

**KG MOBILITY COMPANY
(FORMERLY, SSANG YONG MOTOR COMPANY)
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
WITH INDEPENDENT AUDITORS' REPORT**

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

**To the Shareholders and Board of Directors of
KG Mobility Company (Formerly, Ssangyong Motor Company):**

Opinion

We have audited the accompanying consolidated financial statements of KG Mobility Company (Formerly, Ssangyong Motor Company) (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Occurrence and cut-off of overseas sales

The accounting policy in relation with the revenue recognition is explained in Note 3. (4). The reason why it is determined to be a key audit matter and the way how it is audited are as follows:

The reason why it is determined to be Key Audit Matter

The Group's overseas sales may involve multiple obligations depending on customers and contract terms. Also, it is a significant component of our key performance indicators. We considered the inherent risk and quantitative materiality of overseas sales, so this matter has been identified as a key audit matter for the audit.

The way how the Key Audit Matter is audited

To respond to the key audit matter, our performed key audit procedures are as follows.

- We evaluated the Company's internal controls, including the Company's accounting policy and process for recognition of the overseas sales.
- We assessed the effectiveness of the design and operation of the internal controls related to the revenue recognition process for overseas sales.
- We conducted an analytical review of the overseas sales transactions.
- We verified the occurrence and the accuracy of cut-off through document examination.

Emphasis of Matter

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

(1) Graduating from court-led debt rescheduling program

As stated in note 34, the Group filed for the commencement of the rehabilitation procedures with the Court under the Debtor Rehabilitation and Bankruptcy Act, and the Court commenced the rehabilitation procedures on April 15, 2021.

The Group has resumed the M&A process before the Court approval of its rehabilitation plan as a way of repaying the rehabilitation debts early and improving the financial structure of the Group under *the Section 241 of Practice Rule of Seoul Bankruptcy Court*. Accordingly, the Company signed an M&A contract with the Edison Motors-led consortium on January 10, 2022 and the Company filed a rehabilitation plan to the court on February 25, 2022.

However, immediate cancellation of M&A contract occurred on March 25, 2022 and the Company submitted revised rehabilitation plan to the court for seeking a new buyer and reselling process. On April 8, 2022, the Court approved revised rehabilitation plan (Stalking-Horse bid M&A) and the extension of expiration for rehabilitation plan's approval until October 15, 2022 because the Court accepted that immediate cancellation of M&A contract was an unavoidable reason.

According to the revised rehabilitation plan, the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Court approved the rehabilitation plan reflecting the details of the investment contract from the KG Consortium on August 26, 2022.

Finally, the Group has graduated from the court-led debt rescheduling program on November 11, 2022 in accordance with *the Article 283(1) of the "Debtor Rehabilitation and Bankruptcy Act"* of Republic of Korea, after the Group completed the redemption of most of the rehabilitation security rights and claims.

(2) Listing maintenance decision and Resuming the trading of its shares

As discussed in note 34, the Group resolved the formal delisting issue as of March 14, 2023 by obtaining a non-disclaimer audit opinion on the Group's financial statements ended on December 31, 2022, which was due within the additional improvement period until April 14, 2023.

However, due to the occurrence of substantive examination reasons for listing suitability, as of April 4, 2023, the Group has been designated as a subject for review by the Korea Stock Exchange Listing Disclosure Committee. The Korea Stock Exchange conducted an eligibility review as of April 27, 2023 and decided to keep KG Mobility Co., Ltd., formerly, SsangYong Motor Company, listed on the market, and trading of its shares resumed on April 28, 2023.

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

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

In preparing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF Seo-Hyun Accounting Corp.

Seoul, Korea
March 18, 2024

<p>This report is effective as of March 18, 2024, 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.</p>
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KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position

For the years ended December 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
Assets					
Cash and cash equivalents	4,5,33	₩ 58,033,181	104,961,806	\$ 45,008	81,404
Short-term financial instruments	5,33	116,067,887	5,808,774	90,017	4,505
Trade receivables	7,31,32,33	228,041,767	135,270,116	176,859	104,909
Other receivables	7,33	28,021,789	15,447,853	21,732	11,981
Loans and others	7,13,33	15,118,549	24,440,366	11,725	18,955
Inventories	8,25	565,871,096	253,331,386	438,864	196,472
Other current assets	10	128,436,520	87,899,079	99,610	68,171
Total current assets		1,139,590,789	627,159,380	883,815	486,396
Long-term financial instruments	5,33	7,243,215	4,000	5,618	3
Non-current loans and others	7,13,31,32,33	36,401,237	22,750,260	28,231	17,644
Non-current financial assets	6,33	609,772	560,000	473	434
Property, plant, and equipment	11	1,242,505,137	1,149,726,517	963,630	891,676
Intangible assets	12	193,759,117	164,107,088	150,271	127,274
Investments in joint venture	9	-	22,476,322	-	17,432
Other non-current assets	10	858,884	275,882	666	214
Right-of-use assets	13	8,849,231	10,745,951	6,863	8,334
Deferred tax assets	24	5,582,617	4,101,894	4,330	3,181
Total non-current assets		1,495,809,210	1,374,747,914	1,160,082	1,066,192
Total assets		₩ 2,635,399,999	2,001,907,294	\$ 2,043,896	1,552,588

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position, Continued

For the years ended December 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
Liabilities					
Trade payables	32,33	₩ 268,339,549	152,401,058	\$ 208,112	118,195
Other payables	32,33	183,278,684	104,749,375	142,143	81,239
Short-term borrowings	14,30,32,33	45,258,032	-	35,100	-
Current portion of bond with warrant	14,30,32,33	97,860,293	-	75,896	-
Derivative liabilities	14	76,715,556	-	59,497	-
Other financial liabilities	15,33	37,307,299	22,488,496	28,934	17,441
Provision of warranty for sale	16	39,848,828	40,689,846	30,905	31,557
Current portion of other employee benefits liabilities	18	2,773,449	-	2,151	-
Provision of others	19	20,351,476	23,705,590	15,784	18,385
Other current liabilities	17,31,32	108,672,851	52,885,935	84,282	41,016
Current Lease liabilities	13,30,33	5,326,862	5,036,434	4,131	3,906
Total current liabilities		885,732,879	401,956,734	686,934	311,739
Convertible bonds	14,30,33	89,768,108	-	69,620	-
Non-current other payables	33	11,334,581	174,070	8,791	135
Other non-current liabilities	17,31	14,698,660	13,147,328	11,400	10,196
Defined benefit liabilities	18	343,989,000	280,119,084	266,782	217,248
Other long-term employee benefits liabilities	18	10,235,437	11,703,405	7,938	9,077
Non-current provision of warranty for sale	16	72,661,375	55,961,701	56,353	43,401
Non-current Provision of others	19	59,973,973	61,995,022	46,513	48,081
Non-current Lease liabilities	13,30,33	6,083,453	3,834,620	4,718	2,974
Deferred tax liabilities	24	58,223,532	80,112,208	45,156	62,131
Total non-current liabilities		666,968,119	507,047,438	517,270	393,243
Total liabilities		1,552,700,998	909,004,172	1,204,204	704,982
Equity					
Capital stock	20	934,780,120	934,780,120	724,973	724,973
Other capital surplus	21	1,069,461,825	1,051,249,578	829,426	815,301
Other equity	22	223,818,180	223,911,464	173,583	173,656
Accumulated deficit	23	(1,145,361,124)	(1,117,038,040)	(888,290)	(866,324)
Equity attributable to owners of The Group		1,082,699,001	1,092,903,122	839,692	847,606
Non-controlling interests		-	-	-	-
Total equity		1,082,699,001	1,092,903,122	839,692	847,606
Total liabilities and equity		₩ 2,635,399,999	2,001,907,294	\$ 2,043,896	1,552,588

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (loss)

For the years ended December 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
Sales	31,32	₩ 3,736,368,969	3,423,340,873	\$ 2,897,758	2,654,987
Cost of sales	25,32	3,328,903,041	3,136,278,641	2,581,746	2,432,355
Gross profit		<u>407,465,928</u>	<u>287,062,232</u>	<u>316,012</u>	<u>222,632</u>
Selling and administrative expenses	25,26	394,918,331	399,012,260	306,281	309,456
Operating income(loss)		<u>12,547,597</u>	<u>(111,950,028)</u>	<u>9,731</u>	<u>(86,823)</u>
Other income	27,32	30,288,361	67,161,829	23,490	52,088
Other expenses	27,32	(27,858,717)	(36,531,509)	(21,606)	(28,332)
Finance income	28	13,946,037	41,031,688	10,816	31,822
Finance costs	28	(32,408,043)	(21,832,353)	(25,134)	(16,932)
Share of profits of joint venture		529,231	246,246	410	191
Loss before income taxes		<u>(2,955,534)</u>	<u>(61,874,127)</u>	<u>(2,292)</u>	<u>(47,987)</u>
Income tax expenses	24	(11,879,799)	(1,740,585)	(9,213)	(1,350)
Profit(loss) for the year		<u>8,924,265</u>	<u>(60,133,542)</u>	<u>6,921</u>	<u>(46,637)</u>
Profit(loss) attributable to:					
Owners of The Group		8,924,265	(60,133,542)	6,921	(46,637)
Non-controlling interests		-	-	-	-
Other comprehensive income(loss) for the year		(37,340,633)	92,490,874	(28,884)	71,758
Items that will never be reclassified to profit or loss:					
Defined benefit plan re-measurements	18,23	(37,243,501)	92,524,904	(28,960)	71,732
Defined benefit plan re-measurements of joint ventures	9,23	(3,848)	190,751	(3)	148
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation difference for foreign operation	22	(93,284)	(224,781)	(72)	(174)
Total comprehensive income (loss) for the year		<u>₩ (28,416,368)</u>	<u>32,357,333</u>	<u>\$ (22,038)</u>	<u>25,095</u>
Total comprehensive income (loss) attributable to:					
Owners of The Group		(28,416,368)	32,357,333	(22,038)	25,095
Non-controlling interests		-	-	-	-
Earnings(Losses) per share					
Basic earnings(losses) per share	29	₩ 48	(1,068)	\$ 0.04	(0.83)
Diluted earnings(losses) per share		47	(1,068)	0.04	(0.83)

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(In thousands of won)

		Other capital surplus			Other equity	Accumulated deficit	Non-controlling interests	Total	
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction					Consideration conversion rights
Balance at January 1, 2022	₩	749,200,010	3,169,615	74,061,697	-	224,136,245	(1,149,620,153)	-	(99,052,587)
Total comprehensive income (loss) for the period:									
Loss for the period		-	-	-	-	-	(60,133,542)	-	(60,133,542)
Defined benefit plan re-measurements		-	-	-	-	-	92,524,904	-	92,524,904
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	190,751	-	190,751
Foreign currency translation difference for foreign operation		-	-	-	-	(224,781)	-	-	(224,781)
Transactions with shareholders recognized directly in equity:									
Capital reduction without refund		(996,006,854)	-	996,006,854	-	-	-	-	-
Debt-for-equity swap		474,846,464	(21,369,524)	865	-	-	-	-	453,477,804
Stock issuance costs		-	(619,928)	-	-	-	-	-	(619,928)
Capital increase by issuing new stocks		706,740,500	-	-	-	-	-	-	706,740,500
Balance at December 31, 2022	₩	<u>934,780,120</u>	<u>(18,819,837)</u>	<u>1,070,069,416</u>	<u>-</u>	<u>223,911,464</u>	<u>(1,117,038,040)</u>	<u>-</u>	<u>1,092,903,123</u>
Balance at January 1, 2023	₩	934,780,120	(18,819,837)	1,070,069,416	-	223,911,464	(1,117,038,040)	-	1,092,903,123
Total comprehensive income (loss) for the period:									
Profit for the period		-	-	-	-	-	8,924,265	-	8,924,265
Defined benefit plan re-measurements		-	-	-	-	-	(37,243,501)	-	(37,243,501)
Defined benefit plan re-measurements of joint ventures		-	-	-	-	-	(3,848)	-	(3,848)
Foreign currency translation difference for foreign operation		-	-	-	-	(93,284)	-	-	(93,284)
Transactions with shareholders recognized directly in equity:									
Issuance of Convertible bonds		-	-	-	23,405,287	-	-	-	23,405,287
Stock issuance costs		-	(5,193,041)	-	-	-	-	-	(5,193,041)
Balance at December 31, 2023	₩	<u>934,780,120</u>	<u>(24,012,878)</u>	<u>1,070,069,416</u>	<u>23,405,287</u>	<u>223,818,180</u>	<u>(1,145,361,124)</u>	<u>-</u>	<u>1,082,699,001</u>

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2023 and 2022

(In thousands of US dollar)

	Capital stock	Other capital surplus		Consideration conversion rights	Other equity	Accumulated deficit	Non-controlling interests	Total
		Paid-in capital in excess of par value	Gain on capital reduction					
Balance at January 1, 2022	\$ 581,045	2,458	57,439	-	173,830	(891,593)	-	(76,821)
Total comprehensive income (loss) for the period:								
Loss for the period	-	-	-	-	-	(46,637)	-	(46,637)
Defined benefit plan re-measurements	-	-	-	-	-	71,758	-	71,758
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	148	-	148
Foreign currency translation difference for foreign operation	-	-	-	-	(174)	-	-	(174)
Transactions with shareholders recognized directly in equity:								
Capital reduction without refund	(772,458)	-	772,458	-	-	-	-	-
Debt-for-equity swap	395,988	(16,573)	1	-	-	-	-	379,415
Stock issuance costs	-	(481)	-	-	-	-	-	(481)
Capital increase by issuing new stocks	520,397	-	-	-	-	-	-	520,397
Balance at December 31, 2022	\$ 724,973	(14,596)	829,897	-	173,656	(866,324)	-	847,606
Balance at January 1, 2023	\$ 724,973	(14,596)	829,897	-	173,656	(866,324)	-	847,606
Total comprehensive income (loss) for the period:								
Profit for the period	-	-	-	-	-	6,921	-	6,921
Defined benefit plan re-measurements	-	-	-	-	-	(28,884)	-	(28,884)
Defined benefit plan re-measurements of joint ventures	-	-	-	-	-	(3)	-	(3)
Foreign currency translation difference for foreign operation	-	-	-	-	(72)	-	-	(72)
Transactions with shareholders recognized directly in equity:								
Issuance of Convertible bonds	-	-	-	18,152	-	-	-	18,152
Stock issuance costs	-	(4,027)	-	-	-	-	-	(4,027)
Balance at December 31, 2023	\$ 724,973	(18,623)	829,897	18,152	173,583	(888,290)	-	839,692

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

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

	Korean won		US dollar	
	2023	2022	2023	2022
Cash flows from operating activities				
Profit (loss) for the year	₩ 8,924,265	(60,133,542)	\$ 6,921	(46,637)
Adjustment	266,846,333	221,653,526	206,954	171,904
Changes in assets and liabilities	(267,487,692)	(380,325,280)	(207,451)	(294,963)
Cash generated from operations (note 30)	8,282,906	(218,805,295)	6,424	(169,695)
Interest received	6,885,888	3,388,170	5,340	2,628
Interest paid	(972,489)	(33,384,116)	(754)	(25,891)
Dividends received	11,000	11,000	9	9
Tax paid	(3,097,643)	(2,508,735)	(2,402)	(1,946)
Net cash provided by (used in) operating activities	11,109,662	(251,298,976)	8,616	(194,896)
Cash flows from investing activities				
Decrease of loans and others	2,695,966	2,169,712	2,091	1,683
Decrease of short-term financial instruments	1,389,720,938	15,466,877	1,077,804	11,995
Disposal of property, plant, and equipment	4,564,014	3,693,866	3,540	2,865
Disposal of intangible assets	1,568,815	500,000	1,217	388
Disposal of investment in joint venture	20,934,400	-	16,236	-
Decrease of financial lease asset	4,314,641	-	3,346	-
Decrease of deposits as investing activities	1,383,829	-	1,073	-
Decrease of other non-current assets	131,028	2,200	102	2
Increase of loans and others	(27,148,263)	-	(21,055)	-
Increase of short-term financial instruments	(1,499,980,051)	-	(1,163,316)	-
Acquisition of investments in subsidiaries	(52,720,009)	-	(40,887)	-
Acquisition of property, plant, and equipment	(110,076,995)	(90,378,829)	(85,371)	(70,094)
Acquisition of right-of-use assets	-	(11,340,000)	-	(8,795)
Acquisition of intangible assets	(83,631,643)	(67,185,725)	(64,861)	(52,106)
Net cash used in investing activities	(348,243,330)	(147,071,900)	(270,082)	(114,062)
Cash flows from financing activities				
Proceeds from borrowings	70,750,304	120,000,000	54,871	93,067
Proceeds from convertible bonds	108,500,000	-	84,148	-
Proceeds from bond with warrant	150,500,000	-	116,721	-
Increase in deposits as financial activities	-	14,971,609	-	11,611
Capital increase by issuing new stocks	-	671,000,000	-	520,397
Repayment of borrowings	(25,836,874)	(349,022,348)	(20,038)	(270,686)
Bond issuance costs	(1,672,890)	-	(1,297)	-
Payment of lease liabilities	(7,141,709)	(7,617,925)	(5,539)	(5,908)
Stock issuance costs	(5,193,041)	(619,928)	(4,027)	(481)
Net cash provided by financing activities	289,905,790	448,711,408	224,838	348,000
Effect of exchange rate fluctuations on cash and cash equivalents				
	299,253	(46,759)	232	(36)
Net increase (decrease) in cash and cash equivalents	(46,928,625)	50,293,774	(36,396)	39,006
Cash and cash equivalents at January 1	104,961,806	54,668,032	81,404	42,398
Cash and cash equivalents at December 31	₩ 58,033,181	104,961,806	\$ 45,008	81,404

"The accompanying notes are an integral part of these financial statement".

