Hyundai Wia Corporation and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2021 and 2020
with the independent auditor's report

Table of contents

Ernst & Young Han Young
2-4F, 6-8F, Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Independent auditor's report

The Shareholders and Board of Directors
Hyundai Wia Corporation

Opinion

We have audited the consolidated financial statements of Hyundai Wia Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- (Key audit matter 1) Impairment testing of cash generating unit including goodwill of subsidiaries and investments in associates

As of December 31, 2021, the Group's goodwill amounted to ₩31,704 million, which is distributed to the cash generating units of Shandong Hyundai Wia Automotive Engine Company. In addition, the carrying amounts of investments in associates in the consolidated financial statements of the Group as of December 31, 2021 is ₩105,590 million.

As described in 2.(3).9) and 2.(3).24) to notes to the consolidated financial statements, the Group recognizes the differences between the recoverable amounts and the carrying amounts of goodwill as impairment losses annually, regardless of the indicators of impairment, at the end of each reporting period. For investment in associates, the Company is reviewing whether there are any indicators of impairment to the asset at the end of each reporting period. If there are indicators of impairment, impairment test is performed by estimating the recoverable value, and the differences between the recoverable amounts and the carrying amounts are recognized as impairment losses.

We have considered the significance of the amounts of cash generating unit including goodwill and investment in associates with indicators of impairment, and the Group's significant judgment and estimation (decisions on major assumptions such as revenue growth, discount rate, and permanent growth rate). Accordingly, the impairment testing of cash generating unit including goodwill and investments in associates was determined to be a key audit matter in our audit for the consolidated financial statements.

The major audit procedures we performed in relation to the key audit matter are as follows:

- Reviewing impairment indicators of investment in associates
- Evaluating internal control related to impairment evaluation and review of evaluation results
- Evaluating the rationality of key assumptions used in calculating the value-in-use of investment stocks through recent business plans approved by management and comparison of historic performance
- Evaluating the appropriateness of the applied discount rate by comparing the discount rate used in the impairment testing of cash generating units including goodwill and investment in associates with the discount rate recalculated with observable information using an internal valuation expert
- Evaluating the rationality of estimated revenues and permanent growth rate through comparison with observable other company information and market information in the same industry using internal valuation experts
- Evaluating competence and independence of external experts used by the Group
- Confirming the impact of changes in key assumptions on management's evaluation results by sensitivity analysis of the discount rate, permanent growth rate, and estimated revenues used in the evaluation
- Comparing the previous year's cash flow forecast with the current performance to evaluate the appropriateness of the Group's estimates

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management 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.

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 KGAAS 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 KGAAS, 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 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 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 remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Hee Yeong Kim*.

Ernst & Young Han Young

March 15, 2022

This audit report is effective as of March 15, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Hyundai Wia Corporation and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2021 and 2020

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Jung, Jae-Wook
Chief Executive Officer
Hyundai Wia Corporation

Hyundai Wia Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2021 and 2020

(Korean won in millions)

	Notes		2021		2020
Assets					
Current assets:					
Cash and cash equivalents	31	₩	435,063	₩	554,947
Other current financial assets	8,31,32		1,212,227		1,043,345
Trade receivables, net	5,24,31,32,33		1,490,971		1,464,337
Loans and other receivables, net	5,31,32		78,509		68,866
Other current assets	6		63,746		40,521
Current tax assets	29		3,387		6,563
Inventories, net	4,7		815,022		760,973
Due from customers	24		48,102		48,413
Assets held for sale	36		9,458		-
Total current assets			4,156,485		3,987,965
Non-current assets:					
Other non-current financial assets	8,31		53,715		177,951
Long-term trade receivables, net	5,24,31,32		3,303		3,123
Non-current loans and other receivables, net	5,31		57,206		54,260
Property, plant and equipment, net	4,11		3,102,565		3,158,712
Investment properties	12		6,927		6,400
Intangible assets and goodwill	4,13		160,423		172,153
Right-of-use assets, net	35		29,488		29,769
Investments in associates	9		105,590		98,714
Investments in joint ventures	10		19,121		18,613
Deferred tax assets	29		22,090		11,637
Net defined benefit asset	18		32,030		-
Other non-current assets	6		564		609
Total non-current assets			3,593,022		3,731,941
Total assets		₩	**7,749,507**	₩	**7,719,906**

(Continued)

Hyundai Wia Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2021 and 2020 (cont'd)

(Korean won in millions)

	Notes	2021		2020	
Liabilities and equity					
Liabilities					
Current liabilities:					
Trade payables	4,14,31,32	₩	959,317	₩	915,876
Other payables	4,14,31,32		154,820		150,232
Short-term borrowings	5,15,31		26,041		97,008
Current portion of long-term liabilities	15,31		786,177		649,032
Current portion of long-term lease liabilities	35		2,282		1,724
Income taxes payable	29		20,550		6
Other current financial liabilities	17,31		3,031		3,206
Provisions	16,33		42,016		42,705
Other current liabilities	19,24		52,129		55,395
Due to customers	24		79,912		70,534
Total current liabilities			2,126,275		1,985,718
Non-current liabilities:					
Non-current other payables	4,14,31		34,973		27,860
Long-term borrowings	15,31		975,737		981,326
Bond payables	15,31		748,094		1,047,375
Long-term lease liabilities	35		3,995		4,652
Employee benefit liabilities			11,188		11,947
Other non-current financial liabilities	17,31		-		6,441
Long-term provisions	16,33		54,445		47,669
Deferred tax liabilities	29		98,510		72,386
Net defined benefit liabilities	18		1,026		8,672
Total non-current liabilities			1,927,968		2,208,328
Total liabilities			4,054,243		4,194,046
Equity					
Capital stocks	1,20		135,975		135,975
Other paid-in capital	21		387,328		387,328
Other components of equity	22		75,209		1,198
Retained earnings	23		2,651,486		2,593,590
Non-controlling interests			445,266		407,769
Total equity			3,695,264		3,525,860
Total liabilities and equity		₩	**7,749,507**	₩	**7,719,906**

The accompanying notes are an integral part of the consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Consolidated statements of comprehensive income
for the years ended December 31, 2021 and 2020
(Korean won in millions, except for earnings per share)

	Notes		2021		2020
Sales	4,24,32	₩	7,527,739	₩	6,592,242
Cost of sales	7,24,28,32		7,030,744		6,241,325
Gross profit			**496,995**		**350,917**
Selling expenses	25,28		142,818		104,742
Administrative expenses	25,28		251,452		174,218
Operating profit	4		**102,725**		**71,957**
Other non-operating income	26,32		149,063		238,926
Other non-operating expenses	26,32		125,922		161,537
Finance income	27		23,233		21,231
Finance expenses	27		56,502		58,145
Share of profit (loss) on equity method	9,10		8,123		(27,972)
Profit before income tax			**100,720**		**84,460**
Income tax expense	29		44,649		30,788
Profit for the year			**56,071**		**53,672**
Other comprehensive income (loss):					
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	22		118,650		(31,368)
Equity adjustments in equity method	9,10,22		1,713		12,693
Income tax that will be reclassified to profit or loss	29		(2,721)		(4,116)
			117,642		**(22,791)**
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	18		18,700		(3,830)
Equity adjustments in equity method			97		65
Gain on valuation of financial assets at FVOCI	8		46		4,511
Loss on disposal of financial assets at FVOCI	8		-		(1,666)
Income tax that will not be reclassified to profit or loss	29		(4,559)		1,518
			14,284		**598**
Other comprehensive income (loss) for the year, net of tax			**131,926**		**(22,193)**
Total comprehensive income for the year, net of tax		₩	**187,997**	₩	**31,479**
Profit (loss) for the year attributable to:					
Owners of the parent			62,320		60,971
Non-controlling interests			(6,249)		(7,299)
		₩	56,071	₩	53,672
Total comprehensive income for the year attributable to:					
Owners of the parent			150,500		44,874
Non-controlling interests			37,497		(13,395)
		₩	187,997	₩	31,479
Earnings per share: (Korean won)					
Basic and diluted earnings per share	30	₩	2,346	₩	2,295

The accompanying notes are an integral part of the consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2021 and 2020
(Korean won in millions)

	Attributable to the owners of the parent						
	Capital stock	**Other paid-in capital**	**Other components of equity**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
As of January 1, 2020	₩ **135,975**	₩ **387,328**	₩ **19,014**	₩ **2,549,492**	₩ **3,091,809**	₩ **-**	₩ **3,091,809**
Gain on valuation of financial assets at FVOCI	-	-	243	-	243	-	243
Loss on disposal of financial assets at FVOCI	-	-	(1,414)	-	(1,414)	-	(1,414)
Equity adjustments in equity method	-	-	7,966	-	7,966	-	7,966
Exchange differences on translation of foreign operations	-	-	(24,611)	-	(24,611)	(6,097)	(30,708)
Remeasurements of defined benefit plans	-	-	-	1,720	1,720	-	1,720
Profit (loss) for the year	-	-	-	60,971	60,971	(7,299)	53,672
Dividends	-	-	-	(18,593)	(18,593)	-	(18,593)
Changes due to business combination	-	-	-	-	-	421,165	421,165
As of December 31, 2020	₩ **135,975**	₩ **387,328**	₩ **1,198**	₩ **2,593,590**	₩ **3,118,091**	₩ **407,769**	₩ **3,525,860**
As of January 1, 2021	₩ **135,975**	₩ **387,328**	₩ **1,198**	₩ **2,593,590**	₩ **3,118,091**	₩ **407,769**	₩ **3,525,860**
Gain on valuation of financial assets at FVOCI	-	-	35	-	35	-	35
Equity adjustments in equity method	-	-	1,594	-	1,594	-	1,594
Exchange differences on translation of foreign operations	-	-	72,382	-	72,382	43,746	116,128
Remeasurements of defined benefit plans	-	-	-	14,169	14,169	-	14,169
Profit (loss) for the year	-	-	-	62,320	62,320	(6,249)	56,071
Dividends	-	-	-	(18,593)	(18,593)	-	(18,593)
As of December 31, 2021	₩ **135,975**	₩ **387,328**	₩ **75,209**	₩ **2,651,486**	₩ **3,249,998**	₩ **445,266**	₩ **3,695,264**

The accompanying notes are an integral part of the consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2021 and 2020

(Korean won in millions)

	Notes	2021	2020
Operating activities			
Cash generated from operating activities:			
Profit for the year		₩ 56,071	₩ 53,672
Additions of non-cash expenses	34	521,151	529,546
Deductions of non-cash income	34	(83,874)	(263,092)
Changes in operating assets and liabilities	34	(157,072)	(79,046)
Interest received		20,220	22,359
Interest paid		(57,905)	(60,195)
Dividends received		3,131	3,126
Income taxes paid		(11,443)	(17,222)
Net cash flows provided by operating activities		**290,279**	**189,148**
Investing activities			
Cash inflows from investing activities:			
Disposal of other current financial assets		2,780,922	1,908,469
Disposal of other non-current financial assets		1,553	8,144
Disposal of property, plant and equipment	11	8,496	5,172
Disposal of intangable assets	13	-	489
Disposal of assets held for sale		1,290	19
Decrease in non-current loans and other receivables		3,844	4,077
Government grants increased		1,500	-
Net cash flows from business combinations	38	-	60,509
Cash outflows for investing activities:			
Acquisition of other current financial assets		(2,809,748)	(1,892,583)
Acquisition of other non-current financial assets		(219)	(117,087)
Acquisition of property, plant and equipment	11	(151,582)	(251,631)
Acquisition of intangible assets	13	(25,213)	(27,084)
Increase in non-current loans and other receivables		(3,168)	(3,196)
Acquisition of investments in associates	9	-	(20,000)
Increase in advanced payments associated with investments in subsidiaries and associates		(7,943)	-
Net cash flows used in investing activities		**(200,268)**	**(324,702)**
Financing activities			
Cash inflows from financing activities:			
Increase in short-term borrowings	34	132,740	210,646
Increase in long-term borrowings	34	432,310	608,913
Proceeds from issuance of bonds	34	149,315	428,174
Increase in leasehold deposits	34	858	-
Cash outflows for financing activities:			
Repayment of short-term borrowings	34	(94,279)	(194,454)
Decrease in current portion of long-term borrowings	34	(764,572)	(686,672)
Decrease in current portion of lease liabilities	34,35	(2,330)	(2,606)
Repayment of long-term borrowings	34	(76,560)	(12,499)
Decrease in leasehold deposits	34	(710)	-
Payment of dividends	23	(18,593)	(18,593)
Net cash flows provided by (used in) financing activities		**(241,821)**	**332,909**
Net increase (decrease) in cash and cash equivalents		(151,810)	197,355
Cash and cash equivalents as of January 1		554,947	382,584
Net foreign exchange difference		31,926	(24,992)
Cash and cash equivalents as of December 31		**₩ 435,063**	**₩ 554,947**

The accompanying notes are an integral part of the consolidated financial statements.

1. Corporate information

(1) Summary of Parent Company

Hyundai Wia Corporation (the "Parent Company") and its subsidiaries (collectively referred to as, the "Group") have prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1110 *Consolidated Financial Statements*. The Parent Company was established on March 29, 1976 and has listed its shares on the Korea Exchange Market ("KRX") since 2011. Main businesses of the Parent Company are manufacturing and retail of auto parts for vehicles, machinery and industrial machinery where manufacturing factories of the Parent Company are mainly located in Changwon-si, Gyeongsangnam-do, Ansan-si, Gyeonggi-do, and Gwangju in Korea.
As of December 31, 2021, the Group's capital stocks issued amount to ₩135,975 million in entirety resulting from several capital increases and mergers, and details of the Parent Company's shareholders and their shareholdings are as follows:

	Number of shares	Ownership (%)
Hyundai Motor Company	6,893,596	25.35
KIA Corp.	3,654,004	13.44
Treasury stocks	633,354	2.33
Eui Sun Chung	531,095	1.95
Others	15,483,034	56.93
	27,195,083	100.00

The consolidated financial statements of the Group for the year ended December 31, 2021, has been approved by the Board of Directors on January 28, 2022, and scheduled to be approved at the regular shareholders' meeting to be held on March 23, 2022.

(2) Overview of subsidiaries

1) Details of the Group's consolidated subsidiaries as of December 31, 2021 and 2020 are as follows:

Subsidiaries	Primary business	Country of domicile	Ownership of the Group		Non-controlling interests	
			2021	2020	2021	2020
Jiangsu Hyundai Wia Co., Ltd.	Auto parts manufacturing	China	100%	100%	-	-
Hyundai Wia Machine Tools Co., Ltd.	Sale of machinery tools	China	100%	100%	-	-
Beijing Wia Turbo Co., Ltd.	Auto parts manufacturing	China	100%	100%	-	-
Hyundai Wia Machine America Corp.	Sale of machinery tools	USA	100%	100%	-	-
Hyundai Wia India PVT Ltd.	Auto parts manufacturing	India	100%	100%	-	-
Hyundai Wia Europe GmbH	Sale of machinery tools	Germany	100%	100%	-	-
Hyundai-Wia Mexico,S.de R.L. de C.V.	Auto parts manufacturing	Mexico	100%	100%	-	-
Hyundai Wia Rus. LLC	Auto parts manufacturing	Russia	100%	100%	-	-
Shandong Hyundai Wia Automotive Engine Company (*1)	Auto parts manufacturing	China	43%	43%	57%	57%
Hyundai Wia Turbo Corporation	Auto parts manufacturing	Korea	100%	100%	-	-
Hyundai-Wia Alabama, Inc (*2)	Auto parts manufacturing	USA	100%	-	-	-

(*1) The Group acquired additional equity interests in Shandong Hyundai Wia Automotive Engine Company for the year ended December 31, 2020, and have acquired the right to form a majority of the board of directors that has voting rights on the operations and dividend policy of Shandong Hyundai Wia Automotive Engine Company. Accordingly, the Group included Shandong Hyundai Wia Automotive Engine Company as a subsidiary of the Group, as being considered to obtain control over the investee.

