HYUNDAI TRANSYS INC.

SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

ATTACHMENT: INDEPENDENT AUDITORS’ REPORT

HYUNDAI TRANSYS INC.

INDEX

Deloitte.

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 21, 2022

To the Shareholders and the Board of Directors of
HYUNDAI TRANSYS INC.:

Report on the Audited Separate Financial Statements

Our Opinion

We have audited the accompanying separate financial statements of HYUNDAI TRANSYS INC. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, respectively, and the related separate statements of profit or loss, separate statements of changes in equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the 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 audit opinion.

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

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

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

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

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Auditors' Responsibilities for the Audits of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 KSAs 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 separate financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the separate 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 audit 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Anjin LLC

March 21, 2022

Notice to Readers

This report is effective as of March 21, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.

HYUNDAI TRANSYS INC. (the “Company”)

SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

Yeo, Sudong
Chief Executive Officer
Hyundai Transys Inc.

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HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

	Notes		2021		2020
			(In millions of Korean won)		
Assets					
Current assets					
Cash and cash equivalents	4,19,32	₩	92,681	₩	172,195
Short-term financial instruments	4,8,19,32		483,300		472,378
Trade receivables	5,19,32,33		1,401,809		1,427,632
Other receivables	5,19,32,33		58,511		65,104
Inventories	6		425,543		369,056
Other financial assets	5,19,32		13,805		21,925
Other current assets	7		122,134		64,946
Current tax assets			1,110		4,845
			2,598,893		2,598,081
Non-current assets					
Trade receivables	5,19,32		8,916		11,865
Other receivables	5,19,32,33		54,397		48,864
Investments in subsidiaries, joint ventures and associates	9,33		699,168		526,721
Property, plant and equipment	10		1,465,550		1,579,649
Intangible assets	11		100,680		77,155
Right-of-use assets	12		734		1,615
Net defined benefit assets	15		71,640		21,311
Other financial assets	4,5,8,19,32		14,204		21,701
Other non-current assets	7		71,875		21,987
Deferred tax assets	18		168,582		145,627
			2,655,746		2,456,495
Total assets		₩	5,254,639	₩	5,054,576
Liabilities and equity					
Current liabilities					
Trade payables	19,32,33	₩	1,001,048	₩	862,896
Other payables	13,19,32,33		254,934		303,713
Short-term borrowings	5,14,19,31,32		3,111		77,185
Current portion of long-term debt and debentures	14,19,32		129,921		209,844
Provisions	16,31		145,491		127,180
Financial guarantee liabilities	19,31,32		22,092		17,957
Lease liabilities	12,19		484		908
Other current liabilities	17,23		142,834		97,027
			1,699,915		1,696,710

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2021 AND 2020

	Notes	2021		2020	
		(In millions of Korean won)			
Non-current liabilities					
Debentures	14,19,32	₩	838,003	₩	727,833
Provisions	16		162,379		170,719
Lease liabilities	12,19		262		736
Other liabilities	13,19,32,33		403		36
Other non-current liabilities	17,23		72,449		37,430
			1,073,496		936,754
Total liabilities		₩	2,773,411	₩	2,633,464
Equity					
Capital stock	1,20	₩	409,489	₩	409,489
Other paid-in capital	20		1,150,090		1,150,090
Retained earnings	21		921,649		861,533
Total equity			2,481,228		2,421,112
Total liabilities and equity		₩	5,254,639	₩	5,054,576

(Concluded)

The above separate statements of financial position should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021		2020	
		(In millions of Korean won)			
Sales	23,33	₩	6,478,145	₩	5,869,829
Cost of sales	24,33		6,199,845		5,637,781
Gross profit			278,300		232,048
Selling and administrative expenses	24,25,33		239,611		201,319
Operating profit			38,689		30,729
Other income	26,33		68,811		54,174
Other expenses	27,33		78,155		74,518
Finance income	19,28,33		23,386		23,125
Finance costs	19,29		21,894		23,305
Profit before income tax expense			30,837		10,205
Income tax expense (income)	18		(11,836)		3,083
Profit for the year	21,22	₩	42,673	₩	7,122
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities	15,21		17,443		7,976
Total comprehensive income for the year		₩	60,116	₩	15,098
Earnings per share attributable to the equity holders *(in Korean won)*:	22				
Basic and diluted earnings per share		₩	522	₩	87

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total
Balance at January 1, 2020	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 846,435	₩ 2,406,014
Comprehensive income:					
Profit for the year	-	-	-	7,122	7,122
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities	-	-	-	7,976	7,976
Total comprehensive income for the year	-	-	-	15,098	15,098
Balance at December 31, 2020	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 861,533	₩ 2,421,112

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2021	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 861,533	₩ 2,421,112
Comprehensive income:					
Profit for the year	-	-	-	42,673	42,673
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities	-	-	-	17,443	17,443
Total comprehensive income for the year	-	-	-	60,116	60,116
Balance at December 31, 2021	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 921,649	₩ 2,481,228

(Concluded)

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes		2021		2020
		(In millions of Korean won)			
Cash flows from operating activities					
Cash generated from operations	30	₩	287,833	₩	226,467
Interest received			15,472		16,950
Interest paid			(20,821)		(22,259)
Dividends received			7,702		5,703
Income tax paid			(14,053)		(22,759)
Net cash provided by operating activities			276,133		204,102
Cash flows from investing activities					
Increases in short-term financial instruments			(10,922)		(21,330)
Proceeds from disposal of property, plant and equipment			44,277		3,417
Proceeds from disposal of intangible assets			31		752
Acquisitions of investments in subsidiaries, joint ventures and associates			(197,704)		(8,104)
Acquisitions of property, plant and equipment			(132,389)		(154,764)
Acquisitions of intangible assets			(31,674)		(25,438)
Increases in other financial assets, net			(780)		(21,458)
Decreases in other financial assets, net			18,609		20,703
Net cash used in investing activities			(310,552)		(206,222)
Cash flows from financing activities	30				
Proceeds from short-term borrowings, net			(74,085)		(107,625)
Proceeds from borrowings and debentures			239,085		318,667
Repayments of borrowings and debentures			(209,844)		(160,000)
Repayment of lease liabilities			(915)		(896)
Net cash provided by financing activities			(45,759)		50,146
Net increase (decrease) in cash and cash equivalents			(80,178)		48,026
Cash and cash equivalents at the beginning of year			172,196		128,754
Effects of exchange rate changes on cash and cash equivalents			663		(4,584)
Cash and cash equivalents at the end of year	30	₩	92,681	₩	172,196

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. GENERAL INFORMATION:

General information of HYUNDAI TRANSYS INC. (the “Company”) is as follows:

The Company was incorporated on December 28, 1999, under the laws of the Republic of Korea to manufacture and distribute transmission and other parts for automobile. The Company merged with Korea Precision Co., Ltd., a manufacturer of automobile parts, on December 1, 2002. The Company changed its name from DYMOS INC. to HYUNDAI DYMOS INC. on December 27, 2010. Also, the Company merged with Hyundai Powertech Co., Ltd., and changed its name to HYUNDAI TRANSYS INC. in accordance with the resolution of the shareholders’ meeting on January 2, 2019.

The Company is authorized to issue 200 million ordinary shares with the par value per share of ₩5,000, of which a total of 81,897,803 shares, amounting to ₩409,489 million, have been issued as of December 31, 2021.

The Company’s major shareholders and their respective percentage of ownership as of December 31, 2021 and 2020, are as follows:

(In shares)	2021		2020	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hyundai Motor Company	33,682,754	41.1	33,682,754	41.1
Kia Motors Corporation	33,112,741	40.4	33,112,741	40.4
Hyundai Mobis	12,893,176	15.7	12,893,176	15.7
Treasury stock	160,007	0.2	160,007	0.2
Others	2,049,125	2.6	2,049,125	2.6
	81,897,803	100	81,897,803	100

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company maintains its accounting records in Korean won and prepares statutory separate financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards (“K-IFRSs”). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language separate financial statements.
Certain information attached to the Korean language separate financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with K-IFRSs. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (“IASB”) that have been adopted by the Republic of Korea.

The preparation of separate financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

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

In the current year, the Company has applied a number of new and amended K-IFRSs and new interpretations issued that are effective for accounting periods beginning on or after January 1, 2021.

- K-IFRS 1116 Leases – Impact of the initial application of COVID-19-Related Rent Concessions (Amendment) beyond June 30, 2021

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has applied the amendment to K-IFRS 1116 in advance of its effective date. The Company has applied the practical expedient retrospectively to all rent concessions that meet the conditions in K-IFRS 1116:46B, and has not restated prior period figures.

(b) New and revised K-IFRSs in issue, but not yet effective

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

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007).

They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- Annual Improvements to K-IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards such as K-IFRS 1101 First-time Adoption of K-IFRS, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 First-time Adoption of K-IFRS (Amendment)

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

② K-IFRS 1109 Financial Instruments (Amendment)

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

③ K-IFRS 1116 Leases (Amendment)

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

-K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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

The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The Board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the Company’s separate financial statements.

2.2 Investment in Subsidiaries

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

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

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

2.3 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair values at the acquisition date, except that:

Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with K-IFRS 1102 share-based payment at the acquisition date; and
assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquire and c) the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquire and c) the fair value of the acquirer's PHI in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company's PHIs (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.4 Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the separate statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

2.5 Revenue Recognition

(a) Sale of goods

The Company manufactures automobile components. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.6 Lease

(a) The Company *as lessee*

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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 rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in a separate line in the separate statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in a separate line in the separate statements of financial position.

