

HD HYUNDAI CO., LTD.

Separate Financial Statements

**December 31, 2023 and 2022**

(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of

HD Hyundai Co., Ltd:

### *Opinion*

We have audited the separate financial statements of HD Hyundai Co., Ltd. ("the Company"), which comprise the separate statements of financial position as of December 31, 2023 and 2022, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2023 and 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2023 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 18, 2024 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

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



### *Key Audit Matters*

Key audit matters are that matters that, in our professional judgment, were of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Assessment of impairment on investments in subsidiaries*

- HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

- HD HYUNDAI ELECTRIC CO.,LTD.

As described in Note 4(8) to the separate financial statements, the Company reviews the impairment indicator for investments in subsidiaries at the end of each reporting period and performs impairment test by estimating the recoverable amount of investments in subsidiaries if impairment indicators exists. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. Additionally, the Company reviews at the end of each reporting date whether there is any indication that impairment loss recognized in prior periods for investments in subsidiaries may no longer exist or may have decreased. If such indication exists, the Company performs impairment test by estimating the recoverable amount. And if the recoverable amount exceeds the carrying amount, the carrying amount is increased to the extent that the carrying amount that would have been determined had no impairment loss been recognized for the investments in subsidiaries in prior years, and it is treated as reversals of impairment loss.

- *Assessment of impairment on investments in subsidiaries*  
- HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

As described in Note 11 to the separate financial statements, the carrying amount of investment in HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. as of December 31, 2023 is ₩3,964,492 million and amounts for 43% of total assets, and market value of the investment is below its carrying amount. Estimation of the recoverable amount requires the management's estimate and judgement including future cash flows and discount rate, and there is considerable uncertainty in the estimation and judgment. Therefore, we identified the assessment of impairment of investments in HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. as a key audit matter.

- *Assessment of impairment on investments in subsidiaries*  
- HD HYUNDAI ELECTRIC CO.,LTD.

As described in Note 11 to the separate financial statements, the Company recognized impairment losses of ₩141,549 million and ₩128,047 million in 2018 and 2019, respectively, due to downturn of the business environment at HD HYUNDAI ELECTRIC CO.,LTD.

As market prospects and performance of the transformer and rotating machines are expected to recover in the current period and the subsidiary investment's stock price significantly exceeds its carrying amount, the Company identified the indication of the reversals of impairment loss. Estimation of the recoverable amount requires the management's estimate and judgement including future cash flows and discount rate, and there is considerable uncertainty in the estimation and judgment. Therefore, we identified the assessment of impairment of investments in HD HYUNDAI ELECTRIC CO.,LTD. as a key audit matter.



The primary audit procedures we performed to address assessment of impairment on investments in HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. and HD HYUNDAI ELECTRIC CO.,LTD. included the followings:

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

#### *Other Matter*

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

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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



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

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

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

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

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

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

*KPMG Samjony Accounting Corp.*

Seoul, Korea  
March 18, 2024

This report is effective as of March 18, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD HYUNDAI CO., LTD.  
 Separate Statements of Financial Position  
 As of December 31, 2023 and 2022

<i>(In thousands of won)</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Cash and cash equivalents	5,6,37,38	₩ 56,706,832	96,814,143
Short-term financial assets	5,7,37,38	120,000,000	-
Trade and other receivables	9,29,37,38,41	5,550,621	15,652,025
Derivative assets	24,37,38	3,441,764	1,520,760
Other current assets	10	5,438,693	2,259,415
<b>Total current assets</b>		<b>191,137,910</b>	<b>116,246,343</b>
Investments in subsidiaries, associates and joint ventures	11,12,13	8,220,568,278	7,932,652,217
Long-term financial assets	5,7,8,37,38	63,960,950	62,403,438
Investment property	14	378,461,253	308,211,284
Property, plant and equipment	15	30,147,162	15,250,708
Right-of-use assets	16	208,560,668	209,712,935
Intangible assets	17	28,037,750	28,037,750
Derivative assets	24,37,38	-	1,598,041
Other non-current assets	10	1,400,000	1,458,334
<b>Total non-current assets</b>		<b>8,931,136,061</b>	<b>8,559,324,707</b>
<b>Total assets</b>		<b>₩ 9,122,273,971</b>	<b>8,675,571,050</b>

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.  
 Separate Statements of Financial Position, Continued  
 As of December 31, 2023 and 2022

<i>(In thousands of won)</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Liabilities</b>			
Short-term financial liabilities	5,18,24,37,38 ₩	749,322,878	776,166,043
Trade and other payables	19,37,38,41	45,619,187	56,041,791
Short-term contract liabilities	29	1,206,996	1,206,996
Current lease liabilities	18,23,37,38	1,441,230	1,521,151
Short-term provisions	22	660	114,049
Other current liabilities	20	1,615,353	2,049,032
Current income tax liabilities		8,711,530	8,045,217
<b>Total current liabilities</b>		<b>807,917,834</b>	<b>845,144,279</b>
Long-term financial liabilities	5,18,37,38	2,103,707,632	2,007,479,459
Long-term trade and other payables	19,37,38,41	28,925,311	25,637,980
Long-term contract liabilities	29	19,838,011	20,376,653
Liabilities for defined benefit plans	21	4,787,668	4,623,794
Non-current lease liabilities	18,23,37,38	219,509,664	215,374,280
Other non-current liabilities	20	3,646,667	4,969,499
Deferred tax liabilities	34	4,165,546	4,378,254
<b>Total non-current liabilities</b>		<b>2,384,580,499</b>	<b>2,282,839,919</b>
<b>Total liabilities</b>		<b>3,192,498,333</b>	<b>3,127,984,198</b>
<b>Equity</b>			
Common stock	25	81,433,085	81,433,085
Capital surplus	25	3,090,277,464	3,090,277,464
Capital adjustments	26	(489,546,525)	(489,546,525)
Accumulated other comprehensive income	27	930,424	2,567,602
Retained earnings	28	3,246,681,190	2,862,855,226
<b>Total equity</b>		<b>5,929,775,638</b>	<b>5,547,586,852</b>
<b>Total liabilities and equity</b>	₩	<b>9,122,273,971</b>	<b>8,675,571,050</b>

See accompanying notes to the separate financial statements



HD HYUNDAI CO., LTD.  
**Separate Statements of Comprehensive Income**  
**For the years ended December 31, 2023 and 2022**

<i>(In thousands of won, except share information)</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Sales	29,41	₩ 583,101,756	347,229,888
Cost of sales	31,41	74,799,964	10,476,053
<b>Gross profit</b>		<u>508,301,792</u>	<u>336,753,835</u>
Selling, general and administrative expenses	30,31	20,664,804	20,104,020
<b>Operating profit</b>	5	<u>487,636,988</u>	<u>316,649,815</u>
Finance income	24,32,37	161,510,679	17,504,102
Finance costs	24,32,37	143,688,987	92,708,117
Other non-operating income	33	270,223,307	94,544
Other non-operating expenses	33	2,620,555	4,679,763
<b>Profit before income tax</b>		<u>773,061,432</u>	<u>236,860,581</u>
Income tax expense (benefit)	34	(24,604)	17,566,933
<b>Profit for the year</b>		<u>773,086,036</u>	<u>219,293,648</u>
<b>Other comprehensive income (loss)</b>	24,27,37		
<b>Items that are or may be reclassified subsequently to profit:</b>			
Effective portion of changes in fair value of cash flow hedges		₩ (1,637,178)	3,064,598
<b>Total items that are or may be reclassified subsequently to profit</b>		<u>(1,637,178)</u>	<u>3,064,598</u>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial losses		(583,707)	224,456
<b>Total items that will not be reclassified to profit or loss</b>		<u>(583,707)</u>	<u>224,456</u>
<b>Other comprehensive income for the year, net of income tax</b>		<u>(2,220,885)</u>	<u>3,289,054</u>
<b>Total comprehensive income for the year</b>		₩ <u>770,865,151</u>	<u>222,582,702</u>
<b>Earnings per share</b>	35		
Basic earnings per share (in won)		₩ <u>10,940</u>	<u>3,103</u>

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.  
**Separate Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total equity
<b>Balance at January 1, 2022</b>	₩ 81,433,085	3,090,277,464	(489,546,525)	(496,996)	2,961,255,329	5,642,922,357
<b>Total comprehensive income (loss) for the year</b>						
Profit for the year	-	-	-	-	219,293,648	219,293,648
Effective portion of changes in fair value of cash flow hedges	-	-	-	3,064,598	-	3,064,598
Actuarial gains	-	-	-	-	224,456	224,456
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Dividends	-	-	-	-	(325,074,777)	(325,074,777)
Other	-	-	-	-	7,156,570	7,156,570
<b>Balance at December 31, 2022</b>	₩ 81,433,085	3,090,277,464	(489,546,525)	2,567,602	2,862,855,226	5,547,586,852
<b>Balance at January 1, 2023</b>	₩ 81,433,085	3,090,277,464	(489,546,525)	2,567,602	2,862,855,226	5,547,586,852
<b>Total comprehensive income (loss) for the year</b>						
Profit for the year	-	-	-	-	773,086,036	773,086,036
Effective portion of changes in fair value of cash flow hedges	-	-	-	(1,637,178)	-	(1,637,178)
Actuarial losses	-	-	-	-	(583,707)	(583,707)
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Dividends	-	-	-	-	(388,676,365)	(388,676,365)
<b>Balance at December 31, 2023</b>	₩ 81,433,085	3,090,277,464	(489,546,525)	930,424	3,246,681,190	5,929,775,638

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.  
 Separate Financial Statements of Cash Flows  
 For the years ended December 31, 2023 and 2022

(In thousands of won)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>			
Profit for the year	₩	773,086,036	219,293,648
Adjustments		(738,645,686)	(233,993,075)
<b>Cash generated from operations</b>	36	<u>34,440,350</u>	<u>(14,699,427)</u>
Interest received		7,537,278	1,697,372
Interest paid		(133,183,497)	(86,183,261)
Dividends received		476,254,227	333,394,071
Income taxes paid (refund)		478,208	(6,674,392)
<b>Net cash provided by operating activities</b>		<u>385,526,566</u>	<u>227,534,363</u>
<b>Cash flows from investing activities</b>			
Proceeds from collection of short-term other receivables		181,280	14,400
Acquisition of short-term other receivables		-	(12,912)
Acquisition of short-term financial assets		(120,000,000)	-
Acquisition of long-term financial assets		(425,450)	-
Acquisition of investments in subsidiaries, associates and joint ventures		(17,377,600)	(262,157,943)
Acquisition of property, plant and equipment		(21,438,354)	(15,294,596)
Acquisition of Investment property		(98,834,889)	(161,042,490)
Proceeds from sales of property, plant and equipment		839	-
<b>Net cash used in investing activities</b>		<u>(257,894,174)</u>	<u>(438,493,541)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term financial liabilities		-	410,000,000
Proceeds from long-term financial liabilities		1,108,956,647	1,062,093,027
Proceeds from long-term other liabilities		10,570,140	17,414,387
Repayment of short-term financial liabilities		(746,000,000)	(950,000,000)
Repayment of long-term financial liabilities		(150,839,543)	-
Payment of lease liabilities		(887,724)	(1,933,517)
Decrease in long-term other liabilities		(895,076)	-
Payment of dividends		(388,644,147)	(325,050,454)
<b>Net cash provided by (used in) financing activities</b>		<u>(167,739,703)</u>	<u>212,523,443</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(40,107,311)</u>	<u>1,564,265</u>
<b>Cash and cash equivalents at January 1</b>		<u>96,814,143</u>	<u>95,249,878</u>
<b>Cash and cash equivalents at December 31</b>	₩	<u>56,706,832</u>	<u>96,814,143</u>

See accompanying notes to the separate financial statements

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements  
For the years ended December 31, 2023 and 2022

**1. Reporting Entity**

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

As of December 31, 2023, the Company's major shareholders consist of Mong-Joon Chung (26.60%), National Pension Service Investment Management (8.91%), Ki-Sun Chung (5.26%), etc.

