

**KG MOBILITY COMPANY  
(FORMERLY, SSANG YONG MOTOR COMPANY)**

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

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

We were also engaged to audit the Company's Internal Control over Financial Reporting ("ICFR") and as our report dated March 18, 2024 stated, we expressed an unqualified opinion on the effectiveness of the Company's ICFR.

### **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 Company 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 separate financial statement of the current period. These matters were addressed in the context of our audit of the separate financial statement 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. (3). 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company resolved the formal delisting issue as of March 14, 2023 by obtaining a non-disclaimer audit opinion on the Company'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 Company 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 KIFRS, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company'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.

· 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 Company'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 Company 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

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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate Statements of Financial Position

As of December 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
<b>Assets</b>					
Cash and cash equivalents	4,5,33	₩ 45,401,146	94,765,998	\$ 35,211	73,496
Short-term financial instruments	5,33	116,067,887	5,808,774	90,017	4,505
Trade receivables	7,31,32,33	361,902,115	194,229,197	280,675	150,635
Other receivables	7,32,33	26,227,314	15,025,554	20,341	11,653
Loans and others	7,13,33	32,846,887	24,437,191	25,475	18,952
Inventories	8,25	393,533,465	196,490,440	305,207	152,389
Other current assets	10	124,691,712	87,614,110	96,705	67,950
<b>Total current assets</b>		<b>1,100,670,526</b>	<b>618,371,264</b>	<b>853,630</b>	<b>479,581</b>
Long-term financial instruments	5,33	4,000	4,000	3	3
Non-current loans and others	7,31,32,33	44,143,816	26,545,384	34,236	20,587
Non-current financial assets	6,33	560,000	560,000	434	434
Property, plant and equipment	11,14	1,192,615,641	1,148,114,121	924,938	890,425
Intangible assets	12	186,512,001	163,993,924	144,650	127,186
Investments in subsidiaries	9	55,500,000	-	43,043	-
Investments in associates	9	-	10,200,000	-	7,911
Other non-current assets	10	271,518	275,882	211	214
Right-of-use assets	13	6,036,770	10,653,623	4,682	8,262
<b>Total non-current assets</b>		<b>1,485,643,746</b>	<b>1,360,346,934</b>	<b>1,152,198</b>	<b>1,055,023</b>
<b>Total assets</b>		<b>₩ 2,586,314,272</b>	<b>1,978,718,198</b>	<b>\$ 2,005,828</b>	<b>1,534,604</b>

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate Statements of Financial Position, Continued

As of December 31, 2023 and 2022

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

	Note	Korean won		US dollar	
		2023	2022	2023	2022
<b>Liabilities</b>					
Trade payables	32,33	₩ 265,007,692	148,976,045	\$ 205,528	115,539
Other payables	19,32,33	169,529,872	93,494,028	131,480	72,510
Short-term borrowings	14,30,33	45,258,032	-	35,100	-
Current portion of bond with warrant	14,30,33	97,860,293	-	75,896	-
Other financial liabilities	15,33	36,035,813	20,702,517	27,948	16,056
Derivative liabilities	14	76,715,556	-	59,497	-
Provision of warranty for sale	16	38,748,094	40,689,846	30,051	31,557
Current portion of other employee benefits liabilities	18	2,773,449	-	2,151	-
Provision of others	19	20,351,477	23,705,590	15,784	18,385
Other current liabilities	17,30,31,32,33	104,616,346	54,924,511	81,136	42,597
Current lease liabilities	13,30,32,33	4,762,993	4,957,982	3,694	3,845
<b>Total current liabilities</b>		<b>861,659,617</b>	<b>387,450,519</b>	<b>668,264</b>	<b>300,489</b>
Convertible bonds	14,30,33	89,768,108	-	69,620	-
Non-current other payables	33	89,921	174,070	70	135
Other non-current liabilities	17,31	6,064,977	7,789,806	4,704	6,041
Defined benefit liabilities	18	342,072,841	280,119,084	265,296	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	69,247,581	56,144,385	53,705	43,543
Non-current Provision of others	19	59,973,973	61,995,022	46,513	48,081
Lease liabilities	13,30,32,33	3,837,540	3,818,410	2,976	2,961
Deferred tax liabilities	24	58,223,532	80,112,208	45,156	62,131
<b>Total non-current liabilities</b>		<b>639,513,910</b>	<b>501,856,390</b>	<b>495,978</b>	<b>389,217</b>
<b>Total liabilities</b>		<b>1,501,173,527</b>	<b>889,306,909</b>	<b>1,164,242</b>	<b>689,706</b>
<b>Equity</b>					
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	4,22	223,495,126	223,495,126	173,333	173,333
Accumulated deficit	23	(1,142,596,326)	(1,120,113,535)	(886,146)	(868,709)
<b>Total equity</b>		<b>1,085,140,745</b>	<b>1,089,411,289</b>	<b>841,586</b>	<b>844,898</b>
<b>Total liabilities and equity</b>		<b>₩ 2,586,314,272</b>	<b>1,978,718,198</b>	<b>\$ 2,005,828</b>	<b>1,534,604</b>

"The accompanying notes are an integral part of these financial statements"

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate 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 ₩	3,780,018,268	3,423,547,321	\$ 2,931,610	2,655,148
Cost of sales	25,32	3,398,566,815	3,158,984,890	2,635,774	2,449,965
<b>Gross profit</b>		<u>381,451,453</u>	<u>264,562,431</u>	<u>295,836</u>	<u>205,183</u>
Selling and administrative expenses	25,26	376,475,303	382,050,870	291,977	296,301
<b>Operating income(loss)</b>		<u>4,976,150</u>	<u>(117,488,439)</u>	<u>3,859</u>	<u>(91,119)</u>
Other income	27,32	40,834,505	66,981,898	31,669	51,948
Other expenses	27,32	(25,648,869)	(36,323,833)	(19,892)	(28,171)
Finance income	4,28	13,415,054	40,920,841	10,404	31,736
Finance costs	4,28	(32,391,015)	(21,807,742)	(25,121)	(16,913)
<b>Profit(loss) before income taxes</b>		<u>1,185,825</u>	<u>(67,717,275)</u>	<u>920</u>	<u>(52,518)</u>
Income tax expenses	24	(13,572,555)	-	(10,526)	-
<b>Profit(loss) for the year</b>		<u>14,758,380</u>	<u>(67,717,275)</u>	<u>11,446</u>	<u>(52,518)</u>
<b>Other comprehensive income(loss) for the year</b>		(37,241,171)	92,524,904	(28,883)	71,758
<b>Items that will never be reclassified to profit or loss:</b>					
Defined benefit plan re-measurements	18,23	(37,241,171)	92,524,904	(28,883)	71,758
Gain on revaluation on land	11,22	-	-	-	-
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
<b>Total comprehensive income(loss) for the year</b>		<u>₩ (22,482,791)</u>	<u>24,807,629</u>	<u>\$ (17,437)</u>	<u>19,240</u>
<b>Earnings(losses) per share</b>					
Basic earnings(losses) per per share	29 ₩	79	(1,203)	\$ 0.06	(0.93)
Diluted earnings(losses) per per share		75	(1,203)	0.06	(0.93)

"The accompanying notes are an integral part of these financial statements"

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate 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	Total	
		Capital stock	Paid-in capital in excess of par value	Gain on capital reduction				Consideration conversion rights
<b>Balance at January 1, 2022</b>	₩	749,200,010	3,169,615	74,061,697	-	223,495,126	(1,144,921,163)	(94,994,715)
<b>Total comprehensive income (loss) for the period:</b>								
Loss for the period		-	-	-	-	-	(67,717,275)	(67,717,275)
Defined benefit plan re-measurements		-	-	-	-	-	92,524,904	92,524,904
<b>Transactions with shareholders recognized directly in equity:</b>								
Capital reduction without refund		(996,006,854)	-	996,006,854	-	-	-	-
Debt-for-equity swap		474,846,464	(21,369,524)	865	-	-	-	453,477,805
Stock issuance costs		-	(619,928)	-	-	-	-	(619,928)
Capital increase by issuing new stocks		706,740,500	-	-	-	-	-	706,740,500
<b>Balance at December 31, 2022</b>	₩	<u>934,780,120</u>	<u>(18,819,837)</u>	<u>1,070,069,416</u>	<u>-</u>	<u>223,495,126</u>	<u>(1,120,113,535)</u>	<u>1,089,411,290</u>
<b>Balance at January 1, 2023</b>	₩	934,780,120	(18,819,837)	1,070,069,416	-	223,495,126	(1,120,113,535)	1,089,411,290
<b>Total comprehensive income (loss) for the period:</b>								
Profit for the period		-	-	-	-	-	14,758,380	14,758,380
Defined benefit plan re-measurements		-	-	-	-	-	(37,241,171)	(37,241,171)
<b>Transactions with shareholders recognized directly in equity:</b>								
Issuance of convertible bonds		-	-	-	23,405,287	-	-	23,405,287
Stock issuance costs		-	(5,193,041)	-	-	-	-	(5,193,041)
<b>Balance at December 31, 2023</b>	₩	<u>934,780,120</u>	<u>(24,012,878)</u>	<u>1,070,069,416</u>	<u>23,405,287</u>	<u>223,495,126</u>	<u>(1,142,596,326)</u>	<u>1,085,140,745</u>

"The accompanying notes are an integral part of these financial statements"



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate 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			Other equity	Accumulated deficit	Total
		Paid-in capital in excess of par value	Gain on capital reduction	Consideration conversion rights			
<b>Balance at January 1, 2022</b>	\$ 581,045	2,458	57,439	-	173,333	(887,949)	(73,674)
<b>Total comprehensive income (loss) for the period:</b>							
Loss for the period	-	-	-	-	-	(52,518)	(52,518)
Defined benefit plan re-measurements	-	-	-	-	-	71,758	71,758
<b>Transactions with shareholders recognized directly in equity:</b>							
Capital reduction without refund	(772,458)	-	772,458	-	-	-	-
Debt-for-equity swap	368,269	(16,573)	1	-	-	-	351,697
Stock issuance costs	-	(481)	-	-	-	-	(481)
Capital increase by issuing new stocks	548,116	-	-	-	-	-	548,116
<b>Balance at December 31, 2022</b>	\$ 724,973	(14,596)	829,897	-	173,333	(868,709)	844,898
<b>Balance at January 1, 2023</b>	\$ 724,973	(14,596)	829,897	-	173,333	(868,709)	844,898
<b>Total comprehensive income (loss) for the period:</b>							
Profit for the period	-	-	-	-	-	11,446	11,446
Defined benefit plan re-measurements	-	-	-	-	-	(28,883)	(28,883)
<b>Transactions with shareholders recognized directly in equity:</b>							
Issuance of convertible bonds	-	-	-	18,152	-	-	18,152
Stock issuance costs	-	(4,027)	-	-	-	-	(4,027)
<b>Balance at December 31, 2023</b>	\$ 724,973	(18,623)	829,897	18,152	173,333	(886,146)	841,586