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

(b) The Company *as lessor*

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Company applies K-IFRS 1115 to allocate the consideration under the contract to each component.

2.7 Borrowing Costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

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.

2.8 Retirement Benefit Costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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 annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the separate statements of financial position with a charge or credit to the separate statements of profit or loss in the period in which they occur. Remeasurements recognized in the separate statements of profit or loss are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income;
- Remeasurements

Net interest expense or income is recognized within finance costs, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the separate statements 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.

2.9 Taxation

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the separate statements of profit or loss 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.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. 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 that 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 to utilize the benefits of the temporary differences 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 assets 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 is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which 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.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

(c) Current and deferred taxes for the year

Current and deferred taxes 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. 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.

2.10 Property, Plant and Equipment

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

Subsequent costs are recognized in 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:

	Representative useful lives
Buildings	50 years
Structures	25 years
Machinery and equipment	12 years
Dies, mold and tools	6 years
Vehicles	6 years
Office equipment	6 years

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

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

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

2.11 Intangible Assets

(a) 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.

	Representative useful lives
Industrial property rights	10 years
Software	6 years
Development costs	5 years
Customer relationship	5 years

(b) 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.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products and the Company can demonstrate the technical and economical 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.

(c) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(d) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. 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.

(e) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

2.12 Impairment of Tangible and Intangible Assets other than Goodwill

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell, or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.13 Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching 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 statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). 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 towards staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

2.14 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit, is measured using 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 are 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.

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

2.16 Financial Instruments

Financial assets and financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

2.17 Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value depending on the classification of the financial assets.

(a) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

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

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.
- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(b) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency, translated at the spot rate at the end of each reporting period, and recognized in profit or loss as of ‘other income and expenses.’

(c) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (“ECLs”) on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast directions of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(d) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.18 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

(b) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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.

(c) Financial liabilities
All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.
However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

(d) Financial liabilities measured subsequently at amortized cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

(e) Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:
- The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) or
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

(f) Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other income and expenses' line item in profit or loss.

(g) Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, its obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.19 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme

The Company classifies the emission rights as intangible assets. Emission rights allowances the Government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Company paid to purchase the allowances. If emission rights the Government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

2.20 Approval of Separate Financial Statements

The separate financial statements were confirmed by the Board of Directors on February 16, 2022 and will be finally approved by shareholders' meeting on March 29, 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of financial separate statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. 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. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items is included in relevant notes.

(a) Income taxes

The Company's taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

(b) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate.

(c) Provisions

The Company recognizes provisions for warranties estimated based on past experience.

(d) Uncertainty in estimation of recoverable amount in COVID-19

The COVID-19 has caused an overall economic downturn, and the Company's subsidiaries, joint ventures and associates are also directly and indirectly affected by the COVID-19. The impact of COVID-19 continues as of the end of reporting period and it is uncertain how long it will last and how much it will affect it. Therefore, there is uncertainty in estimating the recoverable amount of the Company's subsidiaries, joint ventures and associates due to COVID-19. The Company estimates the recoverable amount of its subsidiaries, joint ventures and associates identified with signs of impairment based on the information which is available at the end of the reporting period, and the Company's management considers this assumption as reasonable.

The Company estimated the value in use of subsidiaries, joint ventures and associates with signs of impairment for the year, but there is no recognized impairment loss for the year because the value in use is higher than the book value.

The key assumptions used to estimate the recoverable amount of the Company's subsidiaries, joint ventures and associates with a significant risk of causing a material adjustment in the next fiscal year among the its subsidiaries, joint ventures and associates for which signs of impairment have been identified are as follows:

A. Period for estimating future cash flows

The Company estimated future cash flows based on its financial budget/forecast over the next five years to estimate the value of use by subsidiaries, associates and joint ventures. Considering that subsidiaries, associates and joint ventures are continuing entities, it is reasonable to estimate the recoverable amount of a cash-generating unit on the basis of a financial budget that exceeds five years.

B. Key assumptions applied to estimating future cash flows

The key assumptions used by the Company to estimate the future cash flows of its subsidiaries, associates and joint ventures are as follows:

Operating income: Estimated by considering past operating income trend based on business plan.
Operating expenses: Estimated by classifying labor cost, variable cost, fixed cost, amortization cost and others.
Operating profit ratio: Estimated by considering past operating profit rate trend based on business plan.

C. Key Assumptions Applied to Estimating Discount Rate

Risk-free Interest rate: Bloomberg inquiry risk-free interest rate on the date of damage inspection
Market Risk Premium: Bloomberg inquiry average market risk premium in the past two years on the date of damage inspection.

Unleveraged Beta: Beta average for guideline companies operating similar industries on the date of damage inspection.

Target capital structure: Target capital structure ratio for benchmark companies operating in similar industries.

4. RESTRICTED FINANCIAL INSTRUMENTS:

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

(In millions of Korean won)

Description	Financial institution	2021	2020	Usage restriction details
Cash and cash equivalents	Woori Bank and Others	₩ 267	₩ 255	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea	20,000	14,200	Shared Growth Deposit
Other financial assets	Shinhan Bank and Others	21	23	Overdraft deposit and Others
Total		₩ 20,288	₩ 14,478	

5. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTIZED COST:

(1) Components of trade receivables and other financial assets at amortized cost as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021	2020
Total trade notes and accounts receivable	₩ 1,476,361	₩ 1,503,047
Less: Loss allowance	(65,636)	(63,550)
Subtotal	1,410,725	1,439,497
Other receivables:		
Non-trade receivables	112,734	113,405
Accrued revenue	1,157	814
Less: Loss allowance	(983)	(251)
Subtotal	112,908	113,968
Other financial assets	28,150	46,577
Less: Loss allowance	(1,568)	(3,779)
Subtotal	26,582	42,798
Total	₩ 1,550,215	₩ 1,596,263

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			2020		
Description	**Total trade notes and accounts receivable**	**Non-trade receivables**	**Other financial assets**	**Total trade notes and accounts receivable**	**Non-trade receivables**	**Other financial assets**
Beginning Balance	₩ 63,550	₩ 251	₩ 3,779	₩ 56,618	₩ -	₩ 3,537
Creation	2,086	732	-	6,932	251	242
Impairment loss	-	-	(2,211)	-	-	-
Ending Balance	₩ 65,636	₩ 983	₩ 1,568	₩ 63,550	₩ 251	₩ 3,779

The Company recognizes impairment loss on an individual basis for customers with impairment events. For customers without impairment events, the Company recognizes impairment loss on a collective basis using historical experience rate.

(3) As of December 31, 2021 and 2020, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description	**2021**	**2020**
Not due	₩ 1,398,374	₩ 1,434,798
Overdue:		
Within 30 days	7,050	9,479
Within 180 days and more than 31 days	14,896	4,963
More than 181 days	56,041	53,807
Total amounts	₩ 1,476,361	₩ 1,503,047
Amount of impaired receivables (*)	₩ 74,552	₩ 74,162

(*) As of December 31, 2021, the provision for loss for impaired receivables is ₩65,636 million (2020: ₩63,550 million).

(4) Transfer of financial assets

- Financial assets that were transferred but not derecognized

The Company discounts trade receivables from companies with significant influence through factoring contracts with financial institutions. This transaction is accounted for as a secured borrowing if the Company has a liability to pay the amount to the bank in the event of an insolvency of clients. At the end of the reporting period, the total amount of trade receivables derecognized is ₩3,111 million (2020: ₩77,185 million).

- Financial assets that were derecognized

The Company is able to transfer some of the trade receivables to financial institutions on the condition of non-recourse terms and is removing the trade receivables from the separate financial statements at the date of transfer as most of the risks and rewards are transferred.

6. INVENTORIES:

Inventories as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021 Acquisition cost	2021 Valuation reserve	2021 Total	2020 Acquisition cost	2020 Valuation reserve	2020 Total
Merchandise	₩ 39,866	₩ (1,464)	₩ 38,402	₩ 37,897	₩ (3,373)	₩ 34,524
Finished goods	166,663	(5,569)	161,094	139,975	(7,147)	132,828
Semifinished goods	81,910	(2,717)	79,193	61,823	(1,817)	60,006
Raw materials	63,664	(6,748)	56,916	67,124	(4,273)	62,851
Supplies	33,627	(11,701)	21,926	35,794	(11,727)	24,067
Materials in transit	68,012	-	68,012	54,780	-	54,780
Total	₩ 453,742	₩ (28,199)	₩ 425,543	₩ 397,393	₩ (28,337)	₩ 369,056

The cost of inventories included in cost of goods sold for the years ended December 31, 2021 and 2020, is ₩5,418,274 million and ₩4,937,681 million, respectively (see Note 24).

7. OTHER ASSETS:

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

(In millions of Korean won)

Description	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Advanced payments	₩ 99,636	₩ 71,875	₩ 46,578	₩ 21,987
Prepaid expenses	22,498	-	18,368	-
Total	₩ 122,134	₩ 71,875	₩ 64,946	₩ 21,987

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021 Financial instruments at FVTPL		2020 Financial instruments at FVTPL	
Investment in capital of partnership (*1)	₩	503	₩	503
Non-Marketable equity securities (*1)		924		324
Money market trust (*2)		223,300		258,168
Total	₩	224,727	₩	258,995

(*1) Included in other non-current financial assets.
(*2) Included in short-term financial instruments.

