

HD HYUNDAI CO., LTD. (formerly known as HYUNDAI HEAVY
INDUSTRIES HOLDINGS CO., LTD.)

Separate Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1 |
| Separate Statements of Financial Position | 5 |
| Separate Statements of Comprehensive Income | 7 |
| Separate Statements of Changes in Equity | 8 |
| Separate Statements of Cash Flows | 9 |
| Notes to the Separate Financial Statements | 10 |
| Independent Auditors' Report on Internal Control over Financial Reporting | 87 |
| Reports on the operations of Internal Control over Financial Reporting | 89 |

Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
HD Hyundai Co., Ltd:

Opinion

We have audited the separate financial statements of HD Hyundai Co., Ltd. ("the Company"), which comprise the separate statements of financial position as of December 31, 2022 and 2021, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2022 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 20, 2023 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matter

Key audit matters is that matter that, in our professional judgment, was of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2022. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of impairment on investments in subsidiaries

The management examines the possibility of impairment at the end of each reporting period and estimates the recoverable amount if there are any indicators of such impairment. As described in *Note 4(10)* to the separate financial statements, an impairment loss is recognized when the carrying amount exceeds the recoverable amount.

As described in *Note 10 to the separate financial statements*, the carrying amount of investments in subsidiaries as of December 31, 2022 is ₩7,929,949 million and amounts for 91% of total assets. In addition, estimation of the recoverable amount requires the management's estimate and judgement including future cash flow and discount rate, and there is considerable uncertainty in the estimation and judgment. Therefore, we identified the assessment of impairment of investments in subsidiaries as a key audit matter.

The primary audit procedures we performed to address this key audit matter included the following:

- Testing the effectiveness of the design, implementation and operation of the management review control over the Company's impairment assessment process.
- Assessing the qualification and independence of the external valuation specialist engaged by the Company for the impairment assessment.
- Engaging our valuation specialists to assist us in evaluating the key assumptions used to determine the value-in-use which included the discount rate the valuation methodology and others.
- Comparing and analyzing the financial data used for impairment assessment and mid to long-term business plans approved by the management.
- Comparing and analyzing the future cash flows forecasts prepared in prior year with the current year's performance to assess the Company's ability to accurately forecast.
- Evaluating the reliability of key assumptions used to estimate net fair value and the accuracy of calculations.

Other Matter

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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



Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Evaluate the appropriateness of accounting policies used in the preparation of the separate financial statements 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Yong-Jae Cha.

KPMG Samjony Accounting Corp.

Seoul, Korea
March 20, 2023

This report is effective as of March 20, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD HYUNDAI CO., LTD.
 Separate Statements of Financial Position
 As of December 31, 2022 and 2021

| <i>(In thousands of won)</i> | Note | 2022 | 2021 |
|--|-------------|------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | 4,535,36 ₩ | 96,814,143 | 95,249,878 |
| Trade and other receivables | 8,35,36,39 | 15,652,025 | 2,770,202 |
| Derivative assets | 22,35,36 | 1,520,760 | - |
| Other current assets | 9 | 2,259,415 | 1,048,795 |
| Total current assets | | 116,246,343 | 99,068,875 |
| Investments in subsidiaries, associates and joint ventures | 10,11,12 | 7,932,652,217 | 7,670,494,274 |
| Long-term financial assets | 5,6,7,35,36 | 62,403,438 | 60,881,452 |
| Investment property | 13 | 308,211,284 | - |
| Property, plant and equipment | 14 | 15,250,708 | 120,543,034 |
| Right-of-use assets | 15 | 209,712,935 | 126,251,751 |
| Intangible assets | 16 | 28,037,750 | 28,037,750 |
| Derivative assets | 22,35,36 | 1,598,041 | 680,653 |
| Other non-current assets | 9 | 1,458,334 | 1,516,667 |
| Deferred tax assets | 32 | - | 5,782,888 |
| Total non-current assets | | 8,559,324,707 | 8,014,188,469 |
| Total assets | | ₩ 8,675,571,050 | 8,113,257,344 |

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.
 Separate Statements of Financial Position, Continued
 As of December 31, 2022 and 2021

| <i>(In thousands of won)</i> | Note | 2022 | 2021 |
|--|-----------------|----------------------|----------------------|
| Liabilities | | | |
| Short-term financial liabilities | 5,17,22,35,36 ₩ | 776,166,043 | 645,335,804 |
| Trade and other payables | 18,35,36,39 | 56,041,791 | 26,178,608 |
| Short-term contract liabilities | 27 | 1,206,996 | 1,245,151 |
| Derivative liabilities | 22,35,36 | - | 924,851 |
| Current lease liabilities | 17,21,35,36 | 1,521,151 | 1,790,397 |
| Short-term provisions | 20 | 114,049 | 114,049 |
| Other current liabilities | 18 | 2,049,032 | - |
| Current income tax liabilities | | 8,045,217 | 14,339,040 |
| Total current liabilities | | 845,144,279 | 689,927,900 |
| Long-term financial liabilities | 5,17,35,36 | 2,007,479,459 | 1,624,088,596 |
| Long-term trade and other payables | 18,35,36,39 | 25,637,980 | - |
| Long-term contract liabilities | 27 | 20,376,653 | 20,898,188 |
| Liabilities for defined benefit plans | 19 | 4,623,794 | 6,226,458 |
| Non-current lease liabilities | 17,21,35,36 | 215,374,280 | 129,193,845 |
| Other non-current liabilities | 18 | 4,969,499 | - |
| Deferred tax liabilities | 32 | 4,378,254 | - |
| Total non-current liabilities | | 2,282,839,919 | 1,780,407,087 |
| Total liabilities | | 3,127,984,198 | 2,470,334,987 |
| Equity | | | |
| Common stock | 23 | 81,433,085 | 81,433,085 |
| Capital surplus | 23 | 3,090,277,464 | 3,090,277,464 |
| Capital adjustments | 24 | (489,546,525) | (489,546,525) |
| Accumulated other comprehensive income | 25 | 2,567,602 | (496,996) |
| Retained earnings | 26 | 2,862,855,226 | 2,961,255,329 |
| Total equity | | 5,547,586,852 | 5,642,922,357 |
| Total liabilities and equity | ₩ | 8,675,571,050 | 8,113,257,344 |

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.
Separate Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

| <i>(In thousands of won, except share information)</i> | Note | 2022 | 2021 |
|---|-------------|-----------------------------|---------------------------|
| Sales | 27,39 | ₩ 347,229,888 | 253,751,437 |
| Cost of sales | 29,39 | 10,476,053 | 4,393,946 |
| Gross profit | | <u>336,753,835</u> | <u>249,357,491</u> |
| Selling, general and administrative expenses | 28,29 | 20,104,020 | 14,984,211 |
| Operating profit | 5 | <u>316,649,815</u> | <u>234,373,280</u> |
| Finance income | 22,30,35 | 17,504,102 | 6,025,209 |
| Finance costs | 22,30,35 | 92,708,117 | 63,824,814 |
| Other non-operating income | 31 | 94,544 | 443,408,233 |
| Other non-operating expenses | 31 | 4,679,763 | 2,456,420 |
| Profit before income tax | | <u>236,860,581</u> | <u>617,525,488</u> |
| Income tax expense | 32 | 17,566,933 | 115,436,836 |
| Profit for the year | | <u>219,293,648</u> | <u>502,088,652</u> |
| Other comprehensive income (loss) | 22,25,35 | | |
| Items that are or may be reclassified subsequently to profit: | | | |
| Effective portion of changes in fair value of cash flow hedges | | ₩ <u>3,064,598</u> | <u>410,204</u> |
| Total items that are or may be reclassified subsequently to profit | | <u>3,064,598</u> | <u>410,204</u> |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial losses | | <u>224,456</u> | <u>(203,401)</u> |
| Total items that will not be reclassified to profit or loss | | <u>224,456</u> | <u>(203,401)</u> |
| Other comprehensive income for the year, net of income tax | | <u>3,289,054</u> | <u>206,803</u> |
| Total comprehensive income for the year | | ₩ <u><u>222,582,702</u></u> | <u><u>502,295,455</u></u> |
| Earnings per share | 33 | | |
| Basic earnings per share (in won) | | ₩ <u><u>3,103</u></u> | <u><u>7,105</u></u> |

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.
 Separate Statements of Changes in Equity
 For the years ended December 31, 2022 and 2021

(in thousands of won)

| | Common stock | Capital surplus | Capital adjustments | Accumulated other comprehensive income | Retained earnings | Total equity |
|---|--------------|-----------------|---------------------|--|-------------------|---------------|
| Balance at January 1, 2021 | ₩ 81,433,085 | 3,090,277,464 | (489,546,525) | (907,200) | 2,851,579,865 | 5,532,836,669 |
| Total comprehensive income (loss) for the year | - | - | - | - | 502,088,652 | 502,088,652 |
| Profit for the year | - | - | - | - | - | - |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | 410,204 | - | 410,204 |
| Actuarial losses | - | - | - | - | (203,401) | (203,401) |
| Transactions with owners of the Company, recognized directly in equity | - | - | - | - | - | - |
| Dividends | - | - | - | - | (392,209,787) | (392,209,787) |
| Balance at December 31, 2021 | ₩ 81,433,085 | 3,090,277,464 | (489,546,525) | (496,996) | 2,961,255,329 | 5,642,922,357 |
| Balance at January 1, 2022 | ₩ 81,433,085 | 3,090,277,464 | (489,546,525) | (496,996) | 2,961,255,329 | 5,642,922,357 |
| Total comprehensive income (loss) for the year | - | - | - | - | 219,293,648 | 219,293,648 |
| Profit for the year | - | - | - | - | - | - |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | 3,064,598 | - | 3,064,598 |
| Actuarial gains | - | - | - | - | 224,456 | 224,456 |
| Transactions with owners of the Company, recognized directly in equity | - | - | - | - | - | - |
| Dividends | - | - | - | - | (325,074,777) | (325,074,777) |
| Other | - | - | - | - | 7,156,570 | 7,156,570 |
| Balance at December 31, 2022 | ₩ 81,433,085 | 3,090,277,464 | (489,546,525) | 2,567,602 | 2,862,855,226 | 5,547,586,852 |

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.
 Separate Financial Statements of Cash Flows
 For the years ended December 31, 2022 and 2021

(In thousands of won)

| | <u>Note</u> | <u>2022</u> | <u>2021</u> |
|---|-------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Profit for the year | ₩ | 219,293,648 | 502,088,652 |
| Adjustments | | (233,993,075) | (518,256,370) |
| Cash generated from operations | 34 | (14,699,427) | (16,167,718) |
| Interest received | | 1,697,372 | 2,283,964 |
| Interest paid | | (86,183,261) | (59,352,218) |
| Dividends received | | 333,394,071 | 245,286,997 |
| Income taxes paid | | (6,674,392) | (139,958,822) |
| Net cash provided by operating activities | | <u>227,534,363</u> | <u>32,092,203</u> |
| Cash flows from investing activities | | | |
| Proceeds from collection of short-term other receivables | | 14,400 | 109,700 |
| Proceeds from investments in subsidiaries and associates | | - | 678,150,028 |
| Acquisition of short-term other receivables | | (12,912) | - |
| Acquisition of long-term other receivables | | - | (22,228) |
| Acquisition of long-term financial assets | | - | (60,000,000) |
| Acquisition of investments in subsidiaries, associates and joint ventures | | (262,157,943) | (486,000,000) |
| Acquisition of Investment property | | (161,042,490) | - |
| Acquisition of property, plant and equipment | | (15,294,596) | (72,806,722) |
| Acquisition of intangible assets | | - | (1,158,000) |
| Net cash provided by (used in) investing activities | | <u>(438,493,541)</u> | <u>58,272,778</u> |
| Cash flows from financing activities | | | |
| Proceeds from short-term financial liabilities | | 410,000,000 | - |
| Proceeds from long-term financial liabilities | | 1,062,093,027 | 494,801,220 |
| Proceeds from long-term other liabilities | | 17,414,387 | - |
| Repayment of short-term financial liabilities | | (950,000,000) | (390,000,000) |
| Payment of lease liabilities | | (1,933,517) | (3,176,850) |
| Payment of dividends | | (325,050,454) | (392,176,187) |
| Net cash provided by (used in) financing activities | | <u>212,523,443</u> | <u>(290,551,817)</u> |
| Net increase (decrease) in cash and cash equivalents | | <u>1,564,265</u> | <u>(200,186,836)</u> |
| Cash and cash equivalents at January 1, 2022 and 2021 | | <u>95,249,878</u> | <u>295,436,714</u> |
| Cash and cash equivalents at December 31, 2022 and 2021 | ₩ | <u><u>96,814,143</u></u> | <u><u>95,249,878</u></u> |

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2022 and 2021

1. Reporting Entity

HD Hyundai Co., Ltd. (formerly, Hyundai Heavy Industries Holding Co., Ltd.)(the "Company") was incorporated on April 1, 2017 through the split-off Korea Shipbuilding and Offshore Engineering Co., Ltd. and is engaged in the investment business and others. The head office of the Company is located in Seoul, Republic of Korea.

As of December 31, 2022, the Company's major shareholders consist of Mong-Joon Chung (26.60%), National Pension Service Investment Management (7.78%), Ki-Sun Chung (5.26%), etc.

2. Basis of Preparation

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in *the Act on External Audits of Corporations* in the Republic of Korea.

These financial statements are separate financial statements in accordance with *K-IFRS No.1027, 'Separate Financial Statements'* presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

The separate financial statements were authorized for issue by the Board of Directors on February 7, 2023 and will be submitted for approval to the stockholders' meeting to be held on March 28, 2023.

(1) Basis of measurement

The separate financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Financial assets at FVTPL are measured at fair value; and
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(2) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

(3) Use of estimates and judgements

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

2. Basis of Preparation, Continued

(3) Use of estimates and judgements, continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is included in the following notes:

- Note 10 – Classification of Subsidiary - Whether or not the Company actually hold control;
- Note 32 – Recognition of deferred tax liabilities - Possibility of disposal of subsidiary investment

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10, 16 – Impairment test - key assumptions underlying recoverable amounts, including the recoverability of investments in subsidiaries and intangible assets;
- Note 19 – Measurement of defined benefit obligations - key actual assumptions;
- Notes 20, 37 – Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 32 – Measurement of deferred tax

(iii) Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

2. Basis of Preparation, Continued

(3) Use of estimates and judgements, continued

(iii) Measurement of fair value, continued

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes :

- Note 10 – Impairment test
- Note 36 – Financial Instruments

3. Changes in Accounting Policies

The Company has initially adopted standards and amendments from January 1, 2022. These amendments which are effective from January 1, 2022 have no significant effect on the Company's separate financial statements.

