

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD.  
AND SUBSIDIARIES

Consolidated Financial Statements

**December 31, 2021 and 2020**

(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  
Hyundai Heavy Industries Holdings Co., Ltd.

### *Opinion*

We have audited the consolidated financial statements of Hyundai Heavy Industries Holdings Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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

### *Basis for Opinion*

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

### *Key Audit Matter*

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



#### *Assessment of impairment on cash-generating unit (CGU)*

The management performed impairment test for the CGU by estimating the recoverable amount of CGU at the end of each reporting period. As described in *Note 4(12)* to the consolidated financial statements, an impairment loss is recognized for a CGU if the carrying amount of the CGU exceeds its recoverable amount.

As described in *Notes 12,15 and 17 to the consolidated financial statements*, the carrying amount of investments in associates, property, plant and equipment and goodwill as of December 31, 2021 is ₩18,214,772 million and amounts for 51% of total assets. In addition, estimation of the recoverable amount requires the management's estimate and judgment including future cash flows and discount rate, and there is considerable uncertainty in the estimation and judgement. Therefore, we identified the assessment of impairment of investments in CGU that included goodwill as a key audit matter.

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

- Testing the effectiveness of the design, implementation and operation of the management review control over the Group's impairment assessment process.
- Assessing the qualification and independence of the external valuation specialist engaged by the Group for the impairment assessment.
- Engaging our valuation specialists to assist us in evaluating the key assumptions used to determine the value-in-use which included the discount rate the valuation methodology and others.
- Comparing and analyzing the financial data used for impairment assessment and mid- to long-term business plans confirmed by the management.
- Comparing and analyzing the future cash flows forecasts prepared in prior year with the current year's performance to assess the Group'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 consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Dong-Hyun Chi.

*KPMG Samjory Accounting Corp.*

Seoul, Korea

March 18, 2022

This report is effective as of March 18, 2022, 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 consolidated 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.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position  
 As of December 31, 2021 and 2020

(In thousands of won)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Cash and cash equivalents	4,5,7,43,44 ₩	2,137,064,211	2,038,500,825
Short-term financial assets	5,6,7,43,44	263,912,075	259,128,208
Trade and other receivables	8,9,19,43,44,47	4,618,500,416	2,230,645,003
Contract assets	8,34,43,44	228,672,816	227,085,015
Inventories	4,10,19,36	5,879,188,146	3,021,898,860
Derivative assets	26,43,44	38,830,711	62,445,547
Current tax assets		6,308,905	24,611,319
Other current assets	11	224,581,070	179,129,096
Assets held for sale	48	5,294,866	5,680,134
<b>Total current assets</b>		<u>13,402,353,216</u>	<u>8,049,124,007</u>
Investments in associates and joint ventures	12,13,47	3,322,358,926	3,685,433,545
Long-term financial assets	5,6,7,43,44	150,357,657	54,049,671
Long-term trade and other receivables	8,9,19,43,44,47	517,082,010	412,935,987
Investment property	14,36	10,184,069	9,819,838
Property, plant and equipment	15,19,36	13,470,421,179	10,679,603,834
Right-of-use assets	16,36	1,458,034,610	1,394,791,635
Intangible assets	17,32,36	3,064,296,656	2,008,713,707
Derivative assets	26,43,44	680,653	-
Deferred tax assets	40	381,582,057	252,638,040
Other non-current assets	11,24	38,304,875	11,842,101
<b>Total non-current assets</b>		<u>22,413,302,692</u>	<u>18,509,828,358</u>
<b>Total assets</b>		<u>₩ 35,815,655,908</u>	<u>26,558,952,365</u>

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Financial Position, Continued  
As of December 31, 2021 and 2020

(In thousands of won)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Liabilities</b>			
Short-term financial liabilities	5, 19, 20, 23, 43, 44	₩ 4,254,060,831	2,248,639,345
Current lease liabilities	16, 43, 44	257,735,033	209,473,828
Trade and other payables	21, 43, 44, 47	5,469,811,318	3,035,635,210
Contract liability	34	662,268,235	445,439,566
Derivative liabilities	26, 43, 44	53,389,903	63,116,963
Income tax payable		391,508,540	70,312,961
Current provisions	18, 25	509,573,714	207,088,273
Other current liabilities	22	87,547,440	56,659,945
<b>Total current liabilities</b>		<u>11,685,895,014</u>	<u>6,336,366,091</u>
Long-term financial liabilities	5, 19, 20, 23, 43, 44	9,414,520,184	7,283,753,141
Non-current lease liabilities	16, 43, 44	1,257,891,787	1,132,975,067
Long-term trade and other payables	21, 43, 44, 47	752,678,198	201,327,153
Non-current contract liabilities	34	82,258,475	65,104,843
Liabilities for defined benefit plans	24	43,952,518	30,789,438
Non-current provisions	25	143,973,416	87,533,236
Derivative liabilities	26, 43, 44	2,996,544	14,901,741
Deferred tax liabilities	40	541,602,329	308,347,420
Other non-current liabilities	22	2,387,925	-
<b>Total non-current liabilities</b>		<u>12,242,261,376</u>	<u>9,124,732,039</u>
<b>Total liabilities</b>		<u>23,928,156,390</u>	<u>15,461,098,130</u>
<b>Equity</b>			
Common stock	27	81,433,085	81,433,085
Capital surplus	27	5,233,237,943	5,192,703,064
Capital adjustments	29	(938,442,631)	(722,349,134)
Accumulated other comprehensive income	30	240,473,152	250,180,442
Retained earnings	31	1,701,353,534	2,212,956,223
<b>Equity attributable to owners of the Company</b>		6,318,055,083	7,014,923,680
<b>Non-controlling interests</b>	1, 28	<u>5,569,444,435</u>	<u>4,082,930,555</u>
<b>Total equity</b>		<u>11,887,499,518</u>	<u>11,097,854,235</u>
<b>Total liabilities and equity</b>		<u>₩ 35,815,655,908</u>	<u>26,558,952,365</u>

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income (Loss)  
For the years ended December 31, 2021 and 2020

<i>(In thousands of won, except per share information)</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	12,13,26,34,36,47	₩ 28,158,746,399	18,910,981,519
Cost of sales	37,47	25,492,548,379	18,341,294,237
<b>Gross profit</b>		<u>2,666,198,020</u>	<u>569,687,282</u>
Selling, general and administrative expenses	35,37,43,47	1,580,786,444	1,166,796,118
<b>Operating profit (loss)</b>	5,36	<u>1,085,411,576</u>	<u>(597,108,836)</u>
Finance income	26,38,43	468,618,831	588,902,049
Finance costs	26,38,43	969,406,340	806,564,357
Other non-operating income	39,43	130,964,697	136,920,205
Other non-operating expenses	39,43	150,256,627	375,529,869
Share of profit of equity accounted investees	12,13	(51,336,575)	228,588
<b>Profit (loss) before income taxes</b>		<u>513,995,562</u>	<u>(1,053,152,220)</u>
Income tax expense (benefit)	40	327,983,298	(263,432,695)
<b>Profit (loss) for the year</b>		<u>₩ 186,012,264</u>	<u>(789,719,525)</u>
<b>Other comprehensive income</b>	24,26,30,43		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Effective portion of changes in fair value of cash flow hedges		(10,864,277)	(1,154,452)
Exchange differences on translating foreign operations		152,134,003	(9,135,258)
Change in equity of equity method Investments		(28,376,364)	(16,267,268)
		<u>112,893,362</u>	<u>(26,556,978)</u>
<b>Items that will not be reclassified to profit or loss:</b>			
Loss on valuation financial instruments at FVOCI		3,837,324	13,511,595
Defined benefit actuarial losses		(6,748,780)	9,781,596
Revaluation of property, plant and equipment		403,442	269,525,215
Changes in retained earnings of equity method investments		(8,212,663)	8,442,174
		<u>(10,720,677)</u>	<u>301,260,580</u>
<b>Other comprehensive income for the year, net of income tax</b>		<u>102,172,685</u>	<u>274,703,602</u>
<b>Total comprehensive income (loss) for the year</b>		<u>₩ 288,184,949</u>	<u>(515,015,923)</u>

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Comprehensive Income (Loss), Continued  
 For the years ended December 31, 2021 and 2020

<i>(In thousands of won, except per share information)</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Group	₩	(132,297,229)	(609,172,064)
Non-controlling interests		318,309,493	(180,547,461)
	₩	<u>186,012,264</u>	<u>(789,719,525)</u>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company		(129,100,193)	(427,524,439)
Non-controlling interests		417,285,142	(87,491,484)
	₩	<u>288,184,949</u>	<u>(515,015,923)</u>
<b>Earnings (loss) per share</b>	41		
Basic earnings (loss) per share (in won)		₩ <u>(1,872)</u>	<u>(8,563)</u>

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020

(In thousands of won)

	Attributable to owners of the Company						Total equity
	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	
<b>Balance at January 1, 2020</b>	₩ 81,433,085	5,171,945,404	(546,843,345)	102,170,382	3,183,258,255	3,892,731,072	11,884,694,853
<b>Total comprehensive income (loss) for the year</b>	-	-	-	-	(609,172,064)	(180,547,461)	(789,719,525)
Loss for the year	-	-	-	-	-	-	-
Gain on valuation of financial instruments at FVOCI	-	-	-	10,194,431	-	3,317,164	13,511,595
Effective portion of changes in fair value of cash flow hedges	-	-	-	(985,584)	-	(168,868)	(1,154,452)
Exchange differences on translating foreign operations	-	-	-	(6,152,609)	-	(2,982,649)	(9,135,258)
Revaluation of property, plant, equipment	-	-	-	180,224,366	-	89,300,849	269,525,215
Change in equity of equity method investments	-	-	-	(16,472,047)	-	204,779	(16,267,268)
Actuarial gains	-	-	-	-	6,404,460	3,377,136	9,781,596
Change in retained earnings of equity method investments	-	-	-	-	8,434,608	7,566	8,442,174
<b>Transactions with owners of the Company, recognized directly in equity</b>							
Acquisition of treasury shares	-	-	(124,266,342)	-	-	-	(124,266,342)
Retirement of treasury shares	-	-	124,266,342	-	(124,266,342)	-	-
Issuance of hybrid bonds by subsidiaries	-	-	-	-	-	428,923,640	428,923,640
Repayment of hybrid bonds by subsidiaries	-	-	-	-	-	(224,272,850)	(224,272,850)
Paid-in capital increase of subsidiaries	-	20,757,660	-	-	-	29,221,014	49,978,674
Revaluation surplus reclassification	-	-	-	(4,722,958)	4,722,958	-	-
Dividends	-	-	-	-	(270,501,191)	(72,985,374)	(343,486,565)
Reclassification of loss on valuation of financial instruments at FVOCI	-	-	-	438,280	(438,280)	-	-
Changes in scope of consolidation	-	-	(175,681,787)	(530,486)	530,486	136,284,285	(39,397,502)
Capital transactions in the Group	-	-	175,998	-	-	(175,998)	-
Others	-	-	-	(13,983,333)	13,983,333	(19,303,750)	(19,303,750)
<b>Balance at December 31, 2020</b>	₩ 81,433,085	5,192,703,064	(722,349,134)	250,180,442	2,212,956,223	4,082,930,555	11,097,854,235

See accompanying notes to the consolidated financial statements.

**HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity, Continued**  
**For the years ended December 31, 2021 and 2020**

(In thousands of won)

	<b>Attributable to owners of the Company</b>						
	<b>Common stock</b>	<b>Capital surplus</b>	<b>Capital adjustments</b>	<b>Accumulated other comprehensive income</b>	<b>Retained earnings</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<b>Balance at January 1, 2021</b>	₩ 81,433,085	5,192,703,064	(722,349,134)	250,180,442	2,212,956,223	4,082,930,555	11,097,854,235
<b>Total comprehensive income (loss) for the year</b>	-	-	-	-	(132,297,229)	318,309,493	186,012,264
Profit (loss) for the year	-	-	-	-	-	-	-
Gain on valuation of financial instruments at FVOCI	-	-	-	2,793,090	-	1,044,234	3,837,324
Effective portion of changes in fair value of cash flow hedges	-	-	-	(3,699,194)	-	-	-
Exchange differences on translating foreign operations	-	-	-	44,884,888	-	107,249,115	152,134,003
Revaluation of property, plant, equipment	-	-	-	(1,775,228)	-	2,178,670	403,442
Change in equity of equity method investments	-	-	-	(28,448,914)	-	72,550	(28,376,364)
Actuarial gains	-	-	-	-	(2,344,943)	(4,403,837)	(6,748,780)
Change in retained earnings of equity method investments	-	-	-	-	(8,212,663)	-	(8,212,663)
<b>Transactions with owners of the Company, recognized directly in equity</b>	-	3,055,612	-	-	-	573,989,950	577,045,562
Paid-in capital increase of subsidiaries	-	-	-	-	(392,209,786)	(147,490,344)	(539,700,130)
Dividends	-	-	-	(22,247,662)	22,247,662	-	-
Revaluation surplus reclassification	-	-	-	-	-	(15,275,000)	(15,275,000)
Repayment of hybrid bonds by subsidiaries	-	23,296,264	-	-	-	(17,169,206)	6,127,058
Exercise of preemptive right of subsidiaries	-	10,372,927	-	-	-	(46,040,639)	(35,667,712)
Claims for stock purchase of subsidiaries	-	-	-	-	-	1,060,928,218	1,060,928,218
Changes in scope of consolidation	-	3,810,014	(216,093,497)	-	-	(348,395,335)	(560,678,818)
Capital transactions in the Group	-	62	-	(1,214,270)	1,214,270	8,681,094	8,681,156
<b>Balance at December 31, 2021</b>	₩ 81,433,085	5,233,237,943	(938,442,631)	240,473,152	1,701,353,534	5,569,444,435	11,887,499,518

See accompanying notes to the consolidated financial statements.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(In thousands of won)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Profit (loss) for the year	₩	186,012,264	(789,719,525)
Adjustments		599,781,834	2,204,553,860
<b>Cash generated from operations</b>	42	785,794,098	1,414,834,335
Interest received		56,317,429	53,922,564
Interest paid		(357,576,809)	(279,547,936)
Dividends received		3,399,106	5,509,156
Income taxes paid		(282,132,507)	(307,643,045)
<b>Net cash provided by operating activities</b>		205,801,317	887,075,074
<b>Cash flows from investing activities</b>			
Proceeds from sale of short-term financial assets		527,812,399	654,855,344
Proceeds from collection of short-term other receivables		5,702,307	57,820,937
Proceeds from collection of other current assets		-	4,914,379
Proceeds from sale of long-term financial assets		9,557,268	254,261,992
Proceeds from collection of long-term other receivables		51,835,786	29,069,654
Proceeds from sale of property, plant and equipment		50,796,468	13,742,825
Proceeds from sale of investment property		6,532,883	2,746,152
Proceeds from sale of intangible assets		1,311,000	1,269,935
Receipt of land compensation		7,981,177	-
Proceeds from collection of other non-current assets		9,101,467	13,190,680
Proceeds from sale of assets held for sale		4,810,559	60,758,864
Changes in scope of consolidation (loss of control)		171,941,006	-
Acquisition of short-term financial assets		(439,367,138)	(270,448,494)
Acquisition of short-term other receivables		(4,807,795)	(42,458,694)
Acquisition of long-term financial assets		(61,599,595)	(255,572,609)
Acquisition of investments in associates and joint ventures		(13,104,000)	(52,563,200)
Acquisition of long-term other receivables		(44,397,868)	(160,606,380)
Acquisition of property, plant and equipment		(2,152,956,027)	(2,210,805,269)
Acquisition of intangible assets		(36,395,996)	(36,046,520)
Acquisition of other non-current assets		-	(857,000)
Changes in scope of consolidation (acquisition of control)		42,756,213	118,322,885
<b>Net cash used in investing activities</b>		(1,862,489,886)	(1,818,404,519)
<b>Cash flows from financing activities</b>			
Proceeds from short-term financial liabilities		10,459,507,341	11,481,764,389
Proceeds from long-term financial liabilities		3,533,863,657	4,678,110,049
Acquisition of treasury shares		-	(124,266,342)
Capital contribution from non-controlling interests		1,254,103,997	480,274,116
Repayment of short-term financial liabilities		(11,983,888,295)	(13,839,349,327)
Dividends paid		(392,176,186)	(270,478,777)
Payment of current lease liabilities		(255,562,554)	(197,549,188)
Repayment of long-term financial liabilities		(290,787,519)	(941,545,070)
Dividends and distribution to non-controlling interests		(616,642,868)	(316,814,028)
<b>Net cash provided by financing activities</b>		1,708,417,573	950,145,822
<b>Effects of exchange rate changes on cash and cash equivalents</b>			
		46,834,382	(8,800,512)
<b>Net increase in cash and cash equivalents</b>		98,563,386	10,015,865
<b>Cash and cash equivalents at January 1</b>		2,038,500,825	2,028,484,960
<b>Cash and cash equivalents at December 31</b>	₩	2,137,064,211	2,038,500,825

See accompanying notes to the consolidated financial statements.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 1. Reporting Entity

#### (1) Description of the Parent company

Hyundai Heavy Industries Holdings Co., Ltd. (the "Parent Company") was incorporated on April 1, 2017 through a split-off from Korea Shipbuilding & Offshore Engineering Co., Ltd. and is engaged in manufacturing industrial and LCD robots, investment business and others. The head office of the Company is located in Seoul, Republic of Korea.

As of December 31, 2021, the Company's major shareholders consist of Mong-Joon Chung (26.60%), National Pension Service Investment Management (8.57%), Ki-Sun Chung (5.26%), etc.

The Parent Company established a new subsidiary "Hyundai Robotics Co., Ltd." through a split-off the entire robot-related business except for investment segments, in May 1, 2020 and converted to a holding company.

#### (2) Consolidated subsidiaries

Subsidiaries as of December 31, 2021 and 2020 are summarized as follows:

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2021	2020
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	Korea	December	73.85	74.13
Hyundai Oil Terminal Co., Ltd.(*1,4)	Oil storage business	Korea	December	100.00	100.00
Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing and sale of base oil	Korea	December	60.00	60.00
Hyundai Chemical Co., Ltd.(*1)	Crude oil refining business	Korea	December	60.00	60.00
Hyundai Oilbank (Shanghai) Co., Ltd.(*1)	Trading in petrochemical products	China	December	100.00	100.00
Hyundai Oil Singapore Pte. Ltd.(*1)	Trading in crude oil and petrochemical products, chartering	Singapore	December	100.00	100.00
MS Dandy Ltd.(*1)	Ship rental service	Marshall Islands	December	100.00	100.00
Grande Ltd.(*1)	Ship rental service	Marshall island	December	100.00	100.00
Hyundai OCI Co., Ltd.(*1)	Other based chemicals manufacture business	Korea	December	51.00	51.00
Hyundai E&F Co., Ltd.(*1)	Energy Business	Korea	December	100.00	-
Hyundai Global Service	Engineering service	Korea	December	62.00	100.00
Hyundai Global Service Europe B.V.(*1)	Engine warranty repairs	Netherlands	December	100.00	100.00
Hyundai Global Service Americas Co., Ltd.(*1)	Engine warranty repairs	USA	December	100.00	100.00
Hyundai Global Service Singapore Pte. Ltd.(*1)	Engine warranty repairs	Singapore	December	100.00	100.00
Hyundai Global Service Colombia S.A.S.(*1)	Other Engineering services	Colombia	December	100.00	100.00
Hyundai Electric & Energy Systems Co., Ltd.(*2)	Manufacture and sale of electronic and electric products	Korea	December	37.22	37.22
Hyundai Technologies Center Hungary Kft.(*1)	Research and development of technology	Hungary	December	100.00	100.00
Hyundai Electric Switzerland AG(*1)	Research and development of technology	Switzerland	December	100.00	100.00
Hdene Power Solution India Private Ltd.(*1)	Electric construction and power equipment manufacturing	India	March	100.00	100.00

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 1. Reporting Entity, Continued

#### (2) Consolidated subsidiaries, continued

Companies	Main business	Location	Fiscal year end	Ownership (%)	
				2021	2020
Hyundai Heavy Industries (China) Electric Co., Ltd.(*1)	Manufacture and sale of voltage switchboard	China	December	100.00	100.00
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.(*1)	Research and development of technology	China	December	100.00	100.00
Hyundai Power Transformers USA Inc.(*1)	Manufacture and sale of electronic and electric products	USA	December	100.00	100.00
Hyundai Electric Arabia L.L.C(*1)	Customer support services	Saudi Arabia	December	100.00	100.00
Hyundai Electric America Corporation (*1)	Sale of transformers	USA	December	100.00	100.00
Hyundai Genuine Co., Ltd	Manufacture of machinery equipment for construction and mining	Korea	December	100.00	-
Changzhou Hyundai Hydraulic Machinery Co., Ltd.(*1)	Production and sale of hydraulic cylinder	China	December	100.00	100.00
MingHe (Changzhou) Machinery Co., Ltd.(*1)	Manufacture and sale of machinery equipment for construction	China	December	100.00	100.00
Hyundai Construction Equipment Co., Ltd.(*1,2)	Manufacture and sale of machinery equipment for construction	Korea	December	33.12	33.12
Hyundai Core Motion Co., Ltd.(*5)	Supplement of construction equipment A/S machinery parts and manufacture of hydraulic functional items	Korea	December	-	100.00
HHI China Investment Co., Ltd.(*1)	Holding company	China	December	100.00	60.00
Hyundai Financial Leasing Co., Ltd. (*1,3)	Financing business	China	December	46.76	46.76
Hyundai (Jiangsu) Construction Machinery Co., Ltd. (*1)	Manufacture and sale of machinery equipment for construction	China	December	60.00	60.00
Weihai Hyundai Wind Power Technology Co., Ltd. (*1)	Sale and manufacture of facilities for wind power generation	China	December	100.00	80.00
Hyundai Construction Equipment Americas, Inc. (*1)	Sale of machinery equipment for construction	USA	December	100.00	100.00
Hyundai Construction Equipment Europe N.V. (*1)	Sale of machinery equipment for construction	Belgium	December	100.00	100.00
Hyundai Construction Equipment India Private Ltd. (*1)	Manufacture and sale of machinery equipment for construction	India	March	100.00	100.00
PT. Hyundai Construction Equipment Asia (*1)	Sale of machinery equipment for construction	Indonesia	December	69.44	69.44
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment.(*1)	Manufacture, trade and repair of heavy equipment	Brazil	December	100.00	-
Hyundai Doosan Infracore Co., Ltd.(*1,2)	Manufacture of machinery equipment	Korea	December	33.35	-
Doosan Infracore China Co., Ltd.(*1)	Sale and manufacturing of machinery equipment	China	December	100.00	-
Doosan Infracore Hunan Corp.(*1)	Sale of machinery equipment	China	December	100.00	-
Doosan Infracore Beijing Corp.(*1)	Sale of machinery equipment	China	December	100.00	-
Doosan Infracore (Shandong) Co., Ltd.(*1)	Sale of machinery equipment	China	December	100.00	-
Doosan Infracore (China) Investment Co., Ltd.(*1)	Holding company	China	December	100.00	-
Doosan (China) Financial Leasing Corp.(*1)	Financing business	China	December	100.00	-

