HYUNDAI TRANSYS INC.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

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 20, 2026

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

Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Hyundai Transys Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2025 and 2024, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

Deloitte Khojan LLC

March 20, 2026

Notice to Readers

This report is effective as of March 20, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

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

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

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

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. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2025 AND 2024

	Notes	2025	2024
		(In millions of Korean won)	
Assets			
Current assets			
Cash and cash equivalents	4,19,32	₩ 1,308,118	₩ 1,249,839
Short-term financial instruments	4,19,32	119,190	369,201
Trade receivables	5,19,32,33	2,134,184	1,824,827
Other receivables	5,19,32,33	189,124	141,774
Inventories	6	1,630,112	1,410,544
Other financial assets	5,19,32	10,003	41,429
Other current assets	7	294,274	282,405
Assets held for sale	35	40,518	-
Current tax assets		28,003	50,423
		5,753,526	5,370,442
Non-current assets			
Other receivables	5,19,32,33	42,917	32,234
Investments in joint ventures and associates	9,33	31,870	34,434
Property, plant and equipment ("PP&E")	10	3,418,893	3,327,585
Intangible assets	11	462,504	425,821
Right-of-use assets	12	63,885	68,109
Net defined benefit assets	15	36,499	26,409
Other financial assets	4,5,8,19,32	42,019	29,487
Other non-current assets	7	135,060	128,024
Deferred tax assets	18	363,327	328,475
		4,596,974	4,400,578
Total assets		₩ 10,350,500	₩ 9,771,020
Liabilities and equity			
Current liabilities			
Trade payables	19,32,33	₩ 1,878,732	₩ 1,601,111
Other payables	13,19,32,33	692,652	741,556
Short-term borrowings	5,14,19,31,32	553,847	1,037,640
Current portion of long-term debt and debentures	14,19,31,32	800,246	557,470
Provisions	16,31	102,799	127,747
Financial guarantee liabilities	19,31,32	-	6
Lease liabilities	12,19	6,788	5,987
Other financial liabilities	19	30,120	32,631
Other current liabilities	17,23	433,975	304,952
Current tax liabilities		15,529	13,911
		4,514,688	4,423,011

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2025 AND 2024

	Notes	2025	2024
		(In millions of Korean won)	
Non-current liabilities			
Debentures	14,19,32	₩ 1,167,200	₩ 1,037,645
Long-term borrowings	14,19,31,32	663,185	464,623
Provisions	16	249,254	234,282
Lease liabilities	12,19	15,421	17,910
Other liabilities	13,19,32,33	4,224	5,794
Other non-current liabilities	17,23	194,108	175,705
Deferred tax liabilities	18	16,347	-
		2,309,739	1,935,959
Total liabilities		₩ 6,824,427	₩ 6,358,970
Equity			
Capital stock	1,20	409,489	409,489
Other paid-in capital	20	1,326,887	1,335,218
Retained earnings	21	1,242,627	1,194,065
Equity attributable to owners of the parent company		2,979,003	2,938,772
Non-controlling interest		547,070	473,278
Total equity		3,526,073	3,412,050
Total liabilities and equity		₩ 10,350,500	₩ 9,771,020

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes	2025	2024
Sales	23,33,34	₩ 14,839,047	₩ 12,746,390
Cost of sales	24,33	13,926,993	12,111,777
Gross profit		912,054	634,613
Selling and administrative expenses	24,25,33	576,012	555,951
Operating profit	34	336,042	78,662
Other income	26,33	109,070	158,445
Other expenses	27,33	147,282	113,028
Finance income	19,28	48,529	43,504
Finance costs	19,29	151,301	139,774
Gain on share of earnings of equity-accounted investees	9	482	7,403
Profit before income tax expense		195,540	35,212
Income tax expense	18	80,256	12,126
Profit for the year		₩ 115,284	₩ 23,086
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liabilities	15	3,154	(17,905)
Items that may be reclassified subsequently to profit or loss:			
Equity adjustments in equity method	9	(1,067)	(6,423)
Foreign exchange differences on translation of foreign operations		(3,349)	178,750
Other comprehensive income (loss) for the year, net of income tax		(1,262)	154,422
Total comprehensive income for the year		₩ 114,022	₩ 177,508
Profit for the year attributable to:			
Owners of the parent entity	22	₩ 45,410	₩ (10,137)
Non-controlling interests		69,875	33,223
Total comprehensive income attributable to:			
Owners of the parent entity		40,232	103,910
Non-controlling interests		73,790	73,598
Earnings (losses) per share attributable to the equity holders of the Parent Entity *(in Korean won)*:	22		
Basic and diluted earnings (losses) per share		₩ 556	₩ (124)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Capital stock	Capital surplus	Other capital items	Retained earnings	Total	Non-controlling interest	Gross total
			(In millions of Korean won)				
Balance at January 1, 2024	₩ 409,489	₩ 1,150,155	₩ 53,111	₩ 1,222,107	₩ 2,834,862	₩ 114,631	₩ 2,949,493
Comprehensive income (loss):							
Profit (loss) for the year	-	-	-	(10,137)	(10,137)	33,223	23,086
Other comprehensive income (loss):							
Remeasurements of net defined benefit assets	-	-	-	(17,905)	(17,905)	-	(17,905)
Equity adjustments in equity method	-	-	(6,423)	-	(6,423)	-	(6,423)
Exchange differences on translation of foreign operations	-	-	138,375	-	138,375	40,375	178,750
Total other comprehensive income (loss)	-	-	131,952	(17,905)	114,047	40,375	154,422
Total comprehensive income (loss) for the year	-	-	131,952	(28,042)	103,910	73,598	177,508
Transactions with owners:							
Business combination	-	-	-	-	-	285,049	285,049
Total transactions with owners	-	-	-	-	-	285,049	285,049
Balance at December 31, 2024	₩ 409,489	₩ 1,150,155	₩ 185,063	₩ 1,194,065	₩ 2,938,772	₩ 473,278	₩ 3,412,050

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Capital stock	Capital surplus	Other capital items	Retained earnings	Total	Non-controlling interest	Gross total
			(In millions of Korean won)				
Balance at January 1, 2025	₩ 409,489	₩ 1,150,155	₩ 185,063	₩ 1,194,065	₩ 2,938,772	₩ 473,278	₩ 3,412,050
Comprehensive income (loss):							
Profit (loss) for the year	-	-	-	45,410	45,410	69,875	115,285
Other comprehensive income (loss):							
Remeasurements of net defined benefit assets	-	-	-	3,152	3,152	1	3,153
Equity adjustments in equity method	-	-	(1,067)	-	(1,067)	-	(1,067)
Exchange differences on translation of foreign operations	-	-	(7,262)	-	(7,262)	3,914	(3,348)
Total other comprehensive income (loss)	-	-	(8,329)	3,152	(5,177)	3,915	(1,262)
Total comprehensive income (loss) for the year	-	-	(8,329)	48,562	40,233	73,790	114,023
Transactions with owners:							,
Paid-in capital increase of a subsidiary	-	(2)	-	-	(2)	2	-
Total transactions with owners	-	(2)	-	-	(2)	2	-
Balance at December 31, 2025	₩ 409,489	₩ 1,150,153	₩ 176,734	₩ 1,242,627	₩ 2,979,003	₩ 547,070	₩ 3,526,073

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Note	2025	2024
		(In millions of Korean won)	
Cash flows from operating activities			
Cash generated from operations	30	₩ 584,558	₩ 554,659
Interest received		46,717	41,359
Interest paid		(146,310)	(130,749)
Dividends received		2,097	335
Income tax paid		(82,546)	(54,013)
Net cash from operating activities		404,516	411,591
Cash flows from investing activities			
Net decrease (increase) in short-term financial instruments		250,011	(79,158)
Proceeds from disposal of PP&E		24,579	3,291
Proceeds from disposal of intangible assets		1,060	8,589
Proceeds from disposal of non-current assets held for sale		-	37,519
Proceeds from disposal of an investment in subsidiaries		1,916	-
Acquisition of shares in a joint venture and an associate		(8,142)	-
Acquisition of PP&E		(587,470)	(616,898)
Acquisition of intangible assets		(93,877)	(141,985)
Business combination		-	151,050
Proceeds from disposal of right-of-use assets		2,695	-
Net decrease (increase) in other financial assets		(56,045)	(30,050)
Net cash used in investing activities		(465,273)	(667,642)
Cash flows from financing activities	30		
Net increase (decrease) in short-term borrowings		(483,089)	451,932
Increase in long-term borrowings and debentures		1,617,248	1,459,781
Decrease in long-term borrowings and debentures		(1,048,347)	(1,297,093)
Repayment of lease liabilities		(4,056)	(4,678)
Net cash used from financing activities		81,756	609,942
Net increase in cash and cash equivalents		20,999	353,891
Cash and cash equivalents at the beginning of year		1,249,838	894,533
Effects of exchange rate changes on cash and cash equivalents		37,281	1,415
Cash and cash equivalents at the end of year		₩ 1,308,118	₩ 1,249,839

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

1. GENERAL INFORMATION:

General information of Hyundai Transys Inc. (the "Company") and its subsidiaries (collectively, the "Group") is as follows:

The Group was originally established on February 23, 1994, under the name Hyundai Technology Development Co., Ltd., and subsequently changed its name to Hyundai Space & Aircraft Co., Ltd. in 1996. In 1997, the Group acquired the transmission business of Hyundai Precision Industry Co., Ltd. The Group was incorporated on December 28, 1999, through a spin-off from Hyundai Space & Aircraft Co., Ltd., an affiliate of Hyundai Motor Group, and later merged with Korea Precision Co., Ltd. on December 1, 2002. Pursuant to a resolution of the shareholders' meeting on December 27, 2010, the Group changed its name to Hyundai Dymos Inc. The Group subsequently merged with Hyundai Powertech Co., Ltd. on January 2, 2019, and changed its name to Hyundai Transys Inc. in accordance with the resolution of the shareholders' meeting on the same date.
The Group is primarily engaged in the manufacturing and sale of automotive parts, including transmissions, axles and seats. The Group's head office and main manufacturing facility are located at 105, Sindang 1-ro, Seongyeon-myeon, Seosan-si, Chungcheongnam-do, Korea, with additional manufacturing facilities located in Jigol-myeon, Seosan-si. The Group also operates a powertrain research center in Onseok-dong, Hwaseong-si, Gyeonggi-do, and a seat research center in Yeongcheon-dong, Hwaseong-si, Gyeonggi-do. In addition, the Group operates overseas manufacturing facilities and research centers in China, India, the Czech Republic, Brazil, Mexico, the United States, etc.