- Amendments to *K-IFRS No.1016 'Property, Plant and Equipment'*- Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

-Amendments to *K-IFRS No.1019 'Financial Instruments'*- Fees related to the 10% test for derecognition of financial liabilities

This amendment clarifies that in determining those fees paid net of fees received, a borrower includes only fees 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. There are no similar limited amendments to *K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement'*. The amendment does not have a significant impact on the financial statements.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies

The significant accounting policies applied by the Company in the preparation of its separate financial statements are included below and the Company has consistently applied the accounting policies to all period presented in these separate financial statements, changes in accounting policies described in *Note 3*.

(1) Subsidiaries and Equity-accounted investees in the separate financial statements

These separate financial statements are prepared and presented in accordance with *K-IFRS No.1027, 'Separate Financial Statements'*. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with *K-IFRS No.1027*. Dividends from a subsidiary, associate or joint venture are recognized in profit or loss when the right to receive the dividend is established.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preference shares when it has a short maturity with a specified redemption date.

Cash and cash equivalents as of December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | 2022 | 2021 |
|-----------------------------|-------------|-------------|
| MMDA | ₩ 96,814 | 95,250 |

(3) Non-derivative financial assets

1) Recognition and Initial Measurements

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2) Classification and subsequent measurement

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(3) Non-derivative financial assets, continued

2) Classification and subsequent measurement, continued

(i) Financial assets, continued

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(3) Non-derivative financial assets, continued

(ii) Financial assets – Business model assessment, continued

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value are measured at FVTPL.

(iii) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flow;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(3) Non-derivative financial assets, continued

- 2) Classification and subsequent measurement, continued
- (iv) Financial assets: Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit and loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit and loss. Other net gain and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |

3) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flow from financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(3) Non-derivative financial assets, continued

- 2) Classification and subsequent measurement, continued
- 3) Derecognition, continued

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(4) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1) Hedge accounting

The Company holds interest rate swaps and other derivative contracts to manage interest rate risk, foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and interest rate risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

(i) Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the separate statement of comprehensive income.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs.

2) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(5) Impairment of financial assets

(i) Financial instruments and contract assets

The Company recognized loss allowances for expected credit losses ("ECL") on;

- financial assets measured at amortized cost

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs;

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if an is held); or
- past due of the financial asset is significantly increased.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(5) Impairment of financial assets, continued

(ii) Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of financial assets.

The longest period considered in measuring ECLs is the maximum contract period during which the Company is exposed to credit risk.

(iii) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(iv) Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortized cost and contract assets are deducted from the gross carrying amount of the assets and presented separately using an allowance account. Impairment losses related to trade and other receivables and contract assets, from the materiality perspective, were included in 'Selling, general and administration expenses' or 'Other non-operating expenses' in the separate statements of comprehensive income, instead of being presented as a separate account. Also, impairment losses on other financial assets are included in 'Finance costs' and not presented as a separate account.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

(v) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(6) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, 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 and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

The useful lives of property, plant and equipment are as follows:

| | Useful lives (years) |
|-------------------------------|-----------------------------|
| Tools, furniture and fixtures | 5~8 |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(7) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The useful lives of intangible asset are as follows:

| | <u>Useful lives (years)</u> |
|------------------|-----------------------------|
| Trademark rights | Indefinite |

Useful lives and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(8) Capitalized borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(9) Investment Property

The Company classifies a property held to earn rentals and/ or for capital appreciation as an investment property. Investment properties are measured initially at cost, including transaction costs, less subsequent depreciation and impairment.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably, and the book value of a portion of an asset that are replace by a subsequent expenditure is removed from the books. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the depreciation method and useful lives of premises and equipment. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and when it is deemed appropriate to change them, the effect of any change is accounted for as a change in accounting estimates.

The useful lives of investment property are as follows:

| | <u>Useful lives (years)</u> |
|------------|-----------------------------|
| Buildings | 50 |
| Structures | 20, Indefinite |

(10) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from contract assets recognized from revenue from customers, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Any impairment identified at the CGU level will reduce the carrying amount of the assets in the CGU on a pro rata basis. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(11) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.
- (ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.
- (iii) Elimination of financial liabilities
The Company derecognizes a financial liability from the separate statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expires).

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(12) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service. The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current period, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(13) Provisions

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

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(14) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(15) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(16) Revenue from contracts with customers

According to *K-IFRS No. 1115*, revenue is measured based on the consideration promised in the contract with the customer. The Company recognizes revenue when the control over a good or service is transferred to the customer. The control is transferred at a point in time or over time, requires judgment.

- Determination of the transaction price

The Company considers if significant financial benefits are provided to the customer or the Company in relation to the prepayment received from the customer and reflects the effect of the time value of money to the transaction price. As a practical expedient, the Company does need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

- Identification of performance obligations

The Company shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer a good or service that is distinct to the customer. If a partial change in an order is not distinguished by the context of the contract, the performance obligation is not separated.

(i) Nature of goods or services and timing of performance obligations

The Company's revenue consist of the provision of services and revenue from the use of trademark rights.

The Company provides a service that integrates and operates management support services through customer-specific contracts for tasks that are essential for customers to run their own businesses, but are difficult to perform on their own. Generally, the contract period is one year and will be renewed without special customer requests.

If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed. Because of the nature of service delivery, benefits are provided and consumed as the service is performed, the Company recognized revenue over time in accordance with *K-IFRS No. 1115*.

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the Company measures its progress to indicate performance when control of the goods or services is transferred to the customer.

The company recognizes revenue from trademark use only when promised sales or use standards are met and there is subsequent revenue from the use of trademarks.

The contract period varies from party to party, and will be renewed without special customer requests.

If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed. Because of the nature of service delivery, benefits are provided and consumed as the service is performed, the Company recognized revenue over time in accordance with *K-IFRS No. 1115*.

The revenue from the lease of investment properties is recognized over the lease term, dividend income from subsidiaries and associates is recognized once the right to receive and the amount have been determined. On the other hand, revenue from lease and dividend income are not within the scope of *K-IFRS No. 1115*.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(16) Revenue from contracts with customers, continued

(ii) Significant payment terms

The management support service and revenue from the use of trademark are charged and collected monthly for the amount to which the Company has a right to invoice. Depending on the payment terms, there may be a significant financing element that adjusts the promised consideration to reflect the effect of the time value of money on the difference between when the Company receives the consideration for the goods or services from the customer and when the Company expect to transfer the promised goods or services to the customer.

(iii) How to calculate the transaction price, estimate the variable consideration, input variables, information

In the management support services it is not necessary to estimate the stand-alone selling price for the allocation of the transaction price because it corresponds to a single performance obligation. And the transaction price includes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(17) Lease

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in *K-IFRS No.1116*.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of tis relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(17) Lease, continued

(i) As a lessee, continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and lease of low-value assets

The Company has elected to recognize right-of-use assets and lease liabilities for lease of low-value assets and short-term leases, including buildings and fixtures. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(17) Lease, continued

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies *K-IFRS No. 1115* to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in *K-IFRS No. 1109* to the net investment in the lease (see *Note 4(5)*). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

(18) Finance income and finance costs

The Company's finance income and finance costs are as follows:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the net gain or loss on derivative financial instruments at FVOCI; and
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognized using the effective interest method.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(19) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *K-IFRS No.1037 'provision, Contingent Liabilities and Contingent Assets'*.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes a deferred tax asset for unused tax loss, tax credit and deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the unused tax loss, tax credit and deductible temporary differences can be utilized. Future taxable profit is determined by the reversal of the related taxable temporary difference. If the taxable temporary difference is not sufficient to fully recognize the deferred tax asset, the reversal of the current temporary differences and the Company's business plan will be considered for future taxable profit.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, 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 deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

4. Significant Accounting Policies, Continued

(20) Earnings per Share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(21) Operating segments

The Company discloses information related to its operating segments on its separate financial statements in accordance with *K-IFRS No. 1108, 'Operating Segments'*.

(22) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these separate financial statements.

(i) *K-IFRS No. 1012 'Income tax' - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

The Company accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position.

The Company plan to apply this amendment from January 1, 2023. There are no amounts affected by the application of this amendment for the current or prior year.

(ii) Amendments to *K-IFRS No. 1001 'Presentation of financial Statements'* – Classification of Liabilities as Current or Non- Current

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after January 1, 2023. However, the IASB has subsequently proposed further amendments to *K-IFRS No. 1001* and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company is closely monitoring the developments.

The following amended standards and interpretation are not expected to have a significant impact on the Company's separate financial statements:

- *K-IFRS No. 1117 'Insurance Contracts'* and amendments.
- Disclosure of Accounting Policies (Amendments to *K-IFRS No. 1001*)
- Definition of Accounting Estimates (Amendments to *K-IFRS No. 1008*)

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

5. Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

(1) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(i) Trade and other receivables and contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes credit limits for each customer and each new customer is analyzed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Company accounts for expected credit losses and their changes at the end of each reporting period in order to reflect changes in the credit risk since initial recognition of the financial asset in accordance with the expected credit loss model in relation to the impairment of the financial asset.

(ii) Investments

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, does not expect a significant risk that any counterparty fails to meet its obligations.

(iii) Guarantees

The Company provides financial guarantees to subsidiaries, associates and third parties if necessary.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Company does not generate sufficient cash flow from operations to meet its capital requirements, the Company may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities.

4) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

- Currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currencies of the Company. The functional currencies of the Company are primarily the Euro. The currencies in which these transactions are primarily denominated are Won. The Company uses currency swap contracts to hedge its currency risk.

- Interest rate risk

The Company hedges interest rate risk using interest rate swap for variable interest borrowings. As a result, the risk that changes in the value of variable interest-bearing bonds and loans will affect the Company's profit or loss is avoided.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

5. Risk Management, Continued

(2) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the liability to equity ratio and net borrowing to equity ratio, which the Company defines as total liabilities divided by total equity and net borrowing divided by total equity.

The Company's liability to equity ratio and net borrowing to equity ratio as of December 31, 2022 and 2021 are as follows:

| <i>(In millions of won, except equity ratio)</i> | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Total liabilities | ₩ 3,127,984 | 2,470,335 |
| Total equity | 5,547,587 | 5,642,922 |
| Cash and deposits(*1) | 96,816 | 95,252 |
| Borrowings(*2) | 2,592,752 | 2,069,510 |
| Liability to equity ratio | 56.38% | 43.78% |
| Net borrowing to equity ratio(*3) | 44.99% | 34.99% |

(*1) Cash and deposits consist of cash and cash equivalents and long-term financial instruments.

(*2) Discount on debentures is deducted from the par value of debentures.

(*3) Net borrowing represents borrowings net of cash and deposits.

The interest coverage ratio and basis of calculation for the years ended December 31, 2022 and 2021 are as follows.

| <i>(In millions of won, except ratio)</i> | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| A. Operating profit | ₩ 316,650 | 234,373 |
| B. Interest expenses | 87,476 | 63,503 |
| Interest coverage ratio (A/B) | 3.62 | 3.69 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

6. Long-term Financial Assets

Long-term financial assets as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|------------------------------------|---|---------------|---------------|
| Financial instruments | ₩ | 2 | 2 |
| Financial assets measured at FVTPL | | 62,401 | 60,879 |
| | ₩ | <u>62,403</u> | <u>60,881</u> |

7. Restricted Financial Instruments

Financial instruments, which are restricted in use, as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| <u>Description</u> | | <u>2022</u> | <u>2021</u> | <u>Restrictions</u> |
|---------------------------------|---|-------------|-------------|--|
| Long-term financial instruments | ₩ | 2 | 2 | Guarantee deposits for checking accounts |

8. Trade and Other Receivables

Trade and other receivables as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|---------------------------------|---|----------------|----------------|
| | | <u>Current</u> | <u>Current</u> |
| Trade receivables: | | | |
| Trade receivables | ₩ | 1,331 | 441 |
| Allowance for doubtful accounts | | - | - |
| | | <u>1,331</u> | <u>441</u> |
| Other receivables: | | | |
| Other account receivable | | 14,119 | 2,142 |
| Accrued income | | 21 | 4 |
| Guarantee deposits | | 181 | 183 |
| | | <u>14,321</u> | <u>2,329</u> |
| | ₩ | <u>15,652</u> | <u>2,770</u> |

9. Other Assets

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

(In millions of won)

| | | <u>2022</u> | | <u>2021</u> | |
|------------------|---|----------------|--------------------|----------------|--------------------|
| | | <u>Current</u> | <u>Non-current</u> | <u>Current</u> | <u>Non-current</u> |
| Advance payments | ₩ | 43 | - | 19 | - |
| Prepaid expenses | | 2,216 | 1,458 | 1,030 | 1,517 |
| | ₩ | <u>2,259</u> | <u>1,458</u> | <u>1,049</u> | <u>1,517</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

10. Investments in Subsidiaries

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

(In millions of won, except percentage of ownership)

| Company | Location | Main business | 2022 | | 2021 | |
|---|----------|--|---------------|--------------------|---------------|--------------------|
| | | | Ownership (%) | Carrying amount | Ownership (%) | Carrying amount |
| Hyundai Oilbank Co., Ltd. (*1,7) | Korea | Manufacturing of petroleum products | 73.85 | ₩ 2,394,569 | 73.85 | ₩ 2,394,569 |
| Hyundai Global Service Co., Ltd.(*2,7) | Korea | Engineering service | 62.00 | 77,683 | 62.00 | 77,683 |
| Hyundai Electric & Energy Systems Co., Ltd.(*3) | Korea | Manufacture and sale of electronic and electric products | 37.22 | 323,348 | 37.22 | 323,348 |
| Hyundai Future Partners Co., Ltd.(*5) | Korea | Management consulting business | 100.00 | 31,000 | 100.00 | 31,000 |
| Hyundai Robotics Co., Ltd. | Korea | Manufacturing of industrial robots | 90.00 | 237,038 | 90.00 | 237,038 |
| Avikus Co., Ltd.(*5) | Korea | Development and sale of software for maritime autonomous surface ships | 100.00 | 24,000 | 100.00 | 14,000 |
| Hyundai Genuine Co., Ltd. (*4,6) | Korea | Manufacture of machinery equipment for construction and mining | 100.00 | 877,819 | 100.00 | 877,819 |
| Korea Shipbuilding & Offshore Engineering Co., Ltd.(*3,8) | Korea | Non-financial holding company | 35.05 | <u>3,964,492</u> | - | - |
| | | | | <u>₩ 7,929,949</u> | | <u>₩ 3,955,457</u> |

(*1) For the year ended December 31, 2021, the Company partially disposed of shares of Hyundai Oilbank Co., Ltd. and the share ratio changed from 74.13% to 73.85%.