"The accompanying notes are an integral part of these financial statements"

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Separate 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
<b>Cash flows from operating activities</b>				
Profit (loss) for the year	₩ 14,758,380	(67,717,275)	\$ 11,446	(52,518)
Adjustment	253,957,596	227,647,300	196,958	176,553
Changes in assets and liabilities	(263,281,088)	(383,250,806)	(204,189)	(297,232)
<b>Cash generated from operations (note 30)</b>	<b>5,434,888</b>	<b>(223,320,781)</b>	<b>4,215</b>	<b>(173,197)</b>
Interest received	6,354,904	3,277,324	4,929	2,542
Interest paid	(955,467)	(33,361,638)	(741)	(25,874)
Dividends received	11,000	11,000	9	9
Income taxes refund(paid)	(395,181)	-	(306)	-
<b>Net cash provided by (used in) operating activities</b>	<b>10,450,144</b>	<b>(253,394,095)</b>	<b>8,105</b>	<b>(196,521)</b>
<b>Cash flows from investing activities</b>				
Decrease of loans and others	2,695,967	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	3,927,182	2,979,860	3,046	2,311
Disposal of intangible assets	1,568,815	500,000	1,217	388
Disposal of investments in joint venture	20,934,400	-	16,236	-
Decrease of financial lease assets	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 property, plant and equipment	(108,288,992)	(89,107,521)	(83,984)	(69,108)
Acquisition of right-of-use assets	-	(11,340,000)	-	(8,795)
Acquisition of intangible assets	(83,625,653)	(67,185,725)	(64,856)	(52,106)
Acquisition of investments in subsidiaries	(55,500,000)	-	(43,043)	-
<b>Net cash used in investing activities</b>	<b>(349,866,159)</b>	<b>(146,514,597)</b>	<b>(271,340)</b>	<b>(113,630)</b>
<b>Cash flows from financing activities</b>				
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	(6,996,336)	(7,488,816)	(5,426)	(5,808)
Stock issuance costs	(5,193,041)	(619,928)	(4,027)	(481)
<b>Net cash provided by financing activities</b>	<b>290,051,163</b>	<b>448,840,517</b>	<b>224,950</b>	<b>348,100</b>
<b>Net increase (decrease) in cash and cash equivalents(Note 30)</b>	<b>(49,364,852)</b>	<b>48,931,825</b>	<b>(38,285)</b>	<b>37,949</b>
Cash and cash equivalents at January 1	94,765,998	45,834,173	73,496	35,547
<b>Cash and cash equivalents at December 31</b>	<b>₩ 45,401,146</b>	<b>94,765,998</b>	<b>\$ 35,211</b>	<b>73,496</b>

"The accompanying notes are an integral part of these financial statements"

# KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

## Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

### 1. General Description of the Company

#### (1) Organization and description of business of the Company

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 Company is headquartered in Dongsak-ro, Pyeongtaek, and its factories are located in Pyeongtaek, Gyeonggi-do, and Changwon, Gyeongsangnam-do, Republic of Korea to manufacture, sell and fix multiple types of vehicle, heavy machinery and those parts.

#### (2) Major shareholders

As of December 31, 2023, the Company's shareholders are as follows:

<u>Name of shareholder</u>	<u>Number of shares (In shares)</u>	<u>Percentage of ownership (%)</u>
KG ETS Co., Ltd. (*)	110,000,000	58.83
2 <sup>nd</sup> 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
	<u>186,956,024</u>	<u>100.00</u>

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

### 2. Basis of Preparation and Accounting Policies

#### (1) Basis of translating separate financial statements

The separate financial statements are expressed in Korean won and have been translated into US dollars at the rate of ₩1,289.40 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 Company has prepared its separate financial statements in accordance with the K-IFRS. The Company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS No. 1027, Separate Financial Statements, in which a parent, or an investor with joint control of, or significant influence over, an investee, accounts for the investments on the basis of the direct equity interest rather than on the basis of the underlying results and net assets of the investees.

##### 1) Measurement Criteria

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

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

# KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

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

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

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

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

#### 3. Significant Accounting Policies

The significant accounting policies that we applied to the preparation of the Company's separate financial statements in accordance with K-IFRS are described below. The Company has consistently applied the accounting policies to the Company's separate 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 Company's separate financial statements.

# KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

## Notes to the Separate Financial Statements

### For the years ended December 31, 2023 and 2022

#### 3. Significant Accounting Policies, Continued

##### (1) New and amended standards, Continued

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

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 Company's separate 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 Company's separate 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 Company's separate 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 Company 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 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)

## Notes to the Separate 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 Company 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 Company 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 financial statements.

##### (2) Accounting for investments in subsidiaries

The Company in accordance with the K-IFRS No. 1110 'Consolidated financial statements' is a parent Company, and it has subsidiaries, KG Mobility Europe Parts Center B.V. (Formerly,, Ssangyong European Parts Center B.V.), KGM Australia (Formerly,, Ssangyong Australia Pty Ltd.) KS S&C Co., Ltd, KG Mobility Commercial Co., Ltd. When the Company prepares separate financial statements, the investments in subsidiaries are accounted for at cost basis by the direct investment proportion. Also, the Company recognizes a dividend from a subsidiary in profit or loss in the separate financial statements when its right to receive the dividend is established.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(3) Revenue recognition**

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

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

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

**(4) Foreign currencies**

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

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

**(5) Non-derivative financial assets**

1) Recognition and initial measurement

Trade receivables and debt securities are recognized for the first time at the time of issue. Other financial instruments and financial liabilities are recognized only when the Company becomes a party to the financial instrument. Except for trade receivables that do not include significant financial assets, are measured at fair value at the time of initial recognition and except for, financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss, transaction costs directly related to the acquisition of the financial asset or the issuance of the financial liability are added to or subtracted from the fair value. Trade receivables that do not include significant financial elements are initially measured at transaction prices.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(5) Non-derivative financial assets, Continued**

2) Classification and subsequent measurements

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

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

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

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

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at 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.



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

When evaluating this, we consider the following:

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

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

*Subsequent measurement and profit and loss*

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

3) Elimination

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(5) Non-derivative financial assets, Continued**

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

4) Offsetting

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

**(6) Impairment of financial assets**

1) Financial instruments and contract assets

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

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

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

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

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

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

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

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

Notes to the Separate Financial Statements

**For the years ended December 31, 2023 and 2022**

**3. Significant Accounting Policies, Continued**

**(6) Impairment of financial assets, Continued**

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

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

2) Measurement of ECLs

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

3) Credit-impaired financial assets

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

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

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

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

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

5) Write- Off

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(7) Financial liabilities and Paid-in capital**

1) Paid-in capital

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

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

2) Financial liabilities

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

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

**(8) Derivative financial instruments**

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

(9) Inventories

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

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

(10) Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(11) Intangible assets**

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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.

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(12) Impairment of non-financial assets**

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

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

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

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

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

**(13) Retirement benefit costs and termination benefits**

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

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

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(13) Retirement benefit costs and termination benefits, Continued**

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

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

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

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

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

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

**(14) Provisions**

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.



Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(15) Lease**

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

1) As a lessor

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

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

2) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The company has revalued land 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discounted rate.

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

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, continued**

**(15) Lease, continued**

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 Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and lease of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(16) Borrowing costs**

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

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

**(17) Government grants**

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

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

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

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

**(18) Finance income and expenses**

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

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, continued**

**(19) Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholdings of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. 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.

**(20) Taxation**

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(20) Taxation, Continued**

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

3) Current and deferred taxes for the year

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

**(21) Fair value**

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

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

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

**(22) Segment information**

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

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

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

4. Cash and Cash Equivalents

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

5. Restricted Financial Instruments

Restricted financial Instruments as of December 31, 2023 and 2022 are as follows:

(In thousands of won and in thousands of US 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	4,000	4,000	3	3	Bank account deposit
		₩ <u>6,025,789</u>	<u>6,044,596</u>	\$ <u>4,673</u>	<u>4,688</u>	

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
		₩ <u>560,000</u>		<u>2,094,391</u>	<u>560,000</u>	<u>560,000</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

6. Non-current Financial Assets, Continued

(In thousands of US 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
		\$ 434	1,624	434	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.

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	₩	363,602,894	8,005,334	195,642,850	3,848,377
Less: Allowance for doubtful accounts		(1,700,779)	(13,007)	(1,413,653)	(7,593)
Other receivables		31,461,875	-	20,233,191	-
Less: Allowance for doubtful accounts		(5,234,561)	-	(5,207,637)	-
Loans and others (*)		32,846,887	36,151,489	24,437,191	22,704,600
Less: Allowance for doubtful accounts		-	-	-	-
	₩	420,976,316	44,143,816	233,691,942	26,545,384

(\*) The Loans and others listed above include W2,492,922 thousand and W3,667,374 thousand for sub lease receivables and the interest revenue received by the sub lease contract is W529,437 thousand and W566,103 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	\$	281,994	6,209	151,732	2,985
Less: Allowance for doubtful accounts		(1,319)	(10)	(1,096)	(6)
Other receivables		24,400	-	15,692	-
Less: Allowance for doubtful accounts		(4,060)	-	(4,039)	-
Loans and others (*)		25,475	28,037	18,952	17,609
Less: Allowance for doubtful accounts		-	-	-	-
	\$	326,490	34,236	181,241	20,587

(\*) The Loans and others listed above include \$1,933 thousand and \$2,845 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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

(In thousands of won)

	2023		2022	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	₩ 302,807,160	89,029,087	184,354,923	56,496,853
Less than 180 days	63,213,583	3,261,032	5,172,930	1,176,637
Less than 270 days	5,026,397	757,134	5,450,482	1,919,889
Less than 365 days	4,160	1,395,656	3,402,806	1,141,383
More than 365 days	556,928	6,017,342	1,110,086	6,640,220
Total	₩ 371,608,228	100,460,251	199,491,227	67,374,982
Impaired receivables	1,713,786	5,234,561	1,421,246	5,207,637

