HYUNDAI TRANSYS INC.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

HYUNDAI TRANSYS INC.

INDEX

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on March 21, 2023

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

Report on the Audited Consolidated Financial Statements

Our Opinion

We have audited the accompanying consolidated financial statements of Hyundai Transys Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, respectively, and the related consolidated statements of profit or loss, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, 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 *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 Consolidated Financial Statements

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

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

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

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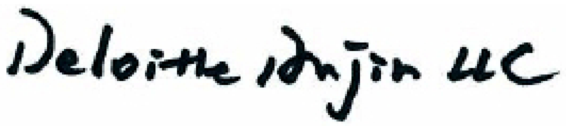
Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Group 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.



March 21, 2023

<u>Notice to Readers</u>

This report is effective as of March 21, 2023, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

HYUNDAI TRANSYS INC.
AND ITS SUBSIDIARIES (the “Group”)

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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

Yeo, Sudong
Chief Executive Officer
Hyundai Transys Inc.

Headquarters: (Road Name and Address) 105, Sindang 1-ro, Seongyeon-myeon,
Seosan, Chungcheongnam-do
(Phone Number) 041-661-7114

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022 AND 2021

	Notes	2022	2021
		(In millions of Korean won)	
Assets			
Current assets			
Cash and cash equivalents	4,19,32	₩ 771,307	₩ 493,285
Short-term financial instruments	4,8,19,32	415,075	483,331
Trade receivables	5,19,32,33	1,899,002	1,630,759
Other receivables	5,19,32,33	112,600	67,800
Inventories	6	757,179	698,610
Other financial assets	5,19,32	31,581	19,614
Other current assets	7	276,612	165,879
Current tax assets		48,558	22,712
		4,311,914	3,581,990
Non-current assets			
Trade receivables	5,19,32	-	8,916
Other receivables	5,19,32,33	44,834	54,397
Investments in joint ventures and associates	9,33	180,788	192,065
Property, plant and equipment	10,34	2,416,704	2,322,918
Intangible assets	11,34	150,407	106,896
Right-of-use assets	12	7,515	8,603
Net defined benefit assets	15	128,806	74,679
Other financial assets	4,5,8,19,32	26,999	21,690
Other non-current assets	7	56,813	87,829
Deferred tax assets	18	196,293	176,735
		3,209,159	3,054,728
Total assets		₩ 7,521,073	₩ 6,636,718
Liabilities and equity			
Current liabilities			
Trade payables	19,32,33	₩ 1,414,278	₩ 1,137,051
Other payables	13,19,32,33	475,554	421,581
Short-term borrowings	5,14,19,31,32	242,105	109,011
Current portion of long-term debt and debentures	14,19,32	685,987	238,339
Provisions	16,31	78,487	70,153
Financial guarantee liabilities	19,31,32	2,059	3,924
Lease liabilities	12,19	342	848
Other financial liabilities	19	20,056	17,907
Other current liabilities	17,23	215,410	158,558
Income tax payable		12,912	2,757
		3,147,190	2,160,129

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2022 AND 2021

	Notes		2022		2021
			(In millions of Korean won)		
Non-current liabilities					
Debentures	14,19,32	₩	698,525	₩	838,003
Long-term debt	14,19,31,32		489,314		645,503
Provisions	16		206,123		205,768
Lease liabilities	12,19		3,434		3,791
Other liabilities	13,19,32,33		4,577		11,415
Other non-current liabilities	17,23		97,705		86,092
			1,499,678		1,790,572
Total liabilities		₩	4,646,868	₩	3,950,701
Equity					
Capital stock	1,20	₩	409,489	₩	409,489
Other paid-in capital	20		1,195,106		1,186,154
Retained earnings	21		1,175,755		1,003,835
Equity attributable to owners of the Parent Company			2,780,350		2,599,478
Non-controlling interest			93,855		86,539
Total equity			2,874,205		2,686,017
Total liabilities and equity		₩	7,521,073	₩	6,636,718

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes		2022		2021
Sales	23,33,34	₩	10,256,254	₩	8,143,951
Cost of sales	24,33		9,672,608		7,745,247
Gross profit			583,646		398,704
Selling and administrative expenses	24,25,33		431,920		303,688
Operating profit	34		151,726		95,016
Other income	26,33		106,828		125,795
Other expenses	27,33		103,995		71,920
Finance income	19,28,33		28,747		12,935
Finance costs	19,29		52,851		42,841
Gain on share of earnings of equity-accounted investees	9		(7,894)		(14,673)
Profit before income tax expense			122,561		104,312
Income tax expense	18		(922)		13,689
Profit for the year		₩	123,483	₩	90,623
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities (assets)	15		49,174		18,450
Items that may be subsequently reclassified to profit or loss:					
Share of other comprehensive loss of associates	9		(4,517)		20,694
Currency translation differences			20,048		27,268
Other comprehensive income (loss) for the year, net of tax			64,705		66,412
Total comprehensive income for the year		₩	188,188	₩	157,035
Profit is attributable to:					
Owners of the Parent Company	22	₩	122,749	₩	91,964
Non-controlling interest			734		(1,341)
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company	22		180,877		154,984
Non-controlling interest			7,311		2,051
Earnings per share attributable to the equity holders of the Parent Company *(in Korean won)*:					
Basic and diluted earnings per share		₩	1,502	₩	1,125

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total	Non-Controlling Interest	Gross Total
	(In millions of Korean won)						
Balance at January 1, 2021	₩ 409,489	₩ 1,150,090	₩ (8,576)	₩ 893,421	₩ 2,444,424	₩ 216	₩ 2,444,640
Comprehensive income:							
Profit for the year	-	-	-	91,964	91,964	(1,341)	90,623
Other comprehensive income (loss):							
Remeasurements of net defined benefit liabilities	-	-	-	18,450	18,450	-	18,450
Equity adjustments in equity method	-	-	20,694	-	20,694	-	20,694
Exchange differences on translation of foreign operations	-	-	23,876	-	23,876	3,392	27,268
Total other comprehensive income (loss)	-	-	44,570	18,450	63,020	3,392	66,412
Total comprehensive income for the year	-	-	44,570	110,414	154,984	2,051	157,035
Transactions with owners							,
Business combination	-	-	-	-	-	84,342	84,342
Capital increase in subsidiaries	-	70	-	-	70	(70)	-
Total transactions with owners	-	70	-	-	70	84,272	84,342
Balance at December 31, 2021	₩ 409,489	₩ 1,150,160	₩ 35,994	₩ 1,003,835	₩ 2,599,478	₩ 86,539	₩ 2,686,017

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total	Non-Controlling Interest	Gross Total
	(In millions of Korean won)						
Balance at January 1, 2022	₩ 409,489	₩ 1,150,160	₩ 35,994	₩ 1,003,835	₩ 2,599,478	₩ 86,539	₩ 2,686,017
Comprehensive income:							
Profit for the year	-	-	-	122,749	122,749	734	123,483
Other comprehensive income:							
Remeasurements of net defined benefit liabilities	-	-	-	49,171	49,171	3	49,174
Equity adjustments in equity method	-	-	(4,517)	-	(4,517)	-	(4,517)
Exchange differences on translation of foreign operations	-	-	13,474	-	13,474	6,574	20,048
Total other comprehensive income	-	-	8,957	49,171	58,128	6,577	64,705
Total comprehensive income for the year	-	-	8,957	171,920	180,877	7,311	188,188
Transactions with owners							,
Capital increase in subsidiaries	-	(5)	-	-	(5)	5	-
Total transactions with owners	-	(5)	-	-	(5)	5	-
Balance at December 31, 2022	₩ 409,489	₩ 1,150,155	₩ 44,951	₩ 1,175,755	₩ 2,780,350	₩ 93,855	₩ 2,874,205

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes		2022		2021
			(In millions of Korean won)		
Cash flows from operating activities					
Cash generated from operations	30	₩	349,832	₩	329,006
Interest received			27,895		12,207
Interest paid			(46,789)		(37,620)
Dividends received			4,554		25
Income tax paid			(49,002)		(38,008)
Net cash provided by operating activities			286,490		265,610
Cash flows from investing activities					
Net increase (decrease) in short-term financial instruments			68,256		(10,881)
Proceeds from disposal of property, plant and equipment			9,481		64,296
Proceeds from disposal of intangible assets			500		31
Acquisitions of investments in joint ventures and associates			(6,430)		(4,440)
Acquisitions of property, plant and equipment			(300,927)		(444,898)
Acquisitions of intangible assets			(47,131)		(33,939)
Business combination	35		-		55,307
Net increase (decrease) in other financial assets			(10,969)		9,589
Net cash used in investing activities			(287,220)		(364,935)
Cash flows from financing activities	30				
Proceeds from short-term borrowings			135,698		(68,159)
Proceeds from borrowings and debentures			298,737		404,393
Repayments of borrowings and debentures			(147,631)		(253,094)
Repayment of lease liabilities			(1,269)		(1,269)
Net cash provided by financing activities			285,535		81,871
Net increase (decrease) in cash and cash equivalents			284,805		(17,454)
Cash and cash equivalents at the beginning of year			493,285		458,365
Effects of exchange rate changes on cash and cash equivalents			(6,783)		52,374
Cash and cash equivalents at the end of year	30	₩	771,307	₩	493,285

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

1. GENERAL INFORMATION:

General information of Hyundai Transys Inc. (the “Company”) and its subsidiaries (collectively, the “Group”) 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, 2022.