**2. Basis of Preparation**

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

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

The separate financial statements were authorized for issue by the Board of Directors on February 6, 2024 and will be submitted for approval to the stockholders' meeting to be held on March 29, 2024.

**(1) Basis of measurement**

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

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

**(2) Functional and presentation currency**

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

**(3) Use of estimates and judgements**

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

**(3) Use of estimates and judgements, Continued**

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

(i) Judgements

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

- Note 11 – Classification of Subsidiary - Whether or not the Company actually hold control;
- Note 34 – Recognition of deferred tax liabilities - Possibility of disposal of subsidiary investment

(ii) Assumptions and estimation uncertainties

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

- Note 11 – Impairment test - key assumptions underlying recoverable amounts, including the recoverability of investments in subsidiaries and intangible assets;
- Note 21 – Measurement of defined benefit obligations - key actual assumptions;
- Notes 39 – Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 34 – Measurement of deferred tax

(iii) Measurement of fair value

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

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

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

**(3) Use of estimates and judgements, Continued**

(iii) Measurement of fair value, Continued

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

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

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

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

- Note 11 – Investments in Subsidiaries
- Note 37 – Financial Instruments

**3. Changes in Accounting Policies**

The Company has initially adopted the provisions related to deferred tax on assets and liabilities arising from single transactions(*K-IFRS No.1012 'Income Taxes'*), global minimum tax(*K-IFRS No.1012 'Income Taxes'*) and significant accounting policy information(*K-IFRS No.1001 'Presentation of Financial Statements'*) from January 1, 2023. The other standards which are effective from January 1, 2023 have no significant effect on the Company's separate financial statements.

- Deferred tax related to assets and liabilities arising from single transactions

The Company has initially adopted the provisions related to deferred tax on assets and liabilities arising from single transactions(*K-IFRS No.1012 'Income Taxes'*). The amendment excludes transactions where temporary differences arise for equal amounts to be added and deducted (e.g., leases, provisions related to restoration obligations) from the initial recognition exception for deferred tax. The amendment does not have a significant impact on the financial statements.

- Global minimum tax

The Company has initially adopted the International Tax Reform - Pillar 2 Model Rules announced on May 23, 2023(*K-IFRS No.1012 'Income Taxes'*). This amendment includes an obligation to temporarily exempt deferred tax accounting for global minimum tax and requires additional disclosure of a company's exposure information regarding Pillar 2 income taxes.

Korea enacted the Global Minimum Tax Act in 2023, which is applicable to fiscal years beginning on or after January 1, 2024. The Group's consolidated financial statements for the fiscal years ended December 31, 2021 and 2022, respectively, include the United Arab Emirates, where the statutory tax rate is less than 15%.

However, based on the financial statements for 2023, we have conducted a transitional exemption test under Article 80 of the National Tax Adjustment Act and expect that Argentina and the United Arab Emirates, where our subsidiary Hyundai Global Service Middle East FZE is located, will be subject to the global minimum tax.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**3. Changes in Accounting Policies, continued**

However, since the tax law related to the global minimum tax in Korea is effective from January 1, 2024, there is no income tax effect in the current period. The Company has applied the provision for temporary and mandatory exemption from deferred tax accounting for the effect of the Pillar 2 tax and recognizes the Pillar 2 tax in current income tax when it arises.

- Material accounting policy information

Effective January 1, 2023, the Company adopted the amendments to the accounting policy disclosures (*K-IFRS No. 1001 'Presentation of Financial Statements'*), which do not change the accounting policies per se, but affect the accounting policy information disclosed in separate financial statements.

The amendments require the disclosure of 'material' accounting policies, rather than 'significant' accounting policies, and provide guidance on the application of materiality to the disclosure of accounting policies to ensure that the disclosures provide entity-specific accounting policy information that users of the financial statements need to understand.

The Company's management has reviewed its accounting policies and has updated the material accounting policy information disclosed in Note 4 (2022: Significant Accounting Policies) in accordance with these amendments.

**4. Material Accounting Policies**

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

Effective January 1, 2023, the Company adopted the amendments to the accounting policy disclosures (*K-IFRS No. 1001 'Presentation of Financial Statements'*), which requires disclosure of 'material' accounting policies rather than 'significant' accounting policies. These amendments do not result in a change in accounting policies, but do affect the accounting policy information disclosed.

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

These separate financial statements are prepared and presented in accordance with *K-IFRS No.1027, 'Separate Financial Statements'*. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with *K-IFRS No.1027*.

**(2) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(3) Non-derivative financial assets**

1) Recognition and Initial Measurements

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

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

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

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

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

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

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

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

In making this assessment, the Company considers:

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



HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(3) Non-derivative financial assets, Continued**

3) Derecognition

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

4) Offsetting

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

**(4) Derivative financial instruments**

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value.

**(5) Property, plant and equipment**

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. Subsequent to initial recognition land that fair value can be measured reliably is carried at its fair value at the date of revaluation less any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

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

	<b>Useful lives (years)</b>
Tools, furniture and fixtures	5~9

Subsequent expenditures are capitalized only when there is a high probability that the associated future economic benefits will flow to the Company.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(6) Intangible assets**

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

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

The useful lives of intangible asset are as follows:

	<b>Useful lives (years)</b>
Trademark rights	Indefinite

**(7) Investment Property**

Investment properties are measured initially at cost, including transaction costs, less subsequent depreciation and impairment.

While land is not depreciated, all other investment properties are depreciated based on the depreciation method and useful lives of premises and equipment.

The useful lives of investment property are as follows:

	<b>Useful lives (years)</b>
Buildings	50
Structures	20, Indefinite

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(8) Impairment of non-financial assets**

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

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

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

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

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

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

**(9) Non-derivative financial liabilities**

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

**(10) Employee benefits**

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(11) Revenue from contracts with customers**

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

- Determination of the transaction price

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

- Identification of performance obligations

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

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

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

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

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

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

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

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

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

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(11) Revenue from contracts with customers, Continued**

(ii) Significant payment terms

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

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

**(12) Lease**

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

(i) As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally the Company use incremental borrowing rate as the discount rate.

*Short-term leases and lease of low-value assets*

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

(ii) As a lessor

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

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**4. Material Accounting Policies, Continued**

**(13) Finance income and finance costs**

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

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the net gain or loss on derivative financial instruments at FVOCI; and
- the foreign currency gain or loss on financial assets and financial liabilities;
- gains and losses on disposals of financial instruments;
- gains and losses from redemption of financial liabilities

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

**(14) Operating segments**

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

**(15) New standards and interpretations not yet adopted**

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these separate financial statements.

- (i) *K-IFRS No.1001 'Presentation of Financial Statements - Current and Noncurrent Classification of Liabilities and Borrowing Arrangements for Noncurrent Liabilities'*

This amendment, issued in 2020 and 2022, clarifies the requirements for the liquidity classification of liabilities and requires the disclosure of information about noncurrent liabilities that have future borrowing commitments that must be honored. The amendments are effective for annual periods beginning on or after January 1, 2024.

The Company hold borrowings from pledged borrowings with specific borrowing agreements (refer to Note 38). Although this debt was classified as non-current as of December 31, 2023, repayment may be demanded before the maturity date in the event of a breach of the related borrowing agreements in the future. The Company is in the process of assessing the potential impact of these amendments.

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

- Lease liabilities arising from post-sale lease transactions (*K-IFRS No.1116 'Leases'*)
- Lack of exchangeability (*K-IFRS No.1021, 'Effects of Changes in Foreign Exchange Rates'*)
- Supplier finance agreement (*K-IFRS No.1007, "Statement of Cash Flows" And K-IFRS No.1107, 'Financial Instruments: Disclosures'*)

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

## 5. Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

### (1) Financial risk management

#### 1) Risk management framework

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

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

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

#### 2) Credit risk

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

The carrying amount of financial assets represents the maximum exposure to credit risk.

##### (i) Trade and other receivables and contract assets

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

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

##### (ii) Investments

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

##### (iii) Guarantees

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

##### (iv) Derivative financial instruments

The Company has entered into derivative trading contracts with highly-rated banks or financial institutions.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**5. Risk Management, Continued**

**(1) Financial risk management, Continued**

3) Liquidity risk

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

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

4) Market risk

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

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

- Currency risk

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

- Interest rate risk

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



HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**5. Risk Management, Continued**

**(2) Capital management**

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

The Company's liability to equity ratio and net borrowing to equity ratio as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won, except equity ratio)</i>		<u>2023</u>	<u>2022</u>
Total liabilities	₩	3,192,498	3,127,984
Total equity		5,929,776	5,547,587
Cash and deposits(*1)		176,709	96,816
Borrowings(*2)		2,808,769	2,592,752
Liability to equity ratio		53.84%	56.38%
Net borrowing to equity ratio(*3)		44.39%	44.99%

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

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

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

The interest coverage ratio and basis of calculation for the years ended December 31, 2023 and 2022 are as follows.

<i>(In millions of won, except ratio)</i>		<u>2023</u>	<u>2022</u>
A. Operating profit	₩	487,637	316,650
B. Interest expenses		139,649	87,476
Interest coverage ratio (A/B)		3.49	3.62

**6. Cash and Cash Equivalents**

Cash and cash equivalent as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Current accounts	₩	7	-
Fixed deposit		40,000	-
Other cash and cash equivalents (MMDA and others)		16,700	96,814
	₩	<u>56,707</u>	<u>96,814</u>

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**7. Short-term and Long-term Financial Assets**

Short-term and long-term financial assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Financial instruments	₩ 120,000	2	-	2
Financial assets measured at FVTPL	-	63,959	-	62,401
	₩ 120,000	63,961	-	62,403

**8. Restricted Financial Instruments**

Financial instruments, which are restricted in use, as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

Description	2023	2022	Restrictions
Long-term financial instruments	₩ 2	2	Guarantee deposits for checking accounts

**9. Trade and Other Receivables**

Trade and other receivables as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

	2023		2022	
	Current	Non-current	Current	Non-current
<b>Trade receivables:</b>				
Trade receivables	₩ 3,241		1,331	
Allowance for doubtful accounts	-		-	
	3,241		1,331	
<b>Other receivables:</b>				
Other account receivable		300		14,119
Accrued income		2,010		21
Guarantee deposits		-		181
		2,310		14,321
	₩ 5,551			15,652

**10. Other Assets**

Other assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 13	-	43	-
Prepaid expenses	5,426	1,400	2,216	1,458
	₩ 5,439	1,400	2,259	1,458

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

11. Investments in Subsidiaries

(1) Investments in subsidiaries as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Main business	2023		2022	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
HD Hyundai Oilbank Co., Ltd. (*4)	Korea	Manufacturing of petroleum products	73.85	₩ 2,394,569	73.85	₩ 2,394,569
HD Hyundai Marine Solution Co., Ltd.(*4,5)	Korea	Engineering service	62.00	77,683	62.00	77,683
HD Hyundai Electric Co., Ltd.(*1,4,7)	Korea	Manufacture and sale of electronic and electric products	37.22	592,944	37.22	323,348
HD Hyundai Future Partners Co., Ltd.(*4)	Korea	Management consulting business	100.00	31,000	100.00	31,000
HD Hyundai Robotics Co., Ltd.(*4)	Korea	Manufacturing of industrial robots	90.00	237,038	90.00	237,038
Avikus Co., Ltd.(*2)	Korea	Development and sale of software for maritime autonomous surface ships	100.00	39,000	100.00	24,000
HD Hyundai Xite Solution Co., Ltd. (*4,6)	Korea	Manufacture of machinery equipment for construction and mining	80.22	878,762	100.00	877,819
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.(*1,3,4)	Korea	Non-financial holding company	35.05	<u>3,964,492</u>	35.05	<u>3,964,492</u>
				<u>₩ 8,215,488</u>		<u>₩ 7,929,949</u>

(\*1) Although ownership is less than 50%, as a result of comprehensive consideration of the stockholders' meeting and the shareholding structure, the Company judged that it was decided that a majority of the voting rights could be exercised.

