Hyundai Corporation and its subsidiaries

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

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Independent auditor's report

The Shareholders and Board of Directors
Hyundai Corporation

Opinion

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

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

Basis for opinion

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

Key audit matters

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

➢ **Review on occurrence of overseas sales and period to which they are attributable.**

As described in Note 2 to the consolidated financial statements, the Group recognizes sales at the time of delivery, considering the terms of trade transactions, when a control of inventory is transferred to overseas customers. The Group's overseas sales are ₩ 3,277,144 million, accounting for about 87% of its total sales.

We have identified a possible error in occurrence of sales and period to which it is attributable in the process of making judgment for identification of performance obligations in a contract with customer relating to sales of the Group and the timing of satisfaction of such performance obligation as a significant risk and determined this as a key audit matter.

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

- Review of revenue recognition accounting policies and any change by types of major overseas sales contracts.
- Review of contracts by types of overseas sales (identification of performance obligations, measurement of transaction price, allocation of transaction price, and timing of revenue recognition).
- Test of details on overseas sales transactions during the period by comparing to relevant documents.
- Check on the appropriateness of the period to which overseas sales transactions that occurred before and after the end of the reporting period is attributable.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hee Seong Moon.

Ernst & Young Han Young

March 22, 2022

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

Hyundai Corporation and its subsidiaries

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

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

Anseok Jang
Chief Executive Officer
Hyundai Corporation

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

(In Korean won)

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,7,9	₩ 195,079,937,786	₩ 248,035,048,030
Short-term financial instruments	4,7	2,000,000,000	2,176,000,000
Trade receivables	4,7,8,10,36	649,740,947,644	284,189,785,297
Inventories	13	213,245,326,330	75,801,296,076
Derivative financial assets	4,5,7,12	2,276,942,149	3,590,787,384
Current portion of finance lease receivables	7,18,36	372,918,614	313,636,328
Other current receivables	4,7,10,36	23,408,763,049	15,974,548,043
Other current assets	14,36	25,285,001,980	29,218,089,303
		1,111,409,837,552	659,299,190,461
Non-current assets			
Long-term financial instruments	7	19,000,000	19,000,000
Financial assets at fair value through profit or loss	5,7,11	2,559,763,600	2,203,920,488
Financial assets at fair value through other comprehensive income	5,7,11,16	49,357,801,339	45,529,789,099
Other financial assets	7	349,990,744	443,218,858
Investments in joint ventures and associates	15,16	88,300,471,096	78,308,177,227
Long-term loan receivables	4,7,16,36	28,386,959,582	23,258,172,528
Investments in resource development projects	4,7,16	24,956,797,714	20,826,947,383
Property, plant and equipment	17	29,453,821,160	16,826,884,380
Investment properties	19	342,000,000,000	340,000,000,000
Right-of-use assets	18,36	8,416,278,097	10,314,523,593
Intangible assets	20	8,906,663,499	8,405,642,097
Deferred tax assets	25	6,252,665,226	5,630,453,248
Finance lease receivables (non-current)	7,18,36	563,430,066	772,131,752
Other non-current receivables	7,10	473,352,151	130,302,816-
Other non-current assets	4,7,14,36	5,976,343,782	7,090,938,253
		595,973,338,056	559,760,101,722
Total assets		₩ 1,707,383,175,608	₩ 1,219,059,292,183
Liabilities			
Current liabilities			
Trade payables	4,7,36	₩ 255,963,840,201	₩ 160,008,976,841
Other payables	4,7,36	64,184,440,214	57,792,515,918
Advances from customers	36	36,966,249,301	23,621,414,715
Short-term borrowings	4,7,8,22,34	466,626,083,425	171,178,008,971
Current portion of debentures	4,7,22,34	29,962,289,013	29,958,908,282-
Current portion of provisions	4,24,35	1,948,999,901	1,584,718,185
Current tax liabilities		7,218,727,859	4,063,044,129
Derivative financial liabilities	4,5,7,12	1,435,869,919	3,578,075,357
Current portion of lease liabilities	4,7,18,34	3,196,974,407	3,276,539,029
Other current liabilities	7,21,36	6,281,628,950	6,257,050,546
		873,785,103,190	461,319,251,973
Non-current liabilities			
Debentures	4,7,22,34	99,713,220,794	79,727,905,585
Long-term borrowings	4,7,22,34	322,737,812,608	317,528,339,674
Long-term other payables	5	4,875,523	-
Net defined benefit liability	23	1,845,012,106	2,648,696,745
Provisions	4,24,35	5,820,822,295	8,854,979,818
Deferred tax liabilities	25	22,041,881,862	14,553,023,244
Lease liabilities	4,7,18,34	6,607,337,545	8,418,336,812
Other non-current liabilities	4,7,21	4,081,103,615	3,971,256,379
Others		7,915,702,115	7,573,098,375
		470,767,768,463	443,275,636,632
Total liabilities		1,344,552,871,653	904,594,888,605
Equity			
Equity attributable to owners of the parent			
Issued capital	1	66,144,830,000	66,144,830,000
Other components of equity	26	(281,978,480,507)	(281,978,480,507)
Accumulated other comprehensive income	26	72,639,148,872	54,249,824,528
Retained earnings	27	504,261,835,732	474,640,763,421
		361,067,334,097	313,056,937,442
Non-controlling interests		1,762,969,858	1,407,466,136
Total equity		362,830,303,955	314,464,403,578
Total liabilities and equity		₩ 1,707,383,175,608	₩ 1,219,059,292,183

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

Hyundai Corporation and its subsidiaries
Consolidated statements of profit or loss
for the years ended December 31, 2021 and 2020

(In Korean won)

	Notes		2021		2020
Sales	6,16,28,36	₩	3,782,497,523,034	₩	2,880,885,745,209
Cost of sales	13,16,28,29,36		(3,671,382,343,166)		(2,778,230,586,185)
Gross profit			111,115,179,868		102,655,159,024
Selling and administrative expenses	29,30		(76,045,278,170)		(69,417,008,503)
Operating profit	6		35,069,901,698		33,238,150,521
Other income	7,31		85,269,529,390		106,116,692,197
Other expenses	7,31		(66,410,539,985)		(74,391,802,227)
Share of profit of associates and joint ventures	15,16		7,268,796,478		7,861,456,156
Finance income	7,32		25,841,954,925		29,947,878,972
Finance costs	7,32		(30,818,953,659)		(48,909,217,956)
Profit before tax			56,220,688,847		53,863,157,663
Income tax expenses	25		(18,214,692,550)		(4,500,183,573)
Profit for the year		₩	38,005,996,297	₩	49,362,974,090
Profit for the year attributable to:					
Owners of the parent		₩	37,789,612,149	₩	49,305,227,171
Non-controlling interests			216,384,148		57,746,919
Earnings per share attributable to owners of the parent					
Basic earnings per share	33	₩	3,146	₩	3,980

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

Hyundai Corporation and its subsidiaries
Consolidated statements of comprehensive income (loss)
for the years ended December 31, 2021 and 2020

(In Korean won)

	Notes	2021	2020
Profit for the year		₩ 38,005,996,297	₩ 49,362,974,090
Other comprehensive income (loss)			
Items will not be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on defined benefit plans	23	(961,960,238)	(610,972,475)
Gain (loss) on equity instruments designated at fair value through other comprehensive income	5,11	2,847,943,438	(8,466,502,846)
Share of other comprehensive income (loss) of associates and joint ventures	15	4,760,729,134	(43,617,907,132)
Items that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income (loss) of associates and joint ventures	15	4,314,659,629	(2,102,253,943)
Gain (loss) on valuation of derivative instruments		254,268,398	(15,334,391)
Exchange differences on translation of foreign operations		6,330,843,319	(5,260,618,902)
Other comprehensive income (loss) for the year		17,546,483,680	(60,073,589,689)
Total comprehensive income (loss) for the year		₩ 55,552,479,977	₩ (10,710,615,599)
Total comprehensive income (loss) for the year is attributable to:			
Owners of the parent		₩ 55,216,976,255	₩ (10,643,849,424)
Non-controlling interests		335,503,722	(66,766,175)

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

Hyundai Corporation and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2021 and 2020

(In Korean won)

	Attributable to the owners of the parent						
	Issued capital	Other component of equity	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2020	₩ 66,144,830,000	₩ (272,994,356,507)	₩ 113,587,928,648	₩ 433,541,888,325	₩ 340,280,290,466	₩ 1,474,232,311	₩ 341,754,522,777
Comprehensive loss							
Profit for the year	-	-	-	49,305,227,171	49,305,227,171	57,746,919	49,362,974,090
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	(8,466,502,846)	-	(8,466,502,846)	-	(8,466,502,846)
Share of other comprehensive loss of associates and joint ventures	-	-	(45,714,627,930)	-	(45,714,627,930)	(5,533,145)	(45,720,161,075)
Remeasurement loss on defined benefit plans	-	-	-	(610,972,475)	(610,972,475)	-	(610,972,475)
Loss on valuation of derivative instruments	-	-	(15,334,391)	-	(15,334,391)	-	(15,334,391)
Exchange differences on translation of foreign operations	-	-	(5,141,638,953)	-	(5,141,638,953)	(118,979,949)	(5,260,618,902)
	-	-	(59,338,104,120)	48,694,254,696	(10,643,849,424)	(66,766,175)	(10,710,615,599)
Transaction with owners							
Dividends (Note 27)	-	-	-	(7,595,379,600)	(7,595,379,600)	-	(7,595,379,600)
Treasury shares	-	(8,984,124,000)-	-	-	(8,984,124,000)		(8,984,124,000)
As of December 31, 2020	₩ 66,144,830,000	₩ (281,978,480,507)	₩ 54,249,824,528	₩ 474,640,763,421	₩ 313,056,937,442	₩ 1,407,466,136	₩ 314,464,403,578
As of January 1, 2021	₩ 66,144,830,000	₩ (281,978,480,507)	₩ 54,249,824,528	₩ 474,640,763,421	₩ 313,056,937,442	₩ 1,407,466,136	₩ 314,464,403,578
Comprehensive income							
Profit for the year	-	-	-	37,789,612,149	37,789,612,149	216,384,148	38,005,996,297
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	2,847,943,438	-	2,847,943,438	-	2,847,943,438
Share of other comprehensive income of associates and joint ventures	-	-	9,071,877,949	-	9,071,877,949	3,510,814	9,075,388,763
Remeasurement loss on defined benefit plans	-	-	-	(961,960,238)	(961,960,238)	-	(961,960,238)
Gain on valuation of derivative instruments	-	-	254,268,398	-	254,268,398	-	254,268,398
Exchange differences on translation of foreign operations	-	-	6,215,234,559	-	6,215,234,559	115,608,760	6,330,843,319
	-	-	18,389,324,344	36,827,651,911	55,216,976,255	335,503,722	55,552,479,977
Transaction with owners							
Dividends (Note 27)	-	-	-	(7,206,579,600)	(7,206,579,600)	-	(7,206,579,600)
Equity transactions with non-controlling interests	-	-	-	-	-	20,000,000-	20,000,000
As of December 31, 2021	₩ 66,144,830,000	₩ (281,978,480,507)	₩ 72,639,148,872	₩ 504,261,835,732	₩ 361,067,334,097	₩ 1,762,969,858	₩ 362,830,303,955

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

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

(In Korean won)

	Notes		2021		2020
Operating activities					
Cash generated from operations	34	₩	(340,267,012,756)	₩	139,469,194,289
Profit for the year			38,005,996,297		49,362,974,090
Adjustments to reconcile profit for the year to net cash flows provided by (used in) operating activities:			19,483,026,085		(10,137,116,552)
Working capital adjustments:			(397,756,035,138)		100,243,336,751
Interest received			1,276,384,027		1,539,100,540
Interest paid			(12,304,135,360)		(14,310,900,355)
Dividends received			17,995,118,781		14,338,582,186
Income tax paid			(11,491,960,129)		(202,009,138)
Net cash flows provided by (used in) operating activities			(344,791,605,437)		140,833,967,522
Investing activities					
Decrease in short-term financial instruments			6,703,000,000		51,325,380,522
Proceeds from disposal of financial assets at fair value through profit or loss			-		900,079,800
Collection of long-term loan receivables			301,077,603		99,868,128
Proceeds from disposal of property, plant and equipment			90,712,246		34,447,231
Proceeds from disposal of intangible assets			345,454,546		409,090,909-
Increase in leasehold deposits received			106,847,464		2,113,969,615-
Collection of finance lease receivables			411,463,998		377,980,072
Proceeds from disposal of financial assets at amortized cost			131,000,000		-
Proceeds from disposal of investments in joint ventures and associates			11,328,122,903		-
Increase in short-term financial instruments			(6,527,000,000)		(43,778,943,880)
Acquisition of financial assets at fair value through profit or loss			(350,000,000)		-
Increase in long-term loan receivables			(3,524,612,381)		(2,583,721,628)
Acquisition of property, plant and equipment			(4,320,850,603)		(1,650,588,320)
Acquisition of intangible assets			(2,034,696,142)		(651,272,632)
Acquisition of investments in joint ventures and associates			(12,102,317,582)		(6,081,956,498)
Increase in investments in resource development projects			(2,194,277,073)		(2,610,554,937)
Acquisition of investment properties			(8,392,845,774)		(619,100,000)
Net cash flows used in investing activities			(20,028,920,795)		(2,715,321,618)
Financing activities					
Proceeds from short-term borrowings			337,871,327,306		193,465,307,702
Proceeds from long-term borrowings			8,687,682,224		7,773,601,063
Proceeds from issuance of debentures			49,791,780,000		49,797,788,400
Repayment of short-term borrowings			(45,145,803,000)		(277,420,881,714)
Repayment of long-term borrowings			(4,171,084,224)		(243,115,400)-
Repayment of debentures			(30,000,000,000)		-
Payment of lease liabilities			(4,224,121,966)		(4,028,228,419)
Acquisition of treasury shares			-		(8,984,124,000)
Dividends paid			(7,206,579,600)		(7,595,379,600)
Net cash flows provided by (used in) financing activities			305,603,200,740		(47,235,031,968)
Net increase (decrease) in cash and cash equivalents			(59,217,325,492)		90,883,613,936
Net foreign exchange difference			6,262,215,248		(5,769,234,876)
Cash and cash equivalents as of January 1			248,035,048,030		162,920,668,970
Cash and cash equivalents as of December 31		₩	195,079,937,786	₩	248,035,048,030

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

1. Corporate information

The consolidated financial statements include Hyundai Corporation (the “Company”), and its twenty three (23) consolidated subsidiaries, including Hyundai Corp. USA (collectively referred to as the “Group”), and eight (8) associates and joint ventures, including PT HD INTI. DEVE., which are accounted for using the equity method.