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, 2025.

1) The Company's major shareholders and their respective percentages of ownership as of December 31, 2025 and 2024, are as follows:

(In shares)	2025		2024	
	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
Total	81,897,803	100	81,897,803	100

2) Details of the consolidated subsidiaries as of December 31, 2025 and 2024, are as follows:

Subsidiaries	Controlling percentage of ownership (%)		Closing month	Type of business
	2025	2024		
HYUNDAI MSEAT (*1)	99.89	99.87	December	Automotive parts manufacturing
TRANIX (*2)	100	100	December	``
Beijing Hyundai Transys Transmission Co., Ltd.	51.84	51.84	December	``
Hyundai Transys (Shandong) Co., Ltd.	45	45	December	``
Hyundai Transys Czech, s.r.o.	100	100	December	``
HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	65	65	March	``
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	100	100	December	``
Automotive Seat System Dymos Mexico S.De R.L. DE C.V.(*3)	-	100	December	``
Sichuan Hyundai Transys Automotive System Co., Ltd.(*4)	-	100	December	``
Hyundai Transys America, Inc.	100	100	December	``
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC (*5)	100	100	December	``
Hyundai Transys Slovakia s.r.o.	100	100	December	``
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100	100	March	``
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V. (*6)	100	100	December	``
Hyundai Transys Georgia Powertrain, Inc.	71.27	71.27	December	``
HYUNDAI TRANSYS RUS LLC	100	100	December	``

(*1) The Company participated in a paid-in capital increase during the year ended December 31, 2025. The amount of the capital increase was ₩26,500 million.
(*2) The Company participated in a paid-in capital increase during the year ended December 31, 2025. The amount of the capital increase was ₩50,000 million.
(*3) The liquidation process was completed during the year ended December 31, 2025.
(*4) The Company disposed of its entire equity interest to a third party during the year ended December 31, 2025.
(*5) The Company is a subsidiary of Hyundai Transys America, Inc.
(*6) The Company participated in a paid-in capital increase during the year ended December 31, 2025. The amount of the capital increase was ₩115,885 million.

Summarized financial information for consolidated subsidiaries as of and for the year ended December 31, 2025, is as follows:

(In millions of Korean won)

Subsidiaries	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year
HYUNDAI MSEAT	₩ 178,953	₩ 91,772	₩ 121,285	₩ 5,643	₩ 501,684	₩ 4,253
TRANIX	114,063	190,576	64,318	104,825	268,938	(2,161)
Beijing Hyundai Transys Transmission Co., Ltd	356,513	65,893	148,881	2,202	645,407	15,789
Hyundai Transys (Shandong) Co., Ltd.	420,142	221,188	199,755	22,869	1,082,893	27,123
Hyundai Transys Czech, s.r.o.	150,110	28,931	119,073	6,079	474,916	21,000
HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	60,816	70,548	63,978	11,197	307,943	14,606
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	42,852	9,650	20,764	88	142,406	6,240
Hyundai Transys America, Inc. (*)	449,216	460,362	547,293	86,903	1,853,786	2,569
Hyundai Transys Slovakia s.r.o.	76,158	31,177	44,433	2,100	374,346	11,753
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	124,566	102,094	120,779	3,159	394,549	1,322
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	409,975	498,514	322,799	290,995	897,292	(56,228)
Hyundai Transys Georgia Powertrain, Inc.	1,027,212	595,193	710,519	325,681	2,369,003	153,570

(*) Based on the consolidated financial statements.

The percentage of ownership held by non-controlling interests in consolidated subsidiaries and the equity attributable to non-controlling interest as of December 31, 2025, are as follows. Profit and comprehensive income for the year ended December 31, 2025, attributable to non-controlling interest are as follows:

(In millions of Korean won)

Description	HYUNDAI MSEAT	Beijing Hyundai Transys Transmission Co., Ltd.	Hyundai Transys (Shandong) Co., Ltd.	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	Hyundai Transys Georgia Powertrain, Inc.
The percentage of ownership	0.11%	48.16%	55.00%	35.00%	28.73%
Equity	155	142,123	226,433	1,310	177,048
Profit	5	9,137	16,616	-	44,117
Total comprehensive income	7	11,498	20,804	-	41,480

The changes in subsidiaries included in the consolidated financial statements in 2025 are as follows:

Subsidiaries	Description
Automotive Seat System Dymos Mexico S.De R.L. DE C.V.	Liquidation
Sichuan Hyundai Transys Automotive System Co., Ltd.	Disposal to a third party

2. MATERIAL ACCOUNTING POLICIES:

2.1 Basis of consolidation

The parent entity and its subsidiaries (the "group") have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRS").

The principal accounting policies are set out below. Except for the effect of the Amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2025 are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2024.

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective for accounting periods beginning on or after January 1, 2025.

- Amendments to K-IFRS 1021 The Effect of Changes in Foreign Exchange Rates titled 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.

When exchange with other currencies is not available, the spot exchange rate at the measurement date is estimated, either by using observable exchange rates without adjustment or by applying other estimation techniques.

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

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

- K-IFRS 1109 Financial Instruments and K-IFRS 1107 Financial Instruments: Disclosures – Amendments to Classification and measurement requirements of financial instruments

① Derecognition of a financial liability settled through electronic transfer

The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognised) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

② Classification of financial assets

· Contractual terms that are consistent with a basic lending arrangement.

The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

· Assets with non-recourse features.

The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

· Contractually linked instruments.

The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritisation of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

③ Disclosures

· Investments in equity instruments designated at FVTOCI.

The requirements in K-IFRS 1107 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.

· Contractual terms that could change the timing or amount of contractual cash flows.

The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or FVTOCI and each class of financial liability measured at amortised cost.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1 2026 with earlier application permitted. If an entity elects to apply these amendments for an earlier period, it is required to either:

- apply all the amendments at the same time and disclose that fact or
- apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with K-IFRS 1008, with specific exceptions.

- K-IFRS 1101 First-time adoption of Korean International Financial Reporting Standards – Hedging accounting by a first-time adopter

For consistency with the requirements in K-IFRS 1109, K-IFRS 1101:B6 was amended to refer to the 'qualifying criteria' for hedge accounting(instead of the 'conditions') and to add 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 remove an obsolete cross-reference in K-IFRS 1107:B38 to a paragraph that had been deleted when K-IFRS 1113 was issued and aligned the wording of this paragraph with the terms used in K-IFRS 1113.

Guidance on implementing K-IFRS 1107—Disclosure of deferred difference between fair value and transaction price

The amendments update K-IFRS 1107:IG14 to make the wording of that paragraph consistent with K-IFRS 1107:28 and improve the internal consistency of the wording in the example in K-IFRS 1107:IG14.

Guidance on implementing K-IFRS 1107—Introduction and credit risk disclosures

The amendments add a statement to K-IFRS 1107:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of K-IFRS 1107. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in K-IFRS 1107:IG20B.

The amendments are effective 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 add a cross-reference to K-IFRS 1109:3.3.3 in K-IFRS 1109:2.1(b)(ii) to 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 apply K-IFRS 1109:3.3.3 and therefore recognise any resulting gain or loss in profit or loss. Additionally, the amendments replace 'the transaction price (as defined in K-IFRS 1115)' in K-IFRS 1109:5.1.3 with 'the amount determined by applying K-IFRS 1115' which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognised as revenue. The reference to 'transaction price'(as defined in K-IFRS 1115) is deleted from Appendix A of K-IFRS 1109.

The amendments are effective for annual reporting periods beginning on or after January 1 2026, with earlier application permitted. An entity is required to apply the amendments to K-IFRS 1109:2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

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

The amendments address concerns that the requirements in K-IFRS 1110:B73-B74 might, in some situations, be contradictory. K-IFRS 1110:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of K-IFRS 1110:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update K-IFRS 1110:B74 to use less conclusive language and to clarify that the relationship described in K-IFRS 1110:B74 is just one example of a circumstance in which judgement 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 1007 Statement of Cash Flows: Cost method

The amendment replaces the term 'cost method' with 'at cost' in K-IFRS 1007:37 in line with the removal of the definition of 'cost method' from the IFRS Accounting Standards. The amendments are effective for annual reporting periods beginning on or after January 1 2026, with earlier application permitted.