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Companies	Main business	Location	Fiscal year end	Ownership (%)	
				2021	2020
Doosan Infracore North America LLC.(*1)	Manufacture and sale of machinery equipment for construction	USA	December	100.00	-
Doosan Infracore Japan Corp.(*1)	Oversea procurement	Japan	December	100.00	-
Doosan Bobcat Chile S.A.(*1)	Sale of machinery equipment	Chile	December	100.00	-
Doosan Infracore South America Industria E ComercioDe Maquinas De Construcao LTDA(*1)	Sale of machinery equipment	Brazil	December	99.99	-
Doosan Infracore Norway AS.(*1)	Manufacture and sale of machinery equipment for construction	Norway	December	100.00	-
Doosan Infracore Construction Equipment India Private Ltd.(*1)	Sale of machinery equipment	India	March	100.00	-
Doosan Infracore Europe s.r.o.(*1)	Sale of machinery equipment	Czech	December	100.00	-
ECUBE Solution Co., Ltd.(*1)	Manufacture and sale of Engine after treatment device	Korea	December	60.00	-
Clue Insight Inc.(*1)	Software development and sales	USA	December	72.21	-
Hyundai Robotics Co., Ltd.	Manufacturing of industrial robots	Korea	December	90.00	90.00
Hyundai LNS Co.,Ltd.(*1)	Other engineering services	Korea	December	80.10	80.10
Hyundai Robotics Investment (Shanghai) Co., Ltd. (*1)	Sale of robot and service	China	December	100.00	100.00
Hyundai Robotics Europe GmbH(*1)	Sale of robot and service	Germany	December	100.00	-
Avikus Co., Ltd.	Development and sale of software for maritime autonomous surface ships	Korea	December	100.00	100.00
Hyundai Future Partners Co., Ltd.	Management consulting business	Korea	December	100.00	100.00
Medi Plus Solution Co., Ltd(*1)	Healthcare solution development and service	Korea	December	76.76	-
AMC Bio Co., Ltd.(*1)	Research and development business of drug	Korea	December	100.00	-

(\*1) The percentage of ownership includes indirect ownership.

(\*2) Even though the Group (Hyundai Heavy Industries Holdings Co., Ltd. and its subsidiaries) has under 50% shares of the investee, it is determined that the Group has a control over the investee, since the Group has substantive power to exercise a majority of voting rights considering the circumstance in the previous shareholders' meeting (e.g. voting pattern), the dispersion of the other shareholders, etc.

(\*3) The Group holds under 50% shares of the investee. However, in consideration of the shares held by the related party of the Group and the business reliance of the investee on the Group, it is determined that the Group has de facto control.

(\*4) For the year ended December 31, 2021, Hyundai Oil Terminal Co., Ltd. excluded from subsidiaries due to the sale of its share.

(\*5) For the year ended December 31, 2021, Hyundai Core Motion Co., Ltd. merged with Hyundai Construction Equipment Co., Ltd.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

**1. Reporting Entity, Continued**

**(3) Changes in scope of consolidation**

(i) Subsidiaries newly subject to consolidation for the year ended December 31, 2021 are as follows:

Companies	Reason
Hyundai Genuine Co., Ltd.	Establishment
Hyundai E&F Co., Ltd.	Establishment
Hyundai Robotics Europe GmbH	Establishment
AMC Bio Co., Ltd.	Establishment
Hyundai Doosan Infracore Co., Ltd.	Acquisition
Doosan Infracore China Co., Ltd.	Acquisition
Doosan Infracore Hunan Corp.	Acquisition
Doosan Infracore Beijing Corp.	Acquisition
Doosan Infracore (Shandong) Co., Ltd.	Acquisition
Doosan Infracore (China) Investment Co., Ltd.	Acquisition
Doosan (China) Financial Leasing Corp.	Acquisition
Doosan Infracore North America LLC.	Acquisition
Doosan Infracore Japan Corp.	Acquisition
Doosan Bobcat Chile S.A.	Acquisition
Doosan Infracore South America Industria E ComercioDe Maquinas De Construcao LTDA	Acquisition
Doosan Infracore Norway AS.	Acquisition
Doosan Infracore Construction Equipment India Private Ltd.	Acquisition
Doosan Infracore Europe s.r.o.	Acquisition
ECUBE Solution Co., Ltd.	Acquisition
Clue Insight Inc.	Acquisition
Medi Plus Solution Co., Ltd.	Acquisition
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Acquisition

(ii) Subsidiaries excluded from consolidation for the year ended December 31, 2021 are as follows:

Companies	Reason
Hyundai Oil Terminal Co., Ltd	Sale
Hyundai Core Motion Co., Ltd.	Merger

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

Condensed financial information of significant consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Company	2021						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Revenue	Profit (loss)		
Hyundai Oilbank Co., Ltd.	₩ 13,049,276	8,460,667	4,588,609	20,318,855	449,619	455,377	
Hyundai and Shell Base Oil Co., Ltd.	590,087	215,296	374,791	1,135,926	228,356	228,421	
Hyundai Chemical Co., Ltd.	5,768,205	3,872,054	1,896,151	3,705,074	134,140	136,986	
Hyundai Oil Singapore Pte. Ltd.	1,027,158	981,416	45,742	4,622,116	10,574	10,574	
Hyundai OCI Co., Ltd.	326,276	130,946	195,330	246,755	41,029	41,029	
Hyundai Global Service Co., Ltd	407,324	240,089	167,235	891,540	91,082	90,033	
Hyundai Electric & Energy Systems Co., Ltd	1,938,946	1,292,187	646,759	1,554,243	(32,960)	(43,799)	
Hyundai Heavy Industries (China) Electric Co., Ltd.	145,981	89,855	56,126	90,985	1,206	6,962	
Hyundai Power Transformers USA Inc.	238,731	171,288	67,443	209,191	8,675	13,794	
Hyundai Electric America Corporation	148,344	143,497	4,847	106,227	(7,611)	(7,420)	
Hyundai Genuine Co., Ltd.	1,657,475	810,731	846,744	76,835	(25,333)	(25,546)	
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	81,375	23,523	57,852	70,920	17,443	22,311	
Hyundai Construction Equipment Co., Ltd.	2,353,816	1,171,790	1,182,026	2,619,537	111,285	98,949	
HHL China Investment Co., Ltd.	345,995	30,455	315,540	42,803	9,117	40,684	
Hyundai Financial Leasing Co., Ltd.	575,785	315,487	260,298	38,807	5,103	31,738	
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	471,342	280,231	191,111	632,156	12,247	31,362	
Hyundai Construction Equipment Americas, Inc.	212,748	157,634	55,114	442,493	13,286	17,164	
Hyundai Construction Equipment Europe N.V.	172,891	86,803	86,088	401,151	7,477	7,659	
Hyundai Construction Equipment India Private Ltd.	189,558	148,165	41,393	308,409	2,414	4,947	
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment(*1)	227,197	160,852	66,345	-	-	-	
Hyundai Doosan Infracore Co., Ltd.(*2)	3,503,272	2,412,266	1,091,006	1,455,426	(35,362)	(30,579)	
Doosan Infracore China Co., Ltd.(*2)	1,495,941	757,322	738,619	290,342	(27,769)	(27,769)	
Doosan Infracore (China) Investment Co., Ltd.(*2)	130,287	2,966	127,321	6,055	(80,877)	(80,877)	
Doosan (China) Financial Leasing Corp.(*2)	830,223	554,858	275,365	27,684	11,652	11,652	
Doosan Infracore North America LLC.(*2)	192,991	134,623	58,368	152,438	3,118	3,118	
Doosan Infracore Europe s.r.o.(*2)	312,315	289,830	22,485	294,058	(1,479)	(1,441)	
Hyundai Robotics Co., Ltd.	426,835	145,192	281,643	173,559	(22,598)	(22,940)	

(\*1) Financial information after acquisition of control in December 2021.

(\*2) Financial information after acquisition of control in August 2021.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

Condensed financial information of significant consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

(In millions of won)

Company	2020					
	Assets	Liabilities	Equity	Revenue	Profit (loss)	Total comprehensive income (loss)
Hyundai Oilbank Co., Ltd.	₩ 11,330,728	7,087,128	4,243,600	12,491,005	(457,484)	(219,746)
Hyundai Oil Terminal Co., Ltd.	179,310	38,220	141,090	45,196	10,937	19,915
Hyundai and Shell Base Oil Co., Ltd.(*)	461,699	155,329	306,370	93,742	16,593	17,459
Hyundai Chemical Co., Ltd.	3,467,453	2,006,848	1,460,605	2,701,866	(34,735)	(28,051)
Hyundai Oil Singapore Pte. Ltd.	828,377	758,370	70,007	3,956,699	(5,243)	(8,439)
Hyundai OCI Co., Ltd.	308,994	142,853	166,141	163,874	28,475	28,414
Hyundai Global Service Co., Ltd	460,703	193,502	267,201	960,753	111,461	113,943
Hyundai Electric & Energy Systems Co., Ltd	2,078,906	1,388,349	690,557	1,566,220	(37,881)	(13,991)
Hyundai Heavy Industries (China) Electric Co., Ltd.	124,017	74,668	49,349	103,592	2,923	3,195
Hyundai Power Transformers USA Inc.	196,921	143,271	53,650	186,241	1,805	(1,671)
Hyundai Construction Equipment Co., Ltd.	2,145,520	1,086,821	1,058,699	1,705,765	(31,013)	(14,906)
Hyundai Core Motion Co., Ltd.	318,887	184,366	134,521	310,561	13,397	14,838
HHI China Investment Co., Ltd.	406,524	33,575	372,949	47,554	23,058	25,063
Hyundai Financial Leasing Co., Ltd.	422,329	189,452	232,877	39,609	14,228	15,433
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	358,413	193,286	165,127	674,467	14,874	15,813
Hyundai Construction Equipment Americas, Inc.	157,841	119,891	37,950	293,700	2,468	(13)
Hyundai Construction Equipment Europe N.V.	172,191	93,763	78,428	307,787	1,027	3,382
Hyundai Construction Equipment India Private Ltd.	145,121	108,675	36,446	220,927	(3,644)	(6,998)
Hyundai Robotics Co., Ltd.	429,903	125,320	304,583	190,986	(316)	11,658

(\*) Financial information after acquisition of control in November 2020.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 1. Reporting Entity, Continued

#### (5) Non-controlling interests

The information about non-controlling interests of significant consolidated subsidiaries as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	Hyundai Oilbank Co., Ltd (*1)		Hyundai Electric & Energy Systems Co., Ltd (*2)		Hyundai Construction Equipment Co., Ltd (*3,4)		Hyundai Genuine Co., Ltd(*5)
	2021	2020	2021	2020	2021	2020	2021
Ownership for non-controlling interests	26.15%	25.87%	62.63%	62.63%	63.61%	63.61%	-
Net assets	₩ 5,760,809	5,270,902	646,222	679,174	-	1,587,533	3,336,320
Book value of non-controlling interests	2,695,808	2,390,680	454,139	428,766	-	1,232,422	2,372,118
Net income (loss)	528,078	(359,771)	(33,687)	(40,246)	136,813	8,505	(69,259)
The profit (loss) attributable to non-controlling interests	257,949	(87,985)	(21,129)	(25,243)	95,815	11,809	(44,645)
Cash flows from operating activities	463,190	685,352	109,777	204,526	(129,748)	274,751	(133,408)
Cash flows from investing activities	(1,763,314)	(2,133,028)	(42,393)	138,991	(549,282)	135,949	606,614
Cash flows from financing activities	1,314,100	1,271,673	(240,872)	(7,309)	(42,425)	82,857	622,503
Net increase (decrease) of cash and cash equivalents	13,976	(176,003)	(173,488)	336,208	(721,455)	493,557	1,095,709
Dividends paid to non-controlling interests	88,605	56,325	-	-	7,174	16,660	-

(\*1) Non-controlling interest in Hyundai Oilbank Co., Ltd. includes hybrid bonds amounted to ₩428,924 million issued by Hyundai Oilbank Co., Ltd. as of December 31, 2021 and 2020.

