

HYUNDAI TRANSYS INC.

**SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

HYUNDAI TRANSYS INC.

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on March 17, 2025

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

Report on the Audited Separate Financial Statements

Our Opinion

We have audited the accompanying separate financial statements of Hyundai Transys Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2024 and 2023, and the related separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Deloitte.

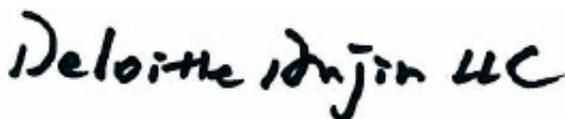
Auditor's Responsibilities for the Audits of the Separate Financial Statements

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

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

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

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



March 17, 2025

Notice to Readers

This report is effective as of March 17, 2025, 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 separate financial statements and may result in modifications to the auditor's report.

HYUNDAI TRANSYS INC. (the “Company”)

**SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

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

Baek, Cheol Seung
Chief Executive Officer
Hyundai Transys Inc.

Headquarters: (Road Name and Address) 105, Sindang 1-ro, Seongyeon-myeon,
Seosan, Chungcheongnam-do
(Phone Number) 041-661-9628

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2024 AND 2023

	<u>Notes</u>		<u>2024</u>		<u>2023</u>
			(In millions of Korean won)		
Assets					
Current assets					
Cash and cash equivalents	4,20,33	₩	158,856	₩	239,072
Short-term financial instruments	4,20,33		369,000		290,000
Trade receivables	5,20,33,34		1,587,241		1,565,468
Other receivables	5,20,33,34		114,072		101,145
Inventories	6		439,107		409,388
Other financial assets	5,8,20,33		8,890		16,078
Other current assets	7		143,932		122,157
Current tax assets			3,065		3,765
			<u>2,824,163</u>		<u>2,747,073</u>
Non-current assets					
Other receivables	5,20,33,34		87,408		42,965
Investments in subsidiaries, joint ventures and associates	9,34		1,226,433		1,068,453
Property, plant and equipment	10		1,250,318		1,274,125
Investment properties	12		116,447		119,647
Intangible assets	11		401,311		314,391
Right-of-use assets	13		210		217
Net defined benefit assets	16		25,135		66,533
Other financial assets	4,5,8,20,33		25,060		18,365
Other non-current assets	7		50,934		38,528
Deferred tax assets	19		303,422		227,307
			<u>3,486,678</u>		<u>3,170,531</u>
Total assets		₩	<u>6,310,841</u>	₩	<u>5,917,604</u>
Liabilities and equity					
Current liabilities					
Trade payables	20,31,33,34	₩	1,128,983	₩	1,172,183
Other payables	14,20,31,33,34		260,476		256,637
Short-term borrowings	5,15,20,32,33		261,899		248,320
Current portion of long-term debt and debentures	15,20,33		349,810		269,913
Provisions	17		192,434		63,729
Financial guarantee liabilities	20,32,33		13,107		12,547
Lease liabilities	13,20		2		9
Other current liabilities	18,24		215,918		122,434
			<u>2,422,629</u>		<u>2,145,682</u>

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2024 AND 2023

	Notes		2024		2023
			(In millions of Korean won)		
Non-current liabilities					
Debentures	15,20,33	₩	1,037,645	₩	788,185
Provisions	17		151,355		272,737
Lease liabilities	13,20		214		201
Other liabilities	14,20,31,33,34		2,344		1,645
Other non-current liabilities	18,24		141,966		111,090
			1,333,524		1,173,858
Total liabilities			3,756,153		3,319,540
 Equity					
Capital stock	1,21		409,489		409,489
Other paid-in capital	21		1,150,090		1,150,090
Retained earnings	22		995,109		1,038,485
Total equity			2,554,688		2,598,064
Total liabilities and equity		₩	6,310,841	₩	5,917,604

(Concluded)

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

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Notes</u>	<u>2024</u>		<u>2023</u>	
		(In millions of Korean won)			
Sales	24,34	₩	8,332,610	₩	8,596,884
Cost of sales	25,34		8,070,481		8,282,905
Gross profit (loss)			262,129		313,979
Selling and administrative expenses	25,26,34		349,613		345,786
Operating profit (loss)			(87,484)		(31,807)
Other income	27,34		141,775		86,738
Other expenses	28,34		138,285		26,118
Finance income	20,29,34		63,819		64,747
Finance costs	20,30		52,913		32,498
Profit before income tax expense			(73,088)		61,062
Income tax expense (income)	19		(47,579)		(122)
Profit for the year	22,23		(25,509)		61,184
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities (assets)	16,22		(17,867)		(28,776)
Total comprehensive income for the year		₩	(43,376)	₩	32,408
Earnings per share attributable to the equity holders (in Korean won):	23				
Basic and diluted earnings per share		₩	(312)	₩	749

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital stock	Capital surplus	Other capital items	Retained earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2023	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,006,077	₩ 2,565,656
Comprehensive income:					
Profit for the year	-	-	-	61,184	61,184
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities (assets)	-	-	-	(28,776)	(28,776)
Total comprehensive income for the year	-	-	-	32,408	32,408
Balance at December 31, 2023	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,038,485	₩ 2,598,064

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital stock	Capital surplus	Other capital items	Retained earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2024	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,038,485	₩ 2,598,064
Comprehensive income:					
Profit for the year	-	-	-	(25,509)	(25,509)
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities (assets)	-	-	-	(17,867)	(17,867)
Total comprehensive income for the year	-	-	-	(43,376)	(43,376)
Balance at December 31, 2024	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 995,109	₩ 2,554,688

(Concluded)

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

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Notes</u>	<u>2024</u>		<u>2023</u>	
		(In millions of Korean won)			
Cash flows from operating activities					
Cash generated from operations	31	₩	155,628	₩	142,484
Interest received			24,919		31,662
Interest paid			(49,062)		(31,081)
Dividends received			37,090		26,640
Income tax paid			(22,469)		(20,478)
Net cash provided by operating activities			<u>146,106</u>		<u>149,227</u>
Cash flows from investing activities					
Net increase (decrease) in short-term financial instruments			(79,000)		125,000
Proceeds from disposal of property, plant and equipment			3,188		1,863
Proceeds from disposal of intangible assets			8,594		1,200
Net increase (decrease) in investments in subsidiaries, joint ventures and associates			(132,164)		(213,281)
Acquisitions of property, plant and equipment			(238,813)		(166,823)
Acquisitions of intangible assets			(126,965)		(100,873)
Decrease (increase) in other financial assets, net			1,394		411
Net cash used in investing activities			<u>(563,766)</u>		<u>(352,503)</u>
Cash flows from financing activities					
Proceeds from short-term borrowings, net	31		6,684		187,108
Proceeds from borrowings and debentures			597,792		358,608
Repayments of borrowings and debentures			(270,000)		(340,000)
Repayment of lease liabilities			(9)		(127)
Net cash provided by financing activities			<u>334,467</u>		<u>205,589</u>
Net (decrease) increase in cash and cash equivalents					
Cash and cash equivalents at the beginning of year			239,072		238,100
Effects of exchange rate changes on cash and cash equivalents			2,977		(1,341)
Cash and cash equivalents at the end of year		₩	<u>158,856</u>	₩	<u>239,072</u>

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

HYUNDAI TRANSYS INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. GENERAL INFORMATION:

General information of Hyundai Transys Inc. (the “Company”) is as follows:

The Company was incorporated on December 28, 1999, under the laws of the Republic of Korea to manufacture and distribute transmission and other parts for automobile. The Company merged with Korea Precision Co., Ltd., a manufacturer of automobile parts, on December 1, 2002. The Company changed its name from DYMO 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 a 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, 2023.

The Company’s major shareholders and their respective percentage of ownership as of December 31, 2024 and 2023, are as follows:

(In shares)	2024		2023	
	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. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

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

The Company maintains its accounting records in Korean won and prepares statutory separate financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards (“K-IFRSs”). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language separate financial statements.

Certain information attached to the Korean language separate financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

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

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

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

In the current year, the Company has applied a number of new and amended K-IFRSs and new interpretations issued that are effective for accounting periods beginning on or after January 1, 2024.

K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

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.

K-IFRS 1001 Presentation of Financial Statements - Non-Current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date.

The amendments also specify that the right to defer settlement of a liability for at least 12 months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

K-IFRS 1007 Statement of Cash Flows and K-IFRS 1107 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective to K-IFRS 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk, and Note 31 provides the required disclosures related to these amendments.

K-IFRS 1116 Leases – Lease Liabilities in Sale and Leaseback

The amendments to K-IFRS 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

A seller-lessee applies the amendments retrospectively in accordance with K-IFRS 1008 to sale and leaseback transactions entered into after the date of initial application, which is defined as of the beginning of the annual reporting period in which the entity first applied K-IFRS 1116.

K-IFRS 1001 Presentation of Financial Statements – Disclosures on Virtual Assets

The amendments to K-IFRS 1001 add additional disclosure requirements required by other standards for transactions related to virtual assets and setting out disclosure requirement for each case of 1) holding virtual assets, 2) holding virtual assets on behalf of customer and 3) issuing virtual assets.

When holding a virtual asset, disclosure on the general information about virtual assets, the accounting policy applied and each virtual asset's acquisition method, cost and the fair value at the end of the reporting period is required. Also, when issuing a virtual asset, the entity's obligations and status of fulfilment of the obligation related to the issued virtual asset, the timing and amount of the recognized revenue of the sold virtual asset, the number of virtual assets held after issuance and important contract details shall be disclosed.