(*2) For the year ended December 31, 2021, the Company partially disposed of shares of Hyundai Global Service Co., Ltd. and the share ratio changed from 100% to 62%.

(*3) Although ownership is less than 50%, as a result of comprehensive consideration of the stockholders' meeting and the shareholding structure, the Company judged that it was decided that a majority of the voting rights could be exercised.

(*4) For the year ended December 31, 2021, the Company acquired an additional interest in Hyundai Genuine Co., Ltd. through in-kind investment of entire shares of Hyundai Construction Equipment Co., Ltd. that the Company held and participation in paid-in capital increase of ₩449,900 million.

(*5) For the year ended December 31, 2022, the Company participated in paid-in capital increase of ₩10,000 million of Avikus Co., Ltd. and for the year ended December 31, 2021, the Company participated in paid-in capital increase of respectively ₩26,000 million and ₩8,000 million of Hyundai Future Partners Co., Ltd. and Avikus Co., Ltd.

(*6) For the year ended December 31, 2021, the Company established a subsidiary Hyundai Genuine Co., Ltd.

(*7) For the year ended December 31, 2021, the Company partially disposed of shares Hyundai Oilbank Co., Ltd. and Hyundai Global Service Co., Ltd., and profit from disposal of investments in subsidiaries amounting to respectively ₩428,651 million and ₩14,745 million accounted for other non-operating profit.

(*8) For the year ended December 31, 2022, the Company acquired 4.1% of shares of Korea Shipbuilding & Offshore Engineering Co., Ltd., thus obtaining control and reclassifying it from associate to a subsidiary.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

10. Investments in Subsidiaries, Continued

(2) Changes in investments in subsidiaries for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|--|---|------------------|------------------|
| Beginning balance | ₩ | 3,955,457 | 3,528,018 |
| Additional acquisition and other(*1,2) | | 3,974,492 | 911,819 |
| Disposal and other(*1) | | - | (484,380) |
| Ending balance | ₩ | <u>7,929,949</u> | <u>3,955,457</u> |

(*1) For the year ended December 31, 2021, shares of Hyundai Construction Equipment Co., Ltd. amounting to ₩427,819 million which were invested in-kind in Hyundai Genuine Co., Ltd. are included.

(*2) For the year ended December 31, 2022, ₩251,454 million for additional acquisition of shares and ₩3,713,038 million for the previously held shares are included.

(3) Impairment assessment

The Company assesses at the end of reporting period to determine whether there is any indication of impairment. If any such indication exists, the Company estimate the recoverable amount of the asset.

- Korea Shipbuilding & Offshore Engineering Co., Ltd.

The recoverable amount of the investment in subsidiary is determined by considering the cash-generating units of the subsidiaries of Korea Shipbuilding & Offshore Engineering Co., Ltd. The determination of the value in use of the cash-generating units is highly dependent on key assumptions used in the cash flow discount model, such as the discount rate and the permanent growth rate.

Assumptions used in calculating the value in use as of December 31, 2022, are as follows:

| | <u>2022</u> |
|--------------------------------------|-------------|
| Discount rate | 8.13~11.77% |
| Period covered by cash flow forecast | 5 years |
| Permanent growth rate | 1.00% |

The value in use as of December 31, 2022, was calculated by the following key assumptions.

- Cash flows for each subsidiary are estimated based on a five-year business plan, taking into account past experience, actual operating results, and external forecasts. Cash flows beyond the forecast period is estimated by assuming a permanent growth rate.
- The weighted average cost of capital was estimated by using the risk-free interest rate reflecting the creditworthiness of the country as of the evaluation date, the cost of equity capital using beta of similar companies, and the corporate bond interest rate considering the company's creditworthiness.

As of December 31, 2022, the Company evaluated impairment loss of the subsidiary investment, so that no impairment loss was recognized as the book value of subsidiary investments didn't exceed the recoverable amount.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

11. Investments in Associates

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

(In millions of won, except percentage of ownership)

| Company | Location | Main business | 2022 | | 2021 | |
|--|----------|-------------------------------|---------------|-----------------|---------------|-----------------|
| | | | Ownership (%) | Carrying amount | Ownership (%) | Carrying amount |
| Korea Shipbuilding & Offshore Engineering Co., Ltd(*1) | Korea | Non-financial holding company | - | ₩ - | 30.95 | ₩ 3,713,038 |
| Palantir Technologies Korea LLC(*2) | Korea | Software Sales | 25.10 | 703 | - | - |

(*1) For the year ended December 31, 2022, the Company acquired 4.1% of shares of Korea Shipbuilding & Offshore Engineering Co., Ltd., thus obtaining control and reclassifying it from associate to a subsidiary.

(*2) For the year ended December 31, 2022, the Company acquired shares through the establishment of Palantir Technologies Korea LLC. and classified it as an associate.

12. Investments in Joint ventures

Investments in joint venture as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won, except percentage of ownership)

| Company | Location | Main business | 2022 | | 2021 | |
|--|----------|--|---------------|-----------------|---------------|-----------------|
| | | | Ownership (%) | Carrying amount | Ownership (%) | Carrying amount |
| Mirae asset- Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1(*) | Korea | New technology business investment service | 29.85 | ₩ 2,000 | 29.85 | ₩ 2,000 |

(*) For the year ended December 31, 2021, the Company acquired interest in Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1 through new establishment and incorporated as a joint venture.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

13. Investments Property

(1) Changes in investment property for the year ended December 31, 2022 is as follows:

(In millions of won)

| | 2022 | | | |
|--------------------------|------------------|-------------------|-------------------------------------|--------------|
| | Buildings | Structures | Construction in-progress | Total |
| Beginning balance | ₩ - | - | - | - |
| Acquisitions and other | 304,297 | 2,659 | 1,763 | 308,719 |
| Depreciation | (507) | (1) | - | (508) |
| Ending balance | ₩ 303,790 | 2,658 | 1,763 | 308,211 |
| Acquisition cost | ₩ 304,297 | 2,659 | 1,763 | 308,719 |
| Accumulated depreciation | (507) | (1) | - | (508) |

(2) Revenues and expenses related to investment property for the year ended December 31, 2022 is as follows:

(In millions of won)

| | 2022 |
|---|-------------|
| Rental income | ₩ 3,490 |
| Operating and maintenance expense arising from investment property that generated rental income | (1,347) |
| Operating and maintenance expense arising from investment property that didn't generate rental income | (79) |

(3) Fair value of investment property for the years ended December 31, 2022 is as follows:

(In millions of won)

| | 2022 |
|------------|-------------|
| Buildings | ₩ 396,808 |
| Structures | 2,658 |

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate and valuation and was achieved by using comparison methods to obtain the economic value based on marketability of the property.

(4) As of December 31, 2022, the minimum future lease payments expected to be received by the Company under operating lease contracts for investment properties are as follows:

(In millions of won)

| | 2022 |
|---|----------------|
| Within one year | ₩ 54,533 |
| Later than one year but not later than five years | 213,625 |
| | <u>268,158</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

14. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | 2022 | | |
|--------------------------|---|--------------------------------------|---------------------------------|--------------|
| | | Tools, furniture and fixtures | Construction in-progress | Total |
| Beginning balance | ₩ | 241 | 120,302 | 120,543 |
| Acquisitions and other | | 15,295 | (120,302) | (105,007) |
| Depreciation | | (285) | - | (285) |
| Ending balance | ₩ | 15,251 | - | 15,251 |
| Acquisition cost | ₩ | 15,636 | - | 15,636 |
| Accumulated depreciation | | (385) | - | (385) |

(In millions of won)

| | | 2021 | | |
|--------------------------|---|--------------------------------------|---------------------------------|--------------|
| | | Tools, furniture and fixtures | Construction in-progress | Total |
| Beginning balance | ₩ | 264 | 33,157 | 33,421 |
| Acquisitions and other | | 22 | 87,145 | 87,167 |
| Depreciation | | (45) | - | (45) |
| Ending balance | ₩ | 241 | 120,302 | 120,543 |
| Acquisition cost | ₩ | 341 | 120,302 | 120,643 |
| Accumulated depreciation | | (100) | - | (100) |

- (2) Construction-in-progress is related to the construction of R&D Center as of December 31, 2021 and it has been replaced by investment property and tools, furniture and fixtures due to completion of construction and operation contract for the year ended December 31, 2022.
- (3) For the year ended December 31, 2022, the cumulative amount of borrowing costs capitalization for the construction of R&D center is ₩9,926 million and the capitalization rate is 3.05~3.51%.

15. Right-of-use Assets

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

(In millions of won)

| | | 2022 | | |
|--------------------------|---|-------------|------------------|--------------|
| | | Land | Buildings | Total |
| Beginning balance | ₩ | 125,860 | 392 | 126,252 |
| Additions and adjustment | | 83,853 | 12 | 83,865 |
| Depreciation | | - | (404) | (404) |
| Ending balance | ₩ | 209,713 | - | 209,713 |

(In millions of won)

| | | 2021 | | |
|--------------------------|---|-------------|------------------|--------------|
| | | Land | Buildings | Total |
| Beginning balance | ₩ | 124,706 | 551 | 125,257 |
| Additions and adjustment | | 1,154 | 228 | 1,382 |
| Depreciation | | - | (387) | (387) |
| Ending balance | ₩ | 125,860 | 392 | 126,252 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

16. Intangible Assets

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

(In millions of won)

| | | 2022 |
|-----------------------------|---|-------------------------|
| | | Trademark rights |
| Beginning balance | ₩ | 28,038 |
| Ending balance | ₩ | 28,038 |
| Acquisition cost | ₩ | 28,038 |
| Accumulated amortization | | - |
| Accumulated impairment loss | | - |

(In millions of won)

| | | 2021 |
|-----------------------------|---|-------------------------|
| | | Trademark rights |
| Beginning balance | ₩ | 26,880 |
| Acquisition and replacement | | 1,158 |
| Ending balance | ₩ | 28,038 |
| Acquisition cost | ₩ | 28,038 |
| Accumulated amortization | | - |
| Accumulated impairment loss | | - |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

17. Short-term and Long-term Financial Liabilities

(1) Short-term and long-term financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | 2022 | | 2021 | |
|---|---|----------------|------------------|----------------|------------------|
| | | Current | Non-current | Current | Non-current |
| Borrowings | ₩ | 571,000 | 1,295,131 | 390,000 | 955,901 |
| Debentures | | 175,000 | 553,000 | 230,000 | 495,000 |
| Discount on debentures | | (231) | (1,149) | (66) | (1,325) |
| Financial liabilities measured at FVTPL | | 30,397 | 160,497 | 25,402 | 174,513 |
| | ₩ | <u>776,166</u> | <u>2,007,479</u> | <u>645,336</u> | <u>1,624,089</u> |

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

(In millions of won)

| Type of borrowing | Lender | Annual Interest rate (%) | 2022 | 2021 |
|---|--|--------------------------|------------------|----------------|
| General loan | Industrial and Commercial Bank of China (ICBC) | 4.47~4.72 | ₩ 80,000 | - |
| Current portion of long-term borrowings | | | 491,000 | 390,000 |
| | | | ₩ <u>571,000</u> | <u>390,000</u> |

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

(In millions of won)

| Type of borrowing | Lender | Annual Interest rate (%) | 2022 | 2021 |
|---|-----------------------------------|--------------------------|--------------------|----------------|
| General loan | Korea Development Bank and others | 2.65~6.82 | ₩ 1,751,000 | 1,311,000 |
| General loan in foreign currency | Shinhan Bank(HONGKONG) | 2.89 | 35,131 | 34,901 |
| Current portion of long-term borrowings | | | (491,000) | (390,000) |
| | | | ₩ <u>1,295,131</u> | <u>955,901</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

17. Short-term and Long-term Financial Liabilities, Continued

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

(In millions of won)

| <u>Description</u> | <u>Issue</u> | <u>Maturity</u> | <u>Annual interest rate (%)</u> | <u>2022</u> | <u>2021</u> | <u>Guarantee</u> |
|--------------------------------------|--------------|-----------------|---|-------------|-------------|------------------|
| 1 th -2 debenture | 2015.03.03 | 2022.03.03 | - | ₩ - | 70,000 | debenture |
| 4 th -2 debenture | 2019.04.11 | 2022.04.11 | - | - | 160,000 | debenture |
| 5 th debenture | 2019.06.04 | 2024.06.04 | 3.25 | 150,000 | 150,000 | debenture |
| 6 th debenture | 2020.06.24 | 2023.06.23 | 3.70 | 45,000 | 45,000 | debenture |
| 7 th debenture | 2020.10.16 | 2023.10.16 | 2.81 | 80,000 | 80,000 | debenture |
| 8 th -1 debenture | 2021.10.28 | 2023.10.27 | 3.19 | 50,000 | 50,000 | debenture |
| 8 th -2 debenture | 2021.10.28 | 2024.10.28 | 3.63 | 170,000 | 170,000 | debenture |
| 9 th -1 debenture | 2022.03.02 | 2024.02.29 | 3.64 | 50,000 | - | debenture |
| 9 th -2 debenture | 2022.03.02 | 2025.02.28 | 4.11 | 150,000 | - | debenture |
| 10 th debenture | 2022.08.02 | 2025.08.01 | 4.49 | 33,000 | - | debenture |
| | | | | ₩ 728,000 | 725,000 | |
| Discount on bonds | | | | (1,380) | (1,391) | |
| Current portion of bonds | | | | (175,000) | (230,000) | |
| Current portion of discount on bonds | | | | 231 | 66 | |
| | | | | ₩ 551,851 | 493,675 | |

(5) Aggregate maturities of the Company's borrowings and debentures as of December 31, 2022 are summarized as follows:

(In millions of won)

| <u>Periods</u> | | <u>2022</u> | | |
|------------------|---|-------------------|-------------------|--------------|
| | | <u>Borrowings</u> | <u>Debentures</u> | <u>Total</u> |
| Less than 1 year | ₩ | 571,000 | 175,000 | 746,000 |
| 1 ~ 5 years | | 1,295,131 | 553,000 | 1,848,131 |
| | ₩ | 1,866,131 | 728,000 | 2,594,131 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

17. Short-term and Long-term Financial Liabilities, Continued

(6) Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | 2022 | | | | | |
|-------------------|--|-------------|------------|-------------------|-----------|--|------------------------|
| | | Liabilities | | | | Derivative liabilities(asset) used for hedging | |
| | | Borrowings | Debentures | lease liabilities | Total | interest rate swaps - asset | currency swaps - asset |
| Beginning balance | | ₩ 1,345,901 | 723,609 | 130,984 | 2,200,494 | (49) | (195) |
| Cash flows | Borrowing | 1,240,000 | 232,093 | - | 1,472,093 | - | - |
| | from financing activities | | | | | | |
| | Repayments | (720,000) | (230,000) | (1,934) | (951,934) | - | - |
| Non-cash flows | The effects of changes in foreign exchange rates | 230 | - | - | 230 | - | - |
| | Amortization of bond discounts | - | 918 | - | 918 | - | - |
| | Changes in lease liabilities | - | - | 87,845 | 87,845 | - | - |
| | Changes in fair value | - | - | - | - | 1,279 | 2,084 |
| Ending Balance | | ₩ 1,866,131 | 726,620 | 216,895 | 2,809,646 | 1,230 | 1,889 |

(In millions of won)

| | | 2021 | | | | | |
|-------------------|--|-------------|------------|-------------------|-----------|--|------------------------|
| | | Liabilities | | | | Derivative liabilities(asset) used for hedging | |
| | | Borrowings | Debentures | lease liabilities | Total | interest rate swaps - asset | currency swaps - asset |
| Beginning balance | | ₩ 1,200,000 | 763,516 | 127,516 | 2,091,032 | (1,163) | - |
| Cash flows | Borrowing | 275,591 | 219,210 | - | 494,801 | - | - |
| | from financing activities | | | | | | |
| | Repayments | (130,000) | (260,000) | (3,177) | (393,177) | - | - |
| Non-cash flows | The effects of changes in foreign exchange rates | 310 | - | - | 310 | - | - |
| | Amortization of bond discounts | - | 883 | - | 883 | - | - |
| | Changes in lease liabilities | - | - | 6,645 | 6,645 | - | - |
| | Changes in fair value | - | - | - | - | 1,114 | (195) |
| Ending Balance | | ₩ 1,345,901 | 723,609 | 130,984 | 2,200,494 | (49) | (195) |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

18. Trade and Other Payables and Other Liabilities

(1) Trade and other payables as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | 2022 | | 2021 | |
|------------------------|---|---------------|---------------|---------------|-------------|
| | | Current | Non-current | Current | Non-current |
| Trade payables | ₩ | 46,636 | - | 19,901 | - |
| Other accounts payable | | 702 | - | 683 | - |
| Accrued expenses | | 8,599 | - | 5,515 | - |
| Dividends payable | | 105 | - | 80 | - |
| Deposit | | - | 25,638 | - | - |
| | ₩ | <u>56,042</u> | <u>25,638</u> | <u>26,179</u> | <u>-</u> |

(2) Other liabilities as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | 2022 | | 2021 | |
|-------------------|---|--------------|--------------|----------|-------------|
| | | Current | Non-current | Current | Non-current |
| Advance payment | ₩ | 540 | - | - | - |
| Income in advance | | 1,509 | 4,969 | - | - |
| | ₩ | <u>2,049</u> | <u>4,969</u> | <u>-</u> | <u>-</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

19. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|--|----------------|--------------|
| Present value of defined benefit obligations | ₩ 10,610 | 9,355 |
| Fair value of plan assets | (5,986) | (3,129) |
| | <u>₩ 4,624</u> | <u>6,226</u> |

(2) Plan assets as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|-----------------------|-------------|-------------|
| Retirement pension(*) | ₩ 5,986 | 3,129 |

(*) The retirement pension is invested in principal and interest guaranteed instrument as of December 31, 2022.

(3) Expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|----------------|-------------|
| Current service costs | ₩ 1,818 | 716 |
| Past service costs | 195 | - |
| Interest expenses on obligations | 72 | 44 |
| Expected return on plan assets | (87) | (41) |
| | <u>₩ 1,998</u> | <u>719</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

19. Employee Benefits, Continued

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

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|--------------|
| Beginning balance | ₩ 9,355 | 8,002 |
| Current service costs | 1,818 | 716 |
| Past service costs | 195 | - |
| Interest expenses on obligations | 72 | 44 |
| Benefits paid | (901) | (630) |
| Transfers from related parties | 404 | 975 |
| Actuarial losses (gains) in other comprehensive income (loss): | | |
| Demographic assumptions | 55 | - |
| Financial assumption | (607) | (31) |
| Experience adjustment | 219 | 279 |
| Ending balance | <u>₩ 10,610</u> | <u>9,355</u> |

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

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|----------------|--------------|
| Beginning balance | ₩ 3,129 | 1,602 |
| Benefits paid | (185) | - |
| Contributions paid into the plan | 3,000 | 1,500 |
| Expected return on plan assets | 87 | 41 |
| Actuarial loss in other comprehensive income (loss) | (45) | (14) |
| Ending balance | <u>₩ 5,986</u> | <u>3,129</u> |

The Company reviews the level of the fund each year and takes the policy to preserve fund in the event of a loss to the fund. As of December 31, 2022, expected amount of contribution to the plan next year amounts to ₩ 918 million.

(6) Expected payment date of the defined benefit obligations as of December 31, 2022 are as follows:

(In millions of won)

| | <u>Within 1 year</u> | <u>1 ~ 5 years</u> | <u>5 ~ 10 years</u> | <u>More than 10 years</u> | <u>Total</u> |
|------------------|----------------------|--------------------|---------------------|-------------------------------|--------------|
| Expected payment | ₩ 2,904 | 5,969 | 584 | 14,501 | 23,958 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

19. Employee Benefits, Continued

(7) Principal actuarial assumptions as of December 31, 2022 and 2021 are as follows:

| <i>(In percent)</i> | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------|-------------|
| Discount rate at 31 December | 5.37 | 2.83 |
| Future salary growth rate | 4.62 | 3.71 |
| Future mortality (Males, at age 45) | 0.18 | 0.20 |

(8) Weighted average durations of defined benefit obligations as of December 31, 2022 and 2021 are as follows:

| <i>(In years)</i> | <u>2022</u> | <u>2021</u> |
|----------------------------|-------------|-------------|
| Weighted average durations | 13.52 | 12.20 |

(9) Reasonably possible changes as of December 31, 2022 and 2021 to the relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

| <i>(In millions of won)</i> | <u>2022</u> | | <u>2021</u> | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>Increase</u> | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| Discount rate (1% movement) ₩ | (324) | 379 | (286) | 334 |
| Future salary growth (1% movement) | 378 | (329) | 328 | (286) |

20. Provisions

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

| <i>(In millions of won)</i> | | <u>2022</u> |
|-----------------------------|---|------------------------|
| | | <u>Other provision</u> |
| Beginning balance | ₩ | 114 |
| Additions | | - |
| Ending balance | ₩ | <u>114</u> |

| <i>(In millions of won)</i> | | <u>2021</u> |
|-----------------------------|---|------------------------|
| | | <u>Other provision</u> |
| Beginning balance | ₩ | - |
| Additions | | 114 |
| Ending balance | ₩ | <u>114</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

21. Lease Liability

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

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|---|---|----------------|----------------|
| Beginning balance | ₩ | 130,984 | 127,516 |
| Additions and adjustment | | 83,866 | 1,382 |
| Payment of lease liabilities for the year | | (1,985) | (1,837) |
| Interest on lease liabilities | | 4,030 | 3,923 |
| Ending balance | ₩ | <u>216,895</u> | <u>130,984</u> |
| Current | ₩ | 1,521 | 1,790 |
| Non-current | | 215,374 | 129,194 |

(2) Cash outflow for lease liabilities as of December 31, 2022, are as follows:

(In millions of won)

| | | <u>Carrying amount</u> | <u>Contractual cash flow</u> | <u>Less than 6 months</u> | <u>6 to 12 months</u> | <u>1 to 3 years</u> | <u>More than 3 years</u> |
|-------------------|---|----------------------------|----------------------------------|-------------------------------|---------------------------|---------------------|------------------------------|
| Lease liabilities | ₩ | 216,895 | 351,396 | - | 1,568 | 3,136 | 346,692 |

(3) Short-term lease and leases of low-value assets

When applying *K-IFRS No.1116*, the Company applied exemption provisions for short-term lease and leases of low-value assets that do not recognize the right-of-use assets and lease liabilities.

(4) Cash outflows for leases for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | <u>Carrying amount</u> | |
|---------------------------------------|---|------------------------|--------------|
| | | <u>2022</u> | <u>2021</u> |
| Payment of lease liabilities | ₩ | 1,934 | 3,177 |
| Short-term lease payment(*) | | 83 | 54 |
| Leases payment of low-value assets(*) | | 11 | 4 |
| Total | ₩ | <u>2,028</u> | <u>3,235</u> |

(*) Included in cost of sales and selling, general and administrative expenses.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

22. Derivative Financial Instruments

The Company has entered into derivative instrument contracts with various banks to hedge the risk related to changes in interest rates. Derivatives are measured at fair value by using the forward interest rate presented by contract counterparty and others. In addition, the Company has assessed the fair value as of December 31, 2022, as it satisfies the requirements for the intrinsic derivatives of the sell-off rights granted to stocks. The evaluation details as of December 31, 2022, are as follows:

(1) The description of derivative instrument and hedge accounting

| Hedge accounting | Type | Description |
|------------------|-------------------------------|--|
| Cash flow hedge | Interest rate swaps contracts | Hedges cash flow risk on interest rate fluctuation |
| | Currency swaps contracts | Hedges cash flow risk on interest rate and foreign exchange rate fluctuation |

(2) As of December 31, 2022, details of derivatives that the Company entered into as follows:

(In millions of won, in thousands of euro)

| Description | Type | Currency | | Contract amount | Average maturities | Number of contracts |
|-----------------|----------------------------------|----------|------------------------|-----------------|--------------------|---------------------|
| | | Sell | Buy | | | |
| Cash flow hedge | Interest rate swaps contracts | 3.28% | CD+1.45% ₩ | 40,000 | 2024.06.11 | 1 |
| | Current swaps contracts | KRW | EUR EURIBOR (3M)+1.22% | EUR 26,000 | 2024.12.03 | 1 |
| For trading | Rights to claim the sale(*1) | KRW | KRW | 234,544 | (*2) | 1 |
| | Rights to claim the purchase(*3) | KRW | KRW | 654,354 | (*4) | 1 |

(*1) The Company has granted a call option to Aramco Overseas Company B.V., which participated in the sale of its interest in Hyundai Oil Bank Co.,Ltd, a subsidiary (See Note 37).

(*2) Within 5 years from the date of issue (or before IPO).

(*3) The Company has granted a put option to Global Vessel Solutions, L. P. which participated in the sale of its interest in Hyundai Global Service Co.,Ltd, a subsidiary (See Note 37).

(*4) Within 5 years from the date of issue (eligible for a 1-year extension).

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

22. Derivative Financial Instruments, Continued

(3) Book value of derivatives as of December 31, 2022 are as follows:

(In millions of won)

| Description | Type | Derivatives | | | | Financial assets or liabilities at fair value through profit or loss | | | |
|-----------------|---|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|
| | | Assets | | Liabilities | | Assets | | Liabilities | |
| | | Current | Non-current | Current | Non-current | Current | Non-current | Current | Non-current |
| Cash flow hedge | Interest rate swaps contracts | ₩ 856 | 374 | - | - | - | - | - | - |
| Cash flow hedge | Currency swaps contracts | 665 | 1,224 | - | - | - | - | - | - |
| For trading | Rights to claim the sale (call option) | - | - | - | - | - | 30,397 | - | - |
| For trading | Rights to claim the purchase (put option) | - | - | - | - | - | - | - | 160,497 |
| | | ₩ 1,521 | 1,598 | - | - | - | 30,397 | - | 160,497 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

22. Derivative Financial Instruments, Continued

(4) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2022 are as follows:

(In millions of won)

| Description | Type | Sales | Finance income | Finance costs | Other non-operating income | Other non-operating expenses | Other comprehensive income |
|-----------------|---|-------|----------------|---------------|----------------------------|------------------------------|----------------------------|
| Cash flow hedge | Interest rate swaps contracts | ₩ | - | - | - | - | 1,279 |
| Cash flow hedge | Currency swaps contracts | - | 229 | - | - | - | 1,854 |
| For trading | Rights to claim the sale (call option) | - | - | 4,995 | - | - | - |
| For trading | Rights to claim the purchase (put option) | - | 14,016 | - | - | - | - |
| | | ₩ | 14,245 | 4,995 | - | - | 3,133 |

For the year ended December 31, 2022, the Company applies cash flow hedge accounting, for which the Company accounted the effective portion of the hedge amounting to ₩3,065 million, after netting off deferred tax effect of ₩68 million, as gain on valuation of derivatives in accumulated other comprehensive income (loss).

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately 23 months.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

23. Capital and Capital Surplus

(1) Capital

For the year ended December 31, 2022, the number of shares that the Company is authorized to issue, the number of shares that the Company issued and the par value are 800,000,000 shares, 78,993,085 shares, ₩1,000 respectively.

For the year ended December 31, 2021, the Company split stocks, and the number of shares that the Company is authorized to issue, the number of shares that the Company issued, and the par value changed from 160,000,000 shares, 15,798,617 shares, ₩5,000 to 800,000,000 shares, 78,993,085 shares, ₩1,000 respectively.