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

(In millions of Korean won)

Description	2021		2020	
Beginning Balance	₩	258,995	₩	317,220
Acquisition(Disposal) (*)		(34,268)		(58,225)
Ending Balance	₩	224,727	₩	258,995

(*) Net increase or decrease was indicated due to frequent acquisition and disposition.

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

(1) Investments in subsidiaries, joint ventures and associates as of December 31, 2021 and 2020, are as follows:

Description	Name of company	Controlling percentage of ownership (%)	2021 Acquisition value	2021 Book value	2020 Book value
Subsidiaries	HYUNDAI MSEAT(*1)	99.85	₩ 50,990	₩ 50,990	₩ 34,490
	Hyundai Transys Czech, s.r.o.	100.00	-	-	-
	HYUNDAI TRANSYS LEARAUTOMOTIVE INDIA PRIVATE LIMITED	65.00	11,881	11,881	11,881
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	100.00	13,402	13,402	13,402
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.(*2)	100.00	31,094	20,973	19,298
	Automotive Seat System Dymos Mexico S. De R.L. DE C.V. (*3)	100.00	2,150	1,680	1,680
	Sichuan Hyundai Transys Automotive System Co., Ltd.(*4)	100.00	55,507	-	-
	Hyundai Transys America, INC	100.00	8,282	8,282	8,282
	Hyundai Transys Slovakia s.r.o.	100.00	7,483	7,483	7,483
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	100.00	13,970	13,970	13,970
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100.00	78,489	78,489	78,489
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V	99.90	113,346	94,698	94,698
	Hyundai Transys Georgia Powertrain, INC.(*5)	71.27	208,482	208,482	-
	HYUNDAI TRANSYS RUS LLC(*6)	100.00	2,027	2,027	-
	Subtotal		597,103	512,357	283,673
Joint ventures and Associates	Beijing LEAR Hyundai Transys Automotive Systems Co., Ltd.(*7,8)	40.00	7,665	-	6,302
	Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	31.96	120,375	77,384	77,384
	BAIC DYMOS Automotive System Co., Ltd. (*9)	50.00	7,569	7,569	7,569
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*9,10)	50.00	6,923	1,546	6,923
	Hyundai Transys Georgia Powertrain, Inc.(*5)	40.00	-	-	48,998
	Hyundai Transys (Shandong) Co., Ltd.	35.00	117,546	87,769	87,769
	PT APM HYUNDAI TRANSYS INDONESIA (*9,11)	50.00	12,543	12,543	8,103
	Subtotal		272,621	186,811	243,048
	Total		₩ 869,724	₩ 699,168	₩ 526,721

(*1) Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Company's ownership percentage increased from 99.81% to 99.85%, and the amount of capital increase is ₩16,500 million.

(*2) The Company participates paid-in-capital increase for the year ended December 31, 2021, and the amount of capital increase is ₩11,796 million. Impairment loss of ₩10,121 million was recognized.

(*3) The liquidation process is in progress.

(*4) The Company participates paid-in-capital increase for the year ended December 31, 2021, and the amount of capital increase is ₩10,688 million. Impairment loss of ₩10,688 million was recognized.

(*5) Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Company's ownership percentage increased from 40.00% to 71.27%. As the Company is considered to have substantive control over the entity, the entity is categorized as a subsidiary.

(*6) It was newly established for the year ended December 31, 2021, and the Company participates paid-in-capital increase of ₩2,027 million.

(*7) Impairment loss of ₩6,302 million was recognized during the current term.

(*8) During the year ended December 31, 2021, the name of the company was changed from Beijing LEAR DYMOS Automotive Systems Co., Ltd. to Beijing Lear Hyundai Transys Automotive Systems Co,. Ltd.

(*9) It was classified as a joint venture based on joint control in accordance with inter-shareholder agreement.

(*10) Impairment loss of ₩5,377 million was recognized during the current term.

(*11) The Company participates paid-in-capital increase for the year ended December 31, 2021, and the amount of capital increase is ₩4,440 million.

(2) Changes in subsidiaries, joint ventures and associates for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021	2020
Beginning Balance	₩ 526,721	₩ 537,736
Acquisition	253,933	8,103
Disposal	(48,998)	-
Impairment	(32,488)	(19,118)
Ending Balance	₩ 699,168	₩ 526,721

10. PROPERTY, PLANT AND EQUIPMENT ("PP&E"):

Changes in PP&E for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning Balance	₩268,743	₩ 483,268	₩ 32,123	₩ 647,331	₩ 56,072	₩ 92,112	₩ 1,579,649
Acquisition	-	-	-	-	-	113,570	113,570
Disposal	(480)	(1,674)	-	(40,122)	(1,142)	-	(43,418)
Transfer (*)	-	835	356	114,415	20,061	(150,516)	(14,849)
Impairment	-	-	-	(5,191)	(3)	-	(5,194)
Depreciation	-	(15,588)	(3,149)	(126,680)	(18,791)	-	(164,208)
Ending Balance	₩268,263	₩ 466,841	₩ 29,330	₩ 589,753	₩ 56,197	₩ 56,166	₩ 1,465,550
Acquisition cost	268,263	554,049	46,616	1,253,583	170,432	55,166	2,348,109
Accumulated depreciation	-	(86,984)	(16,821)	(647,150)	(114,163)	-	(865,118)
Accumulated impairment	-	(224)	(465)	(16,680)	(72)	-	(17,441)

(*) Included in ₩10,798 million transferred to intangible assets and ₩4,051 million transferred to other receivable.

(In millions of Korean won)

Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
	2020						
Beginning Balance	₩269,108	₩ 456,462	₩ 34,757	₩ 669,796	₩ 63,504	₩ 115,918	₩ 1,609,545
Acquisition	-	-	-	-	-	146,464	146,464
Disposal	(365)	(1,135)	(35)	(664)	(1,055)	-	(3,254)
Transfer (*)	-	43,240	521	105,620	14,960	(170,270)	(5,929)
Impairment	-	-	-	(7,817)	-	-	(7,817)
Depreciation	-	(15,299)	(3,120)	(119,604)	(21,337)	-	(159,360)
Ending Balance	₩268,743	₩ 483,268	₩ 32,123	₩ 647,331	₩ 56,072	₩ 92,112	₩ 1,579,649
Acquisition cost	268,743	555,014	46,260	1,189,681	153,378	92,112	2,305,188
Accumulated depreciation	-	(71,522)	(13,672)	(530,861)	(97,237)	-	(713,292)
Accumulated impairment	-	(224)	(465)	(11,489)	(69)	-	(12,247)

(*) Included in ₩5,929 million transferred to intangible assets.

11. INTANGIBLE ASSETS:

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

(In millions of Korean won)

Description	Industrial property rights	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
	2021					
Beginning Balance	₩ 497	₩ 26,239	₩ 17,490	₩ 9,120	₩ 23,809	₩ 77,155
Acquisition	-	383	31,267	-	24	31,674
Transfer (*)	(497)	11,295	-	-	-	10,798
Disposal	-	-	-	-	(31)	(31)
Impairment	-	-	(316)	(5,200)	-	(5,516)
Depreciation	-	(9,482)	(1,917)	(2,000)	-	(13,399)
Ending Balance	₩ -	₩ 28,435	₩ 46,524	₩ 1,920	₩ 23,802	₩ 100,681
Acquisition cost	-	62,998	51,494	15,200	23,802	153,494
Accumulated depreciation	-	(34,563)	(4,970)	(13,280)	-	(52,813)

(*) Included in ₩10,798 million replaced by software and development costs from tangible assets.

(In millions of Korean won)

Description	Industrial property rights	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
	2020					
Beginning Balance	₩ 594	₩ 24,571	₩ 28,368	₩ 12,160	₩ 22,499	₩ 88,192
Acquisition	-	4,232	17,349	-	1,594	23,175
Transfer (*)	-	5,887	(15,564)	-	-	(9,677)
Disposal	-	-	-	-	(284)	(284)
Impairment	-	-	(9,011)	-	-	(9,011)
Depreciation	(97)	(8,451)	(3,652)	(3,040)	-	(15,240)
Ending Balance	₩ 497	₩ 26,239	₩ 17,490	₩ 9,120	₩ 23,809	₩ 77,155
Acquisition cost	996	51,320	20,227	15,200	23,809	111,251
Accumulated depreciation	(499)	(25,081)	(2,737)	(6,080)	-	(34,096)

(*) Included in ₩5,929 million replaced by software and development costs from tangible assets and ₩15,606 million substituted by advance payments from development costs.

(2) The details of the research and development activities as of December 31, 2021 and 2020, are as follows:

Description	2021		2020	
Development costs (intangible assets)	₩	31,267	₩	17,349
Ordinary research and development expenditures (*1)		65,864		76,410
End of the year (*2)	₩	97,131	₩	93,759

(*1) Consists of manufacturing expenses, management expenses and other expenses.
(*2) Amorization of development expenses is not included.

12. LEASE:

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

(In millions of Korean won)

Description	2021		2020	
Beginning Balance	₩	1,615	₩	2,053
Acquisition		-		594
Disposal		-		(146)
Depreciation		(881)		(886)
Ending Balance	₩	734	₩	1,615

The right-of-use assets above consist of land, offices, vehicles, etc.