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others(*)	Trade receivables	Others(*)
Less than 90 days	\$ 234,843	69,047	142,977	43,816
Less than 180 days	49,026	2,529	4,012	913
Less than 270 days	3,898	587	4,227	1,489
Less than 365 days	3	1,082	2,639	885
More than 365 days	432	4,667	861	5,150
Total	\$ 288,202	77,912	154,716	52,253
Impaired receivables	1,329	4,060	1,102	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	₩ 1,421,246	5,207,637	550,848	4,604,933
Bad debt expense	292,540	26,923	870,398	603,061
Reversal of allowance for bad debts	-	-	-	(357)
Ending balance	₩ 1,713,786	5,234,560	1,421,246	5,207,637

(In thousands of US dollar)

	2023		2022	
	Trade receivables	Others	Trade receivables	Others
Beginning balance	\$ 1,102	4,039	427	3,571
Bad debt expense	227	21	675	468
Reversal of allowance for bad debts	-	-	-	(0)
Ending balance	\$ 1,329	4,060	1,102	4,039

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	₩	53,711,411	38,454,625	\$ 41,656	29,824
Finished goods		172,265,369	59,041,091	133,601	45,790
Work-in-process		35,927,952	25,873,492	27,864	20,066
Raw materials		76,734,944	45,555,698	59,512	35,331
Sub-materials		613,642	461,790	476	358
Supplies		3,162,835	3,339,255	2,453	2,590
Goods in transit		51,117,312	23,764,489	39,644	18,431
	₩	<u>393,533,465</u>	<u>196,490,440</u>	\$ <u>305,207</u>	<u>152,389</u>

The Company has measured inventories at the lower of cost or net realizable value. The reversal of loss on valuation of inventories amounted to ₩8,234,980 thousand (\$6,387 thousand) and ₩2,142,501 thousand (\$1,662 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 and 2022 are as follows:

(In thousands of won)

	Company	Location	Owner ship	Closing month	2023		2022
					Acquisition cost	Book value	Book value
Subsidiaries	KG Mobility Europe Parts Center B.V. (*1)	Netherlands	100%	December	₩ 835,695	-	-
	KGM Australia (*2)	Australia	100%	December	4,067,594	-	-
	KG S&C Co., Ltd. (*3)	Korea	100%	December	500,000	500,000	-
	KG Mobility Commercial Co., Ltd. (*4)	Korea	100%	December	55,000,000	55,000,000	-
					<u>60,403,289</u>	<u>55,500,000</u>	-
Joint venture	KG Capital Co., Ltd. (*5) (Formerly, SY Auto Capital Co., Ltd)	Korea	-	December	-	-	10,200,000
					₩ <u>60,403,289</u>	<u>55,500,000</u>	<u>10,200,000</u>

(In thousands of US dollar)

	Company	Location	Owner ship	Closing month	2023		2022
					Acquisition cost	Book value	Book value
Subsidiaries	KG Mobility Europe Parts Center B.V. (*1)	Netherlands	100%	December	\$ 648	-	-
	KGM Australia (*2)	Australia	100%	December	3,155	-	-
	KG S&C Co., Ltd. (*3)	Korea	100%	December	388	388	-
	KG Mobility Commercial Co., Ltd. (*4)	Korea	100%	December	42,655	42,655	-
					<u>46,846</u>	<u>43,043</u>	-
Joint venture	KG Capital Co., Ltd. (*5) (Formerly, SY Auto Capital Co., Ltd)	Korea	-	December	-	-	7,911
					\$ <u>46,846</u>	<u>43,043</u>	<u>7,911</u>



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

9. Investments in Subsidiaries and a Joint venture, Continued

(1) Details of investment in subsidiaries and a joint venture as of December 31, 2023 and 2022 are as follows, Continued:

(\*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 Company acquired 100% of stake in Edison Motors Co., Ltd, which was in the process of a rehabilitation procedure, as of September 26, 2023, but were unable to exercise control until the completion of the rehabilitation procedure. Meanwhile, Edison Motors Co., Ltd. changed its name to KG Mobility Commercial Co., Ltd., and the Company 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 Company 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.

(2) Changes in investment in subsidiaries and a joint venture for the years ended December 31, 2023 is as follows:

(In thousands of won)

		2023				
Company		Beginning	Acquisition	Disposal	Transfer	Ended
Subsidiaries	KG Mobility Europe Parts Center B.V.	₩ -	-	-	-	-
	KGM Australia	-	-	-	-	-
	KG S&C Co., Ltd.	-	500,000	-	-	500,000
Joint venture	KG Mobility Commercial Co., Ltd.	-	55,000,000	-	-	55,000,000
	KG Capital Co., Ltd.	10,200,000	-	(10,200,000)	-	-
		₩ 10,200,000	55,500,000	(10,200,000)	-	55,500,000

(In thousands of US dollar)

		2023				
Company		Beginning	Acquisition	Disposal	Transfer	Ended
Subsidiaries	KG Mobility Europe Parts Center B.V.	\$ -	-	-	-	-
	KGM Australia	-	-	-	-	-
	KG S&C Co., Ltd.	-	388	-	-	388
Joint venture	KG Mobility Commercial Co., Ltd.	-	42,655	-	-	42,655
	KG Capital Co., Ltd.	7,911	-	(7,911)	-	-
		\$ 7,911	43,043	(7,911)	-	43,043

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

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
<b>Other current assets</b>				
Advance payments	₩ 110,167,693	72,307,007	\$ 85,441	56,078
Prepaid expenses	14,524,019	14,937,287	11,264	11,585
Current tax assets	-	369,816	-	287
	₩ <u>124,691,712</u>	<u>87,614,110</u>	\$ <u>96,705</u>	<u>67,950</u>
<b>Other non-current assets</b>				
Other non-current assets	₩ 271,518	275,882	\$ 211	214

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	₩ 429,084,600	278,800,357	(7,354)	-	-	707,877,603
Buildings	567,652,952	-	(3,673,011)	(259,591,246)	(156,894,823)	147,493,872
Structures	112,696,198	-	(35,650)	(71,387,548)	(30,951,769)	10,321,231
Machinery	1,226,098,858	-	(87,277)	(1,055,045,597)	(100,885,034)	70,080,950
Vehicles	7,534,196	-	(10,721)	(5,690,627)	(317,479)	1,515,369
Tools and molds	1,520,052,043	-	(20,570)	(1,159,786,386)	(178,714,616)	181,530,471
Equipment	64,095,686	-	(22,608)	(54,989,483)	(3,299,894)	5,783,701
Construction in progress	68,485,492	-	-	-	(1,156,258)	67,329,234
Machinery in transit	683,210	-	-	-	-	683,210
	₩ <u>3,996,383,235</u>	<u>278,800,357</u>	<u>(3,857,191)</u>	<u>(2,606,490,887)</u>	<u>(472,219,873)</u>	<u>1,192,615,641</u>

(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	6,890,458	-	-	(5,386,152)	(332,990)	1,171,316
Tools and molds	1,465,606,300	-	(36,472)	(1,097,537,335)	(182,133,732)	185,898,761
Equipment	62,872,412	-	(42,776)	(56,164,769)	(3,425,662)	3,239,205
Construction in progress	36,139,867	-	-	-	(1,156,258)	34,983,609
	₩ <u>3,963,142,550</u>	<u>278,800,357</u>	<u>(3,623,356)</u>	<u>(2,604,545,568)</u>	<u>(485,659,862)</u>	<u>1,148,114,121</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

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

(In thousands of US dollar)

	2023					
	Acquisition cost	Revaluation (*)	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land	\$ 332,779	216,225	(6)	-	-	548,998
Buildings	440,246	-	(2,849)	(201,327)	(121,680)	114,390
Structures	87,402	-	(28)	(55,365)	(24,005)	8,005
Machinery	950,907	-	(68)	(818,245)	(78,242)	54,352
Vehicles	5,843	-	(8)	(4,413)	(246)	1,175
Tools and molds	1,178,883	-	(16)	(899,478)	(138,603)	140,787
Equipment	49,710	-	(18)	(42,647)	(2,559)	4,486
Construction in progress	53,114	-	-	-	(897)	52,217
Machinery in transit	530	-	-	-	-	530
	<u>\$ 3,099,413</u>	<u>216,225</u>	<u>(2,991)</u>	<u>(2,021,476)</u>	<u>(366,232)</u>	<u>924,938</u>

(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	5,344	-	-	(4,177)	(258)	908
Tools and molds	1,136,658	-	(28)	(851,200)	(141,255)	144,175
Equipment	48,761	-	(33)	(43,559)	(2,657)	2,512
Construction in progress	28,028	-	-	-	(897)	27,132
	<u>\$ 3,073,633</u>	<u>216,225</u>	<u>(2,810)</u>	<u>(2,019,967)</u>	<u>(376,656)</u>	<u>890,425</u>

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

(In thousands of won)

		2023						
		Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	Ending balance
Land	₩	706,978,971	1,183,560	(284,928)	-	-	-	707,877,603
Buildings		125,171,183	1,445,968	(281,947)	(7,379,222)	-	28,537,890	147,493,872
Structures		10,346,410	48,088	(38,758)	(1,067,899)	-	1,033,390	10,321,231
Machinery		80,324,666	36,800	(2,842,627)	(25,152,921)	-	17,715,032	70,080,950
Vehicles		1,171,316	101,572	(10)	(438,552)	-	681,043	1,515,369
Tools and molds		185,898,761	802,700	(1,071,457)	(72,331,363)	-	68,231,830	181,530,471
Equipment		3,239,205	1,986,674	(22,772)	(1,783,869)	-	2,364,463	5,783,701
Construction in progress		34,983,609	149,058,666	-	-	-	(116,713,041)	67,329,234
Machinery in transit		-	683,210	-	-	-	-	683,210
	₩	<u>1,148,114,121</u>	<u>155,347,238</u>	<u>(4,542,499)</u>	<u>(108,153,826)</u>	<u>-</u>	<u>1,850,607</u>	<u>1,192,615,641</u>

(\*) 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.

