

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020 and 2019

(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 consolidated financial statements of Ssangyong Motor Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. 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 consolidated financial statements.

Basis for Disclaimer of Opinion

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern and therefore the Group's assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. As discussed in note 34 to the consolidated financial statements, the Group has incurred operating loss of ₩449,389 million and a net loss of ₩504,341 million during the period ended December 31, 2020. As of that date, the Group's current liabilities exceed its current assets by ₩781,830 million and total liabilities exceed its total assets by ₩88,122 million.

The Group has filed for the commencement of rehabilitation under the Debtor Rehabilitation and Bankruptcy Act of Republic of Korea to the Seoul Bankruptcy Court ("the Court") on December 21, 2020. The Group has received an order from the Court to preserve corporate assets as well as a comprehensive ban on the sale of assets and is in the process of an Autonomous Restructuring Support (ARS) program for good consultation with creditors and potential investors.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Whether the Group to continue as a going concern or not includes a material uncertainty that depends on the final results of the capital reorganization plan and business improvement plan of the Group, as discussed in note 34 to the consolidated 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 that might be resulted from the outcome of this uncertainty.

In addition, as discussed in note 11, 12 to the consolidated financial statement, because of the material uncertainty on the ability to continue as a going concern described above, we were not able to obtain sufficient appropriate audit evidence to determine the adequacy of the tangible and intangible assets which amount to ₩1,149,028 million and related impairment losses of ₩128,373 million in the Group's consolidated financial statements. As a result, we were not able to determine whether those amounts need to be further adjusted.

Other Matter

The consolidated financial statement of the Group for the year ended December 31, 2019 were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 16, 2020, expressed an unqualified opinion.



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to audit the Group's consolidated financial statements and issue an audit report 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 consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 23, 2021

This report is effective as of March 23, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2020	2019	2020	2019
Assets					
Cash and cash equivalents	4,5,33	₩ 185,963,322	125,800,194	Rs 12,533,928	8,478,933
Trade and other receivables, net	7,13,31,32,33	130,441,094	136,594,866	8,791,729	9,206,494
Inventories, net	8,25	192,365,295	226,131,073	12,965,421	15,241,234
Other current assets	10	37,941,809	9,013,633	2,557,278	607,519
Total current assets		<u>546,711,520</u>	<u>497,539,766</u>	<u>36,848,356</u>	<u>33,534,180</u>
Non-current financial instruments	5,33	4,000	4,000	270	270
Non-current other receivables, net	7,31,32,33	41,500,123	38,937,441	2,797,108	2,624,383
Non-current financial assets	6,33	560,000	560,000	37,744	37,744
Property, plant and equipment, net	11,14	939,096,382	1,142,262,329	63,295,096	76,988,481
Intangible assets, net	11,12	209,931,257	313,104,754	14,149,367	21,103,260
Investments in joint venture	9	21,055,695	19,053,781	1,419,154	1,284,225
Other non-current assets	10	275,957	285,504	18,599	19,243
Right-of-use assets	13	9,493,636	7,459,568	639,871	502,775
Total non-current assets		<u>1,221,917,050</u>	<u>1,521,667,377</u>	<u>82,357,209</u>	<u>102,560,381</u>
Total assets		₩ <u>1,768,628,570</u>	<u>2,019,207,143</u>	Rs <u>119,205,565</u>	<u>136,094,561</u>

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2020 and 2019

(In thousands of won and in thousands of rupee)

	Note	Korean won		Indian rupee	
		2020	2019	2020	2019
Liabilities					
Trade payables	32,33	₩ 532,518,517	477,370,219	Rs 35,891,748	32,174,753
Other payables	19,32,33	328,819,897	131,066,324	22,162,461	8,833,870
Short-term borrowings	14,19,30,33	314,999,838	254,106,448	21,230,989	17,126,774
Other financial liabilities	15,33	55,063,845	39,493,725	3,711,303	2,661,877
Provision of warranty for sale					
- current	16	50,043,567	50,305,013	3,372,936	3,390,558
Other long-term employee					
benefits liabilities- current		1,985,708	2,078,738	133,837	140,107
Other current liabilities	17,31,32	38,830,989	25,724,194	2,617,209	1,733,811
Lease liabilities - current	13,30,33	6,279,275	6,939,730	423,223	467,738
Total current liabilities		<u>1,328,541,636</u>	<u>987,084,391</u>	<u>89,543,706</u>	<u>66,529,488</u>
	14,19,30,32				
Long-term borrowings	,33	40,000,000	158,750,000	2,696,000	10,699,750
Non-current other payables	33	646,636	848,340	43,583	57,178
Other non-current liabilities	17,31	19,326,729	16,399,791	1,302,622	1,105,345
Defined benefit liabilities	18	382,379,014	356,155,261	25,772,346	24,004,865
Other long-term employee					
benefits liabilities					
- non-current		14,587,394	14,174,556	983,190	955,365
Provision of warranty for sale					
- non-current	16	69,127,778	77,980,593	4,659,212	5,255,892
Non-current lease					
liabilities	13,30,33	2,141,499	4,690,654	144,337	316,150
Total non-current liabilities		<u>528,209,050</u>	<u>628,999,195</u>	<u>35,601,290</u>	<u>42,394,545</u>
Total liabilities		<u>1,856,750,686</u>	<u>1,616,083,587</u>	<u>125,144,996</u>	<u>108,924,033</u>
Equity					
Capital stock	20,32	749,200,010	749,200,010	50,496,081	50,496,081
Other capital surplus	21	78,162,820	78,162,820	5,268,174	5,268,174
Other equity	22	826,888	1,109,395	55,732	74,773
Accumulated deficit	23	(916,311,834)	(425,348,668)	(61,759,418)	(28,668,500)
Equity attributable to					
owners of the Company		(88,122,116)	403,123,557	(5,939,431)	27,170,528
Non-controlling interests		-	-	-	-
Total equity		<u>(88,122,116)</u>	<u>403,123,557</u>	<u>(5,939,431)</u>	<u>27,170,528</u>
Total liabilities and equity		₩ <u>1,768,628,570</u>	<u>2,019,207,143</u>	Rs <u>119,205,565</u>	<u>136,094,561</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive loss

For the years ended December 31, 2020 and 2019

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

	Note	Korean won		Indian rupee	
		2020	2019	2020	2019
Sales	31,32	₩ 2,950,180,719	3,623,882,267	Rs 198,842,181	244,249,665
Cost of sales	25,32	2,870,122,874	3,356,307,821	193,446,282	226,215,147
Gross profit		<u>80,057,845</u>	<u>267,574,446</u>	<u>5,395,899</u>	<u>18,034,518</u>
Selling, general and administrative expenses	25,26	529,446,502	549,479,805	35,684,694	37,034,939
Operating loss		<u>(449,388,657)</u>	<u>(281,905,359)</u>	<u>(30,288,795)</u>	<u>(19,000,421)</u>
Other income	27,32	135,443,195	17,535,784	9,128,871	1,181,912
Other expenses	27,32	(178,453,241)	(72,100,011)	(12,027,748)	(4,859,541)
Finance income	28	3,790,620	11,742,187	255,488	791,423
Finance costs	28	(17,729,535)	(19,030,821)	(1,194,971)	(1,282,677)
Share of profits of joint venture		2,027,166	2,433,214	136,631	163,999
Loss before income taxes		<u>(504,310,452)</u>	<u>(341,325,006)</u>	<u>(33,990,524)</u>	<u>(23,005,305)</u>
Income tax expenses	24	30,515	39,134	2,057	2,638
Loss for the year		<u>(504,340,967)</u>	<u>(341,364,140)</u>	<u>(33,992,581)</u>	<u>(23,007,943)</u>
Loss attributable to:					
Owners of the Company		(504,340,967)	(341,364,140)	(33,992,581)	(23,007,943)
Non-controlling interests		-	-	-	-
Other comprehensive income for the year		13,095,294	1,492,905	882,622	100,622
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	13,403,053	1,711,905	903,365	115,382
Defined benefit plan re-measurements of joint ventures	9,23	(25,252)	(85,778)	(1,702)	(5,781)
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of cash flow hedge	22	-	(103,000)	-	(6,942)
Foreign currency translation difference for foreign operation		(282,507)	(30,222)	(19,041)	(2,037)
Total comprehensive loss for the year		<u>₩ (491,245,673)</u>	<u>(339,871,235)</u>	<u>Rs (33,109,959)</u>	<u>(22,907,321)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(491,245,673)	(339,871,235)	(33,109,959)	(22,907,321)
Non-controlling interests		-	-	-	-
Losses per share					
Basic and diluted losses per share	29	₩ (3,366)	(2,290)	Rs (227)	(154)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In thousands of won)

	Other capital surplus							Total	
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Accumulated deficit		Non-controlling interests
Balance at January 1, 2019	₩ 689,746,980	12,916,273	74,061,697	931,508	-	1,242,617	(85,610,655)	-	693,288,420
Total comprehensive income (loss) for the year:									
Loss for the year	-	-	-	-	-	-	(341,364,140)	-	(341,364,140)
Defined benefit plan re-measurements	-	-	-	-	-	-	1,711,905	-	1,711,905
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(85,778)	-	(85,778)
Changes in fair value of cash flow hedge	-	-	-	-	-	(103,000)	-	-	(103,000)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(30,222)	-	-	(30,222)
Transactions with owners of the Company, recognized directly in equity:									
Issue of ordinary shares	59,453,030	(9,746,658)	-	-	-	-	-	-	49,706,372
Balance at December 31, 2019	₩ 749,200,010	3,169,615	74,061,697	931,508	-	1,109,395	(425,348,668)	-	403,123,557
Balance at January 1, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	-	1,109,395	(425,348,668)	-	403,123,557
Total comprehensive income (loss) for the year:									
Loss for the year	-	-	-	-	-	-	(504,340,967)	-	(504,340,967)
Defined benefit plan re-measurements	-	-	-	-	-	-	13,403,053	-	13,403,053
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(25,252)	-	(25,252)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(282,507)	-	-	(282,507)
Balance at December 31, 2020	₩ 749,200,010	3,169,615	74,061,697	931,508	-	826,888	(916,311,834)	-	(88,122,116)

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2020 and 2019

(In thousands of rupee)

	Other capital surplus							Total	
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Gain on disposal of treasury stock	Other equity	Accumulated deficit		Non-controlling interests
Balance at January 1, 2019	Rs 46,488,947	870,557	4,991,758	62,784	-	83,752	(5,770,158)	-	46,727,640
Total comprehensive income (loss) for the year:									
Loss for the year	-	-	-	-	-	-	(23,007,943)	-	(23,007,943)
Defined benefit plan re-measurements	-	-	-	-	-	-	115,382	-	115,382
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(5,781)	-	(5,781)
Changes in fair value of cash flow hedge	-	-	-	-	-	(6,942)	-	-	(6,942)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(2,037)	-	-	(2,037)
Transactions with owners of the Company, recognized directly in equity:									
Issue of ordinary shares	4,007,134	(656,925)	-	-	-	-	-	-	3,350,209
Balance at December 31, 2019	Rs 50,496,081	213,632	4,991,758	62,784	-	74,773	(28,668,500)	-	27,170,528
Balance at January 1, 2020	Rs 50,496,081	213,632	4,991,758	62,784	-	74,773	(28,668,500)	-	27,170,528
Total comprehensive income (loss) for the year:									
Loss for the year	-	-	-	-	-	-	(33,992,581)	-	(33,992,581)
Defined benefit plan re-measurements	-	-	-	-	-	-	903,365	-	903,365
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	-	(1,702)	-	(1,702)
Foreign currency translation difference for foreign operation	-	-	-	-	-	(19,041)	-	-	(19,041)
Balance at December 31, 2020	Rs 50,496,081	213,632	4,991,758	62,784	-	55,732	(61,759,418)	-	(5,939,431)