(2) The details of the lease liabilities as of the end of the current term are as follows:

(In millions of Korean won)

Description	2021		2020	
Lease liabilities before discount	₩	871	₩	1,788
Lease liabilities after discount		746		1,644
Current		484		908
Non-current		262		736

The incremental borrowing rate applied to calculate lease liability is 1.90%.

(3) Changes in lease liability for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Beginning Balance	₩	1,645	₩	2,068
Acquisition		-		594
Disposal		-		(148)
Payment		(916)		(895)
Interest expenses		17		26
Ending Balance	₩	746	₩	1,645

(4) Earnings and losses recognized for the 12 months ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Depreciation of right-of-use assets	₩	881	₩	886
Interest expenses of lease liabilities		17		26
Expense of short-term leases and leases of low-value assets		452		564
Total	₩	1,350	₩	1,476

(5) The maturity analysis of the lease liabilities as of the end of the current term is as follows:

(In millions of Korean won)

Description	2021		2020	
Not later than one year	₩	416	₩	918
Later than one year and not later than two years		127		416
Later than two years and not later than three years		9		127
Later than three years and not later than four years		7		9
Later than four years and not later than five years		7		7
Later than five years		304		311
Total	₩	870	₩	1,788

13. OTHER PAYABLES:

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

(In millions of Korean won)

Description	2021		2020	
Current				
Accounts payable	₩	206,165	₩	281,670
Accrued expenses		48,769		22,043
Subtotal		254,934		303,713
Non-current				
Accounts payable		403		36
Total	₩	255,337	₩	303,749

14. BORROWINGS AND DEBENTURES:

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

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2021 (%)	2021		2020	
Woori Bank	Discount on foreign currency sales receivables	0.41-0.54	₩	3,111	₩	77,185
Total			₩	3,111	₩	77,185

(2) Debentures as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2021	2020
35-2nd Non-guaranteed public debentures	2014-02-18	2021-02-18	-	₩ -	₩ 50,000
36-2nd Non-guaranteed public debentures	2017-02-28	2022-02-28	2.43	40,000	40,000
37-2nd Non-guaranteed public debentures	2017-09-11	2022-09-08	2.81	30,000	30,000
38-1st Non-guaranteed public debentures	2018-06-14	2021-06-14	-	-	70,000
38-2nd Non-guaranteed public debentures	2018-06-14	2023-06-14	3.02	30,000	30,000
39-1st Non-guaranteed public debentures	2018-08-27	2021-08-27	-	-	90,000
39-2nd Non-guaranteed public debentures	2018-08-27	2023-08-25	2.61	30,000	30,000
40-1st Non-guaranteed public debentures	2019-06-28	2022-06-28	1.74	60,000	60,000
40-2nd Non-guaranteed public debentures	2019-06-28	2024-06-28	1.89	180,000	180,000
40-3rd Non-guaranteed public debentures	2019-06-28	2026-06-26	2.17	40,000	40,000
41-1st Non-guaranteed public debentures	2020-05-27	2023-05-26	1.79	280,000	280,000
41-2nd Non-guaranteed public debentures	2020-05-27	2025-05-27	1.83	40,000	40,000
42-1st Non-guaranteed public debentures	2021-02-03	2024-02-02	1.26	90,000	-
42-2nd Non-guaranteed public debentures	2021-02-03	2026-02-03	1.63	-	-
Subtotal				970,000	940,000
Less: Discounts on bonds payable				(2,076)	(2,323)
Less: Current portion of bonds payable				(129,921)	(209,844)
The balance				₩ 838,003	₩ 727,833

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

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

(In millions of Korean won)

Description		2021		2020
Present value of defined benefit obligation	₩	252,857	₩	256,981
Fair value of plan assets		(324,421)		(278,210)
National Pension Conversion Fund		(76)		(82)
Total	₩	(71,640)	₩	(21,311)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Current service cost	₩	30,518	₩	29,771
Interest cost (income)		(691)		(514)
Past service cost		732		8,711
Total	₩	30,559	₩	37,968

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

(In millions of Korean won)

Description		2021		2020
Beginning Balance	₩	256,981	₩	236,034
Current service cost		30,518		29,771
Interest cost		6,580		5,613
Past service cost		732		8,711
Remeasurements:				
Actuarial gains arising from experience adjustments		(5,244)		(7,383)
Actuarial losses arising from changes in demographic assumptions		(353)		-
Actuarial losses arising from changes in financial assumptions		(19,277)		(4,177)
Subtotal		(24,874)		(11,560)
Benefits paid		(17,080)		(11,588)
Ending Balance	₩	252,857	₩	256,981

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

(In millions of Korean won)

Description		2021		2020
Beginning Balance	₩	278,292	₩	245,801
Employer's contribution		55,600		39,700
Interest income		7,271		6,127
Benefits paid		(14,804)		(12,299)
Remeasurements:				
Difference between interest income and actual income		(1,862)		(1,037)
Ending Balance	₩	324,497	₩	278,292

(5) The major actuarial assumptions used as of the end of the reporting period are as follows:

Description	2021	2020
Discount rate	3.12%	2.64%
Rate of expected future salary increase	3.95%	3.97%

(6) The details of the composition of plan assets as of the end of the reporting year are as follows:

(In millions of Korean won)

	2021			2020		
Description	Amount		Component ratio (%)	Amount		Component ratio (%)
Time deposits and others	₩	324,497	100.00%	₩	278,292	100.00%

(7) If each significant actuarial assumption as of the end of the reporting year changes within the reasonable extent, the impact on the defined benefit obligation is as follows:

Description	Changes in significant assumptions	Changes in liabilities
Discount rate	Increase by 1% / Decrease by 1%	Decrease by 12.4% / Increase by 15.1%
Rate of expected future salary increase	Increase by 1% / Decrease by 1%	Increase by 15.1% / Decrease by 12.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the separate statements of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the prior year.

(8) The weighted-average duration of the defined benefit obligations is 14.4 years (2020: 14.9 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2021, is as follows

(In millions of Korean won)

Description	Not later than one year		Later than one year and not later than two years		Later than two years and not later than five years		Later than five Years		Total	
Benefits paid	₩	7,183	₩	8,380	₩	38,261	₩	1,181,625	₩	1,235,449

16. PROVISIONS:

The Company estimates amounts expected to be spent on free warranty service based on warranty period and history of actual claim amounts, and recognizes it in the separate statements of financial position as provision for warranty.

Changes in provision for warranty and other provision for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
Description	**Provision for warranty**	**Other long-term employee Benefit**	**Other Provision**	**Total**
Beginning Balance	₩ 192,647	₩ 36,806	₩ 68,446	₩ 297,899
Increase	26,202	4,562	6,995	37,759
Decrease	(37,823)	(2,710)	-	(40,533)
Others	-	-	12,745	12,745
Ending Balance	181,026	38,658	88,186	307,870
Less: Current item	57,305	-	88,186	145,491
Non-current item	₩ 123,721	₩ 38,658	₩ -	₩ 162,379

(In millions of Korean won)

	2020			
Description	**Provision for warranty**	**Other long-term employee Benefit**	**Other Provision**	**Total**
Beginning Balance	₩ 168,599	₩ 34,031	₩ 65,414	₩ 268,044
Additional provisions recognized	69,027	3,978	16,785	89,790
Utilized	(44,979)	(1,203)	(1,642)	(47,824)
Reversible amount	-	-	(2,873)	(2,873)
Others	-	-	(9,238)	(9,238)
Ending Balance	192,647	36,806	68,446	297,899
Less: Current item	58,734	-	68,446	127,180
Non-current item	₩ 133,913	₩ 36,806	₩ -	₩ 170,719

17. OTHER LIABILITIES:

Other Liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
Description	**Current**	**Non-current**	**Current**	**Non-current**
Advance received	₩ 132,534	₩ 72,449	₩ 86,593	₩ 37,430
Deposit received	10,300	-	10,434	-
Total	₩ 142,834	₩ 72,449	₩ 97,027	₩ 37,430

18. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2021 and 2020, consist of the following:

Description	2021		2020	
In respect of current year (*)	₩	16,688	₩	7,059
Changes in deferred taxes relating to temporary differences		(22,955)		(1,429)
Total of income tax effect		(6,267)		5,630
Items that are charged or credited directly to equity		(5,569)		(2,547)
Income tax expense		(11,836)		3,083

(*) Additional tax payment was adjusted to income taxes.

(2) The reconciliation of income before income tax to income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	2021		2020	
Profit before income tax	₩	30,838	₩	10,204
Income tax expense calculated at the applicable tax rates	₩	7,001	₩	2,223
Income tax effect:				
Non-taxable income		(31,986)		-
Non-deductible expenses		2,128		1,390
Tax credits		(285)		(378)
Deferred Income Tax Under-recognition Effect		6,985		4,380
Others		4,321		(4,532)
Income tax expense (income)	₩	(11,836)	₩	3,083
Effective tax rate (*)		-%		30.21%

(*) Effective tax rate was not calculated in 2022 due to the occurrence of income tax income.