(In thousands of won)

		2022						
		Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	Ending balance
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		1,563,939	-	(12)	(402,961)	-	10,350	1,171,316
Tools and molds		195,025,068	1,681,920	(1,377,017)	(89,291,266)	-	79,860,056	185,898,761
Equipment		4,883,311	357,117	(39,411)	(1,977,813)	-	16,001	3,239,205
Construction in progress		43,597,824	82,859,074	-	-	(40,797)	(91,432,492)	34,983,609
Machinery in transit		492,071	43,751	-	-	-	(535,822)	-
	₩	<u>1,190,309,298</u>	<u>84,992,834</u>	<u>(1,543,672)</u>	<u>(126,422,554)</u>	<u>(40,797)</u>	<u>819,012</u>	<u>1,148,114,121</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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

	2023						Ending balance
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others (*)	
Land	\$ 548,301	918	(221)	-	-	-	548,998
Buildings	97,077	1,121	(219)	(5,723)	-	22,133	114,390
Structures	8,024	37	(30)	(828)	-	801	8,005
Machinery	62,296	29	(2,205)	(19,507)	-	13,739	54,352
Vehicles	908	79	(0)	(340)	-	528	1,175
Tools and molds	144,175	623	(831)	(56,097)	-	52,918	140,787
Equipment	2,512	1,541	(18)	(1,383)	-	1,834	4,486
Construction in progress	27,132	115,603	-	-	-	(90,517)	52,217
Machinery in transit	-	530	-	-	-	-	530
	<u>\$ 890,425</u>	<u>120,480</u>	<u>(3,523)</u>	<u>(83,879)</u>	<u>-</u>	<u>1,435</u>	<u>924,938</u>

(\*) 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.

(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	1,213	-	(0)	(313)	-	8	908
Tools and molds	151,253	1,304	(1,068)	(69,250)	-	61,936	144,175
Equipment	3,787	277	(31)	(1,534)	-	12	2,512
Construction in progress	33,812	64,262	-	-	(32)	(70,911)	27,132
Machinery in transit	382	34	-	-	-	(416)	-
	<u>\$ 923,150</u>	<u>65,917</u>	<u>(1,197)</u>	<u>(98,048)</u>	<u>(32)</u>	<u>635</u>	<u>890,425</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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

11. Property, Plant and Equipment, Continued

(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 ₩3,396,343 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 Company has changed the accounting policy of the subsequent measurement of land classified as property, plant and equipment from the cost model to the revaluation model for the year ended December 31, 2021. The lands were revalued by using appraisal results which conducted by independent and expertise appraisal institution, Dae-il Appraisal Board, as of March 31, 2021. The appraisal board valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties.

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	₩	707,877,603	429,077,246	\$ 548,998	332,773

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

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
Patents		6,378,964	(908)	(5,204,808)	(259,115)	914,133
Other intangible assets		138,566,426	(12,858)	(42,087,550)	(74,723,215)	21,742,803
	₩	<u>896,814,525</u>	<u>(13,766)</u>	<u>(588,321,304)</u>	<u>(121,967,454)</u>	<u>186,512,001</u>

(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
Patents		5,841,545	(2,745)	(4,790,435)	(233,258)	815,107
Other intangible assets		155,928,824	(11,111)	(40,474,842)	(74,723,215)	40,719,656
	₩	<u>802,494,639</u>	<u>(13,856)</u>	<u>(524,583,152)</u>	<u>(113,903,707)</u>	<u>163,993,924</u>

(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
Patents		4,947	(1)	(4,037)	(201)	709
Other intangible assets		107,466	(10)	(32,641)	(57,952)	16,863
	\$	<u>695,529</u>	<u>(11)</u>	<u>(456,275)</u>	<u>(94,592)</u>	<u>144,650</u>

(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
Patents		4,530	(2)	(3,715)	(181)	632
Other intangible assets		120,931	(9)	(31,390)	(57,952)	31,580
	\$	<u>622,378</u>	<u>(11)</u>	<u>(406,843)</u>	<u>(88,339)</u>	<u>127,186</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

(In thousands of won)

		2023							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
<b>Internally created intangible assets:</b>									
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>179,714,947</u>
<b>Individually acquired intangible assets:</b>									
Patents		815,107	537,419	-	(412,536)	(25,857)	-	-	914,133
Other intangible assets		3,516,758	4,720,619	(740,000)	(1,599,524)	-	-	(14,932)	5,882,921
		<u>4,331,865</u>	<u>5,258,038</u>	<u>(740,000)</u>	<u>(2,012,060)</u>	<u>(25,857)</u>	<u>-</u>	<u>(14,932)</u>	<u>6,797,054</u>
	₩	<u>163,993,924</u>	<u>83,625,652</u>	<u>(740,000)</u>	<u>(63,723,130)</u>	<u>(25,857)</u>	<u>-</u>	<u>3,381,412</u>	<u>186,512,001</u>

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩3,396,344 thousand for the year ended December 31, 2023.

(In thousands of won)

		2022							
		Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Others (*)	Ending balance
<b>Internally created intangible assets:</b>									
Development									
cost	₩	133,937,149	-	-	(69,406,679)	-	-	57,928,691	122,459,161
Other intangible assets		28,964,363	64,925,869	-	-	-	59,491,347	(116,178,681)	37,202,898
		<u>162,901,512</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>
<b>Individually acquired intangible assets:</b>									
Patents		699,485	509,351	-	(385,510)	(8,219)	-	-	815,107
Other intangible assets		3,898,126	1,750,505	(511,000)	(1,620,873)	-	-	-	3,516,758
		<u>4,597,611</u>	<u>2,259,856</u>	<u>(511,000)</u>	<u>(2,006,383)</u>	<u>(8,219)</u>	<u>-</u>	<u>-</u>	<u>4,331,865</u>
	₩	<u>167,499,123</u>	<u>67,185,725</u>	<u>(511,000)</u>	<u>(71,413,062)</u>	<u>(8,219)</u>	<u>59,491,347</u>	<u>(58,249,990)</u>	<u>163,993,924</u>

(\*) Capitalized borrowing costs in respect of other intangible assets is ₩1,241,356 thousand for the year ended December 31, 2022.



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

		<b>2023</b>							
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Transfer</u>	<u>Others (*)</u>	<u>Ending balance</u>
<b>Internally created intangible assets:</b>									
Development									
cost	\$	94,974	-	-	(47,860)	-	79,965	-	127,079
Other intangible		28,853	60,778	-	-	-	(79,965)	2,634	12,300
assets		<u>123,827</u>	<u>60,778</u>	<u>-</u>	<u>(47,860)</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>139,379</u>
<b>Individually acquired intangible assets:</b>									
Patents		632	417	-	(320)	(20)	-	-	709
Other intangible		2,727	3,661	(574)	(1,241)	-	-	(12)	4,563
assets		<u>3,360</u>	<u>4,078</u>	<u>(574)</u>	<u>(1,560)</u>	<u>(20)</u>	<u>-</u>	<u>(12)</u>	<u>5,271</u>
	\$	<u><u>127,186</u></u>	<u><u>64,856</u></u>	<u><u>(574)</u></u>	<u><u>(49,421)</u></u>	<u><u>(20)</u></u>	<u><u>-</u></u>	<u><u>2,622</u></u>	<u><u>144,650</u></u>

(\*) Capitalized borrowing costs in respect of other intangible assets is \$2,634 thousand for the year ended December 31, 2023.

(In thousands of US dollar)

		<b>2022</b>							
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Transfer</u>	<u>Others (*)</u>	<u>Ending balance</u>
<b>Internally created intangible assets:</b>									
Development									
cost	\$	103,876	-	-	(53,829)	-	-	44,927	94,974
Other intangible		22,463	50,354	-	-	-	46,139	(90,103)	28,853
assets		<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>
<b>Individually acquired intangible assets:</b>									
Patents		542	395	-	(299)	(6)	-	-	632
Other intangible		3,023	1,358	(396)	(1,257)	-	-	-	2,727
assets		<u>3,566</u>	<u>1,753</u>	<u>(396)</u>	<u>(1,556)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>3,360</u>
	\$	<u><u>129,905</u></u>	<u><u>52,106</u></u>	<u><u>(396)</u></u>	<u><u>(55,385)</u></u>	<u><u>(6)</u></u>	<u><u>46,139</u></u>	<u><u>(45,176)</u></u>	<u><u>127,186</u></u>

(\*) Capitalized borrowing costs in respect of other intangible assets is \$963 thousand for the year ended December 31, 2022.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

12. Intangible Assets, Continued

(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	-
		₩	179,714,946	\$	139,379	

(\*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		16,812,946	20,222,584		13,039	15,684
	₩	178,748,298	155,981,645	\$	138,629	120,972

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

		<b>2023</b>				
		<b>Beginning</b>				<b>Ending balance</b>
<i>(In thousands of won)</i>		<b>balance</b>	<b>Increase</b>	<b>Depreciation</b>	<b>Others</b>	
Land and building	₩	7,074,960	3,437,014	(6,309,596)	(893,566)	3,308,812
Vehicle		3,429,935	91,647	(1,688,424)	(83,765)	1,749,393
Equipment		148,728	1,210,151	(371,279)	(9,035)	978,565
	₩	<u>10,653,623</u>	<u>4,738,812</u>	<u>(8,369,299)</u>	<u>(986,366)</u>	<u>6,036,770</u>
		<b>2022</b>				
		<b>Beginning</b>				<b>Ending balance</b>
<i>(In thousands of won)</i>		<b>balance</b>	<b>Increase(*)</b>	<b>Depreciation</b>	<b>Others</b>	
Land and building	₩	3,777,583	11,421,894	(8,105,307)	(19,210)	7,074,960
Vehicle		87,244	5,067,681	(1,724,990)	-	3,429,935
Equipment		279,872	276,043	(407,187)	-	148,728
	₩	<u>4,144,699</u>	<u>16,765,618</u>	<u>(10,237,484)</u>	<u>(19,210)</u>	<u>10,653,623</u>

(\*) The amount of ₩11,340 million increased due to the extension of the lease contract for Guro A/S center for the year ended December 31, 2022.