(2) Capital surplus

Capital surplus as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|--|---|------------------|------------------|
| Paid-in-capital in excess of par value | ₩ | 3,090,454 | 3,090,454 |
| Other capital surplus | | (177) | (177) |
| Total | ₩ | <u>3,090,277</u> | <u>3,090,277</u> |

24. Capital Adjustment

Capital adjustments consist of treasury stock. Treasury stocks as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won, in shares)

| | <u>2022</u> | | <u>2021</u> | |
|-------------------|-------------------------|-------------------|-------------------------|-------------------|
| | <u>Number of shares</u> | <u>Book value</u> | <u>Number of shares</u> | <u>Book value</u> |
| Treasury stock(*) | 8,324,655 | ₩ 489,547 | 8,324,655 | ₩ 489,547 |

(*) The fair value of Treasury stock amounts to ₩475,338 million and ₩447,034 million as of December 31, 2022 and 2021.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

25. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of December 31, 2022 and 2021 are summarized as follows:

| | 2022 | 2021 |
|--|-------|-------|
| | ₩ | ₩ |
| Gain or loss on valuation of derivatives | 2,568 | (497) |

Other comprehensive gain (loss) for the years ended December 31, 2022 and 2021 are as follows:

| | 2022 | | 2021 | | | |
|---|-------------------|------------|------------------|-------------------|------------|------------------|
| | Before tax amount | Tax effect | After tax amount | Before tax amount | Tax effect | After tax amount |
| Gain on valuation of derivatives | ₩ 3,133 | (68) | 3,065 | 598 | (188) | 410 |
| Defined benefit plan actuarial gain or loss | 287 | (63) | 224 | (261) | 58 | (203) |
| | ₩ 3,420 | (131) | 3,289 | 337 | (130) | 207 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

26. Retained Earnings

(1) Retained earnings as of December 31, 2022 and 2021 are summarized as follows:

| <i>(In millions of won)</i> | | <u>2022</u> | <u>2021</u> |
|----------------------------------|---|------------------|------------------|
| Voluntary reserves | ₩ | 219,186 | 219,186 |
| Legal reserve(*) | | 40,717 | 40,717 |
| Unappropriated retained earnings | | 2,602,952 | 2,701,352 |
| | ₩ | <u>2,862,855</u> | <u>2,961,255</u> |

(*) The Korean Commercial Act requires the company to accumulate legal reserve at least 10% of cash dividends paid for each accounting period until the reserve reaches 50% of outstanding share capital. The Legal reserve cannot be used for cash dividend purposes, but can only be used for capital transfer or loss compensation.

(2) Changes in retained earnings for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | | <u>2022</u> | <u>2021</u> |
|-----------------------------|---|------------------|------------------|
| Beginning balance | ₩ | 2,961,255 | 2,851,580 |
| Profit for the year | | 219,294 | 502,089 |
| Actuarial losses | | 224 | (204) |
| Dividend(*) | | (325,075) | (392,210) |
| Other | | 7,157 | - |
| Ending balance | ₩ | <u>2,862,855</u> | <u>2,961,255</u> |

(*) The interim dividend amounting to respectively ₩63,602 million and ₩130,737 million for the years ended December 31, 2022 and 2021 are included.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

26. Retained Earnings, Continued

(3) Statements of appropriation of retained earnings for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|--|--------------------|------------------|
| I. Unappropriated retained earnings | | |
| Unappropriated retained earnings to be carried from previous year | ₩ 2,439,880 | 2,330,205 |
| Actuarial gain (loss) | 224 | (204) |
| Interim dividend | (63,602) | (130,737) |
| Profit for the year | 219,294 | 502,089 |
| Other | 7,157 | - |
| | <u>2,602,953</u> | <u>2,701,353</u> |
| II. Transfer from voluntary reserves | | |
| Substitution | - | - |
| III. Total (I + II) | ₩ <u>2,602,953</u> | <u>2,701,353</u> |
| IV. Appropriation of retained earnings | | |
| Legal reserve | - | - |
| Voluntary reserve | - | - |
| Dividend(*) | 261,473 | 261,473 |
| | <u>261,473</u> | <u>261,473</u> |
| V. Unappropriated retained earnings to be carried over to subsequent year | ₩ <u>2,341,480</u> | <u>2,439,880</u> |

(*) The dividend paid per ordinary stock for the years ended December 31, 2022 and 2021, amount to respectively ₩3,700.

27. Revenue

(1) Revenue streams

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|---------------------------------------|------------------|----------------|
| Revenue from contracts with customers | ₩ 10,083 | 8,464 |
| Dividend profits | 333,394 | 245,287 |
| Rental income | 3,753 | - |
| | ₩ <u>347,230</u> | <u>253,751</u> |

(2) Division of revenue

Regional information on revenue from contracts with customers is as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|-----------------------------|-----------------|--------------|
| Region: | | |
| Republic of Korea | ₩ 9,914 | 7,625 |
| North America | 3 | 89 |
| Asia | 165 | 681 |
| Europe | - | 26 |
| Others | 1 | 43 |
| | ₩ <u>10,083</u> | <u>8,464</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

27. Revenue, Continued

(3) Timing of revenue recognition

Revenue from contracts with customers is divided into revenue recognized at a point in time and over time.

Timing of revenue from contracts with customers is as follows:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|---|---|---------------|--------------|
| Timing of revenue recognition | | | |
| Products transferred at a point in time | ₩ | - | - |
| Products and services transferred over time | | 10,083 | 8,464 |
| | ₩ | <u>10,083</u> | <u>8,464</u> |

(4) Contract balances

Trade receivables and contract liabilities from contracts with customers as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | <u>2022</u> | | <u>2021</u> | |
|----------------------|---|----------------|--------------------|----------------|--------------------|
| | | <u>Current</u> | <u>Non-current</u> | <u>Current</u> | <u>Non-current</u> |
| Trade Receivables | ₩ | 1,331 | - | 441 | - |
| Contract Liabilities | | 1,207 | 20,377 | 1,245 | 20,898 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

28. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-----------------|---------------|
| Salaries | ₩ 5,296 | 3,897 |
| Bonus | 1,897 | 1,473 |
| Post-employment benefit costs | 1,852 | 602 |
| Employee welfare | 1,261 | 941 |
| Depreciation | 446 | 429 |
| Advertising | - | 1,431 |
| Insurance | 4 | 5 |
| Office equipment | 8 | 9 |
| Supplies | 3 | 8 |
| Travel | 466 | 135 |
| Data processing | 39 | 39 |
| Entertainment | 540 | 256 |
| Taxes and dues | 47 | 35 |
| Commissions | 7,419 | 5,485 |
| Automobile maintenance | 99 | 80 |
| Fee | 612 | 12 |
| Others | 115 | 147 |
| | <u>₩ 20,104</u> | <u>14,984</u> |

29. Nature of Expenses

The classification of expenses by nature for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-----------------|---------------|
| Depreciation | ₩ 792 | 45 |
| Depreciation of right-of-use assets | 404 | 387 |
| Employee benefits | 11,132 | 5,972 |
| Commissions | 7,419 | 5,485 |
| Other expenses | 10,833 | 7,489 |
| | <u>₩ 30,580</u> | <u>19,378</u> |

Total expenses consist of cost of sales and selling, general and administrative expenses.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

30. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|---------------|
| Finance income: | | |
| Interest income | ₩ 1,715 | 2,064 |
| Gain on valuation of financial instruments measured at fair value through profit or loss | 15,538 | 3,584 |
| Gain on foreign currency translation | 1 | - |
| Gain on foreign currency transactions | 20 | 56 |
| Gain on valuation of derivatives | 230 | 321 |
| | <u>₩ 17,504</u> | <u>6,025</u> |
| Finance costs: | | |
| Interest expense | ₩ 87,476 | 63,503 |
| Loss on valuation of financial instruments measured at fair value through profit or loss | 4,995 | - |
| Loss on foreign currency translation | 230 | 310 |
| Loss on foreign currency transactions | 7 | 1 |
| Loss on derivatives transactions | - | 11 |
| | <u>₩ 92,708</u> | <u>63,825</u> |

31. Other Non-operating Income and Other Non-operating Expenses

Other non-operating income and other non-operating expenses for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|----------------|----------------|
| Other non-operating income: | | |
| Gain on disposal of investments in subsidiaries | ₩ - | 443,396 |
| Miscellaneous income | 95 | 12 |
| | <u>₩ 95</u> | <u>443,408</u> |
| Other non-operating expenses: | | |
| Commissions | ₩ 2,072 | 68 |
| Donation | 2,572 | 2,356 |
| Miscellaneous expenses | 36 | 32 |
| | <u>₩ 4,680</u> | <u>2,456</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

32. Income Tax Expense

(1) The components of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|---|-----------------|----------------|
| Current tax expense | ₩ (33) | 145,501 |
| Adjustment for prior periods | 414 | (1) |
| Origination and reversal of temporary differences | 10,161 | (29,933) |
| Income tax recognized in other comprehensive income | 7,025 | (130) |
| Total income tax expense | ₩ <u>17,567</u> | <u>115,437</u> |

(2) Income tax recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|--|----------------|--------------|
| Gain or losses on valuation of derivatives | ₩ (68) | (188) |
| Actuarial gains or losses | (63) | 58 |
| Gain or losses on valuation of financial instruments measured at fair value through comprehensive income | 7,156 | - |
| Income tax recognized directly in other comprehensive income | ₩ <u>7,025</u> | <u>(130)</u> |

Income taxes related to net change in fair value of financial assets measured at FVOCI, gains/losses on valuation of derivatives and actuarial gains/losses are recognized in other comprehensive income and retained earnings.

(3) Reconciliation of effective tax rate for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|--|-----------------|----------------|
| Profit before income tax | ₩ 236,861 | 617,525 |
| Income tax using the Company's statutory tax rate | 56,858 | 159,458 |
| Adjustment for: | | |
| - Tax effect of non-deductible expenses | 218 | 91 |
| - Tax effect of non-taxable income | (67,603) | (60,285) |
| - Tax credits, carryforward tax credits | - | (176) |
| - Tax effect of tax rate fluctuations | (268) | 6,732 |
| - Temporary differences of deferred tax not recognized | 10,065 | - |
| - Change in estimation related with prior periods | 17,883 | - |
| - Current adjustments for prior periods | 414 | (1) |
| - Others | - | 9,618 |
| Income tax expense | ₩ <u>17,567</u> | <u>115,437</u> |
| Effective tax rate | 7.42% | 18.69% |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

32. Income Tax Expense, Continued

- (4) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|---|----------------------|------------------------|
| Deferred tax liabilities at the end of the period ₩ | (4,378) | 5,783 |
| Deferred tax liabilities at the beginning of the period | <u>5,783</u> | <u>(24,150)</u> |
| Deferred tax effects by origination and reversal of temporary differences ₩ | <u><u>10,161</u></u> | <u><u>(29,933)</u></u> |

- (5) As of December 31, 2022, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.
- (6) The Company sets off a deferred tax asset against a deferred tax liability only if it relates to income taxes levied by the same taxation authority and has a legally enforceable right to set off current tax assets against current tax liabilities.
- (7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | | |
|---|--------------------------|------------------------|-----------------------|
| | <u>Beginning balance</u> | <u>Change</u> | <u>Ending balance</u> |
| Derivatives ₩ | 43,981 | (43,981) | - |
| Investments in subsidiaries and associates(*) | (37,581) | 33,203 | (4,378) |
| Property, plant and equipment | (10) | 10 | - |
| Defined benefit obligations | 532 | (532) | - |
| Foreign currency evaluation | 68 | (68) | - |
| Others | (1,207) | 1,207 | - |
| | <u>5,783</u> | <u>(10,161)</u> | <u>(4,378)</u> |
| Tax loss carryforward | - | - | - |
| Carryforward tax credit | - | - | - |
| ₩ | <u><u>5,783</u></u> | <u><u>(10,161)</u></u> | <u><u>(4,378)</u></u> |

- (*) As of December 31, 2022, the tax effects of temporary difference are calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.

| <i>(In millions of won)</i> | <u>2021</u> | | |
|---|--------------------------|----------------------|-----------------------|
| | <u>Beginning balance</u> | <u>Change</u> | <u>Ending balance</u> |
| Derivatives ₩ | 6,015 | 37,966 | 43,981 |
| Investments in subsidiaries and associates(*) | (37,603) | 22 | (37,581) |
| Property, plant and equipment | (5) | (5) | (10) |
| Defined benefit obligations | 533 | (1) | 532 |
| Foreign currency evaluation | - | 68 | 68 |
| Others | (1,162) | (45) | (1,207) |
| | <u>(32,222)</u> | <u>38,005</u> | <u>5,783</u> |
| Tax loss carryforward | 7,986 | (7,986) | - |
| Carryforward tax credit | 86 | (86) | - |
| ₩ | <u><u>(24,150)</u></u> | <u><u>29,933</u></u> | <u><u>5,783</u></u> |

- (*) As of December 31, 2021, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

32. Income Tax Expense, Continued

- (8) Timing of recover and settlement of deferred tax assets (liabilities) as of December 31, 2022 and 2021, are as follow:

(In millions of won)

| | | <u>2022</u> | <u>2021</u> |
|---|---|----------------|--------------|
| Deferred tax assets (liabilities) | | | |
| Deferred tax assets (liabilities) that are expected to settle within 1 year | ₩ | - | 2,231 |
| Deferred tax assets (liabilities) that are expected to settle after 1 year | | (4,378) | 3,552 |
| | ₩ | <u>(4,378)</u> | <u>5,783</u> |

- (9) The details of temporary difference that is not recognized as deferred tax liabilities as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> | <u>Reason</u> |
|--|-------------|-------------|---|
| Deferred tax liabilities | | | |
| Investments in subsidiaries and associates | ₩ (467,290) | (206,109) | Not recognized in accordance with paragraph 15, 39, 44 of the K-IFRS No. 1012 and they will not be disposed |
| Treasury stock | (77,713) | (69,218) | Not recognized in accordance with paragraph 15 of the K-IFRS No. 1012 |
| Tax loss carryforward and others | 58,450 | - | Not recognized in accordance with paragraph 24 of the K-IFRS No. 1012 |

- (10) The expiration date of unrecognized Tax loss carryforward of December 31, 2022 are as follows:

(In millions of won)

| | | <u>2022</u> | |
|------------|---|------------------------------|--|
| | | <u>Temporary differences</u> | <u>Deferred tax assets (liabilities)</u> |
| After 2030 | ₩ | 47,975 | 11,850 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

33. Earnings per Share

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

| <i>(In won)</i> | <u>2022</u> | <u>2021</u> |
|--|-------------------|-----------------|
| Profit for the year | ₩ 219,293,648,086 | 502,088,651,549 |
| Weighted average number of ordinary shares outstanding <i>(In shares)(*)</i> | 70,668,430 | 70,668,430 |
| Earnings per share <i>(In won)</i> | ₩ <u>3,103</u> | <u>7,105</u> |