(*2) The Group newly established Hyundai-Wia Alabama, Inc by investing capital for the year ended December 31, 2021.

1. Corporate information (cont'd)

(2) Overview of subsidiaries (cont'd)

2) The summarized financial position and results of operations of the Parent Company's major consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021				
Subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year	Comprehensive income (loss) for the year
Jiangsu Hyundai Wia Co., Ltd.	₩ 418,069	₩ 122,041	₩ 198,246	₩ (610)	₩ (610)
Hyundai Wia Machine Tools Co., Ltd.	46,088	43,829	93,651	377	377
Beijing Wia Turbo Co., Ltd.	16,166	6,667	23,983	1,675	1,675
Hyundai Wia Machine America Corp.	66,206	74,493	67,764	1,934	1,934
Hyundai Wia Europe GmbH	70,960	50,138	69,952	278	278
Hyundai-Wia India PVT LTD.	114,316	80,054	108,848	7,030	7,030
Hyundai-Wia Mexico,S.de R.L. de C.V.	734,630	576,646	652,291	12,114	12,114
HYUNDAI WIA RUS. LLC	404,802	298,968	56,855	(1,943)	(1,943)
Shandong Hyundai Wia Automotive Engine Company	1,178,957	441,120	797,685	(4,226)	(4,226)
Hyundai Wia Turbo Corporation	41,773	37,986	53,496	(854)	(879)
Hyundai-Wia Alabama, Inc	8,328	7,799	-	(62)	(62)

	2020				
Subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year	Comprehensive income (loss) for the year
Jiangsu Hyundai Wia Co., Ltd.	₩ 394,297	₩ 128,375	₩ 167,971	₩ 1,781	₩ 1,781
Hyundai Wia Machine Tools Co., Ltd.	45,056	43,387	73,899	(2,694)	(2,694)
Beijing Wia Turbo Co., Ltd.	23,584	16,644	40,735	2,596	2,596
Hyundai Wia Machine America Corp.	52,392	61,836	35,446	(5,631)	(5,631)
Hyundai Wia Europe GmbH	64,452	43,968	44,673	(1,169)	(1,169)
Hyundai-Wia India PVT LTD.	100,461	75,248	84,209	392	392
Hyundai-Wia Mexico,S.de R.L. de C.V.	757,992	624,518	679,299	613	613
HYUNDAI WIA RUS. LLC	79,200	33,732	-	(1,255)	(1,255)
Shandong Hyundai Wia Automotive Engine Company	1,217,764	552,405	546,843	(11,571)	(11,571)
Hyundai Wia Turbo Corporation	51,380	46,713	55,407	(2,949)	(2,932)

2. Basis for preparing consolidated financial statements and significant accounting policies

(1) Basis for preparing consolidated financial statements

The Group prepares statutory consolidated financial statements in Korean in accordance with KIFRS enacted by the *Act on External Audit of Stock Companies*. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets that have been measured at fair value. The consolidated financial statements are presented in Korean won (KRW), and all values are rounded to the nearest million, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Group and other entities (including special purpose entities) controlled by the Group (or its subsidiaries). Control is achieved where 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.

Even if the Group has less than a majority of the voting rights of an investee, it is considered to have 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 the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the reporting year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

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

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) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). 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 KIFRS 1109, *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies

1) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under KIFRS 1115 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (i.e., regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

1) Financial assets (cont'd)

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under KIFRS 1032 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other non-operating income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group may elect to classify irrevocably its non-listed equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes quoted equity instrument that did not make the irrevocable choice of classifying the derivative and the fair value change with OCI. Dividends of the quoted equity instrument are recognized as profit and loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

1) Financial assets (cont'd)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Trade receivables, including contract assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)
2) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as of FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separately embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss for the year.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expenses in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

3) Inventories

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

4) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with KIFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized 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.

Any excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with KIFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value 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 or joint venture on the same basis we would be required if that associate or joint venture 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 reclassification adjustment) when it loses significant influence over that associate or joint venture.

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. In addition, the Group applies KIFRS 1105, to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of KIFRS 1039, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with KIFRS 1036, Impairment of Assets, by comparing its recoverable amount (higher of value in use and fair value, less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with KIFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

4) Investments in associates and joint ventures (cont'd)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group transacts with an associate or a joint venture, 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.

5) Property, plant and equipment

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

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

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

	Useful life (years)
Buildings	15~70
Structures	10~33
Machinery	5~15
Vehicles	4~10
Fixtures and tools	3~8
Office supplies	3~10
Others	5~12

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property, plant and equipment (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 asset is derecognized.

6) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both. An investment property is measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment property is presented at the cost, less accumulated depreciation and accumulated impairment losses.

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

6) Investment properties (cont'd)

If an investment property is disposed of (i.e., the date on which the acquirer controls the asset) or is no longer expected to result in future economic benefits through use, it is removed from the financial statements and the net disposal proceeds and the carrying amount are reflected in the profit or loss at the time of disposal. The consideration (amount) to be included in the gain or loss arising from the elimination of the investment property is calculated in accordance with the requirements for determining the transaction price in KIFRS 1115.

While land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives ranging from years using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

7) Intangible assets

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

Internally generated intangible assets (research and development costs)
Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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

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

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

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.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

7) Intangible assets (cont'd)

Amortization is computed using the straight-line method based on the estimated useful lives of the assets. The useful lives of intangible assets are as follows:

	Useful life (years)
Development costs	3~10
Industrial property rights	6~10
Software	3~10
Customer relationship	10~15
Technologies	5
Other intangible assets	3~10

Derecognition of intangible assets
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

8) Non-current assets held for sale

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

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

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

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with KIFRS 1039, unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

9) Impairment of non-financial assets

Assets with indefinite useful lives such as goodwill or membership are not amortized but tested for impairment annually. Assets which are amortized or depreciated are tested for impairment to determine whether events and circumstances indicating those assets have suffered impairment exist. Impairment loss is the excess of the carrying amount over recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

10) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

11) Provisions

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

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

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

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

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

12) Retirement benefit costs and termination benefits

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

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

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

12) Retirement benefit costs and termination benefits (cont'd)

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

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

Discretionary contributions by employees or third parties reduce service costs upon payment of these contributions to the plan. When contributions from employees or third parties set out in the formal terms of the plan, the accounting is dependent on whether the contributions are linked to provision of services.

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

If the contributions are linked to provision of services, it reduces the service cost For the amount of contribution that is dependent on the number of years of service, the Group reduces service costs by attributing the contributions to periods of service using the attribution method in accordance with KIFRS 1019. 70. For the amount of contribution that is independent of the number of years of service, the Group by recognizing a reduction in service costs during the respective period that the service was provided.

13) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

13) Derivative financial instruments and hedge accounting (cont'd)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses. The forward element designated as a hedging instrument is recognized in OCI and accumulated in a separate component of equity under cost of cash flow hedging reserve.

The amounts accumulated in OCI (cash flow hedging reserve) are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

13) Derivative financial instruments and hedge accounting (cont'd)

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

14) Revenue from contracts with customers

The Group is in the business of providing of a goods and services in the auto parts and machinery. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from sale of equipment and machinery
Revenue from sale of equipment is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components and so on.

➢ Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

➢ Significant financing components
The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Revenue from RNA and special business
Revenue from rendering of services is recognized overtime based on the progress rate calculated by using the input method. because the customers simultaneously receive and consume the benefits provided to them.

Contract balances

➢ Contract assets
A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the Group transfers goods or services to customer before the consideration is paid or before it is due by the customer, the contract asset is the Group's right to receive that consideration, which is an asset that has a condition other than the passage of time.

➢ Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the Note 2.(3).1) of Financial assets section

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

14) Revenue from contracts with customers (cont'd)

➢ Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. Refer to the Note 16 on warranty provisions.

The Group provides warranty beyond fixing defects that existed at the time of sale. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. A portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue is recognized over the period in which the service-type warranty is provided based on the time elapsed

15) Long-term employee benefits

The Group provides long-term employee benefits to employees whose service year is beyond 12 months. The expected cost of such benefits is accounted in the same manner as in defined benefit pension plan and recognized throughout the employees' service period. Any actuarial gains and losses from changes in actuarial assumptions and differences in the actuarial assumptions and actual results are recognized in the period incurred. In addition, the Group's long-term employee benefit liabilities are assessed annually by an independent and qualified actuary.

16) Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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.

Deferred tax

Deferred tax is recognized on temporary 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. 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.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

16) Income tax (cont'd)

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

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

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 tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

17) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of KIFRS 1102 leasing transactions that are within the scope of KIFRS 1116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net r realizable value in KIFRS 1002 or value in use in KIFRS 1036.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs are unobservable inputs for the asset or liability.

18) 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 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 generally recognized in profit or loss as incurred.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

18) Business combination (cont'd)

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with KIFRS 1012 *Income Taxes*, and KIFRS 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 KIFRS 1102 *Share-based Payment*, at the acquisition date;
- assets (or disposal Group) that are classified as held for sale in accordance with KIFRS 1105 are measured in accordance with that standard.

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

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another KIFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a 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 the 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. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with KIFRS 1039 or KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date 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 at the acquisition date that, if known, would have affected the amounts recognized at that date.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

19) Foreign currencies

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

In preparing the financial statement of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
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 equity (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 Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

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

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

20) Lease

The Group assesses at contract inception whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

• Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying asset.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.(3).9) Impairment of non-financial assets section.

• Lease Liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments less any lease incentives receivable) and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs or conditions (if not incurred in producing inventory assets).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (For example, changes in future lease payments due to changes in the index or rate recognized to calculate the lease payments.), or an assessment of the option of purchase the underlying asset

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

20) Lease (cont'd)

• Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery, office equipment and etc. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

21) Government grants

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

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

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

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

22) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(3) Significant accounting policies (cont'd)

23) Greenhouse gas emissions

The Group gets greenhouse gas emission allowances allocated to individual greenhouse gas emission companies free of charge within the range of the total greenhouse gas emission allowance established in accordance with the *Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances*. The Group must submit the same amount of emission permits in response to actual emissions. The Group recognizes allowances allocated free of charge by the government (hereinafter referred to as 'free allocation allowances') by measuring them at zero, and recognizes purchased emission allowances at their cost. In addition, allowances are removed when they are submitted to the government or sold. Emission liabilities are recognized only when actual emissions exceed the allocated emission allowances, and emission costs are recognized as operating costs. Emission liabilities are measured by adding the following (1) and (2).

(1) the carrying amount of emission permits held for the applicable performance year to be submitted to the government; and
(2) the best estimate at the end of the reporting period for expenditures required to satisfy the obligation for emissions in excess of the number of allowances in (1).

When some of free allocation allowances for the next performance year is established as borrowing in order to satisfy the obligation to submit emission permits for the applicable performance year, the amount of emission liabilities corresponding to the borrowed portion is recognized as deferred revenue when the emission liabilities are removed. The amount of revenue recognized are offset against the emission cost for the applicable year that the Group purchases and uses emission permits borrowed for fulfilling insufficient permits.

24) Goodwill

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

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

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

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

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(4) Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
• Require contractual changes, or changes to cash flows due directly to the Reform, to be treated as changes to a floating interest rate, akin to a movement in a market rate of interest;
• Permit changes required by the IBOR Reform to be made to hedge designations and hedge documentation without discontinuing the hedging relationship; and
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions beyond June 30, 2021
In 2020, the IASB issued *Covid-19-Related Rent Concessions* - amendment to KIFRS 1116 *Leases*. The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the in same way it would account for the change under KIFRS 1116 if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021. The Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(5) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

KIFRS 1117 Insurance Contracts
In 2021, the IASB issued KIFRS 1117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* that was issued in 2007. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few of exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- ➢ A specific adaptation for contracts with direct participation features (the variable fee approach), and
- ➢ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

KIFRS 1117 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current
The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to KIFRS 1103
The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016
The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)

(5) Standards issued but not yet effective (cont'd)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments clarify the distinction between changes in accounting estimates and in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments are not expected to have a material impact on the Group.

Amendments to KIFRS 1012 "Income Taxes" – Narrowing the scope of the initial recognition exception of deferred income taxes

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary difference, thus to resolve accounting diversity in the recognizing of deferred tax assets and liabilities. Paragraphs 15 and 24 (initial recognition exemption of deferred income taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2. Basis for preparing consolidated financial statements and significant accounting policies (cont'd)
(5) Standards issued but not yet effective (cont'd)

2018-2020 annual improvements

KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

KIFRS 1041 *Agriculture* – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

3. Significant accounting judgments, estimates and assumptions

Other key sources of uncertainty in the significant estimates and assumptions of the uncertainty about the future as of the end of the reporting period that pose a material risk that could cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows. Estimates and assumptions are based on the observed inputs at the time of preparing the consolidated financial statements. Assumptions about the present situation and the future may change due to market changes or circumstances beyond the control of the Group. When such changes occur, they are reflected in the assumptions.

(1) Defined benefit pension plans

The Group operates defined benefit pension plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, rates of expected future salary increases and mortality rates. The characteristic of postemployment benefit plan that serves for the long-term period causes significant uncertainties when the postemployment benefit obligation is estimated. At the end of this year, defined benefit liability of the plan amounts to ₩217,331 million (prior year amounted to ₩226,614 million), as detailed in Note 18.

(2) Valuation of financial instruments

As described in Note 31, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. Note 31 provides detailed information about key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments

(3) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 5, 24.

3. Significant accounting judgments, estimates and assumptions (cont'd)

(4) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(5) Measurement of provisions

At the end of each reporting period, the Group estimates the amount of payments related to product warranties and litigation, and recognizes related provisions. These provisions are determined based on estimates based on past experience.