		<b>2023</b>				
		<b>Beginning</b>				<b>Ending balance</b>
<i>(In thousands of US dollar)</i>		<b>balance</b>	<b>Increase</b>	<b>Depreciation</b>	<b>Others</b>	
Land and building	\$	5,487	2,666	(4,893)	(693)	2,566
Vehicle		2,660	71	(1,309)	(65)	1,357
Equipment		115	939	(288)	(7)	759
	\$	<u>8,262</u>	<u>3,675</u>	<u>(6,491)</u>	<u>(765)</u>	<u>4,682</u>
		<b>2022</b>				
		<b>Beginning</b>				<b>Ending balance</b>
<i>(In thousands of US dollar)</i>		<b>balance</b>	<b>Increase(*)</b>	<b>Depreciation</b>	<b>Others</b>	
Land and building	\$	2,930	8,858	(6,286)	(15)	5,487
Vehicle		68	3,930	(1,338)	-	2,660
Equipment		217	214	(316)	-	115
	\$	<u>3,214</u>	<u>13,003</u>	<u>(7,940)</u>	<u>(15)</u>	<u>8,262</u>

(\*) The amount of \$9 million increased due to the extension of the lease contract for Guro A/S center for the year ended December 31, 2022.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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 (*)	₩	4,762,993	3,837,540	4,957,982	3,818,410

(In thousands of US dollar)

		2023		2022	
		Current	Non-current	Current	Non-current
Lease liabilities (*)	\$	3,694	2,976	3,845	2,961

(\*) The total amounts of lease liabilities paid are ₩6,996,336 thousand (\$5,426 thousand) and ₩7,488,816 thousand (\$5,808 thousand) and interest expenses are ₩366,717 thousand (\$284 thousand) and ₩368,275 thousand (\$286 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	₩	690,554	605,690
Building	Short term		-	-

(In thousands of US dollar)

	Exemption of lease recognition		2023	2022
Office equipment	Low cost	\$	536	470
Building	Short term		-	-

(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	
<b>Sub lease</b>						
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)

Notes to the Separate 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 Company 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 <sup>th</sup> )	2.00%	2023-03-17	2028-03-17	₩ 73,500,000
Convertible bonds (120 <sup>th</sup> )	2.00%	2023-03-24	2028-03-24	30,000,000
Convertible bonds (121 <sup>st</sup> )	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 <sup>th</sup> )	2.00%	2023-03-17	2028-03-17	\$ 57,003
Convertible bonds (120 <sup>th</sup> )	2.00%	2023-03-24	2028-03-24	23,267
Convertible bonds (121 <sup>st</sup> )	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)

Notes to the Separate 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:

	<b>Main terms</b>
Type	The 119 <sup>th</sup> 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

	<b>Main terms</b>
Type	The 120 <sup>th</sup> 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)

Notes to the Separate 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:

	<b>Main terms</b>
Type	The 121 <sup>st</sup> 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)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

14. Borrowings, Continued

(4) The Company 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			Amounts
	Guaranteed Yield to Maturity	Issuance date	Maturity date	
Bond with warrant (122 <sup>nd</sup> )	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			Amounts
	Guaranteed Yield to Maturity	Issuance date	Maturity date	
Bond with warrant (122 <sup>nd</sup> )	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 Company 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 Company 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 <sup>nd</sup> )	₩ 76,715,556	-	-	-

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Bond with warrant(122 <sup>nd</sup> )	\$ 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)

Notes to the Separate 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 <sup>nd</sup> )	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	1,185,824	920
	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)	25,707,536	19,938

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

	Main terms
Type	1) The 122 <sup>nd</sup> 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)

Notes to the Separate 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 US dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Accrued expenses	₩ 36,035,813	20,702,517	\$ 27,948	16,056

16. Provision of Warranty for sale

The Company generally provides warranty for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Changes in provision of warranty for sale for the years ended December 31, 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	₩ 96,834,231	104,830,673	\$ 75,100	81,302
Increase	41,354,627	20,994,693	32,073	16,283
Decrease	(30,193,183)	(28,991,135)	(23,416)	(22,484)
Ending balance	₩ 107,995,675	96,834,231	\$ 83,757	75,100
Current	₩ 38,748,094	40,689,846	\$ 30,051	31,557
Non-current	69,247,581	56,144,385	53,705	43,543

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	₩ 70,068,993	-	9,009,587	-
Deposits received	361,744	-	348,480	-
Payments of income taxes payable	647,866	-	-	-
Withholdings	14,350,184	-	27,128,002	-
Income received in advance	18,057,066	6,064,977	17,512,413	7,789,806
Provisions for returned goods(*)	1,130,493	-	926,029	-
	₩ 104,616,346	6,064,977	54,924,511	7,789,806

(In thousands of US dollar)

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	\$ 54,342	-	6,987	-
Deposits received	281	-	270	-
Payments of income taxes payable	502	-	-	-
Withholdings	11,129	-	21,039	-
Income received in advance	14,004	4,704	13,582	6,041
Provisions for returned goods(*)	877	-	718	-
	\$ 81,136	4,704	42,597	6,041

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	₩ 342,804,937	280,901,431	\$ 265,864	217,854
Fair value of plan assets	(732,096)	(782,347)	(568)	(607)
	₩ 342,072,841	280,119,084	\$ 265,296	217,248

(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	23,910,930	-	23,910,930
Interest expense (income)	14,310,284	(39,856)	14,270,428
Sub-total	319,122,645	(822,203)	318,300,442
Re-measurement factors:			
Re-measurements of plan assets	-	29,397	29,397
Loss (gain) from experience adjustments	21,584,500	-	21,584,500
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	44,115,032	29,397	44,144,429
Benefit paid by plan	(60,710)	60,710	-
Benefit paid directly	(20,372,030)	-	(20,372,030)
Ending balance	₩ 342,804,937	(732,096)	342,072,841

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	18,544	-	18,544
Interest expense (income)	11,098	(31)	11,067
Sub-total	247,497	(638)	246,859
Re-measurement factors:			
Re-measurements of plan assets	-	23	23
Loss (gain) from experience adjustments	16,740	-	16,740
Loss (gain) from changes in financial assumptions	17,588	-	17,588
Loss (gain) from changes in demographic assumptions	(114)	-	(114)
Sub-total	34,214	23	34,236
Benefit paid by plan	(47)	47	-
Benefit paid directly	(15,800)	-	(15,800)
Ending balance	\$ 265,864	(568)	265,296

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	₩ 732,096	782,347	\$ 568	607

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

	2023	2022
Discount rate (%)	4.20	5.20
Rate of future salary growth (%)	3.00	3.00

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	₩ (21,645,783)	24,055,323	\$ (16,787)	18,656
Future salary growth	23,784,451	(21,730,580)	18,446	(16,853)

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

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

(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 employee benefits liabilities as of December 31, 2023 and 2022 are as follows:

(Korean won and US dollar)

	2023	2022
Discount rate (%)	3.80	5.10
Rate of future salary growth (%)	2.00	2.00
Gold price(1-don = 3.75 g)	₩338,489(\$263)	₩ 295,540(\$229)

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

19. Commitments and Contingencies

- (1) The Company 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 12 claims as a defendant were filled with the claims of ₩15,534 million (\$12 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 Company 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 US 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 Company estimates the expenses based on shortage of fuel efficiency comparing to the standard fuel efficiency and emission quantity in excess of free-allocated emission quantity. The Company has recognized 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 Company 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 US dollar)

Finance Institution	Guarantee details	2023	
		Korean won	US dollar
Seoul guarantee insurance company	Commercial credit insurance security	₩ 17,017,680	\$ 13,198
	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
		₩ 24,683,435	\$ 19,143

(5) The Company 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) The Company has provided a payment guarantee of ₩12,565 million (\$10 Million) for the purpose of receiving government grants to investment in the Gunsan Factory of its subsidiary, KG Mobility Commercial Co., Ltd., (Formerly, Edison Motors Co., Ltd) as of December 31, 2023.



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

20. Capital Stock

(1) The Company'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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

20. Capital Stock, Continued

(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 Company 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 Company(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 Company(under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)(effective date on September 3, 2022)

(\*3) The Company 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 Company(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 3<sup>rd</sup> party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Company(under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

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

(\*6) As of October 22, 2022, a paid-in capital increase by 3<sup>rd</sup> party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Company(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 Company(under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)(effective date on November 8, 2022)

(\*8) The Company 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 Company(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 3<sup>rd</sup> party allocation was carried out In accordance with the approval of the rehabilitation plan(August 26, 2022) by improving the financial structure of the Company(under the “Debtor Rehabilitation and Bankruptcy Act” of Republic of Korea)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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 Company 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 Company(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 Company(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 3, 2022)

(\*3) The Company 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 Company(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on September 19, 2022)

(\*4) The Company 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 Company(under the "Debtor Rehabilitation and Bankruptcy Act" of Republic of Korea)(effective date on November 10, 2022)

22. Other Equity

Details of the Company'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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

23. Deficit

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

	Korean won		US dollar	
	2023	2022	2023	2022
Deficit	₩ (1,142,596,326)	(1,120,113,535)	\$ (886,146)	(868,709)

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

	Korean won		US dollar	
	2023	2022	2023	2022
Beginning balance	₩ (1,120,113,535)	(1,144,921,163)	\$ (868,709)	(887,949)
Profit(loss) for the year	14,758,380	(67,717,275)	11,446	(52,518)
Defined benefit plan re-measurement	(37,241,171)	92,524,903	(28,883)	71,758
Ending balance	₩ (1,142,596,326)	(1,120,113,535)	\$ (886,146)	(868,709)

(3) Statements of disposition of accumulated deficits for the years ended December 31, 2023 and 2022 are as follows:

Date of Disposition for 2023: March 26, 2024

Date of Disposition for 2022: March 22, 2023

(In thousands of won)

	2023	2022
<b>Undisposed accumulated Deficits</b>		
Balance at beginning of year	₩ (1,120,113,534,894)	(1,126,465,233,779)
Profit(Loss) for the year	14,758,379,544	(67,717,275,481)
Correction of accounting error of previous year (*)	-	(18,455,929,417)
Re-measurements of defined benefit liabilities	(37,241,170,667)	92,524,903,783
	(1,142,596,326,017)	(1,120,113,534,894)
<b>Disposition of deficit</b>	-	-
<b>Undisposed accumulated deficits to be carried over to subsequent year</b>	₩ (1,142,596,326,017)	(1,120,113,534,894)

Date of Disposition for 2023: March 26, 2024

Date of Disposition for 2022: March 22, 2023

(In thousands of US dollar)

	2023	2022
<b>Undisposed accumulated Deficits</b>		
Balance at beginning of year	\$ (868,709,117)	(873,635,205)
Profit(Loss) for the year	11,445,928	(52,518,439)
Correction of accounting error of previous year (*)	-	(14,313,580)
Re-measurements of defined benefit liabilities	(28,882,558)	71,758,107
	(886,145,747)	(868,709,117)
<b>Disposition of deficit</b>	-	-
<b>Undisposed accumulated deficits to be carried over to subsequent year</b>	\$ (886,145,747)	(868,709,117)

