Amortised cost	Measured at FVTPL	Total	Fair value
Trade and other payables	₩	812,013,857	-	812,013,857	812,013,857
Borrowings		354,998,021	-	354,998,021	354,998,021
Other liabilities		15,512,588	-	15,512,588	15,512,588
	₩	<u>1,182,524,466</u>	<u>-</u>	<u>1,182,524,466</u>	<u>1,182,524,466</u>

(In thousands of won)

		2020			
		Amortised cost	Measured at FVTPL	Total	Fair value
Trade and other payables	₩	715,662,781	-	715,662,781	715,662,781
Borrowings		354,999,838	-	354,999,838	354,999,838
	₩	<u>1,070,662,619</u>	<u>-</u>	<u>1,070,662,619</u>	<u>1,070,662,619</u>

(In thousands of dollar)

		2021			
		Amortised cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$	684,955	-	684,955	684,955
Borrowings		299,450	-	299,450	299,450
Other liabilities		13,085	-	13,085	13,085
	\$	<u>997,490</u>	<u>-</u>	<u>997,490</u>	<u>997,490</u>

(In thousands of dollar)

		2020			
		Amortised cost	Measured at FVTPL	Total	Fair value
Trade and other payables	\$	603,680	-	603,680	603,680
Borrowings		299,452	-	299,452	299,452
	\$	<u>903,132</u>	<u>-</u>	<u>903,132</u>	<u>903,132</u>

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Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

(3) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company 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 Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company assesses, manages and reports, on a regular basis, the foreign exchange risk for its receivables and payables denominated in foreign currency.

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

(In thousands of won and in thousands of dollar)

Currency	Korean won		US dollar	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 2,841,302	(2,841,302)	\$ 2,397	(2,397)
EUR	4,404,162	(4,404,162)	3,715	(3,715)
JPY	6,461	(6,461)	5	(5)
Others	2,709,064	(2,709,064)	2,285	(2,285)
	₩ 9,960,989	(9,960,989)	\$ 8,402	(8,402)

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 Company's current income will decrease or increase in ₩1,775,812 thousand (\$1,498 thousand) for the year ended December 31, 2021, due to floating rate debt's interest rate risk.

SSANGYONG MOTOR COMPANY
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For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk

Credit risk arises from transactions in the ordinary course of business and investment activities and when a customer or a transacting party fails to perform obligations defined by respective contract terms. In order to manage the aforementioned credit risk, the Company 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 Company's sales, the respective dealership bears all of the risk; the Company 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 Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days.

The Company 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.

Maximum exposure in respect of credit risk as of December 31, 2021 and 2020 are as follows:

(In thousands of won and in thousands of dollar)

		Korean won			US dollar	
		2021	2020		2021	2020
Trade and other receivables	₩	202,957,187	207,862,732	\$	171,200	175,338
Short-term financial instruments		21,275,651	-		17,947	-

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For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk

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

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

(In thousands of won)

	2021		
	Within a year	Over 1 year	Total
Trade payables	₩ 515,796,052	-	515,796,052
Other payables	261,842,416	-	261,842,416
Short-term borrowings(*)	314,998,021	-	314,998,021
Lease liabilities(*)	5,257,625	4,088,549	9,346,174
Other payables	34,311,327	-	34,311,327
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>₩ 1,147,718,029</u>	<u>46,700,556</u>	<u>1,194,418,585</u>

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

(In thousands of won)

	2020		
	Within a year	Over 1 year	Total
Trade payables	₩ 531,345,654	-	531,345,654
Other payables	181,246,428	-	181,246,428
Short-term borrowings(*)	314,999,838	-	314,999,838
Lease liabilities(*)	5,651,424	2,138,978	7,790,402
Other payables	2,424,064	-	2,424,064
Long-term borrowings(*)	-	43,146,301	43,146,301
Long-term other payables	-	646,636	646,636
	<u>₩ 1,035,667,408</u>	<u>45,931,915</u>	<u>1,081,599,323</u>

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

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33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of dollar)

	2021		
	Within a year	Over 1 year	Total
Trade payables	\$ 435,087	-	435,087
Other payables	220,871	-	220,871
Short-term borrowings(*)	265,709	-	265,709
Lease liabilities(*)	4,435	3,449	7,884
Other payables	28,942	-	28,942
Other liabilities	13,085	-	13,085
Long-term borrowings(*)	-	35,890	35,890
Long-term other payables	-	54	54
	<u>\$ 968,129</u>	<u>39,393</u>	<u>1,007,522</u>

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

(In thousands of dollar)

	2020		
	Within a year	Over 1 year	Total
Trade payables	\$ 448,204	-	448,204
Other payables	152,886	-	152,886
Short-term borrowings(*)	265,711	-	265,711
Lease liabilities(*)	4,767	1,804	6,571
Other payables	2,045	-	2,045
Long-term borrowings(*)	-	36,395	36,395
Long-term other payables	-	545	545
	<u>\$ 873,613</u>	<u>38,744</u>	<u>912,357</u>

(*) Including expected interest expenses.