4. Segment information

(1) Details of segment information as of December 31, 2021, are as follows:

Type	Classification criteria	Primary business	Major customers
Auto parts	Business management purpose	Manufacturing of vehicles components and modules, etc.	Hyundai Motor Company Kia Corp.
Machinery	Business management purpose	Manufacturing of machinery tools, RNA, Special business, etc.	Hyundai Motor Company Defense Acquisition Program Administration

(2) Sales and operating profit (loss) by operating segment for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	Auto parts		Machinery		Total	
Total sales	₩	7,550,535	₩	958,156	₩	8,508,691
Intragroup sales		(774,754)		(206,198)		(980,952)
Net sales		6,775,781		751,958		7,527,739
Segment operating profit (loss)	₩	147,782	₩	(45,057)	₩	102,725

	2020					
	Auto parts		Machinery		Total	
Total sales	₩	6,515,324	₩	798,640	₩	7,313,964
Intragroup sales		(593,110)		(128,612)		(721,722)
Net sales		5,922,214		670,028		6,592,242
Segment operating profit (loss)	₩	90,921	₩	(18,964)	₩	71,957

4. Segment information (cont'd)

(3) Assets by operating segments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		
	Auto parts	Machinery	Total
Inventories	₩ 582,918	₩ 232,104	₩ 815,022
Property, plant and equipment	2,881,116	221,449	3,102,565
Intangible assets and goodwill	139,390	21,033	160,423

	2020		
	Auto parts	Machinery	Total
Inventories	₩ 501,045	₩ 259,928	₩ 760,973
Property, plant and equipment	2,914,631	244,081	3,158,712
Intangible assets and goodwill	150,422	21,731	172,153

(4) Liabilities by operating segments as of December 31, 2021 and 2020 are as follow (Korean won in millions):

	2021		
	Auto parts	Machinery	Total
Trade and other payables	₩ 1,047,418	₩ 101,692	₩ 1,149,110

	2020		
	Auto parts	Machinery	Total
Trade and other payables	₩ 833,977	₩ 259,991	₩ 1,093,968

(5) Sales and operating profit by regional segments where the Group's subsidiaries are domiciled in for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	Korea	America	Europe	China	India	Total
Total sales	₩ 6,439,417	₩ 720,055	₩ 126,807	₩ 1,113,564	₩ 108,848	₩ 8,508,691
Intragroup sales	(641,750)	(345)	(397)	(338,441)	(19)	(980,952)
Net sales	₩ 5,797,667	₩ 719,710	₩ 126,410	₩ 775,123	₩ 108,829	₩ 7,527,739
Total operating profit (loss)	₩ 134,667	₩ 19,191	₩ (7,174)	₩ 8,602	₩ 5,423	₩ 160,709
Unrealized gain	(57,984)	-	-	-	-	(57,984)
Net operating profit (loss)	₩ 76,683	₩ 19,191	₩ (7,174)	₩ 8,602	₩ 5,423	₩ 102,725

	2020					
	Korea	America	Europe	China	India	Total
Total sales	₩ 5,640,889	₩ 714,745	₩ 44,673	₩ 829,448	₩ 84,209	₩ 7,313,964
Intragroup sales	(459,410)	(664)	(499)	(261,132)	(17)	(721,722)
Net sales	₩ 5,181,479	₩ 714,081	₩ 44,174	₩ 568,316	₩ 84,192	₩ 6,592,242
Total operating profit (loss)	₩ 57,740	₩ 9,623	₩ (4,721)	₩ (19,414)	₩ 3,124	₩ 46,352
Unrealized gain	25,605	-	-	-	-	25,605
Net operating profit (loss)	₩ 83,345	₩ 9,623	₩ (4,721)	₩ (19,414)	₩ 3,124	₩ 71,957

(6) Information of major customers

Sales of auto parts, which amounted to ₩7,527,739 million (₩6,592,242 million in 2020) for the year ended December 31, 2021, include sales to Kia Corp. of ₩2,599,944 million (₩2,337,744 million in 2020) and sales to Hyundai Motor Company of ₩819,311 million (₩776,341 million in 2020), respectively.

5. Trade receivables, loans and other receivables

(1) Details of trade receivables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021				2020			
	Current		Non-current		Current		Non-current	
Trade receivables	₩	1,511,529	₩	7,662	₩	1,489,024	₩	7,119
Loss allowances		(20,558)		(4,359)		(24,687)		(3,996)
Trade receivables, net	₩	1,490,971	₩	3,303	₩	1,464,337	₩	3,123

(2) Details of loans and other receivables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021				2020			
	Current		Non-current		Current		Non-current	
Other receivables	₩	82,720	₩	45,490	₩	73,341	₩	41,624
Loss allowances		(4,211)		-		(4,475)		-
Other receivables, net		78,509		45,490		68,866		41,624
Loans		-		1,477		-		-
Loss allowances		-		-		-		-
Loans, net		-		1,477		-		-
Deposits		-		10,239		-		12,636
	₩	78,509	₩	57,206	₩	68,866	₩	54,260

(3) Credit risk and loss allowances

Impairment reporting on trade receivables and other receivables are performed at the end of reporting period using allowance matrix to measure the expected credit loss. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, loss allowances for trade receivables and other receivables are recognized if past due for more than the normal operating cycle.

1) An aging analysis of receivables that are past due but not impaired, as of December 31, 2021 and 2020 are as follows (Korean won millions):

	2021			
	Trade receivables		Other receivables	
Less than a year	₩	38,075	₩	87
One to three years		5,721		478
More than three years		160		7
	₩	43,956	₩	572

	2020			
	Trade receivables		Other receivables	
Less than a year	₩	61,453	₩	7,126
One to three years		8,931		248
More than three years		1,744		6
	₩	72,128	₩	7,379

5. Trade receivables, loans and other receivables (cont'd)

(3) Credit risk and loss allowances (cont'd)

2) Individually impaired receivables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Trade receivables		Other receivables	
Receivables	₩	16,863	₩	3,721
Loss allowances		(15,938)		(3,721)
	₩	925	₩	-

	2020			
	Trade receivables		Other receivables	
Receivables	₩	21,140	₩	4,373
Loss allowances		(18,346)		(3,911)
	₩	2,794	₩	463

The Group recognizes allowance for doubtful accounts against secured, disputed or dishonored receivables, by considering the value of securities and collaterals and past recovery experience rate. For the other receivables, the Group assesses collective impairment on the basis of past recovery experience rate.

3) Receivables subject to collective impairment testing

Aging details of the Group's collective impairment test by term structures of trade and other receivables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Trade receivables		Other receivables	
Receivables not past due	₩	64,839	₩	5,895
Less than a year		14,732		5,246
One to three years		3,676		835
More than three years		8,532		127
		91,779		12,103
Loss allowances		(8,979)		(490)
	₩	82,800	₩	11,613

	2020			
	Trade receivables		Other receivables	
Receivables not past due	₩	47,100	₩	2,761
Less than a year		20,865		2,358
One to three years		9,397		220
More than three years		9,315		455
		86,677		5,794
Loss allowances		(10,338)		(564)
	₩	76,339	₩	5,230

As of December 31, 2021, the amount of trade receivables and other receivables that are not overdue and not impaired amounted to ₩1,366,593 million (₩1,316,198 million as of December 31, 2020) and ₩111,814 million (₩97,418 million as of December 31, 2020), respectively.

5. Trade receivables, loans and other receivables (cont'd)

(3) Credit risk and loss allowances (cont'd)

4) Changes in the loss allowance for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020		
	Trade receivables	Other receivables	Trade receivables	Other receivables	Loans
Beginning balance	₩ 28,683	₩ 4,475	₩ 33,034	₩ 3,918	₩ 128
Loss allowance (reversal)	1,704	(475)	(3,585)	538	-
Collection (derecognition)	(6,853)	-	(349)	3	(128)
Others (*1)	1,383	211	(417)	16	-
Ending balances	₩ 24,917	₩ 4,211	₩ 28,683	₩ 4,475	₩ -

(*1) Others includes changes in foreign exchange translation.

(4) Transfer of financial assets

Details of trade receivables that do not meet the requirements for elimination of financial assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021	2020
Installment finance loan	Trade receivables	₩ 3,873	₩ 5,011
	Short-term borrowings	3,873	5,011

6. Other assets

Details of other assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Current	Non-current	Current	Non-current
Accrued income	₩ 10,260	₩ -	₩ 7,764	₩ -
Advanced payments	27,590	-	20,862	-
Prepaid expenses	2,254	564	2,343	609
Prepaid value-added tax	23,642	-	9,552	-
	₩ 63,746	₩ 564	₩ 40,521	₩ 609

7. Inventories

Details of inventories as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	Acquisition cost		Valuation reserve		Book value	
Finished goods and merchandise	₩	213,985	₩	(10,557)	₩	203,428
Semi-finished goods		152,712		(11,761)		140,951
Work-in-progress		25,312		(1,787)		23,525
Raw materials		347,051		(23,477)		323,574
Sub-materials		1,533		-		1,533
Supplies		2,242		-		2,242
Goods in transit		119,769		-		119,769
	₩	862,604	₩	(47,582)	₩	815,022

	2020					
	Acquisition Cost		Valuation reserve		Book value	
Finished goods and merchandise	₩	341,155	₩	(19,632)	₩	321,523
Semi-finished goods		137,912		(11,757)		126,155
Work-in-progress		26,637		(1,156)		25,481
Raw materials		253,354		(19,394)		233,960
Sub-materials		1,899		-		1,899
Supplies		79		-		79
Goods in transit		51,876		-		51,876
	₩	812,912	₩	(51,939)	₩	760,973

For the years ended December 31, 2021 and 2020, the reversal of loss on valuation of inventories has been ₩5,904 million(the allowance for loss on valuation of inventories in 2020: ₩12,442 million).

8. Other financial assets

(1) Details of other financial assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021				2020			
	Current		Non-current		Current		Non-current	
Short-term financial instruments	₩	1,212,164	₩	-	₩	1,042,338	₩	-
Long-term financial instruments		-		141		-		124,937
Derivative assets		63		334		1,007		-
Financial instruments measured at fair value		-		53,240		-		53,014
	₩	1,212,227	₩	53,715	₩	1,043,345	₩	177,951

8. Other financial assets (cont'd)

(2) Details of other Financial instruments measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021							
		Acquisition cost		Fair value		Book value		Accumulated gain or loss on valuation
Equity instrument at FVOCI								
Non-Marketable equity securities:								
HYUNDAI TRANSYS INC.	₩	9,957	₩	39,077	₩	39,077	₩	29,120
HAEVICHI HOTELS&RESORTS Co., Ltd.		-		10,745		10,745		10,745
KYONGNAM SHINMUN and others		880		483		483		(397)
Debt instruments at FVPL:								
Machinery Financial Cooperative		1,660		1,660		1,660		-
Korea Defense Industry Association		1,250		1,250		1,250		-
Korea Auto Industries Coop. Association and others		25		25		25		-
	₩	13,772	₩	53,240	₩	53,240	₩	39,468

	2020							
		Acquisition cost		Fair value		Book value		Accumulated gain or loss on valuation
Equity instrument at FVOCI								
Non-Marketable equity securities:								
HYUNDAI TRANSYS INC.	₩	9,957	₩	38,549	₩	38,549	₩	28,592
HAEVICHI HOTELS&RESORTS Co., Ltd.		-		11,227		11,227		11,227
KYONGNAM SHINMUN and others		700		303		303		(397)
Financial instruments at FVPL:								
Machinery Financial Cooperative		1,660		1,660		1,660		-
Korea Defense Industry Association		1,250		1,250		1,250		-
Korea Auto Industries Coop. Association and others		25		25		25		-
	₩	13,592	₩	53,014	₩	53,014	₩	39,422

(3) Details of restricted financial assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Description		2021		2020	Restrictions
Short-term financial instruments	Deposits	₩	68,000	₩	68,000	Restrictions for growth together fund
	Deposits		40		40	Guarantee deposits for licenses
Long-term financial instruments	Guarantee deposits		5		5	Guarantee deposits for checking accounts
	Deposits		40		40	Guarantee deposits for licenses
		₩	68,085	₩	68,085	

9. Investments in associates

(1) Investments in associates as of December 31, 2021 and 2020 are as follows (Korean won in millions):

Associates	Main business	Country of domicile	Ownership percentage (%)	2021 Acquisition cost	2021 Book value	2020 Acquisition cost	2020 Book value
Hyundai Special Steel Co., Ltd.	Steel wire manufacturing	Korea	40	₩ 134,711	₩ 91,075	₩ 134,711	₩ 86,452
Hyundai Wia Motor Dies (Shandong) Company (*1)	Auto parts manufacturing	China	20	8,194	14,515	8,194	12,262
				₩ 142,905	₩ 105,590	₩ 142,905	₩ 98,714

(*1) The investments in the associate includes investment stocks held by Jiangsu Hyundai Wia Co., Ltd., a subsidiary of the Group.

(2) Changes in the Group's investments in associates for the years ended December 31, 2021, and 2020 are as follows (Korean won in millions):

	2021					
Associates	January 1	Gain(loss) on equity method	Dividends Received	Equity adjustments in equity method	Others (*1)	December 31
Hyundai Special Steel Co., Ltd.	₩ 86,452	₩ 3,918	₩ -	₩ 705	₩ -	₩ 91,075
Hyundai Wia Motor Dies (Shandong) Company	12,262	628	(131)	1,174	582	14,515
	₩ 98,714	₩ 4,546	₩ (131)	₩ 1,879	₩ 582	₩ 105,590

(*1) Others include the effect of foreign exchange changes.

	2020							
Associates	January 1	Increase	Gain(loss) on equity method	Dividends Received	Equity adjustments in equity method	Impairment loss	Business Combination (*2)	Others (*3)	December 31
Shandong Hyundai Wia Automotive Engine Company (*1)	₩ 187,362	₩ -	₩ (9,386)	₩ -	₩ 5,203	₩ -	₩ (183,179)	₩ -	₩ -
Hyundai Special Steel Co., Ltd.	110,759	20,000	(25,404)	-	147	(19,030)	-	(20)	86,452
Hyundai Wia Motor Dies (Shandong) Company	9,663	-	2,658	(255)	44	-	-	152	12,262
	₩ 307,784	₩ 20,000	₩ (32,132)	₩ (255)	₩ 5,394	₩ (19,030)	₩ (183,179)	₩ 132	₩ 98,714

(*1) For the year ended December 31, 2020, the Group acquired an additional 13% of equity in Shandong Hyundai Wia Automotive Engine Company, the associate, for ₩104,587 million (of which it had possessed 43% as of December 31, 2020). The investment was reclassified from investments in associates to investments in subsidiaries as theGroup is considered to have acquired control over the associate.

(*2) The amount of ₩7,337 million realizing equity adjustments in equity method is included.

(*3) Others include the effect of foreign exchange differences.

9. Investments in associates (cont'd)

(3) The summarized financial information of the Group's associates as of and for year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
Accounts	Hyundai Special Steel Co., Ltd.		Hyundai Wia Motor Dies (Shandong) Company	
Current assets	₩	280,138	₩	121,124
Non-current assets		327,084		22,693
Total assets		607,222		143,817
Current liabilities		280,190		70,729
Non-current liabilities		130,709		9,313
Total liabilities		410,899		80,042
Total equity		196,323		63,775
Revenue		561,469		35,332
Operating income (loss)		9,771		2,121
Other comprehensive income		1,763		5,865
Total comprehensive income (loss)	₩	11,534	₩	7,986

	2020					
Accounts	Hyundai Wia Automotive Engine (Shandong) Company (*1)		Hyundai Special Steel Co., Ltd.		Hyundai Wia Motor Dies (Shandong) Company	
Current assets	₩	588,776	₩	269,695	₩	117,949
Non-current assets		649,622		352,628		22,104
Total assets		1,238,398		622,323		140,053
Current liabilities		405,713		230,291		75,917
Non-current liabilities		145,077		207,286		8,348
Total liabilities		550,790		437,577		84,265
Total equity		687,608		184,746		55,788
Revenue		417,348		430,518		52,184
Operating income (loss)		(29,887)		(63,498)		12,384
Other comprehensive loss		-		369		8
Total comprehensive income (loss)	₩	(29,887)	₩	(63,129)	₩	12,392

(*1) It shows the condensed financial information before the business combination of July 1, 2020.