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Cash flows from operating activities				
Loss for the year	₩ (504,340,967)	(341,364,140)	Rs (33,992,581)	(23,007,943)
Adjustment	424,946,408	422,231,605	28,641,388	28,458,410
Changes in assets and liabilities	141,538,892	(101,758,190)	9,539,721	(6,858,502)
Cash generated from operations (note 31)	<u>62,144,333</u>	<u>(20,890,725)</u>	<u>4,188,528</u>	<u>(1,408,035)</u>
Interest received	2,025,617	3,778,428	136,527	254,666
Interest paid	(10,866,813)	(8,371,862)	(732,423)	(564,263)
Dividends received	11,000	11,000	741	741
Net cash provided by (used in) operating activities	<u>53,314,137</u>	<u>(25,473,159)</u>	<u>3,593,373</u>	<u>(1,716,891)</u>
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	186,780,526	2,742,176	12,589,007	184,823
Proceed from disposal of intangible assets	-	112,138	-	7,558
Acquisition of property, plant and equipment	(70,973,764)	(136,816,859)	(4,783,632)	(9,221,456)
Acquisition of intangible assets	(42,984,440)	(71,845,897)	(2,897,151)	(4,842,414)
Cash flow used in other investing activities	953,693	(1,894,680)	64,279	(127,701)
Net cash provided by (used in) investing activities	<u>73,776,015</u>	<u>(207,703,122)</u>	<u>4,972,503</u>	<u>(13,999,190)</u>
Cash flows from financing activities				
Proceeds from borrowings	157,000,113	259,999,999	10,581,808	17,524,000
Receipts of government grants	134,837	197,692	9,088	13,324
Proceeds from issuing capital stock	-	49,706,372	-	3,350,209
Repayment of borrowings	(214,856,723)	(97,520,761)	(14,481,343)	(6,572,899)
Payment of finance lease	(9,756,079)	(9,596,135)	(657,560)	(646,779)
Net cash provided by (used in) financing activities	<u>(67,477,852)</u>	<u>202,787,167</u>	<u>(4,548,007)</u>	<u>13,667,855</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>550,827</u>	<u>126,651</u>	<u>37,126</u>	<u>8,536</u>
Net increase (decrease) in cash and cash equivalents	<u>60,163,127</u>	<u>(30,262,463)</u>	<u>4,054,995</u>	<u>(2,039,690)</u>
Cash and cash equivalents at January 1	<u>125,800,194</u>	<u>156,062,657</u>	<u>8,478,933</u>	<u>10,518,623</u>
Cash and cash equivalents at December 31	₩ <u>185,963,321</u>	<u>125,800,194</u>	Rs <u>12,533,928</u>	<u>8,478,933</u>

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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, 2020, the Company's shareholders are as follows:

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

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

2. Basis of Preparation and Accounting Policies

(1) Basis of translating consolidated financial statements

The consolidated financial statements are expressed in Korean won and have been translated into Indian rupees at the rate of INR 0.0674 to ₩1 on December 31, 2020, 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 Indian rupees at this or any other rate.

(2) Statement of compliance

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

Major accounting policies used for the preparation of the consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

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

- ① Derivatives measured at fair value
- ② FVTPL measured at fair value
- ③ Defined benefit liabilities that present value of defined benefit obligation deducted by plan assets

The consolidated financial statements as of and for the year ended December 31, 2020, to be submitted at the ordinary shareholders' meeting on March 31, 2021, were authorized for issuance at the board of directors' meeting on March 15, 2021.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

2. Basis of Preparation and Accounting Policies, Continued

(3) Use of estimates and judgments

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

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

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

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

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

(4) Changes in accounting policies

The Group has initially adopted amended Definition of a business (K-IFRS No.1103 Business combinations) 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, 2020. A number of other new standards are also effective from January 1, 2020 but they do not have a material effect on the Group's financial statements.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies

The significant accounting policies that we applied to the preparation of the Group's consolidated financial statements in accordance with K-IFRS are described below. Except Note 2.(4) Changes in accounting policies, the Group has consistently applied the accounting policies to the Group's consolidated financial statements for the years ended December 31, 2020 and 2019.

(1) New standards and interpretations not yet adopted

As of December 31, 2020, new standards which are amended and effective but not applied for annual periods beginning after 1 January 2020 are the followings. The Group decided not to early adopt the followings in preparation of the consolidated financial statements.

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

- K-IFRS No. 1001 Classification of Liabilities as Current or Non-current (Amendment)
- K-IFRS No. 1103 Reference to the Conceptual Framework
- K-IFRS No. 1016 Property, Plant and Equipment (Amendment)
- K-IFRS No. 1037 Onerous Contracts—Cost of Fulfilling a Contract (Amendment)
- K-IFRS No. 1116 Leases – Impact of the initial application of Covid-19-Related Rent Concessions(Amendment)
- Annual Improvements to K-IFRS Standards 2018–2020

(2) Basis of consolidation

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

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

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

(3) Investments in joint ventures

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(3) Investments in joint ventures, continued

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

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

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(4) Revenue recognition

K-IFRS No.1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No.1018 Revenue, K-IFRS No. 1011 Construction Contracts, K-IFRS No. 2113 Customer Loyalty Programs, K-IFRS No. 2115 Agreements for the Construction of Real Estate and K-IFRS No. 2118 Transfers of assets from customers.

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

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

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

(5) Foreign currencies

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets

1) Recognition and initial measurement

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

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

2) Classification and subsequent measurements

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

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

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurements, continued

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

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

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

When evaluating this, we consider the following:

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurements, continued

Subsequent measurement and profit and loss

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	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.
Debt investments at FVOCI	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.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3) Elimination

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

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

4) Offsetting

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

1) Financial instruments and contract assets

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

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

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

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

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held)

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

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

2) Measurement of ECLs

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

3) Credit-impaired financial assets

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

- Significant financial difficulty of the debtor
- A breach of contract such as a default or being more than 90 days past due
- The restructuring of a loan or advance by the 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 Group assesses the timing and amount of each individual by assessing whether there is a reasonable expectation of recovery for the enterprise customer, based on historical experience with the recovery of similar assets. The Group has no expectation that the proceeds will be recovered significantly. However, deferred financial assets can be subject to collection activities in accordance with the collection procedure of the amount due.

(8) Financial liabilities and Paid-in capital

1) Paid-in capital

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

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

2) Financial liabilities

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(8) 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

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

(9) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk by foreign exchange forward contracts.

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. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(9) Derivative financial instruments, continued

Cash Flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of change in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

(10) Inventories

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

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

(11) Property, plant and equipment

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 Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(11) Property, plant and equipment, continued

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

(12) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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

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

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

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3. Significant Accounting Policies, Continued

(12) Intangible assets, continued

3) Derecognition of intangible assets

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

(13) Impairment of Non-financial assets

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

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

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

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

(14) Retirement benefit costs and termination benefits

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

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

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3. Significant Accounting Policies, Continued

(14) Retirement benefit costs and termination benefits, continued

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

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

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

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

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

(15) Provisions

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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3. Significant Accounting Policies, Continued

(16) Lease

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

1) As a lessor

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

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

2) As a lessee

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(16) Lease, continued

2) As a lessee, continued

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

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

The lease liability is measured at 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 Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(17) Borrowing costs

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

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

(18) Government grants

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

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

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

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

(19) Finance income and expenses

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

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

(20) Earnings per share

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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3. Significant Accounting Policies, Continued

(21) Taxation

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies, Continued

(21) Taxation, continued

3) Current and deferred taxes for the year

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

(22) Fair value

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

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

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

(23) Segment information

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

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

The Group classifies the emission rights as intangible assets. Emission right allowances the government allocated free of charge are measured at ~~W0~~, and emission right allowances purchased are measured at cost that the Group paid to purchase the allowances. If emission rights that the government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at ~~W0~~. 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.

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

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, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Financial institution		Korean won		Indian rupee		Description	
			2020	2019	2020	2019		
Cash and cash equivalents	Shinhan Bank	₩	36,488	187,494	Rs	2,459	12,637	Government grants Unconfirmed reorganization debt pledged as collateral
	Woori Bank and others		8,121,902	752,317		547,416	50,706	
Non-current Financial instruments	Shinhan Bank and others		4,000	4,000		270	270	Bank account deposit
		₩	<u>8,162,390</u>	<u>943,811</u>	Rs	<u>550,145</u>	<u>63,613</u>	

6. Non-current Financial Assets

Non-current financial assets as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

	Ownership (%)		2020			2019
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	₩	500,000	736,772	500,000	500,000
Korea Management Consultants Association(*)	1.50		60,000	949,895	60,000	60,000
		₩	<u>560,000</u>	<u>1,686,667</u>	<u>560,000</u>	<u>560,000</u>

(In thousands of rupee)

	Ownership (%)		2020			2019
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan(*)	1.72	Rs	33,700	49,658	33,700	33,700
Korea Management Consultants Association(*)	1.50		4,044	64,023	4,044	4,044
		Rs	<u>37,744</u>	<u>113,681</u>	<u>37,744</u>	<u>37,744</u>

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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7. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

	2020		2019	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 100,646,367	-	121,416,355	100,000
Less: Allowance for doubtful accounts	(92,268)	-	(150,829)	(497)
Other receivables	14,963,013	139,755	7,141,943	160,679
Less: Allowance for doubtful accounts	(3,712,208)	(44,250)	(4,036,702)	(44,345)
Loans and others(*)	18,636,190	41,404,974	12,224,099	38,721,961
Less: Allowance for doubtful accounts	-	(357)	-	(357)
	₩ 130,441,094	41,500,122	136,594,866	38,937,441

(*) The Loans and others listed above include ₩4,346,501 thousand and ₩4,037,510 thousand for sub lease receivables and the interest revenue received by the sub lease contract are ₩577,204 thousand and ₩637,160 thousand for the years ended December 31, 2020 and 2019, respectively.

(In thousands of rupee)

	2020		2019	
	Current	Non-current	Current	Non-current
Trade receivables	Rs 6,783,565	-	8,183,462	6,740
Less: Allowance for doubtful accounts	(6,219)	-	(10,166)	(33)
Other receivables	1,008,507	9,419	481,367	10,830
Less: Allowance for doubtful accounts	(250,203)	(2,982)	(272,074)	(2,989)
Loans and others(*)	1,256,080	2,790,695	823,905	2,609,860
Less: Allowance for doubtful accounts	-	(24)	-	(24)
	Rs 8,791,730	2,797,108	9,206,494	2,624,384

(*) The Loans and others listed above include Rs 292,954 thousand and Rs 272,128 thousand for sub lease receivables and the interest revenue received by the sub lease contract is Rs 38,904 thousand and RS 42,945 thousand for the years ended December 31, 2020 and 2019, respectively.

(2) Details of aging analysis of the trade and other receivables as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

	2020		2019	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90days	₩ 98,794,136	69,621,117	86,595,988	53,967,620
Less than 180days	160,381	716,835	15,540,796	57,067
Less than 270days	721,249	602,574	17,528,017	30,610
Less than 365days	-	226,890	674,780	54,075
More than 366days	970,601	3,976,516	1,176,774	4,139,310
Total	₩ 100,646,367	75,143,932	121,516,355	58,248,682
Impaired receivables	92,268	3,756,815	151,326	4,081,404

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For the years ended December 31, 2020 and 2019

7. Trade and Other Receivables, Continued

(2) Details of aging analysis of the trade and other receivables as of December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

	2020		2019	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90days	Rs 6,658,725	4,692,463	5,836,570	3,637,418
Less than 180days	10,810	48,315	1,047,450	3,846
Less than 270days	48,612	40,614	1,181,388	2,063
Less than 365days	-	15,292	45,480	3,645
More than 366days	65,418	268,017	79,314	278,990
Total	Rs 6,783,565	5,064,701	8,190,202	3,925,962
Impaired receivables	6,219	253,209	10,199	275,087

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

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won)

	2020		2019	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 151,326	4,081,404	124,299	3,963,406
Bad debt expense	453	-	27,925	524,238
Reversal of allowance for bad debts	(59,511)	(310,059)	(898)	(405,749)
Removal	-	(14,530)	-	(491)
Ending balance	₩ 92,268	3,756,815	151,326	4,081,404

(In thousands of rupee)

	2020		2019	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	Rs 10,199	275,087	8,378	267,134
Bad debt expense	31	-	1,882	35,334
Reversal of allowance for bad debts	(4,011)	(20,898)	(61)	(27,348)
Removal	-	(980)	-	(33)
Ending balance	Rs 6,219	253,209	10,199	275,087

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8. Inventories

Details of inventories as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Merchandises	₩ 39,416,800	42,992,862	Rs 2,656,692	2,897,719
Finished goods	71,539,083	89,960,596	4,821,734	6,063,344
Work-in-process	23,460,664	22,869,812	1,581,249	1,541,425
Raw materials	31,948,093	34,184,282	2,153,302	2,304,020
Sub-materials	397,082	375,663	26,763	25,320
Supplies	3,253,034	3,270,070	219,255	220,403
Goods in transit	22,350,539	32,477,788	1,506,426	2,189,003
	₩ <u>192,365,295</u>	<u>226,131,073</u>	Rs <u>12,965,421</u>	<u>15,241,234</u>

The Group has measured inventories at the lower of cost or net realizable value. The losses on valuation of inventories amounted to ₩4,035,760 thousand (Rs 272,010 thousand) and ₩10,407,813 thousand (Rs 701,487 thousand) for the years ended December 31, 2020 and 2019 are included in cost of sales.