1.1 Overview of the Company

The Company was established on December 8, 1976, under the Commercial Code of the Republic of Korea to primarily engage in the export and import of goods. On December 1, 1977, the Company's shares were listed on the Korea Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978. As of December 31, 2021, the Company has 21 overseas branches and mainly exports vehicles, steel products, machinery, construction equipment and vessels, and plants on a deferred payment basis. The Company also engages in the import and domestic sale of merchandise and resource development business, such as overseas exploration of petroleum and minerals.

The Company is authorized to issue 80 million shares with a par value of ₩ 5,000 per share and its issued capital was ₩50 million at incorporation. As of December 31, 2021, the Company has 13,228,966 common shares issued and outstanding, and through several capital increases, conversions of convertible bonds and capital reductions, its issued capital amounts to ₩66,145 million.

The Company’s major shareholders and their shareholdings as of December 31, 2021 are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
HYUNDAI CORPORATION HOLDINGS Co., Ltd.	2,882,000	21.79
KCC Corporation	1,587,475	12.00
National Pension Service	511,494	3.87
Chung Mong-hyuk	319,601	2.42
Chung Mong-seok	264,579	2.00
Halla Holdings Corporation	264,579	2.00
Hyundai Home Shopping Network Corporation	132,289	1.00
Hyundai Department Store Co.,Ltd.	132,289	1.00
Others	5,916,660	44.71
	12,010,966	90.79
Treasuay shares	1,218,000	9.21
	13,228,966	100.00

1.2 Subsidiaries

Details of subsidiaries as of December 31, 2021 and 2020 are as follows:

Name		Percentage of ownership (%) 2021	2020	Closing month	Main business
HYUNDAI CORP. USA	U.S.A	100	100	December	Trading
HYUNDAI AUSTRALIA PTY., LTD.	Australia	100	100	December	Trading
HYUNDAI JAPAN CO., LTD.	Japan	100	100	December	Trading
HYUNDAI CANADA INC.	Canada	100	100	December	Trading
HYUNDAI CORP. EUROPE GMBH	Germany	100	100	December	Trading
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	China	100	100	December	Trading
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	India	94	94	March	manufacture of steel
HYUNDAI RENEWABLE LAB	Korea	100	100	December	Photovoltatic power generation
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13 (*4)	Korea	100	100	May/November	Real estate trust
HYUNDAI PLATFORM CORP (*3)	U.S.A	100	100	December	Transport and Installation
HYUNDAI RENEWABLE LAB JAPAN (*1)	Japan	100	100	December	Photovoltatic power generation
HYUNDAI ONE EUROPE GMBH (*3)	Germany	100	100	December	Trading
HYUNDAI FUELS PTE. LTD. (*2)	Singapore	100	100	December	Trading
HYUNDAI ONE ASIA PTE. LTD. (*2)	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (CAMBODIA) CO., LTD. (*2)	Cambodia	100	100	December	Trading
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD. (*2, *5)	Cambodia	49	49	December	Trading and farming
SHANGHAI ONE ASIA LOGISTICS CO., LTD (*3)	China	100	100	December	Transport

1.2 Subsidiaries (cont'd)

Name		Percentage of ownership (%) 2021	2020	Closing month	Main business
HANOI ONE ASIA LOGISTICS (*3)	Vietnam	80	80	December	Transport
HYUNDAI RENEWABLE LAB MIMASAKA (*1)	Japan	100	100	December	Photovoltatic Power Generation
HYUNDAI NAVIS CO., LTD.	Korea	100	100	December	Transport
HYUNDAI RENEWABLE LAB YUMESAKI (*1, *6)	Japan	100	-	December	Photovoltatic Power Generation
HYUNDAI RENEWABLE LAB EHIME (*1,*6)	Japan	100	-	December	Photovoltatic Power Generation
PROLOGUE VENTURES INC.(*6)	Korea	82	-	December	Management consulting

(*1) The subsidiary of HYUNDAI JAPAN CO., LTD.
(*2) The subsidiary of HYUNDAI CORPORATION SINGAPORE PTE. LTD.
(*3) The subsidiary of HYUNDAI NAVIS CO., LTD.
(*4) The Group holds preferential acquisition rights to major real estate of private equity real estate investment trusts, and the percentage of ownership was calculated based on the holding rate of Type 2 beneficiary securities held by the Group.
(*5) Although the Group owns less than 50% of the voting rights of HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD., the Group is considered to have control over HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD., as the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
(*6) Newly established during the year ended December 31, 2021.

1.3 Changes in scope for consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2021:

Company name	Reason
HYUNDAI RENEWABLE LAB YUMESAKI	Newly established
HYUNDAI RENEWABLE LAB EHIME	Newly established
PROLOGUE VENTURES INC	Newly established

1.4 Summarized financial information

Summarized financial information of consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

Company name	2021 Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	₩ 167,778	₩ 124,015	₩ 43,763	₩ 287,152	₩ 7,023	₩ 10,276
HYUNDAI AUSTRALIA PTY., LTD.	1,853	3,617	(1,764)	5,418	(251)	(290)
HYUNDAI JAPAN CO., LTD.	57,645	36,444	21,201	170,760	1,601	1,126
HYUNDAI CANADA INC.	131,816	119,285	12,531	149,266	1,971	2,882
HYUNDAI CORP. EUROPE GMBH	42,675	34,883	7,792	97,115	(72)	(48)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	59,091	50,949	8,142	116,248	1,217	1,826
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	23,755	18,690	5,065	86,985	1,062	1,524
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	46,935	23,899	23,036	56,706	3,270	4,686
HYUNDAI RENEWABLE LAB	10,682	1,339	9,343	953	228	228
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13	353,984	319,962	34,022	16,606	1,533	1,533
HYUNDAI PLATFORM CORP	2,659	971	1,688	7,887	72	208
HYUNDAI RENEWABLE LAB JAPAN	2,468	1,893	575	303	64	51
HYUNDAI ONE EUROPE GmbH	4,778	483	4,295	17,568	1,583	1,579
HYUNDAI FUELS PTE. LTD.	93,957	82,812	11,145	675,970	3,177	4,177
HYUNDAI ONE ASIA PTE. LTD.	8,085	4,674	3,411	17,695	1,294	1,511
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	22	22	-	-	109	103
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.	8	-	8	-	-	1
SHANGHAI ONE ASIA LOGISTICS CO., LTD	4,212	2,460	1,752	12,844	455	610
HANOI ONE ASIA LOGISTICS	2,102	410	1,692	5,536	190	342
HYUNDAI RENEWABLE LAB MIMASAKA	1,015	698	317	136	17	10
HYUNDAI NAVIS CO., LTD.	38,917	20,903	18,014	140,886	667	667
HYUNDAI RENEWABLE LAB YUMESAKI	2,053	1,528	525	70	10	13
HYUNDAI RENEWABLE LAB EHIME	2,680	2,220	460	-	(4)	(20)
PROLOGUE VENTURES INC.	108	-	108	-	(2)	(2)

1.4 Summarized Financial Information (cont'd)

	2020					
Company name	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	₩ 67,121	₩ 33,634	₩ 33,487	₩ 170,056	₩ 2,554	₩ 1,784
HYUNDAI AUSTRALIA PTY., LTD.	2,938	4,412	(1,474)	16,515	(227)	(306)
HYUNDAI JAPAN CO., LTD.	46,943	26,868	20,075	193,302	3,100	3,493
HYUNDAI CANADA INC.	25,481	15,833	9,648	56,106	1,123	1,386
HYUNDAI CORP. EUROPE GMBH	10,697	2,857	7,840	49,329	262	589
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	34,611	28,295	6,316	216,357	3,029	4,345
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	20,370	16,828	3,542	74,627	859	912
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	22,455	4,105	18,350	30,193	277	(1,145)
HYUNDAI RENEWABLE LAB	10,538	1,423	9,115	887	178	178
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13	356,605	322,315	34,290	16,022	19,338	19,338
HYUNDAI PLATFORM CORP	2,298	817	1,481	6,053	354	356
HYUNDAI RENEWABLE LAB JAPAN	2,664	2,141	523	303	46	59
HYUNDAI ONE EUROPE GMBH	3,493	779	2,714	12,889	1,018	1,073
HYUNDAI FUELS PTE. LTD.	42,133	35,165	6,968	469,370	4,872	4,315
HYUNDAI ONE ASIA PTE. LTD.	4,541	2,641	1,900	15,725	1,067	959
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	10	113	(103)	-	(17)	(13)
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.	7	-	7	-	-	-
SHANGHAI ONE ASIA LOGISTICS CO., LTD	2,056	914	1,142	5,773	237	223
HANOI ONE ASIA LOGISTICS	1,602	252	1,350	4,432	306	218
HYUNDAI RENEWABLE LAB MIMASAKA	1,226	919	307	50	(10)	(30)
HYUNDAI NAVIS CO., LTD.	23,746	6,385	17,361	33,044	446	446

2. Basis of preparation and summary of significant accounting policies

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, debt and equity financial assets, contingent consideration and non-cash distribution liabilities that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards and interpretations

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

2.2.1 New and amended standards and interpretations (cont'd)

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions beyond June 30, 2021

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

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

2.2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

KIFRS 1117 *Insurance Contracts*

In 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* that was issued in 2007. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

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

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

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

Amendments to KIFRS 1001: *Classification of Liabilities as Current or Non-current*

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

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

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

Reference to the Conceptual Framework – Amendments to KIFRS 1103

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

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

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

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

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

Definition of Accounting Estimates - Amendments to KIFRS 1008

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

Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

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

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

Annual Improvements to KIFRS 2018 - 2020 Cycle

KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

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

KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

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

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

KIFRS 1041 *Agriculture* – Taxation in fair value measurements

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.4 Investment in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an

2.4 Investment in associates and joint ventures (cont'd)

arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investments in associates and joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.
The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI.

In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.5 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Korean won, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

2.6 Foreign currency translation (cont'd)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Foreign exchange differences arising from monetary items that are part of the Group's net investment in overseas operations are recognized in OCI and reclassified from equity to profit or loss at the time of disposal of the net investment.

(2) Translation of overseas operation

The assets and liabilities of overseas operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

2.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.8.1 Financial assets

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

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

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

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

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

2.8.1 Financial assets (cont'd)

(2) Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 *Financial Instruments*.

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

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

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

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

2.8.1 Financial assets (cont'd)

This category includes derivatives and listed equity instruments that do not make an irrevocable choice to treat changes in fair value in other comprehensive income. Dividends for listed equity instruments are recognized in profit or loss at the time the rights are established.

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

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

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

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

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

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

(4) Impairment of financial assets

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

	Notes
➢ Disclosures for significant assumptions	3
➢ Trade receivables, including contract assets	10

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

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

2.8.2 Financial liabilities

(1) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Group has not designated any financial liability as of fair value through profit or loss.

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

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

2.8.3 Offsetting of financial instruments

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

2.9 Derivative financial instruments and hedge accounting

2.9.1 Initial recognition and subsequent measurement

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

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

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

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

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

Fair value hedges

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

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

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

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

2.9.1 Initial recognition and subsequent measurement (cont'd)

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

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other income or expenses.