1) The Company’s major shareholders and their respective percentage of ownership as of December 31, 2022 and 2021, are as follows:

(In shares)	2022		2021	
	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 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) Details of the consolidated subsidiaries as of December 31, 2022 and 2021, are as follows:

Subsidiaries	Controlling percentage of ownership (%) 2022	2021	Closing month	Type of business
HYUNDAI MSEAT (*1)	99.87	99.85	December	Automotive parts manufacturing
Hyundai Transys Czech, s.r.o.	100	100	December	``
HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	65	65	March	``
Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	100	100	December	``
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	100	100	December	``
Automotive Seat System Dymos Mexico S.De R.L. DE C.V. (*2)	100	100	December	``
Sichuan Hyundai Transys Automotive System Co., Ltd.	100	100	December	``
Hyundai Transys America, Inc.	100	100	December	``
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC (*3)	100	100	December	``
HYUNDAI TRANSYS MICHIGAN, LLC (*3)	100	100	December	``
Hyundai Transys Slovakia s.r.o.	100	100	December	``
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	100	100	December	``
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100	100	March	``
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	100	100	December	``
Hyundai Transys Georgia Powertrain, Inc.	71.27	71.27	December	``
Hyundai Transys America Sales, LLC (*2,4)	100	100	December	``
HYUNDAI TRANSYS RUS LLC	100	100	December	``

(*1) Due to disproportional paid-in-capital increase for the year ended December 31, 2022, the Group’s ownership percentage increased from 99.85% to 99.87%.

(*2) The liquidation process is in progress.

(*3) Companies are subsidiaries of Hyundai Transys America, Inc.

(*4) The company is a subsidiary of Hyundai Transys Georgia Powertrain, Inc.

Summarized financial information for consolidated subsidiaries as of and for the year ended December 31, 2022, is as follows:

(In millions of Korean won)

Subsidiaries	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year
HYUNDAI MSEAT	₩ 166,987	₩ 85,868	₩ 129,294	₩ 16,263	₩ 495,799	₩ 4,087
Hyundai Transys Czech, s.r.o.	122,130	23,858	93,680	11,874	398,139	14,982
Hyundai Transys Lear Automotive India Private Limited	56,062	13,083	47,193	2,764	279,968	15,375
Hyundai Transys America, Inc. (*)	228,290	106,739	190,046	6,408	756,033	(3,058)
Hyundai Transys Slovakia s.r.o.	41,893	23,190	31,521	-	261,671	7,714
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	175,505	110,040	162,294	48,261	374,399	10,388
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	214,042	215,041	157,319	175,548	367,027	11,275
Hyundai Transys Georgia Powertrain, Inc. (*)	490,331	501,867	401,645	295,941	1,025,764	7,291

(*) Based on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

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

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards ("K-IFRSs"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.
Certain information attached to the Korean language consolidated financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.
The consolidated financial statements of the Group 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 consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated 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 Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2022.

- 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.

- 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 ("PP&E") 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.

If not presented separately in the consolidated statements of profit or loss, the consolidated 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 consolidated statements of profit or loss include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of PP&E 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 consolidated financial statements in which the entity first applies the amendments.

- 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 labor 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 PP&E 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.

- 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

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 IFRS Standards, 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).

② K-IFRS 1109 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise 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.

③ K-IFRS 1116 Leases

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

④ K-IFRS 1041 Agriculture

The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

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

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised K-IFRS Standards that have been issued but are not yet effective:

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

K-IFRS 1117 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- 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 consolidated statements 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 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments - 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 1001 Presentation of Financial Statements - Disclosure of financial liabilities with condition to adjust exercise price (Amendment)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

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

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

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

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

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:
  - o Right-of-use assets and lease liabilities
  - o 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 Group does not anticipate that the application of the enactment and amendments will have a significant impact on the Group’s consolidated financial statements.

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to December 31 each year. 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRS standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. 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 acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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 acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (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 acquiree and c) the fair value of the acquirer's PHI in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

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 Group'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 Group'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 Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.
When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

2.5 Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.6 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or joint venture or, a portion of an investment in an associate or joint venture, the investment, or the portion of the investment in the associate or joint venture that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.7 Revenue Recognition

(a) Sale of goods

The Group 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 Group 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 Group 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.

2.8 Lease

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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 by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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 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 as a separate line in the consolidated 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 Group 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 rate or a change in expected payment under a guaranteed residual value, in which cases 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 Group 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 right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group 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 as a separate line in the consolidated statements of financial position.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement 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 Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group 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 Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease 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 Group'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 Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses ("ECLs") 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 Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

2.9 Foreign currencies

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

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

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean Won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.10 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.

2.11 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 consolidated statements of financial position with a charge or credit to the consolidated statements of profit or loss in the period in which they occur. Remeasurements recognized in the consolidated 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 Group 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 consolidated statements of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

2.12 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 consolidated 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 Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 judgment of tax professionals within the Group 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 consolidated 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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

	Representative useful lives
Buildings	20–50 years
Structures	20–25 years
Machinery and equipment	10–12 years
Dies, mold and tools	5–6 years
Vehicles	4–8 years
Office equipment	3–10 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 Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

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

2.14 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	3–6 years
Development costs	5 years
Customer relationship	5 years

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

(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 Group 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.

2.15 Impairment of Tangible and Intangible Assets other than Goodwill

At each reporting date, the Group 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 Group 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.

2.16 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group 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 consolidated 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 Group 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.

2.17 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.

2.18 Provisions

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

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

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

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

2.19 Cash and cash equivalents

In the consolidated statements of financial position, cash and bank balances comprise cash (i.e., cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statements of financial position.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management. Such overdrafts are presented as short-term borrowings in the consolidated statements of financial position.

2.20 Financial Instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. 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.

2.21 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 Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.
- The Group 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 and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments' revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item as part of the fair value gain or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments' revaluation reserve.

(c) Impairment of financial assets

The Group recognizes a loss allowance for 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 Group 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 Group'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 direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group 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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group 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.

2.22 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 Group are recognized at the proceeds received, net of direct issue costs.

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

(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 Group, are measured in accordance with the specific accounting policies set out below.

(d) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

(e) 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.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

(f) 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.

(g) 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 gains and losses’ line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(h) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled 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.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

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

The Group 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 Group 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.

2.24 Approval of Consolidated Financial Statements

The consolidated financial statements were confirmed by the Board of Directors on February 27, 2023 and will be finally approved by shareholders' meeting on March 29, 2023.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Group'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 judgment and assumptions of certain items is included in relevant notes.

(a) Income taxes

The Group'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 Group 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 depression, and the Group is 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 cash generating units held by the Group due to COVID-19. The Group estimates the recoverable amount of assets or cash generating units identified with signs of impairment based on the information which is available at the end of the reporting period, and the Group's management considers this assumption as reasonable.

The criteria for calculating the book value and recoverable amount of a cash-generating units, which identified signs of impairment among the cash generating units held by the Group, but the recoverable amount exceeds the book value, are as follows:

(In millions of Korean won)

Cash generating unit		Book Value	Standard for calculating recoverable amount
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	₩	11,174	Discounted Cash Flow
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.		81,565	Discounted Cash Flow

The Group estimated the value in use of the cash-generating unit 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 a cash-generating unit with a significant risk of causing a material adjustment in the next fiscal year among the cash-generating units for which signs of impairment have been identified are as follows:

A. Period for estimating future cash flows

The Group estimated future cash flows based on its financial budget/forecast over the next five years to estimate the value of use by cash-generating units. Considering that the Group is continuing entity, 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 Group to estimate the future cash flows of cash-generating units 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 guideline companies operating in similar industries.