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

At the date of authorization of these separate financial statements, the Company has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

K-IFRS 1021 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

K-IFRS 1109 Financial Instruments and K-IFRS 1107 Financial Instruments: Disclosures – Classification and Measurement Requirements of Financial Instruments

The amendments clarify the conditions related to the discharge of a financial liability before the settlement date when settling such financial liabilities using an electronic payment system. They further specify an interest feature, a contingent feature, financial assets with non-recourse features and contractually linked instruments which should be considered in assessing whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. Furthermore, the amendments include additional disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows. The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

K-IFRS 1109 Financial Instruments – Derecognition of Lease Liabilities and Transaction Price

The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with K-IFRS 1109, the lessee is required to recognize any resulting gain or loss in profit or loss. Additionally, the amendments have replaced 'their transaction price (as defined in K-IFRS 1115)' in K-IFRS 1109:5.1.3 with 'the amount determined by applying K-IFRS 1115' to remove an inconsistency between K-IFRS 1109 and the requirements in K-IFRS 1115.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

K-IFRS 1110 Consolidated Financial Statements – Determination of 'de facto agent'

The amendments have amended K-IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in K-IFRS 10:B74 is just one example of a circumstance in which judgment is required to determine whether a party is acting as a de facto agent.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

K-IFRS 1101 First-Time Adoption of Korean International Financial Reporting Standards – Hedge Accounting by a First-Time Adopter

The amendments have improved the consistency of the wording of K-IFRS 1101:B6 with the requirements for hedge accounting in K-IFRS 1109 and added cross-references to K-IFRS 1109:6.4.1 to improve the understandability of K-IFRS 1101.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

K-IFRS 1107 Financial Instruments: Disclosures – Gain or Loss on Derecognition

The amendments have updated the obsolete cross-reference in K-IFRS 1107:B38 and aligned the wording of this paragraph with the terms used in K-IFRSs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

K-IFRS 1007 Statement of Cash Flows: Cost Method

The amendments have replaced the term ‘cost method’ with ‘at cost’ in K-IFRS 1007:37. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company’s financial statements in future periods.

2.2 Investment in Subsidiaries

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

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

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

2.3 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the 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 Company 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 previously held interest ("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 Company in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

When a business combination is achieved in stages, the Company's PHIs (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the 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 Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.4 Investments in Associates and Joint Ventures

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

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

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

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

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

2.5 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.

2.6 Revenue Recognition

(a) Sale of goods

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

(b) Royalty income

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

(c) Interest income

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

(d) Dividend income

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

2.7 Lease

(a) The Company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company 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 Company and the lease does not benefit from a guarantee from the Company.

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

- 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
- 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 separate statements of financial position.

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

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

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

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

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

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

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

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

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

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company 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 Company as lessor

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

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

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. If another systematic basis better represents the pattern of diminished benefits resulting from the use of the underlying asset, the Company will apply that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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

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

2.8 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.

2.9 Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the separate statements of financial position with a charge or credit to the separate statements of profit or loss in the period in which they occur. Remeasurements recognized in the separate statements of profit or loss are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

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

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

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

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

2.10 Taxation

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

(a) Current tax

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

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

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

(c) Current and deferred taxes for the year

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

2.11 PP&E

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

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

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

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

If each part of an item of PP&E has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method; the estimated useful lives; and residual values of PP&E 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 PP&E 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.

2.12 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.

	<u>Representative useful lives</u>
Industrial property rights	10 years
Software	6 years
Development costs	5 years
Customer relationship	5 years

The useful lives and amortization methods of intangible assets are reviewed at the end of each reporting period, and if changes are deemed appropriate, they are accounted for as changes in accounting estimates. Intangible assets acquired individually with indefinite useful lives are recognized at the acquisition 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.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

(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.

2.13 Investment Properties

Properties held to earn rentals or capital appreciation or both are classified as investment properties. Investment properties cannot be held partially for use or partially sold out. The property can only be classified as investment property if the portion held for use is insignificant.

An investment property shall be measured initially at its cost, including transaction costs. After initial recognition, the investment property is measured under the cost model, by presenting at its acquired cost, less any accumulated depreciation and any accumulated impairment losses.

Among investment properties, land is not depreciated, and investment properties excluding land are depreciated using the straight-line method over 40 years according to their economic useful life. Meanwhile, the Company reviews the residual value and economic useful life of assets at the end of each reporting period, and if changes are deemed appropriate, they are accounted for as changes in accounting estimates.

When an investment property is disposed of or the use of the investment property is permanently discontinued and no further future economic benefits can be expected from the disposal, the carrying amount of the investment property is removed from the separate statements of financial position. Gains or losses resulting from the removal of investment property are (1) determined from the difference between the net sale amount and the carrying amount, and (2) are recognized as profit or loss at the time the investment property is removed.

2.14 Impairment of Tangible and Intangible Assets other than Goodwill

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

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

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

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

2.15 Government Grants

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

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

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants toward 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.

2.16 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.

2.17 Provisions

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

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

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

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

2.18 Cash and cash equivalents

In the separate 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 than for investment or other purposes.

Bank balances for which use by the Company 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 separate statements of financial position.

For the purposes of the separate 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 Company's cash management. Such overdrafts are presented as short-term borrowings in the separate statements of financial position.

2.19 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

2.20 Financial Assets

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

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

(a) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

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

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

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

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

(b) Foreign exchange gains and losses

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

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

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

(d) Derecognition of financial assets

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

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

2.21 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

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

(b) Equity instruments

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

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

(c) Financial liabilities

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

(d) Financial liabilities measured subsequently at amortized cost

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

The effective interest method is a method of calculating the amortized cost of a financial liability and 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.

(e) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the 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 K-IFRS 1115 Revenue from Contracts with Customers.

(f) Foreign exchange gains and losses

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

(g) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or 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 Company 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 Company 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.

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

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

2.23 Approval of Separate Financial Statements

The separate financial statements were confirmed by the board of directors on January 22, 2025, and will be finally approved by shareholders' meeting on March 25, 2025.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgment and assumptions of certain items is included in relevant notes.

(a) *Income taxes*

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

(b) *Net defined benefit liability*

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

(c) *Provisions*

The Company recognizes provisions for warranties estimated based on past experience. The Company estimates the recoverable amount of its subsidiaries, joint ventures and associates identified with signs of impairment based on the information which is available at the end of the reporting period, and the Company's management considers this assumption as reasonable.

4. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

<u>Description</u>	<u>Financial institution</u>	<u>2024</u>	<u>2023</u>	<u>Usage restriction details</u>
Cash and cash equivalents	Woori Bank and others	₩ 39	₩ 284	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea and others	79,000	40,000	Shared growth deposit
Other financial assets	Shinhan Bank and others	21	21	Overdraft deposit and others
Total		<u>₩ 79,060</u>	<u>₩ 40,305</u>	

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, 2024 and 2023, are as follows:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>	<u>2023</u>
Total trade notes and accounts receivable	₩ 1,587,241	₩ 1,610,154
Less: Loss allowance	-	(44,686)
Subtotal	<u>1,587,241</u>	<u>1,565,468</u>
Other receivables:		
Non-trade receivables	190,317	144,605
Accrued revenue	11,163	1,603
Less: Loss allowance	-	(2,098)
Subtotal	<u>201,480</u>	<u>144,110</u>
Other financial assets	30,247	32,242
Less: Loss allowance	(144)	(1,039)
Subtotal	<u>30,103</u>	<u>31,203</u>
Total	<u>₩ 1,818,824</u>	<u>₩ 1,740,781</u>

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024			2023		
	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	₩ 44,686	₩ 2,098	₩ 1,039	₩ 37,989	₩ 1,481	₩ 2,104
Impairment loss	(37,197)	(1,562)	(895)	6,697	617	(1,065)
Write-off	(7,489)	(536)	-	-	-	-
Ending balance	₩ -	₩ -	₩ 144	₩ 44,686	₩ 2,098	₩ 1,039

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

(3) As of December 31, 2024 and 2023, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description	2024	2023
Not due	₩ 1,587,241	₩ 1,565,136
Overdue:		
Within 30 days	-	462
Within 180 days and more than 31 days	-	1,139
More than 181 days	-	43,417
Total amounts	₩ 1,587,241	₩ 1,610,154
Amount of impaired receivables (*)	₩ -	₩ 45,018

(*) As of December 31, 2024, the provision for loss for impaired receivables is ₩0 million (2023: ₩44,686 million).

(4) Transfer of financial assets

- Financial assets that were transferred but not derecognized

The Company discounts trade receivables from companies with significant influence through factoring contracts with financial institutions. This transaction is accounted for as a secured borrowing if the Company has a liability to pay the amount to the bank in the event of an insolvency of clients. At the end of the reporting period, the total amount of trade receivables derecognized is ₩211,899 million (2023: ₩198,230 million) (see Note 15).

- Financial assets that were derecognized

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

6. INVENTORIES:

Inventories as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024			2023		
	Acquisition cost	Valuation reserve	Total	Acquisition cost	Valuation reserve	Total
Merchandise	₩ 81,499	₩ (936)	₩ 80,563	₩ 50,343	₩ (280)	₩ 50,063
Finished goods	142,691	(8,580)	134,111	170,218	(6,318)	163,900
Semifinished goods	62,185	(3,631)	58,554	62,637	(3,007)	59,630
Raw materials	67,256	(4,355)	62,901	61,259	(5,461)	55,798
Supplies	33,786	(11,772)	22,014	35,950	(11,862)	24,088
Materials in transit	80,964	-	80,964	55,909	-	55,909
Total	₩ 468,381	₩ (29,274)	₩ 439,107	₩ 436,316	₩ (26,928)	₩ 409,388

The cost of inventories included in cost of goods sold for the years ended December 31, 2024 and 2023, is ₩7,160,148 million and ₩7,366,597 million, respectively (see Note 25).