(*) Weighted average number of ordinary shares

| <i>(In shares)</i> | <u>2022</u> | | |
|--|-------------------------------------|--------------------------------|--|
| | <u>Number of shares outstanding</u> | <u>Weighted average (days)</u> | <u>Weighted average number of shares outstanding(*1)</u> |
| Beginning balance | 70,668,430 | 365/365 | <u>70,668,430</u> |
| Weighted average number of ordinary shares outstanding | | | <u>70,668,430</u> |

| <i>(In shares)</i> | <u>2021</u> | | |
|--|-------------------------------------|--------------------------------|--|
| | <u>Number of shares outstanding</u> | <u>Weighted average (days)</u> | <u>Weighted average number of shares outstanding(*1)</u> |
| Beginning balance | 70,668,430 | 365/365 | <u>70,668,430</u> |
| Weighted average number of ordinary shares outstanding | | | <u>70,668,430</u> |

(2) As the Company has no dilutive securities for the years ended December 31, 2022 and 2021, diluted earnings per share have not been calculated.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

34. Cash flow from Operations

(1) Cash generated from operations for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Profit for the year | ₩ 219,294 | 502,089 |
| Adjustments for: | | |
| Post-employment benefit costs | 1,998 | 719 |
| Depreciation | 1,197 | 432 |
| Finance income | (17,483) | (5,969) |
| Finance costs | 92,701 | 63,813 |
| Dividend profits (sales) | (333,394) | (245,287) |
| Other non-operating income | - | (443,396) |
| Tax expenses | 17,567 | 115,437 |
| Changes in assets and liabilities: | | |
| Trade receivables | (890) | (441) |
| Other receivables | (3,847) | (10) |
| Other current assets | (154) | 39 |
| Trade payables | 6,054 | 1,351 |
| Other payables | 376 | (2,611) |
| Contract liabilities | (1,285) | (1,292) |
| Other current liabilities | 6,479 | - |
| Benefits paid | (901) | (630) |
| Succession of Benefits | 404 | 975 |
| Plan assets | (2,815) | (1,500) |
| Provisions | - | 114 |

(2) Significant transactions that do not involve cash inflows and outflows operations for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Reclassification of construction-in-progress | ₩ 324,013 | - |
| Reclassification of current portion of long-term borrowings | 491,000 | 390,000 |
| Reclassification of current portion of bond | 175,000 | 229,934 |
| Recognition of right-of-use assets and lease liabilities | 83,866 | 1,382 |
| Change in liabilities related to acquisition of property, plant and equipment | 20,681 | 11,181 |
| Change in liabilities related to repayment of lease liabilities | - | (1,354) |
| Investment in-kind in subsidiaries | - | 427,819 |
| Reclassification of current portion of lease liabilities | 1,521 | 1,510 |
| Change in deposit receivable | 8,130 | - |
| Change associates to subsidiaries | 3,713,038 | - |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

35. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | 2022 | | | | |
|---|--|--|---|------------------|--------------------|
| | Carrying amounts | | | | Fair values |
| | Fair value- hedging instruments | Financial Instruments measured at FVTPL | Financial Instruments measured at amortized cost | Total | |
| Assets carried at fair value: | | | | | |
| Financial assets measured at FVTPL(*) | ₩ - | 62,401 | - | 62,401 | 62,401 |
| Derivative assets | 3,119 | - | - | 3,119 | 3,119 |
| Assets carried at amortized cost: | | | | | |
| Cash and cash equivalents | - | - | 96,814 | 96,814 | - |
| Financial instruments | - | - | 2 | 2 | - |
| Trade and other receivables | - | - | 15,652 | 15,652 | - |
| Financial assets total | ₩ 3,119 | 62,401 | 112,468 | 177,988 | 65,520 |
| Liabilities carried at fair value: | | | | | |
| Financial liabilities measured at FVTPL | ₩ - | 190,894 | - | 190,894 | 190,894 |
| Liabilities carried at amortized cost: | | | | | |
| Borrowings and Debentures | - | - | 2,592,751 | 2,592,751 | - |
| Trade and other payables | - | - | 81,680 | 81,680 | - |
| Lease liabilities | - | - | 216,895 | 216,895 | - |
| Financial liabilities total | ₩ - | 190,894 | 2,891,326 | 3,082,220 | 190,894 |

(*) The financial assets, for which the carrying amount was determined to be equal or similar to its fair value, amount to ₩ 62,401 million.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

35. Categories of Financial Instruments and Income and Costs by Categories, Continued

(1) Categories of financial instruments as of December 31, 2022 and 2021 are summarized as follows, continued:

(In millions of won)

| | 2021 | | | | |
|---|---------------------------------------|--|---|-----------|-------------|
| | Carrying amounts | | | | Fair values |
| | Fair value- hedging instruments | Financial Instruments measured at FVTPL | Financial Instruments measured at amortized cost | Total | |
| Assets carried at fair value: | | | | | |
| Financial assets measured at FVTPL(*) | ₩ - | 60,879 | - | 60,879 | 60,879 |
| Derivative assets | 681 | - | - | 681 | 681 |
| Assets carried at amortized cost: | | | | | |
| Cash and cash equivalents | - | - | 95,250 | 95,250 | - |
| Financial instruments | - | - | 2 | 2 | - |
| Trade and other receivables | - | - | 2,770 | 2,770 | - |
| Financial assets total | ₩ 681 | 60,879 | 98,022 | 159,582 | 61,560 |
| Liabilities carried at fair value: | | | | | |
| Financial liabilities measured at FVTPL | ₩ - | 199,915 | - | 199,915 | 199,915 |
| Derivative liabilities | 925 | - | - | 925 | 925 |
| Liabilities carried at amortized cost: | | | | | |
| Borrowings and Debentures | - | - | 2,069,510 | 2,069,510 | - |
| Trade and other payables | - | - | 26,179 | 26,179 | - |
| Lease liabilities | - | - | 130,984 | 130,984 | - |
| Financial liabilities total | ₩ 925 | 199,915 | 2,226,673 | 2,427,513 | 200,840 |

(*) The financial assets, for which the carrying amount was determined to be equal or similar to its fair value, amount to ₩60,879 million.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

35. Categories of Financial Instruments and Income and Costs by Categories, Continued

- (2) Financial instruments income and costs by categories for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

| | 2022 | | | Total |
|---|--|--|---|-----------------|
| | Fair value- hedging instruments | Financial Instruments measured at FVTPL | Financial Instruments measured at amortized cost | |
| Finance income | | | | |
| Interest income | ₩ - | - | 1,715 | 1,715 |
| Gain on disposal of financial assets measured at FVTPL | - | 15,538 | - | 15,538 |
| Gain on foreign currency translation. | - | - | 1 | 1 |
| Gain on foreign currency transactions | - | - | 20 | 20 |
| Gain on valuation of derivatives | 230 | - | - | 230 |
| | <u>230</u> | <u>15,538</u> | <u>1,736</u> | <u>17,504</u> |
| Finance costs | | | | |
| Interest expense | - | - | (87,476) | (87,476) |
| Loss on disposal of financial assets measured at FVTPL | - | (4,995) | - | (4,995) |
| Loss on foreign currency translation | - | - | (230) | (230) |
| Loss on foreign currency transactions | - | - | (7) | (7) |
| Loss on derivatives transactions | - | - | - | - |
| | <u>-</u> | <u>(4,995)</u> | <u>(87,713)</u> | <u>(92,708)</u> |
| Other comprehensive income (loss) | | | | |
| Gain on valuation of derivatives | 3,065 | - | - | 3,065 |
| | <u>₩ 3,295</u> | <u>10,543</u> | <u>(85,977)</u> | <u>(72,139)</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

35. Categories of Financial Instruments and Income and Costs by Categories, Continued

(2) Financial instruments income and costs by categories for the years ended December 31, 2022 and 2021 are as follows, continued:

(In millions of won)

| | | 2021 | | | |
|---|---|---------------------------------------|--|---|----------|
| | | Fair value- hedging instruments | Financial Instruments measured at FVTPL | Financial Instruments measured at amortized cost | Total |
| Finance income | | | | | |
| Interest income | ₩ | - | - | 2,064 | 2,064 |
| Gain on disposal of financial assets measured at FVTPL | | - | 3,584 | - | 3,584 |
| Gain on foreign currency transactions | | - | - | 56 | 56 |
| Gain on valuation of derivatives | | 321 | - | - | 321 |
| | | 321 | 3,584 | 2,120 | 6,025 |
| Finance costs | | | | | |
| Interest expense | | - | - | (63,503) | (63,503) |
| Loss on foreign currency translation | | - | - | (310) | (310) |
| Loss on foreign currency transactions | | - | - | (1) | (1) |
| Loss on derivatives transactions | | (11) | - | - | (11) |
| | | (11) | - | (63,814) | (63,825) |
| Other comprehensive income (loss) | | | | | |
| Gain on valuation of derivatives | | 410 | - | - | 410 |
| | ₩ | 720 | 3,584 | (61,694) | (57,390) |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|---|------------------|----------------|
| Cash and cash equivalents | ₩ 96,814 | 95,250 |
| Long-term financial instruments | 62,403 | 60,881 |
| Trade receivables and other receivables | 15,652 | 2,770 |
| Derivative assets | 3,119 | 681 |
| | <u>₩ 177,988</u> | <u>159,582</u> |

The maximum exposure to credit risk for assets carried at amortized cost including contract assets at the reporting date by geographic region are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|-----------------------------|-------------|-------------|
| Korea | ₩ 15,654 | 2,772 |

(ii) Impairment loss

The aging of assets carried at amortized cost and the related allowance for impairment as of December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | | <u>2021</u> | |
|-----------------------------|--------------|-------------------|--------------|-------------------|
| | <u>Gross</u> | <u>Impairment</u> | <u>Gross</u> | <u>Impairment</u> |
| Not past due | ₩ 15,654 | - | 2,772 | - |

The allowance accounts in respect of trade receivables, other receivables and contract assets are used to record impairment losses unless the Company is satisfied that all collection measures have been exhausted. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly.

For the years ended December 31, 2022 and 2021, there is no impairment losses and impairment reversals that occur in other receivables.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(2) Liquidity risk

- (i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | 2022 | | | | | |
|--|---|------------------|-----------------------|------------------|----------------|------------------|-------------------|
| | | Carrying amount | Contractual cash flow | 6 months or less | 6~12 months | 1~3 years | More than 3 years |
| Non-derivative financial liabilities: | | | | | | | |
| Borrowings | ₩ | 1,866,131 | 1,995,252 | 114,125 | 531,166 | 1,105,463 | 244,498 |
| Debentures | | 726,620 | 772,532 | 57,999 | 142,180 | 572,353 | - |
| Trade and other payables | | 81,680 | 81,680 | 56,042 | - | - | 25,638 |
| Lease liabilities | | 216,895 | 351,396 | - | 1,568 | 3,136 | 346,692 |
| Derivative financial liabilities: | | | | | | | |
| Financial liabilities measured at FVTPL | | 190,894 | 190,894 | 30,397 | - | - | 160,497 |
| | ₩ | <u>3,082,220</u> | <u>3,391,754</u> | <u>258,563</u> | <u>674,914</u> | <u>1,680,952</u> | <u>777,325</u> |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(In millions of won)

| | | 2021 | | | | | |
|--|---|------------------|-----------------------|------------------|---------------|------------------|-------------------|
| | | Carrying amount | Contractual cash flow | 6 months or less | 6~12 months | 1~3 years | More than 3 years |
| Non-derivative financial liabilities: | | | | | | | |
| Borrowings | ₩ | 1,345,901 | 1,430,451 | 359,944 | 66,151 | 808,597 | 195,759 |
| Debentures | | 723,609 | 768,670 | 240,989 | 8,295 | 519,386 | - |
| Trade and other payables | | 26,179 | 26,179 | 26,179 | - | - | - |
| Lease liabilities | | 130,984 | 215,398 | 202 | 1,639 | 2,874 | 210,683 |
| Derivative financial liabilities: | | | | | | | |
| Financial liabilities measured at FVTPL | | 199,915 | 199,915 | 25,402 | - | - | 174,513 |
| Derivative contracts used for hedging | | 925 | 932 | 494 | 438 | - | - |
| | ₩ | <u>2,427,513</u> | <u>2,641,545</u> | <u>653,210</u> | <u>76,523</u> | <u>1,330,857</u> | <u>580,955</u> |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(2) Liquidity risk, continued

(ii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2022 and 2021 are summarized as follows:

(In millions of won)

| | | 2022 | | | | |
|--------------------------------------|---|----------------------------|--------------------------------|-----------------------------|------------------------|----------------------|
| | | Carrying amount | Expected cash flows | 6 months or less | 6~12 months | 1~5 years |
| Interest rate swaps contracts | | | | | | |
| Assets | ₩ | 1,230 | 1,265 | 444 | 428 | 393 |
| Currency swaps contracts | | | | | | |
| Assets | | 1,889 | 1,797 | 338 | 334 | 1,125 |

(In millions of won)

| | | 2021 | | | | |
|--------------------------------------|---|----------------------------|--------------------------------|-----------------------------|------------------------|----------------------|
| | | Carrying amount | Expected cash flows | 6 months or less | 6~12 months | 1~5 years |
| Interest rate swaps contracts | | | | | | |
| Assets | ₩ | 65 | 67 | - | - | 67 |
| Liabilities | | (114) | (115) | (92) | (23) | - |
| Currency swaps contracts | | | | | | |
| Assets | | 616 | 786 | - | - | 786 |
| Liabilities | | (811) | (818) | (403) | (415) | - |

(3) Currency risk

The Company's exposure to foreign currency risk based on notional amounts as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | 2022 | 2021 |
|----------------------|---|-------------|-------------|
| Borrowings | ₩ | 35,131 | 34,901 |
| Derivative contracts | | (35,131) | (34,901) |
| Net exposure | ₩ | - | - |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(4) Interest rate risk

(i) The interest rate profile of the Company's interest-bearing financial instruments as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|----------------------|--------------------|
| Fixed rate instruments: | | |
| Financial assets | ₩ 2 | 2 |
| Financial liabilities | (1,241,552) | (1,394,710) |
| | <u>(1,241,550)</u> | <u>(1,394,708)</u> |
| Variable rate instruments: | | |
| Financial assets | 96,814 | 95,250 |
| Financial liabilities | (1,351,200) | (674,800) |
| | <u>₩ (1,254,386)</u> | <u>(579,550)</u> |

(ii) Interest rate risk arises from savings and borrowings with floating interest rates. The Company properly hedges the risk borrowings with floating interest rates through interest rate swaps.