(\*) The Company recognized impairment loss of intangible assets amounting to ₩8,083 million(\$6 million) and deferred tax effect from re-measurements of defined benefit liabilities amounting to ₩10,418 million(\$8 million) for the year ended December 31, 2021. The Company restated the financial statement for the year ended December 31, 2021 to reflect these adjustments.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

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:

	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	₩ (13,572,555)	-	\$ (10,526)	-

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

	2023			
	Beginning balance	Decrease	Increase	Ending balance
Allowance for doubtful accounts	₩ 4,120,967	4,233,305	3,244,934	3,132,596
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	82,173,786	343,698,090
Impairment loss of tangible assets	88,008,925	19,196,763	7,924,147	76,736,309
Property, plant & equipment	-	(146,203)	(869,828)	(723,625)
Intangible assets	1,858,056	1,033,633	311,721	1,136,144
Depreciation	17,640,104	2,249,922	2,582,905	17,973,087
Provisions	87,140,604	85,771,612	78,956,458	80,325,450
Accrued expenses	20,702,517	20,702,517	35,961,265	35,961,265
Investment in subsidiaries	4,934,194	-	-	4,934,194
Other long-term employee benefits	11,703,405	11,703,405	13,008,886	13,008,886
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
Sub-lease receivables	(3,663,374)	(3,663,374)	(2,492,922)	(2,492,922)
Right-of-use assets	(10,653,623)	(10,653,623)	(6,036,770)	(6,036,770)
Lease liabilities	8,776,392	8,776,392	8,600,532	8,600,532
Convertible bonds	-	-	(14,878,474)	(14,878,474)
Bond with warrant	-	-	72,899,688	72,899,688
Derivatives	-	-	(60,660,952)	(60,660,952)
Others	4,430,455	4,262,685	8,007,203	8,174,973
Deficit carried over on tax	1,204,480,657	149,736,385	-	1,054,744,272
Sub-total	1,419,879,890	418,804,965	341,829,574	1,342,904,499
Not recognized as deferred tax assets(liabilities)	1,784,026,290			1,546,401,661
Recognized as deferred tax assets(liabilities)	(364,146,400)			(203,497,162)
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax	(80,112,208)			(58,223,532)
Tax credit carry-forwards:	16,845,481	(3,396,197)	-	20,241,678
Not recognized as deferred tax assets	16,845,481	(3,396,197)	-	20,241,678
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry-forwards	-	-	-	-
Total deferred tax assets(liabilities)	₩ (80,112,208)	-	-	(58,223,532)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

	<b>2022</b>			
	<u>Beginning balance</u>	<u>Decrease</u>	<u>Increase</u>	<u>Ending balance</u>
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 subsidiaries	4,934,194	-	-	4,934,194
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	6,992,932	4,117,148	4,430,455
Deficit carried over on tax	1,203,212,024	(1,268,633)	-	1,204,480,657
Sub-total	<u>1,598,425,335</u>	<u>467,369,661</u>	<u>288,824,216</u>	<u>1,419,879,890</u>
Not recognized as deferred tax assets(liabilities)	1,897,167,471	-	-	1,784,026,290
Recognized as deferred tax assets(liabilities)	(298,742,136)	-	-	(364,146,400)
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax	<u>(65,723,270)</u>	-	-	<u>(80,112,208)</u>
Tax credit carry-forwards:	<u>20,615,807</u>	<u>3,770,326</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>(80,112,208)</u>

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 company 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)

Notes to the Separate 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)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending balance</b>
Allowance for doubtful accounts	\$ 3,196	3,283	2,517	2,429
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	63,730	266,557
Impairment loss of property, plant & equipment	68,256	14,888	6,146	59,513
Property, plant & equipment	-	(113)	(675)	(561)
Intangible assets	1,441	802	242	881
Depreciation	13,681	1,745	2,003	13,939
Provisions	67,582	66,521	61,235	62,297
Accrued expenses	16,056	16,056	27,890	27,890
Investment in subsidiaries	3,827	-	-	3,827
Other long-term employee benefits	9,077	9,077	10,089	10,089
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)	(4,682)	(4,682)
Lease liabilities	6,807	6,807	6,670	6,670
Convertible bonds	-	-	(11,539)	(11,539)
Bond with warrant	-	-	56,538	56,538
Derivatives	-	-	(47,046)	(47,046)
Others	3,436	3,306	6,210	6,340
Deficit carried over on tax	934,140	116,129	-	818,012
Sub-total	<u>1,101,194</u>	<u>324,806</u>	<u>265,107</u>	<u>1,041,496</u>
Not recognized as deferred tax assets(liabilities)	1,383,610			1,199,319
Recognized as deferred tax assets(liabilities)	(282,415)			(157,823)
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax	<u>(62,131)</u>			<u>(45,156)</u>
Tax credit carry-forwards:	13,065	(2,634)	-	15,699
Not recognized as deferred tax assets	13,065	(2,634)	-	15,699
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>\$ (62,131)</u>	<u>-</u>	<u>-</u>	<u>(45,156)</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

	<b>2022</b>			
	<b>Beginning balance</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending balance</b>
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 subsidiaries	3,827	-	-	3,827
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	5,423	3,193	3,436
Deficit carried over on tax	933,157	(984)	-	934,140
Sub-total	<u>1,239,666</u>	<u>362,471</u>	<u>223,999</u>	<u>1,101,194</u>
Not recognized as deferred tax assets(liabilities)	1,471,357			1,383,610
Recognized as deferred tax assets(liabilities)	(231,691)			(282,415)
Deferred tax assets(liabilities) resulting from temporary differences or deficits carried over on tax	<u>(50,972)</u>			<u>(62,131)</u>
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	-	-	-	-
Total deferred tax assets(liabilities)	<u>\$ (50,972)</u>	<u>-</u>	<u>-</u>	<u>(62,131)</u>

The Company recognized all deferred tax liabilities for taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, deficits carried over on tax and tax credit carry-forwards from expected future taxable income.



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

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 company 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.

- (3) Items credited directly to equity as of December 31, 2023 and 2022 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	2023		
	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>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

24. Income Tax Expense, Continued

- (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
0 ~ 1 Year	₩ -	-	\$ -	-
1 ~ 5 Years	126,404,112	15,635,348	98,033	12,126
5 ~ 10 Years	928,340,160	4,606,330	719,978	3,572
	₩ <u>1,054,744,272</u>	<u>20,241,678</u>	\$ <u>818,012</u>	<u>15,699</u>

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	₩ (138,535,523)	(47,032,998)	\$ (107,442)	(36,477)
Raw materials consumed and purchase of merchandise	2,769,516,308	2,573,946,265	2,147,911	1,996,236
Employee benefits	475,575,477	376,768,078	368,835	292,204
Depreciation	108,153,826	126,422,553	83,879	98,048
Amortization	63,723,130	71,413,061	49,421	55,385
Others	496,608,900	439,518,801	385,147	340,871
	₩ <u>3,775,042,118</u>	<u>3,541,035,760</u>	\$ <u>2,927,751</u>	<u>2,746,266</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	₩ 58,141,210	30,420,182	\$ 45,092	23,593
Commissions	110,857,324	146,093,819	85,976	113,304
Advertising	10,569,700	7,168,390	8,197	5,559
Export expenses	26,247,985	9,068,267	20,357	7,033
Promotion	12,435,073	28,677,393	9,644	22,241
Others	11,112,161	9,822,329	8,618	7,618
	₩ <u>229,363,453</u>	<u>231,250,380</u>	\$ <u>177,884</u>	<u>179,347</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)  
Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

26. Selling, General and Administrative Expenses, Continued

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

	Korean won		US dollar	
	2023	2022	2023	2022
(In thousands of won and In thousands of US dollar)				
Salaries	₩ 41,627,023	34,019,536	\$ 32,284	26,384
Retirement benefit costs	5,507,474	4,734,678	4,271	3,672
Employee welfare	9,904,213	7,235,079	7,681	5,611
Rent expense	12,315,999	9,157,363	9,552	7,102
Service fees	22,181,831	33,979,749	17,203	26,353
Depreciation	5,425,454	9,429,480	4,208	7,313
R&D expenses	16,812,946	20,222,584	13,039	15,684
Amortization	2,012,060	2,006,381	1,560	1,556
(Reversal of) bad debt expense	292,540	870,398	227	675
Others	31,032,310	29,145,242	24,067	22,604
	₩ 147,111,850	150,800,490	\$ 114,093	116,954

27. Other Income and Expenses

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

	Korean won		US dollar	
	2023	2022	2023	2022
(In thousands of won and In thousands of US dollar)				
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	3,058,854	2,821,761	2,372	2,188
Gain on disposal of intangible assets	828,815	-	643	-
Gain on disposal of investment in joint venture	10,734,400	-	8,325	-
Others	4,044,092	49,607,173	3,136	38,473
	₩ 40,834,505	66,981,898	\$ 31,669	51,948

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

	Korean won		US dollar	
	2023	2022	2023	2022
(In thousands of won and In thousands of US dollar)				
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 PP&E	3,674,171	1,385,647	2,850	1,075
Loss on disposal of intangible assets	-	11,000	-	9
Impairment loss on PP&E	-	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
Other bad-debt expenses	26,923	603,061	21	468
Others	4,605,912	11,199,992	3,572	8,686
	₩ 25,648,869	36,323,833	\$ 19,892	28,171

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

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	₩ 6,403,558	3,490,098	\$ 4,966	2,707
Dividend income	11,000	11,000	9	9
Foreign exchange transaction gain	6,673,802	5,506,281	5,176	4,270
Foreign exchange translation gain	24,193	-	19	-
Gain on valuation of FVTPL	293,698	-	228	-
Gain on exemption of debts	8,803	31,913,462	7	24,751
	₩ <u>13,415,054</u>	<u>40,920,841</u>	\$ <u>10,404</u>	<u>31,736</u>

(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	₩ 2,016,861	12,602,864	\$ 1,564	9,774
Foreign exchange transaction loss	5,471,147	9,204,878	4,243	7,139
Foreign exchange translation loss	368,795	-	286	-
Derivative transaction loss	12,500	-	10	-
Loss on valuation of derivative	24,521,712	-	19,018	-
	₩ <u>32,391,015</u>	<u>21,807,742</u>	\$ <u>25,121</u>	<u>16,913</u>

(3) Details of the Company'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	₩ 5,253,553	19,102,099	\$ 4,074	14,815
Financial assets at FVTPL	304,698	11,000	236	9
Derivative assets/liabilities	(24,534,212)	-	(19,028)	-
	₩ <u>(18,975,961)</u>	<u>19,113,099</u>	\$ <u>(14,717)</u>	<u>14,823</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

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 US dollar, except per share information)

		Korean won			US dollar	
		2023	2022		2023	2022
Profits(Losses) for the year	₩	14,758,380	(67,717,275)	\$	11,446	(52,518)
Profits(losses) contributed to common stocks		14,758,380	(67,717,275)		11,446	(52,518)
Weighted average number of common shares		186,956,024	56,286,104		186,956,024	56,286,104
Basic earnings (losses) per share	₩	79	(1,203)	\$	0.06	(0.93)
Diluted earnings(losses) per share		75	(1,203)		0.06	(0.93)

The Company 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 Company 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.