- Amendments to IFRS 9 and IFRS 7—Contracts Referencing Nature-dependent Electricity

① Amendments to IFRS 9 Financial Instruments
The following requirements of K-IFRS 1109 are affected by the amendments:

· the own-use requirements in K-IFRS 1109 are amended to include the factors an entity is required to consider when applying K-IFRS 1109:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and

· the hedge accounting requirements in K-IFRS 1109 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:

- to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
- to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

② Amendments to K-IFRS 1107 Financial Instruments: Disclosures

K-IFRS 1107 was amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

The amendments are effective for annual periods beginning on or after January 1 2026, with earlier application permitted. The amendments to the own use exemption are required to be applied retrospectively in accordance with K-IFRS 1008 using the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

- K-IFRS 1118 Presentation and Disclosures in Financial Statements

K-IFRS 1118 replaces K-IFRS 1001, carrying forward many of the requirements in K-IFRS 1001 unchanged and complementing them with new requirements. In addition, some paragraphs from K-IFRS 1001 have been moved to K-IFRS 1008 and K-IFRS 1107. Furthermore, minor amendments have been made to K-IFRS 1007 and K-IFRS 1033 Earnings per Share.
K-IFRS 1118 introduces new requirements to:
· present specified categories and defined subtotals in the statement of profit or loss
· provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
· improve aggregation and disaggregation.

An entity is required to apply K-IFRS 1118 for annual reporting periods beginning on or after January 1 2027, with earlier application permitted. The amendments to K-IFRS 1007 and K-IFRS 1033, as well as the revised K-IFRS 1008 and K-IFRS 1107, become effective when an entity applies K-IFRS 1118. K-IFRS 1118 requires retrospective application with specific transition provisions.

The group is in the process of evaluating the effects of the above-listed new and amended standards on its financial statements.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent entity and entities controlled by the group made up to December 31 each year. Control is achieved when the group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

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

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

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

2.3 Business Combination

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

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

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

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

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

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

When a business combination is achieved in stages, the group's previously held interests in an acquired entity that is an associate or a joint venture, or a joint operation that constitutes a business, is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

2.4 Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute 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 the unanimous consent of the parties sharing control.

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

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

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

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

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

2.5 Goodwill

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

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

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

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

2.6 Non-current assets held for sale

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

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

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

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

2.7 Revenue Recognition

(a) Sale of goods

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

(b) Royalty income

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

(c) Interest income

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

(d) Dividend income

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

2.8 Lease

(a) The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- 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 item in the consolidated statements of financial position.

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

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

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

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

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

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

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

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

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Group as lessor

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

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. If another systematic basis better represents the pattern of diminished benefits resulting from the use of the underlying asset, the Group 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 Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

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

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

2.9 Foreign currencies

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

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

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

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

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

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

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

2.10 Borrowing Costs

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

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

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Retirement Benefit Costs

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

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

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

2.12 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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 this 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. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.13 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 carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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

	Representative useful lives
Buildings	20–50 years
Structures	20–25 years
Machinery and equipment	10–12 years
Dies, mold and tools	5–6 years
Vehicles	4–8 years
Office equipment	3–10 years

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

2.14 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

	Representative useful lives
Industrial property rights	10 years
Software	3–6 years
Development costs	5–7 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 ("R&D")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.

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. If 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 the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(e) Patents and trademarks

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

2.15 Impairment of PP&E and Intangible Assets other than Goodwill

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

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

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

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

2.16 Government Grants

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

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

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

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

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted when reporting the related expense.

2.17 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit, is measured using the monthly weighted-average method while inventories in transit are measured using the specific identification 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 a write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.18 Provisions

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

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

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

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

2.19 Cash and cash equivalents

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash, unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 5. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statements of financial position.

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

2.20 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component, which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

2.21 Financial Assets

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

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

(a) Classification of financial assets

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

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

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

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

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

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

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

(b) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

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

(c) Impairment of financial assets

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

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

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

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

(d) Derecognition of financial assets

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

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

2.22 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

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

(b) Equity instruments

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

The repurchase of equity instruments issued by the Group 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 equity instruments issued by the Group.

(c) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group are measured in accordance with the specific accounting policies set out below.

(d) Financial liabilities at FVTPL

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

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

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

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

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

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

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

(e) Financial liabilities measured subsequently at amortized cost

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

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

(f) Financial guarantee contracts

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

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); and
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

(g) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

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

(h) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized, and the consideration paid and payable is recognized in profit or loss.

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

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

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

2.24 Approval of Consolidated Financial Statements

The consolidated financial statements were confirmed by the board of directors on January 29, 2026, and will be finally approved by shareholders' meeting on March 30, 2026.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In applying the Group's accounting policies described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Income taxes

Corporate income tax on the Group's taxable income is calculated by applying the tax laws and decisions of tax authorities in various jurisdictions, and accordingly, uncertainty exists in determining the final tax effects.

(b) Net defined benefit liability

The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing post-retirement benefits such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of post-retirement benefit plan. Defined benefit liability of the plan as of December 31, 2025 is ₩321,773 million(2024: ₩308,640 million), as detailed in Note 15.

(c) Provisions

The Group recognizes provisions for warranty repairs estimated based on past experience.

4. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	Financial institution	2025	2024	Usage restriction details
Cash and cash equivalents	Woori Bank and others	₩ 64	₩ 39	Dedicated to national projects and others
Short-term financial instruments	Industrial Bank of Korea and others	79,000	79,000	Shared growth deposit
Other financial assets	Shinhan Bank and others	31	33	Overdraft deposit
Total		₩ 79,095	₩ 79,072	

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, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Total trade notes and accounts receivable	₩ 2,134,184	₩ 1,824,827
Less: Loss allowance	-	-
Subtotal	2,134,184	1,824,827
Other receivables:		
Non-trade receivables	222,363	175,948
Accrued revenue	15,247	13,367
Less: Loss allowance	(5,569)	(15,307)
Subtotal	232,041	174,008
Other financial assets	134,754	78,238
Less: Loss allowance	(86,110)	(11,169)
Subtotal	48,644	67,069
Total	₩ 2,414,869	₩ 2,065,904

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025			2024		
Description	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets
Beginning balance	₩ -	₩ 15,307	₩ 11,169	₩ 7,489	₩ 2,098	₩ 1,039
Impairment loss (gain)	-	(9,281)	74,530	-	11,830	10,130
Write-off	-	-	-	(7,489)	(536)	-
Others	-	(457)	411	-	1,915	-
Ending balance	₩ -	₩ 5,569	₩ 86,110	₩ -	₩ 15,307	₩ 11,169

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

(3) As of December 31, 2025 and 2024, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description	2025	2024
Not due	₩ 2,134,184	₩ 1,821,503
Overdue:		
Within 30 days	-	-
Within 180 days and more than 31 days	-	1,891
More than 181 days	-	1,433
Total amounts	₩ 2,134,184	₩ 1,824,827
Amount of impaired receivables	₩ -	₩ -

(4) Transfer of financial assets

- Financial assets that were transferred, but not derecognized

The Group discounts trade receivables from companies with significant influence through factoring contracts with financial institutions. This transaction is accounted for as a secured borrowing if the Group has a liability to pay the amount to the bank in the event of an insolvency of clients. The total amount of trade receivables that have not been derecognized as of December 31, 2025 is ₩59,280 million (2024: ₩211,899 million) (see Note 14).

- Financial assets that were derecognized

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

6. INVENTORIES:

Inventories as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025			2024		
Description	Acquisition cost	Valuation reserve	Total	Acquisition cost	Valuation reserve	Total
Merchandise	₩ 121,127	₩ (1,146)	₩ 119,981	₩ 110,679	₩ (2,043)	₩ 108,636
Finished goods	488,869	(13,210)	475,659	416,573	(22,735)	393,838
Semifinished goods	134,027	(4,320)	129,707	112,224	(3,776)	108,448
Raw materials	571,310	(6,342)	564,968	455,426	(2,343)	453,083
Supplies	90,299	(10,039)	80,260	78,772	(11,772)	67,000
Materials in transit	259,537	-	259,537	279,539	-	279,539
Total	₩ 1,665,169	₩ (35,057)	₩ 1,630,112	₩ 1,453,213	₩ (42,669)	₩ 1,410,544

The cost of inventories included in cost of goods sold for the years ended December 31, 2025 and 2024, is ₩11,811,857 million and ₩10,216,390 million, respectively (see Note 24).