Interest rate swap contracts as of December 31, 2022 are as follows (See Note 22):

(In millions of won, in thousands of euro)

| <u>Counterparties</u> | <u>Amount</u> | <u>Interest rate</u> | <u>Expiration date</u> |
|-----------------------|---------------|---|------------------------|
| Woori Bank | ₩ 40,000 | Receives floating interest rate | CD+1.45% |
| | | Pays fixed interest rate | 3.28% |
| Shinhan Bank | EUR 26,000 | Receives floating interest rate and | EURIBOR(3M) +1.22% |
| | | Receive in foreign currency | EUR 26,000 |
| | | Pays fixed interest rate and Pay in KRW currency | 2.89% KRW 34,580 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(4) Interest rate risk, continued

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2022 and 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The changes in equity and profit or loss are as follows:

(In millions of won)

| | Profit or loss | |
|---------------------------|------------------------|------------------------|
| | 100 bp increase | 100 bp decrease |
| 2022 | | |
| Variable rate instruments | ₩ (12,544) | 12,544 |
| Interest rate swaps | 751 | (751) |
| Net cash flow sensitivity | ₩ (11,793) | 11,793 |
| 2021 | | |
| Variable rate instruments | ₩ (5,796) | 5,796 |
| Interest rate swaps | 749 | (749) |
| Net cash flow sensitivity | ₩ (5,047) | 5,047 |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(5) Fair values

(i) Fair value hierarchy

The Company classified fair value measurements in accordance with the fair value hierarchy which reflects the significance of the inputs used in fair value measurements.

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

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---|----------------|----------------|----------------|--------------|
| 2022 | | | | | |
| Derivative assets | ₩ | - | 3,119 | - | 3,119 |
| Financial liabilities measured at FVTPL | | - | - | 190,894 | 190,894 |
| 2021 | | | | | |
| Derivative assets | ₩ | - | 681 | - | 681 |
| Derivative liabilities | | - | 925 | - | 925 |
| Financial liabilities measured at FVTPL | | - | - | 199,915 | 199,915 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 are comprised primarily of listed equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company has not disclosed fair values of financial instruments such as unmarketable securities and equity investment which are not reliably measured at fair value because of new establishment or no existence of comparable company.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

(6) The valuation of the fair value hierarchy Level 2 and inputs description

The valuation techniques and input variables used in measuring Level 2 fair values as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> | <u>Valuation techniques</u> | <u>Input variables</u> |
|---------------------------------|-------------|-------------|-----------------------------|--------------------------|
| Derivatives assets: | | | | |
| Interest rate swaps | ₩ 1,230 | 65 | Cash flow discount model | Discount rate and others |
| Currency swaps | 1,889 | 616 | Cash flow discount model | Discount rate and others |
| Derivatives liabilities: | | | | |
| Interest rate swaps | - | 114 | Cash flow discount model | Discount rate and others |
| Currency swaps | - | 811 | Cash flow discount model | Discount rate and others |

(7) The valuation of the fair value hierarchy Level 3 and inputs description

(i) Change in assets and liabilities recognized in respect of Level 3 fair values for the years ended December 31, 2022 and 2021 is as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> |
|---|------------------|----------------|
| Financial liabilities measured at FVTPL: | | |
| Beginning balance | ₩ 199,915 | 27,342 |
| Acquisition | - | 175,278 |
| Loss on valuation | (9,021) | (2,705) |
| Ending balance | ₩ <u>190,894</u> | <u>199,915</u> |

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2022 and 2021 are as follows:

(In millions of won)

| | <u>2022</u> | <u>2021</u> | <u>Valuation techniques</u> | <u>Significant but unobservable inputs</u> |
|---|-------------|-------------|-----------------------------|--|
| Financial liabilities measured at FVTPL | ₩ 190,894 | 199,915 | Binomial model | Weighted average capital cost, permanent growth rate |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

36. Financial Instruments, Continued

- (7) The valuation of the fair value hierarchy Level 3 and inputs description, continued
- (ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2022 and 2021 are as follows, continued

On the other hand, if the other input variables are kept constant for the fair value of these stocks held, the fair value of the financial liabilities at fair value through profit or loss is measured if one of the significant but unobservable input variables fluctuates reasonably on the reporting date. The effects of additional profit or loss affected by the fluctuation are as follows:

(In millions of won)

| <u>Input variables(*)</u> | <u>Volatility</u> | | <u>Positive volatility</u> | <u>Negative volatility</u> |
|-------------------------------|-------------------|---|----------------------------|----------------------------|
| Weighted average capital cost | 0.5%p | ₩ | 20,333 | (22,445) |
| Permanent growth rate | 0.5%p | | 23,011 | (24,638) |

- (*) The amount of change in the fair value of derivative liabilities was calculated by increasing or decreasing the significant but unobservable input among the input variables for calculating the fair value of the underlying asset.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

37. Commitments and Contingencies

- (1) In accordance with Article 530, paragraph 9.1 of the Commercial law, Korea Shipbuilding & Offshore Engineering Co.,Ltd. and newly-split company (Hyundai Electric & Energy Systems Co., Ltd., Hyundai Construction Equipment Co., Ltd. and HD Hyundai Co., Ltd.) are liable to refund jointly the debts of Korea Shipbuilding & Offshore Engineering Co.,Ltd. before the split.
- (2) In accordance with Article 530, paragraph 9.1 of the Commercial law, HD Hyundai Co., Ltd. and newly-split company (Hyundai Robotics Co., Ltd.) are liable to refund jointly the debts of Hyundai Heavy Industries Holdings Co., Ltd. before the split.
- (3) As of December 31, 2022, the Company has entered into a general loan agreement with the Korea Development Bank and others for a total limit of ₩1,941,000 million and EUR 26,000 thousand. Additionally the Company has entered into an agreement of derivative deposit exemption totaling USD 80,000 thousand with KEB Hana bank, a derivative agreement for a total limit of USD 1,000 thousand with Woori Bank and a derivative agreement for a total limit of EUR 5,100 thousand with Shinhan Bank.
- (4) As of December 31, 2022 the Company has been provided ₩2,450 million in connection with the Global R&D Center developing guarantees.
- (5) As of December 31, 2022, the Company has entered into a contract with shareholders that grants call options to Aramco Overseas Company B.V., 2.9% of the interest in Hyundai Oilbank Co., Ltd.

| | |
|-----------------|---|
| Date of issue | December 17, 2019 |
| Quantity | 7,107,390 shares (2.9%) |
| Exercise period | Within 5 years from the date of issue (or before IPO) |
| Exercise price | ₩33,000 per share |

- (6) As of December 31, 2022, the Company has entered into a contract with shareholders that compensates for the difference and grants put options to 38% of Hyundai Global Service Co., Ltd. shares that Global Vessel Solutions, L.P. holds.

1) Make-whole payment

| | |
|------------------|---|
| Authorizer | HD Hyundai Co., Ltd.(formerly, Hyundai Heavy Industries Holding Co., Ltd) |
| Requirements | Offering price is less than entry price |
| Underlying asset | Hyundai Global Service Co., Ltd. stock |
| Exercise price | Offering price – entry price |

2) Put option

| | |
|----------------|---|
| Authorizer | HD Hyundai Co., Ltd.(formerly, Hyundai Heavy Industries Holding Co., Ltd) |
| Requirements | Hyundai Global Service Co., Ltd. fails IPO |
| Maturity date | Within 5 years from the issue date (eligible for a 1-year extension) |
| Exercise price | Max (entry price, price at exercise date) |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

38. Litigation

- (1) Lawsuit to revoke the invalidation of a trademark registration

| | |
|---|--|
| Date of filing | November 16, 2022 |
| Litigant | Plaintiff: Hyundai Technology Co., Ltd. (Puerto Rico) Defendant: The Company |
| Litigation content | The Plaintiff claimed that the Company trademark (Hyundai Connect), which was registered in May 2020, was similar to their pre-registered trademark (Hyundai) and filed a petition for invalidation with the Patent Trial and Appeal Board. In September 2022, the plaintiff lost the case at the Patent Trial and Appeal Board. Therefore, the plaintiff filed a lawsuit to cancel the decision of invalidation on November 16, 2022, with the Patent Court in appeal of the previous decision. |
| Litigation value | ₩100 million |
| The progress of litigation | November 17, 2022: Hyundai Technology Co., Ltd files a lawsuit. January 30, 2023: The Company submits a preparation document. |
| Future litigation schedule and countermeasures | The Company plan to submit a response document in consultation with legal representative |
| The effect on the Company as a result of litigation | If the Company loses the case, there will be additional loss due to the compensation. As of December 31, 2022 the impact on the Company's financial statements is not reasonably estimable. |

- (2) There are no pending lawsuits or litigation matters against the Company as of December 31, 2022.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties

(1) As of December 31, 2022, related parties with the Company are as follows:

| Subsidiaries | Main business |
|---|---|
| Hyundai Oilbank Co., Ltd. | Manufacturing of petroleum products |
| Hyundai and Shell Base Oil Co., Ltd. | Manufacturing of base oil |
| Hyundai Chemical Co., Ltd. | Crude oil refining business |
| Hyundai OCI Co., Ltd. | Manufacturing of basic inorganic chemicals |
| Hyundai Oilbank (Shanghai) Co., Ltd. | Trade petrochemical products |
| Hyundai Oil Singapore Pte. Ltd. | Trade crude oil and petrochemical products, chartering |
| MS Dandy Ltd. | Ship rental service |
| Grande Ltd. | Ship rental service |
| Hyundai E&F Co., Ltd. | District energy |
| Hyundai Global Service Co., Ltd. | Engineering services |
| Hyundai Global Service Europe B.V | Engine A/S |
| Hyundai Global Service America Co., Ltd. | Engine A/S |
| Hyundai Global Service Singapore Pte. Ltd. | Engine A/S |
| Hyundai Global Service Colombia S.A.S. | Engine A/S |
| Hyundai Global Service Tech Co., Ltd. | Engineering service |
| Hyundai Global Service Middle East FZE | Engine A/S |
| Hyundai Electric & Energy Systems Co., Ltd. | Sale and manufacture of industrial electric equipment |
| Hyundai Plaspo Co., Ltd. | Manufacture of electrical converter |
| Yeochon Energy Co, Ltd. | Electric and solar power generation |
| Hyundai Technologies Center Hungary kft. | Research and development of technology |
| Hyundai Electric Switzerland Ltd. | Research and development of technology |
| Hyundai Power Solution India Private Ltd. | Electric construction and power equipment |
| Hyundai Heavy Industries (China) Electric Co., Ltd. | Sale and manufacture of distribution panel |
| Hyundai Heavy Industries (Shanghai) R&D Co., Ltd. | Research and development of technology |
| Hyundai Electric Arabia L.L.C Co. | Customer support service |
| Hyundai Power Transformers USA Inc. | Sale and manufacture of industrial electric equipment |
| Hyundai Electric America Corporation. | Sale of transformers |
| Hyundai Construction Equipment Co., Ltd. | Sale and manufacture of machinery equipment for construction |
| HHI China Investment Co., Ltd. | Holding company |
| Hyundai Financial Leasing Co., Ltd. | Finance and operating leases |
| Hyundai (Jiangsu) Construction Machinery Co., Ltd. | Sale and manufacture of machinery equipment for construction |
| Hyundai Construction Equipment America, Inc. | Sale of machinery equipment for construction |
| Hyundai Construction Equipment Europe N.V | Sale of machinery equipment for construction |
| Hyundai Construction Equipment India Private Ltd. | Sale and manufacture of machinery equipment for construction |
| PT Hyundai Construction Equipment Asia | Sale of machinery equipment for construction |
| Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment | Sale and manufacture of machinery equipment for construction |
| Hyundai Future Partners Co., Ltd. | Management consulting business |
| Medi Plus Solution Co., Ltd. | Development and service of healthcare solution |
| AMC Bio Co., Ltd. | Research and development of medicine |
| Avikus Co., Ltd. | Development and sale of software for maritime autonomous surface ships |
| Hyundai Robotics Co., Ltd. | Manufacturing of industrial robots |
| Hyundai LNS Co.,Ltd | Other engineering services |
| Hyundai Robotics Investment (Shanghai) Co., Ltd. | Sale of robot and service |
| Hyundai Robotics Europe GmbH | Sale of robot and service |
| Hyundai Robotics (JIANGSU) Co., Ltd | Sale of robot and service |
| Hyundai Robotics USA Inc. | Sale of robot and service |
| Hyundai Genuine Co., Ltd. | Sale and manufacture of machinery equipment for construction and mining |
| Changzhou Hyundai Hydraulic Machinery Co., Ltd. | Sale and manufacture of hydraulic cylinders |
| Hyundai Doosan Infracore Co., Ltd. | Sale and manufacture of machinery equipment for construction |
| Doosan Infracore China Co., Ltd. | Sale and manufacture of machinery equipment for construction |
| Doosan Infracore Hunan Corp. | Sale of machinery equipment for construction |
| Doosan Infracore Beijing Corp. | Sale of machinery equipment for construction |
| Doosan Infracore (Shandong) Co., Ltd. | Sale of machinery equipment for construction |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