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2020 and 2019 are as follows:

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

(*1) The Group made additional investments of ₩1,116,761 thousand (Rs 75,270 thousand) for the year ended December 31, 2019.

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

9. Investments in Subsidiaries and a Joint venture, Continued

(2) Changes in the carrying amounts of investments in a joint venture for the year ended December 31, 2020 is as follows:

(In thousands of won)

		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
Ssangyong Motor (Shanghai) Co., Ltd.	₩	19,053,781	2,027,166	(25,252)	21,055,695

(In thousands of rupee)

		<u>Beginning balance</u>	<u>Share of profit of a joint venture</u>	<u>Changes in defined benefit plan re-measurements</u>	<u>Ending balance</u>
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	1,284,225	136,631	(1,702)	1,419,154

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

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

(In thousands of won)

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

(In thousands of rupee)

		2020				
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Net income (loss)</u>
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	22,336	6,706	15,630	26,739	(13,278)
Ssangyong European Parts Center B.V.		865,451	1,073,373	(207,922)	1,185,637	10,251
Ssangyong Australia Pty Ltd.		2,172,000	2,630,993	(458,993)	3,468,352	(204,871)
SY Auto Capital Co., Ltd.(*)		6,024,303	3,450,854	2,573,449	1,054,335	138,045

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

(In thousands of won)

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

(In thousands of rupee)

		<u>Cash and cash equivalents</u>	<u>Financial liabilities</u>	<u>Depreciation</u>	<u>Interest income</u>	<u>Interest expense</u>	<u>Income tax expense</u>
SY Auto Capital Co., Ltd.	Rs	356,027	3,353,620	88,378	154,787	88,319	49,404

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9. Investments in Subsidiaries and a Joint venture, Continued

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

2) The summarized financial information of the Group's subsidiaries and a joint venture as of and for the year ended 2019 is as follows:

(In thousands of won)

		2019				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	₩	619,978	537,545	82,433	424,088	(224,200)
Ssangyong European Parts Center B.V.		12,880,539	16,017,980	(3,137,441)	19,779,843	160,883
Ssangyong Australia Pty Ltd.		24,671,750	28,240,356	(3,568,606)	30,045,826	(5,165,468)
SY Auto Capital Co., Ltd.(*)		88,610,829	52,427,714	36,183,115	18,189,633	5,231,768

(In thousands of rupee)

		2019				
		Assets	Liabilities	Equity	Sales	Net income (loss)
Ssangyong Motor (Shanghai) Co., Ltd.	Rs	41,787	36,231	5,556	28,584	(15,111)
Ssangyong European Parts Center B.V.		868,148	1,079,612	(211,464)	1,333,161	10,844
Ssangyong Australia Pty Ltd.		1,662,876	1,903,400	(240,524)	2,025,089	(348,153)
SY Auto Capital Co., Ltd.(*)		5,972,370	3,533,628	2,438,742	1,225,981	352,621

(*) Additional financial information for the joint venture for the year ended 2019 is as follows:

(In thousands of won)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	₩	4,075,644	50,830,635	1,150,399	2,411,013	1,390,466	1,589,874

(In thousands of rupee)

		Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
SY Auto Capital Co., Ltd.	Rs	274,698	3,425,985	77,537	162,502	93,717	107,158

(4) Reconciliation from the net assets of the Group's joint venture to the carrying amount of investments in joint venture as of December 31, 2020 is as follows:

(In thousands of won)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	₩	38,181,744	51.00%	19,472,689	1,583,006	21,055,695

(In thousands of rupee)

		Net assets	Percentage of ownership	Share of the net assets of the Group	Reconciliation	Carrying amount
SY Auto Capital Co., Ltd.	Rs	2,573,450	51.00%	1,312,459	106,695	1,419,154

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10. Other Assets

Details of other assets as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Other current assets				
Advance payments	₩ 29,858,242	1,343,777	Rs 2,012,446	90,570
Prepaid expenses	7,892,864	7,239,534	531,979	487,945
Current tax assets	190,703	430,322	12,853	29,004
	₩ 37,941,809	9,013,633	Rs 2,557,278	607,519
Other non-current assets				
Other non-current assets	₩ 275,957	285,504	Rs 18,600	19,243

11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

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

(In thousands of won)

	2019				
	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 474,755,254	(7,354)	-	-	474,747,900
Buildings	552,055,868	(3,681,126)	(239,864,472)	(157,179,120)	151,331,150
Structures	112,714,645	(69,552)	(67,488,211)	(29,759,580)	15,397,302
Machinery	1,306,810,589	(143,706)	(1,053,087,261)	(100,241,895)	153,337,272
Vehicles	9,022,958	(4,344)	(5,835,898)	(471,742)	2,710,974
Tools and molds	1,405,141,005	(90,765)	(912,094,472)	(171,857,337)	321,098,431
Equipment	69,980,709	(110,235)	(55,002,567)	(3,482,468)	11,385,439
Construction in progress	12,720,188	-	-	(699,821)	12,020,367
Machinery in transit	233,039	-	-	-	233,039
	₩ 3,943,434,255	(4,107,082)	(2,333,372,881)	(463,691,963)	1,142,262,329

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

		2020				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	27,133,902	(496)	-	-	27,133,406
Buildings		36,108,455	(241,259)	(16,025,306)	(10,576,040)	9,265,850
Structures		7,554,503	(3,386)	(4,604,940)	(2,103,387)	842,790
Machinery		87,857,980	(10,788)	(72,652,377)	(7,596,788)	7,598,027
Vehicles		491,728	(189)	(354,782)	(26,713)	110,044
Tools and molds		95,057,525	(4,890)	(66,524,542)	(13,072,245)	15,455,848
Equipment		4,466,817	(6,217)	(3,703,412)	(247,170)	510,018
Construction in progress		2,573,650	-	-	(216,094)	2,357,556
Machinery in transit		21,557	-	-	-	21,557
	Rs	<u>261,266,117</u>	<u>(267,225)</u>	<u>(163,865,359)</u>	<u>(33,838,437)</u>	<u>63,295,096</u>

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	Rs	31,998,504	(496)	-	-	31,998,008
Buildings		37,208,566	(248,108)	(16,166,865)	(10,593,873)	10,199,720
Structures		7,596,967	(4,688)	(4,548,705)	(2,005,796)	1,037,778
Machinery		88,079,034	(9,686)	(70,978,081)	(6,756,304)	10,334,963
Vehicles		608,147	(292)	(393,340)	(31,795)	182,720
Tools and molds		94,706,504	(6,117)	(61,475,168)	(11,583,185)	21,642,034
Equipment		4,716,699	(7,430)	(3,707,173)	(234,718)	767,378
Construction in progress		857,341	-	-	(47,168)	810,173
Machinery in transit		15,707	-	-	-	15,707
	Rs	<u>265,787,469</u>	<u>(276,817)</u>	<u>(157,269,332)</u>	<u>(31,252,839)</u>	<u>76,988,481</u>

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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows:

(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		2,710,974	930,915	(1,701,890)	(467,973)	-	160,675	1,632,701
Tools and molds		321,098,431	643,905	(711,308)	(99,569,758)	(28,911,604)	36,765,582	229,315,248
Equipment		11,385,439	766,847	(141,589)	(3,559,452)	(996,376)	112,166	7,567,035
Construction in progress		12,020,367	67,897,988	-	-	(2,731,304)	(42,208,473)	34,978,578
Machinery in transit		233,039	564,215	-	-	-	(477,421)	319,833
	₩	<u>1,142,262,329</u>	<u>70,883,176</u>	<u>(79,412,324)</u>	<u>(147,106,778)</u>	<u>(48,251,827)</u>	<u>721,806</u>	<u>939,096,382</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 was signed regarding the dispose of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(*2) The Group determined that this is the case when there are signs of impairment to the cash-generating unit due to continuous deterioration of competitiveness and market deterioration due to the spread of COVID-19. Accordingly, the impairment assessment of the cash-generating unit was performed and ₩47,170 million was recognized as impairment loss for the period ended December 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its net fair value. Meanwhile, the Group performed an impairment assessment by calculating the value of use at 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 of use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognised.

(*3) The Group 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 ₩160,675 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.

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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of won)

	2019						
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment (*1)	Others(*2)	Ending balance
Land	₩ 475,109,638	-	(361,738)	-	-	-	474,747,900
Buildings	169,644,693	78,903	-	(11,185,918)	(8,812,334)	1,605,806	151,331,150
Structures	17,372,729	456,902	(132,731)	(1,641,894)	(896,618)	238,914	15,397,302
Machinery	160,696,016	105,540	(261,972)	(39,624,472)	(8,928,852)	41,351,467	153,337,727
Vehicles	1,851,414	388,083	(1,411,851)	(663,319)	(120,557)	2,667,204	2,710,974
Tools and molds	276,953,283	9,284,053	(389,315)	(106,810,004)	(18,698,149)	160,758,563	321,098,431
Equipment	14,323,871	2,580,009	(32,836)	(5,100,137)	(649,460)	263,992	11,385,439
Construction in progress	110,855,937	103,486,720	-	-	(699,821)	(201,622,469)	12,020,367
Machinery in transit	1,318,137	1,286,628	-	-	-	(2,371,726)	233,039
	₩ 1,228,125,718	117,666,838	(2,590,443)	(165,025,744)	(38,805,791)	2,891,751	1,142,262,329

(*1) Cash Generating Unit consists of only a single cash-generating unit. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of construction in progress is ₩765,291 thousand and ₩2,607,028 thousand was transferred from inventory to vehicles during the year ended December 31, 2019. Meanwhile, the government grants of ₩197,692 thousand is adjusted in others.

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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

		2020						
		Beginning balance	Acquisition	Disposal (*1)	Depreciation	Impairment (*2,3)	Others(*4)	Ending balance
Land	Rs	31,998,008	-	(4,864,602)	-	-	-	27,133,406
Buildings		10,199,720	1,264	(297,990)	(649,175)	-	12,031	9,265,850
Structures		1,037,778	-	(6,913)	(93,099)	(98,895)	3,919	842,790
Machinery		10,334,963	4,080	(10,693)	(2,190,273)	(953,390)	413,340	7,598,027
Vehicles		182,720	62,744	(114,708)	(31,541)	-	10,829	110,044
Tools and molds		21,642,034	43,400	(47,942)	(6,711,002)	(1,948,642)	2,478,000	15,455,848
Equipment		767,378	51,686	(9,543)	(239,907)	(67,156)	7,560	510,018
Construction in progress		810,173	4,576,324	-	-	(184,090)	(2,844,851)	2,357,556
Machinery in transit		15,707	38,028	-	-	-	(32,178)	21,557
	Rs	<u>76,988,481</u>	<u>4,777,526</u>	<u>(5,352,391)</u>	<u>(9,914,997)</u>	<u>(3,252,173)</u>	<u>48,650</u>	<u>63,295,096</u>

(*1) Rs 5,170 million of land, buildings, and structures located in Guro-dong, Guro-gu, Seoul, and Gamjeon-dong, Sasang-gu, Busan was sold (disposal amount: Rs 13,901 million), recognizing the related disposal gain of Rs 7,768 million. Meanwhile, a sales and lease back agreement was signed regarding the dispose of land, buildings and structures in Guro-dong, Guro-gu, Seoul (Notes 13).

(*2) The Group determined that this is the case when there are signs of impairment to the cash-generating unit due to continuous deterioration of competitiveness and market deterioration due to the spread of COVID-19. Accordingly, the impairment assessment of the cash-generating unit was performed and Rs 3,179 million was recognized as impairment loss for the period ended December 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its net fair value. Meanwhile, the Group performed an impairment assessment by calculating the value of use at 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 of use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognised.