2.10 Inventories

The Group evaluates the inventory at the lower of the acquisition cost or net realizable value. Meanwhile, acquisition costs for each inventory include purchase costs, conversion costs, and other costs incurred in bringing the inventory to its current place. The unit cost of inventories is determined using the specific identification method.

In addition, the net realizable value is calculated as the expected selling price in the ordinary course of business minus the expected cost to complete and related selling expenses.

2.11 Property, plant and equipment

Construction-in-progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment, excluding land, is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

	Useful life
Buildings	30 years
Machinery and equipment	15 years
Others	2 to 13 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. In particular, the Group considers the impact of health, safety, and environmental laws when reviewing estimates of useful life and residual value. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

2.12 Investment properties

Investment properties are measured initially at cost, including transaction costs and includes alternative costs that meet the recognition requirements of the asset at the time of occurrence. However, the costs incurred in daily management activities are recognized as expenses when they occur. Since initial recognition, investment property has been accounted for at fair value reflecting current market conditions at the end of the reporting period, and gains or losses from changes in fair value are reflected in profit or loss at the time of occurrence.

2.13 Leases

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

2.13.1 Group as a lessee

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

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

• Real estate: 1 to 20 years
• Vehicles and other assets: 1 to 10 years

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 3.6 Impairment of non-financial assets.

(2) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

2.13.2 Group as a lessor

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

2.14 Borrowing costs

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

2.15 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets consist of software, membership, etc.

Others included software and membership rights. Software is amortized using the straight-line method over their useful lives of five years. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

2.16 Financial guarantee contracts

Financial guarantee contracts provided by Group are measured at fair value at initial recognition and are subsequently recognized as provisions by measuring at a greater of:

- the amount determined in accordance with the expected credit loss model under KIFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with KIFRS 1115 *Revenue from Contracts with Customers*

2.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The impact of climate-related matters on environmental damage recovery is taken into account when determining provisions related to the restoration of overseas mines disclosed in Note 24.

2.18 Taxes

(1) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill
- An asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

2.18 Taxes (cont'd)

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

2.19 Employee benefits

(1) Defined benefit plans
The Group has defined benefit plans. Generally, retirement benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(2) Other long-term employee benefits
The Group provides long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year.

2.20 Revenue recognition

(1) Sales of goods
The Group recognizes sales at the time of delivery taking the terms and conditions of trade into account, when control of assets is transferred to the customer. Receivables are recognized when the goods are delivered, because from the point of delivery of the goods, the price will be paid as time passes, and there will be an unconditional right to receive the payments.

(2) Principal versus agent consideration
When another party is involved in providing goods or services to a customer, the Group shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). The Group is a principal (recognized the gross amount as revenue) if it controls the specified good or service before that good or service is transferred to a customer. However, the Group is an agent (recognizes commission revenue as the net amount) if the entity's performance obligation is to arrange for the provision of the specified good or service by another party.

2.21 Other income

(1) Interest income
Interest income is recognized using the EIR method over time. When an impairment of receivables occur, the carrying amount is decreased to the recoverable amount and the portion of the amount increasing over time is recognized as interest income. Meanwhile, interest income regarding impairment receivables is recognized using the initial effective interest.

2.21 Other income (cont'd)

(2) Dividend income

Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established

2.22 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium. Share options exercised during the reporting period are satisfied with treasury shares.

2.23 Segment reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, makes strategic decisions.

2.24 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary owners of the parent by the weighted average number of common shares outstanding during the year.

2.25 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.25 Fair value measurement (cont'd)

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	Notes
➢ Disclosures for valuation methods, significant estimates and assumptions	3, 5
➢ Quantitative disclosures of fair value measurement hierarchy	5
➢ Financial instruments (including those carried at amortized cost)	7

2.26 Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.27 Approval of issuance of the consolidated financial statements

The consolidated financial statements of the Group for the year ended December 31, 2021 were approved By the Board of Directors on February 8, 2022 and will be submitted at the annual shareholders' meeting for revision and final approval.

3. Significant accounting judgments estimates and assumptions

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

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

3.1 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 25).

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

3.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The valuation of fair value through other comprehensive income arising from resources development project, which is subject to fair value measurement, is determined based on the project's long-term business plan, unit price of major products, expected production term, discount rate, and the political and economic environment of the country (Note 5).

3.3 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 23).

3.4 Provisions

The Group recognizes provisions for restoration related to overseas explorations as of the reporting date. The amounts are estimated based on historical data (Note 24).

3.5 Provision for expected credit losses of trade and other receivables

The Group estimates the amount of allowance for doubtful considering that ages, historical default events and other economic and industry environment factors of receivables in order to calculate provision for credit losses regarding trade and other receivables, loan receivables (Note 10).

3.6 Impairment of non-financial assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount, These assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts.

4. Financial instruments risk management objectives and policies

4.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

4.1.1 Market risk

(1) Foreign exchange risk

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

The Group operates hedging policies (reduction of exposure through matching) for each operating segment within the Group, considering the nature of business and the existence of instruments to cope with the risks of exchange rate fluctuation. Additionally, the Group periodically evaluates and handles such risks exposed through managing system for receivables and payables denominated in foreign currencies, and reports the results to the management. In order to hedge the risk of foreign currency exchanges in foreign currency - denominated assets and liabilities, the Group entered into the contracts of foreign exchange forwards with KEB Hana Bank and others, and accounts for short-term trading purposes.

4.1.1 Market risk (cont'd)

Financial assets and liabilities denominated in foreign currency as of December 31, 2021 and 2020 are as follows (Korean won in millions and USD in thousands):

	2021		2020	
Financial assets	Equivalent in USD	Converted to KRW	Equivalent in USD	Converted to KRW
Cash and cash equivalents	$ 42,820	₩ 50,763	$ 65,631	₩ 71,406
Trade receivables	492,900	584,333	198,327	215,780
Other current receivables	8,256	9,787	7,858	8,549
Short-term financial instruments	-	-	2,000	2,176
Long-term loan receivables	21,078	24,988	17,408	18,940
Investments in development projects	21,052	24,957	19,142	20,827
Other non-current assets	220	260	232	253
Total	$ 586,326	₩ 695,088	$ 310,598	₩ 337,931

	2021		2020	
Financial liabilities	Equivalent in USD	Converted to KRW	Equivalent in USD	Converted to KRW
Trade payables	$ 140,815	₩ 166,936	$ 104,922	₩ 114,155
Short-term borrowings	352,948	418,420	114,399	124,466
Other payables	22,280	26,413	19,151	20,836
Long-term borrowings	4,782	5,669	4,782	5,203
Total	$ 520,825	₩ 617,438	$ 243,254	₩ 264,660

The analysis is based on the assumption that the interest rate has increased/decreased by 10% with all other variables held constant (Korean won in millions).

	2021		2020	
	10% increase	10% decrease	10% increase	10% decrease
Income effect before tax	₩ 1,704	₩ (1,704)	₩ 7,327	₩ (7,327)

(2) Price risk

The Group's equity investments, which are classifies as FVPL and FVOCI, are susceptible to price risk.

The Group has determined that an increase/(decrease) of 10% on price of FVPL and FVOCI that the Group is holding, could have an impact of approximately ₩ 5,192 million increase/(decrease) on equity before tax of the Group resulted from changes of gain(loss) on valuation of financial instruments.

(3) Interest risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating-rate deposits and borrowings. Part of the interest rate risk is offset by the variable interest rate risk from the underlying cashable assets and short-term financial instruments.

4.1.2 Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only highly-rated financial institutions from independent rating agency are accepted. For the general customers, the Group hedges credit risks by assessing level of credit ratings and entering into an export credit insurance contracts with Korea Trade Insurance Corporation.

As of the end of the reporting date, the maximum exposure to credit risk of each of financial assets is the carrying amount of each of financial assets.

4.1.3 Liquidity risk

In order to maintain appropriate amount of liquidity, the Group manages liquidity risk by making cyclical expectations and adjustments of capital inflows and outflows. The Group management team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2021 and 2020 (Korean won in millions):

	2021					
	Less than 1 year	1~2 years	2~3 years	Over 3 years	Total	Carrying amount
Trade payables	₩ 255,964	₩ -	₩ -	₩ -	₩ 255,964	₩ 255,964
Other payables	64,184	-	-	-	64,184	64,184
Derivative financial liabilities	1,436	-	-	-	1,436	1,436
Borrowings (*1)	480,656	14,052	308,204	14,458	817,370	789,364
Debentures (*1)	33,377	52,575	51,194	-	137,146	129,676
Lease liabilities	4,160	3,591	1,113	2,314	11,178	9,804
Financial guarantee contracts (*2)	-	-	-	2,040	2,040	48
	₩ 839,777	₩ 70,218	₩ 360,511	₩ 18,812	₩ 1,289,318	₩ 1,250,476

(*1) Borrowings and debentures include nominal interests.
(*2) Represents the maximum amount that can be claimed at the earliest period.

	2020					
	Less than 1 year	1~2 years	2~3 years	Over 3 years	Total	Carrying amount
Trade payables	₩ 160,009	₩ -	₩ -	₩ -	₩ 160,009	₩ 160,009
Other payables	57,793	-	-	-	57,793	57,793
Derivative financial liabilities	3,578	-	-	-	3,578	3,578
Borrowings (*1)	184,020	13,350	13,347	314,345	525,062	488,706
Debentures (*1)	33,060	32,183	51,381	-	116,624	109,687
Lease liabilities	3,918	3,048	2,712	2,771	12,449	11,695
Financial guarantee contracts (*2)	-	-	-	2,040	2,040	55
Total	₩ 442,378	₩ 48,581	₩ 67,440	₩ 319,156	₩ 877,555	₩ 831,523

(*1) Borrowings and debentures include nominal interests.
(*2) Represents the maximum amount that can be claimed at the earliest period.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses debt-to-equity ratio for capital management. This ratio is calculated as total debts divided by total equity as shown in the consolidated statement of financial position.

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

	2021	2020
Liabilities	₩ 1,344,553	₩ 904,595
Equity	362,830	314,464
Debt-to-equity ratios (%)	370.6	287.7

5. Fair value

5. 1 Fair value of financial instruments by category

There are no significant differences between carrying value and fair value of financial instruments except for financial assets at fair value measured at cost, which do not have a quoted price in an active market and their fair value cannot be measured reliably and thus excluded from the fair value disclosures.

5.2 Fair Value Hierarchy

Financial instruments measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group’s financial assets and financial liabilities that are measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	₩ -	₩ 2,277	₩ -	₩ 2,277
Financial assets at FVPL	-	-	2,191	2,191
Financial assets at FVOCI	-	-	48,497	48,497
Derivative financial liabilities	-	1,436	-	1,436

	2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	₩ -	₩ 3,591	₩ -	₩ 3,591
Financial assets at FVPL	-	-	2,185	2,185
Financial assets at FVOCI	-	-	44,739	44,739
Derivative financial liabilities	-	3,578	-	3,578

Fair value of cash and cash equivalents, trade receivable, long and short-term financial instruments, finance lease receivable, other financial assets, long-term loan receivables, trade payable, other payable, long and short-term borrowings and etc. is excluded from disclosure of fair value since fair value is similar to the carrying amounts that the effects discounted are not material.

There were no transfers between Level 1 and Level 2, to Level 3 and from Level 3 for the years ended December 31, 2021 and 2020.

When calculating fair value measures, the impact of potential climate-related issues, including laws and regulations that may affect the fair value measurement of assets and liabilities in financial statements, was considered. Climate-related risks are included in major assumptions if they have a significant impact on the measurement of recoverable amounts. This assumption was included in the cash flow estimation when evaluating the value of use.

Currently, the impact of climate-related issues is not material to the Group's consolidated financial statements.

5.3 Valuation technique and the inputs

Valuation techniques and inputs used in the fair values categorized within Level 3 of the fair value hierarchy as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs
Financial assets at FVPL					
Almac Co., Ltd.	2,191	3	Discounted cash flow (DCF) model	Discount rate Perpetuity growth rates	12.15% 0%
			Comparable company valuation multiples	Comparable company peer	Manufactures of aluminum with rolled, extrusion, stretching
Financial assets at FVOCI					
KOREA Ras Laffan LNG Ltd.	39,791	3	Discounted cash flow (DCF) model	Discount rate Main product unit price ($/mmbtu) Estimated period of cash flow	7.59% 7.08 ~ 11.76 By 2029
Hyundai Miraero Co., Ltd.	8,706	3	Net asset method	-	-

5.3 Valuation technique and the inputs (cont'd)

	2020				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs
Financial assets at FVPL					
Almac Co., Ltd.	2,185	3	Discounted cash flow (DCF) model	Discount rate Perpetuity growth rates	10.72% 0%
			Comparable company valuation multiples	Comparable company peer	Manufactures of aluminum with rolled, extrusion, stretching
Financial assets at FVOCI					
KOREA Ras Laffan LNG Ltd.	34,495	3	Discounted cash flow (DCF) model	Discount rate Main product unit price ($/mmbtu) Estimated period of cash flow	6.88% 4.55 ~ 9.41% By 2029
Hyundai Miraero Co., Ltd.	10,244	3	Net asset method	-	-

The fair value measurement for the purpose of financial reporting is annually performed by the external independent valuation institution.