(3) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(In millions of Korean won)

Description	2021							
	Beginning		Recognized in profit or loss		Equity		End of the year	
Accrued income	₩	(192)	₩	(88)	₩	-	₩	(280)
Trade receivables		14,080		333		-		14,413
Inventories		6,858		(35)		-		6,823
Financial assets measured at FVTPL		846		-		-		846
PP&E		20,578		(1,549)		-		19,029
Intangible assets		10,160		(1,811)		-		8,349
Investments in subsidiaries, associates and joint ventures		(2,252)		54		-		(2,198)
Defined benefit liabilities		61,045		5,396		(6,019)		60,422
Plan assets		(65,325)		(6,436)		450		(71,311)
Other provisions		8,907		448		-		9,355
Warranty		49,335		(5,527)		-		43,808
Deduction of carryover losses		9,953		13,531		-		23,484
Carry-over tax credit		10,990		16,865		-		27,855
Others		20,644		7,343		-		27,987
Total	₩	145,627	₩	28,524	₩	(5,569)	₩	168,582

(In millions of Korean won)

Description	2020							
	Beginning		Recognized in profit or loss		Equity		End of the year	
Accrued income	₩	(1)	₩	(191)	₩	-	₩	(192)
Trade receivables		12,155		1,925		-		14,080
Inventories		6,104		754		-		6,858
Financial assets measured at FVTPL		846		-		-		846
PP&E		25,369		(4,791)		-		20,578
Intangible assets		8,248		1,912		-		10,160
Investments in subsidiaries, associates and joint ventures		(2,004)		(248)		-		(2,252)
Defined benefit liabilities		55,732		8,111		(2,798)		61,045
Plan assets		(56,330)		(9,246)		251		(65,325)
Other provisions		8,235		672		-		8,907
Warranty		43,515		5,820		-		49,335
Deduction of carryover losses		-		9,953		-		9,953
Carry-over tax credit		-		10,990		-		10,990
Others		42,329		(21,685)		-		20,644
Total	₩	144,198	₩	3,976	₩	(2,547)	₩	145,627

(4) The Company did not recognize deferred tax assets for deductible temporary differences of ₩214,765 million (2020: ₩185,917 million) and deferred tax liabilities for taxable temporary differences of ₩20,728 million (2020: ₩42,683 million) related to its investments in subsidiaries and associates because they are not realizable.

19. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2021, are as follows:

(In millions of Korean won)

Description	Financial assets measured at amortized cost		Financial assets measured at FVTPL		Financial liabilities measured at amortized cost		Total	
Cash and cash equivalents	₩	92,681	₩	-	₩	-	₩	92,681
Short-term financial instruments		260,000		223,300		-		483,300
Trade notes and accounts receivable and Other receivables		1,523,633		-		-		1,523,633
Other financial assets		26,582		1,427		-		28,009
Total financial assets	₩	1,902,896	₩	224,727	₩	-	₩	2,127,623
Trade notes and accounts payable and Other payables	₩	-	₩	-	₩	1,256,385	₩	1,256,385
Borrowings and debentures		-		-		971,035		971,035
Financial guarantee liabilities		-		-		22,092		22,092
Lease liabilities		-		-		746		746
Total financial liabilities	₩	-	₩	-	₩	2,250,258	₩	2,250,258

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

(In millions of Korean won)

Description	Financial assets measured at amortized cost		Financial assets measured at FVTPL		Financial liabilities measured at amortized cost		Total	
Cash and cash equivalents	₩	172,195	₩	-	₩	-	₩	172,195
Short-term financial instruments		214,210		258,168		-		472,378
Trade notes and accounts receivable and Other receivables		1,553,465		-		-		1,553,465
Other financial assets		42,799		827		-		43,626
Total financial assets	₩	1,982,669	₩	258,995	₩	-	₩	2,241,664
Trade notes and accounts payable and Other payables	₩	-	₩	-	₩	1,166,645	₩	1,166,645
Borrowings and debentures		-		-		1,014,862		1,014,862
Financial guarantee liabilities		-		-		17,957		17,957
Lease liabilities		-		-		1,644		1,644
Total financial liabilities	₩	-	₩	-	₩	2,201,108	₩	2,201,108

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				2020			
	Interest income		Interest expenses		Interest income		Interest expenses	
Financial assets measured at amortized cost	₩	9,402	₩	-	₩	12,684	₩	-
Financial assets measured at FVTPL		6,282		-		4,738		-
Financial liabilities measured at amortized cost		-		21,894		-		23,305
Total	₩	15,684	₩	21,894	₩	17,422	₩	23,305

The foreign exchange gain or loss on the above financial instruments is ₩20,424 million (2020: ₩1,678 million), and the foreign currency translation gain or loss is ₩(-)5,436 million (2020: ₩(-)6,604 million).

(3) The carrying amount and the fair value and fair value hierarchy levels of financial instruments based on their nature and characteristics are as follows.

The Company categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement:
- 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 (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value hierarchy of financial assets measured at fair value is as follows:

(In millions of Korean won)

	2021				2020			
Description	Level 2		Level 3 (*)		Level 2		Level 3	
Financial assets measured at FVTPL	₩	223,300	₩	1,427	₩	258,168	₩	827

(*) Financial assets categorized as Level 3 have changed book value due to acquisition.

(4) Details of financial assets and liabilities offset as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021					
	Total amount of recognition		Total amount of offset		Net amount presented in financial statements	
Trade notes and accounts receivable and Other receivables	₩	1,776,701	₩	253,068	₩	1,523,633
Trade notes and accounts payable and Other payables		1,509,453		253,068		1,256,385

(In millions of Korean won)

Description	2020					
	Total amount of recognition		Total amount of offset		Net amount presented in financial statements	
Trade notes and accounts receivable and Other receivables	₩	1,663,727	₩	158,400	₩	1,505,327
Trade notes and accounts payable and Other payables		1,325,009		158,400		1,166,609

20. CAPITAL STOCK, CAPITAL SURPLUS AND OTHER CAPITAL ITEMS:

(1) Capital stock as of December 31, 2021 and 2020, consists of the following:

Description	2021		2020	
Number of shares authorized		200,000,000 shares		200,000,000 shares
Par value	₩	5,000	₩	5,000
Issued		81,897,803 shares		81,897,803 shares
Capital stock		₩ 409,489 million		₩ 409,489 million

(2) Capital surplus and other capital items as of December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
Paid-in capital in excess of par value	₩	1,154,371	₩	1,154,371
Treasury stock		(4,281)		(4,281)

21. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
Unappropriated retained earnings	₩	921,649	₩	861,533

(2) The statements of appropriation of retained earnings as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Unappropriated retained earnings:		₩ 921,649		₩ 861,533
Unappropriated retained earnings carried over from prior year	₩ 861,533		₩ 846,435	
Profit for the year	42,673		7,122	
Remeasurements of net defined benefit liabilities	17,443		7,976	
Appropriation of retained earnings		-		-
Unappropriated retained earnings to be carried forward		₩ 921,649		₩ 861,533

22. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2021 and 2020, are computed as follows:

(1) Earnings per share

Description	2021		2020	
Profit for the year	₩	42,673 million	₩	7,122 million
The weighted-average number of shares outstanding		81,737,796 shares		81,737,796 shares
Basic earnings per common share	₩	522	₩	87

(2) As there are no diluted securities outstanding as of December 31, 2021 and 2020, diluted earnings per share are identical to the basic earnings per share.

23. SALES:

(1) Details of sales from the contract with customers for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021	2020
Sales of goods	₩ 6,285,828	₩ 5,665,482
Rendering of services	192,317	204,347
Total	₩ 6,478,145	₩ 5,869,829

(2) For the years ended December 31, 2021 and 2020, sales of ₩6,247,220 million (96.4% of total sales) and ₩5,760,642 million (98.1% of total sales) were to Hyundai Motor Company and other related affiliates, respectively. The accompanying separate financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2021, the amount to be recognized as future sales from the transaction price allocated to the performance obligation is as follows:

(In millions of Korean won)

Description	Within one year	More than one year
Other non-current liabilities	₩ 132,534	₩ 72,449

24. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	2021	2020
Changes in raw materials	₩ 5,418,274	₩ 4,937,681
Employee benefits	302,848	267,845
Depreciation	164,208	159,360
Amortization	13,399	15,240
Transportation and logistics costs	67,140	53,969
Commission expenses	88,043	48,034
Amount paid to subcontractors	127,561	105,299
Ordinary research and development expense	65,864	76,410
Others	192,119	175,262
Total (*)	₩ 6,439,456	₩ 5,839,100

(*) Total costs consist of cost of sales, selling expense and administrative expense.