(1) As of December 31, 2022, related parties with the Company are as follows, continued:

| Subsidiaries | Main business |
|--|---|
| Doosan Infracore (China) Investment Co., Ltd. | Holding company |
| Doosan (China) Financial Leasing Corp. | Financing |
| Doosan Infracore North America LLC. | Sale of machinery equipment for construction |
| Hyundai Doosan Infracore Chile S.A | Sale of machinery equipment for construction |
| Doosan Infracore South America Industria E Comercio De Maquinas De Construcao LTDA | Sale of machinery equipment for construction |
| Doosan Infracore Norway AS. | Manufacture and sale of machinery equipment for construction |
| Doosan Infracore Construction Equipment India Private Ltd. | Sale of machinery equipment for construction |
| Doosan Infracore Europe s.r.o. | Sale of machinery equipment for construction |
| Doosan Infracore Deutschland GmbH | Sale of machinery equipment for construction |
| Ecube Solution Co., Ltd. | Sale and production of after treatment device of an engine |
| Clue Insight Inc. | Development and sale of software |
| Tianjin Hyundai Doosan Engine Co.,Ltd. | Sale and production of engine |
| Korea Shipbuilding & Offshore Engineering Co., Ltd. | Holding company |
| Hyundai Heavy Industries Co., Ltd. | Manufacture of ships, marine structures, plants and engines, etc. |
| Hyundai Engine Company Ltd. | Manufacture of internal combustion engine |
| Hyundai Samho Heavy Industries Co., Ltd. | Shipbuilding |
| Hyundai Mipo Dockyard Co., Ltd. | Shipbuilding |
| Hyundai Engineering & Technology | Engineering and service |
| Hyundai-Vietnam Shipbuilding Co., Ltd | Shipbuilding |
| Ulsan Hyundai Football Club Co.,Ltd. | Sports club management |
| Hyundai Heavy Industries Mos Co., Ltd | Facilities maintenance Service |
| Hyundai Energy Solutions Co., Ltd. | Renewable energy |
| Hyundai Energy Solutions America INC. | Sale of solar module |
| Hyundai Transformers And Engineering India- Private Limited | Sale and manufacture of transformer |
| Hyundai Heavy Industries Technology Center India Private Limited | Engineering Consulting |
| Hyundai Heavy Industries Miraflores Power Plant Inc | Other manufacturing |
| HHI Mauritius Limited | Other manufacturing |
| Hyundai Arabia Company L.L.C | Construction of an industrial plant |
| Hyundai Samho Heavy Industries Panama, Inc. | Construction of Industrial Equipment |
| Pontos Investment LLC | Investment |
| Associates | Main business |
| KC LNG Tech Co.,Ltd. | Engineering service |
| Zvezda-Hyundai LLC | Shipbuilding |
| International Maritime Industries Company | Shipbuilding |
| Hyundai Green Industries Co. W.L.L. | Educational service |
| New korea country club | Golf course operation |
| Hyundai Hyms Co., Ltd. | Manufacturing of ship components |
| Palantir Technologies Korea LLC | Software sales |
| Potenit Co.,Ltd. | Manufacturing of industrial robots |
| Daehoji Solar Park, Inc. | Solar power generation |
| Koramco Eneergy Plus Reit Co., Ltd. and others | Real estate rent and others |
| Joint ventures | Main business |
| Hyundai Cosmo Co., Ltd. | Manufacturing of other basic chemicals |
| Saudi Engines Manufacturing Company | Manufacturing of ship engines |
| Doosan Infracore Liaoning Machinery Sales Co., Ltd | Sale of excavator |
| Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1 | New technology business investment service |
| Others (large-scale corporate conglomerate, etc.) | Main business |
| HEA Co., Ltd | Landscape construction |
| SEBoat Co., Ltd | Manufacturing of turbine |
| Uou Holdings | Consulting |
| Taebaek Wind Power Co., Ltd | Power generation |
| TaebackGuinemi Wind Power Co., Ltd. | Power generation |
| Changjuk Wind Piver Co., Ltd | Power generation |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

(2) Transactions with related parties

1) Significant transactions for the years ended December 31, 2022 and 2021 with related parties are as follows:

(In millions of won)

| Description | 2022 | | |
|--|-------------------|------------------|---------------------|
| | Revenue and other | | Purchases and other |
| | Sales | Dividend revenue | Purchase of others |
| Subsidiaries: | | | |
| Hyundai Heavy Industries Co., Ltd. | ₩ 587 | - | 1,316 |
| Hyundai Robotics Co., Ltd. | 417 | - | 7 |
| Hyundai Electric & Energy Systems Co., Ltd. | 903 | - | 137 |
| Hyundai Construction Equipment Co., Ltd. | 887 | - | 161 |
| Korea Shipbuilding & Offshore Engineering Co., Ltd. | 1,434 | - | 6,446 |
| Hyundai Doosan Infracore Co., Ltd. | 724 | - | 17 |
| Hyundai Samho Heavy Industries Co., Ltd. | 2,376 | - | - |
| Hyundai Mipo Dockyard Co., Ltd. | 1,908 | - | - |
| Hyundai Oilbank Co., Ltd. | 788 | 283,794 | 92 |
| Hyundai and Shell Base Oil Co., Ltd. | 11 | - | 1 |
| Hyundai Chemical Co., Ltd. | 46 | - | 1 |
| Hyundai Construction Equipment India Private Ltd. | 132 | - | - |
| Ulsan Hyundai Football Club Co.,Ltd. | - | - | 1,380 |
| Hyundai Global Service Co., Ltd | 679 | 49,600 | - |
| Hyundai Energy Solutions Co., Ltd. | 736 | - | 2 |
| Hyundai Genuine Co., Ltd. | 808 | - | 12 |
| Other | 32 | - | 1 |
| | <u>12,468</u> | <u>333,394</u> | <u>9,573</u> |
| Associates: | | | |
| Hyundai Cosmo Co., Ltd. | 11 | - | 1 |
| Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1 | 201 | - | - |
| | <u>212</u> | <u>-</u> | <u>1</u> |
| | <u>₩ 12,680</u> | <u>333,394</u> | <u>9,574</u> |

In addition to the above transactions, the Company acquired 4.1% of shares of Korea Shipbuilding & Offshore Engineering Co., Ltd.,(transaction amount ₩251,454 million) reclassifying it from associate to a subsidiary.

In addition, for the year ended December 31, 2022, the Company participated in a paid-in capital increase of ₩10,000 million in Avicus Co., Ltd. and acquired a 25.10% of shares (transaction amount: ₩703 million) through the establishment of Palantir Technologies Korea LLC. and classified it as an associate.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

(2) Transactions with related parties, continued

1) Significant transactions for the years ended December 31, 2022 and 2021 with related parties are as follow, continued:

(In millions of won)

| Description | 2021 | | |
|--|-------------------|------------------|---------------------|
| | Revenue and other | | Purchases and other |
| | Sales | Dividend revenue | Purchase of others |
| Subsidiaries: | | | |
| Hyundai Oilbank Co., Ltd. | ₩ 319 | 70,487 | 52 |
| Hyundai Global Service Co., Ltd | 275 | 174,800 | - |
| Hyundai Electric & Energy Systems Co., Ltd. | 279 | - | 125 |
| Hyundai Power Transformers USA Inc. | 89 | - | - |
| Hyundai Construction Equipment Co., Ltd. | 390 | - | 172 |
| Hyundai Construction Equipment India Private Ltd. | 224 | - | - |
| Hyundai (Jiangsu) Construction Machinery Co., Ltd. | 397 | - | - |
| Hyundai Robotics Co., Ltd. | 300 | - | - |
| Hyundai Doosan Infracore Co., Ltd. | 100 | - | - |
| Hyundai Genuine Co., Ltd. | 89 | - | - |
| Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment | 44 | - | - |
| Other | 121 | - | - |
| | <u>2,627</u> | <u>245,287</u> | <u>349</u> |
| Associates: | | | |
| Korea Shipbuilding & Offshore Engineering Co., Ltd. | 488 | - | 4,737 |
| Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1 | 34 | - | - |
| | <u>522</u> | <u>-</u> | <u>4,737</u> |
| Other related parties (large-scale corporate conglomerate, etc.): | | | |
| Hyundai Heavy Industries Co., Ltd. | 299 | - | 1,319 |
| Hyundai Samho Heavy Industries Co., Ltd. | 2,094 | - | - |
| Hyundai Mipo Dockyard Co., Ltd. | 1,315 | - | - |
| Ulsan Hyundai Football Club Co.,Ltd. | - | - | 1,262 |
| Hyundai Energy Solutions Co., Ltd. | 296 | - | - |
| Others | 56 | - | - |
| | <u>4,060</u> | <u>-</u> | <u>2,581</u> |
| ₩ | <u>7,209</u> | <u>245,287</u> | <u>7,667</u> |

In addition to the above transaction, for the year ended December 31, 2021 the Company established and acquired 100 percent share of interest (transaction amount : ₩100 million) in Hyundai Genuine Co., Ltd., and incorporated as a subsidiary. And the Company participated in paid-in capital increase amounting to ₩449,900 million for Hyundai Genuine Co., Ltd. and invested in-kind of entire shares of Hyundai Construction Equipment Co., Ltd. (book value : ₩427,819 million) that the Company held.

Additionally the Company participated in paid-in capital increase of respectively ₩26,000 million and ₩8,000 million of Hyundai Future Partners Co., Ltd. and Avikus Co., Ltd. for the year ended December 31, 2021.

For the year ended December 31, 2021, the Company acquired 29.85% interest in Mirae asset-Hyundai Heavy Industries holdings Co., Ltd. Growth Opportunity Securities Investment joint No.1 (transaction amount : ₩2,000 million) through new establishment and incorporated as a joint venture.

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2022 and 2021 with related parties are as follows:

(In millions of won)

| | 2022 | | |
|--|---|------------------|-----------------------------------|
| | Trade receivables and other receivables | | Trade payables and other payables |
| | Trade receivables | Other receivable | Other payables |
| Subsidiaries: | | | |
| Hyundai Heavy Industries Co., Ltd. ₩ | 38 | - | 4,285 |
| Hyundai Robotics Co., Ltd. | 306 | 1,806 | 1,782 |
| Hyundai Electric & Energy Systems Co., Ltd. | 70 | - | 3,154 |
| Hyundai Construction Equipment Co., Ltd. | 561 | 3,089 | 3,089 |
| Korea Shipbuilding & Offshore Engineering Co., Ltd | 138 | 147 | 6,019 |
| Hyundai Doosan Infracore Co., Ltd. | 24 | 7 | 4,490 |
| Hyundai Samho Heavy Industries Co., Ltd. | 14 | 652 | 36 |
| Hyundai Mipo Dockyard Co., Ltd. | 5 | - | 598 |
| Hyundai Oilbank Co., Ltd. | 100 | - | 2,428 |
| Hyundai and Shell Base Oil Co., Ltd. | - | - | 95 |
| Hyundai Chemical Co., Ltd. | - | - | 392 |
| Hyundai OCI Co., Ltd. | - | - | 77 |
| Hyundai Global Service | 4 | 89 | 2,683 |
| Hyundai Energy Solutions Co., Ltd. | 31 | 136 | 598 |
| Hyundai Genuine Co., Ltd. | 34 | 3,376 | 3,223 |
| | <u>1,325</u> | <u>9,302</u> | <u>32,949</u> |
| Associates and Joint ventures: | | | |
| Hyundai Cosmo Co., Ltd. | - | - | 95 |
| Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1 | - | 51 | - |
| | - | 51 | 95 |
| ₩ | <u>1,325</u> | <u>9,353</u> | <u>33,044</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2022 and 2021 with related parties are as follows, continued:

(In millions of won)

| | 2021 | | |
|--|--|-------------------------|--|
| | Trade receivables and other receivables | | Trade payables and other payables |
| | Trade receivables | Other receivable | Other payables |
| Subsidiaries: | | | |
| Hyundai Global Service Co., Ltd. ₩ | 3 | - | - |
| Hyundai Construction Equipment Co., Ltd. | 60 | - | - |
| Hyundai Oilbank Co., Ltd. | 109 | - | - |
| Hyundai Robotics Co., Ltd. | 19 | - | - |
| Hyundai Electric & Energy Systems Co., Ltd. | 61 | - | - |
| Hyundai LNS Co.,Ltd | - | - | 1 |
| Hyundai Future Partners Co., Ltd. | 1 | - | - |
| Hyundai Genuine Co., Ltd. | 21 | - | - |
| Hyundai Doosan Infracore Co., Ltd. | 30 | 3 | - |
| Hyundai Construction Equipment India Private Ltd. | - | 31 | - |
| | <u>304</u> | <u>34</u> | <u>1</u> |
| Associates: | | | |
| Korea Shipbuilding & Offshore Engineering Co., Ltd | 45 | - | 787 |
| Other related parties | | | |
| Hyundai Samho Heavy Industries Co., Ltd. | 19 | 524 | - |
| Hyundai Mipo Dockyard Co., Ltd. | 2 | - | - |
| Hyundai Energy Solutions Co., Ltd. | 14 | - | - |
| Hyundai Heavy Industries Co., Ltd. | 56 | - | 170 |
| | <u>91</u> | <u>524</u> | <u>170</u> |
| ₩ | <u>440</u> | <u>558</u> | <u>958</u> |

HD HYUNDAI CO., LTD.
Notes to the Separate Financial Statements, Continued
For the years ended December 31, 2022 and 2021

39. Related Parties, Continued

- (3) There are no guarantees or guarantees provided by and to related parties as of December 31, 2022.
- (4) For the year ended December 31, 2022, the Company entered into a long-term lease contract with related parties such as Korea Shipbuilding & Offshore Engineering Co., Ltd. regarding the Pangyo new office building, and the contract period is two years.
- (5) Compensation for key management of the Company for the years ended December 31, 2022 and 2021 are as follows:

| <i>(In millions of won)</i> | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------|-------------|
| Short-term employee benefits | ₩ 1,256 | 431 |
| Post-employment benefits | 234 | 96 |
| | <u>₩ 1,490</u> | <u>527</u> |

Key management is defined as directors and internal auditors who have important roles and responsibilities involving the planning, operation and control of the Company.

40. Subsequent Events

The Company issued corporate bonds in amount of ₩100,000 million on February 23, 2023.

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2022 and the audit of internal control over financial reporting pursuant to Article 8-7 of the Act on External Audit for Stock Companies of the Republic of Korea.

Independent Auditors' Report on Internal Control over Financial Reporting

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
HD Hyundai Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited HD Hyundai Co., Ltd. (formerly, Hyundai Heavy Industries Holdings Co., Ltd.)'s (the Company) internal control over financial reporting ("ICFR") as of December 31, 2022 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2022 and 2021, the separate statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, and our report dated March 20, 2023 expressed an unmodified opinion on those separate financial statements.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in 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.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control Over Financial Reporting.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.



Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditors' report is Yong-Jae Cha.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 20, 2023

This report is effective as of March 20, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Report on the Operations of Internal Control Over Financial Reporting

Based on a report originally Issued in Korean

To the Board of Directors and Audit Committee of
HD Hyundai Co., Ltd.:

We, as the Chief Executive Officer and the Internal Accounting Manager of HD Hyundai Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2022.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager.

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' issued by the Operating Committee of Internal Control over Financial Reporting as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this report does not contain any untrue statement of a fact or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readave reviewed and verified this report with sufficient care.

Jo, Jin Ho
Internal Accounting Control Officer

Chung, Ki sun
Chief Executive Officer

February 7, 2023