7. OTHER ASSETS:

Other assets as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
	Current	Non-current	Current	Non-current
Advance payments	₩ 129,672	₩ 50,934	₩ 104,140	₩ 38,528
Prepaid expenses	14,196	-	17,801	-
Others	64	-	216	-
Total	₩ 143,932	₩ 50,934	₩ 122,157	₩ 38,528

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
	Financial instruments at FVTPL		Financial instruments at FVTPL	
Investment in capital of partnership (*)	₩	522	₩	517
Non-marketable equity securities (*)		3,324		2,724
Total	₩	3,846	₩	3,241

(*) Included in other non-current financial assets.

(2) Changes in financial assets at fair value for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Beginning balance	₩	3,241	₩	9,493
Acquisition		600		600
Disposal		-		(6,855)
Valuation		5		3
Ending balance	₩	3,846	₩	3,241

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

(1) Investments in subsidiaries, joint ventures and associates as of December 31, 2024 and 2023, are as follows:

Description	Name of company	Controlling percentage of ownership (%)	2024		2023	
			Acquisition value	Book value	Book value	Book value
Subsidiaries	HYUNDAI MSEAT	99.87	₩ 64,991	₩ 64,991	₩ 64,991	₩ 64,991
	TRANIX (*1)	100.00	91,907	91,907	10,000	10,000
	Beijing Hyundai Transys Transmission Co., Ltd.(*2)	51.84	162,665	119,674	77,384	77,384
	Hyundai Transys (Shandong) Co., Ltd. (*3)	45.00	155,698	125,921	92,138	92,138
	Hyundai Transys Czech, s.r.o.	100.00	-	-	-	-
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	65.00	11,881	11,881	11,881	11,881
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	100.00	31,094	20,973	20,973	20,973
	Automotive Seat System Dymos Mexico S. De R.L. DE C.V. (*4)	100.00	2,150	1,680	1,680	1,680
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*5)	100.00	139,400	-	-	-
	Hyundai Transys America, Inc.	100.00	250,915	250,915	250,915	250,915
	Hyundai Transys Slovakia s.r.o.	100.00	7,483	7,483	7,483	7,483
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100.00	78,489	78,489	78,489	78,489
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	99.95	245,716	227,068	227,068	227,068
	Hyundai Transys Georgia Powertrain, Inc.	71.27	201,251	201,251	201,251	201,251
	HYUNDAI TRANSYS RUS LLC	100.00	2,027	2,027	2,027	2,027
	Subtotal		1,445,667	1,204,260	1,046,280	1,046,280
Joint ventures and associates	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*6)	50.00	9,726	2,061	2,061	2,061
	BAIC DYMOs Automotive System Co., Ltd. (*6)	50.00	7,569	7,569	7,569	7,569
	BAIC DYMOs (Chongqing) Automotive System Co., Ltd. (*6)	50.00	6,923	-	-	-
	PT APM HYUNDAI TRANSYS INDONESIA (*6)	50.00	12,543	12,543	12,543	12,543
	Subtotal		36,761	22,173	22,173	22,173
	Total		₩ 1,482,428	₩ 1,226,433	₩ 1,068,453	₩ 1,068,453

(*1) The Company participated in a paid-in capital increase during the year ended December 31, 2024. The amount of the capital increase through contribution in kind was ₩81,907 million.

(*2) During the year ended December 31, 2024, the Company acquired an additional 19.88% equity interest in Beijing Hyundai Transys Transmission Co., Ltd, which had been classified as an associate, for ₩42,290 million. As a result, Beijing Hyundai Transys Transmission Co., Ltd. was reclassified as a subsidiary.

(*3) During the year ended December 31, 2024, the Company acquired an additional 10% equity interest in Hyundai Transys (Shandong) Co., Ltd., previously classified as an associate, for ₩33,783 million. The Company obtained the right to appoint the majority of the board of directors, which has the ultimate authority over the entity's operating and dividend policies. Accordingly, the Company determined that it has obtained control over Hyundai Transys (Shandong) Co., Ltd. and reclassified it as a subsidiary.

(*4) The liquidation process is in progress.

(*5) The Company participated in a paid-in capital increase during the year ended December 31, 2024. The amount of the capital increase was ₩56,091 million. In addition, the Company recognized an impairment loss of ₩56,091 million during the year ended December 31, 2024.

(*6) The entity is classified as a joint venture as the Company has joint control under a shareholders' agreement.

(2) Changes in subsidiaries, joint ventures and associates for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024	2023
Beginning balance	₩ 1,068,453	₩ 814,310
Acquisition	214,071	267,545
Disposal	-	(13,402)
Impairment	(56,091)	-
Ending balance	₩ 1,226,433	₩ 1,068,453

10. PP&E:

Changes in PP&E for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024						Construction in progress	Total
	Land	Building	Structures	Machinery	Others	Others		
Beginning balance	₩ 248,851	₩ 345,212	₩ 27,980	₩ 514,352	₩ 66,283	₩ 71,447	₩ 1,274,125	
Acquisition	-	-	-	-	-	239,357	239,357	
Disposal (*1)	(47)	(2,032)	(313)	(127,949)	(2,350)	(1,453)	(134,144)	
Transfer (*2)	-	9,392	2,329	52,705	23,149	(97,498)	(9,923)	
Depreciation	-	(12,665)	(2,768)	(84,284)	(19,380)	-	(119,097)	
Ending balance	₩ 248,804	₩ 339,907	₩ 27,228	₩ 354,824	₩ 67,702	₩ 211,853	₩ 1,250,318	
Acquisition cost	248,804	451,125	52,862	1,012,648	184,239	211,853	2,161,531	
Accumulated depreciation	-	(111,218)	(25,634)	(657,702)	(116,513)	-	(911,067)	
Accumulated impairment	-	-	-	(122)	(24)	-	(146)	

(*1) Includes ₩100,674 million contributed in kind to a subsidiary.

(*2) Includes ₩9,923 million reclassified as intangible assets.

(In millions of Korean won)

2023							
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 268,149	₩ 454,070	₩ 30,069	₩ 550,252	₩ 64,165	₩ 24,308	₩ 1,391,013
Acquisition	-	-	-	-	-	166,538	166,538
Disposal	(77)	(208)	-	(1,571)	(174)	-	(2,030)
Transfer (*)	(19,221)	(92,948)	708	75,322	21,804	(119,399)	(133,734)
Impairment	-	-	-	-	(21)	-	(21)
Depreciation	-	(15,702)	(2,797)	(109,651)	(19,491)	-	(147,641)
Ending balance	₩ 248,851	₩ 345,212	₩ 27,980	₩ 514,352	₩ 66,283	₩ 71,447	₩ 1,274,125
Acquisition cost	248,851	443,810	50,857	1,368,682	191,103	71,447	2,374,750
Accumulated depreciation	-	(98,598)	(22,877)	(849,139)	(124,796)	-	(1,095,410)
Accumulated impairment	-	-	-	(5,191)	(24)	-	(5,215)

(*) ₩19,557 million transferred from land to investment properties, ₩100,090 million transferred from building to investment properties and ₩14,087 million transferred from construction in progress to intangible assets are included.

11. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

2024						
Description	Software	Development cost	Customer relationship	Other intangible assets	Total	
Beginning balance	₩ 34,831	₩ 255,827	-	₩ 23,733	₩	₩ 314,391
Acquisition	-	126,965	-	-	-	126,965
Transfer (*1)	8,041	-	-	1,882	-	9,923
Disposal (*2)	(6,443)	-	-	-	-	(6,443)
Amortization	(11,268)	(32,257)	-	-	-	(43,525)
Ending balance	₩ 25,161	₩ 350,535	-	₩ 25,615	₩	₩ 401,311
Acquisition cost	90,611	406,756	15,200	25,615	-	538,182
Accumulated depreciation	(65,450)	(56,221)	(15,200)	-	-	(136,871)

(*1) Includes ₩9,923 million reclassified from PP&E to software and other intangible assets.

(*2) Includes ₩282 million contributed in kind to a subsidiary.

(In millions of Korean won)

2023

Description	2023					Total
	Software	Development cost	Customer relationship	Other intangible assets		
Beginning balance	₩ 33,007	₩ 86,012	₩ 960	₩ 24,891	₩	144,870
Acquisition	-	100,873	-	-	-	100,873
Transfer (*)	14,052	83,783	-	35	-	97,870
Disposal	-	-	-	(1,193)	-	(1,193)
Impairment	-	(1,168)	-	-	-	(1,168)
Amortization	(12,228)	(13,673)	(960)	-	-	(26,861)
Ending balance	₩ 34,831	₩ 255,827	₩ -	₩ 23,733	₩	314,391
Acquisition cost	92,580	279,792	15,200	23,733	-	411,305
Accumulated depreciation	(57,749)	(23,965)	(15,200)	-	-	(96,914)

(*) ₩14,087 million transferred to software and other intangible assets from PP&E, ₩83,783 million transferred to development cost from advance payments and others are included.

(2) The details of the research and development activities as of December 31, 2024 and 2023, are as follows:

Description	2024	2023
Development costs (intangible assets)	₩ 126,965	₩ 100,873
Ordinary research and development expenditures (*1)	103,584	93,630
Total (*2)	₩ 230,549	₩ 194,503

(*1) Consists of manufacturing costs, administrative expenses and other expenses.

(*2) Amortization of development expenses is not included.