7. OTHER ASSETS:

Other assets as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025		2024	
	Current	Non-current	Current	Non-current
Advanced payments	₩ 169,163	₩ 135,060	₩ 144,050	₩ 128,024
Prepaid expenses	67,559	-	56,748	-
Others	57,552	-	81,607	-
Total	₩ 294,274	₩ 135,060	₩ 282,405	₩ 128,024

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
	Financial instruments at FVTPL	Financial instruments at FVTPL
Investment in capital of partnership (*)	₩ 54	₩ 522
Non-marketable equity securities (*)	3,324	3,324
Total	₩ 3,378	₩ 3,846

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

(2) Changes in financial assets at fair value for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
	Financial instruments at FVTPL	Financial instruments at FVTPL
Beginning balance	₩ 3,846	₩ 3,241
Acquisition	-	600
Disposal	(470)	-
Valuation	2	5
Ending balance	₩ 3,378	₩ 3,846

9. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2025 and 2024, are as follows:

Joint ventures and associates	Controlling percentage of ownership (%)		Main business establishment	Closing month	Primary business
	2025	2024			
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*1)	50	50	China	December 31	Automotive parts manufacturing
BAIC DYMOS Automotive System Co., Ltd (*1)	50	50	China	December 31	Automotive parts manufacturing
Chongqing Antu Auto Parts Co., Ltd. (*2,3)	100	50	China	December 31	Automotive parts manufacturing
PT APM HYUNDAI TRANSYS INDONESIA (*1)	50	50	Indonesia	December 31	Automotive parts manufacturing

(*1) It was classified as a joint venture as the Group has joint control in accordance with the shareholders' agreement.
(*2) Although control exists, the investment was classified as an investment in an associate as an immaterial subsidiary.
(*3) The name of BAIC DYMOS (Chongqing) Automotive System Co., Ltd. was changed to Chongqing Antu Auto Parts Co., Ltd. during the year ended December 31, 2025.

(2) Details of valuation of investments in associates that are accounted for using the equity method for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

2025							
Joint ventures and Associates	Beginning	Acquisition	Gain (loss) on equity method	Equity adjustments in equity method	Dividend	Impairment	Ending
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 1,637	₩ -	₩ 2,166	₩ 132	₩ -	₩ -	₩ 3,935
BAIC DYMOS Automotive System Co., Ltd.	13,223	-	(2,280)	80	(1,979)	-	9,044
Chongqing Antu Auto Parts Co., Ltd.	-	8,142	92	(92)	-	(8,142)	-
PT APM HYUNDAI TRANSYS INDONESIA	19,574	-	504	(1,187)	-	-	18,891
Total	34,434	8,142	482	(1,067)	(1,979)	(8,142)	31,870

(In millions of Korean won)

	2024				
Joint ventures and Associates	**Beginning**	**Disposal**	**Gain (loss) on equity method**	**Equity adjustments in equity method (*)**	**Ending**
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 1,043	₩ -	₩ 283	₩ 311	₩ 1,637
Beijing Hyundai Transys Transmission Co., Ltd. (*)	74,768	(79,382)	3,061	1,553	-
BAIC DYMOS Automotive System Co., Ltd.	12,329	-	(469)	1,363	13,223
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	1,693	-	(1,656)	(37)	-
Hyundai Transys (Shandong) Co., Ltd. (*)	98,738	(106,452)	4,600	3,114	-
PT APM HYUNDAI TRANSYS INDONESIA	16,425	-	1,583	1,566	19,574
Total	₩ 204,996	₩ (185,834)	₩ 7,402	₩ 7,870	₩ 34,434

(*) Due to the consolidation during the year ended December 31, 2024, equity adjustments in equity method totaling ₩14,292 million were reclassified to profit or loss.

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

(In millions of Korean won)

Joint ventures and associates	**Net assets**	**Ownership interest (%)**	**Net assets attributable to the Group**	**Goodwill /Accumulated impairment losses**	**Book value**
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 10,964	50.00	₩ 5,483	₩ (1,548)	₩ 3,935
BAIC DYMOS Automotive System Co., Ltd.	18,090	50.00	9,044	-	9,044
Chongqing Antu Auto Parts Co., Ltd.	5	100.00	5	(5)	-
PT APM HYUNDAI TRANSYS INDONESIA	37,783	50.00	18,892	-	18,892

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

(In millions of Korean won)

Joint ventures and associates	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Sales**	**Profit for the year**
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 100,666	₩ 8,785	₩ 98,487	₩ -	₩ 164,802	₩ 4,333
BAIC DYMOS Automotive System Co., Ltd.	4,210	16,459	195	2,384	-	(4,561)
Chongqing Antu Auto Parts Co., Ltd.	1,405	-	1,400	-	-	(2,757)
PT APM HYUNDAI TRANSYS INDONESIA	30,918	24,478	17,232	381	59,601	1,008

(5) The amounts of equity-method losses of associates that were not recognized due to the discontinuation of equity method application as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025	**2024**
Unrecognized equity-method loss of Chongqing Antu Auto Parts Co., Ltd.	₩ (2,045)	₩ (3,295)

(6) The cumulative unrecognized equity-method losses of associates due to the discontinuation of equity method application as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025	2024
Cumulative unrecognized equity-method loss of Chongqing Antu Auto Parts Co., Ltd.	₩ (5,340)	₩ (3,295)

10. PP&E:

(1) Changes in PP&E for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 310,875	₩ 1,093,492	₩ 67,338	₩ 1,139,479	₩ 115,758	₩ 600,643	₩ 3,327,585
Acquisition (*1)	-	-	-	-	-	550,147	550,147
Disposal	(141)	(550)	(89)	(10,514)	(3,042)	(9,340)	(23,676)
Transfer (*2)	92	194,838	3,460	375,878	77,181	(667,869)	(16,420)
Classification as assets held for sale	-	-	-	(23,901)	(351)	(16,012)	(40,264)
Impairment	-	-	-	-	(205)	-	(205)
Depreciation	-	(48,909)	(7,515)	(239,638)	(44,031)	-	(340,093)
Foreign exchange translation	(932)	(8,639)	(357)	(13,333)	1,745	(16,665)	(38,181)
Ending balance	₩ 309,894	₩ 1,230,232	₩ 62,837	₩ 1,227,971	₩ 147,055	₩ 440,904	₩ 3,418,893
Acquisition cost	309,894	1,639,259	139,728	3,167,155	468,420	440,904	6,165,360
Accumulated depreciation	-	(399,171)	(76,870)	(1,915,471)	(321,084)	-	(2,712,596)
Accumulated impairment	-	(9,856)	(21)	(23,713)	(281)	-	(33,871)

(*1) Borrowing costs of ₩3,160 million arising from general borrowings were capitalized as part of the cost of qualifying assets, using a capitalization rate of 3.4%~7.2% per annum.
(*2) Includes transfers of ₩16,420 million from construction in progress to intangible assets.

(In millions of Korean won)

Description	2024						
	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 297,435	₩ 926,367	₩ 62,362	₩ 1,004,424	₩ 93,433	₩ 260,787	₩ 2,644,808
Business combination	-	100,285	3,318	111,653	6,438	1,128	222,822
Acquisition	10,287	9,303	-	49,040	9,963	539,087	617,680
Disposal	(47)	(549)	(596)	(531)	(1,015)	(1,453)	(4,191)
Transfer (*)	1,113	39,630	5,991	132,118	45,230	(234,005)	(9,923)
Depreciation	-	(49,876)	(7,728)	(232,459)	(43,367)	-	(333,430)
Foreign exchange translation	2,087	68,332	3,991	75,234	5,076	35,099	189,819
Ending balance	₩ 310,875	₩ 1,093,492	₩ 67,338	₩ 1,139,479	₩ 115,758	₩ 600,643	₩ 3,327,585
Acquisition cost	310,875	1,461,961	137,223	2,873,479	414,819	600,643	5,799,000
Accumulated depreciation	-	(358,781)	(69,864)	(1,710,719)	(281,592)	-	(2,420,956)
Accumulated impairment	-	(9,688)	(21)	(23,281)	(17,469)	-	(50,459)

(*) Included in ₩9,923 million transferred to intangible assets.

11. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025				
	Software	Development cost	Customer relationship	Other intangible assets	Total
Beginning balance	₩ 49,136	₩ 350,534	₩ -	₩ 26,151	₩ 425,821
Acquisition	-	93,877	-	-	93,877
Transfer (*1)	13,661	-	-	2,759	16,420
Classification as assets held for sale	(254)	-	-	-	(254)
Disposal	-	-	-	(1,083)	(1,083)
Amortization	(17,166)	(53,919)	-	-	(71,085)
Impairment	(44)	(283)	-	-	(327)
Foreign exchange translation	(865)	-	-	-	(865)
Ending balance	₩ 44,468	₩ 390,209	₩ -	₩ 27,827	₩ 462,504
Acquisition cost	168,128	500,633	15,200	27,827	711,788
Accumulated depreciation (*2)	(123,660)	(110,424)	(15,200)	-	(249,284)

(*1) Included in ₩16,420 million transferred to software and other intangible assets from PP&E
(*2) Consists of accumulated depreciation and accumulated impairment.

(In millions of Korean won)

Description	2024				
	Software	Development cost	Customer relationship	Other intangible assets	Total
Beginning balance	₩ 44,716	₩ 255,826	₩ -	₩ 24,287	₩ 324,829
Business combination	2,483	-	-	-	2,483
Acquisition	15,020	126,965	-	-	141,985
Transfer (*1)	8,041	-	-	1,882	9,923
Disposal	(5,991)	-	-	-	(5,991)
Amortization	(16,650)	(32,257)	-	-	(48,907)
Foreign exchange translation	1,517	-	-	(18)	1,499
Ending balance	₩ 49,136	₩ 350,534	₩ -	₩ 26,151	₩ 425,821
Acquisition cost	155,917	406,756	15,200	26,151	604,024
Accumulated depreciation (*2)	(106,781)	(56,222)	(15,200)	-	(178,203)

(*1) Included in ₩9,923 million transferred to software and other intangible assets from PP&E.
(*2) Consists of accumulated depreciation and accumulated impairment.