(\*2) For the year ended December 31, 2023 and 2022, the Company participated in paid-in capital increase of respectively ₩15,000 million and ₩10,000 million of Avikus Co., Ltd.

(\*3) For the year ended December 31, 2022, the Company acquired 4.1% of shares of HD Korea Shipbuilding & Offshore Engineering Co., Ltd., thus obtaining control and reclassifying it from associate to a subsidiary.

(\*4) For the year ended December 31, 2023, company's name has been changed due to a group name change.

(\*5) For the year ended December 31, 2023, company's name has been changed from Hyundai Global Service Co., Ltd. to HD Hyundai Marine Solution Co., Ltd.

(\*6) For the year ended December 31, 2023, company's name has been changed from Hyundai Genuine Co., Ltd to HD Hyundai XiteSolution Co., Ltd. and the percentage of ownership has decreased from 100% to 80.22% by conversion of convertible bond that HD Hyundai XiteSolution Co., Ltd. issued. The Company has entered into a shareholder's agreement granting call-option to investors in connection with convertible preferred shares of HD Hyundai XiteSolution Co., Ltd. As of the grant date, an amount equivalent to the fair value of call option has been recognized as the acquisition cost of the share of HD Hyundai XiteSolution Co., Ltd.

(\*7) For the year ended December 31, 2023, the carrying amount has increased due to reversal of impairment losses of HD Hyundai Electric Co., Ltd.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**11. Investments in Subsidiaries, Continued**

(2) Changes in investments in subsidiaries for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<u>2023</u>	<u>2022</u>
Beginning balance	₩	7,929,949	3,955,457
Additional acquisition and other(*1)		15,943	3,974,492
Reversal of impairment and other(*2)		269,596	-
Ending balance	₩	<u>8,215,488</u>	<u>7,929,949</u>

(\*1) For the year ended December 31, 2022, ₩251,454 million for additional acquisition of shares in HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and ₩3,713,038 million for the previously held shares are included.

(\*2) For the year ended December 31, 2022, ₩269,596 million has been reimbursed due to reversal of impairment of HD Hyundai Electric Co., Ltd.

(3) Impairment assessment

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

- HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

For the year ended December 31, 2023, impairment indicators arose for the stake held by The Company in HD Korea Shipbuilding & Offshore Co., Ltd. Impairment testing was conducted. The recoverable amount was measured based on the present value of future cash flows (value in use) and fair value less costs to sell. Value in use was estimated using discounted cash flows.

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

- HD Hyundai Electric Co., Ltd.

For the year ended December 31, 2023, reversal of impairment indicators arose for the stake held by The Company in HD Hyundai Electric Co., Ltd. Impairment testing was conducted. The recoverable amount was measured based on the present value of future cash flows (value in use) and fair value less costs to sell. Value in use was estimated using discounted cash flows.

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

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**11. Investments in Subsidiaries, Continued**

(3) Impairment assessment, Continued

Assumptions used in calculating the value in use as of December 31, 2023, are as follows:

	<u>HD Korea Shipbuilding &amp; Of fshore Engineering Co., Ltd.</u>	<u>HD Hyundai Electric Co., Ltd.</u>
Discount rate	8.31~11.74%	10.38%
Period covered by cash flow forecast	5 years	5 years
Permanent growth rate	1.00%	1.00%

The value in use as of December 31, 2023, was calculated by the following key assumptions.

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

As of December 31, 2023, the Company evaluated impairment loss of the subsidiary investment, so that no impairment loss was recognized in HD Korea Shipbuilding & Offshore Engineering Co., Ltd. as the book value of subsidiary investments didn't exceed the recoverable amount.

The Company recognized impairment losses of ₩141,549 million and ₩128,047 million in 2018 and 2019, respectively, for HD Hyundai Electric Co., Ltd. due to the deterioration of the business environment, but reversed the previously recognized impairment losses in full in 2023 as the performance of the transformer and rotor market and the outlook for the future market recovered.

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**12. Investments in Associates**

Investments in associates as of December 31, 2023 and 2022 are summarized as follows:

*(In millions of won, except percentage of ownership)*

Company	Location	Main business	2023		2022	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Palantir Technologies Korea LLC(*)	Korea	Software Sales	34.00	₩ 1,080	25.10	₩ 703

(\*) For the year ended December 31, 2022, the Company acquired shares through the establishment of Palantir Technologies Korea LLC. and classified it as an associate. And For the year ended December 31, 2023, the Company acquired 8.9% shares of Palantir Technologies Korea LLC through paid in capital increase.

**13. Investments in Joint ventures**

Investments in joint venture as of December 31, 2023 and 2022 are summarized as follows:

*(In millions of won, except percentage of ownership)*

Company	Location	Main business	2023		2022	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Mirae asset- Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1(*)	Korea	New technology business investment service	29.85	₩ 4,000	29.85	₩ 2,000

(\*) For the year ended December 31, 2023, the Company has made an additional investment of ₩2,000 million.

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**14. Investments Property**

(1) Investment property for the year ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<b>2023</b>			
	<b>Building</b>	<b>Structures</b>	<b>Construction In Progress</b>	<b>Total</b>
Acquisition costs	₩ 383,980	2,661	-	386,641
Accumulated depreciation	(8,178)	(2)	-	(8,180)
Impairment loss	-	-	-	-
Ending balance	₩ 375,802	2,659	-	378,461

*(In millions of won)*

	<b>2022</b>			
	<b>Building</b>	<b>Structures</b>	<b>Construction In Progress</b>	<b>Total</b>
Acquisition costs	₩ 304,297	2,659	1,763	308,719
Accumulated depreciation	(507)	(1)	-	(508)
Impairment loss	-	-	-	-
Ending balance	₩ 303,790	2,658	1,763	308,211

(2) Changes in investment property for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<b>2023</b>			
	<b>Building</b>	<b>Structures</b>	<b>Construction In Progress</b>	<b>Total</b>
Beginning balance	₩ 303,790	2,658	1,763	308,211
Acquisition	77,920	2	-	77,922
Replacement	1,763	-	(1,763)	-
Disposals	-	-	-	-
Depreciation	(7,671)	(1)	-	(7,672)
Impairment loss	-	-	-	-
Ending balance	₩ 375,802	2,659	-	378,461

*(In millions of won)*

	<b>2022</b>			
	<b>Building</b>	<b>Structures</b>	<b>Construction In Progress</b>	<b>Total</b>
Beginning balance	₩ -	-	-	-
Acquisition	183,995	2,659	1,763	188,417
Replacement	120,302	-	-	120,302
Disposals	-	-	-	-
Depreciation	(507)	(1)	-	(508)
Impairment loss	-	-	-	-
Ending balance	₩ 303,790	2,658	1,763	308,211

HD HYUNDAI CO., LTD.  
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**14. Investments Property, Continued**

(3) Revenues and expenses related to investment property for the year ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Rental income	₩ 58,352	3,490
Operating and maintenance expense arising from investment property that generated rental income	(23,574)	(1,347)
Operating and maintenance expense arising from investment property that didn't generate rental income	(1,077)	(79)

(4) Fair value of investment property for the year ended December 31, 2023 is as follows:

<i>(In millions of won)</i>	<u>2023</u>
Buildings	₩ 466,792
Structures	2,659
	<u>₩ 469,451</u>

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate and valuation and was achieved by using comparison methods to obtain the economic value based on marketability of the property. In order to estimate the fair value of investment property, the Company calculated it by considering changes in the standard market price, such as individual publicly announced prices, since the previous valuation period.

(5) As of December 31, 2023, the minimum future lease payments expected to be received by the Company under operating lease contracts for investment properties are as follows:

<i>(In millions of won)</i>	<u>2023</u>
Less than 1 year	₩ 62,390
1~5 years	125,165
	<u>₩ 187,555</u>



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**15. Property, Plant and Equipment**

(1) The property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<b>2023</b>		
	<b>Tools and equipment</b>	<b>Construction in-progress</b>	<b>Total</b>
Acquisition costs	₩ 36,497	569	37,066
Accumulated depreciation	(6,919)	-	(6,919)
Impairment loss	-	-	-
Ending balance	₩ 29,578	569	30,147

(In millions of won)

	<b>2022</b>		
	<b>Tools and equipment</b>	<b>Construction in-progress</b>	<b>Total</b>
Acquisition costs	₩ 15,636	-	15,636
Accumulated depreciation	(385)	-	(385)
Impairment loss	-	-	-
Ending balance	₩ 15,251	-	15,251

(2) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<b>2023</b>		
	<b>Tools and equipment</b>	<b>Construction in-progress</b>	<b>Total</b>
Beginning balance	₩ 15,251	-	15,251
Acquisitions	20,869	569	21,438
Classification	-	-	-
Disposals	(3)	-	(3)
Depreciation	(6,539)	-	(6,539)
Impairment loss	-	-	-
Ending balance	₩ 29,578	569	30,147

(In millions of won)

	<b>2022</b>		
	<b>Tools and equipment</b>	<b>Construction in-progress</b>	<b>Total</b>
Beginning balance	₩ 241	120,302	120,543
Acquisitions	15,295	-	15,295
Classification	-	(120,302)	(120,302)
Disposals	-	-	-
Depreciation	(285)	-	(285)
Impairment loss	-	-	-
Ending balance	₩ 15,251	-	15,251

(3) As of December 31, 2023, construction-in-progress are solar power generation facilities and others.

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**16. Right-of-use Assets**

(1) The Right-of-Use Assets for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<b>2023</b>			
		<b>Land</b>	<b>Vehicles</b>	<b>Tools and equipment</b>	<b>Total</b>
Acquisition cost	₩	208,518	23	26	208,567
Accumulated depreciation		-	(4)	(2)	(6)
Accumulated impairment loss		-	-	-	-
Ending balance	₩	<u>208,518</u>	<u>19</u>	<u>24</u>	<u>208,561</u>

(In millions of won)

		<b>2022</b>			
		<b>Land</b>	<b>Buildings</b>	<b>Tools and equipment</b>	<b>Total</b>
Acquisition cost	₩	209,713	-	-	209,713
Accumulated depreciation		-	-	-	-
Accumulated impairment loss		-	-	-	-
Ending balance	₩	<u>209,713</u>	<u>-</u>	<u>-</u>	<u>209,713</u>

(2) Changes in right-of-use assets for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<b>2023</b>			
		<b>Land</b>	<b>Vehicles</b>	<b>Tools and equipment</b>	<b>Total</b>
Beginning balance	₩	209,713	-	-	209,713
Additions / Adjustment		(1,195)	23	26	(1,146)
End/Termination		-	-	-	-
Transfer		-	-	-	-
Depreciation		-	(4)	(2)	(6)
Ending balance	₩	<u>208,518</u>	<u>19</u>	<u>24</u>	<u>208,561</u>

(In millions of won)

		<b>2022</b>			
		<b>Land</b>	<b>Buildings</b>	<b>Tools and equipment</b>	<b>Total</b>
Beginning balance	₩	125,860	392	-	126,252
Additions / Adjustment		83,853	12	-	83,865
End/Termination		-	-	-	-
Transfer		-	-	-	-
Depreciation		-	(404)	-	(404)
Ending balance	₩	<u>209,713</u>	<u>-</u>	<u>-</u>	<u>209,713</u>

HD HYUNDAI CO., LTD.  
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**17. Intangible Assets**

(1) The Intangible assets for the years ended December 31, 2023 and 2022 are as follows :

*(In millions of won)*

		<b>2023</b>
		<b>Trademark rights</b>
Acquisition cost	₩	28,038
Accumulated amortization		-
Impairment loss		-
Ending balance	₩	<u>28,038</u>

*(In millions of won)*

		<b>2022</b>
		<b>Trademark rights</b>
Acquisition cost	₩	28,038
Accumulated amortization		-
Impairment loss		-
Ending balance	₩	<u>28,038</u>

(2) There are no changes in intangible assets for the years ended December 31, 2023 and 2022.