(\*2) Ownership for non-controlling interest adjusted for treasury stock of Hyundai Electric & Energy Systems Co., Ltd., are 62.72% as of December 31, 2021 and 2020.

(\*3) Ownership for non-controlling interest adjusted for treasury stock of Hyundai Construction Equipment Co., Ltd., are 65.76% as of December 31, 2021 and 2020.

(\*4) For the year ended December 31, 2021, Hyundai Construction Equipment Co., Ltd. and its subsidiaries were transferred from Hyundai Heavy Industries Holdings Co., Ltd. to Hyundai Genuine Co., Ltd. through common control transactions, and prepared based on financial information up to the time of transfer.

(\*5) Hyundai Genuine Co., Ltd was newly established for the year ended December 31, 2021, and the financial information was after establishment..

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 2. Basis of Preparation

The consolidated financial statements of Hyundai Heavy Industries Holdings Co., Ltd. and its subsidiaries (the "Group") 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.

The consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2022 and submitted for approval to the shareholders' meeting to be held on March 28, 2022.

#### (1) Basis of measurement

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

- Derivative financial instruments measured at fair value;
- Financial assets measured at fair value through profit or loss ("FVTPL");
- Financial assets measured at fair value through other comprehensive income ("FVOCI");
- Contingent consideration payable for business combination measured at fair value;
- Land measured at fair value; and
- Liabilities for defined benefit plans 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 consolidated financial statements are presented in Korean won, which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

#### (3) Use of estimates and judgments

The preparation of the consolidated 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.

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.

The spread of the COVID-19 pandemic during 2020 has materially affected the global economy. This may have adverse impacts on productivity, decrease or delay in recognition of sales, or the Group's ability to collect on outstanding accounts receivable, which could adversely affect the Group's financial position and results of operations. The significant accounting estimates and assumptions used in preparing the consolidated financial statements of the Group may be adjusted due to changes in the level of uncertainty from COVID-19 in the future. The ultimate impact from COVID-19 on the Group's business, financial position or results of operations may differ from the estimates reflected in the accompanying consolidated financial statements.

##### (i) Judgments

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

- Note 1 – Scope of Consolidation: Whether the Group has de facto control over an investee;
- Note 12 – Investments in Associates: Whether the Group has significant influence over an associate
- Note 14 – Classification of investment property
- Note 16 – Lease: whether the Group is reasonably certain to exercise extension options

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

**2. Basis of Preparation, Continued**

**(3) Use of estimates and judgments, continued**

(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:

- Notes 12, 15, 17 – Impairment test: key assumptions underlying recoverable amounts, including the recoverability of investments in associates, property, plant and equipment and intangible assets;
- Note 24 – Measurement of defined benefit obligations: key actual assumptions;
- Notes 25, 45 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 32 – Acquisition of subsidiary: measurement of fair value;
- Note 34 – Revenue recognition in proportion to stage of completion, the estimates of total contract costs;
- Note 40 – Measurement of deferred tax; and
- Note 44 – Measurement of account receivable and contract asset's expected credit loss: key assumptions about weighted average loss rate

(iii) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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 Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group 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 Group 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 15 – Property, plant, and equipment;
- Note 32 – Acquisition and disposal of Subsidiary and Business; and
- Note 44 – Financial instruments

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 3. Changes in Accounting Policies

The Group has initially adopted *Interest Rate Benchmark Reform- Phase 2*(Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116) standards and amendments from January 1, 2021. These amendments which are effective from January 1, 2021 have no significant effect on the Group's Consolidated financial statements.

- Phase 2 amendments for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in K-IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

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

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

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

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies

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

#### (1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are reviewed regularly by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As discussed in *Note 36* the Group has five reportable segments which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### (2) Basis of consolidation

##### (i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032, '*Financial Instruments: Presentation*' and K-IFRS No. 1039, '*Financial Instruments: Recognition and Measurement*'.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

##### (ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets on the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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**4. Significant Accounting Policies, Continued**

**(2) Basis of consolidation, continued**

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of share premium.

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**4. Significant Accounting Policies, Continued**

**(3) 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 Group in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when it has a short maturity with a specified redemption date.

Cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Cash	₩ 3,875	2,216
Current deposit	162,875	106,333
MMDA and others	1,970,314	1,929,952
	<u>₩ 2,137,064</u>	<u>2,038,501</u>

**(4) Inventories**

The cost of inventories is based on the moving-average method with the exception of cost of materials-in-transit, which is determined on the specific identification method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in cost of sales in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amounts of inventories recognized as an expense in cost of sales in the period in which the reversal occurs.

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**4. Significant Accounting Policies, Continued**

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

1) Recognition and initial measurement

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 Group becomes a party to the contractual provisions of the instrument.

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

2) Classification and subsequent measurement

(i) Financial assets

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

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

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

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

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

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

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

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

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**4. Significant Accounting Policies, Continued**

**(5) Non-derivative financial assets, continued**

2) Classification and subsequent measurement, continued

(ii) Financial assets – Business model assessment

The Group 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 Group'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 Group's continuing recognition of the assets.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 Group 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 Group's claim to cash flows from specified assets

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

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**4. Significant Accounting Policies, Continued**

**(5) Non-derivative financial assets, continued**

2) Classification and subsequent measurement, continued

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

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

(iv) Financial assets: Subsequent measurement and gains and losses

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

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**4. Significant Accounting Policies, Continued**

**(5) Non-derivative financial assets, continued**

3) Derecognition

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

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

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 Group 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.

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**4. Significant Accounting Policies, Continued**

**(6) Derivative financial instruments and hedge accounting**

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

1) Hedge accounting

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

2) Other derivative financial instruments

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (7) Impairment of financial assets

(i) Financial instruments and contract assets

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

- Financial assets measured at amortized cost;
- Contract assets defined in K-IFRS No.1115; and
- Debt investments measured at FVOCI

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

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

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

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

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

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

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

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

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

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**4. Significant Accounting Policies, Continued**

**(7) Impairment of financial assets, continued**

(ii) Measurement of ECLs

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

(iii) Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

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

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

(v) Write-off

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 4. Significant Accounting Policies, Continued

#### (8) Property, plant and equipment

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

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

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

	<u>Useful lives (years)</u>
Buildings	25~50
Structures	9~50
Machinery	2~42
Other property, plant and equipment	2~20

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 4. Significant Accounting Policies, Continued

#### (9) 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.

	<u>Useful lives (years)</u>
Capitalized development costs	4~7
Distribution networks	20
Customer relationships	8~34
Brands, Membership, Goodwill	Indefinite
Know-how	16
Technology	5~101
Order backlog	10
Other intangible assets	3~50

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

(i) Research and development

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

(ii) Subsequent expenditures

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

#### (10) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deferred and recognized as deduction to depreciation expense over the useful life of the asset.

Government grants which are intended to compensate the Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (11) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

#### (12) Impairment of non-financial assets

The carrying amounts of the Group'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. Goodwill and 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.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, 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.

#### 4. Significant Accounting Policies, Continued

##### (13) 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.

(i) As a lessee

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

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

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

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

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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**4. Significant Accounting Policies, Continued**

**(13) Lease, continued**

(i) As a lessee, continued

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

The Group has elected not to recognize right-of-use assets and lease liabilities for lease of low-value assets and short-term leases, including buildings and fixtures. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

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

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

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

The Group applies the derecognition and impairment requirements in K-IFRS No.1109 to the net investment in the lease (See *Note 4(7)*). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

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**4. Significant Accounting Policies, Continued**

**(14) Borrowing costs**

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

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

**(15) Contract assets and contract liabilities**

Contract assets are the sum of unsolicited amount from the ongoing construction work to be received from the client and are calculated by subtracting the proceeds from the recognized amount and the recognized loss from the sum of profits recognized in accrued costs. Accrued costs include fixed and variable indirect costs allocated on the basis of normal operating costs, which are directly related to a specific contract and common costs that can be attributed to overall contract activities.

The total amount of contract assets in which the sum of the accrued costs and the recognized profits exceeds the proceeds is indicated as contract assets in the statement of financial position. If the proceeds of the claim exceed the sum of the accrued costs and the recognized profit, the total contract liabilities are presented as contract liabilities in the statement of financial position.

**(16) Non-current assets held for sale**

If the carrying amount of a non-current asset or disposal group is expected to be recovered primarily through a sale transaction rather than continued use, it is classified as an asset held for sale. These conditions are considered to be met only if the asset (or disposal group) must be available for sale in its current condition and is very likely to be sold. Just before the initial classification of an asset (or group of disposal assets) for sale, it is measured as the lesser of the carrying amount and the net fair value of the asset (or assets and liabilities). At the time of initial classification, impairment loss is recognized in profit or loss immediately if the net fair value of the asset for which impairment has been recognized decreases. When net fair value increases, the impairment loss recognized in the past is recognized as profit or loss.

If a non-current asset is classified as held for sale or is part of a disposal group classified as held for sale, the asset is not amortized.

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**4. Significant Accounting Policies, Continued**

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

The Group 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 Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Changes in the fair value of financial liabilities due to changes in credit risk of financial liabilities are expressed in other comprehensive income, and other changes in fair value are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(iii) Elimination of financial liabilities

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The Group removes existing liabilities and recognizes new financial liabilities at fair value based on the new contracts when the cash flows have substantially changed due to changes in the terms and conditions of the financial liabilities.

When removing a financial liability, the difference between the carrying amount and the consideration paid (including transferred non-cash assets or liabilities owed) is recognized in profit or loss.

**(18) Employee benefits**

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 4. Significant Accounting Policies, Continued

#### (18) Employee benefits, continued

(iii) Retirement benefits: defined benefit plans

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

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

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

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

(iv) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(v) Termination benefits

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 4. Significant Accounting Policies, Continued

#### (19) Provisions

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

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

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

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

(i) Provision for construction losses

A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, if unavoidable costs arising from the contractual obligations exceed the benefits expected to arise from the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(ii) Provision for product warranty

The Group generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

(iii) Provision for construction warranty

The Group generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

(iv) Other provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

A provision is used only for expenditures for which the provision was originally recognized.

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**4. Significant Accounting Policies, Continued**

**(20) Emissions rights**

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and *Trading of Greenhouse Gas Emission* which became effective in 2015.

(i) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as an intangible asset and are initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized through profit or loss in the respective reporting period.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at of the end of the reporting period.

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**4. Significant Accounting Policies, Continued**

**(21) Foreign currency**

(i) Foreign currency transactions

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

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

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to the presentation currency using the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency using the exchange rates at the dates of the transaction. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(iii) Translation of the net investment in foreign operations

A monetary item that is receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, is a part of the entity's net investment in that foreign operation. Exchange differences arising on such monetary item are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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**4. Significant Accounting Policies, Continued**

**(22) Equity capital**

(i) Equity instruments

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

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

(ii) Hybrid bonds

The Group classifies capital securities as financial liabilities or equity instruments in accordance with the substance of the contractual terms of capital securities. Hybrid bonds that have an unconditional right to avoid delivering cash or financial assets to pay a contractual obligation are classified as equity instrument and are presented in equity.