12. INVESTMENT PROPERTIES:

(1) The book values of investment properties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
	Land	Building	Land	Building
Acquisition cost	₩ 19,557	₩ 119,816	₩ 19,557	₩ 119,815
Accumulated depreciation	-	(22,926)	-	(19,725)
Net book value	₩ 19,557	₩ 96,890	₩ 19,557	₩ 100,090

(2) Changes in investment properties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		
	Beginning book value	Depreciation	Ending book value
Land	₩ 19,557	₩ -	₩ 19,557
Building	100,000	(3,200)	96,890
Total	₩ 119,647	₩ (3,200)	₩ 116,447

(In millions of Korean won)

Description	2023					
	Beginning book value		Transfer	Ending book value		
Land	₩	-	₩	19,557	₩	19,557
Building		-		100,090		100,090
Total	₩	-	₩	119,647	₩	119,647

(3) The fair values of investment properties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Land	₩	19,557	₩	19,557
Building		96,890		100,090
Total	₩	116,447	₩	119,647

Due to the very low frequency of market transactions in the area where the Company's investment property is located, and the inability to reliably estimate future cash flows, it is not feasible to apply an alternative valuation method. Accordingly, the fair value of the investment property has not been assessed as of the end of the reporting period.

(4) Profits and losses related to investment properties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Rental income	₩	4,997	₩	3,623
Operating and maintenance cost		(652)		(2,248)
Total	₩	4,345	₩	1,375

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

(1) Changes in right-of-use assets for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Beginning balance	₩	217	₩	336
Depreciation		(7)		(119)
Ending balance	₩	210	₩	217

The right-of-use assets above consist of 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	2024		2023	
Lease liabilities before discount	₩	316	₩	326
Lease liabilities after discount		216		210
Current		2		9
Non-current	₩	214	₩	201

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

(3) Changes in lease liability for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Beginning balance	₩	210	₩	336
Payment		(9)		(127)
Interest expenses		15		1
Ending balance	₩	216	₩	210

(4) Earnings and losses recognized for the 12 months ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Depreciation of right-of-use assets	₩	7	₩	119
Interest expenses of lease liabilities		15		1
Expense of short-term leases and leases of low-value assets		1,760		1,104
Total	₩	1,782	₩	1,224

(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	2024		2023	
Not later than one year	₩	7	₩	9
Later than one year and not later than two years		7		7
Later than two years and not later than three years		7		7
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		281		289
Total	₩	316	₩	326

14. OTHER PAYABLES:

Details of other payables as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Current				
Accounts payable	₩	207,506	₩	210,462
Accrued expenses		52,970		46,175
Subtotal		260,476		256,637
Non-current				
Accounts payable		2,344		1,645
Total	₩	262,820	₩	258,282

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2024 (%)	2024		2023	
Woori Bank and others	Discount on foreign currency sales receivables	2.31–5.71	₩	211,899	₩	198,230
Korea Development Bank and others	Facility loans	3.59–3.87		50,000		50,000
	Total		₩	261,899	₩	248,230

(2) Debentures as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2024		2023	
40-2nd Non-guaranteed public debentures	2019-06-28	2024-06-28	-	₩	-	₩	180,000
40-3rd Non-guaranteed public debentures	2019-06-28	2026-06-26	2.17		40,000		40,000
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	-		-		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		160,000
43-2nd Non-guaranteed public debentures	2022-02-16	2027-02-16	3.03		40,000		40,000
44-1st Non-guaranteed public debentures	2023-03-14	2025-03-14	4.10		60,000		60,000
44-2nd Non-guaranteed public debentures	2023-03-14	2026-03-14	4.04		100,000		100,000
45-1st Non-guaranteed public debentures	2023-09-14	2025-09-14	4.47		90,000		90,000
45-2nd Non-guaranteed public debentures	2023-09-14	2026-09-14	4.51		110,000		110,000
46-1st Non-guaranteed public debentures	2024-01-30	2026-01-30	3.93		120,000		-
46-2nd Non-guaranteed public debentures	2024-01-30	2027-01-30	3.91		180,000		-
47-1st Non-guaranteed public debentures	2024-09-12	2026-09-12	3.30		50,000		-
47-2nd Non-guaranteed public debentures	2024-09-12	2027-09-12	3.29		170,000		-
47-3rd Non-guaranteed public debentures	2024-09-12	2029-09-12	3.34		80,000		-
	Subtotal				1,390,000		1,060,000
	Less: Discounts on bonds payable				(2,545)		(1,902)
	Less: Current portion of bonds payable				(349,810)		(269,913)
	The balance			₩	1,037,645	₩	788,185

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Present value of defined benefit obligation	₩	284,189	₩	254,122
Fair value of plan assets		(309,265)		(320,594)
National Pension Conversion Fund		(59)		(61)
Total	₩	(25,135)	₩	(66,533)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Current service cost	₩	27,823	₩	22,889
Interest cost (income)		(3,371)		(6,988)
Past service cost		-		475
Total	₩	24,452	₩	16,376

(3) Changes in defined benefit obligation for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Beginning balance	₩	254,122	₩	205,759
Current service cost		27,823		22,889
Interest cost		11,478		10,906
Past service cost		-		475
Remeasurements:				
Actuarial gains arising from experience adjustments		4,006		9,426
Actuarial losses arising from changes in demographic assumptions		-		(22)
Actuarial losses arising from changes in financial assumptions		15,837		23,588
Subtotal		19,843		32,992
Benefits paid		(29,077)		(18,899)
Ending balance	₩	284,189	₩	254,122

(4) Changes in plan assets for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
Beginning balance	₩	320,655	₩	325,840
Employer's contribution		7,100		-
Interest income		14,849		17,894
Benefits paid		(29,889)		(18,652)
Remeasurements:				
Difference between interest income and actual income		(3,391)		(4,427)
Ending balance	₩	309,324	₩	320,655

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

<u>Description</u>	<u>2024</u>	<u>2023</u>
Discount rate	4.20%	4.68%
Rate of expected future salary increase	3.97%	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)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Component ratio (%)</u>	<u>Amount</u>	<u>Component ratio (%)</u>
Time deposits and others	₩ 309,324	100.00%	₩ 320,655	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:

<u>Description</u>	<u>Changes in significant assumptions</u>	<u>Changes in liabilities</u>
Discount rate	Increase by 1% / Decrease by 1%	Decrease by 11.2% / Increase by 13.2%
Rate of expected future salary-increase	Increase by 1% / Decrease by 1%	Increase by 13.4% / Decrease by 11.5%

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

(8) The weighted-average duration of the defined benefit obligations is 12.7 years (2023: 12.7 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2024, is as follows:

(In millions of Korean won)

<u>Description</u>	<u>Not later than one year</u>	<u>Later than one year and not later than two years</u>	<u>Later than two years and not later than five years</u>	<u>Later than five years</u>	<u>Total</u>
Benefits paid	₩ 7,730	₩ 10,019	₩ 44,660	₩ 1,282,457	₩ 1,344,866

17. PROVISIONS:

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

Changes in provision for warranty and other provision for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024			
	Provision for warranty	Other long-term employee benefit	Other provision	Total
Beginning balance	₩ 180,071	₩ 41,550	₩ 114,846	₩ 336,467
Charged	60,360	14,065	(29,063)	45,362
Utilized	(50,767)	(3,359)	-	(54,126)
Others (*)	-	-	16,086	16,086
Ending balance	₩ 189,664	₩ 52,256	₩ 101,869	₩ 343,789
Current item	90,565	-	101,869	192,434
Non-current item	99,099	52,256	-	151,355

(*) Consists of effects of changes in foreign exchange rates, etc.

(In millions of Korean won)

Description	2023			
	Provision for warranty	Other long-term employee benefit	Other provision	Total
Beginning balance	₩ 178,767	₩ 33,985	₩ 181,110	₩ 393,862
Charged	52,418	10,336	(57,848)	4,906
Utilized	(51,114)	(2,771)	(11,389)	(65,274)
Others (*)	-	-	2,973	2,973
Ending balance	₩ 180,071	₩ 41,550	₩ 114,846	₩ 336,467
Current item	63,729	-	-	63,729
Non-current item	116,342	41,550	114,846	272,738

(*) Consists of effects of changes in foreign exchange rates, etc.

18. OTHER LIABILITIES:

Other liabilities as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		2023	
	Current	Non-current	Current	Non-current
Advance received	₩ 165,201	₩ 141,966	₩ 108,243	₩ 111,090
Deposit received	50,717	-	14,191	-
Total	₩ 215,918	₩ 141,966	₩ 122,434	₩ 111,090

19. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2024 and 2023, consist of the following:

Description	2024		2023	
In respect of current year	₩	23,169	₩	19,194
Changes in deferred taxes relating to temporary differences		(76,115)		(27,960)
Total of income tax effect		(52,946)		(8,766)
Items that are charged or credited directly to equity		5,367		8,644
Income tax expense	₩	(47,579)	₩	(122)

(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, 2024 and 2023, is as follows:

(In millions of Korean won)

Description	2024		2023	
Profit before income tax	₩	(73,088)	₩	61,062
Income tax expense calculated at the applicable tax rates	₩	(16,421)	₩	13,643
Income tax effect:				
Non-taxable income		(8,093)		(12,385)
Non-deductible expenses		1,266		3,178
Foreign tax payment credit, tax credit and additional tax payment of prior year		(16,235)		(5,500)
Effect of temporary difference and others not recognized as deferred tax and of tax rate difference		(24,286)		(130)
Effect of changes in tax rate to recognize deferred tax		15,899		-
Others		291		1,072
Income tax expense (income)	₩	(47,579)	₩	(122)
Effective tax rate (*)		-%		-%

(*) Effective tax rate was not calculated in 2024 and 2023 due to the occurrence of income tax income.