The above condensed financial information is presented after adjustments of fair value arising from acquisitions of equity interests and difference of accounting policy between the Group and the investees, but before elimination of internal transactions and goodwill.

9. Investments in associates (cont'd)

(4) A reconciliation of net assets of the associates to the carrying amount of the investments in associates recognized in the consolidated financial statements as of December 31, 2021 and 2020 is as follows (Korean won in millions):

	2021			
Accounts	Hyundai Special Steel Co., Ltd.		Hyundai Wia Motor Dies (Shandong) Company	
Net assets of the associates	₩	196,323	₩	63,775
Ownership interest		40%		20%
Net assets attributable to the Group		78,529		12,755
Elimination of inter-group transactions		(118)		75
Goodwill		12,664		1,685
Book value	₩	91,075	₩	14,515

	2020					
Accounts	Hyundai Wia Automotive Engine (Shandong) Company (*1)		Hyundai Special Steel Co., Ltd.		Hyundai Wia Motor Dies (Shandong) Company	
Net assets of the associates	₩	687,608	₩	184,746	₩	55,788
Ownership interest		30%		40%		20%
Net assets attributable to the Group		206,282		73,898		11,158
Elimination of intragroup transactions		(23,103)		(128)		(129)
Goodwill		-		12,682		1,233
Book value	₩	183,179	₩	86,452	₩	12,262

(*1) Reconciliation information until the business combination as of July 1, 2020.

10. Investments in joint ventures

(1) Details of the Group's investments in joint ventures as of December 31, 2021 and 2020 are as follows (Korean won in millions):

				2021				2020			
Joint venture	Primary business	Country of domicile	Ownership percentage (%)	Acquisition cost		Book value		Acquisition cost		Book value	
Wia Magna Powertrain Corp.	Auto parts manufacturing	Korea	50	₩	6,649	₩	19,121	₩	6,649	₩	18,613

All joint arrangements where the Group holds joint control have been structured through a separate vehicle and are classified as joint ventures as each joint venture of the arrangements holds right to access the net assets of the entities.

10. Investments in joint ventures (cont'd)

(2) Changes in investments in joint ventures for the years ended December 31, 2021, and 2020 are as follows (Korean won in millions):

	2021									
Joint venture	January 1		Gain on equity method		Dividends received		Equity adjustments in equity method		December 31	
Wia Magna Powertrain Corp.	₩	18,613	₩	3,577	₩	(3,000)	₩	(69)	₩	19,121

	2020									
Joint venture	January 1		Gain on equity method		Dividends received		Equity adjustments in equity method		December 31	
Wia Magna Powertrain Corp.	₩	17,427	₩	4,160	₩	(3,000)	₩	26	₩	18,613

(3) The summarized financial information of the joint ventures of the Group as of and for year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Wia Magna Powertrain Corp.		Wia Magna Powertrain Corp	
Current assets	₩	47,059	₩	42,056
Non-current assets		33,414		28,705
Total assets		80,473		70,761
Current liabilities		33,404		25,950
Non-current liabilities		8,827		7,585
Total liabilities		42,231		33,535
Total net assets		38,242		37,226
Sales		173,935		131,878
Operating income		7,154		8,320
Other comprehensive income		(137)		52
Total comprehensive income	₩	7,017	₩	8,372

The above condensed financial information of a joint venture is presented after adjustments of fair value arising from acquisitions of equity interests and difference of accounting policy between the Group and the investees, but before elimination of internal transactions and goodwill.

(4) Summarized additional financial information of the joint ventures of the Group as of and for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
Investee	Cash and cash equivalents		Interest income	
Wia Magna Powertrain Corp.	₩	10,694	₩	237

	2020			
Investee	Cash and cash equivalents		Interest income	
Wia Magna Powertrain Corp.	₩	15,266	₩	252

10. Investments in joint ventures (cont'd)

(5) A reconciliation of the net assets of the joint ventures to carrying amount of the interest in the joint ventures as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	
	Wia Magna Powertrain Corp.	
Net assets	₩	38,242
Ownership interest		50%
Net assets attributable to the group		19,121
Adjustments		-
Book value	₩	19,121

	2020	
	Wia Magna Powertrain Corp.	
Net assets	₩	37,226
Ownership interest		50%
Net assets attributable to the group		18,613
Adjustments		-
Book value	₩	18,613

11. Property, plant and equipment

(1) Details of property, plant and equipment as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 631,244	₩ -	₩ -	₩ 631,244
Building	1,074,627	(227,265)	-	847,362
Deduct:				
Government grants	(6,207)	-	-	(6,207)
Structures	79,875	(33,383)	-	46,492
Machinery	3,262,265	(1,838,576)	(7,845)	1,415,844
Vehicles	10,074	(7,795)	-	2,279
Fixtures and tools	369,682	(293,362)	(2,922)	73,398
Office equipment	119,872	(97,623)	-	22,249
Other P.P.E.	50,100	(39,862)	-	10,238
Construction in progress	59,666	-	-	59,666
	₩ 5,651,198	₩ (2,537,866)	₩ (10,767)	₩ 3,102,565

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 635,563	₩ -	₩ -	₩ 635,563
Building	946,834	(191,156)	-	755,678
Deduct:				
Government grants	(4,788)	-	-	(4,788)
Structures	77,235	(30,241)	-	46,994
Machinery	3,241,627	(1,757,461)	(1,768)	1,482,398
Vehicles	10,524	(7,629)	-	2,895
Fixtures and tools	367,690	(282,877)	(1,045)	83,768
Office equipment	113,954	(93,532)	-	20,422
Other P.P.E.	45,874	(36,261)	-	9,613
Construction in progress	126,169	-	-	126,169
	₩ 5,560,682	₩ (2,399,157)	₩ (2,813)	₩ 3,158,712

11. Property, plant and equipment (cont'd)

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021							
	Beginning of year	Acquisition	Transfer (*1)	Disposal	Depreciation	Impairment	Others (*3)	End of year
Land (*2)	₩ 635,563	₩ -	₩ (5,196)	₩ (191)	₩ -	₩ -	₩ 1,068	₩ 631,244
Building (*2)	755,679	3,671	89,132	(864)	(26,366)	-	26,110	847,362
Deduct: Government grants	(4,788)	(1,500)	-	-	113	-	(32)	(6,207)
Structures (*2)	46,994	947	90	(251)	(2,881)	-	1,593	46,492
Machinery	1,482,398	28,573	56,203	(9,281)	(213,633)	(5,919)	77,503	1,415,844
Vehicles	2,894	-	444	(117)	(1,103)	-	161	2,279
Fixtures and tools	83,768	6,765	11,814	(448)	(30,403)	(1,769)	3,671	73,398
Office equipment	20,421	4,077	3,859	(149)	(6,299)	-	340	22,249
Other P.P.E.	9,613	933	1,389	(14)	(1,983)	-	300	10,238
Construction in progress	126,170	101,351	(173,095)	-	-	-	5,240	59,666
	₩ 3,158,712	₩ 144,817	₩ (15,360)	₩ (11,315)	₩ (282,555)	₩ (7,688)	₩ 115,954	₩ 3,102,565

(*1) A decrease of ₩5,750 million due to the transfer from construction-in-progress to intangible assets is included.

(*2) For the year ended December 31, 2021, ₩5,196 million of land, ₩3,889 million of buildings, and ₩373 million of structures were replaced as non-current assets held for sale.

(*3) Others include the effect of foreign exchange differences.

	2020								
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Reversal of impairment	Business Combination	Others (*1)	End of year
Land	₩ 629,370	₩ 6,329	₩ 2,102	₩ (670)	₩ -	₩ -	₩ -	₩ (1,568)	₩ 635,563
Building	632,279	6,478	2,211	(519)	(21,244)	-	144,259	(7,785)	755,679
Deduct: Government grants	(4,893)	-	-	-	105	-	-	-	(4,788)
Structures	37,487	1,803	92	(181)	(1,920)	6	9,829	(122)	46,994
Machinery	1,145,552	48,380	109,220	(7,250)	(181,060)	875	439,509	(72,828)	1,482,398
Vehicles	2,525	490	349	(261)	(1,091)	-	931	(49)	2,894
Fixtures and tools	73,225	9,431	8,815	(404)	(29,045)	(2)	22,891	(1,143)	83,768
Office equipment	22,833	4,304	677	(14)	(7,585)	-	341	(135)	20,421
Other P.P.E.	9,125	651	269	(135)	(1,864)	-	1,635	(68)	9,613
Construction in progress	13,458	157,861	(124,441)	(167)	-	-	41,138	38,321	126,170
	₩ 2,560,961	₩ 235,727	₩ (706)	₩ (9,601)	₩ (243,704)	₩ 879	₩ 660,533	₩ (45,377)	₩ 3,158,712

(*1) Others include the effect of foreign exchange differences.

(3) Assets pledged as collateral

The Group's land with a carrying amount of ₩57,254 million has been pledged up to ₩6,644 million as collateral for government grant. The Group cannot provide this asset as collateral for other borrowings or sell it to other companies.

12. Investment properties

(1) Changes in investment properties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
January 1	₩	6,400	₩	4,669
Transfer		152		-
Depreciation		(26)		(6)
Business Combination		-		1,960
Others (foreign exchange differences and others)		401		(223)
December 31	₩	6,927	₩	6,400

(2) All investment properties of the Group are directly owned by the Group and incomes (expenses) in investment properties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Rental income	₩	78	₩	63
Operating and maintenance expenses		(26)		(6)

(3) Land and buildings used for lease purposes are classified as investment property. On the other hand, there is no significant difference between the carrying amount and fair value of buildings classified as investment property.

13. Intangible assets and goodwill

(1) Details of intangible assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021							
	Acquisition cost		Accumulated amortization		Accumulated impairment loss		Book value	
Development cost	₩	430,294	₩	(325,370)	₩	(19,381)	₩	85,543
Less: government grants		(87)		-		-		(87)
Industrial property rights		2,987		(1,731)		-		1,256
Software		112,692		(97,715)		-		14,977
Royalties		30,590		(28,254)		(1,206)		1,130
Membership		18,629		-		(181)		18,448
Customer relationship		8,345		(3,941)		(4,404)		-
Others		12,155		(4,703)		-		7,452
Goodwill		31,704		-		-		31,704
	₩	647,309	₩	(461,714)	₩	(25,172)	₩	160,423

	2020							
	Acquisition cost		Accumulated amortization		Accumulated impairment loss		Book value	
Development cost	₩	417,226	₩	(301,602)	₩	(16,113)	₩	99,511
Less: government grants		(298)		-		-		(298)
Industrial property rights		2,798		(1,481)		-		1,317
Software		105,286		(93,012)		-		12,274
Royalties		28,536		(26,641)		(1,206)		689
Membership		18,629		-		(181)		18,448
Customer relationship		8,345		(3,431)		-		4,914
Others		6,928		(3,334)		-		3,594
Goodwill (*1)		31,704		-		-		31,704
	₩	619,154	₩	(429,501)	₩	(17,500)	₩	172,153

(*1) It includes goodwill recognized relating to the business combination of Shandong Hyundai Wia Automotive Engine Company for the year ended December 31, 2020.

13. Intangible assets and goodwill (cont'd)

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

	2021						
	Beginning of the year	Acquisition	Amortization	Impairment	Transfer (*1)	Others (*2)	End of the year
Development cost	₩ 99,511	₩ 19,183	₩ (23,768)	₩ (6,903)	₩ (2,480)	₩ -	₩ 85,543
Less: government grants	(298)	-	211	-	-	-	(87)
Industrial property rights	1,317	189	(250)	-	-	-	1,256
Software	12,274	3,875	(4,703)	-	2,828	703	14,977
Royalties	689	2,054	(1,613)	-	-	-	1,130
Membership	18,448	-	-	-	-	-	18,448
Customer relationship	4,914	-	(510)	(4,404)	-	-	-
Other intangible assets	3,594	687	(1,369)	(1,235)	5,402	373	7,452
Goodwill	31,704	-	-	-	-	-	31,704
	₩ 172,153	₩ 25,988	₩ (32,002)	₩ (12,542)	₩ 5,750	₩ 1,076	₩ 160,423

(*1) It includes an increase due to the transfer from construction-in-progress to intangible assets and software.

(*2) Others include the effect of foreign exchange differences.

	2020							
	Beginning of the year	Acquisition	Amortization	Disposal	Impairment	Business Combination	Others (*1)	End of the year
Development cost	₩ 123,778	₩ 24,476	₩ (32,081)	₩ -	₩ (16,002)	₩ -	₩ (660)	₩ 99,511
Less: government grants	(623)	-	325	-	-	-	-	(298)
Industrial property rights	1,385	170	(238)	-	-	-	-	1,317
Software	15,745	1,556	(6,218)	-	-	629	562	12,274
Royalties	1,912	1,266	(2,489)	-	-	-	-	689
Membership	18,042	791	-	(204)	(181)	-	-	18,448
Customer relationship	5,472	-	(558)	-	-	-	-	4,914
Other intangible assets	4,460	-	(2,014)	-	-	24,594	(23,446)	3,594
Goodwill	-	-	-	-	-	31,704	-	31,704
	₩ 170,171	₩ 28,259	₩ (43,273)	₩ (204)	₩ (16,183)	₩ 56,927	₩ (23,544)	₩ 172,153

(*1) Others include the effect of foreign exchange differences.

(3) Details of research and development costs for the years ended December 31, 2021 and 2020 are summarized as follows (Korean won in millions):

	2021	2020
Selling and administrative expenses	₩ 33,881	₩ 30,515
Cost of sales (manufacturing costs)	1,170	1,155
	₩ 35,051	₩ 31,670

13. Intangible assets and goodwill (cont'd)

(4) Details of impairment loss recognized for intangible assets for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021									
	Book value		Beginning balance of accumulated impairment loss		Impairment loss		Derecognition		Ending balance of accumulated impairment loss	
Development cost (auto parts)	₩	69,991	₩	(726)	₩	(4,924)	₩	1,082	₩	(4,568)
Development cost (Machinery)		15,465		(15,387)		(1,979)		2,553		(14,813)
Royalties		1,130		(1,206)		-		-		(1,206)
Membership		18,448		(181)		-		-		(181)
Customer relationship		-		-		(4,404)		-		(4,404)
Others		7,452		-		(1,235)		1,235		-
	₩	112,486	₩	(17,500)	₩	(12,542)	₩	4,870	₩	(25,172)

	2020									
	Book value		Beginning balance of accumulated impairment loss		Impairment loss		Derecognition		Ending balance of accumulated impairment loss	
Development cost (auto parts)	₩	82,964	₩	(179)	₩	(726)	₩	179	₩	(726)
Development cost (Machinery)		16,249		(111)		(15,276)		-		(15,387)
Royalties		689		(1,206)		-		-		(1,206)
Membership		18,448		-		(181)		-		(181)
	₩	118,350	₩	(1,496)	₩	(16,183)	₩	179	₩	(17,500)

(5) Details of development costs as of December 31, 2021 are summarized as follows (Korean won in millions):

	Depreciable assets		Construction in progress assets		Book value		Residual depreciation period
Auto parts	₩	53,168	₩	16,823	₩	69,991	1~5 years
Machinery		8,951		6,514		15,465	1~5 years
	₩	62,119	₩	23,337	₩	85,456	

As of December 31, 2021, there is no significant development cost for which the carrying amount of an individual project exceeds 10% of the total development cost.