D. Sensitivity analysis

The assumption that responds most sensitively to the recoverable amount of the cash-generating unit is the discount rate, and the recoverable amount that changes as the discount rate changes by 1%p is as follows, and the Group’s management believes that the risk of additional impairment losses being recognized is not significant as a result of the sensitivity analysis.

Cash generating unit	(+)1%p	(-)1%p
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	(-)8%p	(+)10%p
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	(-)5%p	(+)6%p

4. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	Financial institution	2022	2021	Usage restriction details
Cash and cash equivalents	Woori Bank and Others	₩ 271	₩ 267	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea	30,000	20,000	Shared Growth Deposit
Other financial assets	Shinhan Bank and Others	31	31	Overdraft deposit and Others
Total		₩ 30,302	₩ 20,298	

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, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022	2021
Total trade notes and accounts receivable	₩ 1,901,897	₩ 1,649,267
Less: Loss allowance	(2,895)	(9,592)
Subtotal	1,899,002	1,639,675
Other receivables		
Non-trade receivables	156,528	121,569
Accrued revenue	2,387	1,611
Less: Loss allowance	(1,481)	(983)
Subtotal	157,434	122,197
Other financial assets	51,191	41,444
Less: Loss allowance	(2,104)	(1,567)
Subtotal	49,087	39,877
Total	₩ 2,105,523	₩ 1,801,749

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			2021		
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	₩ 9,592	₩ 983	₩ 1,568	₩ 6,336	₩ 251	₩ 3,778
Impairment loss	7,851	498	536	3,256	732	(2,211)
Write-off	(14,600)	-	-	-	-	-
Others	52	-	-	-	-	-
Ending balance	₩ 2,895	₩ 1,481	₩ 2,104	₩ 9,592	₩ 983	₩ 1,567

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

As of December 31, 2022 and 2021, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description		2022		2021
Not due	₩	1,895,073	₩	1,599,646
Overdue:				
Within 30 days		742		10,510
Within 180 days and more than 31 days		1,617		17,635
More than 181 days		4,465		21,476
Total amounts	₩	1,901,897	₩	1,649,267
Amount of impaired receivables (*)	₩	3,197	₩	18,560

(*) As of December 31, 2022, the provision for loss for impaired receivables is ₩2,895 million (2021: ₩9,592 million).

(4) Transfer of financial assets

- Financial assets that were transferred but not derecognized

The Group 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 Group 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 ₩62,690 million (2021: ₩3,111 million).

- Financial assets that were derecognized

The Group 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 consolidated financial statements at the date of transfer as most of the risks and rewards are transferred.

6. INVENTORIES:

Inventories as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			2021		
Description	Acquisition cost	Valuation reserve	Total	Acquisition cost	Valuation reserve	Total
Merchandise	₩ 87,590	₩ (2,052)	₩ 85,538	₩ 52,789	₩ (1,464)	₩ 51,325
Finished goods	189,039	(7,351)	181,688	214,564	(8,492)	206,072
Semifinished goods	85,895	(2,687)	83,208	88,316	(2,717)	85,599
Raw materials	205,968	(10,546)	195,422	159,902	(9,645)	150,257
Supplies	42,472	(11,739)	30,733	40,132	(11,702)	28,430
Materials in transit	180,590	-	180,590	176,927	-	176,927
Total	₩ 791,554	₩ (34,375)	₩ 757,179	₩ 732,630	₩ (34,020)	₩ 698,610

The cost of inventories included in cost of goods sold for the years ended December 31, 2022 and 2021, is ₩8,398,735 million and ₩6,660,658 million, respectively (see Note 24).

7. OTHER ASSETS:

Other assets as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				2021			
Description	Current		Non-current		Current		Non-current	
Advanced payments	₩	239,651	₩	56,813	₩	101,442	₩	87,829
Prepaid expenses		10,697		-		12,956		-
Others		26,264		-		51,481		-
Total	₩	276,612	₩	56,813	₩	165,879	₩	87,829

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
Description	**Financial instruments at FVTPL**		**Financial instruments at FVTPL**	
Investment in capital of partnership (*1)	₩	514	₩	503
Non-Marketable equity securities (*1)		2,124		924
Marketable equity securities (*2)		6,855		-
Money market trust (*3)		-		223,300
Total	₩	9,493	₩	224,727

(*1) Included in other non-current financial assets.
(*2) Included in other current financial assets. Stocks are suspended from trading as of December 31, 2022.
(*3) Included in short-term financial instruments.

(2) Changes in financial assets at fair value for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
Description	**Financial instruments at FVTPL**		**Financial instruments at FVTPL**	
Beginning balance	₩	224,727	₩	258,995
Acquisition (Disposal) (*1)		(222,100)		(34,268)
Valuation		11		-
Transfer (*2)		6,855		-
Ending balance	₩	9,493	₩	224,727

(*1) Net increase or decrease was indicated due to frequent acquisition and disposition.
(*2) It is replaced from non-current trade receivables and other receivables due to debt for equity swaps.

9. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2022 and 2021, are as follows:

Joint ventures and Associates	Controlling percentage of ownership (%) 2022	2021	Main business Establishment	Closing month	Primary Business
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*1,2)	50	40	China	December 31	Automotive parts manufacturing
Beijing Hyundai Transys Transmission Co., Ltd.	31.96	31.96	China	December 31	``
BAIC DYMOS Automotive System Co., Ltd. (*2)	50	50	China	December 31	``
BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*2)	50	50	China	December 31	``
Hyundai Transys (Shandong) Co., Ltd.	35	35	China	December 31	``
PT APM HYUNDAI TRANSYS INDONESIA (*2)	50	50	Indonesia	December 31	``

(*1) Ownership ratio increased from 40% to 50% because of acquiring equity held by other shareholder during current year, and acquisition cost was ₩2,061 million.
(*2) It was classified as a joint venture based on joint control in accordance with inter-shareholder agreement.

(2) Details of valuation of investments in associates that are accounted for using the equity method for the years ended December 31, 2022 and 2021, are as follows:

(Current year)

(In millions of Korean won)

Joint ventures and Associates	Beginning	Acquisition /Disposal	Gain (loss) on equity method	Equity adjustments in equity method	Dividend	Impairment	Ending
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ -	₩ 2,061	₩ (1,094)	₩ (31)	₩ -	₩ -	₩ 936
Beijing Hyundai Transys Transmission Co., Ltd.	81,865	-	(12,024)	(1,016)	-	-	68,825
BAIC DYMOS Automotive System Co., Ltd.	13,163	-	(191)	(331)	-	-	12,641
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	1,546	-	(774)	-	-	(772)	-
Hyundai Transys (Shandong) Co., Ltd.	84,298	4,369	5,283	(2,781)	(4,523)	-	86,646
PT APM HYUNDAI TRANSYS INDONESIA	11,194	-	906	(360)	-	-	11,740
Total	₩ 192,066	₩ 6,430	₩ (7,894)	₩ (4,519)	₩ (4,523)	₩ (772)	₩ 180,788

(Previous year)

(In millions of Korean won)

Joint ventures and Associates	Beginning	Acquisition	Gain (loss) on equity method	Equity adjustments in equity method	Impairment	Ending
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 4,256	₩ -	₩ (1,599)	₩ 412	₩ (3,069)	₩ -
Beijing Hyundai Transys Transmission Co., Ltd.	71,033	-	4,476	6,356	-	81,865
BAIC DYMOS Automotive System Co., Ltd.	10,086	-	1,820	1,257	-	13,163
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	5,710	-	(4,596)	432	-	1,546
Hyundai Transys Georgia Powertrain, Inc.	64,203	(68,134)	3,596	335	-	-
Hyundai Transys (Shandong) Co., Ltd.	89,416	-	(16,505)	11,387	-	84,298
PT APM HYUNDAI TRANSYS INDONESIA	8,104	4,440	(1,865)	515	-	11,194
Total	₩ 252,808	₩(63,694)	₩ (14,673)	₩ 20,694	₩ (3,069)	₩ 192,066

(3) The details of the adjustment of the financial information amount of joint ventures and associates to the carrying amount of their interests in joint ventures and associates as of the end of the reporting year are as follows:

(In millions of Korean won)