25. SELLING AND ADMINISTRATIVE EXPENSES:

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

(In millions of Korean won)

Description		2021		2020
Salaries	₩	43,232	₩	38,108
Retirement benefits		8,112		5,714
Employee benefits		11,968		11,293
Logistics cost		62,694		49,862
Ordinary research and development expenses		64,829		62,129
Commission expenses		7,616		6,029
Rental expenses		1,132		1,253
Depreciation		3,815		3,653
Amortization		7,516		7,445
Sales guarantee cost		10,876		(12,812)
Advertising expense		817		292
Bad debt expenses		2,086		6,932
Others		14,918		21,421
Total	₩	239,611	₩	201,319

26. OTHER INCOME:

Other income for the years ended December 31, 2021 and 2020, consists of the following:

(In millions of Korean won)

Description		2021		2020
Gain on foreign currency exchanges	₩	36,156	₩	17,721
Gain on foreign currency translation		4,293		9,935
Gain on disposal of PP&E		1,812		375
Gain on disposal of intangible assets		-		468
Profit from the disposal of subsidiary/associate investment shares		7,231		-
Reversal of other allowance for doubtful accounts		1,479		-
Miscellaneous revenues		17,840		25,675
Total	₩	68,811	₩	54,174

27. OTHER EXPENSES:

Other expenses for the years ended December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description		2021		2020
Loss on foreign currency exchange	₩	15,732	₩	16,043
Loss on foreign currency translation		9,729		16,539
Loss on disposal of PP&E		954		212
Impairment loss on PP&E		5,194		7,817
Impairment loss on intangible assets		5,516		9,011
Impairment losses on subsidiary/associate investment shares		32,488		19,119
Donation		399		284
Other bad debt expenses		-		493
Miscellaneous expenses		8,143		5,000
Total	₩	78,155	₩	74,518

28. FINANCE INCOME:

Finance income for the years ended December 31, 2021 and 2020, consists of the following:

(In millions of Korean won)

Description		2021		2020
Interest income	₩	15,684	₩	17,422
Dividends Income		7,702		5,703
Total	₩	23,386	₩	23,125

29. FINANCE COSTS:

Finance costs for the years ended December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description		2021		2020
Interest expenses	₩	21,894	₩	23,305

30. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2021		2020	
Profit for the year	₩	42,673	₩	7,122
Adjustments:		259,304		271,139
Retirement benefit costs		30,559		37,968
Long-term employee benefits		4,562		3,978
Depreciation		164,208		159,360
Warranty expenses		10,876		(12,812)
Transfer of other provisions		6,995		16,785
Amortization of intangible assets		13,399		15,240
Depreciation of right-of-use assets		881		886
Bad debt expenses		2,086		6,932
Loss on foreign currency translation		9,729		16,539
Loss on disposal of PP&E		954		212
Impairment loss on PP&E		5,194		7,817
Impairment loss on intangible assets		5,516		9,011
Other bad debt expenses		-		493
Impairment loss on investments in associates		32,488		19,118
Interest expenses		21,894		23,305
Income tax expense		(11,836)		3,083
Gain on foreign currency translation		(4,293)		(9,935)
Gain on disposal of PP&E		(1,812)		(375)
Gain on disposal of intangible assets		-		(468)
Reversal of other allowance for doubtful accounts		(1,479)		-
Gain on valuation of financial assets		(7,231)		-
Dividends Income		(7,702)		(5,703)
Interest income		(15,684)		(17,422)
Reversal of other provisions		-		(2,873)
Changes in operating assets and liabilities:		(14,144)		(51,794)
Decrease (increase) in trade receivables		29,150		(4,299)
Decrease (increase) in other receivables		23,172		37,764
Decrease (increase) in other current assets		(61,994)		(19,613)
Decrease (increase) in inventories		(56,488)		(15,877)
Decrease (increase) in other non-current assets		(43,845)		(20,484)
Increase (decrease) in trade payables		137,604		59,787
Increase (decrease) in other payables		(25,258)		13,064
Increase (decrease) in other current liabilities		51,827		(28,180)
Increase (decrease) in non-current other liabilities		30,099		12,856
Increase (decrease) in provisions		(40,533)		(47,823)
Increase (decrease) in net defined benefit liabilities		(57,878)		(38,989)
Cash generated from operations	₩	287,833	₩	226,467

(2) Non-cash transactions

(In millions of Korean won)

Description	2021		2020	
Reclassification of the current portion of bond payables	₩	130,000	₩	210,000
Changes in other payables related to acquisition of PP&E		(18,819)		(8,301)
Changes in other payables related to acquisition of Intangible assets		-		(2,263)
Transfer of construction in progress		150,516		170,270

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
Description	**Borrowings**	**Bond payables**	**Lease liabilities**	**Total**
Beginning Balance	₩ 77,185	₩ 937,677	₩ 1,645	₩ 1,016,507
Cash flows	(74,086)	29,242	(915)	(45,759)
Acquisition of lease liabilities	-	-	-	-
Other (foreign currency translation and amortization)	12	1,005	16	1,033
Ending Balance	₩ 3,111	₩ 967,924	₩ 746	₩ 971,781

(In millions of Korean won)

	2020			
Description	**Borrowings**	**Bond payables**	**Lease liabilities**	**Total**
Beginning Balance	₩ 185,409	₩ 778,015	₩ 2,068	₩ 965,492
Cash flows (*)	(107,626)	158,667	(896)	50,145
Acquisition of lease liabilities	-	-	594	594
Other (foreign currency translation and amortization)	(598)	995	(122)	275
Ending Balance	₩ 77,185	₩ 937,677	₩ 1,644	₩ 1,016,506

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2021, payment guarantees provided by the Company are as follows:

(In thousands of USD, EUR, BRL and RMB)

Beneficiaries	Guarantors	Foreign currency	Provision	Disbursement
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	Bank of America	USD	15,000	15,000
	Shinhan Bank	USD	15,000	-
	KEB Hana Bank	USD	18,000	15,000
	Korea Development Bank	USD	25,000	10,000
	Kookmin Bank	USD	30,000	30,000
Hyundai Transys Georgia Powertrain, Inc.	BTMU (New York)	USD	27,000	3,857
	SMBC (New York)	USD	30,000	-
	Industrial Bank of Korea (New York)	USD	50,000	50,000
	Korea Development Bank	USD	49,000	40,000
	JP MORGAN (New York)	USD	70,000	70,000
	Korea Exim Bank	USD	48,000	40,000
	KEB Hana Bank	USD	30,000	30,000
	PNC	USD	30,000	-
	Shinhan Bank	USD	30,000	-
Hyundai Transys Slovakia s.r.o.	UniCredit Bank	EUR	11,170	11,170
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	Mizuho	USD	38,000	38,000
	Banamex	USD	20,000	-
	Korea Exim Bank	USD	10,000	10,000
	Woori Bank	USD	20,000	20,000
Hyundai Transys Mexico Powetrain, S. de R.L. de C.V.	SMBC (LA)	USD	48,000	24,000
	KEB Hana Bank	USD	35,000	35,000
	MIZUHO (Mexico)	USD	35,000	35,000
	NH Bank	USD	80,000	80,000
	Korea Development Bank	USD	20,000	20,000
	Woori Bank	USD	20,000	20,000
Sichuan Hyundai Transys Automotive System Co., Ltd.	Shinhan Bank	RMB	36,000	27,051
	Hyundai Transys Czech, s.r.o.	EUR	21,500	20,000
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	DBS	USD	10,000	-
	SC Bank	USD	70,000	25,000
	Korea Development Bank	RMB	500,000	482,000
	Citi Bank	USD	20,000	-
Hyundai Transys (Shandong) Co., Ltd.	Korea Development Bank (Head office)	USD	80,000	56,000
	Kookmin Bank (Hong Kong)	USD	50,000	35,000
	Korea Development Bank (Guangzhou)	RMB	120,000	114,000
	KEB Hana Bank (Qingyang)	RMB	170,000	-
	BTMU(Qingdao)	USD	60,000	-
	SC Bank	USD	17,000	17,000
	DBS Bank	USD	10,000	-
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	SC Bank	USD	50,000	35,000
		EUR	22,000	22,000
	KEB Hana Bank	USD	20,000	20,000
	Citi Bank	USD	20,000	20,000
	Total	USD	1,200,000	793,857
		EUR	54,670	53,170
		RMB	826,000	623,051
		BRL	20,000	16,000

As of December 31, 2021, payment guarantees provided by others are as follows:

(In millions of Korean won)

Guarantee details	Provider	Guaranteed amount		Creditor
Contract performance guarantee, etc.	Machinery Financial Cooperative	₩	4,403	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.		25,231	

(2) As of December 31, 2021, financial commitments are as follows:

(In millions of Korean won, In thousands of USD)

Description	Lender	Limited amount	
Overdrafts	NH Bank and others	₩	93,000
General borrowings	KEB Hana Bank and others		57,000
Borrowings collateralized by trade receivables (*)	Shinhan Bank and others		311,800
Discount on accounts receivable	Shinhan Bank and others		257,000
Limited amount of import L/C	Kookmin Bank and others		USD 700,606

(*) It is a contract made such that the other transaction party may discount from financial institutions the notes payable issued by the Company.

(3) The major insurance subscription details at the end of 2021 are as follows:

Description	Financial institution	Coverage amount	
Environmental Liability Insurance	DB Insurance Co., Ltd.	₩	60,000
Gas Accident Liability Insurance	Hyundai Marine & Fire Insurance Co., Ltd.		17,100
Package Insurance Policy			2,822,154
Hyundai Group Accident Insurance (for position only)			1,520,680
Overseas Insurance and others			196,566

(4) When other shareholders of Beijing LEAR Hyundai Transys Automotive Systems Co., Ltd.; BAIC DYMOS Automotive System Co., Ltd.; BAIC DYMOS (Chongqing) Automotive System Co., Ltd.; JV and HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED sell their shares, the Company has the right to purchase prior to the third party, and other shareholders of HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED can exercise the right to sell their shares in the Company according to the shareholders' agreement.

(5) As of December 31, 2021, the Company loses part of the second trial in the first lawsuit for claiming additional wages related to normal wages to workers and retirees at the Seongyeon Plant (February 5, 2020) and is pending for the third trial, lost part of the first trial in second lawsuit (March 25, 2021) and is currently pending in second trial. In addition, a lawsuit for claiming additional wages related to ordinary wages of workers and retirees at the Jigok Plant is pending. The reasonably estimated amount related to the litigation is reflected in the separate financial statements.