(2) The details of the R&D activities as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Development costs (intangible assets)	₩ 93,877	₩ 126,965
Ordinary R&D expense (*1)	113,075	103,584
Total (*2)	₩ 206,952	₩ 230,549

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

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

(1) Changes in right-of-use assets for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Beginning balance	₩ 68,109	₩ 20,303
Business combination	-	44,159
Acquisition	1,756	5,262
Disposal	(2,695)	-
Depreciation	(6,298)	(5,549)
Foreign exchange translation	3,013	3,934
Ending balance	₩ 63,885	₩ 68,109

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

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

(In millions of Korean won)

Description	2025	2024
Lease liabilities before discount	₩ 24,543	₩ 27,264
Lease liabilities after discount	22,209	23,897
Current	6,498	5,987
Non-current	15,711	17,910

The weighted-average incremental borrowing rate applied to calculate lease liability is 5.23%.

(3) Changes in lease liability for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Beginning balance	₩ 23,897	₩ 19,596
Acquisition	1,756	5,262
Payment	(4,945)	(4,677)
Interest expenses	888	1,033
Foreign exchange translation	613	2,683
Ending balance	₩ 22,209	₩ 23,897

(4) Earnings and losses recognized for the 12 months ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Depreciation of right-of-use assets	₩ 6,298	₩ 5,549
Interest expenses of lease liabilities	888	1,033
Expense of short-term leases and leases of low-value assets	1,739	1,770
Total	₩ 8,925	₩ 8,352

Total Cash outflows for leases for the year ended December 31, 2025 amounted to ₩6,684 million (2024: ₩6,447 million).

(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	2025	2024
Not later than one year	₩ 6,788	₩ 6,259
Later than one year and not later than two years	4,848	4,769
Later than two years and not later than three years	4,678	3,759
Later than three years and not later than four years	4,378	4,102
Later than four years and not later than five years	1,346	4,260
Later than five years	2,505	4,114
Total	₩ 24,543	₩ 27,264

13. OTHER PAYABLES:

Details of other payables as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description		2025	2024
Current			
Accounts payable		₩ 502,208	₩ 509,450
Accrued expenses		190,444	232,106
	Subtotal	692,652	741,556
Non-current			
Accounts payable		4,224	5,794
	Total	₩ 696,876	₩ 747,350

14. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2025 (%)	2025	2024
Shinhan Bank and others	Discount on foreign currency sales receivables	1.85 – 1.90	₩ 59,280	₩ 211,899
Korea Development Bank and others	General borrowings	4.45 – 6,80	494,567	687,964
Korea Exim Bank and others	Facility loans	-	-	137,777
	Total		₩ 553,847	₩ 1,037,640

(2) Long-term borrowings as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate as of December 31, 2025 (%)	2025	2024
NH Bank and others	General borrowings	4.75 – 7.20	₩ 380,748	₩ 358,439
SMBC and others	Facility loans	2.63 – 5.10	512,934	313,844
	Total		893,682	672,283
	Less: Current maturities		(230,497)	(207,660)
	Balance		₩ 663,185	₩ 464,623

(3) Debentures as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2025	2024
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	-	-	40,000
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	-	-	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	-	-	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	-	-	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	120,000
46-2nd Non-guaranteed public debentures	2024-01-30	2027-01-30	3.91	180,000	180,000
47-1st Non-guaranteed public debentures	2024-09-12	2026-09-12	3.30	50,000	50,000
47-2nd Non-guaranteed public debentures	2024-09-12	2027-09-12	3.29	170,000	170,000
47-3rd Non-guaranteed public debentures	2024-09-12	2029-09-12	3.34	80,000	80,000
48-1st Non-guaranteed public debentures	2025-02-19	2027-02-19	3.02	60,000	-
48-2nd Non-guaranteed public debentures	2025-02-19	2028-02-19	3.07	300,000	-
48-3rd Non-guaranteed public debentures	2025-02-19	2030-02-19	3.22	140,000	-
49-1st Non-guaranteed public debentures	2025-09-12	2028-09-12	2.74	140,000	-
49-2nd Non-guaranteed public debentures	2025-09-12	2030-09-12	2.94	60,000	-
	Subtotal			1,740,000	1,390,000
	Less: Discounts on bonds payable			(3,051)	(2,545)
	Less: Current portion of bonds payable			(569,749)	(349,810)
	Balance			₩ 1,167,200	₩ 1,037,645

15. NET DEFINED BENEFIT ASSETS:

(1) Details of net defined benefit assets as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description		2025		2024
Present value of defined benefit obligation	₩	321,772	₩	308,640
Fair value of plan assets		(358,225)		(334,990)
National Pension Conversion Fund		(46)		(59)
Total	₩	(36,499)	₩	(26,409)

(2) Profits and losses recognized in relation to the defined benefit assets for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description		2025		2024
Current service cost	₩	35,711	₩	30,725
Interest cost (income)		(1,338)		(3,536)
Past service cost		12,684		-
Total	₩	47,057	₩	27,189

(3) Changes in defined benefit obligation for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description		2025		2024
Beginning balance	₩	308,640	₩	275,687
Current service cost		35,711		30,725
Interest cost		12,494		12,428
Past service cost		12,684		-
Remeasurements:				
Actuarial gains (losses) arising from experience adjustments		7,841		3,016
Actuarial gains (losses) arising from changes in demographic assumptions		2,406		-
Actuarial gains (losses) arising from changes in financial assumptions		(16,543)		17,005
Subtotal		(6,296)		20,021
Benefits paid		(41,461)		(30,221)
Ending balance	₩	321,772	₩	308,640

(4) Changes in plan assets for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description		2025		2024
Beginning balance	₩	335,049	₩	345,802
Employer's contribution		46,580		8,100
Interest income		13,832		15,964
Benefits paid		(34,632)		(31,426)
Remeasurements:				
Difference between interest income and actual income		(2,558)		(3,391)
Ending balance	₩	358,271	₩	335,049

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

Description	2025	2024
Discount rate	4.34% – 4.61%	3.92% – 4.20%
Rate of expected future salary increase	3.56% – 4.24%	3.71% – 3.97%

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

(In millions of Korean won)

	2025		2024	
Description	Amount	Component ratio (%)	Amount	Component ratio (%)
Principal and interest guaranteed financial instruments, etc.	₩ 358,271	100.00	₩ 335,049	100.00

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

Description	Changes in significant assumptions	Changes in liabilities
Discount rate	Increase by 1% / Decrease by 1%	Decrease by 10.0% / Increase by 11.7%
Rate of expected future salary increase	Increase by 1% / Decrease by 1%	Increase by 11.9% / Decrease by 10.3%

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

(8) The weighted-average duration of the defined benefit obligations as of December 31, 2025 is 11.6 years (2024: 12.4 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2025, is as follows:

(In millions of Korean won)

Description	Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years	Total
Benefits paid	₩ 11,150	₩ 27,293	₩ 62,188	₩ 1,406,403	₩ 1,507,034

16. PROVISION FOR WARRANTY:

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

Changes in provision for warranty and other provision for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025			
Description	Provision for warranty	Other long-term employee benefits	Other provision	Total
Beginning balance	₩ 289,077	₩ 55,415	₩ 17,537	₩ 362,029
Addition	101,394	21,761	3,004	126,159
Utilized	(136,539)	(4,263)	-	(140,802)
Others (*)	4,667	-	-	4,667
Ending balance	258,599	72,913	20,541	352,053
Current item	82,258	-	20,541	102,799
Non-current item	₩ 176,341	₩ 72,913	₩ -	₩ 249,254

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

(In millions of Korean won)

	2024			
Description	Provision for warranty	Other long-term employee benefits	Other provision	Total
Beginning balance	₩ 226,492	₩ 44,233	₩ -	₩ 270,725
Business combination	47,319	-	-	47,319
Addition	82,834	15,578	17,537	115,949
Utilized	(80,060)	(4,396)	-	(84,456)
Others (*)	12,492	-	-	12,492
Ending balance	289,077	55,415	17,537	362,029
Current item	110,210	-	17,537	127,747
Non-current item	₩ 178,867	₩ 55,415	₩ -	₩ 234,282

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

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025		2024	
Description	Current	Non-current	Current	Non-current
Advance received	₩ 345,019	₩ 194,108	₩ 244,622	₩ 168,466
Deposit received	88,956	-	60,330	-
Others	-	-	-	7,239
Total	₩ 433,975	₩ 194,108	₩ 304,952	₩ 175,705

18. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2025 and 2024, consist of the following:

(In millions of Korean won)

Description	2025	2024
In respect of current year	₩ 99,297	₩ 75,553
Changes in deferred taxes relating to temporary differences	(18,505)	(68,794)
Total of income tax effect	80,792	6,759
Items that are charged or credited directly to equity	(536)	5,367
Income tax expense	80,256	12,126

(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, 2025 and 2024, is as follows:

(In millions of Korean won)

Description	2025	2024
Profit before income tax	₩ 195,540	₩ 35,212
Income tax expense calculated at the applicable tax rates	51,087	12,209
Income tax effect:		
Non-taxable income	(22,871)	(29,186)
Non-deductible expenses	29,273	51,006
Foreign tax payment credit, tax credit and additional tax payment of prior year	9,917	(16,347)
Effect of temporary difference and others not recognized as deferred tax and of tax rate difference	17,041	(24,121)
Effect of changes in tax rate to recognize deferred tax	(3,788)	18,199
Others	(403)	366
Income tax expense	₩ 80,256	₩ 12,126
Effective tax rate	41.04%	34.44%