Joint ventures and associates	Net assets	Ownership interest (%)	Net assets attributable to the Group	Goodwill	Unrealized gain	Book value
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 4,968	50	₩ 2,484	₩ (1,548)	₩ -	₩ 936
Beijing Hyundai Transys Transmission Co., Ltd.	159,001	31.96	50,816	18,308	(299)	68,825
BAIC DYMOS Automotive System Co., Ltd.	25,282	50	12,641	-	-	12,641
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	1,546	50	773	(773)	-	-
Hyundai Transys (Shandong) Co., Ltd.	293,256	35	102,640	(14,494)	(1,500)	86,646
PT APM HYUNDAI TRANSYS INDONESIA	23,481	50	11,740	-	-	11,740

(4) The summary financial information of the joint venture and its affiliates as of the end of the reporting year is as follows:

(In millions of Korean won)

Joint ventures and associates	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit for the year
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 35,300	₩ 5,419	₩ 35,751	₩ -	₩ 51,517	₩ (2,645)
Beijing Hyundai Transys Transmission Co., Ltd.	223,289	102,496	115,981	50,803	384,882	(37,710)
BAIC DYMOS Automotive System Co., Ltd.	58,587	25,046	54,787	3,564	88,186	(383)
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	1,363	20,873	20,690	-	1,952	(1,548)
Hyundai Transys (Shandong) Co., Ltd.	411,177	269,112	266,801	120,232	781,763	12,875
PT APM HYUNDAI TRANSYS INDONESIA	19,360	26,746	22,612	13	82,698	1,811

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

(1) Changes in PP&E for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 287,132	₩ 725,980	₩ 58,135	₩ 904,187	₩ 56,883	₩ 290,601	₩ 2,322,918
Acquisition	1,751	4,315	16	16,572	7,150	276,628	306,432
Disposal	(114)	(984)	(120)	(6,846)	(2,006)	(38)	(10,108)
Transfer (*)	7,625	3,794	3,826	88,701	32,175	(153,138)	(17,017)
Depreciation	-	(28,001)	(5,771)	(164,027)	(26,674)	-	(224,473)
Foreign exchange translation	448	7,910	1,686	13,177	793	12,331	36,345
Others	-	-	-	-	-	2,607	2,607
Ending balance	₩ 296,842	₩ 713,014	₩ 57,772	₩ 851,764	₩ 68,321	₩ 428,991	₩ 2,416,704
Acquisition cost	296,842	908,857	103,435	2,029,033	312,400	428,991	4,079,558
Accumulated depreciation	-	(180,669)	(44,847)	(1,150,544)	(243,032)	-	(1,619,092)
Accumulated impairment	-	(15,174)	(816)	(26,725)	(1,047)	-	(43,762)

(*) Included in ₩17,017 million transferred to intangible assets.

(In millions of Korean won)

	2021						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 285,225	₩ 696,848	₩ 54,175	₩ 899,328	₩ 83,981	₩ 97,287	₩ 2,116,844
Business combination	-	32,666	5,159	54,915	3,772	8,609	105,121
Acquisition	-	9,638	2,113	22,124	4,375	342,433	380,683
Disposal	(480)	(4,399)	-	(51,766)	(3,861)	(2,912)	(63,418)
Transfer (*)	-	2,971	356	119,183	23,394	(164,481)	(18,577)
Impairment	-	(1,075)	(101)	(9,555)	(626)	(4,836)	(16,193)
Depreciation	(5)	(25,666)	(5,578)	(174,551)	(27,809)	-	(233,609)
Foreign exchange translation	2,392	14,997	2,011	44,509	(26,343)	14,501	52,067
Ending balance	₩ 287,132	₩ 725,980	₩ 58,135	₩ 904,187	₩ 56,883	₩290,601	₩ 2,322,918
Acquisition cost	287,132	895,753	99,868	1,936,018	289,033	290,601	3,798,405
Accumulated depreciation	-	(154,599)	(40,917)	(988,426)	(231,103)	-	(1,415,045)
Accumulated impairment	-	(15,174)	(816)	(43,405)	(1,047)	-	(60,442)

(*) Included in ₩10,798 million transferred to intangible assets, ₩3,728 million transferred to inventories and ₩4,051 million transferred to other receivables.

(2) As of December 31, 2022, PP&E pledged as collateral for the Group's debt and guarantee is as follows:

(In millions of Korean won)

Collateral	Book Value of Collateral		Mortgagee	Description
PP&E (Land and building)	₩	27,278	Korea Development Bank	Loans (Deposit up to ₩7,920 million)

11. <u>INTANGIBLE ASSETS:</u>

(1) Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				
Description	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
Beginning Balance	₩ 34,405	₩ 46,523	₩ 1,920	₩ 24,048	₩ 106,896
Acquisition	1,557	44,833	-	25	46,415
Transfer (*1)	15,417	-	-	1,600	17,017
Disposal	-	-	-	(511)	(511)
Amortization	(13,163)	(5,345)	(960)	-	(19,468)
Foreign exchange translation	58	-	-	-	58
Ending Balance	₩ 38,274	₩ 86,011	₩ 960	₩ 25,162	₩ 150,407
Acquisition cost	111,634	96,324	15,200	25,162	248,330
Accumulated depreciation (*2)	(73,360)	(10,313)	(14,240)	-	(97,923)

(*1) Included in ₩17,017 million transferred to software, development cost and other intangible assets from PP&E.
(*2) Consists of accumulated depreciation and accumulated impairment.

(In millions of Korean won)

	2021					
Description	Industrial Property Rights	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
Beginning balance	₩ 497	₩ 32,498	₩ 17,489	₩ 9,120	₩ 24,519	₩ 84,123
Business combination	-	199	-	-	-	199
Acquisition	-	2,649	31,267	-	23	33,939
Transfer (*1)	(497)	11,758	-	-	(463)	10,798
Disposal	-	-	-	-	(31)	(31)
Amortization	-	(12,696)	(1,917)	(2,000)	-	(16,613)
Impairment	-	(125)	(316)	(5,200)	-	(5,641)
Foreign exchange translation	-	122	-	-	-	122
Ending balance	₩ -	₩ 34,405	₩ 46,523	₩ 1,920	₩ 24,048	₩ 106,896
Acquisition cost	10	95,723	51,492	15,200	24,048	186,473
Accumulated depreciation (*2)	(10)	(61,318)	(4,969)	(13,280)	-	(79,577)

(*1) Included in ₩10,798 million transferred to software from PP&E.
(*2) Consists of accumulated depreciation and accumulated impairment.

(2) The details of the research and development activities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Development costs (intangible assets)	₩	44,833	₩	31,267
Ordinary research and development expenditures (*1)		71,497		67,046
Total (*2)	₩	116,330	₩	98,313

(*1) Consists of manufacturing costs, administrative expenses and other expenses.
(*2) Amortization of development costs is not included.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES:

(1) Changes in right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning balance	₩	8,603	₩	9,046
Acquisition		19		68
Depreciation		(1,350)		(1,328)
Foreign exchange translation		243		817
Ending balance	₩	7,515	₩	8,603

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	2022		2021	
Lease liabilities before discount	₩	4,000	₩	4,881
Lease liabilities after discount		3,776		4,639
Current		342		848
Non-current		3,434		3,791

The incremental borrowing rate applied to calculate lease liability is 0.69%.

(3) Changes in lease liability for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning balance	₩	4,639	₩	5,444
Acquisition		19		68
Payment		(1,269)		(1,269)
Interest expenses		39		17
Foreign exchange translation		348		379
Ending balance	₩	3,776	₩	4,639

(4) Earnings and losses recognized for the 12 months ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Depreciation of right-of-use assets	₩	1,350	₩	1,328
Interest expenses of lease liabilities		39		17
Expense of short-term leases and leases of low-value assets		610		491
Total	₩	1,999	₩	1,836

(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		2022		2021
Not later than one year	₩	344	₩	781
Later than one year and not later than two years		24		134
Later than two years and not later than three years		7		9
Later than three years and not later than four years		7		7
Later than four years and not later than five years		7		7
Later than five years		3,611		3,943
Total	₩	4,000	₩	4,881

13. OTHER PAYABLES:

Details of other payables as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Current				
Accounts payable	₩	407,901	₩	345,812
Accrued expenses		67,653		75,769
Subtotal		475,554		421,581
Non-current				
Accounts payable		4,577		11,415
Total	₩	480,131	₩	432,996

14. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2022 (%)		2022		2021
Woori Bank and others	Discount on foreign currency sales receivables	2.99 - 4.65	₩	62,690	₩	3,111
Hana Bank and others	General borrowings	4.15 - 14.65		131,247		44,897
Mizuho	Credit facilities	5.84		48,168		61,003
Total			₩	242,105	₩	109,011