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

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

The Group is engaged in an oil refining segment that conducts business related to crude oil refining, an electric and electronic segment that manufactures and sells transformers, high-voltage circuit breakers, switchboards, rotating machines, power electronic control systems, and wind power generators, a construction equipment segment that manufactures and sells electronics, construction machinery and industrial transportation machinery, and a robot segment that manufactures and sells industrial and LCD robots.

1) In the oil refinery sector, oil products made by refining crude oil such as gasoline and diesel are used as main products and supplied to customers. Revenue is recognized in the case of a general contract because it does not correspond to the performance obligation to be fulfilled over a period of time. The time when performance obligations are fulfilled is the time when assets held by the relevant sector are transferred to the customer and controlled by the customer. We are determining when to fulfill our performance obligations. In general, export is mainly carried out under conditions such as CIF and FOB, and in case of domestic sales, it is judged that the performance obligation is fulfilled at the time when it is physically transferred to the customer.

2) The electric and electronic sector manufactures and supplies various electric and electronic devices and The electric and electronic sector manufactures and supplies various electric devices and energy solutions for all phases of the power supply process, ranging from power generation→ transmission→ distribution→consumption. The types of revenue in the segment are three: standard product supply agreement, multiple-element arrangement and Turn-key contract.

While standard product supply agreement consists of one performance obligation, multiple-element arrangement and Turn-key contracts are one contract but contain multiple distinctive obligations.

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**4. Significant Accounting Policies, Continued**

**(23) Revenue from contracts with customers, continued**

(i) Characteristics of goods or services and timing of performance obligations, continued

As the electric and electronic sector manufactures and supplies various electric devices and energy solutions for all phases of the power supply process, for a general contract, revenue is recognized as a performance obligation is satisfied at a point in time.

The timing of satisfaction of performance obligations is when the goods are delivered to customers and the customers obtain control of the goods. The determination of the timing when the control is transferred to customer, is based on the entity's right to payment, the legal title, the physical possession, the significant risks and rewards of ownership, and the acceptance by the customer. Generally, the performance obligation is satisfied when the terms of trade such as CIF, FOB and DDP are met for transfer of the legal title in exports sales and when the product is delivered physically to customers in domestic sales respectively.

The contract to manufacture a highly customized product for a particular customer is supposed 'not to create an alternative use to the electric and electronic sector'. If the contract describes the electric and electronic sector would be compensated for an amount of recovery of the costs incurred plus a reasonable profit margin when terminated by the customer or another party, revenue from those contracts is recognized over time and is otherwise recognized at a point in time.

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the electric and electronic sector measures its progress to indicate performance when control of the goods or services is transferred to the customer. If the performance is not measured rationally, the performance is measured within the scope of the incurred cost. The electric and electronic sector provides design, raw material purchase, production, and trial run, it is difficult to obtain information for applying calculation method without incurring excessive cost due to the wide variety of drying processes. Therefore, it is decided that the timing of the cost injection should be satisfied because the input method that recognizes revenue based on the electric and electronic sector's inputs compared to the total inputs expected to satisfy the performance obligation can faithfully represent the electric and electronic sector's performance.

3) The construction equipment sector produces and supplies construction equipment and industrial vehicles such as excavators, wheel loaders, backhoe loaders, skid steer loaders, and forklifts. Revenue is recognized in the case of a general contract because it does not correspond to the performance obligation to be fulfilled over a period of time.

When the performance obligation is fulfilled, the assets held by the relevant sector are transferred to the customer and controlled by the customer. In the case of domestic sales, sales are recognized at the time of delivery of goods and at the time of shipment for export.

Usually, the customer pays the price at the time of delivery of the goods, and there may be a difference between some delivery time and the time of payment, but in general, the difference is not long, and the relevant sector holds the right to claim by completing the obligation at the time of delivery. In some cases, there is a reservation provision for transfer of ownership in the contract, but this is a case where the customer has not paid the sales price at the product delivery point, so it does not affect the determination of transfer of control because it is a safeguard against default.

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**4. Significant Accounting Policies, Continued**

**(23) Revenue from contracts with customers, continued**

(i) Characteristics of goods or services and timing of performance obligations, continued

Export contract terms are usually FOB terms, and customers pay the full amount at the time of shipment. Differences may occur between the time of shipment and the time of payment, but generally the difference is not long, and the sector retains the claim for payment by completing the obligation at the time of shipment, and ownership and control of the asset is transferred to the customer.

4) The ship service sector is engaged in selling of components and providing technical services for ships, providing fuel oil for ships, plant business and eco-friendly ship remodeling and others. When the control of goods or service is transferred to a customer, the ship service sector recognizes revenue in an amount that reflects the expected amount of having the right to receive the goods or services.

The eco-friendly ship remodeling business of the ship service sector provides services for manufacturing, installation, and commissioning of eco-friendly facility equipment according to the customer's ship conditions at the request of the customer. Generally, the contract period is 1 year and due to the nature of the order-made production industry being customized according to the terms presented to the customer, the Group itself has no alternative use, and if the contract is terminated for the customer or other party reasons, it can claim the cost and expected profit it has already entered into. Consequently, the Group recognizes 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 Group measures its progress to indicate performance when control of the goods or services is transferred to the customer.

If the performance is not measured rationally, the performance is measured within the scope of the incurred cost. As the eco-friendly ship remodeling business provides design, equipment purchase, installation, and commissioning, it is difficult to obtain information for applying calculation method without incurring excessive cost due to the wide variety of drying processes. Therefore, it is decided that the timing of the cost injection should be satisfied because the input method that recognizes revenue based on the Group's inputs compared to the total inputs expected to satisfy the performance obligation can faithfully represent the Group's performance.

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**4. Significant Accounting Policies, Continued**

**(23) Revenue from contracts with customers, continued**

(ii) Significant payment conditions

1) In the refining sector, the payment conditions for revenue recognized at the time of delivery differ depending on the content of the contract with the customer, and there is almost no significant change consideration.

2) In the case of a standard product supply contract, the electric and electronics sector generally receives payment within 90 to 180 days from the billing date. In the case of the complex element order contract and the turn-key order contract, it is generally received in the form of advance payment, intermediate payment, and balance.

There is no significant financial factor in the case of a standard product supply contract, and in the case of a multi-element order contract and a turn-key order contract, the Group receives the payment of goods or services from the customer in accordance with the payment terms and the promise to the customer. There may be a significant financial component that adjusts the promised price to reflect the effect of the time value of money as differences occur between the time when you expect to transfer goods or services. However, if the expected period between the time when the Group transfers the goods or services promised to the customer and the time when the customer pays for it at the time of commencement of the contract, it reflects the effect of significant financial factors. Therefore, we apply a practical convenience method that does not adjust the promised price.

3) The construction equipment sector generally receives a price at the time of supply of goods. In the case of domestic sales contracts, there are provisions for the payment of the down payment in the contract, but in practice, it rarely occurs. In addition, there are terms of payment in installments in the domestic sales contract, but this is a transaction in which the buyer receives the loan from the financial institution, pays the purchase price, and repays the loan to the financial institution in installments in the future. This is not the case when selling products. Therefore, there is no significant difference between when the goods are transferred and when they are paid.

4) The ship service sector is charged according to the collection conditions specified in the contract or when goods are delivered and services are provided. Also, free AS business charges and collects monthly billed amount. The eco-friendly ship remodeling business is charged according to the progress of the construction, including the advance payment, the achievement amount of Milestone, and the performance deposit.

Depending on the terms of payment, a difference between when the Group receives the consideration for the goods or services from the customer and when it expects to transfer the promised goods or services to the customer may result in a significant financing component that adjusts the promised consideration to reflect the effect of the time value of money.

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**4. Significant Accounting Policies, Continued**

**(23) Revenue from contracts with customers, continued**

(iii) Nature and duration of guarantee

Although the period varies depending on the product and contract, in general, the electrical and electronics sector is 24 to 48 months after product delivery, the construction equipment sector is 12 to 24 months or 1,000 to 3,000 hours after product delivery, and the ship service sector is 6 to 12 or 12 to 36 months after product delivery. This is similar to the normal warranty period of the same company. These guarantees are converted to paid AS after the specified warranty period. The warranty provided is intended to provide confidence that the product conforms to the agreed specifications and does not constitute a separate performance obligation.

(iv) Transaction price calculation method, estimation of variable cost, input variables, information

In the case of contracts for supplying standard products in the electrical and electronics sector, and contracts in the refinery and construction equipment sector, there is no need to allocate the transaction price, but it is not necessary to allocate contracts for the order of complex elements and turn-key contracts in the robot and electrical and electronics sectors. In the case, the transaction price is allocated to each of these performance obligations because it includes a number of distinct performance obligations that supply various products and services within a single contract.

The electrical and electronics sector and ship service sector apply the adjusted market assessment approach which allocates the transaction price based on the estimated stand-alone selling price. If the stand-alone selling price is not directly observable, transaction price is determined by the expected cost-plus-a-margin approach by forecasting expected cost of satisfying a performance obligation and then adding an appropriate margin.

Only if the above-mentioned two approaches are not available, the residual approach, by estimating the total transaction price less the sum of the observable stand-alone prices of other goods or services.

In the case of the electrical and electronics sector and ship service sector, due to design changes and additional work occurring due to reasons attributable to the sector or the request of the client, delayed compensation due to delay in delivery and failure to meet conditions, sales discount and sales incentives to encourage sales, etc. Due to this, the price to receive from the customer may change. In the case of sales discounts and sales incentives, the price of the change is included in the transaction price only up to a very high probability of not reversing the significant portion of the accumulated revenues already recognized, and in the case of delayed compensation, the expected price incurred by the terms of the contract is recognized by deducting from.

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**4. Significant Accounting Policies, Continued**

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

The Group's finance income and finance costs are as follows;

- interest income, expense;
- dividend income;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment loss (and reversals) on investments in debt securities carried at amortized cost or FVOCI; and
- hedge ineffectiveness recognized in profit or loss

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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

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**4. Significant Accounting Policies, Continued**

**(25) Income taxes**

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

(i) Current tax

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

Current tax assets and liabilities are offset only if certain criteria are met;

- there is a legally enforceable right to offset the recognized amount; and
- there is intends to settle in a net amount or to settle the debt while realizing the asset.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

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### 4. Significant Accounting Policies, Continued

#### (26) Earnings (loss) per share

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

#### (27) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(i) K-IFRS No.1037 '*Onerous contracts*' – *Cost of Fulfilling a Contract*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

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

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

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

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

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

- COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to K-IFRS No.1116 '*leases*')
- Reference to Conceptual Framework (Amendments to K-IFRS No.1103 '*business combination*').
- Annual Improvements to K-IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to K-IFRS No.1016 '*Property, plant and equipment*').
- Classification of Liabilities as Current or Non-current (Amendments to K-IFRS No. 1001 '*presentation of financial statement*').
- K-IFRS No.1117 Insurance Contracts and amendments to K-IFRS No.1117 '*Insurance Contracts*'.
- Disclosure of Accounting Policies (Amendments to K-IFRS No.1001 '*presentation of financial statement*').
- Definition of Accounting Estimates (Amendments to K-IFRS No.1008 '*accounting policies changes in accounting estimates and error*').