14. Trade and other payables

Details of trade and other payables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Current	Non-current	Current	Non-current
Trade payables	₩ 959,317	₩ -	₩ 915,876	₩ -
Other payables:				
Account payables	118,226	1,375	117,210	1,640
Accrued expenses	36,139	-	32,188	-
Dividends payable	-	-	463	-
Deposits withheld	51	4,722	-	4,431
Unearned revenue	404	28,876	371	21,789
	154,820	34,973	150,232	27,860
	₩ 1,114,137	₩ 34,973	₩ 1,066,108	₩ 27,860

15. Borrowings and bond payables

(1) Details of borrowings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 26,041	₩ -	₩ 97,008	₩ -
Current portion of long-term borrowings	786,177	-	649,032	-
Long-term borrowings	-	975,737	-	981,326
Bond payables	-	748,094	-	1,047,375
	₩ 812,218	₩ 1,723,831	₩ 746,040	₩ 2,028,701

(2) Details of short-term borrowings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Lender	Interest rate (%)	2021	2020
Installment finance loan (*1)	Hyundai Commercial Inc., etc.	(*2)	₩ 3,873	₩ 5,011
Facility loans	KEB Hana Bank	3.3~3.34	13,000	19,909
	SMBC	3.4	5,000	5,000
	Standard Chartered Bank Korea limited	-	-	10,888
	Mizuho Bank	2.22~2.41	4,000	56,200
	Kookmin Bank	4.18	168	-
			₩ 26,041	₩ 97,008

(*1) Trade receivables provided to the financial institutions did not meet the derecognition criteria of financial assets. Accordingly, the Group has recognized the amount equivalent to the nominal amount of trade receivables.

(*2) Commission is given to the bank at a certain rate, but it is not significant.

15. Borrowings and bond payables (cont'd)

(3) Details of long-term borrowings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Lender	Interest rate (%)	2021	2020
Facility loans	BBVA Bank	-	₩ -	₩ 108,800
	KEB Hana Bank	0.95~4.15	167,417	163,281
	Standard Chartered Bank Korea limited	1~1.10	33,691	33,591
	Kookmin Bank	1.10~4.18	103,054	53,715
	Industrial Bank of Korea	3.69~4.10	27,566	36,731
	NH Bank	-	-	51,667
	Mizuho Bank	1.13~2.45	23,567	22,571
	China Minsheng Bank	4.20~4.50	32,595	41,690
	Korea Development Bank	1.09~4.2	377,769	229,836
	Export-import Bank of Korea	1.37~1.86	139,275	297,600
	Shinhan Bank	0.95~4.9	165,188	157,468
	Bank of China	4.20	5,746	-
	China Merchants Bank	-	-	8,315
	SPD Bank	-	-	8,265
	China Everbright Bank	3.95	18,626	21,705
	Bank of Communications	1.71~4.05	54,069	49,081
	Busan Bank	-	-	8,348
	Woori Bank	0.73~4.15	163,351	47,694
			1,311,914	1,340,358
Less: current portion of long-term borrowings			(336,177)	(359,032)
			₩ 975,737	₩ 981,326

(4) Details of bonds payables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

No. of public offered bonds	Issued date	Maturity date	Interest rate (%)	2021	2020
75-2nd	2014-11-27	2021-11-27	-	₩ -	₩ 100,000
76-2nd	2015-02-10	2022-02-10	2.44	100,000	100,000
77-2nd	2015-05-13	2022-05-13	2.66	100,000	100,000
78-1st	2016-04-11	2021-04-11	-	-	100,000
78-2nd	2016-04-11	2023-04-11	2.17	30,000	30,000
79-2nd	2017-02-21	2022-02-21	2.26	60,000	60,000
80-2nd	2017-07-24	2022-07-24	2.58	100,000	100,000
81-1st	2018-04-17	2021-04-16	-	-	90,000
81-2nd	2018-04-17	2023-04-17	3.09	40,000	40,000
82-1st	2019-04-16	2022-04-15	2.11	90,000	90,000
82-2nd	2019-04-16	2024-04-16	2.33	100,000	100,000
83-1st	2020-02-20	2023-02-20	1.70	200,000	200,000
83-2nd	2020-02-20	2025-02-20	1.98	50,000	50,000
84th	2020-10-28	2023-10-27	1.53	180,000	180,000
85-1st	2021-04-12	2024-04-12	1.53	100,000	-
85-2nd	2021-04-12	2026-04-12	1.96	50,000	-
				1,200,000	1,340,000
	Less: current portion of bonds			(450,000)	(290,000)
	Less: discounts on bonds			(1,906)	(2,625)
				₩ 748,094	₩ 1,047,375

16. Provisions

(1) Details of provisions as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Current	Non-current	Current	Non-current
Provision for warranty	₩ 41,496	₩ 46,053	₩ 36,975	₩ 39,623
Provision for construction loss	520	-	1,150	-
Other provision (*1)	-	8,392	4,580	8,046
	₩ 42,016	₩ 54,445	₩ 42,705	₩ 47,669

(*1) Provision related to lawsuits (Note 33).

(2) Changes in the provisions for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Provision for warranty	Provision for construction loss	Other provision	Provision for warranty	Provision for construction loss	Other provision
January 1	₩ 76,598	₩ 1,150	₩ 12,626	₩ 67,312	₩ -	₩ 186,152
Additional provisions recognized (reversal) (*1)	13,772	68	4,444	1,486	2,435	(143,194)
Utilized (*2)	(8,319)	(698)	(8,916)	(1,158)	(1,285)	(30,004)
Business combination	-	-	-	11,599	-	-
Others (*3)	5,498	-	238	(2,641)	-	(328)
December 31	₩ 87,549	₩ 520	₩ 8,392	₩ 76,598	₩ 1,150	₩ 12,626

(*1) For the year ended December 31, 2020, the Group has made agreements with some parties of the pending lawsuits in relation to ordinary wages and others. Accordingly, the Group has reversed some of the unused amounts of other provisions for the year ended December 31, 2020.

(*2) For the year ended December 31, 2021, ordinary wages were paid according to the results of ordinary wage lawsuits, and this was deducted from other provisions.

(*3) Others include the effect of foreign exchange differences and others.

17. Other financial liabilities

Details of other financial liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Current	Non-current	Current	Non-current
Derivative liabilities	₩ 3,031	₩ -	₩ 3,206	₩ 6,441

18. Retirement benefit plans

The Group operates a defined benefit plan for qualified employees. Employees receive defined benefits that are calculated by the average wages of the final three months at the time of retirement under the defined benefit plan.

(1) Amounts recognized in the consolidated statements of financial position related to the defined benefit plan as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Present value of defined benefit obligation	₩ 217,331	₩ 226,614
Fair value of plan assets	(248,335)	(217,942)
Net defined benefit asset	₩ (32,030)	₩ -
Net defined benefit liability	1,026	8,672

(2) Changes in net defined benefit liability for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

2021	Defined benefit Obligation	Plan assets	Net defined benefit liability
January 1	₩ 226,614	₩ (217,942)	₩ 8,672
Current service cost	25,033	-	25,033
Interest cost (income)	5,542	(5,405)	137
Other	74	-	74
	257,263	(223,347)	33,916
Remeasurements:			
Return on plan assets (excluding interest income above)	-	1,592	1,592
Actuarial losses arising from changes in demographic assumptions	(3,150)	-	(3,150)
Actuarial losses arising from changes in financial assumptions	(22,146)	-	(22,146)
Actuarial gains arising from experience adjustments	5,004	-	5,004
	(20,292)	1,592	(18,700)
Contribution:			
Employer's contribution	-	(44,904)	(44,904)
Benefit paid from assets:			
Benefit paid	(19,640)	17,324	(2,136)
December 31	₩ 217,331	₩ (248,335)	₩ (31,004)

2020	Defined benefit obligation	Plan assets	Net defined benefit liability
January 1	₩ 216,979	₩ (209,111)	₩ 7,868
Current service cost	26,391	-	26,391
Interest cost (income)	5,155	(4,928)	227
Other	437	-	437
	248,962	(214,039)	34,923
Remeasurements:			
Return on plan assets (excluding interest income above)	-	739	739
Actuarial losses arising from changes in demographic assumptions	(7)	-	(7)
Actuarial losses arising from changes in financial assumptions	(2,159)	-	(2,159)
Actuarial gains arising from experience adjustments	5,257	-	5,257
	3,091	739	3,830
Contribution:			
Employer's contribution	-	(21,750)	(21,750)
Benefit paid from assets:			
Benefit paid	(25,439)	17,108	(8,331)
December 31	₩ 226,614	₩ (217,942)	₩ 8,672

18. Retirement benefit plans (cont'd)

(3) The principal assumptions used for actuarial valuation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	2.92% ~ 8.38%	2.43% ~ 7.15%
Expected rate of return of plan assets	2.92% ~ 8.38%	2.43% ~ 7.15%
Expected salary increase rate	3.24% ~ 5.50%	3.45% ~ 5.50%

(4) Details of plan assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Long-term and short-term financial instruments	₩	248,308	₩	217,912
Others		27		30
	₩	248,335	₩	217,942

(5) The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumptions as of December 31, 2021 and 2020 while holding all other assumptions constant. (Korean won in millions):

	2021			
		Increase		Decrease
100 basis point change in discount rate	₩	(18,477)	₩	21,513
1% change in future salary increase rate		21,447		(18,764)

	2020			
		Increase		Decrease
100 basis point change in discount rate	₩	(23,707)	₩	28,224
1% change in future salary increase rate		26,251		(22,504)

Above sensitivity analysis indicates how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible as of the end of the reporting period. Because of the correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis is not representative of actual changes in defined benefit obligation. Sensitivity analysis also is determined using the projected unit credit method.

19. Other current liabilities

Details of other current liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Advances received	₩	30,690	₩	26,817
Withholdings		21,439		28,578
	₩	52,129	₩	55,395

20. Capital stock

Details of capital stock as of December 31, 2021 and 2020 are as follows (Korean won in millions, except for number of shares):

		2021		2020
Authorized shares		40,000,000		40,000,000
Issued shares		27,195,083		27,195,083
Price per share		5,000 won		5,000 won
Capital stock	₩	135,975	₩	135,975

21. Other paid-in capital

Details of other paid-in capital as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Additional paid-in capital	₩	499,045	₩	499,045
Other additional capital		1,491		1,491
Treasury stock		(113,208)		(113,208)
	₩	387,328	₩	387,328

22. Other components of equity

(1) Details of other components of equity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Gain on valuation of financial assets at FVOCI	₩	29,917	₩	29,882
Loss on disposal of financial assets at FVOCI		(4,546)		(4,546)
Equity adjustments in equity method		(560)		(2,154)
Exchange differences on translations of foreign operations		38,699		(33,683)
Gain result from merger of a subsidiary		11,699		11,699
	₩	75,209	₩	1,198

22. Other components of equity (cont'd)

(2) Changes in other components of equity for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	Beginning of the year		Valuation		End of the year	
Gain on valuation of financial assets at FVOCI	₩	39,422	₩	46	₩	39,468
Less: income tax effect		(9,540)		(11)		(9,551)
Loss on disposal of financial assets at FVOCI		(4,546)		-		(4,546)
Equity adjustments in equity method		(7,351)		1,713		(5,638)
Less: income tax effect		5,197		(119)		5,078
Exchange differences on translations of foreign operations		(33,683)		72,382		38,699
Gain result from merger of a subsidiary		11,699		-		11,699
	₩	1,198	₩	74,011	₩	75,209

	2020							
	Beginning of the year		Disposal		Valuation		End of the year	
Gain on valuation of financial assets at FVOCI	₩	34,911	₩	1,666	₩	2,845	₩	39,422
Less: income tax effect		(5,272)		(252)		(4,016)		(9,540)
Loss on disposal of financial assets at FVOCI		(3,132)		(1,414)		-		(4,546)
Equity adjustments in equity method		(15,469)		2,697		5,421		(7,351)
Less: income tax effect		5,349		-		(152)		5,197
Exchange differences on translations of foreign operations		(9,072)		-		(24,611)		(33,683)
Gain result from merger of a subsidiary		11,699		-		-		11,699
	₩	19,014	₩	2,697	₩	(20,513)	₩	1,198

23. Retained earnings and dividends

(1) Details of retained earnings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Business rationalization reserve	₩	215	₩	215
Legal earned surplus reserve		18,734		16,875
Voluntary reserve		2,402,832		2,407,226
Unappropriated retained earnings		229,705		169,274
	₩	2,651,486	₩	2,593,590

(2) Changes in retained earnings for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Beginning of year	₩	2,593,590	₩	2,549,492
Profit for the year		62,320		60,971
Actuarial losses		18,700		(3,830)
Income tax effect		(4,531)		5,550
Dividend paid		(18,593)		(18,593)
End of year	₩	2,651,486	₩	2,593,590

(3) Dividends

1) Details of dividend for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except for number of shares):

		2021		2020
Dividends per share	₩	700 won	₩	700 won
Outstanding shares		27,195,083		27,195,083
Treasury shares		(633,354)		(633,354)
Dividends received shares		26,561,729		26,561,729
Total dividends	₩	18,593	₩	18,593
		14.00%		14.00%

2) The Group's dividend payout ratios are as follows (Korean won in millions):

		2021		2020
Total dividends	₩	18,593	₩	18,593
Profit for the year		62,320		60,971
Payout ratio		29.83%		30.49%

3) The Group's dividend yield rates are as follows (Korean won):

		2021		2020
Dividends per shares	₩	700	₩	700
Shares' closing price at dividends date		81,100		47,700
Dividends yield rates		0.86%		1.47%

24. Revenue from contracts with customers

(1) The breakdown of revenue from contracts with customers of the Group is as follows (Korean won in millions):

	2021					
	Auto parts		Machinery		Total	
Type of goods or services:						
Auto parts sales	₩	6,775,781	₩	-	₩	6,775,781
Machinery sales		-		451,728		451,728
RNA and special business sales		-		300,230		300,230
	₩	6,775,781	₩	751,958	₩	7,527,739
Transfer time of goods or services:						
Goods transferred in a point in time		6,775,781		451,728		7,227,509
Service transferred over time		-		300,230		300,230
	₩	6,775,781	₩	751,958	₩	7,527,739

	2020					
	Auto parts		Machinery		Total	
Type of goods or services:						
Auto parts sales	₩	5,922,214	₩	-	₩	5,922,214
Machinery sales		-		365,959		365,959
RNA and special business sales		-		304,069		304,069
	₩	5,922,214	₩	670,028	₩	6,592,242
Transfer time of goods or services:						
Goods transferred in a point in time		5,922,214		365,959		6,288,173
Service transferred over time		-		304,069		304,069
	₩	5,922,214	₩	670,028	₩	6,592,242

(2) Details of contract assets (due from customers) and contract liabilities (due to customers) as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	2021		2020	
Cumulative cost incurred	₩	804,758	₩	917,527
Cumulative profit, net		102,035		108,283
Cumulative contract revenue		906,793		1,025,810
Cumulative progress billings		938,603		1,047,931
Contract assets (due from customers)		48,102		48,413
Contract liabilities (due to customers)		79,912		70,534

The Group has no retention amount related to construction contracts as of December 31, 2021 and December 31, 2020. In addition, advances received from customers as of December 31, 2021 amount to ₩40 million. As of December 31, 2021, the estimated total construction loss amounts to ₩520 million (₩1,150 million as of December 31, 2020) (see Note 16).