(2) Long-term borrowings as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2022 (%)	2022	2021
NH Bank and others	General borrowings	5.24 - 15.15	₩ 424,137	₩ 374,139
SMBC and others	Credit facilities	0.70 - 6.00	411,390	379,782
	Total		835,527	753,921
	Less: Current maturities		(346,213)	(108,418)
	Balance		₩ 489,314	₩ 645,503

(3) Debentures as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2022	2021
36-2nd Non-guaranteed public debentures	2017-02-28	2022-02-28	-	₩ -	₩ 40,000
37-2nd Non-guaranteed public debentures	2017-09-11	2022-09-08	-	-	30,000
38-2nd Non-guaranteed public debentures	2018-06-14	2023-06-14	3.02	30,000	30,000
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	-	-	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	90,000
42-2nd Non-guaranteed public debentures	2021-02-03	2026-02-03	1.63	150,000	150,000
43-1st Non-guaranteed public debentures	2022-02-16	2025-02-16	2.99	160,000	-
43-2nd Non-guaranteed public debentures	2022-02-16	2027-02-16	3.03	40,000	-
Subtotal				1,040,000	970,000
Less: Discounts on bonds payable				(1,701)	(2,076)
Less: Current portion of bonds payable				(339,774)	(129,921)
Balance				₩ 698,525	₩ 838,003

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Present value of defined benefit obligation	₩	222,687	₩	271,743
Fair value of plan assets		(351,421)		(346,344)
National Pension Conversion Fund		(72)		(78)
Total	₩	(128,806)	₩	(74,679)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Current service cost	₩	30,958	₩	32,877
Interest cost (income)		(2,539)		(710)
Past service cost		2,343		732
Total	₩	30,762	₩	32,899

(3) Changes in defined benefit obligation for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Beginning balance	₩	271,743	₩	275,356
Current service cost		30,958		32,877
Interest cost		8,261		7,021
Past service cost		2,343		732
Remeasurements:				
Actuarial gains arising from experience adjustments		7,656		(5,669)
Actuarial losses arising from changes in demographic assumptions		-		(352)
Actuarial losses arising from changes in financial assumptions		(76,088)		(20,411)
Subtotal		(68,432)		(26,432)
Benefits paid		(22,186)		(17,811)
Ending balance	₩	222,687	₩	271,743

(4) Changes in plan assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Beginning balance	₩	346,422	₩	297,275
Employer's contribution		21,779		58,500
Interest income		10,800		7,731
Benefits paid		(22,923)		(15,114)
Remeasurements:				
Difference between interest income and actual income		(4,585)		(1,970)
Ending balance	₩	351,493	₩	346,422

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

Description	2022	2021
Discount rate	5.34% – 5.54%	2.97% – 3.12%
Rate of expected future salary increase	3.69% – 3.96%	3.64% – 3.95%

(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)

	2022		2021	
Description	Amount	Component ratio (%)	Amount	Component ratio (%)
Time deposit and others	₩ 351,493	100.00%	₩ 346,422	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%	Increase by 10.3% / Decrease by 12.5%
Rate of expected future salary increase	Increase by 1% / Decrease by 1%	Increase by 12.8% / Decrease by 11.0%

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 consolidated 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 12.4 years (2021: 14.1 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2022, 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	₩ 6,371	₩ 9,958	₩ 49,577	₩ 1,295,213	₩ 1,361,119

16. PROVISION FOR WARRANTY:

The Group 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 consolidated statements of financial position as provision for warranty.

Changes in provision for warranty and other provision for the years ended December 31, 2022 and 2021, are as follows:

(Current year)

(In millions of Korean won)

Description		Provision for warranty		Other long-term employee benefits		Other provision		Total
Beginning balance	₩	228,196	₩	41,114	₩	6,611	₩	275,921
Charged		65,176		(1,962)		3,995		67,209
Utilized		(58,968)		(2,487)		-		(61,455)
Others		2,935		-		-		2,935
Ending balance		237,339		36,665		10,606		284,610
Less: Current item		67,881		-		10,606		78,487
Non-current item		169,458		36,665		-		206,123

(Previous year)

(In millions of Korean won)

Description		Provision for warranty		Other long-term employee benefits		Other provision		Total
Beginning balance	₩	218,341	₩	38,863	₩	68,446	₩	325,650
Business combination		18,028		-		(71,512)		(53,484)
Increase		36,356		5,035		2,862		44,253
Decrease		(47,495)		(2,784)		-		(50,279)
Others		2,966		-		6,815		9,781
Ending balance		228,196		41,114		6,611		275,921
Less: Current item		63,542		-		6,611		70,153
Non-current item		164,654		41,114		-		205,768

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				2021			
Description	Current		Non-current		Current		Non-current	
Advance received	₩	184,417	₩	90,967	₩	132,810	₩	85,524
Deposit received		30,993		-		25,748		-
Others		-		6,738		-		568
Total	₩	215,410	₩	97,705	₩	158,558	₩	86,092

18. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
In respect of current year	₩	33,201	₩	30,220
Changes in deferred taxes relating to temporary differences		(19,558)		(10,962)
Total of income tax effect		13,643		19,258
Items that are charged or credited directly to equity		(14,565)		(5,569)
Income tax expense (income)		(922)		13,689

(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, 2022 and 2021, is as follows:

(In millions of Korean won)

Description	2022		2021	
Profit before income tax	₩	122,561	₩	104,312
Income tax expense calculated at the applicable tax rates		29,630		25,351
Income tax effect:				
Non-taxable income		(43,508)		(33,924)
Non-deductible expenses		5,919		8,345
Foreign tax payment credit, tax credit, and additional tax payment of prior year		(11,166)		(285)
Effect of temporary difference and others not recognized as deferred tax and of tax rate difference		10,046		17,178
Effect of changes in tax rate to recognize deferred tax		4,917		-
Others		3,240		(2,976)
Income tax expense (income)		(922)		13,689
Effective tax rate		-		13.12%

(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:

(Current year)

(In millions of Korean won)

Description	Beginning	Recognized in profit or loss	Equity	Ending
Accrued income	₩ (280)	₩ (174)	₩ -	₩ (454)
Trade receivables	863	(191)	-	672
Inventories	6,823	8,227	-	15,050
Financial assets measured at FVTPL	846	3,332	-	4,178
PP&E	17,137	(3,184)	-	13,953
Intangible assets	8,349	(2,834)	-	5,515
Investments in subsidiaries, associates and joint ventures	(11,782)	281	-	(11,501)
Defined benefit liabilities	64,312	1,240	(15,614)	49,938
Plan assets	(75,772)	1,333	1,049	(73,390)
Other provisions	9,793	(1,470)	-	8,323
Warranty	43,808	(2,513)	-	41,295
Deduction of carryover losses	23,484	8,010	-	31,494
Carry-over tax credit	27,855	28,227	-	56,082
Others	61,299	(6,161)	-	55,138
Total	₩ 176,735	₩ 34,123	₩ (14,565)	₩ 196,293

(Previous year)

(In millions of Korean won)

Description	Beginning	Business combination	Recognized in profit or loss	Equity	Ending
Accrued income	₩ (192)	₩ -	₩ (88)	₩ -	₩ (280)
Trade receivables	14,080	-	(13,217)	-	863
Inventories	6,858	-	(35)	-	6,823
Financial assets measured at FVTPL	846	-	-	-	846
PP&E	20,264	(2,546)	(581)	-	17,137
Intangible assets	10,160	-	(1,811)	-	8,349
Investments in subsidiaries, associates and joint ventures	(8,077)	-	(3,705)	-	(11,782)
Defined benefit liabilities	64,278	-	6,053	(6,019)	64,312
Plan assets	(68,632)	-	(7,590)	450	(75,772)
Other provisions	9,363	-	430	-	9,793
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	36,773	12,320	12,206	-	61,299
Total	₩ 155,999	₩ 9,774	₩ 16,531	₩ (5,569)	₩ 176,735

The Group did not recognize deferred tax assets for deductible temporary differences of ₩200,482 million (2021: ₩201,656 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, 2022, 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	Financial liabilities measured at FVTPL	Total
Cash and cash equivalents	₩ 771,307	₩ -	₩ -	₩ -	₩ 771,307
Short-term financial instruments	415,075	-	-	-	415,075
Trade notes and accounts receivable and other receivables	2,056,436	-	-	-	2,056,436
Other financial assets	49,087	9,493	-	-	58,580
Total financial assets	₩ 3,291,905	₩ 9,493	₩ -	₩ -	₩ 3,301,398
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,894,409	₩ -	₩ 1,894,409
Borrowings and debentures	-	-	2,115,931	-	2,115,931
Financial guarantee liabilities	-	-	2,059	-	2,059
Lease liabilities	-	-	3,776	-	3,776
Other financial liability	-	-	-	20,056	20,056
Total financial liabilities	₩ -	₩ -	₩ 4,016,175	₩ 20,056	₩ 4,036,231