5.4 Sensitivity analysis for recurring fair value measurements categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. The equity securities of Korea Ras Laffan LNG Ltd., which is classified as Level 3, is subject to sensitivity analysis. The results of the sensitivity analysis from changes of 1% in discounted rate, which is unobservable input, for financial assets at fair value through other comprehensive income, which is categorized within Level 3 and subject to sensitivity analysis, are as follows (Korean won in millions):

	Favorable change	Unfavorable change
Gain (loss) on valuation of financial assets at FVOCI	₩ 1,072	₩ (1,024)

6. Operating segment and regional information.

6.1 Operating segment

Management who makes strategic decisions determines the Group's operating segments. Management makes decisions about allocation of resources and reviews to assess performance of the operating segments based on their sales. Based on product type, operating segments are categorized as steel division, auto & parts division, smart mobility & energy convergence division, infra & machinery division, petroleum & chemical products division, and others.

The Group's financial information by operating segments for the years ended December 31, 2021 and 2020 is as follows (Korean won in millions):

	2021			
	Sales	Operating profit	Depreciation	Amortization
Steel	₩ 1,342,286	₩ 23,439	₩ 2,009	₩ 132
Auto & Parts	550,485	2,435	658	54
Smart mobility & Energy converge	205,220	926	1,000	63
Infra & Machinery	223,400	1,332	267	22
Petroleum & Chemical products	1,357,961	5,468	1,622	134
Others	103,146	1,470	123	10
	₩ 3,782,498	₩ 35,070	₩ 5,679	₩ 415

	2020			
	Sales	Operating profit	Depreciation	Amortization
Steel	₩ 1,146,182	₩ 14,011	₩ 2,122	₩ 71
Auto & Parts	435,248	1,925	645	27
Smart mobility & Energy converge	302,923	6,693	1,127	53
Infra & Machinery	137,786	1,808	204	9
Petroleum & Chemical products	809,253	7,147	1,198	50
Others	49,494	1,654	73	4
	₩ 2,880,886	₩ 33,238	₩ 5,369	₩ 214

Share of profit and other income (dividend income) of resource development business division ,which are not included in operating income (loss) amount to ₩15,832 million and ₩12,580 million for the years ended December 31, 2021 and 2020, respectively.

Assets, liabilities, other income and expenses, and finance income and costs of operating segments are not reported to the chief operating decision-maker. Accordingly, the information is not presented in the tables above.

6.2 Regional Information.

As of December 31, 2021 and 2020, the details of non-current assets by region (based on location) are as follows (Korean won in millions):

2021					
Korea	America	Asia	Europe	Others	Total
365,608	1,726	23,868	57	166	391,425

2020					
Korea	America	Asia	Europe	Others	Total
365,859	1,936	11,475	61	96	379,427

The amount of non-current assets by region excludes financial instruments, deferred tax assets, and investments in joint ventures and associates.

7. Financial instruments by category

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

	2021							
	At amortized cost		At FVPL		At FVOCI		Total	
Current assets:								
Cash and cash equivalent	₩	195,080	₩	-	₩	-	₩	195,080
Short-term financial instruments		2,000		-		-		2,000
Trade receivables		649,741		-		-		649,741
Derivatives financial assets		-		2,022		255		2,277
Finance lease receivables		373		-		-		373
Other current receivables		23,409		-		-		23,409
		870,603		2,022		255		872,880
Non-current assets:								
Long-term financial instruments		19		-		-		19
Financial assets at FVPL		-		2,560		-		2,560
Financial assets at FVOCI		-		-		49,358		49,358
Other financial assets		350		-		-		350
Long-term loan receivables		28,387		-		-		28,387
Investments in resource development projects		24,957		-		-		24,957
Finance lease receivables		563		-		-		563
Other non-current receivables		473		-		-		473
Other non-current assets (*1)		3,328		-		-		3,328
		58,077		2,560		49,358		109,995
	₩	928,680	₩	4,582	₩	49,613	₩	982,875

(*1) Long-term prepaid expenses are excluded.

	2020							
	At amortized cost		At FVPL		At FVOCI		Total	
Current assets:								
Cash and cash equivalent	₩	248,035	₩	-	₩	-	₩	248,035
Short-term financial instruments		2,176		-		-		2,176
Trade receivables		284,190		-		-		284,190
Derivatives financial assets		-		3,591		-		3,591
Finance lease receivables		314		-		-		314
Other current receivables		15,975		-		-		15,975
		550,690		3,591		-		554,281
Non-current assets:								
Long-term financial instruments		19		-		-		19
Financial assets at FVPL		-		2,204		-		2,204
Financial assets at FVOCI		-		-		45,530		45,530
Other financial assets		443		-		-		443
Long-term loan receivables		23,258		-		-		23,258
Investments in resource development projects		20,827		-		-		20,827
Finance lease receivables		772		-		-		772
Other non-current receivables		130		-		-		130
Other non-current assets (*1)		3,211		-		-		3,211
		48,660		2,204		45,530		96,394
	₩	599,350	₩	5,795	₩	45,530	₩	650,675

(*1) Long-term prepaid expenses are excluded.

7. Financial instruments by category (cont'd)

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

	2021					
	At amortized cost		At FVPL		Total	
Current liabilities						
Trade payables	₩	255,964	₩	-	₩	255,964
Other payables		64,184		-		64,184
Short-term borrowings		466,626		-		466,626
Current portion of debentures		29,962		-		29,962
Derivatives financial liabilities		-		1,436		1,436
Lease liabilities		3,197		-		3,197
Other current liabilities		6,282		-		6,282
		826,215		1,436		827,651
Non-current liabilities:						
Debentures		99,713		-		99,713
Long-term borrowings		322,738		-		322,738
Long-term other payables		5		-		5
Lease liabilities		6,607		-		6,607
Other non-current liabilities		4,081		-		4,081
Provision for financial guarantee		-		48		48
	₩	433,144	₩	48	₩	433,192
	₩	1,259,359	₩	1,484	₩	1,260,843

	2020							
	At amortized cost		At FVPL		At FVOCI		Total	
Current liabilities:								
Trade payables	₩	160,009	₩	-	₩	-	₩	160,009
Other payables		57,793		-		-		57,793
Short-term borrowings		171,178		-		-		171,178
Current portion of debentures		29,959		-		-		29,959
Derivatives financial liabilities		-		3,496		82		3,578
Lease liabilities		3,277		-		-		3,277
Other current liabilities		6,257		-		-		6,257
		428,473		3,496		82		432,051
Non-current liabilities:								
Debentures		79,728		-		-		79,728
Long-term borrowings		317,528		-		-		317,528
Lease liabilities		8,418		-		-		8,418
Other non-current liabilities		3,971		-		-		3,971
Provision for financial guarantee		-		55		-		55
	₩	409,645	₩	55	₩	-	₩	409,700
	₩	838,118	₩	3,551	₩	82	₩	841,751

7. Financial instruments by category (cont'd)

Net gains or losses on each category of financial instruments for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Financial assets at FVPL:		
Interest income	₩ -	₩ 94
Gain on disposal of financial assets at FVPL	-	82
Dividend income	4	5
Gain (loss) on valuation of financial assets at FVPL	6	276
	10	457
Financial assets at FVOCI:		
Dividend income	7,989	5,176
Gain (loss) on valuation of financial assets at FVOCI	2,848	(8,467)
	10,837	(3,291)
Financial assets at amortized cost:		
Interest income	2,212	2,260
Reversal of allowance for doubtful account (bad debt expenses)	(2,733)	2,979
Foreign exchange gain (loss)	16,596	(21,927)
Other loss	(1,768)	(3,026)
	14,307	(19,714)
Derivative instruments:		
Gain (loss) on valuation (profit or loss)	491	(279)
Gain (loss) on valuation (other comprehensive gain or loss)	254	(15)
Gain (loss) on transactions	(530)	4,811
	215	4,517
Financial liabilities at amortized cost:		
Interest expenses	(13,067)	(16,333)
Foreign exchange gain (loss)	(10,875)	10,469
	(23,942)	(5,864)
Finance guarantee provision:		
Reversal of provision for financial guarantee	175	-
Provision for financial guarantee	(169)	(4)
	6	(4)
	₩ 1,433	₩ (23,899)

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

	2021	2020	description
Long-term financial instruments and etc.	₩ 202	₩ 199	Bank overdrafts and etc.

Independent auditor's report

The Shareholders and Board of Directors
Hyundai Corporation

Opinion

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

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

Basis for opinion

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

Key audit matters

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

➢ **Review on occurrence of overseas sales and period to which they are attributable.**

As described in Note 2 to the consolidated financial statements, the Group recognizes sales at the time of delivery, considering the terms of trade transactions, when a control of inventory is transferred to overseas customers. The Group's overseas sales are ₩ 3,277,144 million, accounting for about 87% of its total sales.

We have identified a possible error in occurrence of sales and period to which it is attributable in the process of making judgment for identification of performance obligations in a contract with customer relating to sales of the Group and the timing of satisfaction of such performance obligation as a significant risk and determined this as a key audit matter.

10.1 Trade receivables (cont'd)

	2020							
	Current		< 3 months		Over 3 months		Total	
General receivables								
Carrying amount	₩	253,645	₩	24,383	₩	1,766	₩	279,794
Expected loss rate (%)		0.03%		0.06%		0.03%		-
Allowance for expected credit losses		(80)		(14)		(2)		(96)
Individual impaired receivables								
Carrying amount		-		321		31,148		31,469
Allowance for expected credit losses		-		(3)		(26,974)		(26,977)
Total of receivables		253,645		24,704		32,914		311,263
	₩	(80)	₩	(17)	₩	(26,976)	₩	(27,073)

Changes in the allowance for expected credit losses of trade receivables for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
As of January, 1	₩	27,073	₩	28,918
Provision of allowance for expected credit loss		2,948		(1,734)
Others		117		(111)
	₩	30,138	₩	27,073

10.2 Other receivables

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

	2021						2020					
	Receivables		Allowance for doubtful accounts		Carrying amount		Receivables		Allowance for doubtful accounts		Carrying amount	
Other receivables	₩	114,579	₩	(104,669)	₩	9,910	₩	108,784	₩	(104,265)	₩	4,519
Accrued income		13,521		-		13,521		11,142		-		11,142
Guarantee deposits		451		-		451		444		-		444
	₩	128,551	₩	(104,669)	₩	23,882	₩	120,370	₩	(104,265)	₩	16,105

11. Financial assets at fair value

(1) Financial assets at fair value through profit or loss

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

	2021		2020	
Investment fund				
Shinhan Gentium Startup Fund No.2	₩	350	₩	-
Non-listed equity investments				
EUROTEM DEMIRYOLU ARA-LARI SAN		19		19
Almac Co., Ltd.		2,191		2,185
	₩	2,560	₩	2,204

11. Financial assets at fair value (cont'd)

(2) Financial assets at fair value through other comprehensive income

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

	2021	2020
Non-listed equity investments		
KOREA RAS LAFFAN LNG LIMITED	₩ 39,791	₩ 34,495
Hyundai Miraero Co., Ltd.	8,706	10,244
SHWE DAEHAN MOTORS	861	791
	₩ 49,358	₩ 45,530

Changes in financial assets at FVPL and FVOCI for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at FVPL	Financial assets at FVOCI
As of January 1	₩ 2,204	₩ 45,530	₩ 2,747	₩ 56,750
Additions	350	-	-	-
Disposals	-	-	(819)	-
Valuation	6	3,757	276	(11,170)
Effect of changes in foreign currency	-	71	-	(50)
As of December 31	₩ 2,560	₩ 49,358	₩ 2,204	₩ 45,530

12. Derivative instruments

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

	2021		2020	
	Asset	Liability	Asset	Liability
Foreign exchange forward	₩ 1,830	₩ 1,093	₩ 3,591	₩ 3,496
Instruments futures - fair value risk hedge (*1)	192	343	-	-
Instruments futures - cash flow hedge (*2)	255	-	-	82
	₩ 2,277	₩ 1,436	₩ 3,591	₩ 3,578

(*1) The Group conducts futures trading to avoid price fluctuation in connection with the asphalt supply contract.
(*2) The Group applies cash flow hedge accounting to commodity futures regarding vessel fuel oil. The effective portion of hedge that was recognized in the equity were ₩ 187 million and ₩ 68 million as of December 31, 2021 and 2020, respectively.