(3) Of the contracts that have been accounted for as revenue in accordance with the percentage of completion using the cost input method and were in progress at the end of the previous year, changes in the total contract amount and estimated total contract costs, and the effect of such changes on the profit and loss of the current and future periods are as follows (Korean won in millions):

	Machinery segment	
Changes in total contract amount and estimated total contract costs	₩	1,068
Effect on profit before tax in the current period		207
Effect on profit before tax in the future period		861
Effect on due from customers		207

(4) There were no major contracts where revenue is recognized based on the percentage of completion using the cost input method and in which the amount of contract price is 5% or more of the sales for the years ended December 31, 2021 and 2020.

24. Revenue from contracts with customers (cont'd)

(5) The contractual balances as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Trade receivables	₩	1,519,191	₩	1,496,143
Contract assets		48,102		48,413
Contract liabilities		108,788		87,043

As of December 31, 2021 and 2020, the Group recognizes a loss allowance on trade receivable based on expected credit losses of ₩24,917 million and ₩28,683 million, respectively (Note 5). No loss allowance for expected credit losses relating to contract assets as of December 31, 2021 and 2020 were recognized by the Group.

(6) The summary information of the Group's performance obligation is as follows.

1) Auto parts sales
The performance obligation is satisfied when the product is transferred. The payment due date for auto parts trade receivables generally ranges from 12 to 90 days after the product is transferred to the customer.

2) Machinery sales
The performance obligation is satisfied when the product is transferred. The collection date for machinery trade receivables generally ranges from 30 to 60 days after the product is transferred to the customer.

3) RNA and special business sales
The performance obligations of RNA and special business sales are achieved overtime. The collection date is generally determined at the commencement of a contract and are generally collected upon completion of the installment and the goods or services are transferred to the customer. For certain contracts, a down payment is required before the installation service is provided.

The transaction price allocated to the performance obligations unsatisfied or partially unsatisfied as of December 31, 2021 is ₩409,047 million (2020: ₩358,726 million)

25. Selling and administrative expenses

(1) Details of selling expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Export expenses	₩	42,191	₩	24,116
Advertisement expenses		7,239		7,246
Product warranty expenses		13,772		1,486
Transportation expenses		70,756		63,074
Sales promotion costs		8,860		8,820
	₩	142,818	₩	104,742

(2) Details of administrative expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Salaries	₩	79,496	₩	68,678
Retirement benefits		9,514		7,115
Employee welfare		23,957		19,741
Communication expense		976		940
Rental fees		3,604		2,966
Travel and transportation expenses		2,107		1,954
Vehicles expenses		802		659
Commission expenses		16,493		16,546
Supplies expenses		901		672
Office supplies expenses		448		316
Repair expenses		611		523
Publication expenses		1,301		865
Current research and development expenses		33,881		30,515
Depreciation		4,187		3,810
Depreciation of right-of-use assets		1,833		1,489
Allowance for (reversal of) loss		1,704		(3,585)
Amortization of intangible assets		5,399		7,244
Insurance expenses		1,803		2,103
transportation and installation cost		47,029		-
Others		15,406		11,667
	₩	251,452	₩	174,218

26. Other non-operating income and expenses

(1) Details of other non-operating income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Gain on foreign currency transactions	₩	30,102	₩	41,754
Gain on foreign currency translation		31,548		26,565
Gain on derivative transactions		801		5,078
Gain on derivative valuations		4,976		1,007
Gain on disposal of P.P.E.		355		1,601
Gain on disposal of intangible assets		-		150
Reversal of impairment loss on P.P.E.		426		2,733
Reversal of impairment loss on intangible assets		111		104
Reversal of other loss allowance		475		4
Royalty income		6,779		1,234
Financial guaranteed income		-		46
Dividend income		-		6
Rental income		78		63
Gain on disposal of investments in associates		-		53,028
Gain on disposal of non-current assets as held for distribution to owners		-		1,664
Miscellaneous income		73,412		103,889
	₩	149,063	₩	238,926

(2) Details of other non-operating expense for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Loss on foreign currency exchange	₩	16,854	₩	43,861
Loss on foreign currency translation		23,293		21,359
Loss on derivative transactions		4,373		5,596
Loss on derivative valuations		1,169		9,647
Loss on disposal of P.P.E.		3,174		6,337
Impairment loss on P.P.E.		8,114		1,853
Impairment loss on intangible assets		12,653		16,290
(Reversal of) Other loss allowance		-		542
Donation		706		531
Loss on disposal of non-current asset held for sale		-		1,591
Impairment loss on investments in associates		-		19,030
Miscellaneous expense		55,586		34,900
	₩	125,922	₩	161,537

27. Finance income and expenses

(1) Details of finance income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Interest income:				
Cash and cash equivalent	₩	22,816	₩	20,858
Trade and other receivables		349		329
Others		68		44
	₩	23,233	₩	21,231

All of interest income incurred from assets measured at amortized cost.

(2) Details of finance expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Interest expenses				
Interest expenses of short-term borrowing	₩	1,129	₩	2,415
Interest expenses of long-term borrowing		27,293		25,179
Interest expenses of bond payables		29,202		30,387
Other interest expenses		214		789
Subtotal		57,838		58,770
Less: capitalization of borrowing costs (*1)		(2,497)		(2,546)
Subtotal		55,341		56,224
Interest expenses of leases		200		375
Other finance expenses		961		1,546
	₩	56,502	₩	58,145

(*1) The interest rates of borrowing cost for the years ended December 31, 2021 and 2020 are 1.62% and 2.88%, respectively.

All of interest expenses incurred from liabilities measured at amortized cost.

28. Expenses by nature

Expenses classified by nature for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Raw materials and merchandise purchased	₩	5,975,243	₩	5,403,554
Changes in inventories		(19,999)		(106,267)
Employees' salaries		379,700		266,749
Depreciation and amortization		318,162		289,491
Others		771,908		666,758
Total (*1)	₩	7,425,014	₩	6,520,285

(*1) The total amount corresponds to the sum of the cost of sales and selling, administrative expenses.

29. Income tax benefits

(1) Income tax benefits for the years ended December 31, 2021 and 2020 are computed as follows (Korean won in millions):

	2021	2020
Current tax:		
In respect of current year	₩ 19,451	₩ 8,631
Adjustments for prior years	16,807	(9,683)
Changes in deferred taxes due to:		
Temporary differences, losses carried forward, tax deficits carried forward and others	8,391	31,840
Income tax benefits	₩ 44,649	₩ 30,788

(2) The reconciliations from profit (loss) before income tax to income tax expense pursuant to the Corporate Tax Act of the Republic of Korea for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Profit before income tax expense	₩ 100,720	₩ 84,460
Income tax expenses calculated at current applicable tax rate	24,374	20,439
Adjustments:		
Non-deductible expenses and income	1,196	138
Non-taxable income	(1,153)	(467)
Unrecognized deferred tax income	2,029	11,596
Other	1,396	8,765
	3,468	20,032
Adjustments recognized in current period in relation to the tax of prior periods	16,807	(9,683)
Income tax expense	₩ 44,649	₩ 30,788
Effective tax rate	44.33%	36.45%

(3) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	End of the year
Temporary differences:				
Trade and other receivables	₩ 12,781	₩ (1,426)	₩ -	₩ 11,355
Financial assets at FVPL	(9,683)	1,549	(11)	(8,145)
Inventories	33,483	(175)	-	33,308
Subsidiaries, associates and joint ventures	(66,898)	2,888	(2,738)	(66,748)
Property, plant and equipment	(58,379)	14,502	-	(43,877)
Intangible assets	2,463	3,744	-	6,207
Other assets	(777)	(179)	-	(956)
Other liabilities	4,001	(410)	-	3,591
Provisions	13,549	1,197	-	14,746
Retirement benefits obligations	1,171	(2,187)	(4,531)	(5,547)
Long-term employee benefits obligations	2,891	(183)	-	2,708
Treasury stock	(24,691)	-	-	(24,691)
Other financial assets	(49)	(82)	-	(131)
Other	21,256	4,211	-	25,467
	₩ (68,882)	₩ 23,449	₩ (7,280)	₩ (52,713)
Deferred tax on tax losses and deficits carried forward	8,133	(31,840)	-	(23,707)
	₩ (60,749)	₩ (8,391)	₩ (7,280)	₩ (76,420)

29. Income tax benefits (cont'd)

(3) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions): (cont'd)

	2020				
	Beginning of the year	Business Combination	Recognized in profit or loss	Recognized in other comprehensive income	End of the year
Temporary differences:					
Trade and other receivables	₩ 8,922	₩ -	₩ 3,859	₩ -	₩ 12,781
Financial assets at FVPL	(6,021)	-	355	(4,017)	(9,683)
Inventories	10,496	-	22,987	-	33,483
Subsidiaries, associates and joint ventures	(28,938)	-	(33,827)	(4,133)	(66,898)
Property, plant and equipment	(42,838)	(13,503)	(2,038)	-	(58,379)
Intangible assets	2,518	(3,159)	3,104	-	2,463
Other assets	(573)	-	(204)	-	(777)
Other liabilities	2,663	-	1,338	-	4,001
Provisions	35,943	-	(22,394)	-	13,549
Retirement benefits obligations	142	-	(4,522)	5,551	1,171
Long-term employee benefits obligations	1,629	-	1,262	-	2,891
Treasury stock	(15,407)	-	(9,284)	-	(24,691)
Other financial assets	(51)	-	2	-	(49)
Other	8,397	-	12,859	-	21,256
	₩ (23,118)	₩ (16,662)	₩ (26,503)	₩ (2,599)	₩ (68,882)
Deferred tax on tax losses and deficits carried forward	13,470	-	(5,337)	-	8,133
	₩ (9,648)	₩ (16,662)	₩ (31,840)	₩ (2,599)	₩ (60,749)

(4) Unrecognized deductible temporary differences in relation to deferred tax assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Taxable temporary differences	
	2021	2020
Deductible temporary differences	₩ 288,739	₩ 312,329

(5) Unrecognized taxable temporary differences of the subsidiary in relation to deferred tax liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Taxable temporary differences	
	2021	2020
Taxable temporary differences	₩ 18,032	₩ 4,243

30. Earnings per share

(1) Basic earnings per common share for the years ended December 31, 2021 and 2020 are calculated as follows (Korean won in millions, except for number of shares):

		2021		2020
Profit for the year	₩	62,320	₩	60,971
Number of common shares outstanding (*1)		26,561,729		26,561,729
Basic earnings per common share (won)	₩	2,346	₩	2,295

(*1) The number shows the weighted-average number of treasury stocks out of shares outstanding.

Controlling shareholder's profit for the years ended December 31, 2021 and 2020 were attributable to the common shares as the Parent Company has not issued any preferred shares.

(2) The Group does not compute diluted earnings per common share for the years ended December 31, 2021 and 2020 as the Group has no dilutive items during the reporting periods.

31. Financial instruments and capital and financial risk management

(1) The significant accounting policies adopted by the Group of the financial assets, financial liabilities, and equity by the category are described in Note 2 of these financial statements specific in detail.

(2) Categories of financial instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

1) Financial assets as of December 31, 2021.

		Financial assets at FVPL		Financial assets at FVOCI		Financial assets at amortized cost		Total
Cash and cash equivalents	₩	-	₩	-	₩	435,063	₩	435,063
Trade receivables		-		-		1,494,274		1,494,274
Loans and other receivables		-		-		79,839		79,839
Short-term financial instruments		-		-		1,212,164		1,212,164
Long-term financial instruments		-		-		141		141
Derivative assets		397		-		-		397
Financial assets measured at fair value		2,935		50,305		-		53,240
	₩	3,332	₩	50,305	₩	3,221,481	₩	3,275,118

2) Financial assets as of December 31, 2020.

		Financial assets at FVPL		Financial assets at FVOCI		Financial assets at amortized cost		Total
Cash and cash equivalents	₩	-	₩	-	₩	554,947	₩	554,947
Trade receivables		-		-		1,467,460		1,467,460
Loans and other receivables		-		-		71,399		71,399
Short-term financial instruments		-		-		1,042,338		1,042,338
Long-term financial instruments		-		-		124,937		124,937
Derivative assets		1,007		-		-		1,007
Financial assets measured at fair value		2,935		50,079		-		53,014
	₩	3,942	₩	50,079	₩	3,261,081	₩	3,315,102

31. Financial instruments and capital and financial risk management (cont'd)

(2) Categories of financial instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions): (cont'd)

3) Financial liabilities as of December 31, 2021.

	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade payables	₩ -	₩ 959,317	₩ 959,317
Other payables	-	126,545	126,545
Current portion of long-term borrowings	-	786,177	786,177
Borrowings	-	1,001,778	1,001,778
Bond payables	-	748,094	748,094
Derivative liabilities	3,031	-	3,031
	₩ 3,031	₩ 3,621,911	₩ 3,624,942

4) Financial liabilities as of December 31, 2020.

	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade payables	₩ -	₩ 915,876	₩ 915,876
Other payables	-	125,661	125,661
Current portion of long-term borrowings	-	649,032	649,032
Borrowings	-	1,078,334	1,078,334
Bond payables	-	1,047,375	1,047,375
Derivative liabilities	9,647	-	9,647
	₩ 9,647	₩ 3,816,278	₩ 3,825,925

(3) Fair value of financial instruments

Except as detailed in the above table, management considered that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

Details of financial assets and liabilities recognized as book value due to the inexistent of reliable information are as follows (Korean won in millions):

	2021	2020
Investment securities (*1)	₩ 2,935	₩ 2,935

(*1) Investment is recognized at cost as the Group determined that it is difficult to obtain the reliable financial information to measure fair value, or otherwise, it is mostly impossible to evaluate the probabilities of occurrence of significant and diverse estimates reliably.

1) The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

31. Financial instruments and capital and financial risk management (cont'd)

(3) Fair value of financial instruments (cont'd)

1) The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique: (cont'd)

A. The analysis of financial instruments measured at fair value after initial recognition by classifying them as Level 1 to Level 3 according to the extent to which fair value is observable in the market is as follows (Korean won in millions):

	2021							
	Level 1		Level 2		Level 3		Total	
Financial assets at FVOCI:								
Unlisted stocks	₩	-	₩	-	₩	2,446	₩	2,446
Financial assets at FVPL:								
Derivative assets		-		1,007		-		1,007
Total	₩	-	₩	1,168,282	₩	50,079	₩	1,218,361
Financial liabilities at FVPL:								
Derivative liabilities	₩	-	₩	9,647	₩	-	₩	9,647

	2020							
	Level 1		Level 2		Level 3		Total	
Financial assets at FVOCI:								
Unlisted stocks	₩	-	₩	-	₩	2,446	₩	2,446
Financial assets at FVPL:								
Derivative assets		-		1,007		-		1,007
Total	₩	-	₩	1,168,282	₩	50,079	₩	1,218,361
Financial liabilities at FVPL:								
Derivative liabilities	₩	-	₩	9,647	₩	-	₩	9,647

The significant transfers between Level 1 and Level 2 have not occurred for the years ended December 31, 2021 and 2020.