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	Financial liabilities measured at FVTPL	Total
Cash and cash equivalents	₩ 493,285	₩ -	₩ -	₩ -	₩ 493,285
Short-term financial instruments	260,031	223,300	-	-	483,331
Trade notes and accounts receivable and other receivables	1,761,872	-	-	-	1,761,872
Other financial assets	39,877	1,427	-	-	41,304
Total financial assets	₩ 2,555,065	₩ 224,727	₩ -	₩ -	₩ 2,779,792
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,570,047	₩ -	₩ 1,570,047
Borrowings and debentures	-	-	1,830,856	-	1,830,856
Financial guarantee liabilities	-	-	3,924	-	3,924
Lease liabilities	-	-	4,639	-	4,639
Other financial liability	-	-	-	17,907	17,907
Total financial liabilities	₩ -	₩ -	₩ 3,409,466	₩ 17,907	₩ 3,427,373

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			2021		
	Interest income	**Interest expenses**	**Financial asset valuation gains and losses**	**Interest income**	**Interest expenses**	**Financial asset valuation gains and losses**
Financial assets measured at amortized cost	₩ 22,142	₩ -	₩ -	₩ 9,958	₩ -	₩ -
Financial assets measured at FVTPL	6,563	-	-	2,952	-	-
Financial liabilities measured at amortized cost	-	46,238	-	-	38,584	-
Financial assets measured at FVTOCI	-	4,464	(2,149)	-	-	(4,257)
Total	₩ 28,705	₩ 50,702	₩ (2,149)	₩ 12,910	₩ 38,584	₩ (4,257)

The foreign exchange gain or loss on the above financial instruments is ₩8,078 million (2021: ₩20,294 million) and the foreign currency translation gain or loss is ₩(-)24,389 million (2021: ₩5,549 million).

(3) Fair value by category of financial assets

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 Group 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)

	2022		2021	
Description	**Level 2 (*1)**	**Level 3 (*2,3)**	**Level 2**	**Level 3**
Financial assets measured at FVTPL	₩ 6,855	₩ 2,638	₩ 223,300	₩ 1,427
Financial liabilities measured at FVTPL	-	20,056	-	17,907

(*1) Although it is a listed stock, it is classified as Level 2 because the stock is suspended from trading as of the end of 2022.

(*2) The book value of financial assets measured at FVTPL classified as Level 3 has changed due to acquisition of ₩1,200 million and gain of valuation of ₩11 million.

(*3) The book value of financial liabilities measured at FVTPL classified as Level 3 has changed due to a loss of valuation of ₩2,149 million.

(4) Details of financial assets and liabilities offset as of December 31, 2022, are as follows:

(In millions of Korean won)

Description	Total amount of recognition	Total amount of offset	Net amount presented in the consolidated financial statements
Trade notes and accounts receivable and other receivables	₩ 2,238,542	₩ 182,106	₩ 2,056,436
Trade notes and accounts payable and other payables	2,076,515	182,106	1,894,409

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

(1) Capital stock as of December 31, 2022 and 2021, consists of the following:

Description	2022	2021
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, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022	2021
Paid-in capital in excess of par value	₩ 1,154,371	₩ 1,154,371
Other capital surplus	65	70
Treasury stock	(4,281)	(4,281)
Equity adjustments in equity method	14,967	19,484
Exchange differences on translations of foreign operations	29,984	16,510
Total	₩ 1,195,106	₩ 1,186,154

21. RETAINED EARNINGS:

Retained earnings as of December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022	2021
Unappropriated retained earnings	₩ 1,175,755	₩ 1,003,835

22. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2022 and 2021, are computed as follows:

(1) Earnings per share

Description	2022	2021
Profit (loss) for the year	₩ 122,749 million	₩ 91,964 million
The weighted-average number of shares outstanding	81,737,796 shares	81,737,796 shares
Basic earnings per common share	₩ 1,502	₩ 1,125

(2) As there are no diluted securities outstanding as of December 31, 2022 and 2021, 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, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Sales of goods	₩	10,143,832	₩	8,004,035
Rendering of services		112,422		139,916
Total	₩	10,256,254	₩	8,143,951

(2) For the years ended December 31, 2022 and 2021, sales of ₩9,672,672 million (94.3% of total sales) and ₩7,885,746 million (96.8% of total sales), respectively, were to Hyundai Motor Company and other related affiliates, respectively. The accompanying consolidated financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2023, 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 liabilities	₩	184,417	₩	90,967

24. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

Description	2022		2021	
Changes in raw materials	₩	8,398,735	₩	6,660,658
Employee benefits		557,693		441,499
Depreciation		224,473		233,609
Amortization		19,468		16,613
Transportation and logistics costs		142,666		76,976
Commission expenses		198,172		152,654
Amount paid to subcontractors		144,503		127,561
Ordinary research and development expense		71,497		67,046
Others		347,321		272,319
Total (*)	₩	10,104,528	₩	8,048,935

(*) 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, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Salaries	₩	79,679	₩	68,339
Retirement benefits		8,558		9,094
Employee benefits		23,981		18,063
Logistics cost		132,941		71,425
Ordinary research and development expenses		68,964		64,830
Commission expenses		11,008		15,127
Depreciation		9,403		12,033
Amortization		8,502		8,635
Sales guarantee cost		31,147		14,464
Advertising expense		2,100		852
Bad debt expenses		7,851		3,256
Others		47,786		17,570
Total	₩	431,920	₩	303,688

26. OTHER INCOME:

Other income for the years ended December 31, 2022 and 2021, consists of the following:

(In millions of Korean won)

Description	2022		2021	
Gain on foreign currency exchanges	₩	54,237	₩	39,239
Gain on foreign currency translation		13,365		9,378
Gain on disposal of PP&E		800		1,874
Gain on valuations of derivative		-		827
Bargain purchase gain		-		43,882
Reversal of other allowance for doubtful accounts		-		1,479
Miscellaneous revenues		38,426		29,116
Total	₩	106,828	₩	125,795

27. OTHER EXPENSES:

Other expenses for the years ended December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
Loss on foreign currency exchange	₩	46,159	₩	18,945
Loss on foreign currency translation		37,754		3,829
Loss on disposal of PP&E		1,427		996
Loss on disposal of intangible assets		11		-
Impairment losses on associate investment shares		772		3,069
Disposal losses of associate investment shares		-		11,907
Impairment loss on PP&E		-		16,193
Impairment loss on intangible assets		-		5,641
Other bad debt expenses		1,034		-
Loss on derivative valuations		-		63
Donation		694		418
Miscellaneous expenses		16,144		10,859
Total	₩	103,995	₩	71,920

28. FINANCE INCOME:

Finance income for the years ended December 31, 2022 and 2021, consists of the following:

(In millions of Korean won)

Description	2022		2021	
Interest income	₩	28,705	₩	12,910
Dividends income		31		25
Gain on valuation of FVTPL		11		-
Total	₩	28,747	₩	12,935

29. FINANCE COSTS:

Finance costs for the years ended December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
Interest expenses	₩	50,702	₩	38,584
Loss on valuation of items at FVTPL		2,149		4,257
Total	₩	52,851	₩	42,841

30. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2022		2021	
Profit for the year	₩	123,483	₩	90,623
Adjustments:		372,318		352,592
Retirement benefit costs		30,762		32,899
Long-term employee benefits		(1,962)		5,035
Depreciation		224,473		233,609
Impairment loss on PP&E		-		16,193
Warranty expenses		31,147		14,464
Transfer of other provisions		3,995		2,862
Amortization of intangible assets		19,468		16,613
Impairment loss on intangible assets		-		5,641
Depreciation of right-of-use assets		1,350		1,328
Bad debt expenses		7,851		3,256
Other bad debt expenses		1,034		-
Loss on disposal of investments in associates		-		11,907
Impairment loss on investments in associates		772		3,069
Loss on valuation of financial liabilities		2,149		4,257
Loss on foreign currency translation		37,754		3,829
Loss on disposal of PP&E		1,359		996
Loss on disposal of intangible assets		11		-
Interest expenses		50,702		38,584
Income tax expense		(922)		13,689
Loss on valuation of derivatives		-		63
Loss on valuation of equity method		7,894		14,673
Gain on foreign currency translation		(13,365)		(9,378)
Gain on disposal of PP&E		(800)		(1,874)
Reversal of other allowance for doubtful accounts		-		(1,479)
Gain on valuation of derivatives		-		(827)
Gain on valuation of FVTPL		(11)		-
Dividend income		(31)		(25)
Interest income		(28,705)		(12,910)
Bargain purchase gain		-		(43,882)
Others		(2,607)		-
Changes in operating assets and liabilities:		(145,969)		(114,209)
Decrease (increase) in trade receivables		(292,525)		13,470
Decrease (increase) in other receivables		(13,254)		57,169
Decrease (increase) in other assets		(77,657)		(98,394)
Decrease (increase) in inventories		(58,569)		(96,461)
Increase (decrease) in trade payables		270,785		130,707
Increase (decrease) in other payables		47,063		(105,328)
Increase (decrease) in other liabilities		60,684		96,102
Increase (decrease) in provisions		(61,455)		(50,278)
Increase (decrease) in net defined benefit liabilities		(21,041)		(61,196)
Cash generated from operations	₩	349,832	₩	329,006

(2) Non-cash transactions

(In millions of Korean won)

Description	2022	2021
Reclassification of the current portion of bond payables	₩ 340,000	₩ 100,000
Changes in other payables related to acquisition of PP&E	5,505	(64,215)
Changes in other payables related to acquisition of intangible assets	(716)	-
Transfer of construction in progress	153,138	164,481
Substitution of long-term trade receivables to financial instruments at FVTPL (conversion of investment)	6,855	-

(3) Changes in liabilities arising from financing activities

(Current year)

(In millions of Korean won)

Description	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 862,932	₩ 967,924	₩ 4,639	₩ 1,835,495
Cash flows	217,583	69,221	(1,269)	285,535
Acquisition of lease liabilities	-	-	19	19
Other (foreign currency translation and amortization)	(2,883)	1,154	387	(1,342)
Ending balance	₩ 1,077,632	₩ 1,038,299	₩ 3,776	₩ 2,119,707

(Previous year)

(In millions of Korean won)

Description	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 687,054	₩ 937,677	₩ 5,444	₩ 1,630,175
Business combination	122,094	-	-	122,094
Cash flows	53,898	29,242	(1,269)	81,871
Acquisition of lease liabilities	-	-	68	68
Other (foreign currency translation and amortization)	(114)	1,005	396	1,287
Ending balance	₩ 862,932	₩ 967,924	₩ 4,639	₩ 1,835,495

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2022, payment guarantees provided by the Group are as follows:

(In thousands of USD, EUR and RMB)

Beneficiaries	Financial institution	Foreign currency	Provision	Disbursement
Beijing Hyundai Transys Transmission Co., Ltd.	DBS	USD	10,000	-
	SC Bank	USD	45,000	-
	Korea Development Bank	RMB	150,000	150,000
	Shinhan Bank	RMB	120,000	100,000
	Citi Bank	USD	20,000	-
Hyundai Transys (Shandong) Co., Ltd.	Korea Development Bank (Head office)	USD	40,000	40,000
	Kookmin Bank (Hong Kong)	USD	25,000	25,000
	Korea Development Bank (Guangzhou)	RMB	102,000	102,000
	Korea Development Bank (Guangzhou)	USD	20,400	13,894
	Hana Bank (Qingyang)	RMB	170,000	-
	BTMU (Qingdao)	USD	60,000	-
	SC Bank	USD	17,000	17,000
	DBS	USD	10,000	-
	Industrial Bank of Korea (Qingdao)	RMB	62,400	22,183
BAIC DYMOS Automotive System (Chongqing) Co., Ltd.	Shinhan Bank	EUR	4,800	4,000
Total		USD	247,400	95,894
		EUR	4,800	4,000
		RMB	604,400	374,183

As of December 31, 2022, 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	₩ 4,422	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.	17,538	

(2) As of December 31, 2022, financial commitments are as follows:

(In millions of Korean won and in thousands of USD, EUR, RMB and BRL)

Description	Lender	Limited amount
Overdrafts	NH Bank and others	₩ 96,500
General borrowings	Hana Bank and others	79,600 USD 872,900 EUR 63,000 RMB 60,000 BRL 22,000
Borrowings collateralized by trade receivables (*)	Shinhan Bank and others	344,800
Discount on accounts receivable	Shinhan Bank and others	304,000
Limited amount of import L/C	Kookmin Bank and others	USD 690,972

(*) It is a contract made such that the other transaction party may discount from financial institutions the notes payable issued by the consolidated 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		168,962
Hyundai Group Accident Insurance (for position only)		1,540,999
Overseas Insurance and others		277,402

(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 Group 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 Group according to the shareholders' agreement.

(5) As of December 31, 2022, the Group 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 lost in the first lawsuit (September 29, 2022) and is currently pending in the second trial. The reasonably estimated amount related to the litigation is reflected in the consolidated financial statements. The Group deems the other pending lawsuits are not material.

32. RISK MANAGEMENT:

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

(1) Foreign Exchange Risk

The Group 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 Group'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)

	2022		2021	
Currency	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD	₩ 4,818	₩ (4,818)	₩ (8,982)	₩ 8,982
EUR	(10,228)	10,228	(7,073)	7,073
JPY	(866)	866	(491)	491
CNY	(4,382)	4,382	11,021	(11,021)
Others	-	-	(96)	96
Total	₩ (10,658)	₩ 10,658	₩ (5,621)	₩ 5,621

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2022.

(2) Interest Rate Risk

The Group 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 Group 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, 2022.

(In millions of Korean won)

Description	1% increase	1% decrease
Cash and cash equivalents	₩ 7,713	₩ (7,713)
Borrowings	(10,776)	10,776

(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 Group. The Group 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, 2022 and 2021, is as follows:

(In millions of Korean won)

Description	2022	2021
Cash and cash equivalents (*)	₩ 771,307	₩ 493,285
Short-term financial instruments	415,075	483,331
Trade receivables	1,899,002	1,639,675
Other receivables	157,434	122,197
Other financial assets	49,087	39,877
Financial guarantee contracts	194,823	266,678

(*) Cash on hand is not included.

(4) Liquidity Risk

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

The Group'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 Group currently maintains flexible liquidity within its credit limit through active sales. The Group'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 Group'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)

	2022			
Description	Less than one year	One year-five years	More than five years	Total
Trade payables and other payables	₩ 1,889,832	₩ 4,577	₩ -	₩ 1,894,409
Borrowings and bond payables	1,062,801	1,327,652	23,310	2,413,763
Financial guarantee liabilities	194,823	-	-	194,823
Total	₩ 3,147,456	₩ 1,332,229	₩ 23,310	₩ 4,502,995

	2021			
Description	Less than one year	One year-five years	More than five years	Total
Trade payables and other payables	₩ 1,558,632	₩ 11,415	₩ -	₩ 1,570,047
Borrowings and bond payables	368,024	1,420,224	137,362	1,925,610
Financial guarantee liabilities	266,678	-	-	266,678
Total	₩ 2,193,334	₩ 1,431,639	₩ 137,362	₩ 3,762,335

(5) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group 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 Group 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, 2022 and 2021, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	2022		2021	
Liabilities (A)	₩	4,646,868	₩	3,950,701
Equity (B)		2,874,205		2,686,017
Debt-to-equity ratio (A/B)		161.7%		147.1%

33. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2022 and 2021, are as follows:

Description	December 31, 2022	December 31, 2021
Associates (Investment company)	Hyundai Motor Company	Hyundai Motor Company
	Kia Corporation	Kia Corporation
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	Beijing Lear Hyundai Transys 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.
	Hyundai Transys (Shandong) Co., Ltd.	Hyundai Transys (Shandong) Co., Ltd.
	PT APM HYUNDAI TRANSYS INDONESIA	PT APM HYUNDAI TRANSYS INDONESIA

(2) Significant transactions for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022							
		Sales/proceeds				Purchases/expenses			
Description	**Name of company**	**Sales**		**Others**		**Purchases**		**Others**	
Associates (Investment company)	Hyundai Motor Company	₩	1,961,661	₩	41,616	₩	58,438	₩	1,628
	Kia Corporation		1,146,422		4,707		59,523		21
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.		672		457		13		581
	Beijing Hyundai Transys Transmission Co., Ltd.		92,493		100		115,209		2,012
	BAIC DYMOS Automotive System Co., Ltd.		869		40		9		88
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.		-		-		8		-
	Hyundai Transys (Shandong) Co., Ltd.		261,545		5,841		79,565		915
	PT APM HYUNDAI TRANSYS INDONESIA		8,064		7		-		12
Other related parties (*)			6,200,946		25,589		613,244		254,827
Total		₩	9,672,672	₩	78,357	₩	926,009	₩	260,084