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. General Description of The Group

(1) Organization and description of business of The Group

KG Mobility Company (formerly, 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 Group 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, 2023, The Group’s shareholders are as follows:

Name of shareholder	Number of shares (In shares)	Percentage of ownership (%)
KG ETS Co., Ltd. (*)	110,000,000	58.83
2 nd Mobility holdings Co., Ltd.	17,980,000	9.62
KG Chemical Corporation	1,099	-
Mahindra & Mahindra Ltd.	12,536,341	6.71
Others	46,438,584	24.84
	186,956,024	100.00

(*) As of August 2, 2023, KG ETS Co., Ltd. has merged with KG Mobility Holdings Co., Ltd., resulting in a change of controlling shareholder.

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 US dollars at the rate of ₩1,289.40 to \$1 on December 31, 2023, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into US dollars at this or any other rate.

(2) Statement of compliance

The Group has prepared its consolidated financial statements in accordance with the K-IFRS. Some of the amounts in consolidated financial position as of December 31, 2022, were reclassified and modified to ensure comparability with the current period.

1) Measurement Criteria

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Preparation and Accounting Policies, Continued

(2) Statement of compliance, Continued

2) Use of estimates and judgments

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

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.
- Deferred tax : Estimation of the feasibility of deferred tax.

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. The Group has consistently applied the accounting policies to the Group's consolidated financial statements for the years ended December 31, 2023 and 2022.

(1) New and amended standards

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

- K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgments (Amendments)

The amendments replace the term 'significant' accounting policy information with 'material' accounting policy and clarify its meaning. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- K-IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price(Amendments)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(1) New and amended standards, Continued

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The impact of amendments is described in Note 14.(6)

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

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates and clearly stated how to distinguish it from changes in accounting policies. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

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

The amendments add to a condition to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- K-IFRS 1012 Income Taxes - the Pillar Two Model Rules (Amendment)

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 replaces K-IFRS 1104 'Insurance Contracts'. It requires the estimation of all cash flows from insurance contracts and the measurement of insurance liabilities using a discount rate that reflects assumptions and risks at the reporting date. Revenue is recognized on an accrual basis, reflecting the services (insurance coverage) provided by the Group to the policyholder for each fiscal year. Additionally, investment components (surrender/maturity refunds) paid to the policyholder regardless of insurance events are excluded from insurance revenue, and insurance gains and losses are presented separately from investment gains and losses to enable users of the information to identify the sources of profit and loss. The establishment of this standard does not have a significant impact on the consolidated financial statements.

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

The amendments to K-IFRS 1001 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(1) New and amended standards, Continued

The amendments also introduce a definition of settlement to make clear that settlement includes the transfer to the counterparty of the entity's own equity instruments, however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument.

In addition, commitments that the entity must comply with after the end of the reporting period do not affect the classification of the liability at the end of the reporting period, and if a liability classified as non-current at the end of the reporting period must comply with commitments within 12 months after the reporting period, information about the risk of the liability being settled within 12 months after the reporting period must be disclosed. The Group has adopted the amendments early, and the impact of the amendments is described in Note 14.

2) New and revised K-IFRSs in issue but not yet effective

The new and amended accounting standards that have been issued but not yet effective for the annual reporting period commencing on January 1, 2023 which have not been early adopted by the Group are as follows:

- K-IFRS 1001 Presentation of Financial Statements - Disclosure of Virtual Assets(Amendments)

The amendment addresses additional disclosure requirements for entities holding virtual assets, acting as custodians for virtual assets on behalf of clients, or issuing virtual assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and early application is permitted. However, for virtual assets entrusted by customers in digital currency exchange market, the amendments should be applied for reporting periods beginning on or after July 19, 2024.

- K-IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements(Amendments)

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted.

- K-IFRS 1116 Leases - Lease Liability in a Sale and Leaseback(Amendments)

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted.

The amendments do not have a significant impact on the consolidated financial statements.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities (including structured entities) controlled by the Group 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 Group 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 Group gains control to the date when the Group 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.

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).

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(2) Basis of consolidation, Continued

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.

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(3) Investments in joint ventures, Continued

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.

(4) Revenue recognition

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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.

(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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

- 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.

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, Continued

Subsequent measurement and profit and loss

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

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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)
- When the number of overdue days exceeds 90 days unless there is no evidence that borrower is not a default

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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 Group on terms that The Group 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(8) Financial liabilities and Paid-in capital, 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

The 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

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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

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

Subsequent costs are recognized in the carrying amount of an asset or as a consolidated 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

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 de-recognition 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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.

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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.

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.

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(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.

(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 a 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(16) Lease, continued

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 consolidated non-lease components and account for the lease and non-lease components as a single lease component. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group has revalued and buildings classified as property, plant, and equipment, but has not chosen the revaluation model for buildings of right-of-use assets.

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.

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 amortized 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 recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and lease of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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 is substantially ready for their intended use or sale.

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

(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. Diluted earnings per share are calculated by adjusting the profits (losses) contributed to common shares and the weighted average number of outstanding shares considering the effects of all dilutive potential common shares such as convertible bonds.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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 ₩0, 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 meet the obligation's arising from the emission liabilities for the current period, the emissions liabilities are measured at ₩0. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Financial institution	Korean won		US dollar		Description
		2023	2022	2023	2022	
Cash and cash Equivalents	Shinhan Bank	₩ 238	219,392	\$ 0.2	170	Government grants
	Woori Bank and others	247,362	12,430	192	10	Government grants, etc.
Current financial instruments	Woori Bank and others	5,774,189	5,808,774	4,478	4,505	Pledged as collateral, etc.
Non-current financial instruments	Shinhan Bank and others	7,196,402	4,000	5,581	3	Bank account deposit
		₩ 13,218,191	6,044,596	\$ 10,251	4,688	

6. Non-current Financial Assets

Non-current financial assets as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	Ownership (%)		2023		2022	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	₩	500,000	779,000	500,000	500,000
Korea Management Association Consultants Inc. (*)	1.50		60,000	1,315,391	60,000	60,000
The Construction Industry Guarantee (*)	100		44,604	49,772	49,772	-
		₩	604,604	2,144,163	609,772	560,000

(In thousands of dollar)

	Ownership (%)		2023		2022	
			Acquisition cost	Net asset value	Book value	Book value
Korea Business Finance Loan (*)	1.72	\$	388	604	388	388
Korea Management Association Consultants Inc. (*)	1.50		47	1,020	47	47
The Construction Industry Guarantee (*)	100		35	39	39	-
		\$	469	1,663	473	434

(*) 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

7. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 230,193,585	493,363	136,292,172	-
Less: Allowance for doubtful accounts	(2,151,818)	(428,092)	(1,022,056)	-
Other receivables	33,472,759	-	20,655,490	45,660
Less: Allowance for doubtful accounts	(5,450,970)	-	(5,207,637)	-
Loans and others (*)	30,405,098	36,335,967	24,440,366	22,704,600
Less: Allowance for doubtful accounts	(15,286,549)	-	-	-
	<u>₩ 271,182,105</u>	<u>36,401,238</u>	<u>175,158,335</u>	<u>22,750,260</u>

(*) The Loans and others listed above include ₩2,492,922 thousand and ₩3,663,374 thousand for sub lease receivables and the interest revenue received by the sub lease contract is ₩529,437 thousand and ₩566,103 thousand for the years ended December 31, 2023 and 2022, respectively.

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 178,528	383	105,702	-
Less: Allowance for doubtful accounts	(1,669)	(332)	(793)	-
Other receivables	25,960	-	16,019	35
Less: Allowance for doubtful accounts	(4,228)	-	(4,039)	-
Loans and others (*)	23,581	28,181	18,955	17,609
Less: Allowance for doubtful accounts	(11,856)	-	-	-
	<u>\$ 210,317</u>	<u>28,231</u>	<u>135,845</u>	<u>17,644</u>

(*) The Loans and others listed above include \$1,933 thousand and \$2,841 thousand for sub lease receivables and the interest revenue received by the sub lease contract is \$411 thousand and \$439 thousand for the years ended December 31, 2023 and 2022, respectively.

(2) Details of aging analysis of the trade and other receivables as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 227,705,363	73,078,508	135,144,758	56,922,327
Less than 180 days	368,683	3,261,032	37,326	1,176,637
Less than 270 days	124,617	757,134	-	1,919,889
Less than 365 days	100,049	1,395,656	2	1,187,043
More than 365 days	2,388,236	21,721,494	1,110,086	6,640,220
Total	<u>₩ 230,686,948</u>	<u>100,213,824</u>	<u>136,292,172</u>	<u>67,846,116</u>
Impaired receivables	2,579,910	20,737,519	1,022,056	5,207,637

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

7. Trade and Other Receivables, Continued

(2) Details of aging analysis of the trade and other receivables as of December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 176,598	56,676	104,812	44,146
Less than 180 days	286	2,529	29	913
Less than 270 days	97	587	-	1,489
Less than 365 days	78	1,082	0	921
More than 365 days	1,852	16,846	861	5,150
Total	\$ 178,910	77,721	105,702	52,618
Impaired receivables	2,001	16,083	793	4,039

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

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	₩ 1,022,056	5,207,637	435,717	4,526,772
Increase due to business combination (*)	1,880,433	15,503,059	-	-
Bad debt expense	-	26,823	586,339	681,222
Reversal of allowance for bad debts	(322,579)	-	-	(357)
Ending balance	₩ 2,579,910	20,737,519	1,022,056	5,207,637

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 793	4,039	338	3,511
Increase due to business combination (*)	1,458	12,023	-	-
Bad debt expense	-	21	455	528
Reversal of allowance for bad debts	(250)	-	-	(0)
Ending balance	\$ 2,001	16,083	793	4,039

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

8. Inventories

Details of inventories as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Merchandises	₩ 60,550,783	41,339,796	\$ 46,960	32,061
Finished goods	309,528,708	110,831,010	240,056	85,955
Work-in-process	41,281,317	25,873,492	32,016	20,066
Raw materials	94,879,377	45,555,698	73,584	35,331
Sub-materials	613,642	461,790	476	358
Supplies	3,162,835	3,339,254	2,453	2,590
Goods in transit	55,715,201	25,930,346	43,210	20,110
Others	139,233	-	108	-
	₩ <u>565,871,096</u>	<u>253,331,386</u>	\$ <u>438,864</u>	<u>196,472</u>

The Group has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩8,044,473 thousand (\$6,239 thousand) and ₩6,090,003 thousand (\$4,723 thousand) for the years ended December 31, 2023 and 2022, respectively.

9. Investments in Subsidiaries and a Joint venture

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2023 are as follows:

	Company	Location	Owner ship	Closing month	Industry
Subsidiaries	KG Mobility Europe Parts Center B.V.(Formerly, Ssangyong European Parts Center B.V.) (*1)	Netherlands	100%	December	A/S and sales
	KGM Australia(Formerly, Ssangyong Australia Pty Ltd.) (*2)	Australia	100%	December	Sales of automobile
	KG S&C Co. ,Ltd. (*3)	Korea	100%	December	Sales of special-purpose vehicle
	KG Mobility Commercial Co., Ltd. (*4)	Korea	100%	December	Sales of CNG Bus and Electric Bus
Joint venture	KG Capital Co., Ltd. (Formerly, SY Auto Capital Co., Ltd.) (*5)	Korea	-	December	Installment financing

(*1) Ssangyong European Parts Center B.V. Changed its name to KG Mobility Europe Parts Center B.V.

(*2) Ssangyong Australia Pty Ltd. changed its name to KGM Australia.

(*3) 100% of the shares were acquired and classified as a subsidiary for the year ended December 31, 2023.

(*4) The Group acquired 100% of stake in Edison Motors Co., Ltd, which was in the process of a rehabilitation procedure, as of September 26, 2023, but did not have a control until the completion of the rehabilitation procedure. Meanwhile, Edison Motors Co., Ltd. changed its name to KG Mobility Commercial Co., Ltd., and the Group has determined the date of obtaining control as of December 31, 2023, and recognized as an investment in a subsidiary.

(*5) KG Capital Co., Ltd., established under joint venture agreement, is structured as a separate entity, and was classified as an investment in a joint-venture for the previous year since the Group has rights to the net assets. However, it was sold to KG INICIS Co., Ltd. during the current year. Also, SY Auto Capital Co., Ltd. changed its name to KG Capital Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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, 2023 are as follows:

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

		2023				
		Beginning balance	Disposal	Share of profit of a joint venture	Defined benefit plan re-measurements	Ended balance
KG Capital Co., Ltd. (Formerly, SY	₩	22,476,322	(23,001,705)	529,231	(3,848)	-
Auto Capital Co., Ltd.)	\$	17,432	(17,839)	410	(3)	-

		2022				
		Beginning balance	Share of profit of a joint venture	Changes in defined benefit plan re-measurements	Ended balance	
KG Capital Co., Ltd. (Formerly, SY	₩	22,039,325	246,246	190,751	22,476,322	
Auto Capital Co., Ltd.)	\$	17,093	191	148	17,432	

(3) Summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023			
		KG Mobility Europe Parts Center B.V (Formerly, Ssangyong Motor European Parts Center B.V.)	KGM Australia (Formerly, Ssangyong Australia Pty Ltd.)	KG S&C Co., Ltd.	KG Mobility Commercial Co., Ltd
Assets	₩	17,685,456	146,667,838	13,141,980	97,968,872
Liabilities		20,458,625	142,909,133	11,425,777	49,811,175
Equity		(2,773,169)	3,758,705	1,716,203	48,157,697
Sales		28,433,535	202,294,791	24,765,239	-
Net income		171,077	3,138,663	1,218,533	-

(*) Since the date of business combination with KG Mobility Commercial Co., Ltd was December 31, 2023, the Group did not present sales and net income.