32. RISK MANAGEMENT:

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potentially negative effects on the Company's financial performance.

(1) Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar, the Euro and the Japanese yen. Foreign exchange risk arises from recognized assets and liabilities.

The table below summarizes the impact of weakened/strengthened Korean won on the Company's profit for income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(In millions of Korean won)

	2021		2020	
Currency	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD	₩ (81)	₩ 81	₩ 11,758	₩ (11,758)
EUR	(73)	73	390	(390)
JPY	(480)	480	(817)	817
CNY	11,021	(11,021)	16,928	(16,928)
CHF	(1)	1	-	-
Total	₩ 10,386	₩ (10,386)	₩ 28,259	₩ (28,259)

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2021.

(2) Interest Rate Risk

The Company has borrowings in terms of fixed interest rate and variable interest rate, and is exposed to interest rate risk due to fluctuation of interest rate in financial instruments with variable interest rate. The Company regularly assesses hedging activity to adjust interest rate and defined tendency on risk, and tries to apply optimal hedge strategy.

The table below describes an impact of interest rate fluctuation of 1% point on income before income taxes expenses as of December 31, 2021.

(In millions of Korean won)

Description	**1% increase**	**1% decrease**
Cash and cash equivalents	₩ 927	₩ (927)
Short-term financial instruments	2,233	(2,233)
Borrowings	₩ (31)	₩ 31

(3) Credit Risk

Credit risk is arising from general transactions and investment activities, and is occurring when customers, clients or market counterparties fail to fulfill their contractual liability to the Company. The Company manages credit risk by assessing the credit quality of customers and other counterparties and periodically reviews and sets credit limit based on the financial conditions, past activities and other factors.

The maximum exposure to credit risk as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	2021		2020	
Cash and cash equivalents (*)	₩	92,681	₩	172,195
Short-term financial instruments		483,300		472,378
Trade receivables		1,410,725		1,439,497
Other receivables		112,908		113,968
Other financial assets		26,582		42,798
Financial guarantee contracts	₩	1,131,944	₩	1,068,882

(4) Liquidity Risk

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment liabilities on time due to deterioration of its business performance or inability to access financing.

The Company's objective of liquidity risk management is maintaining sufficient cash and the availability of funding through adequate amount of committed credit facilities and ability to close out market positions. The Company currently maintains flexible liquidity within its credit limit through active sales. The Company's management determines that they are able to repay the financial liabilities by cash inflows generated from operating activities and financial assets.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(In millions of Korean won)

	2021							
Description	Less than one year		One year–five years		More than five years		Total	
Trade payables and other payables	₩	1,255,982	₩	403	₩	-	₩	1,256,385
Borrowings and Bond payables		149,636		861,611		-		1,011,247
Financial guarantee liabilities		1,131,944		-		-		1,131,944
Total	₩	2,537,562	₩	862,014	₩	-	₩	3,399,576

	2020							
Description	Less than one year		One year–five years		More than five years		Total	
Trade payables and other payables	₩	1,166,610	₩	35	₩	-	₩	1,166,645
Borrowings and Bond payables		304,734		716,594		40,434		1,061,762
Financial guarantee liabilities		1,068,882		-		-		1,068,882
Total	₩	2,540,226	₩	716,629	₩	40,434	₩	3,297,289

(5) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.
The Company monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of December 31, 2021 and 2020, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	**2021**		**2020**	
Liabilities (A)	₩	2,773,411	₩	2,633,464
Equity (B)		2,481,228		2,421,112
Debt-to-equity ratio (A/B)		111.78%		108.77%

33. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2021 and 2020, are as follows:

Description	2021	2020
Associates (Investment company)	Hyundai Motor Company	Hyundai Motor Company
	Kia Corp. (*1)	Kia Motors Corp.
Subsidiaries	HYUNDAI MSEAT	HYUNDAI MSEAT
	Hyundai Transys Czech, s.r.o.	Hyundai Transys Czech, s.r.o.
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.
	Automotive Seat System Dymos Mexico S.De R.L. DE C.V.	Automotive Seat System Dymos Mexico S.De R.L. DE C.V.
	Sichuan Hyundai Transys Automotive System Co., Ltd.	Sichuan Hyundai Transys Automotive System Co., Ltd.
	Hyundai Transys America, INC	Hyundai Transys America, INC
	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC (*2)	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC
	HYUNDAI TRANSYS MICHIGAN, LLC (*2)	HYUNDAI TRANSYS MICHIGAN, LLC
	Hyundai Transys Slovakia s.r.o.	Hyundai Transys Slovakia s.r.o.
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	HYUNDAI TRANSYS INDIA PRIVATE LIMITED
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.
	HYUNDAI Transys Georgia Powertrain, INC (*3)	-
	Hyundai Transys America Sales, LLC (*3,4)	-
	HYUNDAI TRANSYS RUS LLC (*5)	-
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*6)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.
	Beijing Hyundai Transys Transmission Co., Ltd.	Beijing Hyundai Transys Transmission Co., Ltd.
	BAIC DYMOS Automotive System Co., Ltd.	BAIC DYMOS Automotive System Co., Ltd.
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.
	- (*3)	HYUNDAI Transys Georgia Powertrain, INC.
	Hyundai Transys (Shandong) Co., Ltd.	Hyundai Transys (Shandong) Co., Ltd.
	- (*3)	Hyundai Transys America Sales, LLC
	PT APM HYUNDAI TRANSYS INDONESIA	PT APM HYUNDAI TRANSYS INDONESIA

(*1) The name of the company has been changed to Kia Corp. in 2021.
(*2) Companies are subsidiaries of Hyundai Transys America, Inc.
(*3) The percentage of ownership for HYUNDAI Transys Georgia Powertrain, INC. is increased from 40.00% to 71.27% due to the participation in the unequal paid-in capital increase in 2021. As a result, the company and its subsidiaries were classified as subsidiaries.
(*4) The company is a subsidiary of HYUNDAI Transys Georgia Powertrain, INC.
(*5) It was newly established in 2021.
(*6) In 2021, the name has been changed to Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.

(2) Significant transactions for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021			
Description	**Name of company**	**Sales**	**Others**	**Purchases**	**Others**
Associates (Investment company)	Hyundai Motor Company	₩ 1,784,355	₩ 24,329	₩ 54,761	₩ 725
	Kia Corp.	1,091,924	24,547	54,971	211
Subsidiaries	HYUNDAI MSEAT	749	4,423	384,755	1,542
	Hyundai Transys Czech s.r.o	19,006	-	15	27
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	6,577	7,678	144	1
	Hyundai Transys Powertrain System(Rizhao) Co., Ltd.	8,469	29	10,866	140
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	5,559	131	212	-
	Sichuan Hyundai Transys Automotive System Co., Ltd.	1,543	129	18	144
	Hyundai Transys America, INC. (*1)	37,439	135	444	19
	Hyundai Transys Slovakia s.r.o.	9,306	51	30	1
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	29,211	518	242	228
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	22,837	1,125	122	2,110
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	146,797	2,453	-	170
	HYUNDAI Transys Georgia Powertrain, INC. (*2,3)	597,114	16,938	1,616	2,289
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	2,470	-	-	21
	Beijing Transys Transmission Co., Ltd.	100,803	825	95,507	3,750
	BAIC DYMOS Automotive System Co., Ltd.	6,476	-	158	44
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	2,895	1	40	208
	Hyundai Transys (Shandong) Co., Ltd.	244,230	3,736	130,029	460
	PT APM HYUNDAI TRANSYS INDONESIA	1,087	-	-	-
Other related parties (*4)		2,053,975	3,395	355,012	72,003
Total		₩ 6,172,822	₩ 90,443	₩ 1,088,942	₩ 84,093

(In millions of Korean won)

Description	Name of company	2020 Sales		2020 Others		2020 Purchases		2020 Others	
Associates (Investment company)	Hyundai Motor Company	₩	1,612,602	₩	12,217	₩	72,209	₩	464
	Kia Motors Corp.		1,231,073		4,329		62,428		34
Subsidiaries	HYUNDAI MSEAT		-		523		431,338		984
	Hyundai Transys Czech, s.r.o.		16,533		14		68		2,699
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED		4,271		8		67		-
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.		13,897		34		29,879		184
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.		3,766		133		100		-
	Automotive Seat System Dymos Mexico S.De R.L. DE C.V.		1,593		-		-		-
	Sichuan Hyundai Transys Automotive System Co., Ltd.		4,214		79		49		276
	Hyundai Transys America, INC. (*1)		18,226		169		108		70
	Hyundai Transys Slovakia s.r.o.		6,006		71		40		1
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.		26,003		391		47		62
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED		21,878		1,035		1,772		125
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.		180,179		2,185		-		588
Associates (Investee company)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.		604		2		103		-
	Beijing Hyundai Transys Transmission Co., Ltd.		128,510		990		56,305		6,135
	BAIC DYMOS Automotive System Co., Ltd.		521		23		406		-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.		14		5		-		138
	HYUNDAI Transys Georgia Powertrain, INC.		506,118		908		-		4,740
	Hyundai Transys (Shandong) Co., Ltd.		309,059		2,015		144,739		784
	Hyundai Transys America Sales, LLC		182		-		-		6
Other related parties (*4)			1,675,393		6,203		309,176		101,673
Total		₩	5,760,642	₩	31,334	₩	1,108,834	₩	118,963