(*) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(In millions of Korean won)

		2021			
		Sales/proceeds		Purchases/expenses	
Description	**Name of company**	**Sales**	**Others**	**Purchases**	**Others**
Associates (Investment company)	Hyundai Motor Company	₩ 1,784,561	₩ 24,329	₩ 54,762	₩ 2,347
	Kia Corporation	1,091,924	24,547	54,971	235
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	2,470	-	-	21
	Beijing Hyundai 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 Georgia Powertrain, Inc. (*1)	146,362	-	1,386	-
	Hyundai Transys (Shandong) Co., Ltd.	253,766	3,736	131,023	594
	Hyundai Transys America Sales, LLC (*1)	132	-	-	-
	PT APM HYUNDAI TRANSYS INDONESIA	1,098	-	-	-
Other related parties (*2)		4,495,259	12,585	468,869	272,824
Total		₩ 7,885,746	₩ 66,023	₩ 806,716	₩ 280,023

(*1) It is the transaction amount that occurred in the period before it was included in the scope of consolidation.
(*2) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	Name of company	2022 Trade notes and accounts receivable	2022 Other receivables and others	2022 Trade notes and accounts payable	2022 Other payables and others
Associates (Investment company)	Hyundai Motor Company	₩ 425,957	₩ 97,416	₩ 17,351	₩ 14,341
	Kia Corporation	253,800	542	17,103	64
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	-	1	4	-
	Beijing Hyundai Transys Transmission Co., Ltd.	16,429	28	48,896	171
	BAIC DYMOS Automotive System Co., Ltd.	7,121	58	11	-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*1)	3,197	385	-	22
	Hyundai Transys (Shandong) Co., Ltd.	100,411	475	62,397	45
	PT APM HYUNDAI TRANSYS INDONESIA	1,242	9	-	10
Other related parties (*2)		890,691	1,995	169,614	46,252
Executives and staff members		-	17,017	-	-
Total		₩ 1,698,848	₩ 117,926	₩ 315,376	₩ 60,905

(*1) The entire net bond is recognized as a loss allowance, and there is no loss allowance for other related parties.
(*2) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(In millions of Korean won)

Description	Name of company	2021 Trade notes and accounts receivable	2021 Other receivables and others	2021 Trade notes and accounts payable	2021 Other payables and others
Associates (Investment company)	Hyundai Motor Company	₩ 368,812	₩ 60,050	₩ 12,512	₩ 12,091
	Kia Corporation	207,552	-	13,058	1,998
Associates (Investee company)	Beijing Hyundai Transys Transmission Co., Ltd.	41,763	405	21,507	736
	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 (*)		684,300	10,966	133,192	83,981
Executives and staff members		-	15,816	-	-
Total		₩ 1,442,395	₩ 88,499	₩ 247,987	₩ 99,026

(*) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

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

(In millions of Korean won)

Description	Cash contribution			
	2022		2021	
Associates (Investee company)				
PT APM HYUNDAI TRANSYS INDONESIA	₩	-	₩	4,440
Hyundai Transys (Shandong) Co., Ltd.		4,369		-
Total	₩	4,369	₩	4,440

(5) Dividend income from associates in 2022 is ₩4,523 million.

(6) For the year ended December 31, 2022, 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 ₩4,209 million (₩2,123 million in 2021). For the year ended December 31, 2022, the retirement benefits for the senior management are ₩1,141 million.

(7) The Group provides payment guarantees for borrowings of associates as of December 31, 2022 (See Note 31).

(8) Purchasing card transactions with Hyundai Card Co., Ltd., a related party, for the year ended December 31, 2022, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning		Usage		Repayment		Ending	
Hyundai Card Co., Ltd.	₩ 5,000 per month	₩	3,354	₩	41,918	₩	(40,812)	₩	4,460

34. SEGMENT INFORMATION:

(1) The main business of the Group's entities is manufacturing and selling PT (automatic transmission, manual transmission and axle) and seats.

(2) Financial information by operating segments as of December 31, 2022, is as follows:

(In millions of Korean won)

Description	PT		Seat		Consolidation adjustments		Total	
Sales	₩	7,856,533	₩	4,064,867	₩	(1,665,146)	₩	10,256,254
Operating profit		41,274		59,764		50,688		151,726
Tangible and intangible assets		2,001,347		576,110		(10,346)		2,567,111

(3) Financial information by region based on where the Group's entities are located in for the year ended December 31, 2022, is as follows:

(In millions of Korean won)

Description	Korea		America		Asia		Europe		Consolidation adjustments		Total	
Sales	₩	8,055,968	₩	2,540,648	₩	664,974	₩	659,810	₩	(1,665,146)	₩	10,256,254
Operating profit		14,973		21,789		42,048		22,228		50,688		151,726
Tangible and intangible assets		1,610,803		789,176		134,285		43,193		(10,346)		2,567,111

35. BUSINESS COMBINATION:

(1) 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 Group is considered to have substantive control over the entity, the entity is categorized as a subsidiary.

(2) Fair value of the consideration transferred in a business for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description		Amount
Cash	₩	152,254
Fair value of equity investment of acquiree		56,229
Subtotal		208,483
Less: Fair value of non-contractual preexisting relationship		(71,512)
Total	₩	136,971

(3) The accounting for the business combination at the acquisition date is as follows:

(In millions of Korean won)

Description		Amount
Total considerations transferred (A)	₩	136,971
Assets and liabilities acquired:		
Current Assets (*1):		461,795
Cash and cash equivalents		207,561
Trade receivables and other receivables		114,716
Inventories		129,958
Others		9,560
Non-Current Assets:		115,228
Property, plant and equipment		105,122
Intangible assets		199
Deferred tax assets		9,774
Others		133
Current Liabilities (*1):		293,970
Trade payables and other payables		168,864
Borrowings		122,094
Provisions		2,682
Others		330
Non-Current Liabilities:		17,856
Provisions		15,346
Others		2,510
Fair value of identifiable net assets (B)		265,197
Non-controlling interests (C) (*2)		84,344
Bargain purchase gain ((B-C)-A) (*3)	₩	43,882

(*1) Amounts before offsetting internal transaction adjustments. The aggregate amounts subject to offsetting are ₩123,729 million.

- Receivables of the Group (payables of the acquiree): ₩114,300 million
- Payables of the Group (receivables of the acquiree): ₩9,429 million

(*2) Non-controlling interests are measured at its fair value applying discounted cash flow method. Descriptions of the inputs used in the fair value measurements are as follows:

-Discount rate: 12.00%

-Long-term growth rate: -%

(*3) Currently in process of finalizing consideration transferred and fair value of identifiable net assets therefore changes to the amount of consideration transferred, fair value of identifiable net assets and gain on bargain purchase may be expected.

The amounts of sales and net loss of the acquiree since the acquisition date, included in the consolidated statements of profit or loss, are ₩520,665 million and ₩1,124 million, respectively.

(4) Net cash flow from business combinations for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description		Amount
Acquisition of cash and cash equivalent	₩	207,561
Less: Considerations transferred in cash		(152,254)
Net cash flow	₩	55,307

36. <u>SUBSEQUENT EVENTS:</u>

(1) On February 27, 2023, the Group decided to establish a subsidiary (Tranix Co., Ltd.) and invest in it through the board of directors' meeting, and on March 2, 2023, it paid ₩3,000 million of investment. The Group acquired 100% of the shares in the investee company through the establishment investment.

(2) On March 14, 2023, the Group issued the 44-1st (₩60,000 million) and 44-2nd (₩100,000 million) corporate bonds.

Disclosure on Execution of External Audit

We attached the 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, 2022	To	December 31, 2022

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	7	10	12	-	33
Hours Executed	Quarterly Review, Six-Month Review	8	48	648	200	-	-	904
	Audit	55	204	2,388	797	656	-	4,100
	Total	63	252	3,036	997	656	-	5,004

3. Key Disclosure on Execution of External Audit

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<tr><td colspan="2">On-Site</td><td colspan="2">Off-Site</td></tr>
<tr><td>2022.07.18–07.29
2022.11.21–12.02</td><td>20</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>
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<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
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