(In thousands of won)

		2022		
		Ssangyong Motor European Parts Center B.V	Ssangyong Australia Pty Ltd.	KG Capital Co., Ltd (Formerly, SY Auto Capital)
Assets	₩	14,052,343	69,888,054	85,076,622
Liabilities		16,842,785	69,328,532	43,749,115
Equity		(2,790,442)	559,522	41,327,507
Sales		22,018,544	155,657,908	10,126,914
Net income		156,594	5,648,372	474,386

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

9. Investments in Subsidiaries and a Joint venture, Continued

(3) Summarized financial information of the Group's subsidiaries and joint venture as of and for the year ended December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2023			
	KG Mobility Europe Parts Center B.V (Formerly, Ssangyong Motor European Parts Center B.V.)	KGM Australia (Formerly, Ssangyong Australia Pty Ltd.)	KG S&C Co., Ltd.	KG Mobility Commercial Co., Ltd
Assets	\$ 13,716	113,749	10,192	75,980
Liabilities	15,867	110,834	8,861	38,631
Equity	(2,151)	2,915	1,331	37,349
Sales	22,052	156,891	19,207	-
Net income	133	2,434	945	-

(*) Since the date of business combination with KG Mobility Commercial Co., Ltd was December 31, 2023, the Group did not present sales and net income.

(In thousands of US dollar)

	2022		
	Ssangyong Motor European Parts Center B.V	Ssangyong Australia Pty Ltd.	KG Capital Co., Ltd (Formerly, SY Auto Capital)
Assets	\$ 10,898	54,202	65,982
Liabilities	13,062	53,768	33,930
Equity	(2,164)	434	32,052
Sales	17,077	120,721	7,854
Net income	121	4,381	368

10. Other Assets

Details of other assets as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Other current assets				
Advance payments	₩ 112,570,315	72,315,550	\$ 87,304	56,085
Prepaid expenses	15,679,973	15,213,712	12,161	11,799
Current tax assets	15,607	369,817	12	287
Assets held for sale	170,625	-	132	-
	₩ 128,436,520	87,899,079	\$ 99,610	68,171
Other non-current assets				
Other non-current assets	₩ 858,884	275,882	\$ 666	214

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment

(1) Details of property, plant and equipment as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	₩ 439,944,320	278,800,357	(7,354)	-	-	718,737,323	
Buildings	606,493,120	-	(10,905,921)	(263,865,455)	(156,894,824)	174,826,920	
Structures	113,588,395	-	(35,650)	(71,509,176)	(30,951,769)	11,091,800	
Machinery	1,239,893,600	-	(2,800,993)	(1,060,112,844)	(100,885,035)	76,094,728	
Vehicles	11,282,802	-	(142,640)	(6,392,444)	(317,479)	4,430,239	
Tools and molds	1,524,214,668	-	(36,382)	(1,162,659,101)	(178,714,616)	182,804,569	
Equipment	66,223,913	-	(45,338)	(56,590,591)	(3,299,895)	6,288,089	
Construction in progress	68,704,516	-	-	-	(1,156,257)	67,548,259	
Machinery in transit	683,210	-	-	-	-	683,210	
	₩ 4,071,028,544	278,800,357	(13,974,278)	(2,621,129,611)	(472,219,875)	1,242,505,137	

(In thousands of won)

		2022					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	₩ 428,185,968	278,800,357	(7,354)	-	-	706,978,971	
Buildings	537,745,678	-	(3,388,290)	(252,271,661)	(156,914,544)	125,171,183	
Structures	112,309,984	-	(39,478)	(70,737,933)	(31,186,163)	10,346,410	
Machinery	1,313,391,883	-	(108,986)	(1,122,447,718)	(110,510,513)	80,324,666	
Vehicles	8,358,007	-	-	(5,518,219)	(332,990)	2,506,798	
Tools and molds	1,465,606,300	-	(36,472)	(1,097,537,334)	(182,133,733)	185,898,761	
Equipment	63,494,846	-	(42,776)	(56,511,563)	(3,425,661)	3,514,846	
Construction in progress	36,141,139	-	-	-	(1,156,257)	34,984,882	
	₩ 3,965,233,805	278,800,357	(3,623,356)	(2,605,024,428)	(485,659,861)	1,149,726,517	

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

(In thousands of US dollar)

		2023					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value	
Land	\$ 341,201	216,225	(6)	-	-	557,420	
Buildings	470,368	-	(8,458)	(204,642)	(121,680)	135,588	
Structures	88,094	-	(28)	(55,459)	(24,005)	8,602	
Machinery	961,605	-	(2,172)	(822,175)	(78,242)	59,016	
Vehicles	8,750	-	(111)	(4,958)	(246)	3,436	
Tools and molds	1,182,112	-	(28)	(901,706)	(138,603)	141,775	
Equipment	51,360	-	(35)	(43,889)	(2,559)	4,877	
Construction in progress	53,284	-	-	-	(897)	52,387	
Machinery in transit	530	-	-	-	-	530	
	\$ 3,157,305	216,225	(10,838)	(2,032,829)	(366,232)	963,630	

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment, Continued

(1) Details of property, plant and equipment as of December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2022					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 332,082	216,225	(6)	-	-	548,301
Buildings	417,051	-	(2,628)	(195,650)	(121,696)	97,077
Structures	87,103	-	(31)	(54,861)	(24,187)	8,024
Machinery	1,018,607	-	(85)	(870,519)	(85,707)	62,296
Vehicles	6,482	-	-	(4,280)	(258)	1,944
Tools and molds	1,136,658	-	(28)	(851,200)	(141,255)	144,175
Equipment	49,244	-	(33)	(43,828)	(2,657)	2,726
Construction in progress	28,029	-	-	-	(897)	27,133
	<u>\$ 3,075,255</u>	<u>216,225</u>	<u>(2,810)</u>	<u>(2,020,338)</u>	<u>(376,656)</u>	<u>891,676</u>

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

(2) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Business Combination (*2)	Ending balance
Land	₩ 706,978,971	1,183,560	(284,928)	-	-	10,859,720	718,737,323
Buildings	125,171,183	1,445,968	(281,947)	(7,379,222)	28,537,890	27,333,048	174,826,920
Structures	10,346,410	48,088	(38,758)	(1,067,899)	1,033,390	770,569	11,091,800
Machinery	80,324,666	36,800	(2,842,627)	(25,152,921)	17,715,033	6,013,777	76,094,728
Vehicles	2,506,798	1,717,194	(624,777)	(659,282)	929,758	560,548	4,430,239
Tools and molds	185,898,761	876,900	(1,071,457)	(72,334,459)	68,231,832	1,202,992	182,804,569
Equipment	3,514,846	2,005,230	(25,825)	(1,886,506)	2,370,243	310,101	6,288,089
Construction in progress	34,984,882	149,138,291	-	-	(116,712,948)	138,034	67,548,259
Machinery in transit	-	683,210	-	-	-	-	683,210
	<u>₩ 1,149,726,517</u>	<u>157,135,241</u>	<u>(5,170,319)</u>	<u>(108,480,289)</u>	<u>2,105,198</u>	<u>47,188,789</u>	<u>1,242,505,137</u>

(*1) Others were the amounts of ₩1,591,557 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2023.

(*2) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows, Continued:

(In thousands of won)

		2022					Ending	
		Beginning					balance	
		balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	
Land	₩	706,978,971	-	-	-	-	-	706,978,971
Buildings		130,538,434	49,916	-	(7,025,696)	-	1,608,529	125,171,183
Structures		11,442,918	1,056	(729)	(1,208,225)	-	111,390	10,346,410
Machinery		95,786,762	-	(126,503)	(26,516,593)	-	11,181,000	80,324,666
Vehicles		2,512,027	1,098,437	(628,365)	(549,270)	-	73,969	2,506,798
Tools and molds		195,025,068	1,681,920	(1,377,017)	(89,291,267)	-	79,860,057	185,898,761
Equipment		5,207,378	416,739	(43,631)	(2,084,890)	-	19,250	3,514,846
Construction in progress		43,605,938	82,859,074	-	-	(40,797)	(91,439,333)	34,984,882
Machinery in transit		492,071	43,751	-	-	-	(535,822)	-
	₩	<u>1,191,589,567</u>	<u>86,150,893</u>	<u>(2,176,245)</u>	<u>(126,675,941)</u>	<u>(40,797)</u>	<u>879,040</u>	<u>1,149,726,517</u>

(*) Others were the amounts of ₩1,045,252 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2022.

(In thousands of US dollar)

		2023					Business	Ending
		Beginning					Combination	balance
		balance	Acquisition	Disposal	Depreciation	Others (*1)	(*2)	
Land	\$	548,301	918	(221)	-	-	8,422	557,420
Buildings		97,077	1,121	(219)	(5,723)	22,133	21,198	135,588
Structures		8,024	37	(30)	(828)	801	598	8,602
Machinery		62,296	29	(2,205)	(19,507)	13,739	4,664	59,016
Vehicles		1,944	1,332	(485)	(511)	721	435	3,436
Tools and molds		144,175	680	(831)	(56,099)	52,918	933	141,775
Equipment		2,726	1,555	(20)	(1,463)	1,838	241	4,877
Construction in progress		27,133	115,665	-	-	(90,517)	107	52,387
Machinery in transit		-	530	-	-	-	-	530
	\$	<u>891,676</u>	<u>121,867</u>	<u>(4,010)</u>	<u>(84,132)</u>	<u>1,633</u>	<u>36,597</u>	<u>963,630</u>

(*1) Others were the amounts of \$1,234 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2023.

(*2) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2022						Ending balance
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	
Land	\$ 548,301	-	-	-	-	-	548,301
Buildings	101,240	39	-	(5,449)	-	1,248	97,077
Structures	8,875	1	(1)	(937)	-	86	8,024
Machinery	74,288	-	(98)	(20,565)	-	8,671	62,296
Vehicles	1,948	852	(487)	(426)	-	57	1,944
Tools and molds	151,253	1,304	(1,068)	(69,250)	-	61,936	144,175
Equipment	4,039	323	(34)	(1,617)	-	15	2,726
Construction in progress	33,819	64,262	-	-	(32)	(70,916)	27,133
Machinery in transit	382	34	-	-	-	(416)	-
	<u>\$ 924,143</u>	<u>66,815</u>	<u>(1,688)</u>	<u>(98,244)</u>	<u>(32)</u>	<u>682</u>	<u>891,676</u>

(*) Others were the amounts of \$811 thousand from capitalized borrowing costs and replaced from construction in progress for the year ended December 31, 2022.

(3) There are no pledged assets provided as collateral in relation to tangible asset as of December 31, 2023.

(4) Capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Capitalized interest expenses (*)	₩ 4,987,901	2,286,608	\$ 3,868	1,773
Capitalization interest rate	9.48%	3.30%	9.48%	3.30%

(*) The borrowing costs capitalized as intangible assets were ₩3,396,344 thousand (\$2,634 thousand ₩1,241,356 thousand (\$963 thousand) for the years ended December 31, 2023 and 2022, respectively.

(5) Revaluation on Lands

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment, Continued

(5) Revaluation on Lands, Continued

Details of book amounts of lands both the revaluation model and the cost model as of December 31, 2023 are as follows:

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

	Korean won		US dollar	
	Revaluation Model	Cost Model	Revaluation Model	Cost Model
Lands	₩ 718,737,323	439,936,966	\$ 557,420	341,195

12. Intangible Assets

(1) Details of intangible assets as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 751,869,135	-	(541,028,946)	(46,985,124)	163,855,065
Industrial property rights	6,380,233	(908)	(5,204,808)	(259,115)	915,402
Goodwill (*)	6,842,303	-	-	-	6,842,303
Other intangible assets	141,455,886	(208,311)	(44,302,278)	(74,798,950)	22,146,347
	₩ 906,547,557	(209,219)	(590,536,032)	(122,043,189)	193,759,117

(*) Goodwill was recognized due to business combination with KG Mobility Commercial Co., Ltd.(refer to Note 35)

(In thousands of won)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	₩ 640,724,270	-	(479,317,875)	(38,947,234)	122,459,161
Industrial property rights	5,841,545	(2,745)	(4,790,435)	(233,258)	815,107
Other intangible assets	156,303,519	(11,111)	(40,736,375)	(74,723,213)	40,832,820
	₩ 802,869,334	(13,856)	(524,844,685)	(113,903,705)	164,107,088

(In thousands of US dollar)

	2023				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 583,116	-	(419,597)	(36,440)	127,079
Industrial property rights	4,948	(1)	(4,037)	(201)	710
Goodwill (*)	5,307	-	-	-	5,307
Other intangible assets	109,707	(162)	(34,359)	(58,011)	17,176
	\$ 703,077	(162)	(457,993)	(94,651)	150,271

(*) Goodwill was recognized due to business combination with KG Mobility Commercial Co., Ltd.(refer to Note 35)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

12. Intangible Assets, Continued

(1) Details of intangible assets as of December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2022				
	Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Book value
Development cost	\$ 496,917	-	(371,737)	(30,206)	94,974
Industrial property rights	4,530	(2)	(3,715)	(181)	632
Other intangible assets	121,222	(9)	(31,593)	(57,952)	31,668
	<u>\$ 622,669</u>	<u>(11)</u>	<u>(407,046)</u>	<u>(88,339)</u>	<u>127,274</u>

(2) Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023								
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*1)	Business combination (*2)	Ending balance
Internally created intangible assets:									
Development									
cost	₩ 122,459,161	-	-	(61,711,070)	-	103,106,974	-	-	163,855,065
Other intangible assets	37,202,898	78,367,614	-	-	-	(103,106,974)	3,396,344	-	15,859,882
	<u>159,662,059</u>	<u>78,367,614</u>	<u>-</u>	<u>(61,711,070)</u>	<u>-</u>	<u>-</u>	<u>3,396,344</u>	<u>-</u>	<u>179,714,947</u>
Individually acquired intangible assets:									
Industrial property rights									
	815,107	537,419	-	(412,536)	(25,857)	-	-	1,269	915,402
Goodwill	-	-	-	-	-	-	-	6,842,303	6,842,303
Other intangible assets	3,629,922	4,726,610	(740,000)	(1,674,423)	-	-	(11,973)	356,329	6,286,465
	<u>4,445,029</u>	<u>5,264,029</u>	<u>(740,000)</u>	<u>(2,086,959)</u>	<u>(25,857)</u>	<u>-</u>	<u>(11,973)</u>	<u>7,199,901</u>	<u>14,044,170</u>
	<u>₩ 164,107,088</u>	<u>83,631,643</u>	<u>(740,000)</u>	<u>(63,798,029)</u>	<u>(25,857)</u>	<u>-</u>	<u>3,384,371</u>	<u>7,199,901</u>	<u>193,759,117</u>

(*1) Capitalized borrowing costs in respect of other intangible assets is ₩3,396,344 thousand for the year ended December 31, 2023 and it includes the effect of exchange rate fluctuations.

(*2) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows, Continued:

(In thousands of won)

		2022						Ending	
		Beginning	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	balance
		balance							
Internally created intangible assets:									
Development									
cost	₩	133,937,149	-	-	(69,406,679)	-	-	57,928,691	122,459,161
Other intangible									
assets		28,964,364	64,925,869	-	-	-	59,491,347	(116,178,681)	37,202,898
		<u>162,901,513</u>	<u>64,925,869</u>	<u>-</u>	<u>(69,406,679)</u>	<u>-</u>	<u>59,491,347</u>	<u>(58,249,990)</u>	<u>159,662,059</u>
Individually acquired intangible assets:									
Industrial property									
rights		699,484	509,352	-	(385,510)	(8,219)	-	-	815,107
Other intangible assets		4,084,794	1,750,505	(511,000)	(1,697,283)	-	-	2,906	3,629,922
		<u>4,784,278</u>	<u>2,259,857</u>	<u>(511,000)</u>	<u>(2,082,793)</u>	<u>(8,219)</u>	<u>-</u>	<u>2,906</u>	<u>4,445,029</u>
	₩	<u>167,685,791</u>	<u>67,185,726</u>	<u>(511,000)</u>	<u>(71,489,472)</u>	<u>(8,219)</u>	<u>59,491,347</u>	<u>(58,247,085)</u>	<u>164,107,088</u>

(*) Capitalized borrowing costs in respect of other intangible assets is ₩1,241,356 thousand for the year ended December 31, 2022 and it includes the effect of exchange rate fluctuations.