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

(In shares)	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
(In shares)	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.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

29. Earnings(Losses) per Share, Continued

(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)*

	<u>2023</u>	<u>2022</u>
Profit(loss) for the period	₩ 14,758,380	(67,717,275)
Interest expenses after tax	560,160	-
Profit(loss) contributed to diluted common stocks	15,318,540	(67,717,275)
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	75	(1,203)

*(In thousands of US dollar except per share information)*

	<u>2023</u>	<u>2022</u>
Profit(loss) for the period	\$ 11,446	(52,518)
Interest expenses after tax	434	-
Profit(loss) contributed to diluted common stocks	11,880	(52,518)
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	0.06	(0.93)

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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
<b>Profit(loss) for the year</b>	₩ 14,758,380	(67,717,275)	\$ 11,446	(52,518)
<b>Adjustments for:</b>				
Tax expenses	(13,572,555)	-	(10,526)	-
Retirement benefit costs	38,181,358	43,413,413	29,612	33,669
Depreciation	108,153,826	126,422,553	83,879	98,048
Amortization	63,723,130	71,413,061	49,421	55,385
Depreciation of right-of-use assets	8,369,299	10,237,484	6,491	7,940
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
Gain on disposal investment in joint venture	(10,734,400)	-	(8,325)	-
Foreign exchange translation gain and loss, net	(2,163,237)	471,295	(1,678)	366
Losses (Gains) on disposal of PP&E	615,317	(1,436,189)	477	(1,114)
Losses (Gains) on disposal of intangible asset	(828,815)	11,000	(643)	9
Interest expense and income, net	(4,386,697)	9,112,765	(3,402)	7,067
Dividends income	(11,000)	(11,000)	(9)	(9)
Gains on valuation of FVTPL	(293,698)	-	(228)	-
Losses on valuation of derivatives	24,521,712	-	19,018	-
Gains on valuation of inventories	(8,234,980)	(2,142,501)	(6,387)	(1,662)
Increase in provision of warranty for sale	41,354,627	20,994,693	32,073	16,283
Sales promotion expenses	(1,182,830)	19,391,345	(917)	15,039
Export overall expenses	8,340,889	142,938	6,469	111
Bad-debt expenses	292,540	870,398	227	675
Other bad-debt expenses	26,923	602,704	21	467
Gain on exemption of debts	(8,803)	(31,913,462)	(7)	(24,751)
Miscellaneous income	(76,160)	(40,430,120)	(59)	(31,356)
Miscellaneous losses	1,201,508	-	932	-
Others, net	(126,663)	415,519	(98)	322
	<u>253,957,596</u>	<u>227,647,299</u>	<u>184,549</u>	<u>176,553</u>
<b>Changes in assets and liabilities</b>				
Increase of trade receivables	(170,047,664)	(51,581,837)	(131,881)	(40,005)
Increase of other receivables	(11,144,221)	(11,800,059)	(8,643)	(9,152)
Increase of inventories	(189,466,785)	(59,817,109)	(146,942)	(46,391)
Increase of other assets	(37,447,418)	(11,899,712)	(29,043)	(9,229)
Increase(decrease) of trade payables	116,020,722	(78,802,097)	89,980	(61,115)
Increase(decrease) of other payables	28,806,229	(92,715,583)	22,341	(71,906)
Increase(decrease) of accrued expenses	15,258,748	(60,794,987)	11,834	(47,150)
Decrease of provision of warranty for sale	(30,193,183)	(28,991,134)	(23,416)	(22,484)
Increase(decrease) of provision for others	(13,734,728)	15,779,083	(10,652)	12,238
Payment of retirement benefits	(20,372,030)	(19,530,808)	(15,800)	(15,147)
Increase of other liabilities	49,039,241	16,903,437	38,033	13,110
	<u>(263,281,089)</u>	<u>(383,250,806)</u>	<u>(204,189)</u>	<u>(297,232)</u>
<b>Net cash provided by(used in) operating activities</b>	₩ <u>5,434,887</u>	<u>(223,320,782)</u>	\$ <u>4,215</u>	<u>(173,197)</u>

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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	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	8,776,392	-	(6,996,336)	6,820,476	8,600,532
₩	8,776,392	329,750,304	(34,506,100)	(62,533,631)	241,486,965

(In thousands of won)

	2022				
	Beginning balance	Increase	Decrease	Others	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	9,022,016	-	(7,488,816)	7,243,192	8,776,392
Deposit withholdings	15,512,588	14,971,609	-	(30,484,197)	-
₩	379,532,625	134,971,609	(356,511,164)	(149,216,678)	8,776,392

(In thousands of US dollar)

	2023				
	Beginning balance	Increase	Decrease	Others	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	6,807	-	(5,426)	5,290	6,670
\$	6,807	255,739	(26,761)	(48,498)	187,286



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

30. Cash Flows, Continued

(3) Changes in liabilities from financial activities for the year ended December 31, 2023 and 2022 are as follows, Continued:  
(In thousands of US dollar)

	2022				
	Beginning balance	Increase	Decrease	Others	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	6,997	-	(5,808)	5,617	6,807
Deposit withholdings	12,031	11,611	-	(23,642)	-
	<u>\$ 294,348</u>	<u>104,678</u>	<u>(276,494)</u>	<u>(115,726)</u>	<u>6,807</u>

31. Segment Information

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

(2) Geographic sales information of the Company for the years ended December 31, 2023 and 2022 are as follows:  
(In thousands of won and In thousands of US dollar)

Sales region	Korean won		US dollar	
	2023	2022	2023	2022
Republic of Korea	₩ 2,167,114,152	2,227,552,458	\$ 1,680,715	1,727,588
Europe	923,740,910	589,032,055	716,411	456,826
South America	135,103,963	246,586,590	104,780	191,241
Asia Pacific	324,135,785	242,217,446	251,385	187,853
Others	229,923,458	118,158,772	178,318	91,639
	<u>₩ 3,780,018,268</u>	<u>3,423,547,321</u>	<u>\$ 2,931,610</u>	<u>2,655,148</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 US dollar)

	Korean won		US dollar	
	2023	2022	2023	2022
Automobile	₩ 3,218,613,593	2,981,892,085	\$ 2,496,210	2,312,620
Merchandise and parts	347,122,949	286,284,865	269,213	222,030
Others	214,281,726	155,370,371	166,187	120,498
	<u>₩ 3,780,018,268</u>	<u>3,423,547,321</u>	<u>\$ 2,931,610</u>	<u>2,655,148</u>

(4) Balance of Contracts 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
Receivables from contracts				
with customers	₩ 369,894,442	198,069,981	\$ 286,873	153,614
Contract liabilities (*)	94,191,036	34,311,807	73,050	26,611

(\*) Contract liabilities include advance payments and contracts with customers that would be recognized over time, including product warranty and transportation.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)
Subsidiaries	KG Mobility Europe Parts Center B.V (Formerly, Ssangyong European Parts Center B.V.), KGM Australia (formerly, Ssangyong Australia Pty Ltd.), KG S&C Co., Ltd(*2), KG Mobility Commercial Co., Ltd(*3)
Other related parties	KG Capital Co., Ltd. (Formerly, SY Auto Capital Co., Ltd.)(*4), Affiliated companies of a large conglomerate KG group

(\*1) On September 20, 2022, the Company 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 Company established newly KG S&C Co. for the years ended December 31, 2023 and classified as a subsidiary.

(\*3) The Company acquired 100% of stake in Edison Motors Co., Ltd, which was in the process of a rehabilitation procedure, as of September 26, 2023, but were unable to exercise control until the completion of the rehabilitation procedure. Meanwhile, Edison Motors Co., Ltd. changed its name to KG Mobility Commercial Co., Ltd., and the Company has determined the date of obtaining control as of December 31, 2023, and recognized as an investment in a subsidiary.

(\*4) The Company reclassified from joint-venture to other related parties.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

(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
	edailym Co., Ltd	Other expenses	199,700	155
		edaily Co., Ltd	Other expenses	5,150
	KG Hollys F&B Co., Ltd.		Sales	34,916
		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
	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
	KG GNS Co., Ltd.		Sales	576,981
		KGINICIS Co., Ltd.	Asset acquisition	20,473
	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	
Subsidiaries	KG Mobility Europe Parts Center B.V.	Sales	25,434,273	19,726
		KGM Australia	Sales	246,130,354
	Sales		8,222,055	6,377
	KG S&C Co., Ltd	Other income	150,940	117
		Purchases	21,660,430	16,799
KG Mobility Commercial Co., Ltd	-	-	-	

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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
	KG ICT CO., LTD.	Asset acquisition	399,300	310
	KG EDUONE CO.	Other expenses	2,000	2
Other related parties (*)	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
Subsidiaries	KGM European Parts Center B.V.	Sales	16,533,580	12,823
	KGM Australia	Sales	165,626,758	128,453
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 Company's related parties.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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:

(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
Intermediate parent company	KG ETS Co., Ltd.	Trade receivables	13,720	11
		Other liability	7	0
Other related parties	KG ICT CO., LTD.	Other liability	2,449,686	1,900
		Lease liability	944,425	732
	KG Hollys F&B Co., Ltd.	Other liability	112,810	87
	KG ZEROIN Co., Ltd.	Other liability	61,036	47
	KG Fresh Co., Ltd	Trade receivables	6,950	5
		Other liability	6,960	5
	KG Sunning Life Co., Ltd	Trade receivables	6,950	5
		Other liability	1,109	1
	KG EDUONE CO., Ltd.	Other liability	113,762	88
	KGINICIS CO., LTD.	Other liability	4	0
Subsidiaries	LB REIT No.9	Other receivables	751,500	583
		Lease liability	3,184,211	2,470
	KG Mobility Europe Parts Center B.V.	Trade receivables	20,496,855	15,896
		Other liability	891,781	692
	KGM Australia	Trade receivables	121,102,355	93,921
		Other liability	121,420	94
	KG S&C Co., Ltd	Trade receivables	6,055,525	4,696
		Other receivables	61,972	48
		Trade payables	5,297,707	4,109
		Other liability	8,135	6
KG Mobility Commercial Co., Ltd	Trade receivables	13,900	11	
	Other receivables	18,270,548	14,170	

Allowance for receivables from related parties were recognized ₩1,014,433 thousand (\$787 thousand) as of December 31, 2023.