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

(In millions of Korean won)

Description	2024			
	Beginning	Recognized in profit or loss	Equity	End of the year
Accrued income	₩ (370)	₩ 370	₩ -	₩ -
Trade receivables	7,794	(7,274)	-	520
Inventories	6,630	(1,520)	-	5,110
Financial assets measured at FVTPL	805	(47)	-	758
PP&E	10,962	(9,193)	-	1,769
Intangible assets	3,634	(1,004)	-	2,630
Investments in associates	421	(421)	-	-
Defined benefit liabilities	57,597	(3,496)	4,584	58,685
Plan assets	(73,495)	11,950	783	(60,762)
Other provisions	8,240	2,061	-	10,301
Warranty	41,596	(22,359)	-	19,237
Deduction of carryover losses	45,071	87,526	-	132,597
Carryover tax credit	80,775	39,404	-	120,179
Others	37,647	(25,249)	-	12,398
Total	₩ 227,307	₩ 70,748	₩ 5,367	₩ 303,422

(In millions of Korean won)

Description	2023			
	Beginning	Recognized in profit or loss	Equity	End of the year
Accrued income	₩ (454)	₩ 84	₩ -	₩ (370)
Trade receivables	6,027	1,767	-	7,794
Inventories	6,573	57	-	6,630
Financial assets measured at FVTPL	4,178	(3,373)	-	805
PP&E	13,622	(2,660)	-	10,962
Intangible assets	5,515	(1,881)	-	3,634
Investments in associates	3,310	(2,889)	-	421
Defined benefit liabilities	46,579	3,397	7,621	57,597
Plan assets	(68,815)	(5,703)	1,023	(73,495)
Other provisions	7,851	389	-	8,240
Warranty	41,295	301	-	41,596
Deduction of carryover losses	31,494	13,577	-	45,071
Carryover tax credit	56,082	24,693	-	80,775
Others	46,090	(8,443)	-	37,647
Total	₩ 199,347	₩ 19,316	₩ 8,644	₩ 227,307

(4) The Company did not recognize deferred tax assets for deductible temporary differences of ₩172,270 million (2023: ₩255,286 million) and deferred tax liabilities for taxable temporary differences of ₩33,748 million (2023: ₩11,632 million) related to its investments in subsidiaries and associates because they are not realizable.

(5) Global minimum corporate tax

In accordance with the global minimum tax legislation, the Company is required to pay additional corporate income tax in Korea on the profits of subsidiaries that are subject to an effective tax rate of less than 15%. The Company reviewed the potential impact on the separate financial statements in consultation with tax experts and did not recognize any current corporate income tax expense related to the global minimum tax for the year ended December 31, 2024. The estimated annual effective tax rate may change due to various factors, such as tax incentives granted to subsidiaries and adjustments to accounting net income as required under the legislation for the purpose of calculating global minimum tax income in future periods. Accordingly, the current corporate income tax expense related to the global minimum tax is subject to estimation uncertainty.

The details of temporary differences not recognized as deferred tax assets (liabilities) as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description (2024)	Subsidiaries (*)
Carryover losses	₩ 29,136

(*) Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.

(In millions of Korean won)

Description (2023)	Subsidiaries (*)
Carryover losses	₩ 49,805

(*) Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.

20. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2024, are as follows:

(In millions of Korean won)

<u>Description</u>	<u>Financial assets measured at amortized cost</u>	<u>Financial assets measured at FVTPL</u>	<u>Financial liabilities measured at amortized cost</u>	<u>Total</u>
Cash and cash equivalents	₩ 158,856	₩ -	₩ -	₩ 158,856
Short-term financial instruments	369,000	-	-	369,000
Trade notes and accounts receivable and other receivables	1,788,722	-	-	1,788,722
Other financial assets	<u>30,104</u>	<u>3,846</u>	-	<u>33,950</u>
Total financial assets	<u>₩ 2,346,682</u>	<u>₩ 3,846</u>	<u>₩ -</u>	<u>₩ 2,350,528</u>
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,326,755	₩ 1,326,755
Borrowings and debentures	-	-	1,649,354	1,649,354
Financial guarantee liabilities	-	-	13,107	13,107
Lease liabilities	-	-	216	216
Total financial liabilities	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,989,432</u>	<u>₩ 2,989,432</u>

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

(In millions of Korean won)

<u>Description</u>	<u>Financial assets measured at amortized cost</u>	<u>Financial assets measured at FVTPL</u>	<u>Financial liabilities measured at amortized cost</u>	<u>Total</u>
Cash and cash equivalents	₩ 239,072	₩ -	₩ -	₩ 239,072
Short-term financial instruments	290,000	-	-	290,000
Trade notes and accounts receivable and other receivables	1,709,578	-	-	1,709,578
Other financial assets	<u>31,203</u>	<u>3,241</u>	-	<u>34,444</u>
Total financial assets	<u>₩ 2,269,853</u>	<u>₩ 3,241</u>	<u>₩ -</u>	<u>₩ 2,273,094</u>
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,430,465	₩ 1,430,465
Borrowings and debentures	-	-	1,306,328	1,306,328
Financial guarantee liabilities	-	-	12,547	12,547
Lease liabilities	-	-	210	210
Total financial liabilities	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,749,550</u>	<u>₩ 2,749,550</u>

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

	2024			2023		
	Interest income	Interest expenses	Valuation profit/loss	Interest income	Interest expenses	Valuation profit/loss
Financial assets measured at amortized cost	₩ 26,724	₩ -	₩ -	₩ 31,300	₩ -	₩ -
Financial assets measured at FVTPL	-	-	5	-	-	3
Financial liabilities measured at amortized cost	-	52,913	-	-	32,498	-
Total	₩ 26,724	₩ 52,913	₩ 5	₩ 31,300	₩ 32,498	₩ 3

The foreign exchange gain or loss on the above financial instruments is ₩25,937 million (2023: ₩16,016 million), and the foreign currency translation gain or loss is ₩(-)2,344 million (2023: ₩(-)7,134 million).

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

The Company categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement:

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

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

(In millions of Korean won)

Description	2024		2023	
	Level 3 (*)		Level 3	
Financial assets measured at FVTPL	₩	3,846	₩	3,214

(*) The carrying amount was changed due to an acquisition of ₩600 million and a valuation gain of ₩5 million.

(4) Details of financial assets and liabilities offset as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024		
	Total amount of recognition	Total amount of offset	Net amount presented in the separate financial statements
Trade notes and accounts receivable and other receivables	₩ 1,935,621	₩ 146,899	₩ 1,788,722
Trade notes and accounts payable and other payables	1,473,654	146,899	1,326,755

(In millions of Korean won)

Description	2023		Net amount presented in the separate financial statements
	Total amount of recognition	Total amount of offset	
Trade notes and accounts receivable and other receivables	₩ 1,952,190	₩ 242,612	₩ 1,709,578
Trade notes and accounts payable and other payables	1,673,077	242,612	1,430,465

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

(1) Capital stock as of December 31, 2024 and 2023, consists of the following:

Description	2024	2023
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, 2024 and 2023, consist of the following:

(In millions of Korean won)

Description	2024	2023
Paid-in capital in excess of par value	₩ 1,154,371	₩ 1,154,371
Treasury stock	(4,281)	(4,281)
Total	₩ 1,150,090	₩ 1,150,090

22. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)

Description	2024	2023
Unappropriated retained earnings	₩ 995,109	₩ 1,038,485

(2) The statements of appropriation of retained earnings as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024	2023
Unappropriated retained earnings:	₩ 995,109	₩ 1,038,485
Unappropriated retained earnings carried over from prior year	₩ 1,038,485	₩ 1,006,077
Profit for the year	(25,509)	61,184
Remeasurements of net defined benefit liabilities	(17,867)	(28,776)
Appropriation of retained earnings	-	-
Unappropriated retained earnings to be carried forward	₩ 995,109	₩ 1,038,485

23. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2024 and 2023, are computed as follows:

(1) Earnings per share

<u>Description</u>	<u>2024</u>	<u>2023</u>
Profit for the year	₩ (25,509) million	₩ 61,184 million
The weighted-average number of shares outstanding	81,737,796 shares	81,737,796 shares
Basic earnings per common share	₩ (312)	₩ 749

(2) As there are no diluted securities outstanding as of December 31, 2024 and 2023, diluted earnings per share are identical to the basic earnings per share.

24. SALES:

(1) Details of sales from the contract with customers for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>	<u>2023</u>
Sales of goods	₩ 8,042,796	₩ 8,376,299
Rendering of services	289,814	220,585
Total	₩ 8,332,610	₩ 8,596,884

(2) For the years ended December 31, 2024 and 2023, sales of ₩8,001,669 million (96.03% of total sales) and ₩8,153,421 million (94.84% of total sales), respectively, were to Hyundai Motor Company and other related affiliates. The accompanying separate financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2024, 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)

<u>Description</u>	<u>Within one year</u>	<u>More than one year</u>
Other liabilities	₩ 165,201	₩ 141,966

25. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Changes in raw materials	₩	7,160,148	₩	7,366,597
Employee benefits		345,027		344,808
Depreciation		119,097		147,641
Depreciation of investment property		3,200		19,725
Amortization		43,525		26,861
Transportation and logistics costs		82,714		83,025
Commission expenses		125,405		121,381
Amount paid to subcontractors		236,048		183,724
Ordinary research and development expense		103,584		93,630
Others		201,346		241,299
Total (*)	₩	8,420,094	₩	8,628,691

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

26. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Salaries	₩	64,297	₩	59,395
Retirement benefits		5,687		3,690
Employee benefits		21,345		18,902
Logistics cost		73,893		77,291
Ordinary research and development expenses		101,989		91,598
Commission expenses		20,771		18,280
Rental expenses		1,913		1,860
Depreciation		7,424		4,119
Amortization		7,214		8,672
Sales guarantee cost		53,061		30,478
Advertising expense		3,905		2,642
Bad debt expenses		(37,197)		6,697
Others		25,311		22,162
Total	₩	349,613	₩	345,786