(In thousands of US dollar)

		2023							Ending	
		Beginning	Acquisition	Disposal	Amortization	Impairment	Transfer	Others	Business	Ending
		balance						(*1)	combination(*2)	balance
Internally created intangible assets:										
Development										
cost	\$	94,974	-	-	(47,860)	-	79,965	-	-	127,079
Other intangible										
assets		28,853	60,778	-	-	-	(79,965)	2,634	-	12,300
		<u>123,827</u>	<u>60,778</u>	<u>-</u>	<u>(47,860)</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>-</u>	<u>139,379</u>
Individually acquired intangible assets:										
Industrial property										
rights		632	417	-	(320)	(20)	-	-	1	710
Goodwill		-	-	-	-	-	-	-	5,307	5,307
Other intangible assets		2,815	3,666	(574)	(1,299)	-	-	(9)	276	4,875
		<u>3,447</u>	<u>4,083</u>	<u>(574)</u>	<u>(1,619)</u>	<u>(20)</u>	<u>-</u>	<u>(9)</u>	<u>5,584</u>	<u>10,892</u>
	\$	<u>127,274</u>	<u>64,861</u>	<u>(574)</u>	<u>(49,479)</u>	<u>(20)</u>	<u>-</u>	<u>2,625</u>	<u>5,584</u>	<u>150,271</u>

(*1) Capitalized borrowing costs in respect of other intangible assets is \$2,634 thousand for the year ended December 31, 2023 and it includes the effect of exchange rate fluctuations.

(*2) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

12. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2022							Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	
Internally created intangible assets:								
Development cost	\$ 103,876	-	-	(53,829)	-	-	44,927	94,974
Other intangible assets	22,463	50,354	-	-	-	46,139	(90,103)	28,853
	<u>126,339</u>	<u>50,354</u>	<u>-</u>	<u>(53,829)</u>	<u>-</u>	<u>46,139</u>	<u>(45,176)</u>	<u>123,827</u>
Individually acquired intangible assets:								
Industrial property rights	542	395	-	(299)	(6)	-	-	632
Other intangible assets	3,168	1,358	(396)	(1,316)	-	-	2	2,815
	<u>3,710</u>	<u>1,753</u>	<u>(396)</u>	<u>(1,615)</u>	<u>(6)</u>	<u>-</u>	<u>2</u>	<u>3,447</u>
	<u>\$ 130,049</u>	<u>52,106</u>	<u>(396)</u>	<u>(55,444)</u>	<u>(6)</u>	<u>46,139</u>	<u>(45,174)</u>	<u>127,274</u>

(*) Capitalized borrowing costs in respect of other intangible assets is \$963 thousand for the year ended December 31, 2022 and it includes the effect of exchange rate fluctuations.

(3) Details of capitalized development costs as of December 31, 2023 are as follows:

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

	Project name	Korean won	US dollar	Remaining amortization
				period (*1)
Development costs	RV (*2)	₩ 162,721,960	\$ 126,200	1~4 years
	Power train and others	1,133,105	879	1~4 years
Other intangible assets	RV (*3)	15,859,881	12,300	-
		<u>₩ 179,714,946</u>	<u>\$ 139,379</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, 2023.

(*3) On-going development project for vehicles as of December 31, 2023 to respond to consumer needs and market conditions.

(4) Details of expenditures for research and developments for the years ended December 31, 2023 and 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Capitalization of intangible assets	₩	81,763,957	66,167,225	\$ 63,412	51,316
Manufacturing costs		80,171,395	69,591,836	62,177	53,972
Selling and administrative expenses		16,882,694	20,222,584	13,093	15,684
	<u>₩</u>	<u>178,818,046</u>	<u>155,981,645</u>	<u>\$ 138,683</u>	<u>120,972</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

13. Lease

(1) Changes in right-of-use assets for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023						
		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Business Combination (*)	Ending balance
Land and building	₩	7,134,930	3,523,379	(6,391,776)	(893,566)	1,577	2,459,173	5,833,717
Vehicle		3,462,293	297,649	(1,752,205)	(81,563)	2,974	58,068	1,987,216
Equipment		148,728	1,210,151	(369,077)	(11,237)	-	49,733	1,028,298
	₩	10,745,951	5,031,179	(8,513,058)	(986,366)	4,551	2,566,974	8,849,231

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

(In thousands of won)

		2022					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	₩	3,917,593	11,421,894	(8,188,703)	(19,210)	3,356	7,134,930
Vehicle		165,824	5,067,681	(1,771,943)	-	731	3,462,293
Equipment		279,873	276,043	(407,188)	-	-	148,728
	₩	4,363,290	16,765,618	(10,367,834)	(19,210)	4,087	10,745,951

(In thousands of US dollar)

		2023						
		Beginning balance	Increase(*)	Depreciation	Others	Exchange rate effect	Business Combination (*)	Ending balance
Land and building	\$	5,534	2,733	(4,957)	(693)	1	1,907	4,524
Vehicle		2,685	231	(1,359)	(63)	2	45	1,541
Equipment		115	939	(286)	(9)	-	39	798
	\$	8,334	3,902	(6,602)	(765)	4	1,991	6,863

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

(In thousands of US dollar)

		2022					
		Beginning balance	Increase (*)	Depreciation	Others	Exchange rate effect	Ending balance
Land and building	\$	3,038	8,858	(6,351)	(15)	3	5,534
Vehicle		129	3,930	(1,374)	-	1	2,685
Equipment		217	214	(316)	-	-	115
	\$	3,384	13,003	(8,041)	(15)	3	8,334

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

13. Lease, Continued

(2) Details of lease liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Lease liabilities (*)	₩ 5,326,862	6,083,453	5,036,434	3,834,620

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Lease liabilities (*)	\$ 4,131	4,718	3,906	2,974

(*) The total amounts of lease liabilities paid are ₩7,141,709 thousand (\$5,539 thousand) and ₩7,617,924 thousand (\$5,908 thousand) and interest expenses are ₩379,934 thousand (\$295 thousand) and ₩371,839 thousand (\$288 thousand) for the years ended December 31, 2023 and 2022, respectively.

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

(In thousands of won)

	Exemption of lease recognition	2023		2022	
Office equipment	Low cost	₩	693,738		608,743
Building	Short term		8,320		-

(In thousands of US dollar)

	Exemption of lease recognition	2023		2022	
Office equipment	Low cost	\$	538		472
Building	Short term		6		-

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

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

	Korean won		US dollar	
	2023	2022	2023	2022
Sub lease				
Less than 1 year	₩ 2,038,418	2,678,402	\$ 1,581	2,077
1 year to 5 years	523,200	1,086,820	406	843
Lease to be received	2,561,618	3,765,222	1,987	2,920
Unrealized interests	(68,696)	(101,848)	(53)	(79)
Net investment in the lease	2,492,922	3,663,374	1,933	2,841
Interests from sublease for this period	176,763	164,753	137	128

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings

(1) Details of short-term borrowings as of December 31, 2023 and 2022 are as follows:

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

Financial institution	Type	Interest rate	Korean won		US dollar	
			2023	2022	2023	2022
Hana Bank	Bank borrowing	EUR 0.11%	₩ 18,976,308	-	\$ 14,717	-
	Banker's usance	JPY 0.25%~0.36%				
Woori Bank	Banker's usance	EUR 4.25% ~ 4.34%	13,761,875	-	10,673	-
		JPY 0.34%				
Nong-hyup Bank	Banker's usance	EUR 4.24%~4.29%	6,490,399	-	5,034	-
		JPY 0.37%				
		EUR 4.24%~4.29%	6,029,450	-	4,676	-
			₩ 45,258,032	-	\$ 35,100	-

(2) The Group has issued convertible bonds(Par value : ₩108,500 million(\$84 million)) during the current period and details of convertible bonds as of December 31, 2023 is as follows:

(In thousands of won)

	2023			
	Guaranteed	Issuance date	Maturity date	Amounts
	Yield to Maturity			
Convertible bonds (119 th)	2.00%	2023-03-17	2028-03-17	₩ 73,500,000
Convertible bonds (120 th)	2.00%	2023-03-24	2028-03-24	30,000,000
Convertible bonds (121 st)	2.00%	2023-03-24	2028-03-24	5,000,000
Sub-total				108,500,000
Add: Redemption premium on bonds				5,752,628
Deduction: Conversion rights adjustment				(24,484,520)
Total				₩ 89,768,108

(In thousands of US dollar)

	2023			
	Guaranteed	Issuance date	Maturity date	Amounts
	Yield to Maturity			
Convertible bonds (119 th)	2.00%	2023-03-17	2028-03-17	\$ 57,003
Convertible bonds (120 th)	2.00%	2023-03-24	2028-03-24	23,267
Convertible bonds (121 st)	2.00%	2023-03-24	2028-03-24	3,878
Sub-total				84,148
Add: Redemption premium on bonds				4,461
Deduction: Conversion rights adjustment				(18,989)
Total				\$ 69,620

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings, Continued

(3) The main terms of issuance of convertible bonds as of December 31, 2023 is as follows:

	Main terms
Type	The 119 th Unguaranteed private equity convertible bonds
Issuance date	Mar 17, 2023
Bond issuance amounts	₩73,500,000,000(\$57,003,257)
Maturity date	Mar 17, 2028
Coupon rate	1.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 17, 2024 ~ Feb 17, 2028
Conversion price	₩5,040(\$3.91)
Refixing clause (*)	1) When issuing shares at a price below the market value through a capital increase with paid-in capital, stock dividends, or capital transfer from reserves, or when issuing convertible bonds or warrants below the market value through a conversion price or exercise price below the market value 2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital reduction and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital reduction and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*)	From the date 2 years after the issuance date, to the date 3 months prior to the maturity date
	Main terms
Type	The 120 th Unguaranteed private equity convertible bonds
Issuance date	Mar 24, 2023
Bond issuance amounts	₩30,000,000,000(\$23,266,636)
Maturity date	Mar 24, 2028
Coupon rate	0.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 24, 2024 ~ Feb 24, 2028
Conversion price	₩5,040(\$3.91)
Refixing clause (*)	1) When issuing new shares or stock-related bonds at a price below the conversion price or issuing new shares through stock dividends or capital transfer from reserves 2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital reduction and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital reduction and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*)	From the date 2 years after the issuance date, to the date 3 months prior to the maturity date

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings, Continued

(3) The main terms of issuance of convertible bonds as of December 31, 2023 is as follows, Continued:

	<u>Main terms</u>
Type	The 121 st Unguaranteed private equity convertible bonds
Issuance date	Mar 24, 2023
Bond issuance amounts	₩5,000,000,000(\$3,877,773)
Maturity date	Mar 24, 2028
Coupon rate	1.0%
Guaranteed yield to maturity	2.0%
Conversion period	March 24, 2024 ~ Feb 24, 2028
Conversion price	₩ 5,040(\$3.91)
Refixing clause (*)	1) When issuing shares at a price below the market value through a capital increase with paid-in capital, stock dividends, or capital transfer from reserves, or when issuing convertible bonds or warrants below the market value through a conversion price or exercise price below the market value 2) In case of mergers, capital reduction, stock splits, and consolidations requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital reduction and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital reduction and stock consolidations
Number of convertible shares	The number of shares for conversion shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the conversion price
Put-option period of early redemption rights (*)	From the date 2 years after the issuance date, to the date 3 months prior to the maturity date

(*) Despite the potential fall in market price of the shares to be issued upon conversion, the exercise price of the conversion right remains fixed. Therefore, the consideration for the conversion right has been classified as equity, and the early redemption rights have not been separately classified due to meeting the criteria for non-separability.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings, Continued

(4) The Group has issued current portion of bond with warrant(Par value : ₩150,500 million(\$117 million)) during the current period and details of current portion of bond with warrant as of December 31, 2023 is as follows:

(In thousands of won)

	2023			
	Guaranteed Yield to Maturity	Issuance date	Maturity date	Amounts
Bond with warrant (122 nd)	3.00%	2023-12-05	2028-12-05	₩ 150,500,000
Add: Redemption premium on bonds				9,270,499
Deduction: Stock warrant adjustment				(61,910,206)
Total				₩ 97,860,293

(In thousands of US dollar)

	2023			
	Guaranteed Yield to Maturity	Issuance date	Maturity date	Amounts
Bond with warrant (122 nd)	3.00%	2023-12-05	2028-12-05	116,721
Add: Redemption premium on bonds				7,190
Deduction: Stock warrant adjustment				(48,015)
Total				\$ 75,896

The Group recognized the fair value of the stock warrants(detachable) separately as derivative liabilities, and the related interest expense and amortization based on effective interest rate are accounted for in the financial expenses on the comprehensive income statement, while the derivative liabilities are evaluated at fair value at each year-end.

The Group has classified the bond with warrants as current liabilities based on the existing substantive rights at the end of the reporting period.

(5) Details of derivative liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Bond with warrant(122 nd)	₩ 76,715,556	-	-	-

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Bond with warrant(122 nd)	\$ 59,497	-	-	-

(*) The amount of loss on valuation of derivative financial instruments is ₩24,521,712 thousand(\$19,018 thousand) for the year ended December 31, 2023.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings, Continued

(6) The impact on the current profit or loss of embedded derivatives in stock warrants recognized as derivative liabilities due to adjustments in exercise prices (refixing conditions) in response to fluctuations in the market price of common shares for the year ended December 31, 2023 as follows:

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

	Classification	2023	
		Korean Won	US dollar
Bond with warrant (122 nd)	Book value as of issuance date	₩ 52,193,844	\$ 40,479
Stock warrant	Book value as of reporting period	76,715,556	59,497
	A. EBIT	(2,955,534)	(2,292)
	B. Loss on valuation of derivative financial instruments	24,521,712	19,018
	C. EBIT except loss on valuation of derivative financial instruments (A-B)	21,566,178	16,726

(7) The main terms of issuance of bond with warrant as of December 31, 2023 is as follows:

	Main terms
Type	1) The 122 nd Unguaranteed public bond with warrant 2) Detachable stock warrant 3) On exercise, cash payment or bond redemption is available
Issuance date	December 05, 2023
Bond issuance amounts	₩150,500,000,000(\$116,720,955)
Maturity date	December 05, 2028
Coupon rate	-
Guaranteed yield to maturity	3.0%
Exercise period	January 05, 2024 ~ November 05, 2028
Exercise price	₩ 8,411(\$6.52)
Refixing clause	1) When issuing shares at a price below the market value through a capital increase with paid-in capital, stock dividends, or capital transfer from reserves, or when issuing convertible bonds or warrants below the market value through a conversion price or exercise price below the market value 2) In case of mergers, capital reduction, stock splits, stock consolidations and change in par value of stocks requiring adjustment of the conversion price 3) In case of reasons causing an increase in stock value such as capital reduction and stock consolidations, the conversion price shall be adjusted by upwardly reflecting the adjustment ratio resulting from the capital reduction and stock consolidations
Number of exercise shares	The number of shares for exercise shall be determined as 100% of the quotient obtained by dividing the face value of the bond by the exercise price
Put-option period of early redemption rights	From the date 2 years after the issuance date, and every 3 months thereafter

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

15. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Accrued expenses	₩ 37,307,299	22,488,496	\$ 28,934	17,441

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, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 96,651,547	104,576,651	\$ 74,959	81,105
Increase	40,658,874	20,812,009	31,533	16,141
Decrease	(30,193,183)	(28,737,113)	(23,416)	(22,287)
Increase due to business (*)	5,392,965	-	4,183	-
Ending balance	₩ 112,510,203	96,651,546	\$ 87,258	74,959
Current	₩ 39,848,828	40,689,846	\$ 30,905	31,557
Non-current	72,661,375	55,961,701	56,353	43,401

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

17. Other Liabilities

Details of other liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 70,486,863	-	9,009,588	-
Tax payable	954,615	-	-	-
Deposits received	361,744	-	429,007	-
Withholdings	14,424,747	-	27,161,100	-
Income received in advance	21,314,389	14,698,660	15,360,211	13,147,328
Provisions for returned goods (*)	1,130,493	-	926,029	-
	<u>₩ 108,672,851</u>	<u>14,698,660</u>	<u>52,885,935</u>	<u>13,147,328</u>