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**5. Risk Management**

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

- Credit risk;
- Liquidity risk; and
- Market risk

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

**(1) Financial risk management**

1) Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables and contract assets

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

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

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

(ii) Investments

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

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**5. Risk Management, Continued**

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

3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Group does not generate sufficient cash flow from operations to meet its capital requirements, the Group 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 Group'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 Group 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 Group. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, Korean won (KRW). The currencies in which these transactions primarily are denominated are USD, EUR, JPY and others.

The Group hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than two years from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. Trade receivables denominated in a foreign currency have been hedged using forward contracts that mature on the same dates that the receivables are due for collection. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

The Group 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 Group's profit or loss is avoided.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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 Group monitors the liability to equity ratio and net borrowing to equity ratio, which the Group defines as total liabilities divided by total equity and net borrowing divided by total equity.

The Group's liability to equity ratio and net borrowing to equity ratio as of December 31, 2021 and 2020 are as follows:

<i>(In millions of won, except equity ratio)</i>	<u>2021</u>	<u>2020</u>
Total liabilities	₩ 23,928,156	15,461,098
Total equity	11,887,500	11,097,854
Cash and deposits(*1)	2,417,490	2,247,154
Borrowings(*2)	13,664,774	9,531,986
Liability to equity ratio	201.29%	139.32%
Net borrowing to equity ratio(*3)	94.61%	65.64%

(\*1) Cash and deposits consist of cash and cash equivalents and short-term 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, 2021 and 2020 are as follows:

<i>(In millions of won, except ratio)</i>	<u>2021</u>	<u>2020</u>
Operating profit (loss)	₩ 1,085,412	(597,109)
Interest expenses	293,369	235,607
Interest coverage ratio	3.70	(*)

(\*) The interest coverage ratio was not calculated due to operating losses for the year ended December 31, 2020.

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

Short-term and long-term financial assets as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	2021		2020	
	Current	Non-current	Current	Non-current
Financial instruments	₩ 263,777	17,677	205,692	2,961
Financial assets measured at FVTPL	135	75,012	53,436	18,874
Financial assets measured at FVOCI	-	57,669	-	32,215
	₩ <u>263,912</u>	<u>150,358</u>	<u>259,128</u>	<u>54,050</u>

**7. Restricted Financial Instruments**

Financial instruments, which are restricted in use, as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Description	2021	2020	Restrictions
Cash and cash equivalents	₩ 1,888	227	Bill deposit
Short-term financial instruments	1,136	744	Pledging(*)
	5,697	4,935	Payment bill deposit
	7,176	-	Restricted deposit
	3,726	-	Bank deposit
	383	-	Etc
Long-term financial instruments	6,722	6,350	Pledging(*)
	-	1,322	Payment bill deposit
	6	6	Deposit pledge for license registration
	42	33	Guarantee deposits for checking accounts
	₩ <u>26,776</u>	<u>13,617</u>	

(\*) The Group has provided guarantees for other liabilities.

Separately, the Group deposits ₩77,500 million in financial institutions to provide financial support to cooperative companies as of December 31, 2021.

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**8. Trade and Other Receivables and Contract Assets**

(1) Trade and other receivables as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	2021		2020	
	Current	Non-current	Current	Non-current
<b>Trade receivables:</b>				
Trade receivables(*)	₩ 3,348,604	9,735	1,923,345	8,698
Allowance for doubtful accounts	(366,832)	(9)	(229,749)	(10)
	<u>2,981,772</u>	<u>9,726</u>	<u>1,693,596</u>	<u>8,688</u>
<b>Other receivables:</b>				
Account receivable	679,087	4,484	362,734	-
Allowance for doubtful accounts	(126,304)	(4,213)	(65,525)	-
Accrued income	8,812	-	2,968	-
Allowance for doubtful accounts	(51)	-	(51)	-
Loans	8,664	63,500	9,592	62,608
Allowance for doubtful accounts	(8,470)	-	(8,470)	(27)
Guarantee deposits	4,720	234,271	3,340	195,351
Allowance for doubtful accounts	-	(156)	-	-
Finance lease receivables	1,083,599	210,921	233,989	147,024
Allowance for doubtful accounts	(13,329)	(1,451)	(1,528)	(708)
	<u>1,636,728</u>	<u>507,356</u>	<u>537,049</u>	<u>404,248</u>
	<u>₩ 4,618,500</u>	<u>517,082</u>	<u>2,230,645</u>	<u>412,936</u>

(\*) As of December 31, 2021, the balance of trade receivables that the Group transferred but does not past are ₩383,143 million. The Group transferred the trade receivables to ING Bank and others, and accounted for derecognition as all the risks and rewards of the assets are substantially transferred.

(2) Contract assets as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	2021	2020
Contract assets	₩ 263,308	253,527
Allowance for doubtful accounts	(34,635)	(26,442)
	<u>₩ 228,673</u>	<u>227,085</u>

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 9. Financial Lease

- (1) Gross investment in financial leases and their present value of minimum leases receipts as of December 31, 2021 and 2020 are summarized as follows:

<i>(In millions of won)</i>		<b>2021</b>	<b>2020</b>
Less than 1 year	₩	870,732	238,415
More than 1 year, less than 5 years		443,643	143,534
More than 5 years		23,897	6,245
<b>Gross investments in financial leases</b>	₩	<b>1,338,272</b>	<b>388,194</b>
Present value of minimum lease payment receivable	₩	1,290,381	381,013

- (2) Unearned interest income of financial leases as of December 31, 2021 and 2020 as follows:

<i>(In millions of won)</i>		<b>2021</b>	<b>2020</b>
Gross investment in financial lease	₩	1,338,272	388,194
Net lease investment(*)		1,294,520	381,013
Unearned interest income	₩	43,752	7,181

(\*) Present value of unguaranteed residual value ₩4,139 million is included as of December 31, 2021.

- (3) Interest income regarding lease receivable for the years ended December 31, 2021 and 2020 are summarized as follows:

<i>(In millions of won)</i>		<b>2021</b>	<b>2020</b>
Interest income	₩	41,442	10,640

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**10. Inventories**

Inventories as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021			2020		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩	598,467	(47,549)	550,918	422,952	(35,201)	387,751
Finished goods		1,214,659	(23,750)	1,190,909	506,206	(15,904)	490,302
Work-in-progress		809,175	(26,961)	782,214	514,392	(31,716)	482,676
Raw materials		1,647,463	(19,562)	1,627,901	786,566	(7,969)	778,597
Materials-in-transit		1,727,246	-	1,727,246	882,573	-	882,573
	₩	<u>5,997,010</u>	<u>(117,822)</u>	<u>5,879,188</u>	<u>3,112,689</u>	<u>(90,790)</u>	<u>3,021,899</u>

Reversal of losses on valuation of inventory amounting to ₩11,959 million was deducted from the cost of sales for the year ended December 31, 2021 and losses on valuation of inventory amounting to ₩7,282 million was added to the cost of sales for the year ended December 31, 2020.

**11. Other Assets**

Other assets as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Advance payments	₩	162,958	-	147,652	-
Allowance for doubtful accounts		(9,409)	-	(10,355)	-
Prepaid expenses		50,837	10,360	32,004	6,567
Plan assets		-	7,756	-	5,053
Emission right		1,792	-	-	-
Right of return product		3,231	-	-	-
Others		46,227	20,189	54,335	222
Accumulated impairment loss		(31,055)	-	(44,507)	-
	₩	<u>224,581</u>	<u>38,305</u>	<u>179,129</u>	<u>11,842</u>

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**12. Investments in Associates**

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

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

Associates	Location	Fiscal year end	Main business	2021		2020	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Korea Shipbuilding & Offshore Engineering Co., Ltd.	Korea	December	Non-financial holding company	30.95	₩ 3,054,860	30.95	₩ 3,391,028
KORAMCO Energy Plus Reit(*1)	Korea	May, November	Real estate investing company	11.49	41,896	11.49	40,729
KORAMCO Ocheon PFV Co., Ltd.(*1,3)	Korea	December	Real estate developing company	13.50	-	13.50	3,936
KORAMCO Banpo PFV Co., Ltd.(*1)	Korea	December	Real estate developing company	13.50	2,772	13.50	3,649
KORAMCO Dongjak PFV Co., Ltd.(*1)	Korea	December	Real estate developing company	13.16	1,123	13.16	1,173
KORAMCO Amsa PFV Co., Ltd.(*1)	Korea	December	Real estate developing company	14.15	799	14.15	857
Potenit Co., Ltd.(*2)	Korea	December	Manufacturing of robot	19.41	-	-	-
Eugene Special Growth Opportunity Securities Investment trust No.1	Korea	December	Investment	33.33	7,501	-	-
					₩ 3,108,951	₩	3,441,372

(\*1) Although ownership is less than 20%, investments are classified as associates because the Group can appoint board of directors.

(\*2) Newly incorporated due to change in scope of consolidation for the year ended December 31, 2021.

(\*3) Classified to non-current assets held for sale as of December 31, 2021(See Note 48).

(2) As of December 31, 2021 and 2020, the fair values of Korea Shipbuilding & Offshore Engineering Co., Ltd. (based on the closing price of Korea Exchange) were ₩2,072,414 million and ₩2,376,923 million, respectively.

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**12. Investments in Associates, Continued**

(3) Condensed financial information of associates as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are summarized as follows:

Associates	2021									
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Revenue	Operating income (loss)	Profit (loss) (*)	Other comprehensive income	Total comprehensive income (loss) (*)
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 14,562,196	12,730,898	11,286,468	3,592,871	12,413,755	15,493,382	(1,384,816)	(1,141,204)	94,266	(1,046,938)
KORAMCO Energy Plus REIT	72,617	910,254	15,705	602,563	364,603	65,380	50,709	30,940	-	30,940
KORAMCO Ocheon PFV Co., Ltd.	88,238	-	4,046	56,284	27,908	2,046	649	(1,156)	-	(1,156)
KORAMCO Banpo PFV Co., Ltd.	84,046	-	512	63,000	20,534	1,840	356	(6,498)	-	(6,498)
KORAMCO Dongjak PFV Co., Ltd.	25,720	-	1,200	15,983	8,537	659	130	(373)	-	(373)
KORAMCO Amsa PFV Co., Ltd.	18,319	-	1,498	11,176	5,645	458	(62)	(409)	-	(409)
Eugene Special Growth Opportunity Securities Investment trust No.1.	22,509	-	6	-	22,503	9	3	3	-	3
	<u>₩ 14,873,645</u>	<u>13,641,152</u>	<u>11,309,435</u>	<u>4,341,877</u>	<u>12,863,485</u>	<u>15,563,774</u>	<u>(1,333,031)</u>	<u>(1,118,697)</u>	<u>94,266</u>	<u>(1,024,431)</u>

(\*) For the year ended December 31, 2021 net loss and total comprehensive loss attributable to owners of the Parent Company were ₩929,319 million and ₩829,492 million.

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**12. Investments in Associates, Continued**

(3) Condensed financial information of associates as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

(In millions of won)

Associates	2020									
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Revenue	Operating income (loss)	Profit (loss)(*)	Other comprehensive income	Total comprehensive income (*)
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 13,001,432	12,242,759	9,511,529	3,311,437	12,421,225	14,903,658	74,367	(835,178)	281,860	(553,318)
KORAMCO Energy Plus REIT	25,094	1,015,535	10,166	676,022	354,441	28,554	22,469	8,921	-	8,921
KORAMCO Ocheon PFV Co., Ltd.	87,988	-	2,495	56,334	29,159	2,303	1,128	105	-	105
KORAMCO Banpo PFV Co., Ltd.	83,129	-	1,816	54,280	27,033	1,636	910	(84)	-	(84)
KORAMCO Dongjak PFV Co., Ltd.	25,639	-	704	16,024	8,911	378	42	(254)	-	(254)
KORAMCO Amsa PFV Co., Ltd.	17,848	-	574	11,220	6,054	307	(12)	(215)	-	(215)
	₩ 13,241,130	13,258,294	9,527,284	4,125,317	12,846,823	14,936,836	98,904	(826,705)	281,860	(544,845)

(\*) For the year ended December 31, 2020 net loss and total comprehensive loss attributable to owners of the Parent Company were ₩833,787 million and ₩577,737 million.