(3) Deferred tax assets (liabilities) recognized in the statement of financial position as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025			
Description	**Beginning**	**Recognized in profit or loss**	**Equity**	**Ending**
Accrued income	₩ -	₩ (128)	₩ -	₩ (128)
Trade receivables	520	(520)	-	-
Inventories	5,019	(6,889)	-	(1,870)
Financial assets measured at FVTPL	758	48	-	806
PP&E	6,935	4,312	-	11,247
Intangible assets	2,629	(2,471)	-	158
Investments in subsidiaries, associates and joint ventures	(35,658)	(1,241)	-	(36,899)
Defined benefit liabilities	64,222	9,568	(1,160)	72,630
Plan assets	(65,240)	(13,359)	624	(77,975)
Other long-term employee benefit	10,900	431	-	11,331
Provision for warranty	19,237	13,855	-	33,092
Deduction of carryover losses	132,463	(26,997)	-	105,466
Carryover tax credit	120,179	16,081	-	136,260
Others	66,511	26,351	-	92,862
Total	₩ 328,475	₩ 19,041	₩ (536)	₩ 346,980

(In millions of Korean won)

Description	2024									
	Beginning		Business combination		Recognized in profit or loss		Equity		Ending	
Accrued income	₩	(370)	₩	-	₩	370	₩	-	₩	-
Trade receivables		1,730		-		(1,210)		-		520
Inventories		6,596		-		(1,577)		-		5,019
Financial assets measured at FVTPL		805		-		(47)		-		758
PP&E		11,615		-		(4,680)		-		6,935
Intangible assets		3,634		-		(1,005)		-		2,629
Investments in subsidiaries, associates and joint ventures		(14,863)		-		(20,795)		-		(35,658)
Defined benefit liabilities		61,799		-		(2,161)		4,584		64,222
Plan assets		(78,264)		-		12,241		783		(65,240)
Other long-term employee benefit		8,795		-		2,105		-		10,900
Provision for warranty		41,596		-		(22,359)		-		19,237
Deduction of carryover losses		45,071		-		87,392		-		132,463
Carryover tax credit		80,775		-		39,404		-		120,179
Others		57,268		33,494		(24,251)		-		66,511
Total	₩	226,187	₩	33,494	₩	63,427	₩	5,367	₩	328,475

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets (liabilities) recognized in the statement of financial position as of December 31, 2025 are as follows:

(In millions of Korean won)

Description	2025
Deferred tax assets	363,327
Deferred tax liabilities	(16,347)
Total	346,980

(4) The Group did not recognize deferred tax assets for deductible temporary differences of ₩79,475 million as of December 31, 2025 (2024: ₩152,616 million) related to its investments in subsidiaries and associates because they are not realizable.

(5) Global Minimum Tax

In accordance with the global minimum tax legislation, the Group 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 Group reviewed the potential impact on the consolidated 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, 2025. 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, 2025 and 2024, are as follows:

(In millions of Korean won)

Description (2025)	Subsidiary (*)
Carryover losses	46,325

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

(In millions of Korean won)

Description (2024)	Subsidiary (*)
Carryover losses	29,136

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

19. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2025, are as follows:

(In millions of Korean won)

Description	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩ 1,308,118	₩ -	₩ -	₩ 1,308,118
Short-term financial instruments	119,190	-	-	119,190
Trade notes and accounts receivable and other receivables	2,366,225	-	-	2,366,225
Other financial assets	48,644	3,378	-	52,022
Total financial assets	₩ 3,842,177	₩ 3,378	₩ -	₩ 3,845,555
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 2,487,480	₩ 2,487,480
Borrowings and debentures	-	-	3,184,478	3,184,478
Financial guarantee liabilities	-	-	-	-
Lease liabilities	-	-	22,209	22,209
Other financial liabilities	-	-	30,120	30,120
Total financial liabilities	₩ -	₩ -	₩ 5,724,287	₩ 5,724,287

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

(In millions of Korean won)

Description	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩ 1,249,839	₩ -	₩ -	₩ 1,249,839
Short-term financial instruments	369,201	-	-	369,201
Trade notes and accounts receivable and other receivables	1,998,835	-	-	1,998,835
Other financial assets	67,070	3,846	-	70,916
Total financial assets	₩ 3,684,945	₩ 3,846	₩ -	₩ 3,688,791
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 2,219,194	₩ 2,219,194
Borrowings and debentures	-	-	3,097,378	3,097,378
Financial guarantee liabilities	-	-	6	6
Lease liabilities	-	-	23,897	23,897
Other financial liabilities	-	-	32,631	32,631
Total financial liabilities	₩ -	₩ -	₩ 5,373,106	₩ 5,373,106

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025			
	Interest income	Interest expenses	Others	Financial asset valuation gains and losses
Financial assets measured at amortized cost	₩ 44,258	₩ -	₩ -	₩ -
Financial assets measured at FVTPL	-	-	-	2
Financial liabilities measured at amortized cost	-	149,358	2,511	-
Total	₩ 44,258	₩ 149,358	₩ 2,511	₩ 2

(In millions of Korean won)

	2024			
	Interest income	Interest expenses	Others	Financial asset valuation gains and losses
Financial assets measured at amortized cost	₩ 43,164	₩ -	₩ -	₩ -
Financial assets measured at FVTPL	-	-	-	5
Financial liabilities measured at amortized cost	-	135,618	(4,156)	-
Total	₩ 43,164	₩ 135,618	₩ (4,156)	₩ 5

The foreign exchange gain or loss on the above financial instruments for the year ended December 31, 2025 is ₩9,631 million (2024: ₩18,528 million), and the foreign currency translation gain or loss for the year ended December 31, 2025 is ₩(-)8,691 million (2024: ₩6,440 million).

(3) Fair value by category of financial assets

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- 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)

	2025	2024
Description	Level 3(*)	Level 3
Financial assets measured at FVTPL	₩ 3,378	₩ 3,846

(*) The carrying amount was changed due to disposals of ₩470 million and valuation gains of ₩2 million.

(4) Details of financial assets and liabilities offset as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

	2025		
Description	Total amount of recognition	Total amount of offset	Net amount presented in the consolidated financial statements
Trade notes and accounts receivable and other receivables	₩ 2,457,015	₩ 90,790	₩ 2,366,225
Trade notes and accounts payable and other payables	2,578,270	90,790	2,487,480

(In millions of Korean won)

	2024		
Description	Total amount of recognition	Total amount of offset	Net amount presented in the consolidated financial statements
Trade notes and accounts receivable and other receivables	₩ 2,117,993	₩ 119,158	₩ 1,998,835
Trade notes and accounts payable and other payables	2,338,352	119,158	2,219,194

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

(1) Capital stock as of December 31, 2025 and 2024, consists of the following:

Description	2025	2024
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, 2025 and 2024, consist of the following:

(In millions of Korean won)

Description	2025	2024
Paid-in capital in excess of par value	₩ 1,154,371	₩ 1,154,371
Other capital surplus	64	65
Treasury stock	(4,281)	(4,281)
Equity adjustments in equity method	6,853	7,920
Exchange differences on translations of foreign operations	169,880	177,143
Total	₩ 1,326,887	₩ 1,335,218

21. RETAINED EARNINGS:

Retained earnings as of December 31, 2025 and 2024, consist of the following:

(In millions of Korean won)

Description	2025		2024	
Unappropriated retained earnings	₩	1,242,627	₩	1,194,065

22. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2025 and 2024, are computed as follows:

(1) Earnings per share

Description	2025		2024	
Profit (loss) for the year	₩	45,410 million	₩	(10,137) million
Weighted-average number of shares outstanding		81,737,796 shares		81,737,796 shares
Basic earnings (losses) per common share	₩	556	₩	(124)

(2) As there are no diluted securities outstanding as of December 31, 2025 and 2024, diluted earnings per share are identical to the basic earnings per share.

23. SALES:

(1) Details of sales from the contract with customers for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025		2024	
Sales of goods	₩	14,648,614	₩	12,619,928
Rendering of services		190,433		126,462
Total	₩	14,839,047	₩	12,746,390

(2) For the years ended December 31, 2025 and 2024, sales of ₩12,851,278 million (86.6% of total sales) and ₩11,977,534 million (94.0% of total sales), were to Hyundai Motor Company and other related affiliates, respectively. The accompanying consolidated financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2025, the amount to be recognized as future sales from the transaction price allocated to the performance obligation is as follows:

(In millions of Korean won)

Description	Within one year		More than one year	
Other liabilities	₩	345,019	₩	194,108

24. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2025 and 2024, is as follows:

(In millions of Korean won)

Description	2025	2024
Changes in raw materials	₩ 11,811,857	₩ 10,216,390
Salaries and wages	1,043,293	933,847
Depreciation	340,093	333,430
Amortization	71,085	48,907
Transportation and logistics costs	141,124	123,782
Commission expenses	312,067	301,418
Amount paid to subcontractors	24,155	71,894
Ordinary R&D expense	113,075	103,584
Others	646,256	534,476
Total (*)	₩ 14,503,005	₩ 12,667,728

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

25. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

Description	2025	2024
Salaries	₩ 107,557	₩ 121,344
Retirement benefits	6,265	5,762
Employee benefits	43,384	44,712
Logistics cost	121,237	103,637
Ordinary R&D expense	92,980	96,070
Commission expenses	50,340	33,053
Depreciation	14,878	17,918
Amortization	8,270	9,296
Sales guarantee cost	52,840	59,903
Advertising expense	1,590	3,993
Others	76,671	60,263
Total	₩ 576,012	₩ 555,951