27. OTHER INCOME:

Other income for the years ended December 31, 2024 and 2023, consists of the following:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Gain on foreign currency exchanges	₩	53,103	₩	17,595
Gain on foreign currency translation		25,154		3,243
Gain on disposal of PP&E		30,307		204
Gain on disposal of intangible assets		2,760		20
Reversal of other allowance for doubtful accounts		2,458		448
Gain on disposal of investments in subsidiaries		-		40,862
Miscellaneous revenues		27,993		24,366
Total	₩	141,775	₩	86,738

28. OTHER EXPENSES:

Other expenses for the years ended December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Loss on foreign currency exchange	₩	27,166	₩	1,579
Loss on foreign currency translation		27,498		10,377
Loss on disposal of PP&E		19,552		371
Loss on disposal of intangible assets		53		13
Impairment loss on PP&E		-		21
Impairment loss on intangible assets		-		1,168
Impairment losses on subsidiary/associate investment shares		56,091		-
Donation		908		779
Miscellaneous expenses		7,017		11,810
Total	₩	138,285	₩	26,118

29. FINANCE INCOME:

Finance income for the years ended December 31, 2024 and 2023, consists of the following:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Interest income	₩	26,724	₩	31,300
Dividends income		37,090		26,640
Gain on valuation of FVTPL		5		3
Gain on disposal of FVTPL		-		6,804
Total	₩	63,819	₩	64,747

30. FINANCE COSTS:

Finance costs for the years ended December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)

<u>Description</u>	<u>2024</u>		<u>2023</u>	
Interest expenses	₩	52,913	₩	32,498

31. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2024	2023
Profit for the year	₩ (25,509)	₩ 61,184
Adjustments:	175,177	122,266
Retirement benefit costs	24,452	16,376
Long-term employee benefits	14,065	10,336
Depreciation	119,097	147,641
Depreciation of investment property	3,200	19,725
Warranty expenses	53,061	30,478
Transfer of other provisions	(29,063)	(57,848)
Amortization of intangible assets	43,525	26,861
Depreciation of right-of-use assets	7	119
Bad debt expenses	(37,197)	6,697
Loss on foreign currency translation	27,498	10,377
Loss on disposal of PP&E	19,552	371
Loss on disposal of intangible assets	53	13
Impairment loss on PP&E	-	21
Impairment loss on intangible assets	-	1,168
Other bad debt expenses	(2,457)	(448)
Impairment loss on investments in subsidiaries	56,091	-
Interest expenses	52,913	32,498
Gain on disposal of investments in subsidiaries	-	(40,862)
Income tax expense (benefit)	(47,579)	(122)
Gain on foreign currency translation	(25,155)	(3,243)
Gain on disposal of PP&E	(30,307)	(204)
Gain on disposal of intangible assets	(2,760)	(20)
Dividend income	(37,090)	(26,640)
Gain on valuation of FVTPL	(5)	(3)
Interest income	(26,724)	(31,300)
Changes in operating assets and liabilities:	5,960	(40,966)
Decrease in trade receivables	37,365	40,030
Decrease in other receivables	13,873	1,776
Increase in other assets	(33,621)	(59,233)
Decrease in other financial assets	-	6,855
Decrease (increase) in inventories	(29,719)	(13,418)
Increase (decrease) in trade payables	(47,256)	(14,577)
Increase in other payables	1,372	17,659
Increase in other liabilities	124,360	45,464
Decrease in provisions	(54,126)	(65,275)
Decrease in net defined benefit liabilities	(6,288)	(247)
Cash generated from operations	₩ 155,628	₩ 142,484

(2) Non-cash transactions

(In millions of Korean won)

Description	2024		2023	
Reclassification of the current portion of bond payables	₩	350,000	₩	270,000
Changes in other payables related to acquisition of PP&E		544		(285)
Changes in other payables related to disposal of PP&E		60,033		-
Changes in other payables related to disposal of intangible assets		327		-
Transfer of construction in progress		97,498		119,399
Transfer of PP&E to investment properties		-		119,647
Acquisition of investments in subsidiaries through contribution in kind of PP&E		81,679		-
Acquisition of investments in subsidiaries through contribution in kind of intangible assets		229		-

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

Description	2024			
	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 248,230	₩ 1,058,098	₩ 210	₩ 1,306,538
Cash flows	6,685	327,792	(9)	334,468
Other (foreign currency translation and amortization)	6,984	1,565	15	8,564
Ending balance	₩ 261,899	₩ 1,387,455	₩ 216	₩ 1,649,570

(In millions of Korean won)

Description	2023			
	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 62,690	₩ 1,038,299	₩ 336	₩ 1,101,325
Cash flows	187,108	18,608	(127)	205,589
Other (foreign currency translation and amortization)	(1,568)	1,191	1	(376)
Ending balance	₩ 248,230	₩ 1,058,098	₩ 210	₩ 1,306,538

(4) Supplier Financing

The Company has entered into the following supplier financing arrangements to facilitate early payment and to provide suppliers of goods or services with easier access to credit.

① Under the supplier financing arrangement, the Company has agreed that suppliers may receive payment from financial institutions up to 90 days before the original due date stated on their invoices, at a discounted amount ranging from 4.62% to 5.43%. This arrangement allows financial institutions to make early payments on behalf of the Company for up to ₩291.8 billion. The discount rates applied are lower than typical market-based early payment discount rates. Furthermore, under the terms of the arrangement, the Company is required to pay the full invoiced amount to the financial institution on the original due date specified in the invoice, and no extension of payment beyond the stated date is permitted. Accordingly, the financial liabilities arising from this arrangement are classified as trade and other payables.

② As of each reporting date, the carrying amounts of the financial liabilities subject to the supplier financing arrangement, the details included in the separate statements of financial position and the portions already settled by suppliers through financial institutions are as follows:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Financial liabilities presented as trade and other payables		
Trade and other payables subject to the supplier financing arrangement	375,369	527,255
Trade and other payables for which suppliers have already received payment from financial institutions	95,198	-

③ The range of payment due dates for financial liabilities subject to the supplier financing arrangement and comparable trade payables not subject to such arrangements is as follows:

<u>Description</u>	<u>2024</u>
Financial liabilities presented as trade and other payables	
Payment terms for trade payables subject to the supplier financing arrangement	60 to 90 days from invoice date
Payment terms for comparable trade payables not subject to the supplier financing arrangement	60 to 90 days from invoice date

32. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2024, payment guarantees provided by the Company are as follows:

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

<u>Beneficiaries</u>	<u>Guarantors</u>	<u>Foreign currency</u>	<u>Provision</u>	<u>Disbursement</u>
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	Woori Bank	BRL	24,000	-
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC	Hana Bank	BRL	12,000	-
	Shinhan Bank	USD	18,000	15,000
	Hana Bank	USD	18,000	15,000
	Korea Development Bank	USD	40,000	40,000
	Korea Development Bank	USD	50,000	50,000
	JPMorgan	USD	50,000	50,000
	Woori Bank	USD	18,000	5,000
	SC Bank	USD	40,000	40,000
Hyundai Transys Georgia Powertrain, Inc.	Industrial Bank of Korea	USD	50,000	50,000
	Korea Development Bank	USD	49,000	49,000
	Korea Development Bank	USD	30,000	30,000
	JPMorgan	USD	70,000	70,000
	Korea Exim Bank	USD	48,000	40,000
	Hana Bank	USD	30,000	30,000
	PNC	USD	30,000	-
	Woori Bank	USD	30,000	30,000
	JPMorgan	USD	20,000	-
	Hana Bank	USD	30,000	30,000
	Industrial Bank of Korea	USD	30,000	30,000
	SC Bank	USD	40,000	40,000
	Korea Development Bank	USD	40,000	40,000
	Korea Development Bank	USD	8,000	7,150
Hyundai Transys Mexico Powetrain, S. de R.L. de C.V.	BBVA	USD	50,000	33,000
	CITI-Banamex	USD	20,000	15,000
	Korean Exim Bank	USD	10,000	10,000
	Hana Bank	USD	42,000	35,000
	MIZUHO (Mexico)	USD	35,000	35,000

	NH Bank	USD	55,000	55,000
	Korea Development Bank	USD	20,000	20,000
	Woori Bank	USD	24,000	20,000
Beijing Hyundai	DBS	USD	10,000	-
Transys	SC Bank	USD	45,000	-
Transmission Co.,	Shinhan Bank	RMB	192,000	106,034
Ltd.	Kookmin Bank	RMB	99,000	-
	Korea Development Bank	RMB	180,000	-
Hyundai Transys	Korea Development Bank	RMB	102,000	91,800
(Shandong) Co., Ltd	(Guangzhou)			
	Hana Bank (Qingyang)	RMB	170,000	-
	Industrial Bank of Korea	RMB	62,400	7,599
	(Qingdao)			
	Woori Bank (Weihai)	RMB	60,000	35,000
	Shinhan Bank (Qingdao)	RMB	180,000	142,500
	Industrial Bank of Korea	RMB	62,400	44,200
	(Qingdao)			
	Hana Bank (Qingdao)	USD	19,500	-
HYUNDAI	SC Bank	USD	15,000	-
TRANSYS INDIA		CHF	22,000	22,000
PRIVATE		CHF	20,000	20,000
LIMITED	Hana Bank	USD	5,000	5,000
BAIC DYMOS	Shinhan Bank	EUR	4,200	3,500
(Chongqing) Autom				
otive System Co.,				
Ltd.				
	Total	USD	1,089,500	889,150
		EUR	4,200	3,500
		CHF	42,000	42,000
		RMB	1,107,800	427,133
		BRL	36,000	-

As of December 31, 2024, payment guarantees provided by others are as follows:

(In millions of Korean won)