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**12. Investments in Associates, Continued**

(4) Changes in equity-method accounted investees for the years ended December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	2021						
	Beginning balance	Acquisition	Equity Income (Losses) on Investments	Changes in equity of equity method investments	Dividend	Replacement to assets held for sale	Ending balance
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 3,391,028	-	(298,863)	(37,305)	-	-	3,054,860
KORAMCO Energy Plus REIT	40,729	-	3,555	-	(2,388)	-	41,896
KORAMCO Ocheon PFV Co., Ltd.	3,936	-	(155)	-	(13)	(3,768)	-
KORAMCO Banpo PFV Co., Ltd.	3,649	-	(877)	-	-	-	2,772
KORAMCO Dongjak PFV Co., Ltd.	1,173	-	(50)	-	-	-	1,123
KORAMCO Amsa PFV Co., Ltd.	857	-	(58)	-	-	-	799
Eugene Special Growth Opportunity Securities Investment trust No.1.	-	7,500	1	-	-	-	7,501
	₩ 3,441,372	7,500	(296,447)	(37,305)	(2,401)	(3,768)	3,108,951

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

**12. Investments in Associates, Continued**

(4) Changes in equity-method accounted investees for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

	2020				
	Beginning balance	Acquisition	Equity Income (Losses) on Investments	Changes in equity of equity method investments	Ending balance
<b>Associates</b>					
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 3,669,040	-	(269,309)	(8,703)	-
KORAMCO Energy Plus REIT	-	40,000	1,154	(20)	(405)
KORAMCO Ocheon PFV Co., Ltd.	-	4,050	14	(128)	-
KORAMCO Banpo PFV Co., Ltd.	-	3,780	(11)	(120)	-
KORAMCO Dongjak PFV Co., Ltd.	-	1,250	(33)	(44)	-
KORAMCO Amsa PFV Co., Ltd.	-	920	(30)	(33)	857
	₩ 3,669,040	50,000	(268,215)	(9,048)	(405)
					3,391,028
					40,729
					3,936
					3,649
					1,173
					857
					3,441,372

(\*) The effect of decrease in ownership was recognized in profit or loss.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 12. Investments in Associates, Continued

- (5) Reconciliation from net assets of the associates to the carrying amount of investments in associates in the Group's consolidated financial statements as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won, except percentage of ownership)

Associates	2021				
	Ending net assets	Group's ownership(*1)	Group's share of net assets(*2)	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 12,413,755	30.95%	3,053,525	1,335	3,054,860
KORAMCO Energy Plus REIT	364,603	11.49%	41,896	-	41,896
KORAMCO Ocheon PFV Co., Ltd.(*3)	27,908	13.50%	3,768	-	-
KORAMCO Banpo PFV Co., Ltd.	20,534	13.50%	2,772	-	2,772
KORAMCO Dongjak PFV Co., Ltd.	8,537	13.16%	1,123	-	1,123
KORAMCO Amsa PFV Co., Ltd.	5,645	14.15%	799	-	799
Eugene Special Growth Opportunity Securities Investment trust No.1	22,503	33.33%	7,501	-	7,501
	₩ <u>12,863,485</u>		<u>3,111,384</u>	<u>1,335</u>	<u>3,108,951</u>

(\*1) As of December 31, 2021, the ownerships adjusted for the treasury shares are 30.98%.

(\*2) As of December 31, 2021, the Group's share of net assets of associates is the value after considering the difference between net asset amount and non-controlling interests.

(\*3) As of December 31, 2021, classified as non-current assets held for sale (See Note 48).

(In millions of won, except percentage of ownership)

Associates	2020				
	Ending net assets	Group's ownership(*1)	Group's share of net assets (*2)	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 12,421,225	30.95%	3,378,729	12,299	3,391,028
KORAMCO Energy Plus REIT	354,441	11.49%	40,729	-	40,729
KORAMCO Ocheon PFV Co., Ltd.	29,159	13.50%	3,936	-	3,936
KORAMCO Banpo PFV Co., Ltd.	27,033	13.50%	3,649	-	3,649
KORAMCO Dongjak PFV Co., Ltd.	8,911	13.16%	1,173	-	1,173
KORAMCO Amsa PFV Co., Ltd.	6,054	14.15%	857	-	857
	₩ <u>12,846,823</u>		<u>3,429,073</u>	<u>12,299</u>	<u>3,441,372</u>

(\*1) As of December 31, 2020, the ownerships adjusted for the treasury shares are 30.98%.

(\*2) As of December 31, 2020, the Group's share of net assets of associates is the value after considering the difference between net asset amount and non-controlling interests.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

**12. Investments in Associates, Continued**

(6) Impairment test

For the year ended December 31, 2021, the impairment test on Korea Shipbuilding & Offshore Engineering Co., Ltd. was performed due to the indication of impairment found. The recoverable amount is estimated based on present value of future cash flow (value in use) and net fair value, using discounted cash flows method. The recoverable amount of investments in associates was based on the CGU of subsidiaries of Korea Shipbuilding & Offshore Engineering Co., Ltd. The value in use of CGU is affected by key assumptions such as discount rate and permanent growth rate used in the discount cash flow methods.

Assumptions used in the estimate of the recoverable amount are as follows:

	<u>Korea Shipbuilding &amp; Offshore Engineering Co., Ltd.</u>
Discount rate	8.77% ~ 12.17%
Period covered by cash flow forecast	5 years
Permanent growth rate	1.0%

The value in use was calculated by the following key assumptions.

- (i) Cash flow estimates of each subsidiary is based on historical experience, 5-year business plan considering material operation consequence and external forecast data. Cash flow estimates after the forecast period are based on permanent growth.
- (ii) The weighted average of equity and debt and estimated by applying cost of equity using risk-free interest rate reflecting the credit quality of country at the assessment date and the beta of the company in the same industry and corporate bond rate considering the credit quality of the company.

As of December 31, 2021, the Group evaluated impairment loss of the associate investment, so that no impairment loss was recognized as the book value of associate investments didn't exceed the recoverable amount.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2021 and 2020**

### 13. Investments in Joint Ventures

(1) Investments in joint ventures as of December 31, 2021 and 2020 are summarized as follows:

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

Joint ventures	Location	Fiscal year end	Business	2021		2020	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	December	Manufacturing of petrochemicals	50.00	₩ 201,392	50.00	₩ 233,811
Asan Kakao Medical Data Co., Ltd.(*1)	Korea	December	Development and supply of application software	45.00	3,864	45.00	4,062
Haining Hagong Hyundai Robotics. Co., Ltd.(*2)	China	December	Sale of robot and service	30.00	5,791	30.00	6,189
Doosan Infracore Liaoning Machinery Sales Co., LTD.(*3,4)	China	December	Sale of Excavators	43.00	394	-	-
Tianjin Lovol Doosan Engine Co., LTD.(*3)	China	December	Manufacture and sale of Engine	50.00	-	-	-
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1(*4)	Korea	December	Investment of new technology business	29.85	1,967	-	-
					₩ 213,408		₩ 244,062

(\*1) The Group owns less than half of voting rights, however, the right of decision-making in certain area to be exercised jointly by the Group and Kakao Investment Co., Ltd., a party to the joint venture is material for operating the joint venture. Accordingly, the investment has been classified into a joint venture.

(\*2) The Group owns less than half of voting rights, however, the right of decision-making in certain area to be exercised jointly by the Group and Hagong-zuk, a party to the joint venture is material for operating the joint venture. Accordingly, the investment has been classified into a joint venture.

(\*3) The Group newly incorporated due to changes in the scope of consolidation for the year ended December 31, 2021.

(\*4) The Group owns less than half of voting rights, however, the right of decision-making in certain area to be exercised jointly by the Group and a party to the joint venture is material for operating the joint venture. Accordingly, the investment has been classified into a joint venture.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**13. Investments in Joint Ventures, Continued**

(2) Condensed financial information of joint ventures as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are summarized as follows:

1) Summary financial information

(In millions of won)

2021

Joint ventures	Condensed financial information of joint ventures									
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Revenue	Operating loss	loss	Other comprehensive income	Total comprehensive loss
Hyundai Cosmo										
Petrochemical Co., Ltd.	₩ 199,500	910,739	267,446	265,745	577,048	2,482,505	(75,624)	(64,609)	23	(64,586)
AsanKakao Medical Data Co., Ltd.	8,589	2	6	-	8,585	102	(510)	(462)	-	(462)
Haining Hegong Hyundai Robotics. Co., Ltd.	22,132	3,735	5,688	133	20,046	13,209	(6,761)	(3,990)	-	(3,990)
Doosan Infracore Liaoning Machinery Sales Co., Ltd.	1,998	66	992	-	1,072	3,372	(114)	(117)	-	(117)
Tianjin Lovol Doosan Engine Co., Ltd.	13,402	35,446	7,386	695	40,767	3,578	(3,456)	(3,365)	-	(3,365)
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	6,590	-	-	-	6,590	-	(114)	(110)	-	(110)
	₩ 252,211	949,988	281,518	266,573	654,108	2,502,766	(86,579)	(72,653)	23	(72,630)

**HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

(2) Condensed financial information of joint ventures as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

1) Summary financial information, continued

(In millions of won)

	2020										
	Condensed financial information of joint ventures										
	Joint ventures	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Revenue	Operating loss	Other comprehensive income	Total comprehensive loss	Dividends received
Hyundai Cosmo											
Petrochemical Co., Ltd.	₩ 173,893	933,023	200,044	265,239	641,633	1,501,599	(83,329)	(67,373)	3,147	(64,226)	(5,000)
AsanKakao Medical Data Co., Ltd.	8,998	33	5	-	9,026	32	(859)	(724)	-	(724)	-
Haining Hagong Hyundai Robotics . Co., Ltd.	20,810	1,998	913	83	21,812	4,512	(3,674)	(2,194)	-	(2,194)	-
	₩ 203,701	935,054	200,962	265,322	672,471	1,506,143	(87,862)	(70,291)	3,147	(67,144)	(5,000)

**HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**13. Investments in Joint Ventures, Continued**

(2) Condensed financial information of joint ventures as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

2) Additional financial information

	2021						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation	Interest income	Interest expenses	Income tax benefit
<b>Joint ventures</b>							
<i>(In millions of won)</i>							
Hyundai Cosmo Petrochemical Co., Ltd.	₩ 1,471	57,779	256,043	55,039	209	8,534	(21,107)
AsanKakao Medical Data Co., Ltd.	333	-	-	1	48	-	-
Haining Hagong Hyundai Robotics. Co., Ltd.	1,850	-	-	102	5	37	-
Doosan Infracore Liaoning Machinery Sales Co., Ltd.	194	559	-	14	-	12	-
Tianjin Lovol Doosan Engine Co., Ltd.	7,686	-	-	1,318	67	-	-
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	6,590	-	-	-	4	-	-
	₩ 18,124	58,338	256,043	56,474	333	8,583	(21,107)
<i>(In millions of won)</i>							
<b>Joint ventures</b>							
<i>(In millions of won)</i>							
Hyundai Cosmo Petrochemical Co., Ltd.	₩ 6,669	43,049	254,204	58,114	582	6,064	(23,451)
AsanKakao Medical Data Co., Ltd.	5	-	-	1	135	-	-
Haining Hagong Hyundai Robotics. Co., Ltd.	4,360	-	-	82	29	2	(874)
	₩ 11,034	43,049	254,204	58,197	746	6,066	(24,325)