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**18. Short-term and Long-term Financial Liabilities**

(1) Short-term and long-term financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023		2022	
		Current	Non-current	Current	Non-current
Borrowings	₩	372,091	1,625,000	571,000	1,295,131
Debentures		370,000	443,000	175,000	553,000
Discount on debentures		(230)	(1,092)	(231)	(1,149)
Financial liabilities measured at FVTPL		7,462	36,800	30,397	160,497
	₩	<u>749,323</u>	<u>2,103,708</u>	<u>776,166</u>	<u>2,007,479</u>

(2) Short-term borrowings as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual Interest rate	2023	2022
General loan	Industrial and Commercial Bank of China (ICBC)	-	₩ -	80,000
Current portion of long-term borrowings			₩ 372,091	491,000
			<u>₩ 372,091</u>	<u>571,000</u>

(3) Long-term borrowings as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual Interest rate	2023	2022
General loan(*)	Korea Development Bank and others	2.75%~6.36%	₩ 1,960,000	1,751,000
General loan in foreign currency	Shinhan Bank (HONGKONG)	2.89%	37,091	35,131
Current portion of long-term borrowings			(372,091)	(491,000)
			<u>₩ 1,625,000</u>	<u>1,295,131</u>

(\*) For the years ended December 31, 2023, The Company provided the HD Hyundai Group Global R&D Center building as collateral to Korean Development Bank and others for a facility loan of ₩300 billion (See Notes 14, 39).

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**18. Short-term and Long-term Financial Liabilities, Continued**

(4) Debentures as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

<u>Description</u>	<u>Maturity</u>	<u>Annual interest rate</u>	<u>2023</u>	<u>2022</u>	<u>Guarantee</u>
Debentures	2024-02-29 ~ 2028-06-01	3.25% ~ 5.21%	₩ 813,000	728,000	debenture
			<u>813,000</u>	<u>728,000</u>	
Discount on bonds			(1,322)	(1,380)	
Current portion of bonds			(370,000)	(175,000)	
Current portion of discount on bonds			230	231	
			<u>₩ 441,908</u>	<u>551,851</u>	

(5) Aggregate maturities of the Company's borrowings and debentures as of December 31, 2023 are summarized as follows:

(In millions of won)

<u>Periods</u>		<u>2023</u>		
		<u>Borrowings</u>	<u>Debentures</u>	<u>Total</u>
Less than 1 year	₩	372,091	370,000	742,091
1 ~ 5 years		1,625,000	443,000	2,068,000
	₩	<u>1,997,091</u>	<u>813,000</u>	<u>2,810,091</u>

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**18. Short-term and Long-term Financial Liabilities, Continued**

(6) Changes in liabilities arising from financing activities for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023						
		Liabilities				Derivative liabilities(asset) used for hedging		
		Borrowings	Debentures	lease liabilities	Total	interest rate swaps - asset	currency swaps - asset	Total
Beginning balance		₩ 1,866,131	726,620	216,895	2,809,646	1,230	1,889	3,119
Cash flows	Borrowing	850,000	258,957	-	1,108,957	-	-	-
	from financing activities							
	Repayments	(721,840)	(175,000)	(888)	(897,728)	-	-	-
Non-cash flows	The effects of changes in foreign exchange rates	1,960	-	-	1,960	-	-	-
	Amortization of bond discounts	-	1,101	-	1,101	-	-	-
	Changes in lease liabilities	-	-	4,944	4,944	-	-	-
	Changes in fair value	-	-	-	-	(851)	1,174	323
	Others	840	-	-	840	-	-	-
Ending Balance		₩ 1,997,091	811,678	220,951	3,029,720	379	3,063	3,442

(In millions of won)

		2022						
		Liabilities				Derivative liabilities(asset) used for hedging		
		Borrowings	Debentures	lease liabilities	Total	interest rate swaps - asset	currency swaps - asset	Total
Beginning balance		₩ 1,345,901	723,609	130,984	2,200,494	(49)	(195)	(244)
Cash flows	Borrowing	1,240,000	232,093	-	1,472,093	-	-	-
	from financing activities							
	Repayments	(720,000)	(230,000)	(1,934)	(951,934)	-	-	-
Non-cash flows	The effects of changes in foreign exchange rates	230	-	-	230	-	-	-
	Amortization of bond discounts	-	918	-	918	-	-	-
	Changes in lease liabilities	-	-	87,845	87,845	-	-	-
	Changes in fair value	-	-	-	-	1,279	2,084	3,363
Ending Balance		₩ 1,866,131	726,620	216,895	2,809,646	1,230	1,889	3,119

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**19. Trade and Other Payables and Other Liabilities**

Trade and other payables as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023		2022	
		Current	Non-current	Current	Non-current
Trade payables	₩	33,881	-	46,636	-
Other accounts payable		941	-	702	-
Accrued expenses		10,661	178	8,599	-
Dividends payable		136	-	105	-
Deposit		-	28,747	-	25,638
	₩	<u>45,619</u>	<u>28,925</u>	<u>56,042</u>	<u>25,638</u>

**20. Other Liabilities**

Other liabilities as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023		2022	
		Current	Non-current	Current	Non-current
Advance payment	₩	-	-	540	-
Income in advance		1,615	3,647	1,509	4,969
	₩	<u>1,615</u>	<u>3,647</u>	<u>2,049</u>	<u>4,969</u>

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**21. Employee Benefits**

(1) Recognized liabilities for defined benefit obligations as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligations	₩ 10,702	10,610
Fair value of plan assets	(5,914)	(5,986)
	<u>₩ 4,788</u>	<u>4,624</u>

(2) Plan assets as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Retirement pension(*)	₩ 5,914	5,986

(\*) The retirement pension is invested in principal and interest guaranteed instrument as of December 31, 2023.

(3) Expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Current service costs	₩ 897	1,818
Past service costs	-	195
Interest expenses on obligations	145	72
Expected return on plan assets	(320)	(87)
	<u>₩ 722</u>	<u>1,998</u>



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**21. Employee Benefits, continued**

(4) Changes in the defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Beginning balance	₩ 10,610	9,355
Current service costs	897	1,818
Past service costs	-	195
Interest expenses on obligations	145	72
Benefits paid	(1,908)	(901)
Transfers from related parties	399	404
Actuarial losses (gains) in other comprehensive income (loss):		
Demographic assumptions	-	55
Financial assumption	222	(607)
Experience adjustment	337	219
Ending balance	₩ <u>10,702</u>	<u>10,610</u>

(5) Changes in the fair value of plan assets for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Beginning balance	₩ 5,986	3,129
Benefits paid	(367)	(185)
Contributions paid into the plan	-	3,000
Expected return on plan assets	320	87
Actuarial loss in other comprehensive income (loss)	(25)	(45)
Ending balance	₩ <u>5,914</u>	<u>5,986</u>

The Company reviews the level of the fund each year and takes the policy to preserve fund in the event of a loss to the fund. As of December 31, 2023, expected amount of contribution to the plan next year amounts to ₩4,210 million.

(6) Expected payment date of the defined benefit obligations as of December 31, 2023 are as follows:

*(In millions of won)*

		<u>Within 1 year</u>	<u>1 ~ 5 years</u>	<u>5 ~ 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Expected payment	₩	4,120	8,403	674	13,807	27,004

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**21. Employee Benefits, Continued**

(7) Principal actuarial assumptions as of December 31, 2023 and 2022 are as follows:

<i>(In percent)</i>	<u>2023</u>	<u>2022</u>
Discount rate at 31 December	4.63	5.37
Future salary growth rate	4.61	4.62
Future mortality (Males, at age 45)	0.18	0.18

(8) Weighted average durations of defined benefit obligations as of December 31, 2023 and 2022 are as follows:

<i>(In years)</i>	<u>2023</u>	<u>2022</u>
Weighted average durations	13.99	13.52

(9) Reasonably possible changes as of December 31, 2023 and 2022 to the relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below:

<i>(In millions of won)</i>	<u>2023</u>		<u>2022</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement) ₩	(297)	349	(324)	379
Future salary growth (1% movement)	346	(300)	378	(329)

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**22. Provisions**

(1) Provisions for the years ended December 31, 2023 and 2022 are as follows :

<i>(In millions of won)</i>		<b>2023</b>
		<b>Other provision</b>
Current	₩	1
Non-current		-
Ending Balance	₩	1
<i>(In millions of won)</i>		<b>2022</b>
		<b>Other provision</b>
Current	₩	114
Non-current		-
Ending Balance	₩	114

(2) Changes in provisions for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		<b>2023</b>
		<b>Other provision</b>
Beginning balance	₩	114
Additions		4
Reversals		(117)
Ending Balance	₩	1
<i>(In millions of won)</i>		<b>2022</b>
		<b>Other provision</b>
Beginning balance	₩	114
Additions		-
Ending Balance	₩	114

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**23. Lease Liability**

(1) Changes in provisions for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<u>2023</u>	<u>2022</u>
Beginning balance	₩	216,895	130,984
Additions and adjustment		(1,146)	83,866
Payment of lease liabilities for the year		(1,479)	(1,985)
Interest on lease liabilities		6,681	4,030
Ending balance	₩	<u>220,951</u>	<u>216,895</u>
Current	₩	1,441	1,521
Non-current		219,510	215,374

(2) Cash outflow for lease liabilities as of December 31, 2023, are as follows:

(In millions of won)

		<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Less than 1 year</u>	<u>1 ~ 3 years</u>	<u>More than 3 years</u>
Lease liabilities	₩	220,951	348,494	1,487	2,971	344,036

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

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

(4) Cash outflows for leases for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<u>Carrying amount</u>	
		<u>2023</u>	<u>2022</u>
Payment of lease liabilities	₩	888	1,934
Short-term lease payment(*)		94	83
Leases payment of low-value assets(*)		412	11
Total	₩	<u>1,394</u>	<u>2,028</u>

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

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**24. Derivative Financial Instruments**

The Company has entered into derivative instrument contracts with various banks to hedge the risk related to changes in interest rates. Derivatives are measured at fair value by using the forward interest rate presented by contract counterparty and others. In addition, the Company has assessed the fair value as of December 31, 2023, as it satisfies the requirements for the intrinsic derivatives of the sell-off rights granted to stocks. The evaluation details as of December 31, 2023, are as follows:

(1) The description of derivative instrument and hedge accounting

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

(2) As of December 31, 2023, details of derivatives that the Company entered into as follows:

*(In millions of won, in thousands of euro)*

Description	Type	Currency		Contract amount	Average maturities	Number of contracts (in numbers)
		Sell	Buy			
Cash flow hedge	Interest rate swaps contracts	3.28%	CD+1.45%	₩ 40,000	2024.06.11	1
	Current swaps contracts	KRW	EUR EURIBOR (3M)+1.22%			
For trading	Rights to claim the sale(*1)	KRW	KRW	234,544	(*2)	1
	Rights to claim the purchase(*3)	KRW	KRW	654,354	(*4)	1
	Rights to claim the purchase(*5)	KRW	KRW	200,000	(*6)	1

(\*1) The Company has granted a call option to Aramco Overseas Company B.V., which participated in the sale of its interest in HD Hyundai Oil Bank Co., Ltd, a subsidiary (See Note 39).

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

(\*3) The Company has granted a put option to Global Vessel Solutions, L. P. which participated in the sale of its interest in HD Hyundai Marine Solution Co., Ltd, a subsidiary (See Note 39).

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

(\*5) The Company has granted a put option to KDB Investment Co., LTD. which related with convertible preferred stock of HD Hyundai Xite Solution Co., Ltd, a subsidiary (See Note 39).

(\*6) Within 4 years from the date of issue (eligible for a 2-year extension).