<u>Guarantee details</u>	<u>Providers</u>	<u>Guaranteed amount</u>	<u>Creditor</u>
Contract performance guarantee, etc.	Machinery Financial Cooperative Seoul Guarantee Insurance Co., Ltd.	₩ 39 37,118	Hyundai-Rotem Co. and others

(2) As of December 31, 2024, financial commitments are as follows:

(In millions of Korean won and in thousands of USD)

<u>Description</u>	<u>Lenders</u>	<u>Limited amount</u>
Overdrafts	NH Bank and others	₩ 53,000
General borrowings	Hana Bank and others	57,000
Borrowings collateralized		
by trade receivables (*)	Shinhan Bank and others	291,800
Discount on accounts receivable	Shinhan Bank and others	257,000
Limited amount of import L/C	Kookmin Bank and others	USD 705,708

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

(3) The major insurance subscription details at the end of 2024 are as follows:

<u>Description</u>	<u>Financial institution</u>	<u>Coverage amount</u>	
Environmental Liability Insurance	DB Insurance Co., Ltd.	₩	60,000
Gas Accident Liability Insurance			28,000
Hyundai Group Accident Insurance (for position only)	Hyundai Marine & Fire Insurance Co., Ltd.		1,578,105
Package Insurance Policy			2,458,182
Overseas Insurance and others	Hyundai Marine & Fire Insurance Co., Ltd. and others		330,862

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

(5) As of December 31, 2024, the Company is a defendant in two ongoing legal proceedings. The outcome of these lawsuits cannot be reasonably predicted at this time, and the timing and amount of any potential outflow of resources are uncertain. However, the Company expects that the impact on its separate financial statements will not be material.

33. RISK MANAGEMENT:

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

(1) Foreign Exchange Risk

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

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

(In millions of Korean won)

<u>Currency</u>	<u>2024</u>		<u>2023</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
USD	₩ 7,973	₩ (7,973)	₩ 1,067	₩ (1,067)
EUR	1,386	(1,386)	1,048	(1,048)
JPY	(457)	457	(457)	457
CNY	405	(405)	688	(688)
CHF	(25)	25	-	-
Total	₩ 9,282	₩ (9,282)	₩ 2,346	₩ (2,346)

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2024.

(2) Interest Rate Risk

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

The table below describes an impact of interest rate fluctuation of 1% point on income before income taxes expenses as of December 31, 2024.

(In millions of Korean won)

Description	1% increase		1% decrease	
Cash and cash equivalents	₩	1,589	₩	(1,589)
Borrowings		(2,619)		2,619

(3) Credit Risk

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

The maximum exposure to credit risk as of December 31, 2024 and 2023, is as follows:

(In millions of Korean won)

Description	2024		2023	
Cash and cash equivalents	₩	158,856	₩	239,072
Short-term financial instruments		369,000		290,000
Trade receivables		1,587,241		1,565,468
Other receivables		201,481		144,110
Other financial assets		30,104		31,203
Financial guarantee contracts		1,466,678		1,229,295

(4) Liquidity Risk

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

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

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

(In millions of Korean won)

Description	2024			
	Less than one year	One year–five years	More than five years	Total
Trade payables and other payables	₩ 1,324,411	₩ 2,344	₩ -	₩ 1,326,755
Borrowings and bond payables	651,327	1,074,862	-	1,726,189
Financial guarantee liabilities	1,466,678	-	-	1,466,678
Total	₩ 3,442,416	₩ 1,077,206	₩ -	₩ 4,519,622

Description	2023			
	Less than one year	One year–five years	More than five years	Total
Trade payables and other payables	₩ 1,428,820	₩ 1,645	₩ -	₩ 1,430,465
Borrowings and bond payables	545,529	814,149	-	1,359,678
Financial guarantee liabilities	1,229,295	-	-	1,229,295
Total	₩ 3,203,644	₩ 815,794	₩ -	₩ 4,019,438

(5) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of December 31, 2024 and 2023, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	2024	2023
Liabilities (A)	₩ 3,756,153	₩ 3,319,540
Equity (B)	2,554,688	2,598,064
Debt-to-equity ratio (A/B)	147.0%	127.8%

34. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2024 and 2023, are as follows:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Associates (investment companies) Subsidiaries	Hyundai Motor Company	Hyundai Motor Company
	Kia Corporation	Kia Corporation
	HYUNDAI MSEAT	HYUNDAI MSEAT
	TRANIX	TRANIX
	Beijing Hyundai Transys Transmission Co., Ltd.(*1)	-
	Hyundai Transys (Shandong) Co., Ltd.(*2)	-
	Hyundai Transys Czech, s.r.o.	Hyundai Transys Czech, s.r.o.
	HYUNDAI TRANSYS LEAR	HYUNDAI TRANSYS LEAR
	AUTOMOTIVE INDIA PRIVATE LIMITED	AUTOMOTIVE INDIA PRIVATE LIMITED
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.
	Automotive Seat System Dymos Mexico S. De R.L. DE C.V.(*3)	Automotive Seat System Dymos Mexico S. De R.L. DE C.V.(*3)
	Sichuan Hyundai Transys Automotive System Co., Ltd.(*4)	Sichuan Hyundai Transys Automotive System Co., Ltd.(*4)
	Hyundai Transys America, Inc.	Hyundai Transys America, Inc.
	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC(*5)	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC(*5)
	Hyundai Transys Slovakia s.r.o.	Hyundai Transys Slovakia s.r.o.
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	HYUNDAI TRANSYS INDIA PRIVATE LIMITED
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.
Hyundai Transys Georgia Powertrain, Inc.	Hyundai Transys Georgia Powertrain, Inc.	
HYUNDAI TRANSYS RUS LLC	HYUNDAI TRANSYS RUS LLC	
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	Beijing Lear Hyundai Transys Automotive Systems 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.	
PT APM HYUNDAI TRANSYS INDONESIA	PT APM HYUNDAI TRANSYS INDONESIA	
-	Beijing Hyundai Transys Transmission Co., Ltd.(*1)	
-	Hyundai Transys (Shandong) Co., Ltd.(*2)	
Associates (investee companies)		

(*1) The Company acquired an additional 19.88% equity interest in Beijing Hyundai Transys Transmission Co., Ltd., previously classified as an associate, resulting in its reclassification as a subsidiary.

(*2) The Company acquired an additional 10% equity interest in Hyundai Transys (Shandong) Co., Ltd., previously classified as an associate. In addition, the Company obtained the right to appoint a majority of the board of directors, which has the authority to make final decisions on the Company's operating and dividend policies. Accordingly, the Company determined that it has acquired control over Hyundai Transys (Shandong) Co., Ltd., and classified it as a subsidiary.

(*3) The liquidation process is in progress.

(*4) The Company participated in a paid-in capital increase during the year ended December 31, 2024, contributing ₩56,091 million. An impairment loss of ₩56,091 million was also recognized during the same period.

(*5) The company is a subsidiary of Hyundai Transys America, Inc.

(2) Significant transactions for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

		2024			
Description	Name of company	Sales	Others	Purchases	Others
Associates (investment companies)	Hyundai Motor Company	₩ 2,070,334	₩ 12,783	₩ 88,545	₩ 1,112
	Kia Corporation	1,278,442	23,418	81,588	14
Subsidiaries	HYUNDAI MSEAT	95	10	506,241	1,585
	TRANIX	705	56,990	221,846	19,049
	Beijing Hyundai Transys Transmission Co., Ltd.(*1)	287,938	11	69,624	1
	Hyundai Transys (Shandong) Co., Ltd.(*1)	442,627	93	121,618	-
	Hyundai Transys Czech, s.r.o.	35,490	19,690	229	3
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	11,763	7,170	190	9
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	6,626	-	136	39
	Sichuan Hyundai Transys Automotive System Co., Ltd.	123	108	-	-
	Hyundai Transys America, Inc.(*2)	68,231	1,636	885	5,137
	Hyundai Transys Slovakia s.r.o.	20,708	10,261	698	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	41,507	360	1,383	5,920
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	356,812	2,428	387	14
	Hyundai Transys Georgia Powertrain, Inc.	951,780	3,977	578	5,808
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	5,377	345	200	118
	BAIC DYMOS Automotive System Co., Ltd.	365	-	1,924	-
	PT APM HYUNDAI TRANSYS INDONESIA	4,681	-	193	2
	Other related parties (*3)	2,418,065	1,287	447,705	144,987
	Total	<u>₩ 8,001,669</u>	<u>₩ 140,567</u>	<u>₩ 1,543,970</u>	<u>₩ 183,798</u>

(*1) Includes transaction amounts that occurred prior to the entity's classification as a subsidiary.

(*2) Based on the consolidated financial statements of Hyundai Transys America, Inc.

(*3) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(In millions of Korean won)

		2023			
Description	Name of company	Sales	Others	Purchases	Others
Associates (investment companies)	Hyundai Motor Company	₩ 2,278,152	₩ 10,567	₩ 62,769	₩ 1,012
	Kia Corporation	1,311,521	26,969	54,168	9,709
Subsidiaries	HYUNDAI MSEAT	199	25	630,435	2,157
	TRANIX	1,414	17,634	128,687	-
	Hyundai Transys Czech, s.r.o.	30,011	15,926	278	5
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	11,349	8	134	12
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	6,464	4	68	-
	Sichuan Hyundai Transys Automotive System Co., Ltd.	2,132	145	-	-
	Hyundai Transys America, Inc. (*1)	67,102	968	189	5,561
	Hyundai Transys Slovakia s.r.o.	18,508	10,679	4	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	38,087	329	112	4,756
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	199,417	2,610	356	75
	Hyundai Transys Georgia Powertrain, Inc.	928,247	3,192	952	4,890
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,524	615	142	-
	Beijing Hyundai Transys Transmission Co., Ltd.	93,674	53	93,153	-
	BAIC DYMOS Automotive System Co., Ltd.	-	-	-	229
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	-	22	2,614	-
	Hyundai Transys (Shandong) Co., Ltd.	386,885	1,019	166,087	2
	PT APM HYUNDAI TRANSYS INDONESIA	4,897	-	38	2
	Other related parties (*2)	2,771,838	2,551	493,124	125,212
	Total	₩ 8,153,421	₩ 93,316	₩ 1,633,310	₩ 153,622

(*1) Consolidated basis for Hyundai Transys America, Inc.