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

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2021	2020	2021	2020
Used amount	₩ -	355,000,000	\$ -	299,452
Unused amount	-	-	-	-

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

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

33. Financial Instruments, Continued

(4) Fair value of financial instruments

1) The Company'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 Company 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.

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

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

No financial instruments are measured at fair value after initial recognition as of December 31, 2021 and 2020.

34. Going concern assumption

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

However, due to deteriorating financial structure, the Company has incurred operating losses of ₩260,692 million (\$220 million) and net losses of ₩257,819 million (\$217 million) during the reporting period. In addition, the Company's current liabilities exceed its current assets by ₩901,111 million (\$760 million) as of the end of the reporting period.

As of December 21, 2020, the Company filed for commencement of corporate rehabilitation procedure with the Seoul Bankruptcy Court ("the court") under the Debtor Rehabilitation and Bankruptcy Act of South Korea. The Company received a commencement of rehabilitation procedure on April 15, 2021 and filed rehabilitation plan on February 25, 2022 to the court. The Company is resuming M&A process before court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Company under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

SSANGYONG MOTOR COMPANY
Notes to the Separate Financial Statements

For the years ended December 31, 2021 and 2020

34. Going concern assumption, continued

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 Company 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 Company to continue as a going concern if the Company fails to succeed M&A deal before approval of rehabilitation plan or achieve its plan according to the final results of corporate rehabilitation procedure, the carrying amount of the Company's assets and liabilities may not be recoverable in the ordinary course of business. The separate 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 M&A deal before court approval of rehabilitation plan

As of December 21, 2020, the Company 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. The Company received a commencement of rehabilitation procedure on April 15, 2021 and filed rehabilitation plan on February 25, 2022 to the court. The Company is resuming M&A process before court approval of rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Company under the Section 241 of Practice Rule of Seoul Bankruptcy Court.

After the end of reporting period, the Company signed an M&A contract with a consortium led by Edison Motors with approval of Seoul Bankruptcy Court and received as down payment of ₩30.5 billion (\$25.7 million, 10% of total acquisition price) on Jan 10, 2022. Meanwhile, the M&A contract with a consortium led by Edison Motors was terminated because the buyer failed to pay the remaining payment of ₩274.3billion (\$25.7 million) by March 25, 2022(5 business days before the date of the assembly of persons designated by the court).

As a result, the received down payment of ₩30.5billion(\$25.7million) will be attributed to the Company.

The Company will submit revised rehabilitation plan to the Seoul Bankruptcy Court after promptly seeking a new buyer and reselling process.

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

The Company 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 Company's separate financial statements as of December 31, 2020. The Company 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.

Independent Auditors' Report on Internal Control over Financial Reporting ("ICFR")

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Ssangyong Motor Company

Disclaimer of Opinion on Internal Control over Financial Reporting

As described in the *Basis for Disclaimer of Opinion* section of the report, we were unable to apply other procedures to satisfy ourselves as to the effectiveness of the Company's internal control over financial reporting, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the effectiveness of the Company's internal control over financial reporting.

We were also engaged to audit the separate financial statements of the Company, which comprise the separate statements of financial position as of December 31, 2021 and 2020, the separate statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information and as our report dated March 31, 2022 stated, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on those separate financial statements.

Basis for Disclaimer of Opinion on Internal Control over Financial Reporting

As of December 31, 2021, the Company had designed and operated internal control which establish and review business plans to evaluate the Company's ability to continue as a going concern. However, whether the Company to continue as a going concern or not includes a material uncertainty that depends on whether the court approves the Company's rehabilitation plan and the final result of M&A deal and the final results of the capital reorganization plan and business improvement plan of the Company including the implementation of the rehabilitation plan after the court approval, as discussed in note 34 to the separate financial statement.

Because of the matters described above, we have not been able to obtain sufficient appropriate audit evidence providing basis for opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating, and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ICFR Operating Status Report.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. However, because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence.



Definition and Limitations of Internal Control over Financial Reporting

「A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS").」 A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management the Company and the court; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 31, 2022

This report is effective as of March 31, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

ICFR Operating Status Report

To the Shareholders, Board of Directors, and Audit Committee of Ssangyong Motor Company

We, as the Receiver and the Internal Accounting Manager (“IAM”) of Ssangyong Motor Company (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2021.

Design and operation of ICFR is the responsibility of the Company’s management, including the Receiver and the IAM (collectively, “We”). We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.



We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s ICFR.

And we conducted an evaluation of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Company’s ICFR is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

March 23, 2022

Receiver	Yong-Won Chung
Internal Accounting Manager	Sang-Hyeon Eom