(*1) Consolidated basis for Hyundai Transys America, Inc.
(*2) Consolidated basis for HYUNDAI Transys Georgia Powertrain, INC.
(*3) The transaction amount incurred in 2021 when the company was an associate (investee company) before incorporation into the consolidation is included.
(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (Investment company)	Hyundai Motor Company	₩ 368,797	₩ 60,046	₩ 12,512	₩ 12,060
	Kia Corp.	207,552	-	13,058	1,995
Subsidiaries	HYUNDAI MSEAT	-	-	85,583	96
	Hyundai Transys Czech s.r.o	6,820	-	3	1,710
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	2,573	-	15	-
	Hyundai Transys Powertrain System(Rizhao) Co., Ltd.	36	13	1	293
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	1,309	61	19	-
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*1)	55,451	1,486	-	16
	Hyundai Transys America, INC. (*2)	10,880	91	-	103
	Hyundai Transys Slovakia s.r.o.	3,235	24	-	-
	Hyundai Transys Mexico Seating System S DE RL DE CV	11,140	258	25	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	4,838	573	405	263
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	23,047	1,247	-	8
	HYUNDAI Transys Georgia Powertrain, INC. (*3)	82,494	455	-	336
Associates (Investee company)	Beijing Hyundai Transys Transmission Co., Ltd.	41,763	405	19,077	266
	BAIC DYMOS Automotive System Co., Ltd.	6,591	192	1	174
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	3,282	395	-	36
	Hyundai Transys (Shandong) Co., Ltd.	129,298	675	67,711	10
	PT APM HYUNDAI TRANSYS INDONESIA	797	-	6	-
Other related parties (*4)		342,240	3,062	122,731	39,993
Executives and staff members		-	15,816	-	-
Total		₩ 1,302,143	₩ 84,799	₩ 321,147	₩ 57,359

(In millions of Korean won)

		2020			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (Investment company)	Hyundai Motor Company	₩ 338,699	₩ 64,122	₩ 16,481	₩ 11,474
	Kia Motors Corp.	278,912	2,208	12,009	1,010
Subsidiaries	HYUNDAI MSEAT	-	7,565	103,693	2
	Hyundai Transys Czech, s.r.o.	7,463	-	35	3,314
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	2,151	-	1	-
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	6,042	10	9,007	375
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	1,982	-	10	-
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*1)	55,966	1,260	4	2,780
	Hyundai Transys America, Inc. (*2)	7,436	85	-	211
	Hyundai Transys Slovakia s.r.o.	2,715	16	25	-
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	9,242	177	23	583
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	5,669	395	469	-
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	28,086	1,067	-	1,040
Associates (Investee company)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.	28	15	26	-
	Beijing Hyundai Transys Transmission Co., Ltd.	60,730	478	19,363	379
	BAIC DYMOS Automotive System Co., Ltd.	601	193	61	429
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	175	359	-	-
	HYUNDAI Transys Georgia Powertrain, Inc.	125,926	195	-	215
	Hyundai Transys (Shandong) Co., Ltd.	115,807	1,955	-	80,696
Other related parties (*4)		307,416	2,551	80,994	31,359
Executives and staff members		-	15,567	-	-
Total		₩ 1,355,046	₩ 98,218	₩ 242,201	₩ 133,867

(*1) The entire net bond value for Sichuan Hyundai Transys Automotive System Co., Ltd. is recognized as a loss allowance, and there is no loss allowance for other related parties.
(*2) Consolidated basis for Hyundai Transys America, Inc.
(*3) Consolidated basis for HYUNDAI Transys Georgia Powertrain, INC.
(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(4) The details of financial transactions with related parties are as follows:

(In millions of Korean won)

Description	Cash contribution			
	2021		2020	
Subsidiaries:				
HYUNDAI MSEAT	₩	16,500	₩	-
HYUNDAI Transys Georgia Powertrain, INC		152,254		-
Sichuan Hyundai Transys Automotive System Co., Ltd.		10,688		-
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.		11,796		-
HYUNDAI TRANSYS RUS LLC		2,027		-
Subtotal		193,265		-
Associates (Investee company)				
PT APM HYUNDAI TRANSYS INDONESIA		4,440		8,103
Total	₩	197,705	₩	8,103

(5) Dividend income from subsidiaries and associates in 2021 and 2020 is ₩7,678 million (2020: ₩5,703 million).

(6) For the year ended December 31, 2021, the payroll costs for the senior management, including board members as well as non-executive board members, all of whom have significant responsibility and authority over corporative activities, such as business planning, operation and management, are ₩2,123 million (2020: ₩1,731 million). There is no retirement benefit incurred in 2021.

(7) The Company provides payment guarantees for borrowings of associates as of December 31, 2021 (see Note 31).

(8) Purchasing card transactions with HYUNDAI CARD CO., LTD., a related party, for the year ended December 31, 2021, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning		Usage		Repayment		Ending	
Hyundai Card Co., Ltd.	₩4,000 per month	₩	3,987	₩	33,753	₩	(34,397)	₩	3,343

34. SUBSEQUENT EVENTS:

On February 16, 2022, the Company issued the 43-1st (₩160,000 million) and 43-2nd (₩40,000 million) corporate bonds.

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Internal Accounting Control System ("IACS") Review Report

English Translation of a Report Originally Issued in Korean on March 21, 2022.

To the Chief Executive Officer
HYUNDAI TRANSYS INC.:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of HYUNDAI TRANSYS INC. (the "Company") as of December 31, 2021. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2021, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2021, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management's Report, in all material respects. A review includes obtaining an understanding of the Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures. The Company's design and operation of IACS and Management's Report on the assessment of IACS were performed in accordance with Chapter 5 "Application for Small- and Medium-Sized Enterprises" of the IACS framework, which allows for small- and medium-sized publicly held companies and large-sized privately held companies, to less strictly comply with the IACS framework than a large-sized publicly held company. As the Company is a small- and medium-sized privately held company, we have performed the review in accordance with Chapter 14 "Review Standards for Small- and Medium-Sized Enterprises" of the IACS Review Standards, established by the Korean Institute of Certified Public Accountants.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS 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.

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Based on our review, nothing has come to our attention that causes us to believe that the Management's Report, referred to above, is not fairly stated, in all material respects, in accordance with Chapter 5 "Application for Small- and Medium-Sized Enterprises" of the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2021, and we did not review its IACS subsequent to December 31, 2021. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 21, 2022

Disclosure on Execution of External Audit

We attached required disclosure on the execution of external audit performed in accordance with ***Article 18-3 of the Act on External Audit of Stock Companies***.

1. Company and Reporting Period subject to External Audit

Company	HYUNDAI TRANSYS INC.			
Reporting Period	From	January 1, 2021	To	December 31, 2021

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participants, Hours Executed)

Participant(s) ＼ Number and Hour(s)		Engagement Quality Reviewer(s) (Including QRM, etc.)	Audit Professional(s)			IT Specialist(s), Tax Specialist(s) and Valuation Specialist(s)	Contract Manufacturing Industry Specialist(s)	Total
			Engagement Partner(s)	KICPA (Registered)	KICPA (Non-Registered)			
Number of Participant(s)		3	1	11	4	16	-	35
Hours Executed	Quarterly Review, Six-Month Review	6	60	608	160	-	-	834
	Audit	26	147	2,698	796	536	-	4,203
	Total	32	207	3,306	956	536	-	5,037

3. Key Disclosure on Execution of External Audit

<table>
<tr><th>Title</th><th colspan="8">Detail</th></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="3">Dates Performed</td><td colspan="3">2021.05.24–2021.05.28</td><td>5</td><td>Days</td></tr>
<tr><td colspan="3">Main Planning Work Performed</td><td colspan="5">Identifying significant audit risk factors and establishing mid-term and final audit plans</td></tr>
<tr><td rowspan="4">Field Work Performed</td><td colspan="3" rowspan="2">Dates Performed</td><td colspan="4">Number of Participant(s)</td><td rowspan="2">Main Field Work Performed</td></tr>
<tr><td colspan="2">On-Site</td><td colspan="2">Off-Site</td></tr>
<tr><td>2021.09.13–09.24
2021.11.22–11.26</td><td>12</td><td>Days</td><td>7</td><td>Number of Participant(s)</td><td>2</td><td>Number of Participant(s)</td><td>Understanding internal control and assessing risk of the Company</td></tr>
<tr><td>2022.01.24–02.11</td><td>12</td><td>‘’</td><td>7</td><td>‘’</td><td>2</td><td>‘’</td><td>Audit of financial statements</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="5">2022.01.03</td><td>1</td><td>Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="7">Raw materials, Work-in-process, Merchandise, Finished goods, etc.</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="4">2022.01.03</td><td colspan="2">1</td><td>Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Financial Instruments subjected to Counts</td><td colspan="7">Cash, Notes, Membership, etc.</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td colspan="2">Accounts Receivable/Payable Confirmation</td><td colspan="2">O</td><td>Legal Confirmation</td><td>O</td></tr>
<tr><td>Other Confirmation</td><td colspan="7">Inventory Confirmation</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>2</td><td colspan="6">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="7">2021.12.28, 2022.03.21</td></tr>
<tr><td rowspan="2">Use of External Specialist(s)</td><td>Contents of Use</td><td colspan="7">-</td></tr>
<tr><td>Time (When Performed)</td><td colspan="5">-</td><td>-</td><td>Day(s)</td></tr>
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