Details of foreign exchange forward as of December 31, 2021 and 2020 are as follows (Korean won in millions, foreign currency in thousands):

2021					
Currency (buy)	Amount (buy)	Currency (sell)	Amount (sell)	Derivative instruments assets	Derivative instruments liabilities
EUR	9,898	USD	11,851	₩ -	₩ 749
JPY	100,957	KRW	1,048	-	7
KRW	18,954	CNY	103,025	-	205
KRW	791	EUR	588	1	-
KRW	3,904	JPY	376,846	19	-
KRW	62,791	USD	52,970	35	80
USD	1,706	CAD	2,172	11	10
USD	50,126	EUR	42,944	1,728	42
USD	1,200	JPY	137,027	11	-
USD	7,258	KRW	8,583	25	-
				₩ 1,830	₩ 1,093

12. Derivative instruments (cont'd)

2020							
Currency (buy)	Amount (buy)	Currency (sell)	Amount (sell)	Derivative instruments assets		Derivative instruments liabilities	
EUR	4,034	KRW	5,533	₩	-	₩	132
EUR	4,097	USD	4,885		173		-
JPY	4,173	USD	40		-		-
KRW	290	AUD	357		-		8
KRW	10,206	EUR	7,538		132		18
KRW	1,347	JPY	121,243		69		-
KRW	76,372	USD	67,269		3,217		22
USD	216	CAD	285		-		7
USD	19,731	EUR	16,437		-		563
USD	106	JPY	11,038		-		1
USD	28,528	KRW	33,780		-		2,745
				₩	3,591	₩	3,496

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

		2021				2020			
Contract	Position	Derivative instruments assets		Derivative instruments liabilities		Derivative instruments assets		Derivative instruments liabilities	
Instruments futures - fair value risk hedge									
Asphalt futures	Buy	₩	192	₩	343	₩	-	₩	-
Instruments futures - cash flow hedge									
Gas oil futures	Buy		51		-		-		77
Fuel oil futures	Buy		204		-		-		5
			255		-		-		82
		₩	447	₩	343	₩	-	₩	82

13. Inventories

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

	2021						2020					
	Purchase cost		Valuation allowance		Carrying amount		Purchase cost		Valuation allowance		Carrying amount	
Merchandise	₩	194,195	₩	(1,084)	₩	193,111	₩	70,879	₩	(752)	₩	70,127
Finished goods		2,010		-		2,010		744		-		744
Raw materials		18,057		-		18,057		4,881		-		4,881
Work in progress		67		-		67		49		-		49
	₩	214,329	₩	(1,084)	₩	213,245	₩	76,553	₩	(752)	₩	75,801

Expenses for inventories carried at net realizable value which is recognized in cost of sales were ₩332 million and ₩237 million for the years ended December 31, 2021 and 2020, respectively.

14. Other assets

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

	2021	2020
Other current assets:		
Prepayments	₩ 19,624	₩ 24,990
Prepaid expenses	3,175	3,704
Others	2,486	524
	25,285	29,218
Other non-current assets:		
Long-term prepaid expenses	2,649	3,880
Deposits	3,327	3,211
	5,976	7,091
	₩ 31,261	₩ 36,309

15. Investments in joint ventures and associates

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

	2021		2020			
	Equity interest (%)	Book value	Equity interest (%)	Book value	Domicile	Business
PT HD INTI DEVE. (*1)	55.00	₩ 1,154	55.00	₩ 1,162	Indonesia	Management of facility
HYUNDAI YEMEN LNG COMPANY LIMITED (*1,2)	51.00	36,759	51.00	33,804	Bermuda	Yemen LNG development
KOREA LNG LIMITED	20.00	31,360	20.00	24,273	Bermuda	OMAN LNG development
H&DE CO., LTD.	34.00	896	34.00	2,180	Korea	Aluminum forged products
KAPSTEX VINA., JSC (*3)	13.00	4,018	13.00	3,591	Vietnam	Manufacture and sale of technical textiles
INTERGIS BUSAN NEWPORT CENTER CO., LTD. (*4)	20.00	1,056	20.00	1,039	Korea	Warehouse and Transportation related Service
ELIAS AUTO INDIA PRIVATE LIMITED (*1,*5)	51.00	700	51.00	931	India	Vehicle knock down business
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust (*6)	-	-	33.33	11,328	Korea	Specialized ship equipment investment
HY Auto Solution (*7)	50.00	7,438	-	-	Russia	auto parts manufacturing
KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd. (*7)	44.96	4,919	-	-	Korea	securities investment
		₩ 88,300		₩ 78,308		

(*1) It is excluded from the scope of consolidation despite the Group's shares in the associate exceeds 50% because the consent of other shareholders is required to make major decisions under shareholders' agreement.
(*2) Although the percentage of ownership of the Group is 51%, the equity method is applied at a percentage considering the contractual terms regarding dividends.
(*3) Although the percentage of ownership of the Group is 13%, it is determined to be an associate because the entity has an authority to appoint key executives of the associate.
(*4) The associate of Hyundai Corporation Singapore Pte. Ltd.
(*5) The joint venture of Pos-Hyundai Steel Mfg. (I) Pvt. Ltd.
(*6) The entity was liquidated during the year ended December 31, 2021.
(*7) The entity was newly established during the year ended December 31, 2021.

15. Investments in joint ventures and associates (cont'd)

(2) Changes in investments in joint ventures and associates as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021					
	Jan. 1	Acquisition	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Others	Dec. 31
PT HD INTI DEVE.	₩ 1,162	₩ -	₩ 351	₩ 66	₩ (425)	₩ 1,154
HYUNDAI YEMEN LNG COMPANY LIMITED	33,804	-	(1,324)	4,279	-	36,759
KOREA LNG LIMITED	24,273	-	9,167	7,099	(9,179)	31,360
H&DE CO., LTD.	2,180	-	(1,284)	-	-	896
KAPSTEX VINA., JSC	3,591	-	359	227	(159)	4,018
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	1,039	-	23	16	(22)	1,056
ELIAS AUTO INDIA PRIVATE LIMITED	931	-	(290)	59	-	700
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	11,328	(11,328)	218	-	(218)	-
HY Auto Solution	-	7,102	130	206	-	7,438
KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd.	-	5,000	(81)	-	-	4,919
	₩ 78,308	₩ 774	₩ 7,269	₩ 11,952	₩ (10,003)	₩ 88,300

	2020					
	Jan. 1	Acquisition	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Others	Dec. 31
PT HD INTI DEVE.	₩ 1,269	₩ -	₩ 471	₩ (72)	₩ (506)	₩ 1,162
HYUNDAI YEMEN LNG COMPANY LIMITED	73,468	-	(298)	(39,366)	-	33,804
KOREA LNG LIMITED	44,966	-	7,659	(20,597)	(7,755)	24,273
H&DE CO., LTD.	2,985	-	(805)	-	-	2,180
KAPSTEX VINA., JSC	3,507	-	407	(159)	(164)	3,591
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	1,019	-	55	(9)	(26)	1,039
ELIAS AUTO INDIA PRIVATE LIMITED	1,356	-	(334)	(91)	-	931
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	5,246	6,082	706	-	(706)	11,328
	₩ 133,816	₩ 6,082	₩ 7,861	₩ (60,294)	₩ (9,157)	₩ 78,308

(3) Financial information of investments in joint ventures and associates as of and for the years ended December 31, 2021 and 2020 are as belows (Korean won in millions):

	2021					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
PT HD INTI DEVE.	₩ 2,729	₩ 629	₩ 2,100	₩ 4,230	₩ 637	₩ 758
HYUNDAI YEMEN LNG COMPANY LIMITED	166,791	103,878	62,913	-	(2,596)	4,278
KOREA LNG LIMITED	157,018	217	156,801	47,857	45,834	81,333
H&DE CO., LTD.	18,578	15,945	2,633	4,640	(3,779)	(3,780)
KAPSTEX VINA., JSC	25,497	5,194	20,303	39,136	2,725	4,510
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	9,861	4,571	5,290	3,364	125	203
ELIAS AUTO INDIA PRIVATE LIMITED	2,242	872	1,370	2,085	(568)	(454)
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	-	-	-	-	653	653
HY Auto Solution	18,127	3,251	14,876	1,234	260	672
KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd.	10,939	-	10,939	-	(181)	(181)

	2020					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
PT HD INTI DEVE.	₩ 2,754	₩ 642	₩ 2,112	₩ 4,090	₩ 856	₩ 726
HYUNDAI YEMEN LNG COMPANY LIMITED	146,718	89,018	57,700	-	(584)	(64,010)
KOREA LNG LIMITED	121,660	290	121,370	40,073	38,296	(64,687)
H&DE CO., LTD.	15,918	9,504	6,414	113	(2,364)	(2,364)

KAPSTEX VINA., JSC	20,220	3,204	17,016	36,912	3,095	1,906
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	10,099	4,906	5,193	3,367	273	230
ELIAS AUTO INDIA PRIVATE LIMITED	2,329	506	1,823	2,303	(656)	(836)
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	33,990	2	33,988	-	2,118	2,118

15. Investments in joint ventures and associates (cont'd)

(4) The tables below provide a reconciliation between interest in net assets and book amount of the joint ventures or associates (Korean won in millions).

	2021			
	Interest in net assets	Goodwill	Others (*)	Book value
PT HD INTI DEVE.	₩ 1,154	₩ -	₩ -	₩ 1,154
HYUNDAI YEMEN LNG COMPANY LIMITED (*)	32,086	-	4,673	36,759
KOREA LNG LIMITED	31,360	-	-	31,360
H&DE CO., LTD.	896	-	-	896
KAPSTEX VINA., JSC	2,639	1,379	-	4,018
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	1,058	-	-	1,058
ELIAS AUTO INDIA PRIVATE LIMITED	698	-	-	698
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	-	-	-	-
HY Auto Solution	7,438	-	-	7,438
KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd.	4,919	-	-	4,919

(*) Adjusted amount considering contractual terms regarding dividends

	2020			
	Interest in net assets	Goodwill	Others (*)	Book value
PT HD INTI DEVE.	₩ 1,162	₩ -	₩ -	₩ 1,162
HYUNDAI YEMEN LNG COMPANY LIMITED (*)	29,427	-	4,377	33,804
KOREA LNG LIMITED	24,273	-	-	24,273
H&DE CO., LTD.	2,180	-	-	2,180
KAPSTEX VINA., JSC	2,212	1,379	-	3,591
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	1,039	-	-	1,039
ELIAS AUTO INDIA PRIVATE LIMITED	931	-	-	931
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	11,328	-	-	11,328

(*) Adjusted amount considering contractual terms regarding dividends

16. Resource development

The Group organized a consortium that includes Korea National Oil Corporation to invest in exploration of resource projects, and the details as of December 31, 2021 and 2020 are as follows (Korean won in millions):

Project name	Accounts	2021	2020	Production commencement
Vietnam 11-2 sector	Overseas mining development costs (*1)	₩ -	₩ -	2007
Yemen LNG (HYLNG) (*2)	Investments in joint ventures (HYUNDAI YEMEN LNG COMPANY LIMITED)	36,759	33,805	2009
	Investments in resource development projects	19,288	15,624	
	Long-term loan receivables	23,700	21,289	
West Kamchatka Project	Investments in resource development projects (*3)	5,669	5,203	Under liquidation
Oman LNG	Investments in associates (KOREA LNG LIMITED)	31,360	24,274	2000
Qatar LNG	Financial assets at FVOCI (KOREA Ras Laffan LNG Ltd.)	39,791	34,495	1999
Total	Investments in resource development projects	24,957	20,827	
	Long-term loan receivables	23,700	21,289	
	Investments in associates and joint ventures	68,119	58,079	
	Financial assets at FVOCI	39,791	34,495	

(*1) In 2018, the Group recognized an impairment loss for the entire amount of overseas mining development costs of the mining project considering its low profitability. The Group has recognized a provision for the onerous contract related to the overseas mining development costs.

(*2) The production of the project commenced on October 15, 2009 with two(2) long-term sales contracts with Suez LNG Trading S.A. and Total Gas & Power Ltd. However, the production suspended due to Yemeni Civil War that broke out in April 2015, and the Group cannot reasonably predict when the production will resume as of December 31, 2021.

(*3) The project is under liquidation process and the project's recoverable amount is determined at the balance of relevant long-term borrowing, which will be exempted by its creditor when failure of related project is confirmed by creditor.

The pre-tax comprehensive income (loss) from investments in resources development project for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

Project name	Description	2021	2020
Vietnam 11-2 sector	Sales	₩ 4,279	₩ 1,979
	Cost of sales	(2,926)	(2,421)
Yemen LNG (HYUNDAI YEMEN LNG COMPANY LIMITED)	Share of loss of joint ventures and associates	(1,324)	(298)
	Share of other comprehensive income (loss) of associates and joint ventures	4,278	(39,366)
Oman LNG (KOREA LNG LIMITED)	Share of profit of joint ventures and associates	9,167	7,659
	Share of other comprehensive income (loss) of associates and joint ventures	7,099	(20,597)
Qatar LNG (KOREA Ras Laffan LNG Ltd.)	Other comprehensive income (loss)	4,014	(10,160)
	Dividend income	7,989	5,219
		₩ 32,576	₩ (57,985)

16. Resource development (cont'd)

The equity interests in investments in the resource development project as of December 31, 2021, are as follows (Korean won in millions):

Project name	Consortium interest in investments (*1)	Equity interests of the Group in consortium (*2)
Vietnam 11-2 sector	75.0%	6.5%
Yemen LNG (HYUNDAI YEMEN LNG COMPANY LIMITED)	5.9	51.0
Oman LNG (KOREA LNG LIMITED)	5.0	20.0
Qatar LNG (KOREA Ras Laffan LNG Ltd.)	5.0	8.0

(*1) Represents the interests of the consortium in which the Group is involved.
(*2) Represents the Group's interests within the consortium.