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**24. Derivative Financial Instruments, Continued**

(3) Book value of derivatives as of December 31, 2023 are as follows:

(In millions of won)

Description	Type	Derivatives				Financial assets or liabilities at fair value through profit or loss			
		Assets		Liabilities		Assets		Liabilities	
		Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedge	Interest rate swaps contracts	₩	379	-	-	-	-	-	-
Cash flow hedge	Currency swaps contracts		3,063	-	-	-	-	-	-
For trading	Rights to claim the sale (call option)		-	-	-	-	-	7,462	-
For trading	Rights to claim the purchase (put option)		-	-	-	-	-	-	36,800
		₩	3,442	-	-	-	-	7,462	36,800

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**24. Derivative Financial Instruments, Continued**

(4) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2023 are as follows:

*(In millions of won)*

Description	Type	Sales	Finance income	Finance costs	Other non-operating income	Other non-operating expenses	Other comprehensive income
Cash flow hedge	Interest rate swaps contracts	₩ -	-	-	-	-	(851)
Cash flow hedge	Currency swaps contracts	-	1,960	-	-	-	(786)
For trading	Rights to claim the sale (call option)	-	22,935	-	-	-	-
For trading	Rights to claim the purchase (put option)	-	125,400	761	-	-	-
		₩ -	150,295	761	-	-	(1,637)

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately 11 months.

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**25. Capital and Capital Surplus**

(1) Capital

For the year ended December 31, 2023, the number of shares that the Company is authorized to issue, the number of shares that the Company issued and the par value are 800,000,000 shares, 78,993,085 shares, ₩1,000 respectively.

(2) Capital surplus

Capital surplus as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
Paid-in-capital in excess of par value	₩ 3,090,454	3,090,454
Other capital surplus	(177)	(177)
Total	<u>₩ 3,090,277</u>	<u>3,090,277</u>

**26. Capital Adjustment**

Capital adjustments consist of treasury stock. Treasury stocks as of December 31, 2023 and 2022 are summarized as follows:

*(In millions of won, in shares)*

	<u>2023</u>		<u>2022</u>	
	<u>Number of shares</u>	<u>Book value</u>	<u>Number of shares</u>	<u>Book value</u>
Treasury stock(*)	8,324,655	₩ 489,547	8,324,655	₩ 489,547

(\*) The fair value of Treasury stock amounts to ₩526,951 million and ₩475,338 million as of December 31, 2023 and 2022.



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**27. Accumulated Other Comprehensive Income**

(1) Accumulated other comprehensive income as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
	₩	
Gain or loss on valuation of derivatives	930	2,568

(2) Other comprehensive gain (loss) for the years ended December 31, 2023 and 2022 are as follows:

	2023		2022			
	Before tax amount	Tax effect	After tax amount	Before tax amount	Tax effect	After tax amount
Gain on valuation of derivatives	₩ (1,637)	-	(1,637)	3,133	(68)	3,065
Defined benefit plan actuarial gain or loss	(584)	-	(584)	287	(63)	224
	₩ (2,221)	-	(2,221)	3,420	(131)	3,289

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**28. Retained Earnings**

(1) Retained earnings as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Voluntary reserves	₩	219,186	219,186
Legal reserve(*)		40,717	40,717
Unappropriated retained earnings		2,986,778	2,602,952
	₩	<u>3,246,681</u>	<u>2,862,855</u>

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

(2) Changes in retained earnings for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Beginning balance	₩	2,862,855	2,961,255
Profit for the year		773,086	219,294
Actuarial losses		(584)	224
Dividend(*)		(388,676)	(325,075)
Other		-	7,157
Ending balance	₩	<u>3,246,681</u>	<u>2,862,855</u>

(\*) The interim dividend amounting to respectively ₩127,204 million and ₩63,602 million for the years ended December 31, 2023 and 2022 are included.

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**28. Retained Earnings, Continued**

(3) Statements of appropriation of retained earnings for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
<b>I. Unappropriated retained earnings</b>		
Unappropriated retained earnings to be carried from previous year	₩ 2,341,480	2,439,880
Actuarial gain (loss)	(584)	224
Interim dividend	(127,204)	(63,602)
Profit for the year	773,086	219,294
Other	-	7,157
	<u>2,986,778</u>	<u>2,602,953</u>
<b>II. Transfer from voluntary reserves</b>		
Substitution	-	-
<b>III. Total (I + II)</b>	₩ <u>2,986,778</u>	<u>2,602,953</u>
<b>IV. Appropriation of retained earnings</b>		
Legal reserve	-	-
Voluntary reserve	-	-
Dividend	134,270	261,473
	<u>134,270</u>	<u>261,473</u>
<b>V. Unappropriated retained earnings to be carried over to subsequent year</b>	₩ <u>2,852,508</u>	<u>2,341,480</u>

**29. Revenue**

(1) Revenue streams

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	₩ 41,616	10,083
Dividend profits	476,254	333,394
Rental income	65,232	3,753
	₩ <u>583,102</u>	<u>347,230</u>

(2) Division of revenue

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

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
<b>Region:</b>		
Republic of Korea	₩ 40,118	9,914
North America	229	3
Asia	967	165
Europe	73	-
Others	229	1
	₩ <u>41,616</u>	<u>10,083</u>

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**29. Revenue, Continued**

(3) Timing of revenue recognition

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

Timing of revenue from contracts with customers is as follows:

(In millions of won)

		<u>2023</u>	<u>2022</u>
<b>Timing of revenue recognition</b>			
Products transferred at a point in time	₩	-	-
Products and services transferred over time		41,616	10,083
	₩	<u>41,616</u>	<u>10,083</u>

(4) Contract balances

Trade receivables and contract liabilities from contracts with customers as of December 31, 2023 and 2022 are as follows:

(In millions of won)

		<u>2023</u>		<u>2022</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Trade Receivables	₩	3,241	-	1,331	-
Contract Liabilities(*)		1,207	19,838	1,207	20,377

(\*) Out of ₩21,584 million in contract liabilities recognized as of December 31, 2022, ₩1,207 million was recognized as income for the year ended December 31, 2023.

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**30. Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>
Salaries	₩ 5,062	5,296
Bonus	1,753	1,897
Post-employment benefit costs	616	1,852
Employee welfare	1,356	1,261
Depreciation	49	446
Insurance	2	4
Office equipment	15	8
Supplies	46	3
Travel	634	466
Data processing	16	39
Entertainment	817	540
Taxes and dues	902	47
Commissions	7,968	7,419
Automobile maintenance	96	99
Fee	817	612
Others	516	115
	<u>₩ 20,665</u>	<u>20,104</u>

**31. Nature of Expenses**

The classification of expenses by nature for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>
Depreciation	₩ 14,211	792
Depreciation of right-of-use assets	6	404
Employee benefits	9,700	11,132
Commissions	11,453	7,419
Advertising expenses	40,420	3,311
Outsourcing service cost	7,802	473
Other expenses	11,873	7,049
	<u>₩ 95,465</u>	<u>30,580</u>

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

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**32. Finance Income and Finance Costs**

Finance income and finance costs for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>
<b>Finance income:</b>		
Interest income	₩ 9,526	1,715
Gain on valuation of financial instruments measured at fair value through profit or loss	149,892	15,538
Gain on foreign currency translation	-	1
Gain on foreign currency transactions	133	20
Gain on valuation of derivatives	1,960	230
	<u>₩ 161,511</u>	<u>17,504</u>
<b>Finance costs:</b>		
Interest expense	₩ 139,649	87,476
Loss on valuation of financial instruments measured at fair value through profit or loss	761	4,995
Loss on foreign currency translation	1,962	230
Loss on foreign currency transactions	52	7
Losses on disposal of financial instruments	425	-
Adjustments for losses from redemption of borrowings	840	-
	<u>₩ 143,689</u>	<u>92,708</u>

**33. Other Non-operating Income and Other Non-operating Expenses**

Other non-operating income and other non-operating expenses for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>
<b>Other non-operating income:</b>		
Gain on disposal of investments in subsidiaries	₩ 269,596	-
Miscellaneous income	627	95
	<u>₩ 270,223</u>	<u>95</u>
<b>Other non-operating expenses:</b>		
Commissions	₩ 51	2,072
Losses on disposals of property, plant and equipment	2	-
Donation	2,560	2,572
Miscellaneous expenses	8	36
	<u>₩ 2,621</u>	<u>4,680</u>

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**34. Income Tax Expense**

(1) The components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Current tax expense (benefit)	₩ 140	(33)
Adjustment for prior periods	47	414
Origination and reversal of temporary differences	(212)	10,161
Income tax recognized in other comprehensive income	-	7,025
Total income tax expense	₩ <u>(25)</u>	<u>17,567</u>

(2) Income tax recognized directly in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Gain or losses on valuation of derivatives	₩ -	(68)
Actuarial gains or losses	-	(63)
Gain or losses on valuation of financial instruments measured at fair value through comprehensive income	-	7,156
Income tax recognized directly in other comprehensive income	₩ <u>-</u>	<u>7,025</u>

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

(3) Reconciliation of effective tax rate for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Profit before income tax	₩ 773,061	236,861
Income tax using the Company's statutory tax rate	193,726	56,858
Adjustment for:		
- Tax effect of non-deductible expenses	295	218
- Tax effect of non-taxable income	(115,259)	(67,603)
- Tax effect of tax rate fluctuations	(212)	(268)
- Temporary differences of deferred tax not recognized	(88,106)	10,065
- Change in estimation related with prior periods	-	17,883
- Current adjustments for prior periods	47	414
- Others	9,484	-
Income tax expense	₩ <u>(25)</u>	<u>17,567</u>
Effective tax rate	(*)	7.42%

(\*) As tax income was calculated, the effective tax rate was not calculated.

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**34. Income Tax Expense, Continued**

- (4) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<b>2023</b>	<b>2022</b>
Deferred tax liabilities at the end of the period ₩	(4,166)	(4,378)
Deferred tax liabilities at the beginning of the period	(4,378)	5,783
Deferred tax effects by origination and reversal of temporary differences ₩	(212)	10,161

- (5) As of December 31, 2023, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.
- (6) The Company sets off a deferred tax asset against a deferred tax liability only if it relates to income taxes levied by the same taxation authority and has a legally enforceable right to set off current tax assets against current tax liabilities.



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**34. Income Tax Expense, Continued**

(7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		<b>2023</b>		
		<b>Beginning balance</b>	<b>Change</b>	<b>Ending balance</b>
Investments in subsidiaries and associates(*)	₩	(4,378)	212	(4,166)
Right-of-use assets		(51,799)	2,787	(49,012)
Lease liabilities		52,805	(2,135)	50,670
Property, plant and equipment		(49)	(558)	(607)
Defined benefit obligations		279	293	572
Foreign currency evaluation		133	455	588
Others		(1,369)	(842)	(2,211)
		<u>(4,378)</u>	<u>212</u>	<u>(4,166)</u>
Tax loss carryforward		-	-	-
Carryforward tax credit		-	-	-
	₩	<u>(4,378)</u>	<u>212</u>	<u>(4,166)</u>

(\*) As of December 31, 2023, the tax effects of temporary difference are calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.