26. OTHER INCOME:

Other income for the years ended December 31, 2025 and 2024, consists of the following:

(In millions of Korean won)

Description	2025	2024
Gain on foreign currency exchanges	₩ 40,585	₩ 59,331
Gain on foreign currency translation	4,599	27,367
Gain on disposal of PP&E	3,702	1,231
Gain on disposal of intangible assets	-	2,598
Gain on disposal of investments in subsidiaries	1,916	-
Gain on disposal of investments in joint ventures	-	20,376
Reversal of other allowance for doubtful accounts	-	2,458
Miscellaneous revenues	58,268	45,084
Total	₩ 109,070	₩ 158,445

27. OTHER EXPENSES:

Other expenses for the years ended December 31, 2025 and 2024, consist of the following:

(In millions of Korean won)

Description	2025	2024
Loss on foreign currency exchange	₩ 30,954	₩ 40,803
Loss on foreign currency translation	13,290	20,927
Loss on disposal of PP&E	2,799	2,131
Loss on disposal of intangible assets	23	-
Loss on disposal of investments in joint ventures	-	8,688
Impairment loss on PP&E	205	-
Impairment loss on intangible assets	327	-
Impairment loss on investments in joint ventures	8,142	-
Other bad debt expenses	65,249	24,418
Donation	2,333	1,287
Miscellaneous expenses	23,960	14,774
Total	₩ 147,282	₩ 113,028

28. FINANCE INCOME:

Finance income for the years ended December 31, 2025 and 2024, consists of the following:

(In millions of Korean won)

Description	2025	2024
Interest income	₩ 44,258	₩ 43,164
Dividends income	118	335
Gain on derivative transactions	1,639	-
Other finance incomes	2,514	5
Total	₩ 48,529	₩ 43,504

29. FINANCE COSTS:

Finance costs for the years ended December 31, 2025 and 2024, consist of the following:

(In millions of Korean won)

Description	2025	2024
Interest expenses	₩ 149,358	₩ 135,618
Loss on derivative transactions	1,943	-
Other finance costs	-	4,156
Total	₩ 151,301	₩ 139,774

30. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2025	2024
Profit for the year	₩ 115,285	₩ 23,086
Adjustments:	804,198	611,220
Retirement benefit costs	47,057	27,190
Long-term employee benefits	21,761	15,578
Depreciation	340,093	333,430
Warranty expenses	52,840	59,903
Addition to other provisions	3,004	17,537
Amortization of intangible assets	71,085	48,906
Impairment loss on intangible assets	327	-
Depreciation of right-of-use assets	6,298	5,549
Other bad debt expenses	65,249	21,960
Gain on disposal of investments in subsidiaries	(1,917)	-
Gain on disposal of investments in joint ventures	-	(11,688)
Impairment loss on investments in joint ventures	8,142	-
Other finance costs (income)	(2,511)	4,156
Loss on foreign currency translation	13,290	20,927
Loss on disposal of PP&E	2,799	2,131
Impairment loss on PP&E	205	-
Loss on disposal of intangible assets	23	-
Interest expenses	149,358	135,618
Income tax expense	80,256	12,126
Gain on valuation of equity method	(482)	(7,403)
Gain on foreign currency translation	(4,599)	(27,367)
Gain on disposal of PP&E	(3,702)	(1,231)
Gain on disposal of intangible assets	-	(2,598)
Gain on valuation of FVTPL	(2)	(5)
Dividend income	(118)	(335)
Interest income	(44,258)	(43,164)
Changes in operating assets and liabilities:	(334,925)	(79,647)
Decrease (increase) in trade receivables	(316,928)	216,849
Decrease (increase) in other receivables	(2,252)	5,423
Decrease (increase) in other assets	(18,910)	(99,819)
Decrease (increase) in inventories	(219,568)	(368,068)
Increase (decrease) in trade payables	276,182	(75,888)
Increase (decrease) in other payables	50,372	159,472
Increase (decrease) in other current liabilities	80,038	178,966
Increase (decrease) in other non-current liabilities	10,352	(5,231)
Increase (decrease) in provisions	(140,802)	(84,455)
Decrease (increase) in net defined benefit assets	(53,409)	(6,896)
Cash generated from operations	₩ 584,558	₩ 554,659

(2) Non-cash transactions

(In millions of Korean won)

Description	2025	2024
Reclassification of the current portion of debentures	₩ 570,000	₩ 350,000
Changes in other payables related to acquisition of PP&E	(37,323)	544
Transfer of construction in progress	683,881	234,005
Transfer of PP&E to intangible assets	16,420	9,923
Acquisitions of right-of-use assets	1,756	5,262

(3) Changes in liabilities arising from financing activities

(In millions of Korean won)

Description	2025			
	Borrowings	Debentures	Lease liabilities	Total
Beginning balance	₩ 1,709,923	₩ 1,387,455	₩ 23,897	₩ 3,121,275
Cash flows	(261,689)	347,501	(4,056)	81,756
Acquisition of lease liabilities	-	-	1,756	1,756
Other (foreign currency translation and amortization)	(705)	1,993	613	1,901
Ending balance	₩ 1,447,529	₩ 1,736,949	₩ 22,210	₩ 3,206,688

(In millions of Korean won)

Description	2024			
	Borrowings	Debentures	Lease liabilities	Total
Beginning balance	₩ 1,306,439	₩ 1,058,098	₩ 19,596	₩ 2,384,133
Business combination	109,671	-	-	109,671
Cash flows	286,829	327,792	(4,678)	609,943
Acquisition of lease liabilities	-	-	5,262	5,262
Other (foreign currency translation and amortization)	6,984	1,565	3,717	12,266
Ending balance	₩ 1,709,923	₩ 1,387,455	₩ 23,897	₩ 3,121,275

(4) Supplier Financing Arrangements

The Group has entered into the following supplier financing arrangements to facilitate early settlement and improve access to credit for suppliers that provide goods or services to the Group.

① Under the supplier financing arrangement, the Group 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 4.01% to 5.65%. This arrangement allows financial institutions to make early payments on behalf of the Group for up to ₩337.8 billion. The discount rates applied are lower than typical market-based early payment discount rates. Furthermore, under the terms of the arrangement, the Group 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 statements of financial position, and the portions already settled by suppliers through financial institutions, are as follows:

(In millions of Korean won)

Description	2025	2024
Financial liabilities presented as trade and other payables:		
Trade and other payables subject to the supplier financing arrangement	708,351	427,483
Trade and other payables for which suppliers have already received payment from financial institutions	83,249	97,890

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

Description	2025
Financial liabilities presented as trade and other payables:	
Payment due dates for trade and other payables subject to the supplier financing arrangement	1 day to 90 days from invoice date
Payment due dates for comparable trade and other payables not subject to the arrangement	1 day to 90 days from invoice date

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2025, the group has no outstanding local financial payment guarantees provided to others.

As of December 31, 2025, payment guarantees provided by others are as follows:

(In millions of Korean won)

Guarantee details	Providers	Guaranteed amount	Creditors
Contract performance guarantee, etc.	Machinery Financial Cooperative	₩ 23	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.	49,308	

(2) As of December 31, 2025, financial commitments are as follows:

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

Description	Lenders	Limited amount
Overdrafts	NH Bank and 3 other financial institutions	₩ 56,500
General borrowings	Hana Bank and 17 other financial institutions	176,000 USD 1,140,000 EUR 20,000 CHF 22,000 RMB 1,029,000 INR 777,500 BRL 24,000
Borrowings collateralized by trade receivables (*)	Shinhan Bank and 7 other financial institutions	337,800
Discount on accounts receivable	Kookmin Bank and 5 other financial institutions	304,000
Limited amount of import L/C	Hana Bank and 10 other financial institutions	USD 702,300

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

(3) The major insurance subscription details at the end of 2025 are as follows:

Description	Financial institution	Coverage amount
Environmental Liability Insurance	DB Insurance Co., Ltd.	₩ 60,000
Gas Accident Liability Insurance	Hyundai Marine & Fire Insurance Co., Ltd.	7,000
Hyundai Group Accident Insurance (Grade-Specific)		2,565,887
Package Insurance Policy		1,503,603
Overseas Insurance and others	Hyundai Marine & Fire Insurance Co., Ltd. and others	555,130

(4) When other shareholders of Beijing Lear Hyundai Transys Automotive Systems Co., Ltd., BAIC DYMOS Automotive System Co., Ltd., and HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED intend to dispose of their shares, the Group has a right of first refusal over such shares. In addition, other shareholders of HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED have the right to require the Group to purchase their shares in accordance with the shareholders' agreement.

(5) As of December 31, 2025, the Group is involved as a defendant in five pending legal cases. The Group is unable to reasonably predict the outcome of these proceedings, and both the amount and timing of any potential outflow of resources are uncertain. However, the Group expects that the impact of these cases on its consolidated financial statements will not be material.

32. RISK MANAGEMENT:

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

(1) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar, the Euro, 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 Group's profit for income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(In millions of Korean won)

	2025		2024	
Currency	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 32,684	₩ (32,684)	₩ 7,783	₩ (7,783)
EUR	(6,341)	6,341	(3,623)	3,623
JPY	(524)	524	(651)	651
CNY	(1,884)	1,884	405	(405)
Others	(15)	15	(6,869)	6,869
Total	₩ 23,920	₩ (23,920)	₩ (2,955)	₩ 2,955

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2025.