17. Property, plant and equipment

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

	2021			
	Land	Building	Others	Total
Book value as of Jan. 1	₩ 445	₩ 3,558	₩ 12,824	₩ 16,827
Changes during the year				
Additions/capital expenditures	646	-	3,675	4,321
Disposals	-	-	(90)	(90)
Depreciation	-	(314)	(1,344)	(1,658)
Transfer (*1)	336	8,819	-	9,155
Exchange differences, etc.	(18)	745	172	899
Book value as of Dec. 31	1,409	12,808	15,237	29,454
Book value as of Dec. 31				
Acquisition cost	1,409	17,464	27,537	46,410
Accumulated depreciation	-	(2,817)	(12,300)	(15,117)
Accumulated impairment losses	-	(1,839)	-	(1,839)
Net book value	₩ 1,409	₩ 12,808	₩ 15,237	₩ 29,454

	2020				
	Land	Building	Construction- in-progress	Others	Total
Book value as of Jan. 1	₩ 401	₩ 4,084	₩ 5,113	₩ 7,557	₩ 17,155
Changes during the year					
Additions/capital expenditures	50	-	449	1,152	1,651
Disposals	-	-	-	(3)	(3)
Depreciation	-	(194)	-	(1,122)	(1,316)
Transfer (*1)	-	-	(5,562)	5,562	-
Exchange differences, etc.	(6)	(332)	-	(322)	(660)
Book value as of Dec. 31	445	3,558	-	12,824	16,827
Book value as of Dec. 31					
Acquisition cost	445	7,713	-	23,717	31,875
Accumulated depreciation	-	(2,316)	-	(10,893)	(13,209)
Accumulated impairment losses	-	(1,839)	-	-	(1,839)
Net book value	₩ 445	₩ 3,558	₩ -	₩ 12,824	₩ 16,827

(*1) It has been transferred from intangible assets and investment properties during the year ended December 31, 2021.

18. Leases

Right-of-use assets

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

	2021				2020			
	Property	Motor vehicles	Others	Total	Property	Motor vehicles	Others	Total
Book value as of Jan. 1								
As of Dec. 31, 2020	₩ 9,965	₩ 240	₩ 110	₩ 10,315	₩ 11,155	₩ 222	₩ 135	₩ 11,512
Change in accounting policy	-	-	-	-	-	-	-	-
As of Jan. 1, 2021	9,965	240	110	10,315	11,155	222	135	11,512
Changes during the year								
Additions	1,453	309	132	1,894	2,777	228	10	3,015
Disposals	-	-	-	-	-	-	-	-
Depreciation	(3,627)	(284)	(110)	(4,021)	(3,808)	(210)	(35)	(4,053)
Exchange differences, etc.	192	35	1	228	(159)	-	-	(159)
Book value as of Dec. 31	7,983	300	133	8,416	9,965	240	110	10,315
Book value as of Dec. 31:								
Acquisition cost	18,128	935	310	19,373	16,987	612	178	17,777
Accumulated depreciation	(10,145)	(636)	(176)	(10,957)	(7,022)	(372)	(68)	(7,462)
Net book value	₩ 7,983	₩ 299	₩ 134	₩ 8,416	₩ 9,965	₩ 240	₩ 110	₩ 10,315

Lease liabilities

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

	2021			2020		
	Current lease liabilities	Non-current lease liabilities	Total	Current lease liabilities	Non-current lease liabilities	Total
As of Jan. 1	₩ 3,277	₩ 8,418	₩ 11,695	₩ 3,665	₩ 9,369	₩ 13,034
Additions	173	1,721	1,894	407	2,608	3,015
Accretion of interest	35	375	410	-	442	442
Payments	(4,663)	-	(4,663)	(4,470)	-	(4,470)
Other (*)	4,375	(3,907)	468	3,675	(4,001)	(326)
As of Dec. 31	₩ 3,197	₩ 6,607	₩ 9,804	₩ 3,277	₩ 8,418	₩ 11,695

(*) It includes the amount of transfer to current lease liabilities and exchange differences, etc.

The table below summarizes the maturity profile of lease liabilities based on contractual undiscounted payments for the years ended December 31, 2021 and 2020 (Korean won in millions):

	2021				2020			
	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	· 5 years	Total
Current lease liabilities	₩ 4,160	₩ -	₩ -	₩ 4,160	₩ 3,918	₩ -	₩ -	₩ 3,918
Non-current lease liabilities	-	5,665	1,353	7,018	-	7,122	1,409	8,531
	₩ 4,160	₩ 5,665	₩ 1,353	₩ 11,178	₩ 3,918	₩ 7,122	₩ 1,409	₩ 12,449

The following are the amounts recognized in profit or loss for the years ended December 31, 2021 and 2020 (Korean won in millions):

	2021	2020
Depreciation expense of right-of-use assets	₩ (4,021)	₩ (4,053)
Interest expense on lease liabilities	(410)	(442)
Expense relating to short-term leases	(496)	(608)
Expense relating to leases of low-value assets	(43)	(120)
Interest income relating to finance lease receivables	44	57
	₩ (4,926)	₩ (5,166)

18. Leases (cont'd)

Group as a lessor

The Group has entered into a sub-lease contract on offices with Hyundai Corporation Holdings Co., Ltd. etc. Future undiscounted rentals relating the sub-lease contract as of December 31, 2021 are as follows (Korean won in millions):

	2022	2023	2024	2025	After 2026
Annual rentals	₩ 523	₩ 536	₩ 135	₩ -	₩ -

The Group had total cash outflows for leases of ₩ 4,869 million in 2021 (₩ 4,888 million in 2020).

19. Investment properties

Changes in the carrying amount of investment properties as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Land	Building	Total (*1, 2)	Land	Building	Total (*1, 2)
As of January, 1	₩ 231,200	₩ 108,800	₩ 340,000	₩ 197,145	₩ 113,530	₩ 310,675
Additions	-	8,393	8,393	-	619	619
Valuation (*3)	1,360	640	2,000	34,055	(5,349)	28,706
Transfer	-	(8,393)	(8,393)	-	-	-
As of December, 31	₩ 232,560	₩ 109,440	₩ 342,000	₩ 231,200	₩ 108,800	₩ 340,000

(*1) Investment properties are pledged as collateral for borrowings (the maximum amount of the receivables: ₩ 247,200 million) of the Group.
(*2) Insurance claim right of the investment property is pledged as collateral up to ₩ 247,200 million. Relevant accounts for insurance benefit and rental receipt are pledged as collateral up to the corresponding amount.
(*3) The Group recognized ₩ 343 million (2020: 7,573 million) as other non-current liabilities, including the amount to be allocated to the investors of Type 1 beneficiary securities on the fluctuation of the fair value of the investment properties based on the agreement between the investors of Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13. The Group recognized ₩ 1,657 million (2020: 21,133 million) in gain on valuation of investment properties excluding that amount.

Details of income and expenses associated with investment properties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Other income:		
Rental income derived from investment properties	₩ 11,365	₩ 10,594
Gain on valuation on investment properties (*1)	1,657	21,133
Other	5,241	4,570
	18,263	36,297
Other expense:		
Operating expenses	1,946	1,604
Fees	2,145	1,471
Other (*2)	7,269	7,956
	11,360	11,031
Interest expense	5,371	5,928
Profit arising from investment properties carried at fair value	₩ 1,532	₩ 19,338

(*1) It excludes the amount to be allocated to the investors of Type 1 beneficiary securities on the fluctuation of the fair value of the investment properties based on the agreement between the investors.
(*2) It includes the distributions on the agreement between the investors regarding non-controlling interests liabilities (Type 1 beneficiary securities).

19. Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation of investment properties as of December 31, 2021, is follow (Korean won in millions):

	Fair value	Level	Valuation technique	Key input	Range
Seoul City Square	₩ 342,000	3	Cost approach	Replacement cost	-
			Comparable method	Costs of cases	Similar cases considering on the factors of location and region
			Income approach	Discounted rate	4.10%
				Rent growth p.a	2.00 ~ 3.00%

20. Intangible assets

Changes in the carrying amount of intangible assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Mining rights	Others (*1)	Total	Mining rights	Others (*1)	Total
As of January, 1	₩ -	₩ 8,406	₩ 8,406	₩ -	₩ 8,798	₩ 8,798
Additions/capital expenditures	-	2,035	2,035	-	651	651
Amortization	-	(415)	(415)	-	(214)	(214)
Disposals	-	(390)	(390)	-	(780)	(780)
Transfer (*2)	-	(762)	(762)	-	-	-
Exchange differences	-	33	33	-	(49)	(49)
As of December, 31	-	8,907	8,907	-	8,406	8,406
Acquisition cost	44,372	14,600	58,972	44,372	13,683	58,055
Accumulated amortization (*3)	₩ (44,372)	₩ (5,693)	₩ (50,065)	₩ (44,372)	₩ (5,277)	₩ (49,649)

(*1) It includes membership rights etc.
(*2) It has been transferred to property, plant and equipment during the year ended December 31, 2021.
(*3) It includes accumulated impairment losses.

21. Other financial liabilities

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

	2021	2020
Other current liabilities:		
Withholdings	₩ 1,018	₩ 1,641
Guarantee deposits	446	383
Accrued expenses	4,701	4,173
Other current financial liabilities	117	60
	6,282	6,257
Other non-current liabilities:		
Rental deposits	4,081	3,971
	₩ 10,363	₩ 10,228

22. Borrowings and debentures

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

	Purpose	Creditor	Interest rate (%)	2021	2020
Foreign currency short-term borrowings	D/A NEGO (*1)	WOORI BANK and others	-	₩ 423,992	₩ 91,859
	USANCE	The Korea Development Bank and others	0.64~1.75	24,925	34,319
Korean won short-term borrowings	Operations	Nonghyub Bank	-	-	10,000
		Agricultural Bank of China	-	-	35,000
		Hyundai Energy Solution	2.98	3,114	-
		KEB Hana Bank	Libor(3month)+1.1	14,226	-
	Real estate mortgage loan	DBS Bank	1.50	369	-
				466,626	171,178
Foreign currency long-term borrowings	Investments in development projects (*2)	Korea Energy Agency	-	5,669	5,203
	General borrowings	AOZORA Bank	1.00	5,243	2,825
	Real estate mortgage loan	DBS Bank	3M SORA + 4	5,326	-
Korean won long-term borrowings	Real estate mortgage loan (*3,4)	Samsung Life Insurance co., Ltd and others	2.85~4.50	184,000	187,000
	Non-controlling interests liabilities	The Korea Securities Finance Corporation and others	6.00	122,500	122,500
				322,738	317,528
				₩ 789,364	₩ 488,706

(*1) Trade receivables are pledged as collateral (Note 8).
(*2) As a specific purpose borrowing for exploration project, its redemption obligation of the Group will be exempted by its creditor when the project's ultimate failure is confirmed.
(*3) If the investment property provided as collateral is disposed or the Group receives insurance claims exceeding amount of ₩ 500 million in relation to the investment property, early redemption may be required.
(*4) In relation to the borrowings, the Group's investment property and right of the insurance claim for the investment property are provided as collateral (Note 19).

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

	Managing company	Issue date	Maturity	Interest rate (%)	2021	2020
38th non-guarantee public bonds	The Korea Securities Finance Corporation	11 Dec. 2018	10 Dec. 2021	-	₩ -	₩ 30,000
39th non-guarantee public bonds	The Korea Securities Finance Corporation	5 Nov. 2019	4 Nov. 2022	2.67	30,000	30,000
40th non-guarantee public bonds	Korea Securities Depository	29 Oct. 2020	27 Oct. 2023	2.76	50,000	50,000
41th non-guarantee public bonds	Korea Securities Depository	27 Apr. 2021	26 Apr.2024	2.39	50,000	-
					130,000	110,000
	(Less: discount on debentures)				(325)	(313)
	(Less: current portion of debentures)				(29,962)	(29,959)
					₩ 99,713	₩ 79,728

23. Net defined benefit liability

Details of net defined benefit liability as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Defined benefit obligations	₩ 25,196	₩ 24,756
Fair value of plan assets (*)	(23,351)	(22,107)
	₩ 1,845	₩ 2,649

(*) It includes deposits to the National Pension Fund of ₩ 19 million (2020: ₩ 20 million) as of December 31, 2021.