(*3) The Group recognized Rs 73 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 Rs 40,974 thousand and Rs 10,829 thousand was transferred from inventory to vehicles during the year ended December 31, 2020. Meanwhile, the government grants of Rs 3,696 thousand is adjusted in others.

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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

		2019						
		Beginning balance	Acquisition	Disposal	Depreciation	Impairment (*1)	Others(*2)	Ending balance
Land	Rs	32,022,390	-	(24,382)	-	-	-	31,998,008
Buildings		11,434,052	5,318	-	(753,931)	(593,950)	108,231	10,199,720
Structures		1,170,922	30,795	(8,946)	(110,664)	(60,432)	16,103	1,037,778
Machinery		10,830,912	7,113	(17,657)	(2,670,689)	(601,805)	2,787,089	10,334,963
Vehicles		124,785	26,157	(95,158)	(44,708)	(8,126)	179,770	182,720
Tools and molds		18,666,651	625,745	(26,240)	(7,198,994)	(1,260,255)	10,835,127	21,642,034
Equipment		965,429	173,893	(2,213)	(343,749)	(43,774)	17,792	767,378
Construction in progress		7,471,690	6,975,005	-	-	(47,168)	(13,589,354)	810,173
Machinery in transit		88,842	86,719	-	-	-	(159,854)	15,707
	Rs	<u>82,775,673</u>	<u>7,930,745</u>	<u>(174,596)</u>	<u>(11,122,735)</u>	<u>(2,615,510)</u>	<u>194,904</u>	<u>76,988,481</u>

(*1) Cash Generating Unit consists of only a single cash-generating unit. As the present value (value in use) of future cash flows expected from the use and disposal of property, plant and equipment is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on property, plant and equipment (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of construction in progress is Rs 51,581 thousand and Rs 175,714 thousand was transferred from inventory to vehicles during the year ended December 31, 2019. Meanwhile, the government grants of Rs 13,324 thousand is adjusted in others.

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For the years ended December 31, 2020 and 2019

11. Property, Plant and Equipment, Continued

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

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Book value	Collateralized amount (*)	Book value	Collateralized amount (*)
Land	₩ 390,642,884		Rs 26,329,330	
Buildings and structures	106,176,715	403,890,112	7,156,311	27,222,194
Machinery and others	11,815		796	
	₩ 496,831,414	403,890,112	Rs 33,486,437	27,222,194

(*) ₩55,890,112 thousand (Rs 3,766,994 thousand) was included due to the Group's provision of tax collateral related to the extension of the special consumption tax and VAT payment deadline for the year ended December 31, 2020.

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Capitalized interest expenses	₩ 3,179,542	3,466,735	Rs 214,301	233,658
Capitalization interest rate	2.95%	3.49%	2.95%	3.49%

The borrowing costs capitalized as intangible assets were ₩2,571,615 thousand (Rs 173,327 thousand) and ₩2,701,444 thousand (Rs 182,077 thousand) for the years ended December 31, 2020 and 2019, respectively.

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12. Intangible Assets

(1) Details of intangible assets as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

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

(In thousands of won)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩	510,279,976	-	(275,331,952)	(12,928,659)	222,019,365
Patents		4,848,742	(9,343)	(3,525,514)	(156,296)	1,157,589
Other intangible assets		130,468,990	-	(33,996,850)	(6,544,340)	89,927,800
	₩	<u>645,597,708</u>	<u>(9,343)</u>	<u>(312,854,316)</u>	<u>(19,629,295)</u>	<u>313,104,754</u>

(In thousands of rupee)

		2020				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	34,392,870	-	(22,954,179)	(2,214,798)	9,223,893
Patents		341,553	(630)	(270,920)	(13,764)	56,239
Other intangible assets		11,849,974	(5,392)	(2,480,756)	(4,494,591)	4,869,235
	Rs	<u>46,584,397</u>	<u>(6,022)</u>	<u>(25,705,855)</u>	<u>(6,723,153)</u>	<u>14,149,367</u>

(In thousands of rupee)

		2019				
		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	Rs	34,392,871	-	(18,557,374)	(871,392)	14,964,105
Patents		326,805	(630)	(237,619)	(10,535)	78,021
Other intangible assets		8,793,610	-	(2,291,388)	(441,088)	6,061,134
	Rs	<u>43,513,286</u>	<u>(630)</u>	<u>(21,086,381)</u>	<u>(1,323,015)</u>	<u>21,103,260</u>

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won)

	2020							Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1,2)	Transfer	Others (*3)	
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>-</u>	<u>(65,234,512)</u>	<u>(79,636,925)</u>	<u>-</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	7,052,315	1,098,456	-	(2,806,323)	(435,907)	-	(73,895)	4,834,646
	<u>8,209,904</u>	<u>1,317,264</u>	<u>-</u>	<u>(3,300,398)</u>	<u>(483,822)</u>	<u>-</u>	<u>(73,895)</u>	<u>5,669,053</u>
	<u>₩ 313,104,754</u>	<u>42,984,440</u>	<u>-</u>	<u>(68,534,910)</u>	<u>(80,120,747)</u>	<u>-</u>	<u>2,497,720</u>	<u>209,931,257</u>

(*1) The Group determined that this is the case when there are signs of impairment to the cash-generating unit due to continuous deterioration of competitiveness and market deterioration due to the spread of COVID-19. Accordingly, the impairment assessment of the cash-generating unit was performed and ₩29,700 million was recognized as impairment loss for the period ended December 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its net fair value. Meanwhile, the Group performed an impairment assessment by calculating the value of use at 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 of use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognised.

(*2) The Group 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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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of won)

	2019							Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Transfer	Others (*2)	
Internally created intangible assets:								
Development cost	₩ 163,025,002	-	-	(93,171,939)	(12,928,659)	165,094,961	-	222,019,365
Other intangible assets	181,843,818	68,251,200	-	-	(4,826,016)	(165,094,961)	2,701,444	82,875,485
	<u>344,868,820</u>	<u>68,251,200</u>	<u>-</u>	<u>(93,171,939)</u>	<u>(17,754,675)</u>	<u>-</u>	<u>2,701,444</u>	<u>304,894,850</u>
Individually acquired intangible assets:								
Patents	1,334,224	488,012	-	(616,139)	(48,508)	-	-	1,157,589
Other intangible assets	7,556,918	3,106,685	(112,138)	(3,423,321)	(308,875)	232,898	148	7,052,315
	<u>8,891,142</u>	<u>3,594,697</u>	<u>(112,138)</u>	<u>(4,039,460)</u>	<u>(357,383)</u>	<u>232,898</u>	<u>148</u>	<u>8,209,904</u>
	<u>₩ 353,759,962</u>	<u>71,845,897</u>	<u>(112,138)</u>	<u>(97,211,399)</u>	<u>(18,112,058)</u>	<u>232,898</u>	<u>2,701,592</u>	<u>313,104,754</u>

(*1) Cash Generating Unit consists of only a single cash-generating unit. As the present value (value in use) of future cash flows expected from the use and disposal of Intangible Assets is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on Intangible Assets (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of other intangible assets is ₩2,701,444 thousand for the year ended December 31, 2019.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

		2020							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1,2)	Transfer	Others (*3)	Ending balance
Internally created intangible assets:									
Development									
cost	Rs	14,964,105	-	-	(4,396,806)	(1,343,406)	-	-	9,223,893
Other									
intangible assets		5,585,808	2,808,368	-	-	(4,024,123)	-	173,327	4,543,380
		<u>20,549,913</u>	<u>2,808,368</u>	<u>-</u>	<u>(4,396,806)</u>	<u>(5,367,529)</u>	<u>-</u>	<u>173,327</u>	<u>13,767,273</u>
Individually acquired intangible assets:									
Patents									
		78,021	14,748	-	(33,301)	(3,229)	-	-	56,239
Other									
intangible assets		475,326	74,036	-	(189,146)	(29,380)	-	(4,981)	325,855
		<u>553,347</u>	<u>88,784</u>	<u>-</u>	<u>(222,447)</u>	<u>(32,609)</u>	<u>-</u>	<u>(4,981)</u>	<u>382,094</u>
	Rs	<u>21,103,260</u>	<u>2,897,152</u>	<u>-</u>	<u>(4,619,253)</u>	<u>(5,400,138)</u>	<u>-</u>	<u>168,346</u>	<u>14,149,367</u>

(*1) The Group determined that this is the case when there are signs of impairment to the cash-generating unit due to continuous deterioration of competitiveness and market deterioration due to the spread of COVID-19. Accordingly, the impairment assessment of the cash-generating unit was performed and Rs 2,002 million was recognized as impairment loss for the period ended December 31, 2020. The recoverable amount of the cash flow generating unit in the impairment assessment was determined on the basis of its net fair value. Meanwhile, the Group performed an impairment assessment by calculating the value of use at 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 of use. The ultimate impact of this uncertainty may differ from the amount of impairment losses the Group recognised.

(*2) The Group recognized Rs 3,396 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 Rs 173,327 thousand for the year ended December 31, 2020. Meanwhile, Rs 5,392 thousand of government grants used for asset acquisition was adjusted by others.

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12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

		2019							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment (*1)	Transfer	Others (*2)	Ending balance
Internally created intangible assets:									
Development									
cost	Rs	10,987,885	-	-	(6,279,789)	(871,391)	11,127,400	-	14,964,105
Other									
intangible assets		12,256,273	4,600,131	-	-	(325,273)	(11,127,400)	182,077	5,585,808
		<u>23,244,158</u>	<u>4,600,131</u>	<u>-</u>	<u>(6,279,789)</u>	<u>(1,196,664)</u>	<u>-</u>	<u>182,077</u>	<u>20,549,913</u>
Individually acquired intangible assets:									
Patents		89,927	32,892	-	(41,528)	(3,270)	-	-	78,021
Other									
intangible assets		509,336	209,390	(7,558)	(230,732)	(20,818)	15,698	10	475,326
		<u>599,263</u>	<u>242,282</u>	<u>(7,558)</u>	<u>(272,260)</u>	<u>(24,088)</u>	<u>15,698</u>	<u>10</u>	<u>553,347</u>
	Rs	<u>23,843,421</u>	<u>4,842,413</u>	<u>(7,558)</u>	<u>(6,552,049)</u>	<u>(1,220,752)</u>	<u>15,698</u>	<u>182,087</u>	<u>21,103,260</u>

(*1) Cash Generating Unit consists of only a single cash-generating unit. As the present value (value in use) of future cash flows expected from the use and disposal of Intangible Assets is less than the book value at the end of this year, the book value was adjusted to recoverable value and the difference was recognized as a loss on Intangible Assets (non-operating expenses). The discount rate used in calculating value in use is 8.6% and 1% growth rate has been applied since 2024.

(*2) Capitalized borrowing costs in respect of other intangible assets is Rs 182,077 thousand for the year ended December 31, 2019.

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12. Intangible Assets, Continued

(3) Details of capitalized development costs as of December 31, 2020 are as follows.

(In thousands of won and in thousands of rupee)

	Project name	Korean won		Indian rupee		Remaining amortization period(*1)
		₩		Rs		
Development cost	RV(*2)	₩	119,076,945	Rs	8,025,786	1~4 years
	Power train and others		17,776,062		1,198,107	1~4 years
Other intangible assets	RV(*3)		67,409,197		4,543,380	-
		₩	<u>204,262,204</u>	Rs	<u>13,767,273</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, 2020.

(*3) On-going development project for vehicles as of December 31, 2020 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	₩		Rs	
	2020	2019	2020	2019
Capitalization of intangible assets	₩ 44,238,791	70,952,644	Rs 2,981,695	4,782,208
Manufacturing costs	99,292,469	106,341,408	6,692,312	7,167,411
Selling and administrative expenses	12,923,031	12,291,122	871,012	828,422
	₩ <u>156,454,291</u>	<u>189,585,174</u>	Rs <u>10,545,019</u>	<u>12,778,041</u>

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13. Lease

(1) Changes in right-of-use assets for the years ended December 31, 2020 and 2019 are as follows:

		2020					
<i>(In thousands of won)</i>		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	2,316,703	7,632,929	(3,529,529)	-	45,695	6,465,798
Vehicle		3,786,859	161,325	(1,939,049)	(3,071)	7,142	2,013,206
Equipment		1,356,006	417,564	(748,247)	(10,691)	-	1,014,632
Total	₩	7,459,568	8,211,818	(6,216,825)	(13,762)	52,837	9,493,636

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

		2019					
<i>(In thousands of won)</i>		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	3,990,125	374,827	(1,946,789)	(133,032)	31,572	2,316,703
Vehicle		5,470,948	305,371	(1,992,688)	(1,465)	4,693	3,786,859
Equipment		-	1,542,742	(186,736)	-	-	1,356,006
Total	₩	9,461,073	2,222,940	(4,126,213)	(134,497)	36,265	7,459,568

(In thousands of rupee)

		2020					
		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	Rs	156,146	514,459	(237,890)	-	3,080	435,795
Vehicle		255,234	10,874	(130,692)	(207)	481	135,690
Equipment		91,395	28,144	(50,432)	(721)	-	68,386
Total	Rs	502,775	553,477	(419,014)	(928)	3,561	639,871

(*) Rs 492 million increased due to the lease transaction of the Guro A/S Center.