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 54,666	-	6,987	-
Tax payable	740	-	-	-
Deposits received	281	-	333	-
Withholdings	11,187	-	21,065	-
Income received in advance	16,530	11,400	11,913	10,196
Provisions for returned goods (*)	877	-	718	-
	<u>\$ 84,282</u>	<u>11,400</u>	<u>41,016</u>	<u>10,196</u>

(*) The Group estimates the returnable sales and calculates the expected future return as provisions for returned goods.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

18. Employee Benefits

(1) Details of defined benefit liabilities as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Present value of defined benefit obligations	₩ 345,461,785	280,901,431	\$ 267,924	217,854
Fair value of plan assets	(1,472,785)	(782,347)	(1,142)	(607)
	<u>₩ 343,989,000</u>	<u>280,119,084</u>	<u>\$ 266,782</u>	<u>217,248</u>

(2) Changes in defined benefit liabilities for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

Details	2023		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 280,901,431	(782,347)	280,119,084
Current service cost	23,932,758	-	23,932,758
Interest expense (income)	14,310,284	(39,856)	14,270,428
Sub-total	<u>319,144,473</u>	<u>(822,203)</u>	<u>318,322,270</u>
Re-measurement factors:			
Re-measurements of plan assets	-	29,397	29,397
Loss (gain) from experience adjustments	21,586,830	-	21,586,830
Loss (gain) from changes in financial assumptions	22,678,096	-	22,678,096
Loss (gain) from changes in demographic assumptions	(147,564)	-	(147,564)
Sub-total	<u>44,117,362</u>	<u>29,397</u>	<u>44,146,759</u>
Benefit paid by plan	(60,710)	60,710	-
Benefit paid directly	(20,179,728)	-	(20,179,728)
Increase due to business combination (*)	2,440,388	(740,689)	1,699,699
Ending balance	<u>₩ 345,461,785</u>	<u>(1,472,785)</u>	<u>343,989,000</u>

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2023 and 2022 are as follows,
Continued:

(In thousands of won)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 363,990,154	(839,832)	363,150,322
Current service cost	33,466,509	-	33,466,509
Interest expense (income)	9,969,873	(22,970)	9,946,903
Sub-total	407,426,536	(862,802)	406,563,734
Re-measurement factors:			
Re-measurements of plan assets	-	12,788	12,788
Loss (gain) from experience adjustments	(52,811,270)	-	(52,811,270)
Loss (gain) from changes in financial assumptions	(53,674,970)	-	(53,674,970)
Loss (gain) from changes in demographic assumptions	(440,390)	-	(440,390)
Sub-total	(106,926,630)	12,788	(106,913,842)
Benefit paid by plan	(67,667)	67,667	-
Benefit paid directly	(19,530,808)	-	(19,530,808)
Ending balance	₩ 280,901,431	(782,347)	280,119,084

(In thousands of US dollar)

Details	2023		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 217,854	(607)	217,248
Current service cost	18,561	-	18,561
Interest expense (income)	11,098	(31)	11,067
Sub-total	247,514	(638)	246,876
Re-measurement factors:			
Re-measurements of plan assets	-	23	23
Loss (gain) from experience adjustments	16,742	-	16,742
Loss (gain) from changes in financial assumptions	17,588	-	17,588
Loss (gain) from changes in demographic assumptions	(114)	-	(114)
Sub-total	34,215	23	34,238
Benefit paid by plan	(47)	47	-
Benefit paid directly	(15,650)	-	(15,650)
Increase due to business combination(*)	1,893	(574)	1,318
Ending balance	\$ 267,924	(1,142)	266,782

(*) The amounts increased due to business combination with KG Mobility Commercial Co., Ltd.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

18. Employee Benefits, Continued

(2) Changes in defined benefit liabilities for the years ended December 31, 2023 and 2022 are as follows,
Continued:

(In thousands of US dollar)

Details	2022		
	PV of defined benefit obligation	Plan assets	Total
Beginning balance	\$ 282,294	(651)	281,643
Current service cost	25,955	-	25,955
Interest expense (income)	7,732	(18)	7,714
Sub-total	315,981	(669)	315,312
Re-measurement factors:			
Re-measurements of plan assets	-	10	10
Loss (gain) from experience adjustments	(40,958)	-	(40,958)
Loss (gain) from changes in financial assumptions	(41,628)	-	(41,628)
Loss (gain) from changes in demographic assumptions	(342)	-	(342)
Sub-total	(82,927)	10	(82,918)
Benefit paid by plan	(52)	52	-
Benefit paid directly	(15,147)	-	(15,147)
Ending balance	\$ 217,854	(607)	217,248

(3) The components of plan assets as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Insurance contracts	₩ 1,472,785	782,347	\$ 1,142	607

(4) Actuarial assumptions used related to plans as of December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate (%)	4.00 ~ 5.34	5.2
Rate of future salary growth (%)	3.0	3.0

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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

18. Employee Benefits, Continued

(5) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2023 is as follows:

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

	Korean won		US dollar	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (21,795,894)	24,226,111	\$ (16,904)	18,789
Future salary growth	23,957,866	(21,885,343)	18,581	(16,973)

There is a correlation between actuarial assumptions, the above sensitivity analysis will not represent actual changes in defined benefit obligations because the assumptions will not change independently.

In the sensitivity analysis, the present value of the defined benefit obligation was measured using the predictive unit accumulation method applied to measure the defined benefit obligation in separate financial statements.

(6) Details of other long-term employee benefits liabilities as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Current	₩ 2,773,449	-	\$ 2,151	-
Non-current	10,235,437	11,703,405	7,938	9,077
	₩ 13,008,886	11,703,405	\$ 10,089	9,077

(7) Details of adjustment of other employee benefits liabilities as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 11,703,405	14,687,238	\$ 9,077	11,391
Current service cost	537,575	691,584	417	536
Interest expense	566,742	324,058	440	251
Actuarial gains and losses	4,813,922	(3,903,905)	3,733	(3,028)
Benefit paid directly	(4,612,758)	(95,570)	(3,577)	(74)
Ending balance	₩ 13,008,886	11,703,405	\$ 10,089	9,077

(8) Actuarial assumptions used related to other long-term employee benefits liabilities as of December 31, 2023 and 2022 are as follows:

(Korean won and US dollar)

	2023	2022
Discount rate (%)	3.8	5.1
Rate of future salary growth (%)	2.0	2.0
Gold price(1-don = 3.75 g)	₩338,489(\$263)	₩ 295,540(\$229)

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

19. Commitments and Contingencies

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2023, 3 claims as a plaintiff were filled with the claim amount of ₩8,089 million (\$6 million) and 13 claims as a defendant were filled with the claims of ₩16,533 million (\$13 million). The provision amounting to ₩7,888 million (\$6 million) is recognized as other payables for the foregoing lawsuits and claims, since the amounts for potential loss can be estimated and the management expects that it is probable that the Group will be required to incur an outflow.
- (3) Details of other provisions as of December 31, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 85,700,611	79,865,848	\$ 66,465	61,940
Increase	78,443,357	57,691,222	60,837	44,743
Decrease	(83,818,518)	(51,856,459)	(65,006)	(40,218)
Ending balance	₩ 80,325,450	85,700,611	\$ 62,297	66,465

(*) In relation to CO2 emission regulations in Korea/oversea, the Group estimates the expenses based on shortage of fuel efficiency comparing to the standard fuel efficiency and emission quantity in excess of free-allocated emission quantity. The Group has recognized provisions for CO2 emission regulations amounting to ₩59,974 million (\$47 million) representing a decrease of ₩2,058 million (\$2 million) as of December 31, 2023. And the Group has recognized expected costs as provisions with regard to foregoing lawsuits and sales incentive, etc.

- (4) Details of payment guarantee provided by others as of December 31, 2023 are as follows:

(In thousands of won and in thousands of dollar)

Finance Institution	Guarantee details	2023	
		Korean won	US dollar
Seoul guarantee insurance company	Commercial credit insurance security	₩ 17,017,680	\$ 13,198
	Performance Guarantee	14,170,238	10,990
	Contracts	2,283,247	1,771
	Pledge	47,850	37
	Goods price	980,000	760
	Prepayment	112,628	87
	Payment	3,774,685	2,927
	Permit	304,900	236
	Defect	162,445	126
		₩ 38,853,673	\$ 30,133

- (5) The Group has received a payment guarantee from KG Mobility Holdings Co., Ltd., a related party, with regard to the repayment of convertible bonds principal and interest as of December 31, 2023. KG Mobility Holdings Co., Ltd., was approved for merger with KG ETS Co., Ltd., at the extraordinary shareholders' meeting held on June 12, 2023 and merged to KG ETS Co., Ltd., as of August 2, 2023.
- (6) In relation to payment guarantee to others, the Group has provided a joint guarantee of ₩1,547 million (\$1 Million) to ADS Rail Co., Ltd. as of December 31, 2023.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

20. Capital Stock

(1) The Group's capital stock as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Number of shares authorized (in shares)	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Shares outstanding (in shares)	186,956,024	186,956,024	186,956,024	186,956,024
Par value (in won and US dollar)	₩ 5,000	5,000	\$ 3.88	3.88
Capital stock	934,780,120	934,780,120	724,973	724,973

(2) Changes in number of shares for the years ended December 31, 2023 and 2022 are as follows:

(In shares)

	Number of shares	
	2023	2022
Beginning	186,956,024	149,840,002
Capital reduction (*1)	-	(100,669,598)
Debt-to-equity (*2)	-	93,316,700
Capital reduction (*3)	-	(97,420,918)
Capital increase (*4)	-	73,098,000
Capital increase (*5)	-	41,102,000
Capital increase (*6)	-	7,148,100
Debt-to-equity (*7)	-	1,711,896
Capital reduction (*8)	-	(1,170,158)
Capital increase (*9)	-	20,000,000
Total number of shares	186,956,024	186,956,024

(*1) The Group merged 10 shares of the largest shareholder(Mahindra & Mahindra Ltd) into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 2, 2022)

(*2) Debt-to-equity swap was occurred in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 3, 2022)

(*3) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 19, 2022)

(*4) As of September 21, 2022, a paid-in capital increase by 3rd party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)

(*5) As of October 21, 2022, a paid-in capital increase by 3rd party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)

(*6) As of October 22, 2022, a paid-in capital increase by 3rd party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)

(*7) Debt-to-equity swap was occurred in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on November 8, 2022)

(*8) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on November 10, 2022)

(*9) As of December 19, 2022, a paid-in capital increase by 3rd party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

21. Other Capital Surplus

(1) Details of other capital surplus as of December 31, 2023 and 2022 are as follows:
(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Discount stock issuance	₩ (24,012,878)	(18,819,837)	\$ (18,623)	(14,596)
Gain on capital reduction	1,070,069,415	1,070,069,415	829,897	829,897
Consideration conversion rights	23,405,288	-	18,152	-
	₩ <u>1,069,461,825</u>	<u>1,051,249,578</u>	\$ <u>829,426</u>	<u>815,301</u>

(2) Changes in gain on capital reduction for the year ended December 31, 2023 and 2022 are as follows:
(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning	₩ 1,070,069,415	74,061,697	\$ 829,897	57,439
Capital reduction (*1)	-	503,347,990	-	390,374
Debt-to-equity (*2)	-	865	-	1
Capital reduction (*3)	-	486,808,073	-	377,546
Capital reduction (*4)	-	5,850,790	-	4,538
	₩ <u>1,070,069,415</u>	<u>1,070,069,415</u>	\$ <u>829,897</u>	<u>829,897</u>

(*1) The Group merged 10 shares of the largest shareholder(Mahindra & Mahindra Ltd) into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 2, 2022)

(*2) Debt-to-equity swap was occurred in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 3, 2022)

(*3) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 19, 2022)

(*4) The Group merged 3.16 shares into 1 share of the same par value in accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Group(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on November 10, 2022)

22. Other Equity

(1) Details of the Group's other equity as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Reserve from asset revaluation	₩ 223,495,126	223,495,126	\$ 173,333	173,333
Accumulated foreign currency translation difference for foreign operations	323,054	416,338	251	323
	₩ <u>223,818,180</u>	<u>223,911,464</u>	\$ <u>173,583</u>	<u>173,656</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

22. Other Equity, Continued

(2) Changes in the foreign currency translation difference for foreign operation for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ 416,338	641,119	\$ 323	497
Foreign currency translation difference for foreign operation	(93,284)	(224,781)	(72)	(174)
Ending balance	₩ 323,054	416,338	\$ 251	323

23. Deficit

(1) Details of deficit as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Deficit	₩ (1,145,361,124)	(1,117,038,040)	\$ (888,290)	(866,324)

(2) Changes in deficit for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ (1,117,038,040)	(1,149,620,153)	\$ (866,324)	(891,593)
Profit (loss) for the year	8,924,265	(60,133,542)	6,921	(46,637)
Defined benefit plan re-measurement	(37,243,501)	92,524,904	(28,884)	71,758
Defined benefit plan re-measurement from joint venture	(3,848)	190,751	(3)	148
Ending balance	₩ (1,145,361,124)	(1,117,038,040)	\$ (888,290)	(866,324)

24. Income Tax Expense

(1) Income tax expense and deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Current income tax	₩ 1,412,863	-	\$ 1,096	-
Deferred income tax	(21,888,676)	14,388,938	(16,976)	11,159
Items credited directly to equity	6,903,258	(14,388,938)	5,354	(11,159)
Income tax expense of parent Company	(13,572,555)	-	(10,526)	-
Income tax expense of subsidiaries	1,692,756	(1,740,585)	1,313	(1,350)
Income tax expense	₩ (11,879,799)	(1,740,585)	\$ (9,213)	(1,350)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of won)

	2023			Business	
	Beginning balance	Decrease	Increase	Combination	Ending balance
Allowance for doubtful accounts	₩ 4,120,967	4,233,305	3,244,934	17,171,996	20,304,592
Government grants	4,240,254	979,186	1,218,271	-	4,479,339
Provision for warranties	96,834,231	96,834,231	107,995,675	-	107,995,675
Defined benefit liabilities	282,030,484	20,506,180	82,390,246	1,921,950	345,836,500
Impairment loss of property, plant and equipment	88,008,925	19,196,763	7,924,147	-	76,736,309
Tangible assets	-	(146,203)	(869,828)	-	(723,625)
Intangible assets	1,858,056	1,033,633	312,710	-	1,137,133
Depreciation	17,640,104	2,249,922	2,582,905	-	17,973,087
Provisions	87,140,604	85,771,612	78,956,458	5,392,965	85,718,415
Accrued expenses	20,702,517	20,702,517	35,961,265	-	35,961,265
Investment in joint-venture	(31,127,507)	(31,127,507)	-	-	-
Investment in subsidiaries	12,472,306	7,538,112	-	-	4,934,194
Other long-term employee benefits	11,703,405	11,703,405	13,008,886	-	13,008,886
Trade receivables	-	-	-	-	-
Other receivables	(5,817,799)	(5,817,799)	(8,190,010)	-	(8,190,010)
Land	(482,641,903)	(74,920)	-	-	(482,566,983)
Impairment loss of Intangible assets	85,755,344	13,174,668	12,073,059	-	84,653,735
Financial lease	(3,663,374)	(3,663,374)	(2,492,922)	-	(2,492,922)
Right-of-use assets	(10,653,623)	(10,653,623)	(6,067,179)	-	(6,067,179)
Sub-lease receivables	8,776,392	8,776,392	8,631,099	-	8,631,099
Convertible bonds	-	-	(14,878,474)	-	(14,878,474)
Bond with warrants	-	-	72,899,688	-	72,899,688
Derivative liabilities	-	-	(60,660,952)	-	(60,660,952)
Others	18,103,437	15,855,074	10,233,688	1,135,443	13,617,494
Deficit carried over on tax	1,204,480,657	149,736,385	-	56,857,065	1,111,601,337
Sub-total	1,409,963,477	406,807,959	344,273,666	82,479,419	1,429,908,603
Not recognized as deferred tax assets (liabilities)	1,760,436,894				1,614,797,042
Recognized as deferred tax assets (liabilities)	(350,473,417)				(184,888,439)
Deferred tax assets (liabilities) resulting from temporary differences or deficits carried over on tax	(76,010,313)				(52,640,915)
Tax credit carry-forwards:					
Tax credit carry-forwards	16,845,481	(3,396,197)	-	5,886,721	26,128,399
Not recognized as deferred tax assets	16,845,481	(3,396,197)	-	5,886,721	26,128,399
Recognized as deferred tax assets	-	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-	-
Total deferred tax assets(liabilities)	₩ (76,010,313)	-	-	-	(52,640,915)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2023 and 2022, are as follows, Continued