(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
Subsidiaries	KG Mobility Europe Parts Center B.V.	Trade receivables	16,969,506	13,161	
		Other liability	928,637	720	
	KGM Australia	Trade receivables	48,497,011	37,612	
		Other liability	2,048,418	1,589	

Allowance for receivables from related parties were recognized ₩711,999 thousand (\$552 thousand) as of December 31, 2022.

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

32. Transactions and Balances with Related Parties, Continued

(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
Intermediate parent company	KG Mobility Holdings Co., Ltd.	Capital increase	-	550,000,000
Subsidiaries	KG S&C Co., Ltd.	Capital increase	500,000	-
	KG Mobility Commercial Co., Ltd	Capital contribution on establishment	55,000,000	-
		Loan	17,800,000	-
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
Intermediate parent company	KG Mobility Holdings Co., Ltd.	Capital increase	-	426,555
Subsidiaries	KG S&C Co., Ltd.	Capital increase	388	-
	KG Mobility Commercial Co., Ltd	Capital contribution on establishment	42,655	-
		Loan	13,805	-
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 Company 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) Guarantee providing to related parties

The Company has provided a payment guarantee of ₩12,565 million (\$10 million) for the purpose of receiving government grants to investment in the Gunsan Factory of its subsidiary, KG Mobility Commercial Co., Ltd., (Formerly, Edison Motors Co., Ltd) as of December 31, 2023.

(7) Executive compensation of the Company 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	₩	3,614,655	2,153,297	\$ 2,803	1,670
Retirement benefits		450,266	182,483	349	142

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments

(1) Capital risk management

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

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

Debt-to-equity ratio as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Debt (A)	₩ 1,501,173,526	889,306,910	\$ 1,164,242	689,706
Equity (B)	1,085,140,745	1,089,411,290	841,586	844,898
Debt-to-equity ratio (A/B)	138.34%	81.63%	138.34%	81.63%

(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	₩ 45,401,146	-	45,401,146	45,401,146
Short-term financial instruments	5,774,189	110,293,698	116,067,887	116,067,887
Long-term financial instruments	4,000	-	4,000	4,000
Trade and other receivables	441,648,216	-	441,648,216	441,648,216
Non-current financial assets	-	560,000	560,000	560,000
	₩ 492,827,551	110,853,698	603,681,249	603,681,249

(In thousands of won)

	2022			
	Amortized cost	Measured at FVTPL	Total	Fair value
Cash and cash equivalents	₩ 94,765,998	-	94,765,998	94,765,998
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	248,998,732	-	248,998,732	248,998,732
Non-current financial assets	-	560,000	560,000	560,000
	₩ 349,577,504	560,000	350,137,504	350,137,504

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

	<b>2023</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 35,211	-	35,211	35,211
Short-term financial instruments	4,478	85,539	90,017	90,017
Long-term financial instruments	3	-	3	3
Trade and other receivables	342,522	-	342,522	342,522
Non-current financial assets	-	434	434	434
	<u>\$ 382,215</u>	<u>85,973</u>	<u>468,188</u>	<u>468,188</u>

(In thousands of US dollar)

	<b>2022</b>			
	<b>Amortized cost</b>	<b>Measured at FVTPL</b>	<b>Total</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 73,496	-	73,496	73,496
Short-term financial instruments	4,505	-	4,505	4,505
Long-term financial instruments	3	-	3	3
Trade and other receivables	193,112	-	193,112	193,112
Non-current financial assets	-	434	434	434
	<u>\$ 271,116</u>	<u>434</u>	<u>271,551</u>	<u>271,551</u>

2) Financial liabilities

(In thousands of won)

		<b>2023</b>			
		<b>Financial liability measured at amortized cost</b>	<b>Fair value</b>	<b>Total</b>	<b>Fair value</b>
Trade and other payables	₩	435,063,778	-	435,063,778	435,063,778
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		8,600,532	-	8,600,532	8,600,532
Derivatives		-	76,715,556	76,715,556	76,715,556
	₩	<u>676,550,743</u>	<u>76,715,556</u>	<u>753,266,299</u>	<u>753,266,299</u>



KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate 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)

Currency	2023			
	Financial liability measured at amortized cost	Fair value	Total	Fair value
Trade and other payables	\$ 337,416	-	337,416	337,416
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	6,670	-	6,670	6,670
Derivatives	-	59,497	59,497	59,497
	<u>\$ 524,702</u>	<u>59,497</u>	<u>584,199</u>	<u>584,199</u>

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

Currency	2022			
	Financial liability measured at amortized cost	Fair value	Financial liability measured at amortized cost	Fair value
Trade and other payables	₩ 241,760,447	241,760,447	\$ 187,498	187,498
Other liabilities	8,776,392	8,776,392	6,807	6,807
	<u>₩ 250,536,839</u>	<u>250,536,839</u>	<u>\$ 194,305</u>	<u>194,305</u>

(3) Financial risk management

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

1) Market risk

a. Foreign exchange risk

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(3) Financial risk management, Continued

(In thousands of won and In thousands of US 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	11,586,134	(11,586,134)	8,986	(8,986)
JPY	(2,476,659)	2,476,659	(1,921)	1,921
Others	13,970,250	(13,970,250)	10,835	(10,835)
	₩ 26,170,106	(26,170,106)	\$ 20,296	(20,296)

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

2) Credit risk

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

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

The Company estimates allowances for doubtful accounts (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.) through individual analysis for the receivables that are over more than 90 days.

Maximum exposure in respect of credit risk as of December 31, 2023 and 2022 are as follows:

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

	Korean won		US dollar	
	2023	2022	2023	2022
Trade and other receivables	₩ 441,648,216	248,998,732	\$ 342,522	193,112
Short-term financial instruments	5,774,189	5,808,774	4,478	4,505

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(3) Financial risk management, Continued

3) Liquidity risk

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

The contractual maturities of financial liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023		
		Within a year	Over 1 year	Total
Trade payables	₩	265,007,692	-	265,007,692
Other payables		169,529,872	-	169,529,872
Short-term borrowings(*)		45,258,032	-	45,258,032
Lease liabilities(*)		5,409,349	3,883,491	9,292,840
Derivatives		76,715,556	-	76,715,556
Other liabilities		436,293	-	436,293
Convertible bonds(*)		785,000	116,778,491	117,563,491
Bond with warrant(*)		-	159,770,499	159,770,499
Long-term other payables		-	89,921	89,921
	₩	<u>563,141,794</u>	<u>280,522,402</u>	<u>843,664,196</u>

(In thousands of won)

		2022		
		Within a year	Over 1 year	Total
Trade payables	₩	148,976,045	-	148,976,045
Other payables		92,261,853	-	92,261,853
Lease liabilities (*)		5,186,581	3,891,594	9,078,175
Other liabilities		348,480	-	348,480
Long-term other payables		-	174,070	174,070
	₩	<u>246,772,959</u>	<u>4,065,664</u>	<u>250,838,623</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	\$	205,528	-	205,528
Other payables		131,480	-	131,480
Short-term borrowings(*)		35,100	-	35,100
Lease liabilities(*)		4,195	3,012	7,207
Derivatives		59,497	-	59,497
Other liabilities		338	-	338
Convertible bonds(*)		609	90,568	91,177
Bond with warrant(*)		-	123,911	123,911
Long-term other payables		-	70	70
	\$	<u>436,747</u>	<u>217,560</u>	<u>654,308</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)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

33. Financial Instruments, Continued

(3) Financial risk management, Continued

(In thousands of US dollar)

	2022		
	Within a year	Over 1 year	Total
Trade payables	\$ 115,539	-	115,539
Other payables	71,554	-	71,554
Lease liabilities (*)	4,022	3,018	7,041
Other liabilities	270	-	270
Long-term other payables	-	135	135
	<u>\$ 191,386</u>	<u>3,153</u>	<u>194,539</u>

(4) Fair value of financial instruments

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

2) Valuation methods and assumptions applied in fair value measurement

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

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

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

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

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

KG MOBILITY COMPANY (FORMERLY, SSANGYONG MOTOR COMPANY)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**34. Graduate from court-led debt rescheduling program**

The Company 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 Company 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 company 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 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 Company 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 Company completed the repayment of most of the rehabilitation security rights and claims.

Details of the Company'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 <del>₩</del> 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 <del>₩</del> 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 <sup>st</sup> capital increase(M&A acquisition proceeds-to-equity)	Acquisition price <del>₩</del> 365.5 billion, 73,098,000 shares
October 20, 2022	2 <sup>nd</sup> capital increase	Paid-in capital : <del>₩</del> 205.5 billion, 41,102,000 shares
October 22, 2022	Debt-to-equity swap for wage claims	Debt to equity swap for <del>₩</del> 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 <del>₩</del> 8.6 billion of foreign currency claims
November 10, 2023	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)

Notes to the Separate Financial Statements

For the years ended December 31, 2023 and 2022

**34. Graduate from court-led debt rescheduling program, Continued**

(\*) Details of the Company's rehabilitation obligation debt conversion to equity as of December 31, 2022 are as follows:

(In thousands of Won)

	2022			
	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)

	2022			
	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 Company resolved the formal delisting issue as of March 14, 2023 by obtaining a non-disclaimer audit opinion on the Company'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 Company 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.

**35. Events after reporting period**

Due to the decline in the Company's stock price, the exercise price of the 122<sup>nd</sup> Unsecured Detachable bond with warrants issued through public offering was adjusted from ₩8,411(\$6.52) to ₩ 8,133(\$6.31) as of refixng date after March 5, 2024.

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

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

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 on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting ("ICFR") of KG Mobility Company (Formerly, Ssangyong Motor Company (the "Company")) as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statements of financial position as of December 31, 2023 and 2022, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and our report dated March 18, 2024 expressed an unmodified opinion on those separate financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

**Auditors’ Responsibilities for the Audit of the Internal Control over Financial Reporting**

Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

**Definition and Limitations of Internal Control over Financial Reporting**

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

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

Seoul, Korea  
March 18, 2024

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 internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.