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

23. Net defined benefit liability (cont'd)

	2021		2020	
As of January, 1	₩	24,756	₩	21,492
Current service cost		2,565		2,731
Interest cost		267		277
Remeasurement loss (gain) in OCI:		1,080		712
- Actuarial changes arising from changes in demographic assumptions		-		(64)
- Actuarial changes arising from changes in financial assumptions		(440)		46
- Experience adjustments		1,520		730
Transfer from and to related companies		(190)		1,014
Benefits paid		(3,298)		(1,477)
Exchange differences		16		7
As of December, 31	₩	25,196	₩	24,756

Expected maturity analysis of undiscounted pension benefits as of December 31, 2021, is as follows (Korean won in millions):

	< 1 year		1 ~ 2 years		2 ~ 5 years		5 ~ 10 years		Over 10 years		Total	
Pension benefits	₩	1,682	₩	6,405	₩	4,850	₩	7,510	₩	13,449	₩	33,896

The weighted average duration of the defined benefit obligations is 6.66 years.

Changes in fair value of plan assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
As of January, 1	₩	22,107	₩	19,592
Interest income		469		420
Remeasurement gain (loss) in OCI		(237)		(83)
Contributions by employer		4,045		3,500
Benefits paid		(3,033)		(1,322)
	₩	23,351	₩	22,107

The significant actuarial assumptions as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	2.20~3.01%	2.20~2.47%
Future salary growth rate	4.00%	4.00~4.50%

The sensitivity of the overall pension liability as of December 31, 2021 to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on defined benefit obligation
Discount rate	1% increase	3.12% decrease
	1% decrease	3.50% increase
Future salary growth rate	1% increase	3.51% increase
	1% decrease	3.18% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

23. Net defined benefit liability (cont'd)

The fair values of each major class of plan assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Amount		Composition (%)	Amount		Composition (%)
National Pension Fund	₩	19	0.1	₩	20	0.1
Financial instruments etc.		23,332	99.9		22,087	99.9
	₩	23,351	100	₩	22,107	100

24. Provisions

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

	2021									
	Restoration (*1)		Onerous contract (*2)		Legal claim (*3)		Others		Total	
As of Jan. 1	₩	2,024	₩	6,705	₩	870	₩	841	₩	10,440
Arising during the year		-		-		-		169		169
Interest expense		61		66		-		-		127
Reversal		(1,367)		(324)		-		(175)		(1,866)
Utilized		(358)		(1,444)		-		(126)		(1,928)
Others		172		557		78		21		828
As of Dec. 31		532		5,560		948		730		7,770
Less: current		(194)		(1,755)		-		-		(1,949)
Non- current	₩	338	₩	3,805	₩	948	₩	730	₩	5,821

	2020									
	Restoration (*1)		Onerous contract (*2)		Legal claim (*3)		Others		Total	
As of Jan. 1	₩	2,387	₩	12,858	₩	-	₩	904	₩	16,149
Arising during the year		-		-		-		4		4
Interest expense		66		377		-		-		443
Reversal		-		(4,062)		-		-		(4,062)
Utilized		(314)		(1,812)		-		(95)		(2,221)
Others		(115)		(656)		870		28		127
As of Dec. 31		2,024		6,705		870		841		10,440
Less: current		(129)		(1,456)		-		-		(1,585)
Non- current	₩	1,895	₩	5,249	₩	870	₩	841	₩	8,855

(*1) It is the present value of the estimated recovery cost until the completion of the 11-2 mine production in Vietnam, which is expected to occur until 2024.
(*2) It is present value of the expected amount of compensation for losses incurred when the minimum guaranteed quantity is not met in relation to the transportation contract for liquefied natural gas produced in the 11-2 mine in Vietnam. The amount is expected to occur until 2024.
(*3) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation relating to legal claim.

25. Income tax

The major components of income tax expense for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Current income tax charge	₩	11,788	₩	6,264
Adjustments in respect of current income tax of previous years		128		(438)
Relating to origination and reversal of temporary differences		3,384		3,515
Difference in income tax before the previous years		2,914		(4,850)
Other		1		9
	₩	18,215	₩	4,500

25. Income tax (cont'd)

The reconciliation between income tax expense at the effective tax rate and accounting profit before income tax at the Korea statutory rate for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Accounting profit before income tax	₩ 56,221	₩ 53,863
Tax at domestic tax rates applicable to profits in the respective countries	₩ 17,716	₩ 15,434
Tax effects of:		
Non-deductible expenses and non-taxable income for tax purposes	(135)	(754)
Adjustments in respect of current income tax of previous years	128	(438)
Difference in income tax before the previous years	2,914	(4,850)
Other	(2,408)	(4,892)
Income tax expense	₩ 18,215	₩ 4,500
Effective tax rate	32.4%	8.4%

Details of deferred tax assets (liabilities) as of December 31, 2021 and 2020 and the years then ended are as follows (Korean won in millions):

2021	Jan. 1	Profit or loss	Other comprehensive income (loss)	Dec. 31
Financial assets at fair value	₩ (6,525)	₩ (456)	₩ (909)	₩ (7,890)
Investments in subsidiaries, joint ventures and associates	(18,507)	(2,739)	(2,876)	(24,122)
Intangible assets	2,854	(434)	-	2,420
Allowance for doubtful	5,481	-	-	5,481
Gain (loss) on foreign currency translation	(320)	1	-	(319)
Provisions	6,931	529	-	7,460
Net defined benefit liability	5	(436)	303	(128)
Other	1,158	151	-	1,309
	₩ (8,923)	₩ (3,384)	₩ (3,482)	₩ (15,789)

2020	Jan. 1	Profit or loss	Other comprehensive income (loss)	Dec. 31
Financial assets at fair value	₩ (6,293)	₩ (2,935)	₩ 2,703	₩ (6,525)
Investments in subsidiaries, joint ventures and associates	(34,912)	1,477	14,928	(18,507)
Intangible assets	3,053	(199)	-	2,854
Allowance for doubtful	6,133	(652)	-	5,481
Gain (loss) on foreign currency translation	(318)	(2)	-	(320)
Provisions	8,831	(1,900)	-	6,931
Net defined benefit liability	6	(176)	176	6
Other	280	872	5	1,157
	₩ (23,220)	₩ (3,515)	₩ 17,812	₩ (8,923)

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion. The Group has not recognized deferred tax assets of ₩ 66,646 million (2020: ₩ 67,617 million) related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

26. Accumulated other comprehensive income and other components of equity

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

	2021	2020
Treasury shares	₩ (21,062)	₩ (21,062)
Adjustment of other components of equity	(18,865)	(18,865)
Loss from spin-off	(242,051)	(242,051)
	₩ (281,978)	₩ (281,978)

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

	2021	2020
Gain on valuations of financial assets at FVOCI	₩ 29,128	₩ 26,280
Share of other comprehensive income of joint ventures and associates	50,569	41,497
Loss on valuation of derivatives	187	(68)
Loss on foreign operation currency translation differences	(7,245)	(13,459)
	₩ 72,639	₩ 54,250

The Group has 1,218,000 shares and 1,218,000 shares of common shares as treasury shares as of December 31, 2021 and 2020, respectively.

27. Retained earnings

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

	2021	2020
Legal reserve (*)	₩ 9,660	₩ 8,939
Unappropriated retained earnings	494,602	465,702
	₩ 504,262	₩ 474,641

(*) The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital. The reserve is not available for cash dividends payment but may be transferred to issued capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

The dividends paid in 2021 and 2020 were ₩ 7,207 million (₩ 600 per share) and ₩ 7,595 million (₩ 600 per share), respectively. A dividend for the year ended December 31, 2021, of ₩ 600 per share, amounting to total dividends of ₩ 7,207 million, is to be proposed at the annual general meeting on March 30, 2022.

28. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2021 and 2020 (Korean won in millions):

		2021		2020
Type of goods or service:				
Merchandise sales	₩	3,589,552	₩	2,780,333
Product sales		58,098		31,433
Commissions		130,569		67,141
Resource development		4,279		1,979
	₩	3,782,498	₩	2,880,886
Geographical markets:				
Republic of Korea	₩	505,354	₩	324,642
United States		966,204		511,285
Asia		1,599,669		1,456,007
Europe		485,605		332,680
Other		225,666		256,272
	₩	3,782,498	₩	2,880,886
Timing of revenue recognition:				
Goods and services transferred at a point in time	₩	3,656,349	₩	2,804,990
Goods and services transferred over time		126,149		75,896
	₩	3,782,498	₩	2,880,886

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

		2021		2020
Cost of merchandise sales	₩	3,504,558	₩	2,697,052
Cost of product sales		50,904		29,239
Cost of commissions		112,994		49,519
Cost of resource development		2,926		2,421
	₩	3,671,382	₩	2,778,231

There are no external customers over 10% of the portion of the Group's revenue.

29. Expenses by nature

Expenses by nature included in the cost of sales, selling and administrative expenses, and other expenses in the consolidated statement of profit or loss for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020
Changes in inventories	₩	3,358,827	₩	2,625,787
Wages and salaries		40,487		37,746
Employee welfare		4,626		4,454
Depreciation		5,679		5,369
Amortization		415		214
Others		337,394		174,078
	₩	3,747,428	₩	2,847,648

(*) The amount is sum of cost of sales and selling and administrative expenses.

30. Selling and administrative expenses

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

	2021		2020	
Wages and salaries	₩	37,835	₩	35,343
Retirement benefits		2,360		2,402
Employee welfare		4,624		4,454
Travel expenses		911		967
Taxes and dues		1,305		1,301
Entertainment expenses		1,835		1,626
Overseas branch expenses (*)		5,070		5,870
Rental expenses		654		601
Service fees		7,378		7,284
Computer system expenses		1,570		1,497
Depreciation		4,518		4,267
Amortization		372		180
Bad debt expenses		2,948		(1,734)
Others		4,665		5,359
	₩	76,045	₩	69,417

(*) Among overseas branch expenses, ₩84 million in 2021 (2020: ₩ 186 million) can be classified as retirement benefits.

31. Other income and expense

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

	2021		2020	
Gain on foreign currency transaction	₩	28,933	₩	31,448
Gain on foreign currency translation		7,974		3,880
Dividend income		7,993		5,181
Gain on transaction of derivatives		11,689		14,932
Gain on valuation of derivatives		2,031		2,926
Gain on disposal of property, plant and equipment		1		32
Reversal of provision		1,866		4,062
Reversal of other bad debt expense		176		1,245
Gain on exemption of debts		-		1,862
Gain on disposal of financial assets at FVPL		-		82
Gain on valuation of financial assets at FVPL		6		276
Gain on valuation of investment properties		1,657		21,133
Other		22,944		19,058
	₩	85,270	₩	106,117

31. Other income and expense (cont'd)

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

		2021		2020
Loss on foreign currency transaction	₩	32,472	₩	35,156
Loss on foreign currency translation		4,592		6,648
Contributions		63		150
Loss on disposal of intangible assets		44		372
Loss on transaction of derivatives		12,219		10,121
Loss on valuation of derivatives		1,540		3,205
Loss on disposal of trade receivables		1,768		3,026
Reversal of provision		169		4
Other		13,544		15,710
	₩	66,411	₩	74,392

32. Finance income and costs

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

		2021		2020
Gain on foreign currency transaction	₩	22,547	₩	24,873
Gain on foreign currency translation		1,083		2,721
Interest income		2,212		2,354
	₩	25,842	₩	29,948

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

		2021		2020
Loss on foreign currency transaction	₩	16,765	₩	29,605
Loss on foreign currency translation		987		2,971
Interest expense		13,067		16,333
	₩	30,819	₩	48,909

33. Earnings per share ("EPS")

The following table reflects the income and share data used in the basic EPS computations for the years ended December 31, 2021 and 2020:

	2021	2020
Profit attributable to ordinary owners of the parent:	₩ 37,789,612,149	₩ 49,305,227,171
Weighted average number of common shares for basic EPS	12,010,966	12,386,860
Basic EPS	₩ 3,146	₩ 3,980

The Group did not issue any potential common shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020, is computed as follows:

	2021	2020
Common shares outstanding accumulated	4,384,002,590	4,533,590,779
Days	365	366
Weighted average number of common shares	12,010,966	12,386,860

Details of calculation on accumulated days of common shares outstanding of the Company during the year ended December 31, 2020 is as follows:

	Base date	Common shares outstanding	Days	Common shares outstanding accumulated days
As of Jan. 1	2020-01-01	12,658,966	366	4,633,181,556
Acquisition of treasury stock	2020-01-01 ~2020-12-31	(648,000)	(*1)	(99,590,777)
	2020-12-31	12,010,966		4,533,590,779

(*1) The Company acquired treasury stocks several times during the year ended December 31, 2020.