B. Reconciliations of Level 3 fair value measurements for the years ended December 31, 2020 and 2020 are as follows (Korean won in millions):

	2021									
	January 1		Transfers (*1)		Valuation		Purchase (sale)		December 31	
Unlisted stocks	₩	2,446	₩	(2,446)	₩	-	₩	-	₩	-

	2020									
	January 1		Transfers (*1)		Valuation		Purchase (sale)		December 31	
Listed stocks (*1)	₩	2,446	₩	(2,446)	₩	-	₩	-	₩	-
Unlisted stocks		52,632		-		(2,853)		300		50,079
	₩	2,446	₩	(2,446)	₩	-	₩	-	₩	-

(*1) For the year ended December 31, 2020, suspended transactions of listed stocks held by the Group were resumed, and accordingly, the stocks were reclassified from level 3 to level 1.

31. Financial instruments and capital and financial risk management (cont'd)

(3) Fair value of financial instruments (cont'd)

2) The following is a description of valuation techniques and input variables used in measuring fair value of financial instruments classified as Level 2 and Level 3.

Derivative – Foreign exchange forward
The fair value of foreign exchange forward is measured principally on the basis of the forward exchange rate announced in the market at the end of the reporting period for the period in which it meets the remaining period of the currency forward. If the forward exchange rate of the period that coincides with the remaining period of the foreign exchange forward is not disclosed in the market, the interpolation method is applied to the forward exchange rate for each period disclosed in the market to estimate the leading exchange rate in a period similar to the remaining period of the foreign exchange forward, fair value of forward. The discount rate used to measure the fair value of the foreign exchange forward is determined using the yield curve derived from the interest rate announced on the market at the end of the reporting period.

As explained above, input variables used to measure the fair value of foreign exchange forward are derived through the forward exchange rate and yield curve that are observable in the market at the end of the reporting period. Therefore, the Group classifies the fair value measurements of foreign exchange forward as Level 2 on Hierarchy of fair value.

Derivative - Currency swap and interest rate swap
The Group entered into an interest rate swap (IRS) and currency swap (CRS) contract to avoid the risk of fluctuations in interest rate and cash flow but did not choose to apply hedge accounting. Gain on valuation of derivatives due to such transactions for the years ended December 31, 2021 are ₩659 million in interest rate swap (IRS) and ₩4,254 million in currency swap (CRS) (loss on valuation of derivatives for the years ended December 31, 2020: ₩325 million in interest rate swap (IRS) and ₩6,116 million in currency swap (CRS)).

Listed stocks suspended from trading and unlisted stocks
The fair value of listed stocks suspended from trading and unlisted stocks is measured by using the discounted cash flow model (DCF model). In order to forecast future cash flows, the Group uses unobservable prices and ratios in certain parts such as sales growth rate, operating income rate before tax and WACC. The weighted average cost of capital (WACC) used to discount future cash flows is calculated by using the Capital Asset Pricing Model (CAPM).

As the Group judges that assumptions and estimates mentioned above are significant to the effect on fair value of listed stocks suspended from trading and unlisted stocks, the Group classifies the fair value measurements of listed stocks suspended from trading and unlisted stocks as Level 3 on Hierarchy of fair value.

3) The Group recognizes transfers between levels at the point when events or conditions change, and there is no change in valuation techniques used in evaluating fair value of financial instruments that are categorized into Level 2 and Level 3.

4) The Group makes judgement that changes in non-observable input variables to reflect reasonably possible substitutive assumptions will not result in significant changes in fair value measurements.

5) There are no significant changes in the business environment or economic environment that occurred affecting the fair value of financial assets and financial liabilities held by the Group for the years ended December 31, 2021.

31. Financial instruments and capital and financial risk management (cont'd)

(3) Fair value of financial instruments (cont'd)

6) The following table gives the information about the quantitative information of fair value valuation technique using significant unobservable inputs and the relationship between unobservable inputs and fair value valuation. (Korean won in millions)

The instruments measured at fair value of financial statements	Fair value December 31, 2021		Fair value December 31, 2020		Fair value hierarchy level
Unlisted stocks	₩	50,305	₩	50,079	3

Significant unobservable inputs and range	Sales growth rate	Operating income rate before tax	WACC
Unlisted stocks	4.6~5.5%	-0.1~3.1%	14.1%~15.3%

	Description
The relationship between unobservable inputs and fair value valuation	The fair value of unlisted stocks will increase (decrease) when sales growth rate and operating income rate before tax increase (decrease) and WACC decrease (increase).
Valuation technique	Discount cash flows. In order to forecast future cash flows, the Group uses unobservable prices and ratios in certain parts such as sales growth rate, operating income rate before tax and WACC.

(4) Reclassification of financial assets

There are no financial assets reclassified due to changes in the purposes and usage for year ended December 31, 2021.

(5) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through optimization of the debt and equity balance. The Group's overall capital risk management strategy remains unchanged from that of the prior periods. Debt-to-equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital.

The debt-to-equity ratio as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Total liabilities	₩	4,054,243	₩	4,194,046
Cash and cash equivalents		435,063		554,947
Net liabilities		3,619,180		3,639,099
Equity		3,695,264		3,525,860
Debt-to-equity ratio		97.94%		103.21%

(6) Financial risk management

1) Financial risk management objectives
The Group's Finance function monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the management of the Group, which provide on foreign exchange risk, interest risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Internal audit function review compliance with policies and exposure on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

31. Financial instruments and capital and financial risk management (cont'd)

(6) Financial risk management (cont'd)

2) Market risk
The Group's risk is mainly exposed to foreign exchange rate in foreign currency fluctuation and interest rate risk. Therefore, the Group uses various derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

The supplemental exposure to market risk is measured using value-at-risk by sensitivity analysis. The Group's overall market risk management strategy remains unchanged from that of the prior periods.

A. Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within the limits of approved Group policy parameters utilizing forward foreign exchange contracts.

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on profit before income tax expense as of December 31, 2021, would be as follows (Korean won in millions):

	2021	
	5% increase	5% decrease
CHF	(5)	5
EUR	(412)	412
INR	(2,009)	2,009
JPY	(25,507)	25,507
USD	(7,588)	7,588
CNY	12,995	(12,995)
RUB	(12,095)	12,095
GBP	(1)	1

B. Interest rate risk

The Group has borrowings at fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates and by the use of interest rate swap and forward interest rate contracts. The Group manages its interest rate risk through regular assessments of the change in markets conditions and the adjustments in nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on profit before income tax expenses as of December 31, 2021, would be as follows (Korean won in millions):

	2021	
	1% increase	1% decrease
Cash and cash equivalents	₩ 4,351	₩ (4,351)
Short-term borrowings	(260)	260
Current portion of long-term borrowings	(7,862)	7,862
Long-term borrowings	(9,203)	9,203

C. Other price risk

The Group is exposed to equity price risks arising from equity investments. The Group holds equity instruments for strategic rather than trading purposes and so the Group does not actively trade these investments.

The Group is exposed to equity price risks arising from equity instrument at FVOCI. As of December 31, 2021, there are equity instrument at FVOCI of ₩50,305 million measured at fair value (₩50,079 million as of December 31, 2020).

31. Financial instruments and capital and financial risk management (cont'd)

(6) Financial risk management (cont'd)

3) Credit risk
Credit risks refer to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral to mitigate the risk of financial loss from defaults. The Group only transacts with entities with credit ratings above a certain level. This information can be supplied by independent financial institutions or rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group reviews the risk exposure and credit ratings of its counterparties continuously and aggregate value of transactions concluded is spread amongst approved counterparties.

The accounts receivable consist of a large number of customers, and spread across various industries and regions. The credit ratings are remeasured continuously and if necessary, the Group made contract with credit guarantee insurance company.

The Group is not exposed to significant credit risk from trades with a single party or similar group of party. The Group is defined as similar characteristics if those companies are related to each other.

The credit risk on derivative financial instruments is limited because the counterparties are banks with highly credit ratings assigned by international credit-rating agencies.

There is no amount guaranteed by the Group to third parties. In addition, the carrying amount of financial assets recorded in the consolidated financial statements is the amount after deduction of impairment losses, and represent the Group's maximum amount of exposure to credit risk.

4) Liquidity risk
The ultimate responsibility for liquidity risk management rests with the Board of Directors, who has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group's maturity analysis of financial liabilities according to their remaining contract period before expiration as of December 31, 2021, is as follows (Korean won in millions):

	2021		
	Less than one year	One year–five years	Total
Accounts receivable and others	₩ 1,079,766	₩ 6,096	₩ 1,085,862
Short-term borrowings	26,041	-	26,041
Long-term borrowings (including current portion)	357,509	996,019	1,353,528
Bond payables (including current portion)	469,029	765,987	1,235,016
Derivative liabilities	3,031	-	3,031
	₩ 1,935,376	₩ 1,768,102	₩ 3,703,478

The above maturity analysis is based on the earliest due date of the Group, based on the undiscounted cash flows, and includes cash flows from principal and interest.

31. Financial instruments and capital and financial risk management (cont'd)

(7) Offsetting of financial assets and liabilities

The Group holds the accounts payable and accounts receivable, which meet the offset criteria under KIFRS 1032 that are incurred from Hyundai Motor Company, Kia Corp. and many suppliers.

Financial assets subject to offset as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		
	Financial assets	Offsetting of financial liabilities	Net amount
Trade and other receivables	₩ 744,059	₩ (118,493)	₩ 625,566

	2020		
	Financial assets	Offsetting of financial liabilities	Net amount
Trade and other receivables	₩ 729,362	₩ (68,724)	₩ 660,638

Financial liabilities subject to offset as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		
	Financial liabilities	Offsetting of financial assets	Net amount
Trade and other payables	₩ 148,562	₩ (118,493)	₩ 30,069

	2020		
	Financial liabilities	Offsetting of financial assets	Net amount
Trade and other payables	₩ 84,371	₩ (68,724)	₩ 15,647

32. Related-party transactions

(1) Details of related parties and affiliates under the *Monopoly Regulation and Fair Trade Act* of the Republic of Korea ("Affiliates by the Act") as of December 31, 2021, are as follows:

	Related parties
Entity with significant influence over the Group	Hyundai Motor Company
Joint venture	Wia Magna Powertrain Corp.
Associates	Hyundai Wia Motor Dies (Shandong) Company
	Hyundai Special Steel Co., Ltd.
Others (*1)	Hyundai Rotem Company
	Hyundai KEFICO Corp.
	Hyundai Capital Services, Inc.
	Hyundai Card Co., Ltd.
	Kia Corp.
	Hyundai Mobis Co., Ltd.
	Hyundai Glovis Co., Ltd.
	Hyundai Transys Inc. and others

(*1) The affiliates included in the Large-Scale Business Group affiliates under the *Fair Trade Act*.

32. Related-party transactions (cont'd)

(2) Transactions between the Group and related parties or affiliates by the Act for year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021			
		Sales/proceeds		Purchases/expenses	
	Companies	Sales	Others	Purchases	Others
Entity with significant influence over the Group	Hyundai Motor Company	₩ 819,311	₩ 10,343	₩ 19,790	₩ 23,753
Joint venture	Wia Magna Powertrain Corp.	-	8,337	174,817	-
Associates	Hyundai Wia Motor Dies (Shandong) Company	1	-	-	-
	Hyundai Special Steel Co., Ltd.	-	-	8,576	-
Others	Kia Corp.	2,599,944	373	18,661	28,033
	Hyundai Glovis Co., Ltd.	658,991	285	8,515	37,831
	Hyundai Motor Manufacturing Rus LLC	326,576	-	4	859
	Hyundai Mobis Co., Ltd.	586,959	25	108,941	170
	Hyundai Transys Inc.	141,522	-	413,010	-
	Others (*1)	1,457,136	6,623	298,040	95,141

(*1) Hyundai Wia Rus, LLC, a subsidiary of the Group, signed a construction contract with HYUNDAI ENGINEERING RUS. L.L.C., a related party, for a total contract amount of RUB 5,222,292 thousand in 2019, and the construction of the asset was completed for the year ended December 31, 2021. Transactions due to this contract are excluded from the above transaction details.

		2020			
		Sales/proceeds		Purchases/expenses	
	Companies	Sales	Others	Purchases	Others
Entity with significant influence over the Group	Hyundai Motor Company	₩ 776,341	₩ 4,587	₩ 38,654	₩ 7,261
Joint venture	Wia Magna Powertrain Corp.	73	2,073	132,987	159
Associates	Shandong Hyundai Wia Automotive Engine Company (*1)	92,758	1,644	140,021	747
	Hyundai Wia Motor Dies (Shandong) Company	113	-	-	-
	Hyundai Special Steel Co., Ltd.	232	-	8,169	-
Others	Kia Corp.	2,337,744	103	25,774	8,204
	Hyundai Glovis Co., Ltd.	395,542	1,028	4,567	19,219
	Hyundai Motor Manufacturing Rus LLC	382,938	-	3	342
	Hyundai Mobis Co., Ltd.	361,521	15	118,289	564
	Hyundai Transys Inc.	170,516	4,575	388,371	73
	Others	1,371,303	3,828	265,223	53,599

(*1) The figures show details in transactions that Shandong Hyundai Wia Automotive Engine Company has concluded before it was included in the consolidation scope of the Group.

32. Related-party transactions (cont'd)

(3) As of December 31, 2021, and 2020, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows (Korean won in millions):

		2021			
		Receivables		Payables	
	Companies	Trade receivables	Other receivables	Trade payables	Other payables
Entity with significant influence over the Group	Hyundai Motor Company	₩ 184,295	₩ 3,417	₩ 1,159	₩ 13,282
Joint venture	Wia Magna Powertrain Corp.	-	1,953	22,878	-
Associates	Hyundai Special Steel Co., Ltd.	-	-	2,471	-
Others	Kia Corp.	438,954	1,513	-	22,151
	Hyundai Glovis Co.	45,200	1	2,444	12,888
	Hyundai Motor Manufacturing Rus LLC	54,300	-	-	83
	Hyundai Mobis Co., Ltd.	99,347	2,649	26,858	67
	Hyundai Transys Inc.	42,129	-	88,771	1,486
	Others	339,175	19,001	52,749	23,745

		2020			
		Receivables		Payables	
	Companies	Trade receivables	Other receivables	Trade payables	Other payables
Entity with significant influence over the Group	Hyundai Motor Company	₩ 208,551	₩ 7,549	₩ 11,935	₩ 4,018
Joint venture	Wia Magna Powertrain Corp.	-	870	18,528	25
Associates	Hyundai Special Steel Co., Ltd.	60	-	4,148	-
Others	Kia Corp.	444,822	1,123	-	8,363
	Hyundai Glovis Co.	55,678	7	1,744	6,263
	Hyundai Motor Manufacturing Rus LLC	30,607	-	-	57
	Hyundai Mobis Co., Ltd.	88,908	-	26,441	7
	Hyundai Transys Inc.	41,731	5,047	64,208	1,590
	Others	284,391	1,270	68,425	16,387

32. Related-party transactions (cont'd)

(4) The equity transaction with the related parties for the years ended December 31, 2020, are as follows, and no equity transactions occurred for the years ended December 31, 2021.