(2) Interest Rate Risk

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

The table below describes an impact of interest rate fluctuation of 1% point on income before income tax expenses as of December 31, 2025.

(In millions of Korean won)

Description	1% increase	1% decrease
Cash and cash equivalents	₩ 13,081	₩ (13,081)
Borrowings	(14,475)	14,475

(3) Credit Risk

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

The maximum exposure to credit risk as of December 31, 2025 and 2024, is as follows:

(In millions of Korean won)

Description	2025	2024
Cash and cash equivalents	₩ 1,308,118	₩ 1,249,839
Short-term financial instruments	119,190	369,201
Trade receivables	2,134,184	1,824,827
Other receivables	232,041	174,008
Other financial assets	48,644	67,069
Financial guarantee contracts	-	5,351

(4) Liquidity Risk

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

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

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

(In millions of Korean won)

	2025			
Description	Less than one year	One year-five years	More than five years	Total
Trade payables and other payables	₩ 2,483,256	₩ 4,224	₩ -	₩ 2,487,480
Borrowings and debentures	1,449,867	1,876,947	55,903	3,382,717
Financial guarantee liabilities	-	-	-	-
Total	₩ 3,933,123	₩ 1,881,171	₩ 55,903	₩ 5,870,197

	2024			
Description	Less than one year	One year-five years	More than five years	Total
Trade payables and other payables	₩ 2,213,400	₩ 5,794	₩ -	₩ 2,219,194
Borrowings and debentures	1,691,097	1,505,772	85,325	3,282,194
Financial guarantee liabilities	5,351	-	-	5,351
Total	₩ 3,909,848	₩ 1,511,566	₩ 85,325	₩ 5,506,739

(5) Capital Risk Management

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

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

As of December 31, 2025 and 2024, details of debt-to-equity ratio are summarized as follows:

(In millions of Korean won)

Description		2025		2024
Liabilities (A)	₩	6,824,427	₩	6,358,970
Equity (B)		3,526,073		3,412,050
Debt-to-equity ratio (A/B)		193.5%		186.4%

33. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2025 and 2024, are as follows:

Description	December 31, 2025	December 31, 2024
Associates (investment companies)	Hyundai Motor Company Kia Corporation	Hyundai Motor Company Kia Corporation
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. BAIC DYMOS Automotive System Co., Ltd. Chongqing Antu Auto Parts Co., Ltd.(*) PT APM HYUNDAI TRANSYS INDONESIA	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. BAIC DYMOS Automotive System Co., Ltd. BAIC DYMOS (Chongqing) Automotive System Co., Ltd. PT APM HYUNDAI TRANSYS INDONESIA

(*) The name of BAIC DYMOS (Chongqing) Automotive System Co., Ltd. was changed to Chongqing Antu Auto Parts Co., Ltd. during the year ended December 31, 2025.

(2) Significant transactions for the years ended December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

		2025			
		Sales/Proceeds		Purchases/Expenses	
Description	Name of company	Sales	Others	Purchases	Others
Associates (investment companies)	Hyundai Motor Company	₩ 2,294,727	₩ 35,858	₩ 72,448	₩ 1,263
	Kia Corporation	1,381,978	75,460	68,456	97
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,619	-	285	23
	BAIC DYMOS Automotive System Co., Ltd.	-	1,979	-	-
	PT APM HYUNDAI TRANSYS INDONESIA	3,573	-	27	12
Other related parties (*)		9,167,381	30,331	1,473,499	400,014
Total		₩ 12,851,278	₩ 143,628	₩ 1,614,715	₩ 401,409

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

(In millions of Korean won)

		2024			
		Sales/Proceeds		Purchases/Expenses	
Description	Name of company	Sales	Others	Purchases	Others
Associates (investment companies)	Hyundai Motor Company	₩ 2,071,779	₩ 12,783	₩ 88,788	₩ 3,889
	Kia Corporation	1,278,442	23,418	81,649	109
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	5,377	345	200	118
	Beijing Hyundai Transys Transmission Co., Ltd.	48,081	-	15,034	-
	BAIC DYMOS Automotive System Co., Ltd.	365	-	1,924	-
	Hyundai Transys (Shandong) Co., Ltd.	119,204	-	27,570	-
	PT APM HYUNDAI TRANSYS INDONESIA	4,681	-	193	2
Other related parties (*)		8,449,605	34,216	704,122	296,427
Total		₩ 11,977,534	₩ 70,762	₩ 919,480	₩ 300,545

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

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2025 and 2024, are as follows:

(In millions of Korean won)

		2025			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (investment companies)	Hyundai Motor Company	₩ 387,239	₩ 108,852	₩ 18,777	₩ 10,676
	Kia Corporation	298,145	-	18,971	269
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	1,478	-	4	-
	PT APM HYUNDAI TRANSYS INDONESIA	189	-	-	33
Other related parties (*)		1,098,999	863	265,776	146,546
Executives and staff members		-	42,462	-	-
Total		₩ 1,786,050	₩ 152,177	₩ 303,528	₩ 157,524

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

(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 (investment companies)	Hyundai Motor Company	₩ 364,034	₩ 66,976	₩ 20,303	₩ 9,946
	Kia Corporation	193,209	269	18,601	70
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,540	367	130	331
	BAIC DYMOS Automotive System Co., Ltd.	13	-	-	1,447
	PT APM HYUNDAI TRANSYS INDONESIA	909	-	79	2
Other related parties (*)		990,296	1,266	137,580	181,623
Executives and staff members		-	27,879	-	-
Total		₩ 1,552,001	₩ 96,757	₩ 176,693	₩ 193,419

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

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

(In millions of Korean won)

Description	**Type of related-party relationship**	**Name of company**	**Transaction details**	**2025**	**2024**
Equity acquisition	Other	Hyundai Motor Group China, Ltd. (“HMGC”) (*)	Cash	-	76,035

(*) During the year ended December 31, 2024, the Group 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 duties and similar expenses, not related to transactions with the related party.

(5) Dividend income from joint ventures and associates for the year ended December 31, 2025 amounted to ₩1,979 million.

(6) For the year ended December 31, 2025, the payroll costs for the senior management, including board members, as well as non-executive board members, all of whom have significant responsibility and authority over corporative activities, such as business planning, operation and management, are ₩2,500 million (₩5,774 million in 2024).

(7) Purchasing card transactions with Hyundai Card Co., Ltd., a related party, for the year ended December 31, 2025, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning	Usage	Repayment	Ending
Hyundai Card Co., Ltd.	₩ 8,600 per month	₩ 4,677	₩ 51,156	₩ (51,651)	₩ 4,182

34. SEGMENT INFORMATION:

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

(2) Financial information by operating segments as of December 31, 2025, is as follows:

(In millions of Korean won)

Description	PT	Seat	Consolidation adjustments	Total
Sales	₩ 12,273,784	₩ 6,036,824	₩ (3,471,561)	₩ 14,839,047
Operating profit	274,947	123,229	(62,134)	336,042
PP&E and intangible assets	2,951,345	878,061	51,991	3,881,397

(3) Financial information by region based on where the Group's entities are located for the year ended December 31, 2025, is as follows:

(In millions of Korean won)

Description	Korea	America	Asia	Europe	Consolidation adjustments	Total
Sales	₩ 9,768,067	₩ 5,262,487	₩ 2,430,792	₩ 849,262	₩ (3,471,561)	₩ 14,839,047
Operating profit	16,152	259,013	80,426	42,585	(62,134)	336,042
PP&E and intangible assets	1,969,456	1,411,616	397,615	50,719	51,991	3,881,397

35. NON-CURRENT ASSETS HELD FOR SALE:

(In millions of Korean won)

Description		2025
Machinery	₩	23,901
Other property, plant and equipment		351
Construction in progress		16,012
Software		254
Total		40,518

The Group classified certain production facilities and other assets related to automotive parts from PP&E and intangible assets as non-current assets held for sale, in connection with its plan to dispose of such assets to its affiliate, UNITUS Co., Ltd. and other third party during the year ended December 31, 2025.

36. SUBSEQUENT EVENTS:

(1) On January 29, 2026, the Group issued the 50-1st (₩80,000 million), 50-2nd (₩260,000 million) and 50-3rd (₩50,000 million) corporate bonds.

Disclosure on Execution of External Audit

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

1. Company and Reporting Period subject to External Audit

Company	HYUNDAI TRANSYS INC.			
Reporting Period	From	January 1, 2025	To	December 31, 2025

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

(Unit: Number of Participants and 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)		2	1	11	9	8	-	31
Hours Executed	Quarterly Review, Six-Month Review	21	23	464	76	36	-	620
	Audit	69	202	2,486	604	390	-	3,751
	Total	90	225	2,950	680	426	-	4,371

3. Key Disclosure on Execution of External Audit

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<tr><td colspan="2">On-Site</td><td colspan="2">Off-Site</td></tr>
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Review of the internal accounting management system (interim)</td></tr>
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<tr><td>Place (Where Performed)</td><td colspan="10">Seongyeon Factory, Jigok Factory, Dongtan R&D Center</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="10">Raw Materials, Work in Process, Merchandise, Finished Goods, etc.</td></tr>
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<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>2</td><td colspan="9">Time(s) Performed</td></tr>
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