34. Cash generated from operations

Reconciliation between profit for the year and net cash inflow (outflow) from operating activities for the years ended December 31, 2021 and 2020 is as follows (Korean won in millions):

		2021		2020
Profit for the year	₩	38,006	₩	49,363
Adjustments:		19,483		(10,137)
Interest income		(2,212)		(2,354)
Interest expense		13,067		16,333
Income tax expense		18,215		4,500
Dividend income		(7,993)		(5,181)
Depreciation		5,679		5,369
Amortization		415		214
Retirement benefits		2,363		2,588
Bad debt expense (reversal of allowance for doubtful accounts)		2,948		(1,734)
Loss (gain) on valuation of derivatives		(491)		279
Gain on disposal of financial assets at FVPL		-		(82)
Gain on valuation of financial assets at FVPL		(6)		(276)
Loss (gain) on foreign currency translation		(3,478)		3,018
Other bad debts expense reversal of other allowance for doubtful accounts		(176)		(1,245)
Loss on disposal of trade receivables		1,768		3,026
Share of profit of joint ventures and associates		(7,269)		(7,861)
Gain on disposal of property, plant and equipment		(1)		(32)
Loss on disposal of intangible assets		44		372
Loss on valuation of inventories		332		237
Reversal of provision		(1,697)		(4,058)
Gain on valuation of investment properties		(1,657)		(21,133)
Gain on exemption of debts		-		(1,862)
Other		(368)		(255)
Changes in operating assets and liabilities:		(397,756)		100,243
Decrease (increase) in trade receivables		(355,416)		163,235
Decrease (increase) in inventories		(133,940)		115,607
Decrease (increase) in other current receivables		(5,559)		5,013
Decrease in other current assets		4,401		2,442
Increase in other non-current receivables		(128)		-
Decrease (increase) in other non-current assets		1,232		(3,729)
Increase (decrease) in trade payables		81,634		(174,984)
Increase in other payables		4,292		7,685
Increase in derivative financial liabilities		486		-
Increase in advances from customers		12,495		(6,513)
Increase in unearned revenue		-		4
Decrease in other current liabilities		(540)		(3,472)
Increase in other non-current liabilities		343		-
Retirement benefits paid		(266)		(155)
Transfer to and from affiliates		(190)		1,014
Contributions to plan assets		(4,045)		(3,500)
Decrease in provisions		(1,928)		(2,221)
Other		(627)		(183)
	₩	(340,267)	₩	139,469

34. Cash generated from operations(cont'd)

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

		2021		2020
Increase in right-of-use assets and lease liabilities	₩	1,894	₩	3,015
Valuation on financial assets at FVOCI		3,757		11,170
Changes in joint ventures and associate from share of other comprehensive income of joint ventures and associates		11,952		60,294
Transfer from construction-in-progress		-		5,562
Substitution of tangible assets of intangible assets and investment real estate		9,155		-

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

2021		Jan. 1		Cash flow from financing activities		Discount on bonds		Substitution, etc.		Dec. 31
Borrowings	₩	488,706	₩	297,242	₩	-	₩	3,416	₩	789,364
Debentures		109,687		19,792		196		-		129,675
Lease liabilities		11,695		(4,224)		-		2,333		9,804
	₩	610,088	₩	312,810	₩	196	₩	5,749	₩	928,843

2020		Jan. 1		Cash flow from financing activities		Discount on bonds		Exchange differences, etc.		Dec. 31
Borrowings	₩	566,144	₩	(76,425)	₩	-	₩	(1,012)	₩	488,707
Debentures		59,793		49,798		96		-		109,687
Lease liabilities		13,033		(4,028)		-		2,690		11,695
	₩	638,970	₩	(30,655)	₩	96	₩	1,678	₩	610,089

35. Commitments and contingencies

As of December31, 2021, Group has provided the guarantees of USD 1,721 thousand to financial institutions for local banking transactions of joint ventures and associates.

The Group has provided nine (9) blank promissory notes as collaterals for the borrowings in relation to the investment in resources development project as of December 31, 2021.

As of December31, 2021, Group is involved in four (4) lawsuit as a defendant with litigation fee of USD 2,269 thousand. Provision of ₩ 948 million which is expected to probably pay has been made in these financial statements.

Hyundai Corporation Holdings Co., Ltd., a company with significant influence over the Group, has been involved in a lawsuit as a defendant in the Brazil court related to the product supply contract with legal proceeding of BRL 13,651 thousand. In connection with the lawsuit, the Group provides joint guarantees.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2021, are as follows (Korean won in millions and USD in thousand):

	Currency	Limits (*1)	Used amount
D/A, D/P (*2)	USD	612,289	368,316
L/C and others	USD	630,014	501,098
Bonds and others	USD	112,957	55,947
Real estate mortgage loan	USD	4,803	4,803
Real estate mortgage loan	KRW	206,000	184,000
Total	USD	1,360,063	930,164
	KRW	206,000	184,000

(*1) It includes comprehensive limits.
(*2) It includes USD 81,878 thousand used for disposal of D/A, D/P trade receivables without recourse.

The Company is provided with payment guarantees from Seoul Guarantee Insurance Company for up to ₩213 million related to deposits in courts, liscensing, performance guarantees and others.

The bond contract of the unguaranteed public offering debenture issued by the Group includes conditions of i) debt-to-equity ratio less than 500%, ii) a collateral limit within 250% of equity capital (based on consolidated financial statements), and iii) the restriction in disposal of asset, up to 50% from the annual total assets. If the corresponding rules are violated, the payment may be accerlerated (Note 22).

In accordance with an arrangement with HYUNDAI YEMEN LNG COMPANY LIMITED, the Group has an obligation to provide loans for up to USD 42,000 thousand if i) an obligation occurs for HYUNDAI YEMEN LNG COMPANY LIMITED related to Yemen LNG project or, ii) upon request by HYUNDAI YEMEN LNG COMPANY LIMITED in accordance with a resolution of the Board of Directors for operating funds.

36. Related party transactions

Details of associates and other related parties that have sales and other transactions with the Group or have outstanding balances as of December 31, 2021 and 2020 are as follows:

	Company name
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd.
Joint venture and associates	KOREA LNG LIMITED
	HYUNDAI YEMEN LNG COMPANY LIMITED
	PT HD INIT.DEVE.
	KAPSTEX VINA., JSC
	INTERGIS BUSAN NEWPORT CENTER CO., LTD.
	H&DE Co., Ltd.
	HY AUTO SOLUTION LLC
	KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd.
Other related parties	HYUNDAI C SQUARE CO., LTD.
	HYUNDAI CNS CO., LTD

Significant transactions with related parties for years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020	
	Company name	Sales (*1)	Purchases (*2)	Sales (*1)	Purchases (*2)
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd. (*3)	₩ 824	₩ 2,192	₩ 147	₩ 2,687
Joint venture and associates	HYUNDAI YEMEN LNG COMPANY LIMITED	739	-	728	-
	KAPSTEX VINA., JSC	14,088	845	8,519	666
	H&DE Co., Ltd.	78	80	64	-
	INTERGIS BUSAN NEWPORT CENTER CO., LTD.	21	-	-	-
	HY AUTO SOLUTION LLC	8,241	-	-	-
Other related parties	HYUNDAI C SQUARE CO., LTD. (*4)	110	-	96	131
	HYUNDAI CNS CO., LTD	-	32	-	-
		₩ 24,101	₩ 3,149	₩ 9,554	₩ 3,484

(*1) It includes merchandise sales, commission income, and other revenues.
(*2) It includes purchase of goods and services.
(*3) Finance lease receivables and interest income received from the sub lease contract, are ₩ 331 million and ₩ 40 million, respectively, which are excluded from the above transaction.
(*4) Finance lease receivables and interest income received from the sub lease contract are ₩ 34 million and ₩ 4 million, respectively, which are excluded from the above transaction.

Significant receivables and payables with related parties as of December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021		2020	
	Company name	Receivables (*1)	Payables (*2)	Receivables (*1)	Payables (*2)
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd. (*3)	₩ 1,994	₩ 4,348	₩ 1,680	₩ 3,188
Joint venture and associates	HYUNDAI YEMEN LNG COMPANY LIMITED	10,519	-	9,034	-
	KAPSTEX VINA., JSC	1,159	-	805	-
	H&DE Co., Ltd.	-	80	-	-
	HY AUTO SOLUTION LLC	1,465	-	-	-
Other related parties	HYUNDAI C SQUARE CO., LTD. (*4)	445	-	336	-
	HYUNDAI CNS CO., LTD	-	6	-	-
		₩ 15,582	₩ 4,434	₩ 11, 855	₩ 3,188

(*1) It includes trade receivables, other current receivables and other non-current assets, etc.
(*2) It includes trade payables, other payables, advances from customers, other current liabilities, etc.

36. Related party transactions (cont'd)

Fund transactions with related parties for years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

		2021						
		Loan receivables and etc.					Dividends and etc.	
		Jan. 1	Increase	Recall	Foreign currency translation	Dec. 31	Receipts	Payments
Hyundai Corporation Holdings Co., Ltd.	Dividend	₩ -	₩ -	-	₩ -	₩ -	₩ -	₩ 1,537
PT HD INTI. DEVE	Dividend	-	-	-	-	-	424	-
HYUNDAI YEMEN LNG COMPANY LIMITED	Loans	21,289	652	-	1,760	23,701	-	-
	Investment in resource development	15,624	2,194	-	1,469	19,287	-	-
KOREA LNG LIMITED	Dividend	-	-	-	-	-	9,180	-
KAPSTEX VINA., JSC	Dividend	-	-	-	-	-	159	-
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	Dividend	-	-		-	-	21	-
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	Capital Injection	11,328	-	(11,328)	-	-	-	-
	Dividend	-	-	-	-	-	218	-
H&DE Co., Ltd.	Loans	1,700	-	-	-	1,700	-	-
HY AUTO SOLUTION LLC	Capital Injection	-	7,102	-	-	7,102	-	-
	Loans	-	2,707	-	20	2,727	-	-
KCA New Growth Sector No. 2 Private Equity Investment Co., Ltd.	Capital Injection	-	5,000	-	-	5,000	-	-
		₩ 49,941	₩ 17,655	(11,328)	₩ 3,249	₩ 59,517	₩ 10,002	₩ 1,537

		2020					
		Loan receivables and etc.				Dividends and etc.	
		Jan. 1	Increase	Foreign currency translation	Dec. 31	Receipts	Payments
Hyundai Corporation Holdings Co., Ltd.	Dividend	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,537
PT HD INTI. DEVE	Dividend	-	-	-	-	506	-
HYUNDAI YEMEN LNG COMPANY LIMITED	Loans	21,806	734	(1,251)	21,289	-	-
	Investment in resource development	14,078	2,611	(1,065)	15,624	-	-
KOREA LNG LIMITED	Dividend	-	-	-	-	7,755	-
KAPSTEX VINA., JSC	Dividend	-	-	-	-	164	-
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	Dividend	-	-	-	-	26	-
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	Capital Injection	5,246	6,082	-	11,328	-	-
	Dividend	-	-	-	-	706	-
H&DE Co., Ltd.	Loans	-	1,700	-	1,700	-	-
		₩ 41,130	₩ 11,127	₩ (2,316)	₩ 49,941	₩ 9,157	1,537

The Group provides payment guarantees to overseas subsidiaries as follows (USD in thousand):

	Financial institution	Amount providing
H&DE Co., Ltd.	Korea Development Bank	1,721

The Group provides a cash deficiency support agreement to HYUNDAI YEMEN LNG COMPANY LIMITED for limit up to USD 42,000 thousand (Note 35).

The Group provides joint payment guarantees for the related party, Hyundai Corporation Holdings Co., Ltd, in relation to a lawsuit (Note 35).

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

	2021	2020
Wages and salaries	₩ 4,394	₩ 3,873
Post-employments	745	674
	₩ 5,139	₩ 4,547

37. Uncertainty of the impact of Covid-19

In order to prevent the spread of Covid-19, a various prevention and control measures, including restrictions on travelling are being implemented worldwide, and as a result, the global economy has been extensively affected. In addition, governments are implementing various support measures to address Covid-19.

The Group’s business primarily relies on exports. The line items affected by Covid-19 pandemic are mainly the valuation of investments in associates and financial assets measured at fair value, including overseas resource development, collection of trade receivables, and recognition of provisions and impairment of inventories, property, plant and equipment and intangible assets. The Group has prepared the consolidated financial statements by reasonably estimating the impact of Covid-19 on the Group. The Group's estimates and assumptions may be subject to change due to the spread or end of Covid-19 in the future. However, the Group cannot reasonably predict such impact as of December 31, 2021.

38. Events after the reporting period - uncertainty of the impact of the Ukraine incident

The ongoing armed conflicts in Ukraine area which began in February 2022 and international sanctions imposed against Russia may impact entities, entities doing business with Ukraine or Russia as well as entities exposed directly or indirectly to industries or economy of Ukraine or Russia. The events described above represent non-adjusting events after the reporting period. The Company has a joint venture, HY AUTO SOLUTION, in Russia as of December 31, 2021. The current conflict in Ukraine can impact the future business of such entity, but the financial impact of such events cannot be reasonably estimated.