(In millions of won)

		<b>2022</b>		
		<b>Beginning balance</b>	<b>Change</b>	<b>Ending balance</b>
Derivatives	₩	43,981	(43,981)	-
Investments in subsidiaries and associates(*)		(37,581)	33,203	(4,378)
Right-of-use assets		(27,775)	(24,024)	(51,799)
Lease liabilities		28,817	23,988	52,805
Property, plant and equipment		(10)	(39)	(49)
Defined benefit obligations		532	(253)	279
Foreign currency evaluation		68	65	133
Others		(2,249)	880	(1,369)
		<u>5,783</u>	<u>(10,161)</u>	<u>(4,378)</u>
Tax loss carryforward		-	-	-
Carryforward tax credit		-	-	-
	₩	<u>5,783</u>	<u>(10,161)</u>	<u>(4,378)</u>

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

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**34. Income Tax Expense, Continued**

- (8) Timing of recover and settlement of deferred tax assets (liabilities) as of December 31, 2023 and 2022, are as follow:

(In millions of won)

	<u>2023</u>	<u>2022</u>
<b>Deferred tax assets (liabilities)</b>		
Deferred tax assets (liabilities) that are expected to settle within 1 year	₩ -	-
Deferred tax assets (liabilities) that are expected to settle after 1 year	(4,166)	(4,378)
	<u>₩ (4,166)</u>	<u>(4,378)</u>

- (9) The details of temporary difference that is not recognized as deferred tax liabilities as of December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>	<u>Reason</u>
<b>Deferred tax liabilities</b>			
Investments in subsidiaries and associates	₩ (495,769)	(467,290)	Not recognized in accordance with paragraph 39, 44 of the K-IFRS No. 1012 and they will not be disposed
Treasury stock	(73,938)	(77,713)	Not recognized in accordance with paragraph 15 of the K-IFRS No. 1012
Tax loss carryforward and others	27,921	58,450	Not recognized in accordance with paragraph 24 of the K-IFRS No. 1012

- (10) The expiration date of unrecognized Tax loss carryforward of December 31, 2023 are as follows:

(In millions of won)

	<u>2023</u>	
	<u>Temporary differences</u>	<u>Deferred tax assets (liabilities)</u>
After 2030	₩ 124,609	29,283

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**35. Earnings per Share**

(1) Basic earnings per share for the years ended December 31, 2023 and 2022 are as follows:

<i>(In won)</i>	<u>2023</u>	<u>2022</u>
Profit for the year	₩ 773,086,035,688	219,293,648,086
Weighted average number of ordinary shares outstanding <i>(In shares)</i> (*)	70,668,430	70,668,430
Earnings per share <i>(In won)</i>	₩ <u>10,940</u>	<u>3,103</u>

(\*) Weighted average number of ordinary shares

<i>(In shares)</i>	<u>2023</u>		
	<u>Number of shares outstanding</u>	<u>Weighted average (days)</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	70,668,430	365/365	70,668,430
Weighted average number of ordinary shares outstanding			<u>70,668,430</u>

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

(2) As the Company has no dilutive securities for the years ended December 31, 2023 and 2022, diluted earnings per share have not been calculated.

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**36. Cash flow from Operations**

(1) Cash generated from operations for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<b>2023</b>	<b>2022</b>
<b>Profit for the year</b>	₩ 773,086	219,294
<b>Adjustments for:</b>		
Post-employment benefit costs	722	1,998
Depreciation	14,217	1,197
Finance income	(161,378)	(17,483)
Finance costs	143,636	92,701
Dividend profits (sales)	(476,254)	(333,394)
Other non-operating income	(270,136)	-
Other non-operating expense	2	-
Tax expenses (benefit)	(25)	17,567
<b>Changes in assets and liabilities:</b>		
Trade receivables	(1,913)	(890)
Other receivables	5,690	(3,847)
Other current assets	71	(154)
Trade payables	8,158	6,054
Other payables	2,105	376
Contract liabilities	(1,247)	(1,285)
Other current liabilities	(1,217)	6,479
Other non-current liabilities	178	-
Benefits paid	(1,908)	(901)
Succession of Benefits	399	404
Plan assets	367	(2,815)
Provisions	(113)	-

(2) Significant transactions that do not involve cash inflows and outflows operations for the years ended December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<b>2023</b>	<b>2022</b>
Reclassification of construction-in-progress	₩ 1,763	324,013
Reclassification of current portion of long-term borrowings	370,131	491,000
Reclassification of current portion of bond	370,000	175,000
Recognition of right-of-use assets and lease liabilities	(1,147)	83,866
Change in liabilities related to acquisition of property, plant and equipment	(20,913)	20,681
Reclassification of current portion of lease liabilities	1,441	1,521
Change in deposit receivable	(8,130)	8,130
Change associates to subsidiaries	-	3,713,038

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**37. Categories of Financial Instruments and Income and Costs by Categories**

- (1) Categories of financial instruments as of December 31, 2023 and 2022 are summarized as follows:  
(In millions of won)

	2023					
	Carrying amounts					
	Fair value- hedging instruments	Financial instruments measured at FVTPL	Financial Instruments measured at amortized cost	Others	Total	Fair values
<b>Assets carried at fair value:</b>						
Financial assets measured at FVTPL(*)	₩ -	63,959	-	-	63,959	-
Derivative assets	3,442	-	-	-	3,442	3,442
<b>Assets carried at amortized cost:</b>						
Cash and cash equivalents	-	-	56,707	-	56,707	-
Financial instruments	-	-	120,002	-	120,002	-
Trade and other receivables	-	-	5,551	-	5,551	-
<b>Financial assets total</b>	₩ 3,442	63,959	182,260	-	249,661	3,442
<b>Liabilities carried at fair value:</b>						
Financial liabilities measured at FVTPL	₩ -	44,262	-	-	44,262	44,262
<b>Liabilities carried at amortized cost:</b>						
Borrowings and Debentures	-	-	2,808,769	-	2,808,769	-
Trade and other payables	-	-	74,544	-	74,544	-
Lease liabilities	-	-	-	220,951	220,951	-
<b>Financial liabilities total</b>	₩ -	44,262	2,883,313	220,951	3,148,526	44,262

(\*) The financial assets, for which the carrying amount was determined to be equal or similar to its fair value, amount to ₩63,959 million.

HD HYUNDAI CO., LTD.  
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**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

(1) Categories of financial instruments as of December 31, 2023 and 2022 are summarized as follows, continued:

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

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



HD HYUNDAI CO., LTD.  
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For the years ended December 31, 2023 and 2022

**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

(2) Financial instruments income and costs by categories for the years ended December 31, 2023 and 2022 are as follows, continued

(In millions of won)

	2023			
	Fair value- hedging instruments	Financial Instruments measured at FVTPL	Financial Instruments measured at amortized cost	Others
<b>Finance costs</b>				<b>Total</b>
Interest expense	₩ -	-	(132,968)	(139,649)
Loss on disposal of financial assets measured at FVTPL	-	(761)	-	(761)
Loss on foreign currency translation	-	-	(1,962)	(1,962)
Loss on foreign currency transactions	-	-	(52)	(52)
Loss on derivatives transactions	-	-	(425)	(425)
Loss on repayment of borrowing	-	-	(840)	(840)
		(761)	(136,247)	(143,689)
<b>Other comprehensive income (loss)</b>	(1,637)	-	-	(1,637)
Gain on valuation of derivatives	323	149,131	(126,588)	16,185
			(6,681)	



HD HYUNDAI CO., LTD.  
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For the years ended December 31, 2023 and 2022

**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

(2) Financial instruments income and costs by categories for the years ended December 31, 2023 and 2022 are as follows, Continued:  
(In millions of won)

	2022				
	Fair value- hedging instruments	Financial Instruments measured at FVTPL	Financial Instruments measured at amortized cost	Others	Total
<b>Finance income</b>					
Interest income	₩ -	-	1,715	-	1,715
Gain on disposal of financial assets measured at FVTPL	-	15,538	-	-	15,538
Gain on foreign currency translation.	-	-	1	-	1
Gain on foreign currency transactions	-	-	20	-	20
Gain on valuation of derivatives	230	-	-	-	230
	<u>230</u>	<u>15,538</u>	<u>1,736</u>	<u>-</u>	<u>17,504</u>
<b>Finance costs</b>					
Interest expense	-	-	(83,446)	(4,030)	(87,476)
Loss on disposal of financial assets measured at FVTPL	-	(4,995)	-	-	(4,995)
Loss on foreign currency translation	-	-	(230)	-	(230)
Loss on foreign currency transactions	-	-	(7)	-	(7)
Loss on derivatives transactions	-	-	-	-	-
	<u>-</u>	<u>(4,995)</u>	<u>(83,683)</u>	<u>(4,030)</u>	<u>(92,708)</u>
<b>Other comprehensive income (loss)</b>					
Gain on valuation of derivatives	3,065	-	-	-	3,065
	<u>3,295</u>	<u>10,543</u>	<u>(81,947)</u>	<u>(4,030)</u>	<u>(72,139)</u>

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

(3) Fair values

(i) Fair value hierarchy

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

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

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2023</b>					
Derivative assets	₩	-	3,442	-	3,442
Financial liabilities measured at FVTPL		-	-	44,262	44,262
<b>2022</b>					
Derivative assets	₩	-	3,119	-	3,119
Financial liabilities measured at FVTPL		-	-	190,894	190,894

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

HD HYUNDAI CO., LTD.  
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**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

(3) Fair values, Continued

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

The valuation techniques and input variables used in measuring Level 2 fair values as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>	<u>Valuation techniques</u>	<u>Input variables</u>
<b>Derivatives assets:</b>				
Interest rate swaps	₩ 379	1,230	Cash flow discount model	Discount rate and others
Currency swaps	3,063	1,889	Cash flow discount model	Discount rate and others
<b>Derivatives liabilities:</b>				
Interest rate swaps	-	-	Cash flow discount model	Discount rate and others
Currency swaps	-	-	Cash flow discount model	Discount rate and others

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

i) Change in assets and liabilities recognized in respect of Level 3 fair values for the years ended December 31, 2023 and 2022 is as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>
<b>Financial liabilities measured at FVTPL:</b>		
Beginning balance	₩ 190,894	199,915
Acquisition	942	-
Loss on valuation	(147,574)	(9,021)
Ending balance	₩ <u>44,262</u>	<u>190,894</u>

ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2023 and 2022 are as follows:

*(In millions of won)*

	<u>2023</u>	<u>2022</u>	<u>Valuation techniques</u>	<u>Significant but unobservable inputs</u>
Financial liabilities measured at FVTPL	₩ 44,262	190,894	Binomial model	Weighted average capital cost, permanent growth rate, stock price multiplier

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**37. Categories of Financial Instruments and Income and Costs by Categories, Continued**

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

*(In millions of won)*

<b>Input variables(*)</b>	<b>Volatility</b>		<b>Positive volatility</b>	<b>Negative volatility</b>
Weighted average capital cost	0.5%p	₩	20,333	(22,445)
Permanent growth rate	0.5%p		23,011	(24,638)
Stock price multiple	1P		7,007	(8,877)

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
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**38. Financial Risk Management**

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	₩ 56,707	96,814
Long-term financial instruments	183,961	62,403
Trade receivables and other receivables	5,551	15,652
Derivative assets	3,442	3,119
	<u>₩ 249,661</u>	<u>177,988</u>

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

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Korea	₩ 125,347	15,654
Europe	9	-
North America	34	-
Asia	82	-
Others	81	-
	<u>₩ 125,553</u>	<u>15,654</u>

(ii) Impairment loss

The aging of assets carried at amortized cost and the related allowance for impairment as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>		<u>2022</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	₩ 125,553	-	15,654	-

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

For the years ended December 31, 2023 and 2022, there is no impairment losses and impairment reversals that occur in other receivables.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
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**38. Financial Risk Management, Continued**

(2) Liquidity risk

- (i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		<b>2023</b>				
		<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>1 year or less</b>	<b>1~3 years</b>	<b>More than 3 years</b>
<b>Non-derivative financial liabilities:</b>						
Borrowings	₩	1,997,091	2,184,661	465,941	1,539,182	179,538
Debentures		811,678	865,731	399,815	401,223	64,693
Trade and other payables		74,544	74,585	45,619	28,399	567
Lease liabilities		220,951	348,494	1,487	2,971	344,036
<b>Derivative financial liabilities:</b>						
Financial liabilities measured at FVTPL		44,262	44,262	7,462	36,800	-
	₩	<u>3,148,526</u>	<u>3,517,733</u>	<u>920,324</u>	<u>2,008,575</u>	<u>588,834</u>

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

(In millions of won)