(*2) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

		2024			
Description	Name of company	Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
Associates	Hyundai Motor Company	₩ 363,084	₩ 66,968	₩ 20,303	₩ 9,861
(investment companies)	Kia Corporation	193,209	269	18,601	66
Subsidiaries	HYUNDAI MSEAT	-	-	114,703	16
	TRANIX	-	66,397	30,615	-
	Beijing Hyundai Transys Transmission Co., Ltd.	92,877	1,907	15,620	1,016
	Hyundai Transys (Shandong) Co., Ltd.	159,726	34	96,367	49
	Hyundai Transys Czech, s.r.o.	13,253	-	-	1,379
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	4,959	-	9	-
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	51	-	22	-
	Sichuan Hyundai Transys Automotive System Co., Ltd.	-	38	-	-
	Hyundai Transys America, Inc.(*1)	25,607	324	-	1,570
	Hyundai Transys Slovakia s.r.o.	8,815	-	5	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	12,361	164	1,271	757
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	86,916	579	18	3,051
	Hyundai Transys Georgia Powertrain, Inc.	159,080	1,472	-	5,018
Associates	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,540	367	130	331
(investee companies)	BAIC DYMOS Automotive System Co., Ltd.	13	-	-	1,447
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	-	-	-	-
	PT APM HYUNDAI TRANSYS INDONESIA	909	-	79	2
	Other related parties (*2)	325,804	423	78,385	47,193
	Executives and staff members	-	27,879	-	-
	Total	₩ 1,450,204	₩ 166,821	₩ 376,128	₩ 71,756

(*1) Based on the consolidated financial statements of Hyundai Transys America, Inc.

(*2) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(In millions of Korean won)

		2023			
Description	Name of company	Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
Associates	Hyundai Motor Company	₩ 389,738	₩ 62,720	₩ 16,168	₩ 9,496
(investment companies)	Kia Corporation	225,639	-	16,336	53
Subsidiaries	HYUNDAI MSEAT	-	-	95,441	22
	TRANIX	-	-	13,668	-
	Hyundai Transys Czech, s.r.o.	14,335	-	-	1,809
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	4,632	-	43	-
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	12	-	3	-
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*1)	40,362	1,564	-	-
	Hyundai Transys America, Inc. (*3)	20,230	200	-	1,788
	Hyundai Transys Slovakia s.r.o. HYUNDAI TRANSYS INDIA PRIVATE LIMITED	9,243	-	-	-
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	46,039	1,125	3	122
	Hyundai Transys Georgia Powertrain, Inc.	155,891	1,675	-	1,377
Associates	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,157	614	21	-
(investee companies)	Beijing Hyundai Transys Transmission Co., Ltd.	37,797	173	2,044	242
	BAIC DYMOS Automotive System Co., Ltd. (*2)	6,871	-	-	-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*1)	3,035	536	-	-
	Hyundai Transys (Shandong) Co., Ltd.	145,351	470	66,925	118
	PT APM HYUNDAI TRANSYS INDONESIA	1,337	16	4	1
	Other related parties (*4)	382,407	875	143,596	35,164
	Executives and staff members	-	23,988	-	-
	Total	₩ 1,493,826	₩ 94,085	₩ 354,255	₩ 52,143

(*1) The entire net bond value is recognized as a loss allowance.

(*2) Part of the net bond value is recognized as a loss allowance.

(*3) Consolidated basis for Hyundai Transys America, Inc.

(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

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

(In millions of Korean won)

Description	Type of Related Party	Company Name	Transaction Details	2024	2023
			Cash	₩ -	₩ 10,000
		TRANIX	Non-cash Contribution	81,907	-
Capital contribution	Subsidiary	Sichuan Hyundai Transys Automotive System Co., Ltd.	Cash	56,091	-
		Hyundai Transys America, Inc.	Cash	-	125,174
		Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	Cash	-	132,370
Subtotal				₩ 137,998	₩ 267,544
Equity acquisition	Others	Hyundai Motor Group China, Ltd. ("HMGC") (*)	Cash	₩ 76,035	₩ -

(*) During the year ended December 31, 2024, the Company acquired a 19.88% equity interest in Beijing Hyundai Transys Transmission Co., Ltd. for ₩42,290 million and a 10% equity interest in Hyundai Transys (Shandong) Co., Ltd. for ₩33,783 million from HMGC. The acquisition amounts exclude non-transactional items such as stamp tax and other related charges not attributable to transactions with the related party.

(5) Dividend income from subsidiaries and associates in 2024 is ₩36,755 million (2023: ₩26,603 million).

(6) For the year ended December 31, 2024, 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 corporate activities, such as business planning, operation and management, are ₩5,774 million (2023: ₩2,986 million).

(7) The Company provides payment guarantees for borrowings of associates as of December 31, 2024 (see Note 32).

(8) Purchasing card transactions with Hyundai Card Co., Ltd., a related party, for the year ended December 31, 2024, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning	Usage	Repayment	Ending
Hyundai Card Co., Ltd.	₩ 8,000 per month	₩ 4,184	₩ 49,327	₩ (49,264)	₩ 4,247

35. SUBSEQUENT EVENTS:

(1) On February 19, 2025, the Company issued the 48-1st (₩60,000 million), 48-2nd (₩300,000 million) and 48-3rd (₩140,000 million) corporate bonds.

(2) On January 7, 2025, the Company participated in a paid-in capital increase of its subsidiary, HYUNDAI MSEAT, and completed a payment of ₩26,500 million.

(3) On January 7, 2025, the Company participated in a paid-in capital increase of its subsidiary, TRANIX, and completed a payment of ₩50,000 million.

Report on Independent Auditor's Review of Internal Control over Financial Reporting

English Translation of a Report Originally Issued in Korean on March 17, 2025.

To the Chief Executive Officer
HYUNDAI TRANSYS INC.:

We have reviewed the accompanying management's report on the effectiveness of Internal Control over Financial Reporting ("ICFR") of HYUNDAI TRANSYS INC. (the "Company") as of December 31, 2024. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of ICFR and issue a report based on our review. The management's report on the effectiveness of ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as of December 31, 2024, is designed and operating effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting."

Our review was conducted in accordance with ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of the management's report on the effectiveness of ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

However, in accordance with Chapter 4, 'Application to small- and medium-sized companies' of the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting and Best Practice Guideline, the design, operation and assessment of its ICFR are limited compared with those of public large-sized companies as the Company is a non-public large-sized company (or a public small- and medium-sized company). As such, we performed our review in accordance with Chapter 14, 'Review standards for small- and medium-sized companies.'

An entity's ICFR is a process effected by those charged with governance, management and other personnel; designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements. Because of its inherent limitations, ICFR may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the management's report on the effectiveness of ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline for Evaluating and Reporting Internal Control over Financial Reporting.

Deloitte.

Our review is based on the Company's ICFR as of December 31, 2024, and we did not review management's assessment of its ICFR subsequent to December 31, 2024. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc., in Korea and may not be appropriate for other purposes or for other users.

Deloitte idnjin LLC

March 17, 2025

Notice to Readers

This report is effective as of March 17, 2025, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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, 2024	To	December 31, 2024

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	20	4	13	-	41
Hours Executed	Quarterly Review, Six- Month Review	13	28	445	71	-	557
	Audit	68	237	2,890	573	617	- 4,385
	Total	81	265	3,335	644	617	- 4,942

3. Key Disclosure on Execution of External Audit

Title	Detail						
Audit Planning Stage	Dates Performed		2024.05.20–2024.05.24		5	Days	
	Main Planning Work Performed		Identifying significant audit risk factors and establishing midterm and final audit plans				
Fieldwork Performed	Dates Performed		Number of Participant(s)				Main Fieldwork Performed
			On-Site		Off-Site		
	2024.07.22–08.02	10	Da ys	7	Number of Participant(s)	2	Understanding internal control and assessing risk of the Company
	2024.11.18–11.22	5	Da ys	6	Number of Participant(s)	2	
2025.01.22–02.07	10	Da ys	7	Number of Participant(s)	2	Audit of financial statements	
Physical Counts - Inventory (Observation)	Time (When Performed)		2024.12.30, 2025.01.03			2	Day(s)
	Place (Where Performed)		Seongyeon factory, Jigok factory, Dongtan R&D center				
	Inventory subjected to Counts		Raw materials, Work-in-process, Merchandise, Finished goods, etc.				
Physical Counts - Financial Instruments (Observation)	Time (When Performed)		2024.12.30, 2025.01.03		2	Day(s)	
	Place (Where Performed)		Seongyeon factory, Jigok factory, Dongtan R&D center				
	Financial Instruments subjected to Counts		Cash, Notes, Membership, etc.				
External Confirmation	Bank Confirmation	O	Accounts Receivable/Payable Confirmation		O	Legal Confirmation	O
	Other Confirmation	Inventory Confirmation					
Communications with Those Charged with Governance	Number of Communications		2	Time(s) Performed			
	Time (When Performed)		2024.12.26, 2025.03.17				
Use of External Specialist(s)	Contents of Use		-				
	Time (When Performed)		-	-	Day(s)		