(In thousands of won)

	2022			
	Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	₩ 3,139,259	3,139,259	4,120,967	4,120,967
Government grants	4,331,733	755,851	664,372	4,240,254
Provision for warranties	104,830,673	104,830,673	96,834,231	96,834,231
Defined benefit liabilities	364,995,740	82,955,074	(10,182)	282,030,484
Impairment loss of property, plant and equipment	96,152,262	8,257,079	113,742	88,008,925
Intangible assets	4,572,704	2,980,699	266,051	1,858,056
Depreciation	17,245,504	2,570,759	2,965,359	17,640,104
Other payables	79,941,848	79,941,848	87,140,604	87,140,604
Accrued expenses	82,545,087	82,545,087	20,702,517	20,702,517
Investment in joint-venture	(30,279,099)	848,408	-	(31,127,507)
Investment in subsidiaries	17,742,724	5,270,418	-	12,472,306
Other long-term employee benefits	14,687,238	14,687,238	11,703,405	11,703,405
Trade receivables	6,815,492	6,815,492	-	-
Other receivables	(1,391,842)	(1,391,842)	(5,817,799)	(5,817,799)
Land	(482,641,903)	-	-	(482,641,903)
Impairment loss of Intangible assets	89,516,437	75,325,499	71,564,406	85,755,344
Sub-lease receivables	(6,644,671)	(6,644,671)	(3,663,374)	(3,663,374)
Right-of-use assets	(4,144,699)	(4,144,699)	(10,653,623)	(10,653,623)
Lease liabilities	9,022,016	9,022,016	8,776,392	8,776,392
Others	7,306,239	(6,680,050)	4,117,148	18,103,437
Deficit carried over on tax	1,203,212,024	(1,268,633)	-	1,204,480,657
Sub-total	<u>1,580,954,766</u>	<u>459,815,505</u>	<u>288,824,216</u>	<u>1,409,963,477</u>
Not recognized as deferred tax assets(liabilities)	1,879,696,902	-	-	1,760,436,894
Recognized as deferred tax assets (liabilities)	(298,742,136)	-	-	(350,473,417)
Deferred tax assets (liabilities) resulting from temporary differences or deficits carried over on tax	<u>(65,723,270)</u>	<u>-</u>	<u>-</u>	<u>(76,010,313)</u>
Tax credit carry-forwards:				
Tax credit carry-forwards	<u>20,615,807</u>	<u>3,770,326</u>	<u>-</u>	<u>16,845,481</u>
Not recognized as deferred tax assets	20,615,807	3,770,326	-	16,845,481
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax assets (liabilities)	<u>₩ (65,723,270)</u>	<u>-</u>	<u>-</u>	<u>(76,010,313)</u>

The Group recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset. The Group did not recognize deferred tax assets because it could not predict the corporate tax effect due to the occurrence of future taxable income for temporary differences, carryover losses, and carryover tax credits.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets(liabilities) for the years ended December 31, 2023 and 2022, are as follows, Continued

(In thousands of US dollar)

	2023				
	Beginning balance	Decrease	Increase	Business Combination	Ending balance
Allowance for doubtful accounts	\$ 3,196	3,283	2,517	13,318	15,747
Government grants	3,289	759	945	-	3,474
Provision for warranties	75,100	75,100	83,757	-	83,757
Defined benefit liabilities	218,730	15,904	63,898	1,491	268,215
Impairment loss of property, plant and equipment	68,256	14,888	6,146	-	59,513
Tangible assets	-	(113)	(675)	-	(561)
Intangible assets	1,441	802	243	-	882
Depreciation	13,681	1,745	2,003	-	13,939
Provisions	67,582	66,521	61,235	4,183	66,479
Accrued expenses	16,056	16,056	27,890	-	27,890
Investment in joint-venture	(24,141)	(24,141)	-	-	-
Investment in subsidiaries	9,673	5,846	-	-	3,827
Other long-term employee benefits	9,077	9,077	10,089	-	10,089
Trade receivables	-	-	-	-	-
Other receivables	(4,512)	(4,512)	(6,352)	-	(6,352)
Land	(374,315)	(58)	-	-	(374,257)
Impairment loss of Intangible assets	66,508	10,218	9,363	-	65,654
Sub-lease receivables	(2,841)	(2,841)	(1,933)	-	(1,933)
Right-of-use assets	(8,262)	(8,262)	(4,705)	-	(4,705)
Lease liabilities	6,807	6,807	6,694	-	6,694
Convertible bonds	-	-	(11,539)	-	(11,539)
Bond with warrants	-	-	56,538	-	56,538
Derivative liabilities	-	-	(47,046)	-	(47,046)
Others	14,040	12,296	7,937	881	10,561
Deficit carried over on tax	934,140	116,129	-	44,096	862,107
Sub-total	<u>1,093,504</u>	<u>315,502</u>	<u>267,003</u>	<u>63,967</u>	<u>1,108,972</u>
Not recognized as deferred tax assets (liabilities)	1,365,315	-	-	-	1,252,363
Recognized as deferred tax assets (liabilities)	(271,811)	-	-	-	(143,391)
Deferred tax assets (liabilities) resulting from temporary differences or deficits carried over on tax	<u>(58,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,826)</u>
Tax credit carry-forwards:					
Tax credit carry-forwards	13,065	(2,634)	-	4,565	20,264
Not recognized as deferred tax assets	13,065	(2,634)	-	4,565	20,264
Recognized as deferred tax assets	-	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax assets (liabilities)	<u>\$ (58,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,826)</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

(2) Changes in temporary differences and deferred income tax assets/(liabilities) for the years ended December 31, 2023 and 2022, are as follows, Continued

(In thousands of US dollar)

	2022			
	Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	\$ 2,435	2,435	3,196	3,196
Government grants	3,359	586	515	3,289
Provision for warranties	81,302	81,302	75,100	75,100
Defined benefit liabilities	283,074	64,336	(8)	218,730
Impairment loss of property, plant and equipment	74,571	6,404	88	68,256
Intangible assets	3,546	2,312	206	1,441
Depreciation	13,375	1,994	2,300	13,681
Other payables	61,999	61,999	67,582	67,582
Accrued expenses	64,018	64,018	16,056	16,056
Investment in joint-venture	(23,483)	658	-	(24,141)
Investment in subsidiaries	13,760	4,087	-	9,673
Other long-term employee benefits	11,391	11,391	9,077	9,077
Trade receivables	5,286	5,286	-	-
Other receivables	(1,079)	(1,079)	(4,512)	(4,512)
Land	(374,315)	-	-	(374,315)
Impairment loss of Intangible assets	69,425	58,419	55,502	66,508
Sub-lease receivables	(5,153)	(5,153)	(2,841)	(2,841)
Right-of-use assets	(3,214)	(3,214)	(8,262)	(8,262)
Lease liabilities	6,997	6,997	6,807	6,807
Others	5,666	(5,181)	3,193	14,040
Deficit carried over on tax	933,157	(984)	-	934,140
Sub-total	<u>1,226,117</u>	<u>356,612</u>	<u>223,999</u>	<u>1,093,504</u>
Not recognized as deferred tax assets (liabilities)	1,457,807	-	-	1,365,315
Recognized as deferred tax assets (liabilities)	(231,691)	-	-	(271,811)
Deferred tax assets (liabilities) resulting from temporary differences or deficits carried over on tax	<u>(50,972)</u>	<u>-</u>	<u>-</u>	<u>(58,950)</u>
Tax credit carry-forwards:				
Tax credit carry-forwards	15,989	2,924	-	13,065
Not recognized as deferred tax assets	15,989	2,924	-	13,065
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax assets (liabilities)	<u>\$ (50,972)</u>	<u>-</u>	<u>-</u>	<u>(58,950)</u>

The Group recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future and deferred tax assets and liabilities are offset. The Group did not recognize deferred tax assets because it could not predict the corporate tax effect due to the occurrence of future taxable income for temporary differences, carryover losses, and carryover tax credits.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

(3) Items credited directly to equity as of December 31, 2023 are as follows:

(In thousands of won)

Details	2023		
	Before tax	Tax effect	After tax
Gain from revaluation of land	₩ 278,800,357	(55,305,230)	223,495,127
Re-measurements of defined benefit liabilities	83,511,698	(17,903,720)	65,607,978
Consideration conversion rights	23,405,287	-	23,405,287
	<u>385,717,342</u>	<u>(73,208,950)</u>	<u>312,508,392</u>

(In thousands of won)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	₩ 278,800,357	(55,305,230)	223,495,127
Re-measurements of defined benefit liabilities	155,445,271	(24,806,978)	130,638,293
Consideration conversion rights	-	-	-
	<u>434,245,628</u>	<u>(80,112,208)</u>	<u>354,133,420</u>

(In thousands of US dollar)

Details	2023		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 216,225	(42,892)	173,333
Re-measurements of defined benefit liabilities	64,768	(13,885)	50,883
Consideration conversion rights	18,152	-	18,152
	<u>299,145</u>	<u>(56,778)</u>	<u>242,367</u>

(In thousands of US dollar)

Details	2022		
	Before tax	Tax effect	After tax
Gain from revaluation of land	\$ 216,225	(42,892)	173,333
Re-measurements of defined benefit liabilities	120,556	(19,239)	101,317
Consideration conversion rights	-	-	-
	<u>336,781</u>	<u>(62,131)</u>	<u>274,650</u>

(4) Details of information that the expected expiration of tax losses and deferred tax credits which are not recognized as deferred tax assets as of December 31, 2023 are as follows:

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

	Korean won		US dollar	
	Deficit carried over on tax	Tax credit carry-forwards	Deficit carried over on tax	Tax credit carry-forwards
1 ~ 5 Years	₩ 183,261,177	15,635,348	\$ 142,129	12,126
5 ~ 10 Years	928,340,160	10,493,051	719,978	8,138
	<u>₩ 1,111,601,337</u>	<u>26,128,399</u>	<u>\$ 862,107</u>	<u>20,264</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Changes in inventories	₩ (233,859,305)	(84,035,077)	\$ (181,371)	(65,174)
Raw materials consumed and purchase of merchandise	3,019,230,655	2,730,112,802	2,341,578	2,117,351
Employee benefits	479,256,484	379,896,156	371,690	294,630
Depreciation	108,480,289	126,675,939	84,132	98,244
Amortization	63,798,029	71,489,522	49,479	55,444
Others	286,915,219	311,151,558	222,518	241,315
	₩ <u>3,723,821,371</u>	<u>3,535,290,900</u>	\$ <u>2,888,027</u>	<u>2,741,811</u>

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

26. Selling, General and Administrative Expenses

(1) Details of selling expenses for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Warranty expenses	₩ 58,810,744	31,300,508	\$ 45,611	24,275
Commissions	110,857,324	146,093,819	85,976	113,304
Advertising	14,840,885	10,228,996	11,510	7,933
Export expenses	26,247,985	9,068,267	20,357	7,033
Promotion	12,441,812	31,490,915	9,649	24,423
Others	16,325,478	13,022,557	12,661	10,100
	₩ <u>239,524,228</u>	<u>241,205,062</u>	\$ <u>185,764</u>	<u>187,068</u>

(2) Details of general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Salaries	₩ 44,577,593	36,503,188	\$ 34,572	28,310
Retirement benefit costs	5,529,302	4,734,678	4,288	3,672
Employee welfare	10,612,823	7,879,505	8,231	6,111
Rent expense	12,327,889	9,157,363	9,561	7,102
Service fees	23,109,564	34,388,381	17,923	26,670
Depreciation	5,749,021	9,682,867	4,459	7,510
R&D expenses	16,882,694	20,222,584	13,093	15,684
Amortization	2,086,958	2,082,842	1,619	1,615
(Reversal of) bad debt expenses	(322,580)	586,339	(250)	455
Others	34,840,839	32,569,451	27,021	25,259
	₩ <u>155,394,103</u>	<u>157,807,198</u>	\$ <u>120,517</u>	<u>122,388</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

27. Other Income and Expenses

(3) Details of other income for the years ended December 31, 2023 and 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Foreign exchange transaction gain	₩	18,856,816	13,993,497	\$ 14,624	10,853
Foreign exchange translation gain		3,311,528	559,467	2,568	434
Gain on disposal of property, plant and equipment		3,210,338	2,984,963	2,490	2,315
Gain on disposal of intangible assets		828,815	-	643	-
Others		4,080,864	49,623,902	3,165	38,486
	₩	<u>30,288,361</u>	<u>67,161,829</u>	<u>\$ 23,490</u>	<u>52,088</u>

(4) Details of other expenses for the years ended December 31, 2023 and 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Foreign exchange transaction loss	₩	15,741,868	22,011,968	\$ 12,209	17,071
Foreign exchange translation loss		803,690	1,030,762	623	799
Loss on disposal of tangible assets		3,816,643	1,465,981	2,960	1,137
Loss on disposal of intangible assets		-	11,000	-	9
Impairment loss on tangible assets		-	40,797	-	32
Impairment loss on Intangible assets		25,857	8,219	20	6
Loss on disposal of trade receivables		770,448	32,387	598	25
Loss on disposal of joint venture		2,067,305	-	1,603	-
Other bad-debt expenses		26,823	681,222	21	528
Others		4,606,083	11,249,173	3,572	8,724
	₩	<u>27,858,717</u>	<u>36,531,509</u>	<u>\$ 21,606</u>	<u>28,332</u>

28. Finance Income and Costs

(1) Details of finance income for the years ended December 31, 2023 and 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Interest income	₩	6,934,542	3,600,944	\$ 5,378	2,793
Gain on valuation of FVTPL		293,698	-	228	-
Dividend income		11,000	11,000	9	9
Foreign exchange transaction gain		6,673,801	5,506,282	5,176	4,270
Foreign exchange translation gain		24,193	-	19	-
Gain on exemption of debts		8,803	31,913,462	7	24,751
	₩	<u>13,946,037</u>	<u>41,031,688</u>	<u>\$ 10,816</u>	<u>31,822</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

28. Finance Income and Costs, Continued

(2) Details of finance costs for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Interest expenses	₩ 2,033,883	12,625,342	\$ 1,577	9,792
Foreign exchange transaction loss	5,471,153	9,207,011	4,243	7,141
Foreign exchange translation loss	368,795	-	286	-
Derivative transaction loss	12,500	-	10	-
Loss on valuation of derivatives	24,521,712	-	19,018	-
	₩ <u>32,408,043</u>	<u>21,832,353</u>	\$ <u>25,134</u>	<u>16,932</u>

(3) Details of the Group's financial net profit or loss for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Financial assets (liabilities) at amortized cost	₩ 5,767,508	19,188,335	\$ 4,473	14,882
Financial assets at FVTPL	304,698	11,000	236	9
Derivative assets/liabilities	(24,534,212)	-	(19,028)	-
	₩ <u>(18,462,006)</u>	<u>19,199,335</u>	\$ <u>(14,318)</u>	<u>14,890</u>

29. Earnings(losses) per Share

(1) Basic earnings(losses) per share for the years ended December 31, 2023 and 2022 are calculated as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Profit (losses) for the year	₩ 8,924,265	(60,133,542)	\$ 6,921	(46,637)
Profit (losses) contributed to common stocks	8,924,265	(60,133,542)	6,921	(46,637)
Weighted average number of common shares	186,956,024	56,286,104	186,956,024	56,286,104
Basic earnings (losses) per share	₩ 48	(1,068)	\$ 0.04	(0.83)
Diluted earnings(losses) per share	47	(1,068)	0.04	(0.83)

(*) The Group calculate diluted earnings per share using the weighted average number of outstanding ordinary shares adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares held by the Group include convertible bonds and stock warrants. Convertible bonds are considered converted into ordinary shares, and the net income for the period has been adjusted by adding the amount, after tax effects, deducted from interest expenses related to convertible bonds to the basic net income per share. Stock warrants are excluded from the calculation of diluted earnings per share as they have no dilutive effect.