	Companies	Contribution	
Associates	Hyundai Special Steel Co., Ltd.	₩	20,000

(5) For the year ended December 31, 2021, the Group issued the 85-1st and 85-2nd bonds amounting to ₩100,000 million and ₩50,000 million, respectively, and Hyundai Motor Securities Co., Ltd., an other related party, acquired a portion of the bonds amounting to ₩25,000 million and ₩10,000 million, respectively. Also, for the year ended December 31, 2020, the Group issued the 83-1st, 83-2nd, and 84th bonds amounting to ₩200,000 million, ₩50,000 million, and ₩180,000 million, respectively, and Hyundai Motor Securities Co., Ltd., an other related party, acquired a portion of the bonds amounting to ₩55,000 million, ₩5,000 million, and ₩45,000 million, respectively.

(6) For the year ended December 31, 2021, the Group has a financial instrument issued by Hyundai Motor Securities Co., Ltd. amounting to ₩190,000 million (₩190,000 million for the year ended December 31, 2020).

(7) There are no guarantees provided from the related parties to the Group as of December 31, 2021 and 2020.

(8) There are no guarantees provided to the related parties of the Group as of December 31, 2021 and 2020.

(9) The compensation for key management personnel for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Short-term benefits	₩	14,987	₩	12,610
Retirement benefits		2,416		2,355
Other long-term employee benefits		5		4
	₩	17,408	₩	14,969

33. Commitments and contingencies

(1) Performance guarantees provided by unrelated parties to the Group as of December 31, 2021 and 2020 are as follows (Korean won in millions, Other currencies in thousands):

	2021		2020	
	Currency	Amount	Currency	Amount
Woori Bank	USD	1,309	USD	467
	EUR	1,510	EUR	-
Shinhan Bank	USD	3,386	USD	2,138
Hana Bank	USD	2,614	USD	6,932
Kookmin Bank	USD	80,527	USD	30,645
	JPY	-	JPY	43,022
	CNY	-	CNY	80,000
Machinery Financial Cooperative	KRW	16,770	KRW	22,478
Defense Industry Guarantee Cooperative	KRW	57,780	KRW	61,707
Seoul Guarantee Insurance Company	KRW	148,328	KRW	102,719

(2) Detail of notes provided by the Group for guarantees and other purposes as of December 31, 2021 are as follows:

	2021			
	Provided to	Number of notes	Amount	Purpose of provision
Note	Defense Industry Guarantee Cooperative	1	Blank check	Performance guarantee

(3) For promotion of machinery sales, the Group has entered into comprehensive financing agreements, and the limits under these agreements are as follows (Korean won in millions):

Lessor company	Number of contracts	Limits	
Hyundai Commercial Inc.	33	KRW	100,000

(4) As of December 31, 2021, the Group maintains the payment guarantee contracts amounting to USD 250,000 thousand related to the Group’s usance transactions.

(5) The Group set discount limits of notes issued by the Group with Shinhan Bank and six other banks, which amount to ₩306,000 million, for the Group’s suppliers.

(6) The Group maintains receivables discount agreements with Shinhan bank and three other banks, which amount to ₩552,600 million. As of December 31, 2021, the Group does not have discounted receivables.

(7) As of December 31, 2021, the not-yet-matured receivables that do not meet criteria for derecognition amount to ₩3,873 million.

(8) As of December 31, 2021, the Group has recognized a litigation provision for some of the above lawsuits in relation to the ordinary wage amounting to ₩8,392 million. The Group determined that other ongoing lawsuits are insignificant as the Group cannot reasonably predict the outcome of the lawsuits.

34. Cash flows

(1) Addition items not involving cash inflows and outflows for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Retirement benefits	₩	25,170	₩	26,617
Depreciation (property, plant and equipment and investment properties)		282,581		243,710
Depreciation of right-of-use assets		3,579		2,509
Interest expenses on lease liabilities		200		375
Bad debt expenses		1,704		(3,585)
Loss on disposal of trade receivables		961		1,426
Income tax expenses		44,649		30,787
Interest expenses		55,341		56,224
Warranty expenses		13,772		1,486
Amortization		32,002		43,272
Loss on foreign currency translation		23,293		21,359
(Reversal of) Loss on valuation of inventories		(5,904)		10,498
Impairment loss on intangible assets		12,653		16,290
Impairment loss on property, plant and equipment		8,114		1,853
Impairment loss on investment in associates		-		19,030
Loss on disposal of property, plant and equipment		3,174		6,337
Loss on disposal of asset held for sale		-		1,591
Loss on derivative valuations		1,169		9,647
Loss (gain) on equity method		(8,123)		27,972
Interest income		(23,233)		(21,231)
Dividend income		-		(6)
Gain on foreign currency translation		(31,548)		(26,565)
Gain on valuation of derivatives		(4,976)		(1,007)
Gain on disposal of property, plant and equipment		(355)		(1,601)
Gain on disposal of intangible assets		-		(150)
Reversal of impairment loss on property, plant and equipment		(426)		(2,733)
Reversal of impairment loss on intangible assets		(111)		(104)
Gain on disposal of asset held for sale		-		(1,664)
Gain on disposal of investments in associates		-		(53,028)
(Reversal of) Allowance of other bad debt expenses		(475)		538
(Reversal of) Other provisions raised		4,445		(143,194)
Others		(379)		(199)
	₩	437,277	₩	266,454

34. Cash flows (cont'd)

(2) Details of changes in operating assets and liabilities resulting for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Decrease (increase) in trade receivables	₩	(86,402)	₩	11,247
Decrease (increase) in other current assets		(2,943)		3,798
Decrease in due from customers		311		11,112
Decrease (increase) in loans and other receivables		(1,886)		35,191
Decrease (increase) in inventories		(14,095)		34,755
Decrease in other current financial assets		1,007		2,471
Increase in non-current loans and other receivables		(3,516)		(2,415)
Increase (decrease) in trade and other payables		9,532		(128,402)
Payment of other provisions		(8,916)		(30,004)
Increase (decrease) in other current liabilities		(6,128)		7,170
Increase (decrease) in other current financial liabilities		(3,356)		144
Increase (decrease) in due to customers		9,379		(816)
Decrease in provisions		(8,948)		(1,158)
Increase (decrease) in employee benefits liabilities		(759)		1,160
Payment of retirement benefits		(19,640)		(25,439)
Increase in plan assets		(26,580)		(4,642)
Decrease in non-current other liabilities		1,856		23
Decrease (increase) in non-current trade receivables		184		(73)
Increase (decrease) in other non-current financial liabilities		(841)		6,531
Decrease (increase) in other assets and liabilities		4,669		301
		(157,072)		(79,046)

(3) Significant non-cash transactions for the years ended December 31, 2021 and 2020 are described as follows (Korean won in millions):

		2021		2020
Increase (decrease) in account payables related to acquisition of property, plant and equipment	₩	4,969	₩	(16,633)
Increase (decrease) in note payables related to acquisition of property, plant and equipment		296		(7,169)
Reclassification of property, plant and equipment to assets held for sale		9,458		-
Transfer of long-term financial instruments to current portion		126,099		40

34. Cash flows (cont'd)

(4) Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	January 1	Changes in cash flows	Recognition and transfer	Amortization	Others	December 31
Short-term borrowings	₩ 97,008	₩ 38,461	₩ (110,205)	₩ -	₩ 777	₩ 26,041
Current portion of long-term borrowings	649,032	(764,572)	874,508	-	27,209	786,177
Long-term borrowings	981,326	355,750	(424,508)	-	63,169	975,737
Bond	1,047,375	149,315	(450,000)	1,404	-	748,094
Lease liabilities	6,376	(2,330)	-	200	2,031	6,277
Leasehold deposits	806	148	-	-	41	995

	2020						
	January 1	Changes in cash flows	Business Combination	Recognition and transfer	Amortization	Others	December 31
Short-term borrowings	₩ 127,971	₩ 16,192	₩ -	₩ (44,133)	₩ -	₩ (3,022)	₩ 97,008
Current portion of long-term borrowings	494,851	(686,672)	234,799	627,837	-	(21,783)	649,032
Long-term borrowings	621,582	596,414	139,969	(359,032)	-	(17,607)	981,326
Bond	907,896	428,174	-	(290,000)	1,305	-	1,047,375
Lease liabilities	9,380	(2,606)	-	12	376	(786)	6,376

35. Leases

(1) Changes in the carrying amount of right-of-use assets for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	January 1	Increase	Transfers	Decrease	Depreciation	Others	December 31
2021	₩ 29,769	₩ 2,530	₩ -	₩ (858)	₩ (3,579)	₩ 1,626	₩ 29,488
2020	9,326	12	23,703	-	(2,509)	(763)	29,769

(2) Changes in the carrying amount of lease liabilities for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	January 1	Increase	Decrease	Interest expenses	Payment	Others	December 31
2021	₩ 6,376	₩ 2,530	₩ (865)	₩ 200	₩ (2,330)	₩ 366	₩ 6,277
2020	9,380	12	-	376	(2,606)	(786)	6,376

(3) Details of the maturity profile of the Group's lease liabilities based on contractual undiscounted payments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Current lease liabilities	₩ 2,282	₩ 1,724
Non-current lease liabilities	3,995	4,652
Total lease liabilities	₩ 6,277	₩ 6,376
Less than a year	₩ 2,282	₩ 1,846
One to five years	3,995	4,399
More than five years	-	131

As of December 31, 2021, the Group's weighted average incremental borrowing rate of interest ranges from 1.64% to 2.05%.

(4) The Group recognized lease payments of ₩2,411 million for short-term leases and ₩13,633 million for variable lease payments.

36. Non-current assets held for sale

As of December 31, 2021, the Group entered into a sale contract for land, buildings and structures classified as non-current assets held for sale, and is in the process of selling accordingly. Also, details of non-current assets held for sale as of December 31, 2021 are as follows (Korean won in millions):

	2021
Land	₩ 5,196
Buildings	3,889
Structures	373
	₩ 9,458

37. Emissions rights and liabilities

(1) Details of free allocation allowances for each planned period of the Group as of December 31, 2021 are as follows:

	2021		2022		2023		2024		2025		Total	
Free allocation allowances	KAU	203,487	KAU	203,487	KAU	203,487	KAU	201,581	KAU	201,581	KAU	1,013,623

(2) Changes in the Group's greenhouse gas emissions for the year ended December 31, 2021 are as follows (KAU, Korean won in millions):

	2020				2019			
	Quantities		Book value		Quantities		Book value	
January 1	KAU	77,781	₩	-	KAU	66,993	₩	-
Allocated free of charge		251,642		-		251,938		-
Sale		(110,000)		-		(40,000)		-
Government submission		(170,173)		-		(201,138)		-
December 31 (Carry forward)		49,250		-		77,781		-

(3) As of December 31, 2021, there are no greenhouse gas emission rights provided as collateral by the Group.

(4) There are no emission liabilities recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

(5) The Group's estimated greenhouse gas emissions are 182,058 tCO2-eq for the year ended December 31, 2021 (170,175 tCO2-eq for the year ended December 31, 2020), and the certified greenhouse gas emissions are 170,173 tCO2-eq for the year ended December 31, 2020.

38. Business combination

(1) In accordance with the resolution of the board of directors on April 24, 2020, the Group gained control of the associate, Shandong Hyundai Wia Automotive Engine Company, on July 1, 2020. The acquisition of the subsidiary was accounted for by the acquisition method with the acquisition date of July 1, 2020.

(2) Overview of subsidiaries

Name of subsidiary	Shandong Hyundai Wia Automotive Engine Company
Primary business	Auto parts manufacturing
Chief Executive Officer	Shin, Munyeong
Location of subsidiary	Company No.188 Shanghai Road, Rizhao City, Shandong Province, China

38. Business combination (cont'd)

(3) The Group measures the assets and liabilities of the acquiree at their acquisition date fair values for the business combination. The fair value of identifiable assets and liabilities, non-controlling interests and goodwill of Shandong Hyundai Wia Automotive Engine Company as of the acquisition date are as follows (Korean won in millions):

Consideration for acquisition		
Consideration paid in cash and cash equivalents	₩	104,587
Fair value of existing holding interests (*1)		243,543
	₩	348,130
Assets and liabilities as of acquisition date		
Property, plant and equipment	₩	660,533
Investment properties		1,960
Intangible assets		25,223
Non-current financial assets		28,360
Other non-current receivables		2
Other non-current assets		190
Inventories		149,356
Trade receivables and other receivables		147,732
Current financial assets		114,299
Other current assets		12,293
Cash and cash equivalents		165,096
Non-current provisions		(5,109)
Long-term borrowings		(139,969)
Deferred tax liabilities		(16,662)
Current provisions		(6,490)
Trade payables and other payables		(163,014)
Other current liabilities		(1,410)
Short-term borrowings and current portion of liabilities		(234,799)
Fair value of net identifiable assets	₩	737,591
Non-controlling interests		(421,165)
Goodwill (provisional)	₩	31,704

(*1) The Group remeasured the existing holding interests at fair value as of the business combination and recognized a gain on disposal of investments in associates of ₩53,028 million.

(4) The cash flows from the business combination are as follows (Korean won in millions):

Net cash flows from acquisition of subsidiary		
Payment of cash	₩	(104,587)
Cash and cash equivalents of the acquiree		165,096
	₩	60,509

(5) The financial performance prior to the business combination date of the Shandong Hyundai Wia Automotive Engine Company is included in the gain (loss) on the equity method in the consolidated financial statements, and the financial performance after the business combination date is included in the items in the consolidated financial statements.

39. Uncertainty in the impact of COVID-19

In order to prevent the spread of Covid-19, a various prevention and controls measures, including restrictions on traveling are being implemented worldwide, and as a result, the global economy has been extensively affected. In addition, governments are implementing various support measures to address Covid-19. The Group's operation is highly affected by the operation of Hyundai Motor Group's affiliates. Covid-19 primarily affects the Group's collectability of trade receivables, impairment of inventories, property, plant and equipment, and intangible assets, and recognition of provisions. The Group prepared its consolidated financial statements with reasonable estimates of the impact of Covid-19 on the Group. However, there are significant uncertainties exist with the end timing of Covid-19 and the impact of the Covid-19 on the Group.

40. Uncertainty about the impact of international sanctions on Russia

The armed conflict in Ukraine, which began in February 2022, and international sanctions against Russia in relation thereto affect entities directly or indirectly doing business with Ukraine or Russia, and entities directly or indirectly exposed to the industry or economy of Ukraine or Russia, as well as entities under sanctions. This event is non-adjusting events after the reporting period. As of the end of the reporting period, Hyundai Wia Rus, LLC, a subsidiary of the Group, exists in Russia, and it is expected that the future operations of Hyundai Wia Rus, LLC will be affected by international sanctions against Russia, but the financial impact cannot be estimated reasonably.