(In thousands of rupee)

		2019					
		Beginning balance	Increase	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	Rs	268,934	25,263	(131,213)	(8,966)	2,128	156,146
Vehicle		368,742	20,582	(134,307)	(99)	316	255,234
Equipment		-	103,981	(12,586)	-	-	91,395
Total	Rs	637,676	149,826	(278,106)	(9,065)	2,444	502,775

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13. Lease, Continued

(2) Details of lease liabilities as of December 31, 2020 and 2019 are as follows:

	2020	
<i>(In thousands of won)</i>	Within a year	Over 1 year
Lease liabilities(*)	₩ 6,279,275	2,141,499
	2019	
<i>(In thousands of won)</i>	Within a year	Over 1 year
Lease liabilities(*)	₩ 6,939,730	4,690,654
	2020	
<i>(In thousands of rupee)</i>	Within a year	Over 1 year
Lease liabilities(*)	Rs 423,223	144,337
	2019	
<i>(In thousands of rupee)</i>	Within a year	Over 1 year
Lease liabilities(*)	Rs 467,738	316,150

(*) The total amounts of lease liabilities paid are ₩9,756,079 thousand (Rs 657,560 thousand) and ₩9,596,135 thousand (Rs 646,779 thousand) and interests expenses are ₩370,301 thousand (Rs 24,958 thousand) and ₩498,114 thousand (Rs 33,573 thousand) for the years ended December 31, 2020 and 2019.

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

<i>(In thousands of won)</i>	Exemption of lease recognition	Expenses
Office equipment and others	Low cost	₩ 833,314
	Short term	11,110
Building	Short term	30,000
	2020	
<i>(In thousands of rupee)</i>	Exemption of lease recognition	Expenses
Office equipment and others	Low cost	Rs 56,165
	Short term	749
Building	Short term	2,022

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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. Under K-IFRS No 1017, the Group did not have any finance leases as a lessor.

(In thousands of won and in thousands of rupee)

	2020	
	Korean won	Indian rupee
Sub lease		
Less than 1 year	₩ 2,764,810	Rs 186,348
1 year to 2 years	1,722,020	116,064
Lease to be received	4,486,830	302,412
Unrealized interests	(140,330)	(9,458)
Net investment in the lease	4,346,500	292,954
Interests from sublease for this year	152,322	10,267

(In thousands of won and in thousands of rupee)

	2019	
	Korean won	Indian rupee
Sub lease		
Less than 1 year	₩ 2,841,843	Rs 191,540
1 year to 2 years	1,340,272	90,334
Lease to be received	4,182,115	281,874
Unrealized interests	(144,605)	(9,746)
Net investment in the lease	4,037,510	272,128
Interests from sublease for this year	196,545	13,247

(5) Sales and lease back

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

	Main terms
Type	Sales and lease back
Counterparty	PIA Guro-station PFV Co., Ltd.
Transaction amount	₩180 Billion (Rs 11 Billion)
Underlying assets	Factory land and building in Guro-dong, Guro-gu, Seoul
Lease term	2 years
Extension option	It is possible to extend the lease term up to a year (one time only) prior to 4 months by agreement between the parties.
Lessee's preemption preference	If the lessor intends to sell the lease object to a third party before the expiration of the lease term, the lessee may exercise the right to preferentially purchase the lease object (preemption preference).

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

- Right-of-use asset: ₩7,300 million (Rs 492 million) increased.
- Property, plant and equipment: ₩60,834 million (Rs 4,100 million) decreased.
- Gains on disposal of PPE: ₩104,866 million (Rs 7,068 million) increased.
- Lease deposit: ₩10,800 million (Rs 728 million) increased.

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14. Borrowings

(1) Details of short-term borrowings as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate (%)(*5)	Korean won		Indian rupee	
			2020	2019	2020	2019
Korea Development Bank	Operating fund(*1)	CD+5.10	₩ 20,000,000	20,000,000	Rs 1,348,000	1,348,000
	Facility fund(*1)	CD+4.57	70,000,000	70,000,000	4,718,000	4,718,000
Woori Bank	Facility fund(*2)	15	100,000,000	-	6,740,000	-
	General loan(*2)	CD+5.00	25,000,000	17,500,000	1,685,000	1,179,500
Kookmin Bank	Facility fund	CD+2.00	-	10,000,000	-	674,000
JP Morgan(*6)	Facility fund and others(*1)	CD+3.00	40,000,000	-	2,696,000	-
	Overdraft(*3)	CD+4.00	19,999,969	-	1,347,998	-
BNP PARIBAS(*6)	Overdraft(*3)	CD+2.00	10,000,000	30,000,000	674,000	2,022,000
Mahindra & Mahindra Ltd.	Overdraft(*4)	CD+2.00	29,999,869	-	2,021,991	-
Citi bank and others	Banker's usance	0.30 ~0.80	-	106,606,448	-	7,185,274
			₩ 314,999,838	254,106,448	Rs 21,230,989	17,126,774

(*1) Due to the application for the commencement of court receivership, the Group cannot claim the benefit of time.

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

(*3) The Group missed debt repayment and cannot claim the benefit of time.

(*4) Mahindra & Mahindra Ltd., the largest shareholder of the Group repaid loans of ₩29,899,869 thousand (Rs 2,015,251 thousand) to the Bank of America(BOA) on behalf of the Group.

(*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 Group, Mahindra & Mahindra Ltd.'s stake in the Group must exceed 51%(Notes 19).

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14. Borrowings, Continued

(2) Details of long-term borrowing as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

Creditor	Type	Interest rate(%)(*2)	Korean won		Indian rupee	
			2020	2019	2020	2019
Korea Development Bank	Facility fund	CD+4.57	₩ 70,000,000	70,000,000	Rs 4,718,000	4,718,000
	Facility fund	15	100,000,000	100,000,000	6,740,000	6,740,000
Kookmin Bank	Facility fund	CD+2.00	-	11,250,000	-	758,250
JP Morgan(*3)	Facility fund	CD+3.00	40,000,000	40,000,000	2,696,000	2,696,000
Woori Bank	General loan	CD+5.00	25,000,000	35,000,000	1,685,000	2,359,000
Mahindra & Mahindra Ltd.(*1)	General loan	3	40,000,000	-	2,696,000	-
Less: Current portion			(235,000,000)	(97,500,000)	(15,839,000)	(6,571,500)
			₩ 40,000,000	158,750,000	Rs 2,696,000	10,699,750

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

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

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

(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	25,000,000	48,000,000
		₩ 215,000,000	348,000,000

(In thousands of rupee)

Creditor	Pledged assets	Borrowings amount	Maximum credit amount
Korea Development Bank	Land, buildings, structures and machinery	Rs 12,806,000	20,220,000
Woori Bank	Land and buildings	1,685,000	3,235,200
		Rs 14,491,000	23,455,200

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15. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Rs	Indian rupee	
		2020	2019		2020	2019
Accrued expenses	₩	55,063,845	39,493,725		3,711,303	2,661,877

16. Provision of Warranty for sale

The Group generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Rs	Indian rupee	
		2020	2019		2020	2019
Beginning balance	₩	128,285,606	135,038,086		8,646,450	9,101,567
Increase		33,281,407	35,027,934		2,243,167	2,360,883
Decrease		(42,395,668)	(41,780,414)		(2,857,469)	(2,816,000)
Ending balance	₩	119,171,345	128,285,606		8,032,148	8,646,450
Current	₩	50,043,567	50,305,013		3,372,936	3,390,558
Non-current		69,127,778	77,980,593		4,659,212	5,255,892

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17. Other Liabilities

Details of other liabilities as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

	2020		2019	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 6,745,066	-	3,736,227	-
Deposits received	652,934	-	696,247	-
Withholdings	23,215,826	-	17,507,000	-
Unearned revenue	4,733,235	19,326,729	3,784,720	16,399,791
Refund liabilities(*)	3,483,928	-	-	-
	₩ <u>38,830,989</u>	<u>19,326,729</u>	<u>25,724,194</u>	<u>16,399,791</u>

(In thousands of rupee)

	2020		2019	
	Current	Non-current	Current	Non-current
Advances from customers	Rs 454,617	-	251,822	-
Deposits received	44,008	-	46,927	-
Withholdings	1,564,747	-	1,179,972	-
Unearned revenue	319,020	1,302,622	255,090	1,105,345
Refund liabilities(*)	234,817	-	-	-
	Rs <u>2,617,209</u>	<u>1,302,622</u>	<u>1,733,811</u>	<u>1,105,345</u>

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

18. Employee Benefits

(1) Details of defined benefit liabilities as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Present value of defined benefit obligations	₩ 383,312,042	357,109,529	Rs 25,835,232	24,069,182
Fair value of plan assets	(933,028)	(954,268)	(62,886)	(64,317)
	₩ <u>382,379,014</u>	<u>356,155,261</u>	Rs <u>25,772,346</u>	<u>24,004,865</u>

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18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2020 and 2019 are as follows:

(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 won)

Details	2019		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 330,195,117	(1,013,651)	329,181,466
Current service cost	39,722,211	-	39,722,211
Interest expense (income)	8,590,806	(26,318)	8,564,488
Sub-total	378,508,134	(1,039,969)	377,468,165
Re-measurement factors:			
Re-measurements of plan assets	-	13,869	13,869
Loss (gain) from experience adjustments	(15,322,662)	-	(15,322,662)
Loss (gain) from changes in financial assumptions	12,785,519	-	12,785,519
Loss (gain) from changes in demographic assumptions	811,369	-	811,369
Sub-total	(1,725,774)	13,869	(1,711,905)
Benefit paid by plan	(71,832)	71,832	-
Benefit paid directly	(19,600,999)	-	(19,600,999)
Ending balance	₩ 357,109,529	(954,268)	356,155,261

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For the years ended December 31, 2020 and 2019

18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2020 and 2019 are as follows, continued:

(In thousands of rupee)

Details		2020		
		PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs	24,069,183	(64,318)	24,004,865
Current service cost		2,719,500	-	2,719,500
Interest expense (income)		546,461	(1,456)	545,005
Sub-total		<u>27,335,144</u>	<u>(65,774)</u>	<u>27,269,370</u>
Re-measurement factors:				
Re-measurements of plan assets		-	649	649
Loss (gain) from experience adjustments		(748,510)	-	(748,510)
Loss (gain) from changes in financial assumptions		(181,902)	-	(181,902)
Loss (gain) from changes in demographic assumptions		26,398	-	26,398
Sub-total		<u>(904,014)</u>	<u>649</u>	<u>(903,365)</u>
Benefit paid by plan		(2,239)	2,239	-
Benefit paid directly		<u>(593,659)</u>	<u>-</u>	<u>(593,659)</u>
Ending balance	Rs	<u>25,835,232</u>	<u>(62,886)</u>	<u>25,772,346</u>

(In thousands of rupee)

Details		2019		
		PV of defined benefit obligation	Plan assets	Total
Beginning balance	Rs	22,255,151	(68,320)	22,186,831
Current service cost		2,677,277	-	2,677,277
Interest expense (income)		579,020	(1,774)	577,246
Sub-total		<u>25,511,448</u>	<u>(70,094)</u>	<u>25,441,354</u>
Re-measurement factors:				
Re-measurements of plan assets		-	935	935
Loss (gain) from experience adjustments		(1,032,747)	-	(1,032,747)
Loss (gain) from changes in financial assumptions		861,744	-	861,744
Loss (gain) from changes in demographic assumptions		54,686	-	54,686
Sub-total		<u>(116,317)</u>	<u>935</u>	<u>(115,382)</u>
Benefit paid by plan		(4,842)	4,842	-
Benefit paid directly		<u>(1,321,107)</u>	<u>-</u>	<u>(1,321,107)</u>
Ending balance	Rs	<u>24,069,182</u>	<u>(64,317)</u>	<u>24,004,865</u>

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For the years ended December 31, 2020 and 2019

18. Employee Benefits, Continued

(3) The components of plan assets as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Insurance contracts	₩ 933,028	954,268	Rs 62,886	64,318

(4) Actuarial assumptions used related to plans as of December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate (%)	2.40	2.30
Rate of future salary growth (%)	3.97	3.96

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

Weighted average duration of defined benefit obligation as of December 31, 2020 and 2019 are 10.5 years and 11.1 years, respectively.