(*) Diluted earnings(losses) per share and basic earnings(losses) per share are the same because there are no dilutive shares as of December 31 2022.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

29. Earnings (losses) per Share, Continued

(2) Weighted average number of common shares outstanding for the years ended December 31, 2023 and 2022 are calculated as follows:

<i>(In shares)</i>	2023			
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2023-01-01~2023-12-31	186,956,024	365/365	186,956,024
<i>(In shares)</i>				
	2022			
	Outstanding period	Common shares issued	Weighted-average	Common shares outstanding
Beginning	2022-01-01 ~ 2022-12-31	15,551,741	365/365	15,551,741
Deb-to-equity	2022-09-03 ~ 2022-12-31	29,514,445	120/365	9,703,379
Capital increase	2022-09-20 ~ 2022-12-31	73,098,000	103/365	20,627,655
Capital increase	2022-10-20 ~ 2022-12-31	41,102,000	73/365	8,220,400
Capital increase	2022-10-22 ~ 2022-12-31	7,148,100	71/365	1,390,452
Deb-to-equity	2022-11-08 ~ 2022-12-31	541,738	54/365	80,148
Capital increase	2022-12-19 ~ 2022-12-31	20,000,000	13/365	712,329
				<u>56,286,104</u>

(*) The number of issued and outstanding shares was calculated by reflecting capital reduction in accordance with K-IFRS 1033.

(3) Diluted earnings (losses) per share for the years ended December 31, 2023 and 2022 are calculated as follows:

(In thousands of won except per share information)

	2023	2022
Profit (loss) for the period	₩ 8,924,265	(60,133,542)
Interest expenses after tax	560,160	-
Profits (losses) contributed to diluted common stocks	9,484,425	(60,133,542)
Weighted average number of common shares (in shares)	186,956,024	56,286,104
Conversion effect of convertible bonds	16,971,081	-
Weighted average number of diluted common shares (in shares)	203,927,105	56,286,104
Diluted earnings per share	47	(1,068)

(In thousands of US dollar except per share information)

	2023	2022
Profit (loss) for the period	\$ 6,921	(46,637)
Interest expenses after tax	434	-
Profits (losses) contributed to diluted common stocks	7,356	(46,637)
Weighted average number of common shares (in shares)	186,956,024	56,286,104
Conversion effect of convertible bonds	13,162	-
Weighted average number of diluted common shares (in shares)	203,927,105	56,286,104
Diluted earnings per share	0.04	(0.83)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

30. Cash Flows

(1) Details of cash flows from operating activities for the years ended December 31, 2023 and 2022 are as follows:
(In thousands of won and in thousands of US dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Profit(Loss) for the year	₩ 8,924,265	(60,133,542)	\$ 6,921	(46,637)
Adjustments for:				
Tax expenses	(11,879,799)	-	(9,213)	-
Retirement benefit costs	38,203,186	43,413,413	29,629	33,669
Depreciation	108,480,289	126,675,939	84,132	98,244
Amortization	63,798,029	71,489,522	49,479	55,444
Depreciation of right-of-use assets	8,513,058	10,367,833	6,602	8,041
Impairment loss on PP&E	-	40,797	-	32
Impairment loss on Intangible assets	25,857	8,219	20	6
Losses on disposal of trade receivables	770,448	32,387	598	25
Foreign exchange translation gain and loss, net	(2,163,237)	471,294	(1,678)	366
Losses (gains) on disposal of PP&E	606,305	(1,519,057)	470	(1,178)
Losses (gains) on disposal of intangible asset	(828,815)	11,000	(643)	9
Interest expense and income, net	(4,900,659)	9,024,397	(3,801)	6,999
Gains on valuation of FVTPL	(293,698)	-	(228)	-
Dividends income	(11,000)	(11,000)	(9)	(9)
Losses on valuation of derivative	24,521,712	-	19,018	-
Losses (gains) on valuation of inventories	(8,044,473)	(6,099,003)	(6,239)	(4,730)
Increase in provision of warranty for sale	40,658,874	20,812,008	31,533	16,141
Sales promotion expenses	(1,182,830)	19,391,345	(917)	15,039
Export overall expenses	8,340,889	142,938	6,469	111
(reversal of) Bad-debt expenses	(322,580)	586,339	(250)	455
Other bad-debt expenses	26,823	680,865	21	528
Gain on equity method	(529,231)	(246,246)	(410)	(191)
Losses on disposal of joint venture	2,067,305	-	1,603	-
Gain on exemption of debts	(8,803)	(31,913,462)	(7)	(24,751)
Miscellaneous income	(76,160)	(40,430,120)	(59)	(31,356)
Others	1,074,843	(1,275,883)	834	(990)
	<u>266,846,333</u>	<u>221,653,525</u>	<u>206,954</u>	<u>171,904</u>
Changes in assets and liabilities				
Increase of trade receivables	(86,115,991)	(29,745,718)	(66,788)	(23,069)
Increase of other receivables	(11,969,514)	(11,263,456)	(9,283)	(8,735)
Increase of inventories	(272,296,748)	(92,597,662)	(211,181)	(71,815)
Increase of other assets	(37,698,889)	(11,229,259)	(29,238)	(8,709)
Increase (decrease) of trade payables	108,778,450	(74,281,312)	84,364	(57,609)
Increase (decrease) of other payables	27,830,973	(86,545,144)	21,584	(67,120)
Increase (decrease) of accrued expenses	13,750,459	(59,114,416)	10,664	(45,846)
Increase (decrease) of provision of warranty	(30,193,183)	(28,737,111)	(23,416)	(22,287)
Increase (decrease) of provision for others	(13,734,728)	15,779,083	(10,652)	12,238
Payment of retirement benefits	(20,179,728)	(19,530,808)	(15,650)	(15,147)
Increase of other liabilities	54,341,207	16,940,525	42,145	13,138
	<u>(267,487,692)</u>	<u>(380,325,278)</u>	<u>(207,451)</u>	<u>(294,963)</u>
Net cash provided by operating activities	₩ <u>8,282,906</u>	<u>(218,805,295)</u>	\$ <u>6,424</u>	<u>(169,695)</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

30. Cash Flows, Continued

(2) Significant non-cash activities for the years ended December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Changes in other payables related to the acquisition of property, plant and equipment	₩ (47,058,246)	4,114,687	\$ (36,496)	3,191
Debt-to-equity	-	475,143,845	-	368,500
Capital reduction	-	996,303,370	-	772,688

(3) Changes in liabilities from financial activities for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ -	70,750,304	(25,836,874)	344,602	-	45,258,032
Convertible bonds	-	108,500,000	(402,536)	(18,329,356)	-	89,768,108
Current portion of bond with warrant	-	150,500,000	(1,270,354)	(51,369,353)	-	97,860,293
Lease liabilities	8,871,054	-	(7,141,709)	9,684,891	4,586	11,418,822
	₩ 8,871,054	329,750,304	(34,651,473)	(59,669,216)	4,586	244,305,255

(In thousands of won)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	₩ 314,998,021	90,000,000	(319,022,348)	(85,975,673)	-	-
Long-term borrowings	40,000,000	30,000,000	(30,000,000)	(40,000,000)	-	-
Lease liabilities	9,241,756	-	(7,617,925)	7,247,223	4,031	8,871,054
Other liabilities	15,512,588	14,971,609	-	(30,484,197)	-	-
	₩ 379,752,365	134,971,609	(356,640,273)	(149,212,647)	4,031	8,871,054

(In thousands of US dollar)

	2023					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ -	54,871	(20,038)	267	-	35,100
Convertible bonds	-	84,148	(312)	(14,215)	-	69,620
Current portion of bond with warrant	-	116,721	(985)	(39,840)	-	75,896
Lease liabilities	6,880	-	(5,539)	7,511	4	8,856
	\$ 6,880	255,739	(26,874)	(46,277)	4	189,472

(In thousands of US dollar)

	2022					
	Beginning balance	Increase	Decrease	Others	Exchange rate effect	Ending balance
Short-term borrowings	\$ 244,298	69,800	(247,419)	(66,679)	-	-
Long-term borrowings	31,022	23,267	(23,267)	(31,022)	-	-
Lease liabilities	7,167	-	(5,908)	5,621	3	6,880
Other liabilities	12,031	11,611	-	(23,642)	-	-
	\$ 294,519	104,678	(276,594)	(115,723)	3	6,880

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

Sales region	Korean won		US dollar	
	2023	2022	2023	2022
Republic of Korea	₩ 2,191,879,391	2,227,552,458	\$ 1,699,922	1,727,588
Europe	952,174,445	611,050,599	738,463	473,903
South America	135,103,963	246,586,590	104,780	191,241
Asia Pacific	526,430,576	397,875,354	408,276	308,574
Others	229,923,458	118,158,772	178,318	91,639
Consolidated adjustment	(299,142,864)	(177,882,900)	(232,002)	(137,958)
	₩ <u>3,736,368,969</u>	<u>3,423,340,873</u>	\$ <u>2,897,758</u>	<u>2,654,987</u>

Non-current assets are not separately disclosed since those are located in Korea. There is no significant customer contributing more than 10% of total sales since the majority of sales are made through individual customer contracts and authorized foreign agencies.

(3) Information of sales of goods and service for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Automobile	₩ 3,177,290,501	2,976,339,481	\$ 2,464,162	2,308,314
Merchandise and parts	359,157,860	298,268,392	278,547	231,323
Others	199,920,608	148,733,000	155,049	115,351
	₩ <u>3,736,368,969</u>	<u>3,423,340,873</u>	\$ <u>2,897,758</u>	<u>2,654,987</u>

(4) Balance of Contracts as of December 31, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Receivables from contracts				
with customers	₩ 228,107,038	135,270,116	\$ 176,909	104,909
Contract liabilities (*)	106,499,911	37,517,128	82,596	29,097

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

32. Transactions and Balances with Related Parties

(1) Details of parent and subsidiary relationships as of December 31, 2023 are as follows:

Relationship	Company
Ultimate parent Company	KG Chemical Corporation
Intermediate parent company	KG Eco Technology Services Co., Ltd.(*1)
Other related parties	KG Capital Co., Ltd. (Formerly, SY Auto Capital Co., Ltd.)(*2), Affiliated companies of a large conglomerate KG group

(*1) On September 20, 2022, the Group became the largest shareholder due to a paid-in capital increase. The merger was approved by KG ETS Co., Ltd. at the extraordinary shareholders' meeting on June 12, 2023, and was merged with KG ETS Co., Ltd. on August 2, 2023 to change its largest shareholder.

(*2) The Group reclassified from joint-venture to other related parties.

(2) Transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

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

Relationship	Company	Description	2023	
			Korean won	US dollar
Ultimate parent company	KG Chemical Corporation	Sales	₩ 86,569	\$ 67
		Purchases	281,340	218
		Other expenses	81,948	64
Intermediate parent company	KG ETS Co., Ltd	Sales	166,004	129
Other related parties	KG ICT Co., Ltd.	Asset acquisition	4,412,359	3,422
		Other expenses	5,439,115	4,218
	edaily Co., Ltd	Other expenses	199,700	155
	edaily Co., Ltd	Other expenses	5,150	4
	KG Hollys F&B Co., Ltd.	Sales	34,916	27
		Other expenses	155,734	121
	KG ZEROIN Co., Ltd.	Asset acquisition	321,520	249
		Other expenses	569,142	441
	edaily C&B Co., Ltd.	Other expenses	10,705	8
	KG FRESH Co., Ltd.	Sales	181,167	141
		Other expenses	1,038,973	806
	KG Sunning Life Co., Ltd	Sales	132,757	103
		Other expenses	106,895	83
	KG Mobilians Co., Ltd.	Other expenses	31,065	24
	Edu One Co., Ltd	Other expenses	111,561	87
	KG GNS Co., Ltd.	Sales	576,981	447
	KGINICIS Co., Ltd.	Asset acquisition	20,473	16
		Other expenses	4,442,736	3,446
	LB REIT No.9	Asset acquisition	3,243,226	2,515
		Other expenses	159,458	124
KG Capital Co., Ltd	Other income	94,833	74	
	Other expenses	40,413,420	31,343	

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

32. Transactions and Balances with Related Parties, Continued

(2) Transactions with related parties for the years ended December 31, 2023 and 2022 are as follows, Continued:

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

Relationship	Company	Description	2022	
			Korean won	US dollar
Ultimate parent company (*)	KG Chemical Corporation	Purchases	₩ 139,876	\$ 108
Intermediate parent company (*)	KG Mobility Co., Ltd.	Other expenses	797,260	618
Other related parties (*)	KG ICT CO., LTD.	Asset acquisition	399,300	310
	KG EDUONE CO.	Other expenses	2,000	2
	KG Hollys F&B Co., Ltd.	Other expenses	262,461	204
	KG ZEROIN Co., Ltd.	Asset acquisition	37,100	29
	edaily C&B Co., Ltd.	Other expenses	12,000	9
	KG FRESH Co., Ltd.	Other expenses	265,359	206
Joint venture	SY Auto Capital Co., Ltd.	Other income	736	1
		Other expenses	1,792,292	1,390

(*) The transaction details after being included of the Group's related parties.

(3) Account balances with related parties as of December 31, 2023 and 2022 are as follows:

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

Relationship	Company	Description	2023	
			Korean won	US dollar
Ultimate parent Company	KG Chemical Corporation	Trade payables	₩ 10,877	\$ 8
Parent Company	KG ETS Co., Ltd.	Trade receivables	13,720	11
		Other liability	7	0
		Other liability	3,097,806	2,403
Other related parties	KG ICT CO., LTD.	Lease liability	944,425	732
		Other liability	112,810	87
	KG Hollys F&B Co., Ltd.	Other liability	61,036	47
		Trade receivables	6,950	5
	KG Fresh Co., Ltd	Other liability	7,920	6
		Trade receivables	6,950	5
		Other liability	1,109	1
	KG Sunning Life Co., Ltd	Other liability	116,862	91
		Other liability	4	0
	KG EDUONE CO., Ltd.	Other liability	751,500	583
		Lease liability	3,184,211	2,470
	KGINICIS CO., LTD.	Other receivables	196,462	152
	LB REIT No.9			
	KG Capital Co., Ltd			

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

32. Transactions and Balances with Related Parties, Continued

(3) Account balances with related parties as of December 31, 2023 and 2022 are as follows, Continued:

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

Relationship	Company	Description	2022	
			Korean won	US dollar
Ultimate parent Company	KG Chemical Corporation	Trade payables	₩ 28,152	\$ 22
Other related parties	KG EDUONE CO.	Other liability	2,200	2
	KG Hollys F&B Co., Ltd.	Other liability	263,663	204
	KG ZEROIN Co., Ltd.	Other liability	40,810	32

(4) Capital transaction with related parties for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

Relationship	Company	Description	2023	2022
Ultimate parent Company	KG Chemical Corporation	Debt-to-equity	₩ -	5,495
Parent	KG Mobility Holdings Co., Ltd.	Capital increase	-	550,000,000
Others	KGINICIS CO., LTD.	Disposal of investments in joint venture	20,934,400	-
	KG Steel Co., Ltd	Debt-to-equity	-	130,130

(In thousands of US dollar)

Relationship	Company	Description	2023	2022
Ultimate parent Company	KG Chemical Corporation	Debt-to-equity	\$ -	4
Parent	KG Mobility Holdings Co., Ltd.	Capital increase	-	426,555
Others	KGINICIS CO., LTD.	Disposal of investments in joint venture	16,236	-
	KG Steel Co., Ltd	Debt-to-equity	-	101

(5) Guarantee provided by related parties

The Group has received a payment guarantee from KG Mobility Holdings Co., Ltd., a related party, with regard to the repayment of convertible bonds principal and interest as of December 31, 2023. KG Mobility Holdings Co., Ltd., was approved for merger with KG ETS Co., Ltd., at the extraordinary shareholders' meeting held on June 12, 2023 and merged to KG ETS Co., Ltd., as of August 2, 2023.