		<b>2022</b>				
		<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>1 year or less</b>	<b>1~3 years</b>	<b>More than 3 years</b>
<b>Non-derivative financial liabilities:</b>						
Borrowings	₩	1,866,131	1,995,252	645,291	1,105,463	244,498
Debentures		726,620	772,532	200,179	572,353	-
Trade and other payables		81,680	81,680	56,042	-	25,638
Lease liabilities		216,895	351,396	1,568	3,136	346,692
<b>Derivative financial liabilities:</b>						
Financial liabilities measured at FVTPL		190,894	190,894	30,397	-	160,497
	₩	<u>3,082,220</u>	<u>3,391,754</u>	<u>933,477</u>	<u>1,680,952</u>	<u>777,325</u>

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
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**38. Financial Risk Management, Continued**

(2) Liquidity risk, Continued

(ii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		<b>2023</b>			
		<b>Carrying amount</b>	<b>Expected cash flows</b>	<b>1 year or less</b>	<b>1~5 years</b>
<b>Interest rate swaps contracts</b>					
Assets	₩	379	382	382	-
<b>Currency swaps contracts</b>					
Assets		3,063	3,252	3,252	-

(In millions of won)

		<b>2022</b>			
		<b>Carrying amount</b>	<b>Expected cash flows</b>	<b>1 year or less</b>	<b>1~5 years</b>
<b>Interest rate swaps contracts</b>					
Assets	₩	1,230	1,265	872	393
<b>Currency swaps contracts</b>					
Assets		1,889	1,797	672	1,125

(3) Currency risk

The Company's exposure to foreign currency risk based on notional amounts as of December 31, 2023 and 2022 are as follows:

(In millions of won)

		<b>2023</b>	<b>2022</b>
Trade and other receivables	₩	206	84
Borrowings		(37,091)	35,131
Derivative contracts		37,091	(35,131)
Net exposure	₩	<u>206</u>	<u>84</u>

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
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**38. Financial Risk Management, Continued**

(4) Interest rate risk

(i) The interest rate profile of the Company's interest-bearing financial instruments as of December 31, 2023 and 2022 are as follows:

(In millions of won)

	<b>2023</b>	<b>2022</b>
<b>Fixed rate instruments:</b>		
Financial assets	₩ 160,002	2
Financial liabilities	(1,271,677)	(1,241,552)
	<u>(1,111,675)</u>	<u>(1,241,550)</u>
<b>Variable rate instruments:</b>		
Financial assets	16,700	96,814
Financial liabilities	(1,537,091)	(1,351,200)
	<u>₩ (1,520,391)</u>	<u>(1,254,386)</u>

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

Interest rate swap contracts as of December 31, 2023 are as follows (See Note 24):

(In millions of won, in thousands of euro)

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



HD HYUNDAI CO., LTD.  
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**38. Financial Risk Management, Continued**

(4) Interest rate risk, Continued

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2023 and 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The changes in equity and profit or loss are as follows:

*(In millions of won)*

	Profit or loss	
	100 bp increase	100 bp decrease
<b>2023</b>		
Variable rate instruments	₩ (15,204)	15,204
Interest rate swaps	771	(771)
Net cash flow sensitivity	₩ (14,433)	14,433
<b>2022</b>		
Variable rate instruments	₩ (12,544)	12,544
Interest rate swaps	751	(751)
Net cash flow sensitivity	₩ (11,793)	11,793

HD HYUNDAI CO., LTD.  
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**39. Commitments and Contingencies**

- (1) In accordance with Article 530, paragraph 9.1 of the Commercial law, HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and newly-split company(HD Hyundai Electric Co., Ltd., HD Hyundai Construction Equipment Co., Ltd. and HD Hyundai Co., Ltd.) are liable to refund jointly the debts of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. before the split.
- (2) In accordance with Article 530, paragraph 9.1 of the Commercial law, HD Hyundai Co., Ltd. and newly-split company (HD Hyundai Robotics Co., Ltd.) are liable to refund jointly the debts of HD Hyundai Co., Ltd. before the split.
- (3) As of December 31, 2023, the Company has entered into a general loan agreement with the Korea Development Bank and others for a total limit of ₩1,960,000 million and EUR 26,000 thousand. Additionally, the Company has entered into an agreement of derivative deposit exemption totaling USD 80,000 thousand with KEB Hana bank, a derivative agreement for a total limit of USD 1,000 thousand with Woori Bank and a derivative agreement for a total limit of EUR 5,100 thousand with Shinhan Bank.
- (4) As of December 31, 2023, the Company has been provided with a limit of ₩746 million from Seoul Guarantee Insurance in relation to performance guarantees.
- (5) As of December 31, 2023, the Company provides HD Hyundai group Global R&D Center as a collateral to the Korea Development Bank for facility loans worth ₩300 billion.
- (6) As of December 31, 2023, the Company has entered into a contract with shareholders that grants call options to Aramco Overseas Company B.V., 2.9% of the interest in HD Hyundai Oilbank Co., Ltd.

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

- (7) As of December 31, 2023, the Company has entered into a contract with shareholders that compensates for the difference and grants put options to 38% of HD Hyundai Marine Solution Co., Ltd. shares that Global Vessel Solutions, L.P. holds.

1) Make-whole payment

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

2) Put option

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

HD HYUNDAI CO., LTD.  
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**39. Commitments and Contingencies, Continued**

- (8) As of December 31, 2023, a portion of the convertible bonds of HD Hyundai XiteSolution Co.,Ltd. held by KDV Investment No.2 Limited were converted into convertible preferred shares (19.78% interest), which included a purchase right agreement.

	Details
Companies for the exercise of purchase rights	The Company or a third party designated by the Company
Type of targeted shares	The preferred shares of HD Hyundai Xitesolution Co., Ltd. with voting rights attached, and convertible into common shares
Number of targeted shares / Investment amount	400,922 shares / ₩200,000 million
Purchase right amount	Investment and unpaid dividends
Conditions for exercising purchase rights	Either shareholders exercise an option for the postponement of IPO or withdraw the existing share sales

**40. itigation**

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

Date of filing	November 16, 2022
Litigant	Plaintiff: Hyundai Technology (Puerto Rico) Defendant: The Parent Company
Litigation content	The Plaintiff claimed that the parent company trademark (Hyundai Connect), which was registered in May 2020, was similar to their pre-registered trademark (Hyundai) and filed a petition for invalidation with the Patent Trial and Appeal Board. In September 2022, the plaintiff lost the case at the Patent Trial and Appeal Board. Therefore, the plaintiff filed a lawsuit to cancel the decision of invalidation on November 16, 2022, with the Patent Court in appeal of the previous decision.
Litigation value	₩100 million
The progress of litigation	Hyundai Technology files a lawsuit on November 17, 2022. The parent company submits a preparation document on January 30, 2023. The parent company won at the 1 <sup>st</sup> trial on July 14, 2023. Plaintiffs filed an appellate brief on July 28, 2023. Supreme Court accepted the case on August 4, 2023. Start of legal review including reasons for appeal on September 21, 2023. Dismissal of the appeal (finalized) on November 16, 2023.

- (2) There are no pending lawsuits or litigation matters against the Company as of December 31, 2023.

HD HYUNDAI CO., LTD.  
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**41. Related Parties**

(1) As of December 31, 2023, related parties with the Company are as follows:

<b>Subsidiaries</b>	<b>Main business</b>
HD Hyundai Oilbank Co., Ltd.(*1)	Manufacturing of petroleum products
HD Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing of base oil
HD Hyundai Chemical Co., Ltd.(*1)	Crude oil refining business
HD Hyundai OCI Co., Ltd.(*1)	Manufacturing of basic inorganic chemicals
Hyundai Oilbank (Shanghai) Co., Ltd.	Trade petrochemical products
HD Hyundai Oil Singapore Pte. Ltd.(*1)	Trade crude oil and petrochemical products, chartering
MS Dandy Ltd.	Ship rental service
Grande Ltd.	Ship rental service
HD Hyundai E&F Co., Ltd.(*1)	District energy
HD Hyundai Marine Solution Co., Ltd.(*1,6)	Engineering services
HD Hyundai Marine Solution Europe B.V.(*6)	Engine A/S
HD Hyundai Global Service Americas Co., Ltd.(*1)	Engine A/S
HD Hyundai Marine Solution Singapore Pte. Ltd.(*6)	Engine A/S
HD Hyundai Marine Solution Tech Co., Ltd.(*1,6)	Engineering service
Hyundai Global Service Middle East FZE	Engine A/S
HD Hyundai Electric Co., Ltd.(*1)	Manufacture and sale of electronic and electric products
Hyundai Plaspo Co., Ltd.(*1)	Manufacture of electric motors, generators, and transformers
Yeochon Energy Co, Ltd.	Electric power generation, solar power generation business
HD Hyundai Electric Hungary Ltd.(*1)	Research and development of technology
HD Hyundai Electric Switzerland Ltd.(*1)	Research and development of technology
HD Hyundai Electric China Co.,Ltd.(*2)	Manufacture and sale of voltage switchboard
HD Hyundai Electric Shanghai Ltd.(*3)	Research and development of technology
HD Hyundai Electric Arabia L.L.C.(*1)	Customer support service
HD Hyundai Power Transformers USA, Inc.(*1)	Sale and manufacture of industrial electric equipment
HD Hyundai Electric America Corporation(*1)	Sale manufacture of industrial electric equipment
HD Hyundai Future Partners Co., Ltd.(*1)	Management consulting business
Medi Plus Solution Co., Ltd.	Development and service of healthcare solution
AMC Bio Co., Ltd.	Research and development of medicine
Avikus Co., Ltd.	Development and sale of software for maritime autonomous surface ships
HD Hyundai Robotics Co., Ltd.(*1)	Manufacturing of industrial robots
HD Hyundai LNS Co., Ltd(*1)	Other engineering services
Hyundai Robotics Investment (Shanghai) Co., Ltd.	Sale of robot and service
Hyundai Robotics Europe GmbH	Sale of robot and service
Hyundai Robotics (JIANGSU) Co., Ltd	Sale of robot and service
Hyundai Robotics USA Inc.	Sale of robot and service
HD Hyundai Xitesolution Co., Ltd.(*4)	Sale and manufacture of machinery equipment for construction and mining
Changzhou HD Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders
HD Hyundai Construction Equipment Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Hyundai Financial Leasing Co., Ltd.	Finance and operating leases
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HD Hyundai Construction Equipment North Americas, Inc.(*1)	Sale of machinery equipment for construction
HD Hyundai Construction Equipment Europe N.V.(*1)	Sale of machinery equipment for construction
HD Hyundai Construction Equipment India Private Ltd.(*1)	Sale and manufacture of machinery equipment for construction
PT Hyundai Construction Equipment Asia	Sale of machinery equipment for construction
HD Hyundai Construction Machinery Indonesia(*5)	Sale and manufacture of machinery equipment for construction
HD Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment S.A.(*1)	Sale and manufacture of machinery equipment for construction

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(1) As of December 31, 2023, related parties with the Company are as follows, Continued:

<b>Subsidiaries</b>	<b>Main business</b>
HD Hyundai Infracore Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction
HD Hyundai Infracore China Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction
HD Hyundai Infracore (Hunan) Corp.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore (Beijing) Corp.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore (Shandong) Co., Ltd.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore (China) Investment Co., Ltd.(*1)	Holding company
HD Hyundai Infracore (Beijing) Financial Leasing Corp.(*1)	Finance
HD Hyundai Infracore North America LLC.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore Chile S.A.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore South America(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore Norway AS.(*1)	Sale and manufacture of machinery equipment for construction
Doosan Infracore Construction Equipment India Private Ltd.	Sale of machinery equipment for construction
HD Hyundai Infracore Europe s.r.o.(*1)	Sale of machinery equipment for construction
HD Hyundai Infracore Deutschland GmbH(*1)	Sale of machinery equipment for construction
ECUBE Solution Co., Ltd.	Manufacture and sale of Engine after treatment device
Clue Insight Inc.	Software development and sales
HD Hyundai Infracore Engine (Tianjin) Co., Ltd.(*1)	Production and sale of engines, etc
PT Hyundai Infracore Asia(*5)	Sale of machinery equipment
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.(*1)	Holding company
HD Hyundai Heavy Industries Co., Ltd.(*1)	Shipbuilding Industry
HD Hyundai Engine Company Ltd.(*1)	Shipbuilding Industry
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding Industry
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding Industry
HD Hyundai Engineering & Technology(*1)	Other Engineering Services
Hyundai-Vietnam Shipbuilding Co., Ltd	Shipbuilding Industry
Ulsan HD Football Club Co., Ltd.(*1)	Professional Football Team Management Business
HD Hyundai Heavy Industries Mos Co., Ltd.(*1)	Facilities Management Services
HD Hyundai Energy Solutions Co., Ltd.(*1)	Renewable Energy Related Businesses such as Solar Energy
Seamarq Service Co., Ltd.(*5)	Managing hotel outsourced operations
HD Hyundai Energy Solutions America INC.(*1)	Solar Module Sales
HD Hyundai Industries Technology Center India Private Limited(*1)	Research and Development
Hyundai Heavy Industries Miraflores Power Plant Inc	Other manufacturing industries
HHI Mauritius Limited	Other manufacturing industries
Hyundai Arabia Company L.L.C	Industrial plant construction
Hyundai Samho Heavy Industries Panama, Inc.	Construction - Industrial Facility Construction
PONTOS INVESTMENT LLC	Investment
HD Hyundai Europe Research and Development Center GmbH(*5)	Research and development
Hyundai Heavy Industries Argentina S.R.L(*5)	Construction
<b>Joint ventures</b>	<b>Main business</b>
HD Hyundai Cosmo Co., Ltd.(*1)	Manufacturing of other basic chemicals
Saudi Engines Manufacturing Company	Manufacturing of ship engines
Doosan Infracore Liaoning Machinery Sales Co., Ltd	Sale of excavator
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth	New technology business investment service

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(1) As of December 31, 2023, related parties with the Company are as follows, Continued:

<b>Associates</b>	<b>Main business</b>
KC LNG Tech Co.,Ltd.	Engineering service
Zvezda-Hyundai LLC	Shipbuilding
International Maritime Industries Company	Shipbuilding
Hyundai Green Industries Co. W.L.L.	Educational service
New korea country club	Golf course operation
Hyundai Hyms Co., Ltd.	Manufacturing of ship components
Palantir Technologies Korea LLC	Software sales
Potenit Co.,Ltd.	Manufacturing of industrial robots
Daehoji Solar Park, Inc.	Solar power generation
Koramco Energy Plus Reit Co., Ltd. and others (*7)	Real estate rent and others
Eugene Special Growth Opportunity Securities Investment trust No.1	Other financing
STIC-Welcome Upcycling New technology Investment association	Other financing
REL KUMBHARI SOLAR PROJECT 4 PRIVATE LIMITED(*5)	Solar power generation
ECOGEN GROUP PLC(*5)	Fuel cell production

(\*1) For the year ended December 31, 2023, the Company name has changed along with the group name change.

(\*2) For the year ended December 31, 2023, Hyundai Electric China Co. Ltd. Changed its name to HD Hyundai Electric China Co., Ltd.

(\*3) For the year ended December 31, 2023, Hyundai Electric Shanghai Ltd. Changed its name to HD Hyundai Electric Shanghai Ltd.

(\*4) For the year ended December 31, 2023, Hyundai Genuine Co., Ltd Changed its name to HD Hyundai XiteSolution CO., Ltd.

(\*5) For the year ended December 31, 2023, it was newly established or invested.

(\*6) For the year ended December 31, 2023, Hyundai Global Service Co., Ltd. ad Hyundai Global Technology Service Co., Ltd. Changed their name to HD Hyundai Marine Solution Co., Ltd. and HD Hyundai Marine Solution Tech Co., Ltd. In addition, Hyundai Global Service Europe B.V changed its name to HD Hyundai Marine Solution Europe B.V. and Hyundai Global Service Singapore Pte. Ltd. changed its name to Hyundai Marine Solution Singapore Pte Ltd.

(\*7) For the year ended December 31, 2023, KORAMCO Energy Plus Reit Co., Ltd changed its name to KORAMCO Life Infra Reit Co., Ltd.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(2) Transactions with related parties

1) Significant transactions for the years ended December 31, 2023 and 2022 with related parties are as follows:

(In millions of won)

Description	2023		
	Revenue and other		Purchases and other
	Other sales	Dividend revenue	Purchase of others
<b>Subsidiaries:</b>			
HD Hyundai Heavy Industries Co., Ltd.	₩ 13,737	-	2,114
HD Hyundai Robotics Co., Ltd.	3,618	-	384
HD Hyundai Electric & Energy Systems Co., Ltd.	7,567	6,709	353
HD Hyundai Construction Equipment Co., Ltd.	7,327	-	383
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	12,828	-	17,105
HD Hyundai Infracore Co., Ltd.	11,758	-	195
Hyundai Samho Heavy Industries Co., Ltd.	5,107	-	2
Hyundai Mipo Dockyard Co., Ltd.	4,637	-	27
HD Hyundai Oilbank Co., Ltd.	16,195	413,746	213
HD Hyundai and Shell Base Oil Co., Ltd.	458	-	4
Hd Hyundai Chemical Co., Ltd.	784	-	18
HD Hyundai OCI Co., Ltd.	182	-	4
Ulsan HD Football Club Co., Ltd.	-	-	3,450
HD Hyundai Marine Solution Co., Ltd.	6,113	55,800	124
HD Hyundai Energy Solutions Co., Ltd.	2,078	-	488
HD Hyundai XiteSolution Co., Ltd.	8,790	-	195
Medi Plus Solution Co., Ltd.	-	-	7
Hyundai Financial Leasing Co., Ltd.	29	-	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	157	-	-
HD Hyundai Electric China Co., Ltd.	51	-	-
HD Hyundai Power Transformers USA, Inc.	229	-	-
HD Hyundai Construction Equipment India Private Ltd.	346	-	-
HD Hyundai Construction Equipment Brasil - Manufacturing and Trading of Construction Equipment S.A	229	-	-
HD Hyundai Infracore China Co., Ltd.	270	-	-
HD Hyundai Infracore (Beijing) Financial Leasing Corp.	41	-	-
HD Hyundai Infracore Norway AS.	73	-	-
	<u>102,604</u>	<u>476,255</u>	<u>25,066</u>
<b>Joint ventures:</b>			
HD Hyundai Cosmo Co., Ltd.	677	-	4
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	201	-	-
	<u>878</u>	<u>-</u>	<u>4</u>
	<u>₩ 103,482</u>	<u>476,255</u>	<u>25,070</u>

In addition to the above transactions, the Company participated in a paid-in capital increase of ₩15,000 million in Avicus Co., Ltd, the subsidiary.

In addition, for the year ended December 31, 2023, the Company participated in a paid-in capital increase of ₩377 million in Palantir Korea Co. Ltd., the associate, and participated in a paid-in capital increase of ₩2,000 million in Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1, the joint venture.

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(2) Transactions with related parties, Continued

1) Significant transactions for the years ended December 31, 2023 and 2022 with related parties are as follows, Continued:

(In millions of won)

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

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

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



HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(2) Transactions with related parties, Continued

2) Outstanding balances as of December 31, 2023 and 2022 with related parties are as follows:

(In millions of won)

	<b>2023</b>		
	<b>Trade receivables and other receivables</b>		<b>Trade payables and other payables</b>
	<b>Trade receivables</b>	<b>Other receivable</b>	<b>Other payables</b>
<b>Subsidiaries:</b>			
HD Hyundai Heavy Industries Co., Ltd. ₩	162	27	4,305
HD Hyundai Robotics Co., Ltd.	6	-	1,783
HD Hyundai Electric & Energy Systems Co., Ltd.	99	-	3,156
HD Hyundai Construction Equipment Co., Ltd.	26	11	2,843
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	154	37	18,511
HD Hyundai Doosan Infracore Co., Ltd.	929	10	3,874
Hyundai Samho Heavy Industries Co., Ltd.	1,246	-	36
Hyundai Mipo Dockyard Co., Ltd.	13	-	598
HD Hyundai Oilbank Co., Ltd.	89	-	2,485
HD Hyundai and Shell Base Oil Co., Ltd.	-	-	95
HD Hyundai Chemical Co., Ltd.	-	-	392
HD Hyundai OCI Co., Ltd.	-	-	77
HD Hyundai Marine Solution Co., Ltd.	2	4	2,712
HD Hyundai Energy Solutions Co., Ltd.	148	-	598
HD Hyundai XiteSolution Co., Ltd.	18	-	4,653
Mediplus Solution Co., Ltd.	-	-	4
HD Hyundai Electric China Co., Ltd.	6	-	-
HD Hyundai Power Transformers USA, Inc.	27	-	-
HD Hyundai Construction Equipment India Private LTD.	44	-	-
HD Hyundai Construction Equipment Brasil - Manufacturing and Trading of Construction Equipment S.A	66	15	-
HD Hyundai Infracore China Co., Ltd.	23	-	-
HD Hyundai Infracore (Beijing) Financial Leasing Corp.	10	-	-
HD Hyundai Infracore Norway AS.	15	-	-
	<u>3,083</u>	<u>104</u>	<u>46,122</u>
<b>Associates and Joint ventures:</b>			
HD Hyundai Cosmo Co., Ltd.	-	-	95
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	-	51	-
	-	51	95
₩	<u>3,083</u>	<u>155</u>	<u>46,217</u>

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

(2) Transactions with related parties, Continued

2) Outstanding balances as of December 31, 2023 and 2022 with related parties are as follows, Continued:

(In millions of won)

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

HD HYUNDAI CO., LTD.  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**41. Related Parties, Continued**

- (3) There are no guarantees or guarantees provided by and to related parties as of December 31, 2023.
- (4) As of the end of the reporting period, the Company has entered into a long-term lease contract with related parties such as HD Korea Shipbuilding & Offshore Engineering Co., Ltd. regarding the HD Hyundai Group Global R&D Center building, and the contract period is two years.
- (5) Compensation for key management of the Company for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<b>2023</b>	<b>2022</b>
Short-term employee benefits(*)	₩ 1,342	1,256
Post-employment benefits	245	234
Other Long-term employee benefits	80	-
	₩ 1,667	1,490

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

**42. Subsequent Events**

- (1) The Company resolved to participate in the capital increase of a subsidiary, Avikus Co., Ltd. in the board meeting dated February 6, 2024. The amount of investment is ₩18,000 million, with the investment assets consisting of 9,900 common shares. The investment was completed on February 19, 2024.
- (2) The Company issued corporate bonds in amount of ₩200,000 million on February 28, 2024.

### Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2023 and the audit of internal control over financial reporting pursuant to Article 8-7 of the Act on External Audit for Stock Companies of the Republic of Korea.

## **Independent Auditors' Report on Internal Control over Financial Reporting**

### Based on a report originally issued in Korean

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

### *Opinion on Internal Control over Financial Reporting*

We have audited HD Hyundai Co., Ltd.'s (the Company) internal control over financial reporting ("ICFR") as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2023 and 2022, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 18, 2024 expressed an unmodified opinion on those separate financial statements.

### *Basis for Opinion on Internal Control over Financial Reporting*

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

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

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

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

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

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



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

*Definition and Limitations of Internal Control over Financial Reporting*

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

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

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

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 18, 2024

This report is effective as of March 18, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## **Report on the Operations of Internal Control Over Financial Reporting**

Based on a report originally Issued in Korean

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

We, as the Chief Executive Officer and the Internal Accounting Manager of HD Hyundai Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2023.

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

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

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

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

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

Jo, Jin Ho  
Internal Accounting Control Officer

Chung, Ki sun  
Chief Executive Officer

February 6, 2024