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2020 is as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (35,247,596)	40,600,477	Rs (2,375,688)	2,736,472
Future salary growth	39,762,904	(35,082,139)	2,680,020	(2,364,536)

Sensitivity analysis does not take into account the variance of all expected cash flows, but it provides an approximation of the sensitivity to the assumptions used.

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19. Commitments and Contingencies

Details of commitments and contingencies as of December 31, 2020 are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2020, the Group has agreements with Korea Development Bank and others for various borrowings, trading finance and others with limit of ₩355,000 million (Rs 23,927 million). With regard to the overdraft from JP Morgan, BNP Paribas and the facility fund from JP Morgan, the conditions for these loans stipulate that the largest shareholder of the Group, Mahindra & Mahindra's stake in the Group must exceed 51%.
- (3) As of December 31, 2020, 5 claims as a plaintiff were filled with the claim amount of ₩5,801 million (Rs 391 million) and 7 claims as a defendant were filled with the claims of ₩978 million (Rs 66 million). The provision amounting to ₩8,092 million (Rs 545 million) is recognized as other payable for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and management expect that it is probable that the Group will be required to incur an outflow.
- (4) Details of provisions reflected in payables as of December 31, 2020 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020		2020	
Beginning balance	₩	27,238,937	Rs	1,835,904
Increase(*)		141,957,483		9,567,935
Decrease		(44,617,894)		(3,007,246)
Ending balance	₩	124,578,526	Rs	8,396,593

(*) In relation to the Korean/EU Co2 emission regulations, the Group estimated the expected payments that fall short of the standard fuel efficiency and emissions and estimated ₩68,422,537 thousand (Rs 4,611,679 thousand) as a provision as of December 31, 2020. In addition, the Group estimates the expected payments such as ongoing litigation cases and sales incentives as a provision.

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

20. Capital Stock

The Group's capital stock as of December 31, 2020 and 2019 are as follows:

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

	Korean won		Indian rupee	
	2020	2019	2020	2019
Number of shares authorized	3,000,000,000	3,000,000,000	202,200,000	202,200,000
Shares outstanding	149,840,002	149,840,002	149,840,002	149,840,002
Par value	₩	5,000	Rs	337
Capital stock	749,200,010	749,200,010	50,496,081	50,496,081

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21. Other Capital Surplus

Details of other capital surplus as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Paid-up capital in excess of par	₩ 3,169,615	3,169,615	Rs 213,632	213,632
Gain on capital reduction	74,061,697	74,061,697	4,991,758	4,991,758
Debt to be swapped for equity	931,508	931,508	62,784	62,784
	₩ <u>78,162,820</u>	<u>78,162,820</u>	Rs <u>5,268,174</u>	<u>5,268,174</u>

22. Other Equity

(1) Details of the Group's other equity as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Gains (losses) on valuation of derivatives	₩ -	-	- Rs	-
Accumulated foreign currency translation difference for foreign operations	826,888	1,109,395	55,732	74,773
	₩ <u>826,888</u>	<u>1,109,395</u>	Rs <u>55,732</u>	<u>74,773</u>

(2) Changes in the Group's gains (losses) on valuation of derivatives for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Beginning balance	₩ -	103,000	Rs -	6,942
Gains on valuation of derivatives	130,390	-	8,788	-
Reclassified to net income (losses)	(130,390)	(103,000)	(8,788)	(6,942)
Ending balance	₩ -	-	- Rs	-

(3) Changes in the foreign currency translation difference for foreign operation for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Beginning balance	₩ 1,109,395	1,139,617	Rs 74,773	76,810
Foreign currency translation difference for foreign operation	(282,507)	(30,222)	(19,041)	(2,037)
Ending balance	₩ <u>826,888</u>	<u>1,109,395</u>	Rs <u>55,732</u>	<u>74,773</u>

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23. Deficit

(1) Details of deficit as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Deficit	₩ (916,311,834)	(425,348,669)	Rs (61,759,418)	(28,668,500)

(2) Changes in deficit for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Beginning balance	₩ (425,348,668)	(85,610,656)	Rs (28,668,500)	(5,770,158)
Loss for the year	(504,340,967)	(341,364,140)	(33,992,581)	(23,007,943)
Defined benefit plan re-measurement	13,403,052	1,711,905	903,365	115,382
Defined benefit plan re-measurement from joint venture	(25,251)	(85,778)	(1,702)	(5,781)
Ending balance	₩ (916,311,834)	(425,348,669)	Rs (61,759,418)	(28,668,500)

24. Income Tax Expense

(1) Composition of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Income tax expense of parent(*)	₩ -	-	Rs -	-
Income tax expense of subsidiary	30,514	39,134	2,057	2,638
Total	₩ 30,514	39,134	Rs 2,057	2,638

(*) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward are not recognized as of December 31, 2020.

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For the years ended December 31, 2020 and 2019

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2020 and 2019, are as follows:

(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		(8,853,781)	2,001,914	-	(10,855,695)
Other long-term employee benefit		16,253,294	16,253,294	16,573,103	16,573,103
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		10,412,147	9,959,773	8,603,624	9,055,998
Deficit carried over on tax		867,339,960	162,638,931	215,842,229	920,543,258
Sub-total		1,334,850,043	402,004,613	708,275,052	1,641,120,482
Not recognized as deferred tax assets		1,334,850,043	402,004,613	708,275,052	1,641,120,482
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets 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 income tax	₩	-	-	-	-

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2020 and 2019, are as follows, continued:

(In thousands of won)

		2019			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	₩	2,415,106	2,408,106	2,939,429	2,946,429
Government grants		5,039,624	1,390,745	825,695	4,474,574
Provision for warranties		135,038,086	135,038,087	128,531,253	128,531,252
Defined benefit liabilities		331,410,425	19,522,238	46,323,923	358,212,110
Impairment loss of property, plant and equipment		84,669,290	26,818,376	38,805,791	96,656,705
Intangible assets		19,157,125	6,794,782	18,512,498	30,874,841
Depreciation		16,761,726	2,166,172	7,634,434	22,229,988
Other payables		22,079,874	22,079,874	27,238,937	27,238,937
Accrued expenses		37,502,860	37,502,860	38,787,848	38,787,848
Investment in subsidiaries		(4,123,057)	4,730,724	-	(8,853,781)
Derivatives		(891,319)	(891,319)	-	-
Other long-term employee benefit		17,039,484	17,039,484	16,253,294	16,253,294
Trade receivable		2,904,346	3,978,274	1,073,928	-
Other receivable		3,029,805	3,029,805	297,495	297,495
Land		(260,713,528)	(58,216)	-	(260,655,312)
Sub-lease receivables		-	-	(4,037,510)	(4,037,510)
Right-of-use assets		-	-	(5,851,154)	(5,851,154)
Lease liabilities		-	-	9,992,220	9,992,220
Others		4,892,990	4,341,933	9,861,090	10,412,147
Deficit carried over on tax		1,155,686,877	569,599,726	281,252,809	867,339,960
Sub-total		1,571,899,714	855,491,651	618,441,980	1,334,850,043
Not recognized as deferred tax assets		1,571,899,714	855,491,651	618,441,980	1,334,850,043
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences or deficits carried over on tax		-	-	-	-
Tax credit carry-forwards:		22,456,665	2,023,360	-	20,433,305
Not recognized as deferred tax assets		22,456,665	2,023,360	-	20,433,305
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	₩	-	-	-	-

The Group does not recognize deferred tax assets since it could not estimate income tax decrease effect by deducting temporary differences, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2020 and 2019, are as follows, continued:

(In thousands of rupee)

		2020			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	Rs	198,589	198,589	156,681	156,681
Government grants		301,586	43,592	39,848	297,842
Provision for warranties		8,663,006	8,663,006	8,041,884	8,041,884
Defined benefit liabilities		24,143,496	580,771	2,344,952	25,907,677
Loss on revaluation of property, plant and equipment		6,514,662	2,621,317	3,252,173	7,145,518
Intangible assets		883,684	356,649	59,781	586,816
Depreciation		1,498,301	172,834	140,755	1,466,222
Other payables		1,835,905	1,835,905	8,401,749	8,401,749
Accrued expenses		2,614,301	2,614,301	3,575,685	3,575,685
Investment in subsidiaries		(596,745)	134,929	-	(731,674)
Other long-term employee benefit		1,095,472	1,095,472	1,117,027	1,117,027
Other receivable		20,051	20,051	82,616	82,616
Land		(17,568,168)	(3,827,760)	-	(13,740,408)
Impairment loss of intangible assets		1,197,281	945,323	5,763,369	6,015,327
Sub-lease receivables		(272,128)	(272,128)	(292,954)	(292,954)
Right-of-use assets		(394,368)	(394,368)	(583,311)	(583,311)
Lease liabilities		673,476	673,476	509,833	509,833
Others		701,779	671,289	579,884	610,374
Deficit carried over on tax		58,458,713	10,961,863	14,547,766	62,044,616
Sub-total		89,968,893	27,095,111	47,737,738	110,611,520
Not recognized as deferred tax assets		89,968,893	27,095,111	47,737,738	110,611,520
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences		-	-	-	-
Tax credit carry-forwards:		1,377,205	-	11,148	1,388,353
Not recognized as deferred tax assets		1,377,205	-	11,148	1,388,353
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	Rs	-	-	-	-

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24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets for the years ended December 31, 2020 and 2019, are as follows, continued:

(In thousands of rupee)

		2019			Ending balance
		Beginning balance	Decrease	Increase	
Allowance for doubtful accounts	Rs	162,778	162,306	198,117	198,589
Government grants		339,670	93,736	55,652	301,586
Provision for warranties		9,101,567	9,101,567	8,663,006	8,663,006
Defined benefit liabilities		22,337,063	1,315,799	3,122,232	24,143,496
Loss on revaluation of property, plant and equipment		5,706,710	1,807,558	2,615,510	6,514,662
Intangible assets		1,291,190	457,968	1,247,743	2,080,965
Depreciation		1,129,740	146,000	514,561	1,498,301
Other payables		1,488,184	1,488,184	1,835,905	1,835,905
Accrued expenses		2,527,693	2,527,693	2,614,301	2,614,301
Investment in subsidiaries		(277,894)	318,851	-	(596,745)
Derivatives		(60,075)	(60,075)	-	-
Other long-term employee benefit		1,148,461	1,148,461	1,095,472	1,095,472
Trade receivable		195,753	268,136	72,383	-
Other receivable		204,209	204,209	20,051	20,051
Land		(17,572,092)	(3,924)	-	(17,568,168)
Sub-lease receivables		-	-	(272,128)	(272,128)
Right-of-use assets		-	-	(394,368)	(394,368)
Lease liabilities		-	-	673,476	673,476
Others		329,788	292,646	664,637	701,779
Deficit carried over on tax		77,893,296	38,391,022	18,956,439	58,458,713
Sub-total		105,946,041	57,660,137	41,682,989	89,968,893
Not recognized as deferred tax assets		105,946,041	57,660,137	41,682,989	89,968,893
Recognized as deferred tax assets		-	-	-	-
Statutory tax rate		22%			22%
Deferred tax assets resulting from temporary differences		-	-	-	-
Tax credit carry-forwards:		1,513,579	136,374	-	1,377,205
Not recognized as deferred tax assets		1,513,579	136,374	-	1,377,205
Recognized as deferred tax assets		-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards		-	-	-	-
Total deferred income tax	Rs	-	-	-	-

The Group does not recognize deferred tax assets since it could not estimate income tax decrease effect by deducting temporary differences, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.