(6) Executive compensation of the Group for the years ended December 31, 2023 and 2022 are as follows:

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

		Korean won		US dollar	
		2023	2022	2023	2022
Short-term employee benefits	₩	4,127,615	2,584,973	\$ 3,201	2,005
Retirement benefits		673,046	182,483	522	142

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Debt (A)	₩ 1,552,700,998	909,004,172	\$ 1,204,204	704,982
Equity (B)	1,082,699,001	1,092,903,123	839,692	847,606
Debt-to-equity ratio (A/B)	143.4%	83.2%	143.4%	83.2%

(2) Details of financial assets and liabilities by category as of December 31, 2023 and 2022 are as follows:

1) Financial assets

(In thousands of won)

	2023			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 58,033,181	-	58,033,181	58,033,181
Short-term financial instruments	5,774,189	110,293,698	116,067,887	116,067,887
Long-term financial instruments	7,243,214	-	7,243,214	7,243,214
Trade and other receivables	284,111,427	-	284,111,427	284,111,427
Non-current financial assets	-	609,772	609,772	609,772
	₩ 355,162,011	110,903,470	466,065,481	466,065,481

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 104,961,806	-	104,961,806	104,961,806
Short-term financial instruments	5,808,774	-	5,808,774	5,808,774
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	186,665,279	-	186,665,279	186,665,279
Non-current financial assets	-	560,000	560,000	560,000
	₩ 297,439,859	560,000	297,999,859	297,999,859

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of December 31, 2023 and 2022 are as follows, Continued:

(In thousands of US dollar)

	2023			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 45,008	-	45,008	45,008
Short-term financial instruments	4,478	85,539	90,017	90,017
Long-term financial instruments	5,618	-	5,618	5,618
Trade and other receivables	220,344	-	220,344	220,344
Non-current financial assets	-	473	473	473
	<u>\$ 275,448</u>	<u>86,012</u>	<u>361,459</u>	<u>361,459</u>

(In thousands of US dollar)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	\$ 81,404	-	81,404	81,404
Short-term financial instruments	4,505	-	4,505	4,505
Long-term financial instruments	3	-	3	3
Trade and other receivables	144,769	-	144,769	144,769
Non-current financial assets	-	434	434	434
	<u>\$ 230,681</u>	<u>434</u>	<u>231,115</u>	<u>231,115</u>

2) Financial liabilities

(In thousands of won)

Currency	2023			
	Financial liability measured at amortized cost	Fair value	Total	Fair value
Trade and other payables	₩ 464,558,830	-	464,558,830	464,558,830
Borrowings	45,258,032	-	45,258,032	45,258,032
Convertible bonds	89,768,108	-	89,768,108	89,768,108
Bond with warrant	97,860,293	-	97,860,293	97,860,293
Other liabilities	11,418,822	-	11,418,822	11,418,822
Derivatives	-	76,715,556	76,715,556	76,715,556
	<u>₩ 708,864,085</u>	<u>76,715,556</u>	<u>785,579,641</u>	<u>785,579,641</u>

(In thousands of US dollar)

Currency	2023			
	Financial liability measured at amortized cost	Fair value	Total	Fair value
Trade and other payables	\$ 360,291	-	360,291	360,291
Borrowings	35,100	-	35,100	35,100
Convertible bonds	69,620	-	69,620	69,620
Bond with warrant	75,896	-	75,896	75,896
Other liabilities	8,856	-	8,856	8,856
Derivatives	-	59,497	59,497	59,497
	<u>\$ 549,763</u>	<u>59,497</u>	<u>609,260</u>	<u>609,260</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(2) Details of financial assets and liabilities by category as of December 31, 2023 and 2022 are as follows, Continued:

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

Currency	2022					
	Financial liability measured at amortized cost		Financial liability measured at Fair value			
Trade and other payables	₩	258,307,313	258,307,313	\$	200,331	200,331
Other liabilities		8,871,054	8,871,054		6,880	6,880
	₩	<u>267,178,367</u>	<u>267,178,367</u>	\$	<u>207,211</u>	<u>207,211</u>

(3) Financial risk management

The Group is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Group operates a risk management policy and a program that performs close monitoring and responds to each risk factors. Financial assets that are subject to the financial risk management consist of cash and cash equivalents, non-current financial assets, trade receivables, other receivables, and others; financial liabilities subject to the financial risk management consist of trade payables, other payables, borrowings, and others.

1) Market risk

a. Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group assesses, manages, and reports, on a regular basis, the foreign exchange risk for its receivables and payables denominated in foreign currency. The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% as of December 31, 2023.

(In thousands of won and in thousands of dollar)

Currency	Korean won		US dollar			
	10% increase	10% decrease	10% increase	10% decrease		
USD	₩	3,090,381	(3,090,381)	\$	2,397	(2,397)
EUR		11,635,620	(11,635,620)		9,024	(9,024)
JPY		(2,476,659)	2,476,659		(1,921)	1,921
Others		14,187,817	(14,187,817)		11,003	(11,003)
	₩	<u>26,437,159</u>	<u>(26,437,159)</u>	\$	<u>20,503</u>	<u>(20,503)</u>

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. The Group are not exposed to interest rate risk because there are no floating rate borrowings as of December 31, 2023.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(3) Financial risk management, Continued

2) Credit risk

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

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

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, 2023 and 2022 are as follows:

(In thousands of won and in thousands of dollar)

		Korean won			US dollar	
		2023	2022		2023	2022
Trade and other receivables	₩	284,111,427	186,665,279	\$	220,344	144,769
Short-term financial instruments		5,774,189	5,808,774		4,478	4,505

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, 2023 and 2022 are as follows:

(In thousands of won)

		2023		
		Within a year	Over 1 year	Total
Trade payables	₩	268,339,549	-	268,339,549
Other payables		183,176,921	-	183,176,921
Short-term borrowings (*)		45,258,032	-	45,258,032
Lease liabilities (*)		6,051,899	6,348,857	12,400,756
Derivatives		76,715,556	-	76,715,556
Other liabilities		1,707,778	-	1,707,778
Convertible bonds (*)		785,000	116,778,491	117,563,491
Bond with warrant (*)		-	159,770,499	159,770,499
Long-term other payables		-	11,334,582	11,334,582
	₩	<u>582,034,735</u>	<u>294,232,429</u>	<u>876,267,164</u>

(*) Amount including expected interest expenses, but excluding default interest expenses due to the waiver of the benefit of time.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(3) Financial risk management, Continued

(In thousands of won)

		2022		
		Within a year	Over 1 year	Total
Trade payables	₩	152,401,057	-	152,401,057
Other payables		103,517,199	-	103,517,199
Short-term borrowings (*)		-	-	-
Lease liabilities (*)		5,296,666	3,877,094	9,173,760
Other liabilities		2,214,986	-	2,214,986
Long-term other payables		-	174,070	174,070
	₩	<u>263,429,908</u>	<u>4,051,164</u>	<u>267,481,072</u>

(*) Amount including expected interest expenses, but excluding default interest expenses due to the waiver of the benefit of time.

(In thousands of US dollar)

		2023		
		Within a year	Over 1 year	Total
Trade payables	\$	208,112	-	208,112
Other payables		142,064	-	142,064
Short-term borrowings (*)		35,100	-	35,100
Lease liabilities (*)		4,694	4,924	9,617
Derivatives		59,497	-	59,497
Other liabilities		1,324	-	1,324
Convertible bonds (*)		609	90,568	91,177
Bond with warrant (*)		-	123,911	123,911
Long-term other payables		-	8,791	8,791
	\$	<u>451,400</u>	<u>228,193</u>	<u>679,593</u>

(*) Amount including expected interest expenses, but excluding default interest expenses due to the waiver of the benefit of time.

(In thousands of US dollar)

		2022		
		Within a year	Over 1 year	Total
Trade payables	\$	118,195	-	118,195
Other payables		80,283	-	80,283
Short-term borrowings (*)		-	-	-
Lease liabilities (*)		4,108	3,007	7,115
Other liabilities		1,718	-	1,718
Long-term other payables		-	135	135
	\$	<u>204,304</u>	<u>3,142</u>	<u>207,446</u>

(*) Amount including expected interest expenses, but excluding default interest expenses due to the waiver of the benefit of time.

(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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(4) Fair value of financial instruments, Continued

2) Valuation methods and assumptions applied in fair value measurement

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

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

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)

Financial instruments are measured at fair value after initial recognition as of December 31, 2023 is as follows:

(In thousands of won)

		Level 1	Level 2	Level 3	Total
Derivative liabilities	₩	-	-	76,715,556	76,715,556

(In thousands of US dollar)

		Level 1	Level 2	Level 3	Total
Derivative liabilities	\$	-	-	59,497	59,497

34. Business combination

(1) Details of business combination for the year ended December 31, 2023 is as follows:

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

Company	Main operating activity	Purpose	Acquisition Date (*1)	% of acquisition	Consideration paid (*2)	
					Korean Won	US dollar
KG Mobility Commercial Co., Ltd.	Sales of CNG Bus and Electric bus	Business diversification	September 26, 2023	100%	55,000,000	42,655

(*1) The acquisition date was September 26, 2023, but the Group did not have a control until the completion of the rehabilitation procedure. So, the Group has determined the date of obtaining control as of December 31, 2023 for the purpose of business combination accounting treatment.

(*2) The entire consideration paid are cash and cash equivalents.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

34. Business Combination, Continued

(2) The fair value of the assets acquired and liabilities assumed as of acquisition date are as follows:

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

		2023	
Accounts		Korean Won	US dollar
Fair value of the assets acquired	Current assets		
	Cash and cash equivalents	₩ 2,279,991	\$ 1,768
	Trade receivables	3,386,995	2,627
	Inventories	29,997,343	23,265
	Other current assets	4,111,891	3,189
	Non-current assets		-
	Property, plant, and equipment	47,188,791	36,597
	Intangible assets	357,597	277
	Other non-current assets	10,646,263	8,257
	Total assets	97,968,871	75,980
Fair value of the liabilities assumed	Current liabilities		-
	Trade payables	3,145,721	2,440
	Short-term borrowings	17,800,000	13,805
	Other current liabilities	13,545,622	10,505
	Non-current liabilities		-
	Defined benefit liabilities	1,699,699	1,318
	Other non-current liabilities	13,620,133	10,563
Total liabilities	49,811,175	38,631	
Total	₩ 48,157,696	\$ 37,349	

(3) The intangible assets recognized as goodwill due to business combination for the year ended December 31, 2023 is as follows:

		KG Mobility Commercial Co., Ltd	
		Korean Won	US dollar
Consideration paid	₩	55,000,000	\$ 42,655
Add : Non-controlling interests		-	-
Deduct : fair value of the assets acquired and liabilities assumed, net		48,157,697	37,349
Goodwill	₩	6,842,303	\$ 5,307

(4) The net cash outflow due to business combination for the year ended December 31, 2023 is as follows:

		KG Mobility Commercial Co., Ltd	
		Korean Won	US dollar
Consideration paid	₩	55,000,000	\$ 42,655
Deduct : Cash and cash equivalents acquired		2,279,991	1,768
Net cash outflow	₩	52,720,009	\$ 40,887

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

35. Graduate from court-led debt rescheduling program

The Group filed for commencement of rehabilitation procedure with the Court under the Debtor Rehabilitation and Bankruptcy Act on December 21, 2020, and the Court commenced rehabilitation procedures on April 15, 2021.

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

According to revised rehabilitation plan, the Seoul Bankruptcy Court confirmed the KG Consortium as the final takeover candidate as of June 28, 2022, and the Court approved the rehabilitation plan reflecting the details of the investment contract from KG Consortium on August 26, 2022. Finally, the Group has graduated from the court-led debt rescheduling program on November 11, 2022 in accordance with Article 283(1) of the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea, after the Group completed the repayment of most of the rehabilitation security rights and claims.

Details of the Group's approved rehabilitation plan are as follows.

Date	Title	Description
August 16, 2022	Deposit of acquisition price according to M&A investment contract	Acquisition price ₩365.5 billion
September 02, 2022	Merger of shares without refund of previous largest shareholder (M&M)	10-for-1 stock merger for 111,855,108 shares held by previous largest shareholder
September 03, 2022	Debt to equity swap for rehabilitation obligations (*)	Debt to equity swap for ₩466.6 billion of rehabilitation obligations
September 19, 2022	Merger of shares without refund for new shares through debt-to-equity swap	3.16 for 1 stock merger for 93,316,700 shares for new shares through debt-to-equity swap
September 20, 2022	1 st capital increase(M&A acquisition proceeds-to-equity)	Acquisition price ₩365.5 billion, 73,098,000 shares
October 20, 2022	2 nd capital increase	Paid-in capital : ₩205.5 billion, 41,102,000 shares
October 22, 2022	Debt-to-equity swap for wage claims	Debt to equity swap for ₩35.7 billion of wage claims
November 08, 2022	Debt-to-equity swap for foreign currency claims due to differences in foreign exchange rate	Debt to equity swap for ₩8.6 billion of foreign currency claims
November 10, 2022	Merger of shares without refund for new shares of foreign currency claims through additional debt-to-equity swap	3.16 for 1 stock merger for new shares of foreign currency claims through additional debt-to-equity swap

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY) AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

35. Graduate from court-led debt rescheduling program, Continued

(*) Details of the Group's rehabilitation obligation debt conversion to equity as of December 31, 2023 are as follows:

(In thousands of won)

	2023			
	Debt	Equity	Total	# of shares
Commercial claims	₩ 330,200,385	330,199,530	855	66,039,906
Loan claims	2,019,041	2,019,040	1	403,808
Indemnity claims	490,752	490,750	2	98,150
Commercial claims from related party	6,674,227	6,674,225	2	1,334,845
Loan and indemnity claims from related party	127,023,256	127,023,255	1	25,404,651
Wage claims	176,704	176,700	4	35,340
Foreign currency claims	8,559,480	8,559,480	-	1,711,896
	<u>₩ 475,143,845</u>	<u>475,142,980</u>	<u>865</u>	<u>95,028,596</u>

(In thousands of US dollar)

	2023			
	Debt	Equity	Total	# of shares
Commercial claims	\$ 256,088	256,088	855	66,039,906
Loan claims	1,566	1,566	1	403,808
Indemnity claims	381	381	2	98,150
Commercial claims from related party	5,176	5,176	2	1,334,845
Loan and indemnity claims from related party	98,513	98,513	1	25,404,651
Wage claims	137	137	4	35,340
Foreign currency claims	6,638	6,638	-	1,711,896
	<u>\$ 368,500</u>	<u>368,499</u>	<u>865</u>	<u>95,028,596</u>

(*) 3.16 for 1 stock merger for new shares through debt-to-equity swap as of September 19, 2022.

(2) The Group resolved the formal delisting issue as of March 14, 2023 by obtaining a non-disclaimer audit opinion on the Group's consolidated financial statements ended on December 31, 2022, which was due within the additional improvement period until April 14, 2023.

However, due to the occurrence of substantive examination reasons for listing suitability, as of April 4, 2023, the Group has been designated as a subject for review by the Korea Stock Exchange Listing Disclosure Committee. The Korea Stock Exchange conducted an eligibility review as of April 27, 2023 and decided to keep KG Mobility Co., Ltd., Formerly, SsangYong Motor Company, listed on the market and trading of its shares resumed on April 28, 2023.

36. Events after reporting period

Due to the decline in the parent Company's stock price, the exercise price of the 122nd Unsecured Detachable bond with warrants issued through public offering was adjusted from ₩8,411(\$6.5) to ₩ 8,133(\$6.3) as of refixng date after March 5, 2024.

As a result of this decrease in exercise price, the exercisable number of shares for the 122nd Unsecured Detachable bond with warrants issued through public offering increased from 17,893,235 to 18,504,856 shares.