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24. Income Tax Expense, Continued

(3) 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, 2020 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	Deficit carried over on tax	Tax credit carry-forwards	Deficit carried over on tax	Tax credit carry-forwards
0 ~ 1 Year	₩ 146,151,212	-	Rs 9,850,592	-
1 ~ 5 Years	190,455,689	9,108,635	12,836,713	613,922
5 ~ 10 Years	361,760,603	11,490,070	24,382,665	774,431
10 Years ~	222,175,754	-	14,974,646	-
	₩ <u>920,543,258</u>	<u>20,598,705</u>	Rs <u>62,044,616</u>	<u>1,388,353</u>

25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Changes in inventories	₩ 21,406,722	(616,115)	Rs 1,442,813	(41,526)
Raw materials consumed and purchase of merchandise	2,189,991,115	2,587,264,937	147,605,401	174,381,657
Employee benefits	442,731,665	549,793,783	29,840,114	37,056,101
Depreciation	147,106,778	165,025,744	9,914,997	11,122,735
Amortization	68,534,911	97,211,399	4,619,253	6,552,048
Others	529,798,185	507,107,878	35,708,398	34,179,071
	₩ <u>3,399,569,376</u>	<u>3,905,787,626</u>	Rs <u>229,130,976</u>	<u>263,250,086</u>

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

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26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Warranty expenses	₩ 49,939,633	55,101,625	Rs 3,365,931	3,713,850
Commissions	207,545,138	241,034,691	13,988,542	16,245,738
Advertising	18,811,866	19,150,894	1,267,920	1,290,770
Export expenses	43,610,394	9,947,700	2,939,341	670,475
Promotion	39,716,132	20,585,923	2,676,867	1,387,491
Others	9,091,977	8,193,731	612,799	552,258
	₩ 368,715,140	354,014,564	Rs 24,851,400	23,860,582

(2) Details of general and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Salaries	₩ 43,656,101	55,678,138	Rs 2,942,421	3,752,706
Retirement benefit costs	6,247,699	6,109,388	421,095	411,773
Employee welfare	9,867,922	14,023,539	665,098	945,186
Rent expense	9,857,781	10,108,383	664,414	681,305
Service fees	18,377,992	27,081,721	1,238,677	1,825,308
Depreciation	21,744,902	29,374,591	1,465,606	1,979,847
R&D expenses	12,923,031	12,291,122	871,012	828,422
Amortization	3,300,398	4,039,460	222,447	272,260
(Reversal of) bad debt expense	(59,058)	27,027	(3,980)	1,822
Others	34,814,594	36,731,871	2,346,504	2,475,728
	₩ 160,731,362	195,465,240	Rs 10,833,294	13,174,357

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27. Other Income and Expenses

(1) Details of other income for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Foreign exchange transaction gain	₩ 5,517,519	6,089,248	Rs 371,881	410,415
Foreign exchange translation gain	1,438,828	428,256	96,977	28,865
Gain on disposal of property, plant and equipment	118,295,190	1,122,423	7,973,096	75,651
Others	10,191,658	9,895,857	686,917	666,981
	₩ <u>135,443,195</u>	<u>17,535,784</u>	Rs <u>9,128,871</u>	<u>1,181,912</u>

(2) Details of other expenses for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Foreign exchange transaction loss	₩ 7,188,255	5,668,952	Rs 484,488	382,087
Foreign exchange translation loss	920,020	515,176	62,009	34,723
Loss on disposal of property, plant and equipment	3,626,941	970,690	244,456	65,425
Loss on disposal of trade receivables	80,028	83,386	5,394	5,620
Impairment loss on PP&E	48,251,827	38,805,791	3,252,173	2,615,510
Impairment loss on Intangible	80,120,747	18,112,058	5,400,138	1,220,753
Others	38,265,423	7,943,958	2,579,090	535,423
	₩ <u>178,453,241</u>	<u>72,100,011</u>	Rs <u>12,027,748</u>	<u>4,859,541</u>

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28. Finance Income and Costs

(1) Details of finance income for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Interest income	₩ 2,074,905	3,778,894	Rs 139,849	254,697
Dividend income	11,000	11,000	741	741
Foreign exchange transaction gain	1,702,338	4,548,351	114,738	306,559
Foreign exchange translation gain	2,377	2,904,044	160	195,733
Realized gain of financial derivatives	-	499,898	-	33,693
	₩ <u>3,790,620</u>	<u>11,742,187</u>	Rs <u>255,488</u>	<u>791,423</u>

(2) Details of finance costs for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Interest expense	₩ 8,900,346	5,012,440	Rs 599,883	337,838
Foreign exchange transaction loss	8,826,890	13,734,255	594,933	925,689
Foreign exchange translation loss	2,299	52,685	155	3,551
Realized loss of financial derivatives	-	214,649	-	14,467
Loss on disposal of short-term trading assets	-	16,792	-	1,132
	₩ <u>17,729,535</u>	<u>19,030,821</u>	Rs <u>1,194,971</u>	<u>1,282,677</u>

(3) Details of the Group's financial net profit or loss for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Financial assets/ liabilities at amortized cost	₩ (13,949,915)	(7,584,883)	Rs (940,224)	(511,221)
Non-current financial assets	11,000	11,000	741	741
Derivatives financial assets (liabilities)	-	285,249	-	19,226
	₩ <u>(13,938,915)</u>	<u>(7,288,634)</u>	Rs <u>(939,483)</u>	<u>(491,254)</u>

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29. Losses per Share

(1) Basic losses per share for the years ended December 31, 2020 and 2019 are calculated as follows:

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

	Korean won		Indian rupee	
	2020	2019	2020	2019
Loss for the year	₩ (504,340,967)	(341,364,140)	Rs (33,992,581)	(23,007,943)
Loss contributed to common stocks	(504,340,967)	(341,364,140)	(33,992,581)	(23,007,943)
Weighted average number of common shares	149,840,002	149,096,397	149,840,002	149,096,397
Basic losses per share(*)	₩ (3,366)	(2,290)	Rs (227)	(154)

(*) Diluted losses per share are not calculated for the years ended December 31, 2020 and 2019, because there are no dilutive shares as of December 31, 2020 and 2019.

(2) Weighted average number of common shares outstanding for the years ended December 31, 2020 and 2019 are calculated as follows:

(In shares)

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

(In shares)

	Outstanding period	2019		Common shares outstanding
		Common shares issued	Weighted-average	
Beginning	2019-01-01~2019-12-31	137,949,396	365/365	137,949,396
Issuing(*)	2019-01-01~2019-12-31	1,033,976	365/365	1,033,976
Issuing	2019-01-26~2019-12-31	10,856,630	340/365	10,113,025
				<u>149,096,397</u>

(*) In accordance with K-IFRS No.1033, when the rights offering is less than fair value, the shares issued below the fair value are considered as free shares and the number of shares outstanding is retroactively calculated.

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30. Cash Flows

(1) Details of cash flows from operating activities for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Loss for the year	₩ (504,340,967)	(341,364,140)	Rs (33,992,581)	(23,007,943)
Adjustments for:				
Retirement benefit costs	48,434,801	48,286,699	3,264,505	3,254,524
Depreciation	147,106,778	165,025,744	9,914,997	11,122,735
Amortization	68,534,910	97,211,399	4,619,253	6,552,048
Depreciation of right-of-use assets	6,216,825	4,126,213	419,014	278,107
Losses on disposal of trade receivables	80,028	83,386	5,394	5,620
Foreign exchange translation gain and loss, net	(518,886)	(2,764,439)	(34,973)	(186,323)
Loss (Gain) on disposal of property, plant and equipment	(114,668,249)	(151,733)	(7,728,640)	(10,227)
Interest expense and income, net	6,825,441	1,233,545	460,035	83,141
Dividends income	(11,000)	(11,000)	(741)	(741)
Losses on valuation of inventories	4,035,760	12,968,621	272,010	874,085
Increase in provision of warranty for sale	33,281,407	36,187,758	2,243,167	2,439,055
Equity profit on investments	(2,027,166)	(2,433,214)	(136,631)	(163,999)
Impairment loss on Tangible assets	48,251,827	38,805,791	3,252,173	2,615,510
Impairment loss on Intangible assets	80,120,747	18,112,058	5,400,138	1,220,753
Promotion	25,882,537	-	1,744,483	-
Export expenses	37,248,248	-	2,510,532	-
Others	36,152,400	5,550,777	2,436,672	374,122
	<u>424,946,408</u>	<u>422,231,605</u>	<u>28,641,388</u>	<u>28,458,410</u>
Changes in assets and liabilities				
Trade receivables	20,448,825	36,766,467	1,378,251	2,478,060
Other receivables	(8,410,410)	1,806,355	(566,862)	121,748
Inventories	30,276,265	(13,706,871)	2,040,620	(923,843)
Trade payables	54,819,233	(57,966,036)	3,694,816	(3,906,911)
Other payables	98,270,842	(14,930,771)	6,623,455	(1,006,334)
Accrued expenses	14,351,834	1,364,903	967,314	91,994
Usage of provision of warranty for sale	(42,395,668)	(42,026,060)	(2,857,468)	(2,832,556)
Payment of retirement benefits	(8,807,996)	(19,600,999)	(593,659)	(1,321,107)
Others	(17,014,032)	6,534,822	(1,146,746)	440,447
	<u>141,538,893</u>	<u>(101,758,190)</u>	<u>9,539,721</u>	<u>(6,858,502)</u>
Net cash provided by (used in) operating activities	₩ <u>62,144,334</u>	<u>(20,890,725)</u>	Rs <u>4,188,528</u>	<u>(1,408,035)</u>

(2) Significant non-cash activities for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Changes in other payables related to the acquisition of property, plant and equipment	₩ (90,588)	(19,150,021)	Rs (6,106)	(1,290,711)

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30. Cash Flows, Continued

(3) Adjustment of liabilities from financing activities

Changes in liabilities from financial activities for the year ended December 31, 2020 is as follows:

(In thousands of won)

		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		11,630,384	-	(9,756,079)	-	6,494,014	52,455	8,420,774
	₩	<u>424,486,832</u>	<u>157,000,113</u>	<u>(224,612,802)</u>	<u>-</u>	<u>6,494,014</u>	<u>52,455</u>	<u>363,420,612</u>

(In thousands of rupee)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	Rs	7,185,274	-	(7,185,274)	-	-	-	-
Short-term borrowings		9,941,500	7,885,808	(7,296,069)	10,699,750	-	-	21,230,989
Long-term borrowings		10,699,750	2,696,000	-	(10,699,750)	-	-	2,696,000
Lease liabilities		783,888	-	(657,560)	-	437,697	3,535	567,560
	Rs	<u>28,610,412</u>	<u>10,581,808</u>	<u>(15,138,903)</u>	<u>-</u>	<u>437,697</u>	<u>3,535</u>	<u>24,494,549</u>

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

Changes in liabilities from financial activities for the year ended December 31, 2019 is as follows:

(In thousands of won)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	₩	143,227,545	-	(33,770,762)	-	-	(2,850,335)	106,606,448
Short-term borrowings		35,000,000	69,999,999	(63,749,999)	106,250,000	-	-	147,500,000
Long-term borrowings		75,000,000	190,000,000	-	(106,250,000)	-	-	158,750,000
Lease liabilities		-	-	(9,596,135)	-	21,221,093	5,426	11,630,384
	₩	<u>253,227,545</u>	<u>259,999,999</u>	<u>(107,116,896)</u>	<u>-</u>	<u>21,221,093</u>	<u>(2,844,909)</u>	<u>424,486,832</u>

(In thousands of rupee)

		Beginning balance	Increase	Decrease	Liquidity	Others	Exchange rate effect	Ending balance
Banker's usance (*)	Rs	9,653,536	-	(2,276,149)	-	-	(192,113)	7,185,274
Short-term borrowings		2,359,000	4,718,000	(4,296,750)	7,161,250	-	-	9,941,500
Long-term borrowings		5,055,000	12,806,000	-	(7,161,250)	-	-	10,699,750
Lease liabilities		-	-	(646,780)	-	1,430,302	366	783,888
	Rs	<u>17,067,536</u>	<u>17,524,000</u>	<u>(7,219,679)</u>	<u>-</u>	<u>1,430,302</u>	<u>(191,747)</u>	<u>28,610,412</u>

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

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31. Segment Information

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

(2) Geographic sales information of the Group for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

Sales region	Korean won		Indian rupee	
	2020	2019	2020	2019
Republic of Korea	₩ 2,476,227,092	2,989,818,593	Rs 166,897,706	201,513,773
Europe	205,057,124	320,441,068	13,820,850	21,597,728
Asia Pacific	179,171,538	216,437,423	12,076,162	14,587,882
Others	138,780,593	149,814,048	9,353,812	10,097,467
Consolidated adjustment	(49,055,628)	(52,628,865)	(3,306,349)	(3,547,185)
	₩ <u>2,950,180,719</u>	<u>3,623,882,267</u>	Rs <u>198,842,181</u>	<u>244,249,665</u>

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

(3) Information of sales of goods and service for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Automobile	₩ 2,530,013,655	3,129,580,863	Rs 170,522,920	210,933,750
Merchandise and parts	330,800,083	391,624,052	22,295,926	26,395,461
Others	89,366,981	102,677,352	6,023,335	6,920,454
	₩ <u>2,950,180,719</u>	<u>3,623,882,267</u>	Rs <u>198,842,181</u>	<u>244,249,665</u>

(4) Balance of Contracts as of December 31, 2020 and December 2019 are as follows:

(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Receivables from contracts with customers	₩ 100,554,100	121,365,029	Rs 6,777,346	8,180,003
Contract liabilities	30,805,029	23,940,058	2,076,259	1,613,560

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

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32. Transactions and Balances with Related Parties

(1) Details of parent and Joint venture as of December 31, 2020 are as follows:

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

(2) Transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won)

Relationship	Company	Description	2020	2019
		Sales	₩ 28,948,012	31,623,926
Parent	Mahindra & Mahindra Ltd.	Other income	73,365	-
		Purchases	8,691,587	488,222
		Other expenses	1,095,026	727,732
Joint venture	SY Auto Capital Co., Ltd.	Other income	629,888	2,043,265
		Other expenses	81,320,276	31,754,171
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	1,847,674	41,398,196
		Other income	-	5,276
		Other expenses	3,576,964	1,783,736

(In thousands of rupee)

Relationship	Company	Description	2020	2019
		Sales	Rs 1,951,096	2,131,453
Parent	Mahindra & Mahindra Ltd.	Other income	4,945	-
		Purchases	585,813	32,906
		Other expenses	73,805	49,049
Joint venture	SY Auto Capital Co., Ltd.	Other income	42,454	137,716
		Other expenses	5,480,987	2,140,231
Others	Mahindra Vehicle Manufacturing Ltd. and others	Sales	124,533	2,790,238
		Other income	-	356
		Other expenses	241,087	120,224

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32. Transactions and Balances with Related Parties, Continued

(3) Account balances with related parties as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

Relationship	Company	Description	2020	2019
Parent	Mahindra & Mahindra Ltd.	Trade receivables ₩	2,437,886	454,892
		Other receivables	252,632	50,954
		Trade payables	3,624,172	486,641
		Other payables	2,514,361	811,771
		Borrowings	69,999,869	-
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	531,781	208,034
		Other payables	3,437,606	2,646,646

(In thousands of rupee)

Relationship	Company	Description	2020	2019
Parent	Mahindra & Mahindra Ltd.	Trade receivables Rs	164,314	30,660
		Other receivables	17,027	3,434
		Trade payables	244,269	32,800
		Other payables	169,468	54,713
		Borrowings	4,717,991	-
Others	Mahindra Vehicle Manufacturing Ltd. and others	Trade receivables	35,842	14,021
		Other payables	231,695	178,384

Allowance for receivables from related parties are not recognized as of December 31, 2020 and 2019.

(4) Capital transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

Relationship	Company	Description	Korean won		Indian rupee	
			2020	2019	2020	2019
Parent	Mahindra & Mahindra Ltd.	Loan	₩ 69,999,869	-	Rs 4,717,991	-
		Issuing capital stock	-	49,706,372	-	3,350,209

(5) Executive compensation of the Group for the years ended December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2020	2019	2020	2019
Short-term employee benefits	₩	4,636,353	7,414,635	Rs 312,490	499,746
Retirement benefits		394,980	545,887	26,622	36,793

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33. Financial Instruments

(1) Capital risk management

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

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

Debt-to-equity ratio as of December 31, 2020 and 2019 are as follows:
(In thousands of won and in thousands of rupee)

	Korean won		Indian rupee	
	2020	2019	2020	2019
Debt (A)	₩ 1,856,750,687	1,616,083,587	Rs 125,144,996	108,924,033
Equity (B)	(88,122,116)	403,123,556	(5,939,431)	27,170,528
Debt-to-equity ratio (A/B)(*)	-	400.89%	-	400.89%

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

(2) Details of financial assets and liabilities by category as of December 31, 2020 and 2019 are as follows:

1) Financial assets

(In thousands of won)

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

(In thousands of won)

	2019			
	Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 125,800,194	-	125,800,194	125,800,194
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	175,234,811	-	175,234,811	175,234,811
Non-current financial assets	-	560,000	560,000	560,000
	₩ 301,039,005	560,000	301,599,005	301,599,005

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33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of December 31, 2020 and 2019 are as follows, continued:

1) Financial assets, continued:

(In thousands of rupee)

		2020			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	Rs	12,533,928	-	12,533,928	12,533,928
Long-term financial instruments		270	-	270	270
Trade and other receivables		11,019,955	-	11,019,955	11,019,955
Non-current financial assets		-	37,744	37,744	37,744
	Rs	<u>23,554,153</u>	<u>37,744</u>	<u>23,591,897</u>	<u>23,591,897</u>

(In thousands of rupee)

		2019			
		Amortised cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	Rs	8,478,933	-	8,478,933	8,478,933
Long-term financial instruments		270	-	270	270
Trade and other receivables		11,810,826	-	11,810,826	11,810,826
Non-current financial assets		-	37,744	37,744	37,744
	Rs	<u>20,290,029</u>	<u>37,744</u>	<u>20,327,773</u>	<u>20,327,773</u>

2) Financial liabilities

(In thousands of won)

		2020			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	₩	721,070,405	-	721,070,405	721,070,405
Borrowings		354,999,838	-	354,999,838	354,999,838
Lease liabilities		8,420,774	-	8,420,774	8,420,774
	₩	<u>1,084,491,017</u>	<u>-</u>	<u>1,084,491,017</u>	<u>1,084,491,017</u>

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33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of December 31, 2020 and 2019 are as follows, continued:

2) Financial liabilities, continued

(In thousands of won)

		2019			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	₩	600,389,273	-	600,389,273	600,389,273
Borrowings		412,856,448	-	412,856,448	412,856,448
Lease liabilities		11,630,384	-	11,630,384	11,630,384
	₩	<u>1,024,876,105</u>	<u>-</u>	<u>1,024,876,105</u>	<u>1,024,876,105</u>

(In thousands of rupee)

		2020			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	Rs	48,600,146	-	48,600,146	48,600,146
Borrowings		23,926,989	-	23,926,989	23,926,989
Lease liabilities		567,560	-	567,560	567,560
	Rs	<u>73,094,695</u>	<u>-</u>	<u>73,094,695</u>	<u>73,094,695</u>

(In thousands of rupee)

		2019			
		Financial liability measured at amortised cost	Financial liabilities at FVTPL	Total	Fair value
Trade and other payables	Rs	40,466,237	-	40,466,237	40,466,237
Borrowings		27,826,524	-	27,826,524	27,826,524
Lease liabilities		783,888	-	783,888	783,888
	Rs	<u>69,076,649</u>	<u>-</u>	<u>69,076,649</u>	<u>69,076,649</u>

(3) Financial risk management

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

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

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For the years ended December 31, 2020 and 2019

33. Financial Instruments, Continued

(3) Financial risk management, continued

1) Market risk

a. Foreign exchange risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of December 31, 2020.

(In thousands of won and in thousands of rupee)

Currency	Korean won		Indian rupee	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,589,797	(1,589,797)	Rs 107,152	(107,152)
EUR	1,288,112	(1,288,112)	86,819	(86,819)
JPY	(1,402,097)	1,402,097	(94,501)	94,501
Others	(313,518)	313,518	(21,131)	21,131
	₩ 1,162,294	(1,162,294)	Rs 78,339	(78,339)

b. Interest rate risk

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

If other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the Group's current income will decrease or increase in ₩1,498,219 thousand (Rs 100,980 thousand) for the year ended December 31, 2020, due to floating rate debt's interest rate risk.

2) Credit risk

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

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

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For the years ended December 31, 2020 and 2019

33. Financial Instruments, Continued

(3) Financial risk management, continued

2) Credit risk, continued

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

Maximum exposure in respect of credit risk as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Rs	Indian rupee	
		2020	2019		2020	2019
Trade and other receivables	₩	163,500,821	175,234,811		11,019,955	11,810,826

3) Liquidity risk

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

The contractual maturities of financial liabilities as of December 31, 2020 and 2019 are as follows:

(In thousands of won)

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

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

(In thousands of won)

		2019		
		Within a year	Over 1 year	Total
Trade payables	₩	477,370,219	-	477,370,219
Other payables		120,768,591	-	120,768,591
Short-term borrowings(*)		256,399,637	-	256,399,637
Lease liabilities(*)		7,231,808	4,814,959	12,046,767
Other payables		1,402,123	-	1,402,123
Long-term borrowings(*)		-	171,603,986	171,603,986
Long-term other payables		-	848,340	848,340
	₩	863,172,378	177,267,285	1,040,439,663

(*) Including expected interest expenses.

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For the years ended December 31, 2020 and 2019

33. Financial Instruments, Continued

(3) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of rupee)

		2020		
		Within a year	Over 1 year	Total
Trade payables	Rs	35,891,748	-	35,891,748
Other payables		12,485,188	-	12,485,188
Short-term borrowings(*)		21,311,869	-	21,311,869
Lease liabilities(*)		434,586	148,420	583,006
Other payables		179,626	-	179,626
Long-term borrowings(*)		-	2,908,061	2,908,061
Long-term other payables		-	43,583	43,583
	Rs	<u>70,303,017</u>	<u>3,100,064</u>	<u>73,403,081</u>

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

(In thousands of rupee)

		2019		
		Within a year	Over 1 year	Total
Trade payables	Rs	32,174,753	-	32,174,753
Other payables		8,139,803	-	8,139,803
Short-term borrowings(*)		17,281,335	-	17,281,335
Lease liabilities(*)		487,424	324,528	811,952
Other payables		94,503	-	94,503
Long-term borrowings(*)		-	11,566,109	11,566,109
Long-term other payables		-	57,178	57,178
	Rs	<u>58,177,818</u>	<u>11,947,815</u>	<u>70,125,633</u>

(*) Including expected interest expenses.

The details of the financing arrangements as of December 31, 2020 and 2019 are as follows:

(In thousands of won and in thousands of rupee)

		Korean won		Indian rupee	
		2020	2019	2020	2019
Used amount	₩	355,000,000	306,250,000	Rs 23,927,000	20,641,250
Unused amount		-	117,000,000	-	7,885,800

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

SSANGYONG MOTOR COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

33. Financial Instruments, Continued

(4) Fair value of financial instruments, continued

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, 2020 and 2019.

34. Going concern assumption

The Group's financial statements are prepared on the assumption that it will continue as going concern, and therefore our assets and liabilities are accounted for on the assumption that they can be recovered or repaid at their carrying amount through the normal course of business activities. However, due to deteriorating financial structure, the Group has incurred operating losses of ₩449,389 million (Rs 30,289 million) and net losses of ₩504,341 million (Rs 33,993 million) as of the end of the reporting period. In addition, the Group's current liabilities exceed its current assets by ₩781,830 million (Rs 52,695 million) as of the end of the reporting period.

As of December 21, 2020, the Group filed for commencement of rehabilitation procedure with the Seoul Bankruptcy Court under the Debtor Rehabilitation and Bankruptcy Act of South Korea. And the Group received a disposition of property preservation and an order of comprehensive prohibition from the courts. The Group had applied for an ARS (autonomous restructuring support) program to find a new investor or rebuilds creditors' trust during the period. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In circumstances where material uncertainty on the ability to continue as a going concern, which is the basis for preparation of the consolidated financial statements. As a result, the Group has commenced a capital reorganization plan.

As the stabilization of operating income will depend on the success of this plan, a significant uncertainty exists. As it will be difficult for the Group to continue as a going concern if the Group fails to achieve its plan, the carrying amount of the Group's assets and liabilities may not be recoverable in the ordinary course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.