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

**13. Investments in Joint Ventures, Continued**

(3) Changes in equity-method accounted joint ventures for the years ended December 31, 2021 and 2020 are summarized as follows:

Joint ventures	2021						
	Beginning balance	Change in scope of consolidation	Acquisition	Share of profit (loss) of equity accounted investees	Impairment	Changes in equity of equity accounted investees	Ending balance
Hyundai Cosmo Petrochemical Co., Ltd.	₩ 233,811	-	-	(32,430)	-	11	201,392
AsanKakao Medical Data Co., Ltd.	4,062	-	-	(208)	-	10	3,864
Haining Hagong Hyundai Robotics Co., Ltd.	6,189	-	-	(1,094)	-	696	5,791
Doosan Infracore Liaoning Machinery Sales Co., Ltd.	-	322	-	55	-	17	394
Tianjin Lovol Doosan Engine Co., Ltd.	-	15,480	3,604	(1,605)	(18,471)	992	-
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	-	-	2,000	(33)	-	-	1,967
	₩ 244,062	15,802	5,604	(35,315)	(18,471)	1,726	213,408

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

**13. Investments in Joint Ventures, Continued**

(3) Changes in equity-method accounted joint ventures for the years ended December 31, 2021 and 2020 are summarized as follows, continued:

Joint ventures	Beginning balance	Acquisition	Share of profit (loss) of equity accounted investees	2020			Ending balance
				Changes in equity of equity accounted investees	Dividend	Others	
Hyundai Cosmo Petrochemical Co., Ltd.	₩ 270,482	-	(33,245)	1,574	(5,000)	-	233,811
Hyundai and Shell Base Oil Co., Ltd. (*)	145,448	-	33,322	-	-	(178,770)	-
AsanKakao Medical Data Co., Ltd. Haining Hagong Hyundai Robotics. Co., Ltd.	4,376	-	(326)	12	-	-	4,062
	4,254	2,579	(616)	(28)	-	-	6,189
	₩ 424,560	2,579	(865)	1,558	(5,000)	(178,770)	244,062

(\*) Hyundai and Shell Base Oil Co., Ltd. has been changed from a joint ventures to a subsidiary due to the change in certain decisions in accordance with shareholders agreement for the year ended December 31, 2020.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

**13. Investments in Joint Ventures, Continued**

(4) Reconciliation from net assets to the carrying amount of investments in joint ventures in the Group's consolidated financial statements as of December 31, 2021 and 2020 are summarized as follows:

	2021				
	Ending net assets	Group's ownership	Group's share of net asset	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
₩	577,048	50.00%	288,524	(87,132)	201,392
Hyundai Cosmo Petrochemical Co., Ltd.	8,585	45.00%	3,863	1	3,864
AsanKakao Medical Data Co., Ltd.	20,046	30.00%	6,014	(223)	5,791
Haining Hagong Hyundai Robotics Co., Ltd.	1,072	43.00%	461	(67)	394
Doosan Infracore Liaoning Machinery Sales Co., Ltd.	40,767	50.00%	20,384	(20,384)	-
Tianjin Lovol Doosan Engine Co., Ltd.					
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd	6,590	29.85%	1,967	-	1,967
Growth Opportunity Securities Investment joint No.1	654,108		321,213	(107,805)	213,408
₩					
			<b>2021</b>	<b>Elimination of inter-segment transactions and unrealized profits and losses</b>	<b>Ending carrying amount</b>
₩	641,633	50.00%	320,817	(87,006)	233,811
Hyundai Cosmo Petrochemical Co., Ltd.	9,026	45.00%	4,062	-	4,062
AsanKakao Medical Data Co., Ltd.	21,812	30.00%	6,544	(355)	6,189
Haining Hagong Hyundai Robotics Co., Ltd.	672,471		331,423	(87,361)	244,062
₩					

(In millions of won, except percentage of ownership)

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

**14. Investment Property**

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

*(In millions of won)*

		2021		
		Land	Building	Total
Beginning balance	₩	9,820	-	9,820
Disposals		(9,820)	-	(9,820)
Depreciation / Impairment loss		(734)	(1,020)	(1,754)
Effect of movements in exchange rates		(16)	-	(16)
Effects of changes in scope of consolidation		8,924	3,030	11,954
Ending balance	₩	8,174	2,010	10,184
Acquisition costs	₩	25,752	4,542	30,294
Accumulated depreciation / impairment loss		(17,578)	(2,532)	(20,110)

*(In millions of won)*

		2020	
		Land	
Beginning balance	₩		9,820
Disposals			-
Ending balance	₩		9,820
Acquisition costs	₩		9,820

(2) Income (expense) from investment property for the years ended December 31, 2021 and 2020 are as follows:

*(In millions of won)*

		2021	2020
Rental income	₩	567	6
Maintenance expense – income-generating property		(528)	-
Maintenance expense – vacant property		(11)	(201)

(3) Fair value of investment property as of December 31, 2021 and 2020 are as follows:

		2021	2020
Land	₩	8,994	10,774

The fair value of investment property as of November 1, 2021, the date of transition to K-IFRS, was determined by the independent appraisers, having appropriate professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea. The appraisal is measured by using comparison methods to obtain the economic value based on marketability of the property.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

**15. Property, Plant and Equipment**

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

(In millions of won)

	2021						
	Land(*)	Buildings(*)	Structures	Machinery	Construction in-progress	Others	Total
Beginning balance	₩ 2,209,160	722,879	1,227,156	3,975,343	2,104,313	440,753	10,679,604
Acquisitions / Classification	6,590	28,059	219,774	220,695	1,712,898	103,738	2,291,754
Disposals	(44,904)	(3,934)	(1,895)	(3,765)	(813)	(1,758)	(57,069)
Depreciation / Impairment loss	(1,267)	(32,508)	(46,905)	(310,166)	(24)	(161,415)	(552,285)
Effect of movements in exchange rates	(1,213)	13,608	987	7,464	(894)	4,955	24,907
Effects of changes in scope of consolidation	579,507	215,430	(18,294)	206,829	13,755	86,283	1,083,510
Ending balance	₩ 2,747,873	943,534	1,380,823	4,096,400	3,829,235	472,556	13,470,421
Acquisition cost	₩ 2,749,255	1,524,232	2,124,855	7,469,102	3,830,485	1,774,136	19,472,065
Government grants	(1,382)	(6,444)	(2,884)	(4,881)	-	(306)	(15,897)
Accumulated depreciation/ impairment loss	-	(574,254)	(741,148)	(3,367,821)	(1,250)	(1,301,274)	(5,985,747)

(\*)Includes land and buildings that are continued to be recognized as assets of the Group as the assets do not meet the conditions for sale, although the assets were transferred from sale-leaseback.

As December 31, 2021, construction-in-progress are related to investment in petrochemical product facilities and others.

(In millions of won)

	2020						
	Land	Buildings	Structures	Machinery	Construction in-progress	Others	Total
Beginning balance	₩ 1,832,524	704,152	1,147,955	3,553,488	828,886	341,879	8,408,884
Acquisitions / Classification	370,496	49,362	86,332	516,732	1,275,678	216,657	2,515,257
Disposals	(5,599)	(6,722)	(180)	(3,987)	(23)	(13,480)	(29,991)
Depreciation / Impairment loss	-	(27,678)	(45,541)	(262,231)	-	(141,756)	(477,206)
Effect of movements in exchange rates	56	(6,651)	(5)	(2,378)	(263)	(2,295)	(11,536)
Effects of changes in scope of consolidation	11,683	10,416	38,595	173,719	35	39,748	274,196
Ending balance	₩ 2,209,160	722,879	1,227,156	3,975,343	2,104,313	440,753	10,679,604
Acquisition cost	₩ 2,210,471	1,056,977	1,887,867	6,506,299	2,105,545	1,281,498	15,048,657
Government grants	(1,311)	(2,572)	(3,034)	(5,673)	-	(269)	(12,859)
Accumulated depreciation/ impairment loss	-	(331,526)	(657,677)	(2,525,283)	(1,232)	(840,476)	(4,356,194)

As December 31, 2020, construction-in-progress are related to investment in petrochemical product facilities and others.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 15. Property, Plant and Equipment, Continued

#### (2) Revaluation of Land

As of December 31, 2021, the Group was applying the revaluation model on land. The revaluation amount was determined by the independent appraisers, having professional qualifications. The appraisal procedures included calculating the revaluation amount based on the publicly assessed land price and studying whether the amount is reasonable comparing with prices used in the recent arm's length transaction.

Carrying amounts of land under the revaluation model and the cost model as of December 31, 2021 were as follows:

<i>(In millions of won)</i>		2021	
		Revaluation model	Cost model
Land	₩	2,727,731	1,687,422

#### (3) Measurement of fair value

##### (i) Fair value hierarchy

The fair value in measuring the land was classified as fair value based on input variables used by valuation techniques.

##### (ii) The valuation method and input variables which were used for measuring fair value of land are as follows:

Valuation method	Significant but unobservable input variables	Correlation between the main unobservable variable and fair value
Publicly assessed land price method	Time adjustment (Rate of changes in land value)	If flexibility of land value increases (decreases), then fair value increases (decreases).
	Regional contribution	If regional contribution increases (decreases), then fair value increases (decreases).
	Individual contribution	If the adjusted value of terms of residential lot and others increases (decreases), then fair value increases (decreases).
	Other contributions	If the adjusted value of the level of land value and others increases (decreases), then fair value increases (decreases).

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 16. Right-of-Use Assets

(1) Changes in right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	2021						
	Land	Buildings	Structures	Machinery	Ships	Others	Total
Beginning balance	₩ 151,820	53,542	24,546	215	612,456	552,213	1,394,792
Additions	603	14,049	88,763	1,064	133,248	60,990	298,717
Depreciation	(5,455)	(32,373)	(18,655)	(316)	(139,771)	(61,600)	(258,170)
End/Transfer	2,379	(29,989)	88,440	(33)	53,787	(161,030)	(46,446)
Effect of changes in scope of consolidation	12,353	49,933	-	-	-	3,984	66,270
Effect of movements in exchange rates	1,664	970	187	44	-	7	2,872
Ending balance	₩ 163,364	56,132	183,281	974	659,720	394,564	1,458,035
Acquisition cost	₩ 174,663	141,028	218,494	1,339	985,195	498,806	2,019,525
Accumulated depreciation	(11,239)	(83,472)	(35,213)	(365)	(325,475)	(103,935)	(559,699)
Accumulated impairment loss	(60)	(1,424)	-	-	-	(307)	(1,791)

(In millions of won)

	2020						
	Land	Buildings	Structures	Machinery	Ships	Others	Total
Beginning balance	₩ 137,028	52,027	29,625	262	256,041	94,236	569,219
Additions	839	26,488	4,238	294	869,818	533,897	1,435,574
Depreciation	(4,503)	(26,770)	(22,268)	(165)	(119,808)	(45,983)	(219,497)
End/Transfer	15,047	1,499	11,817	(250)	(393,596)	(30,001)	(395,484)
Effect of changes in scope of consolidation	3,459	250	965	79	-	56	4,809
Effect of movements in exchange rates	(50)	48	169	(5)	1	8	171
Ending balance	₩ 151,820	53,542	24,546	215	612,456	552,213	1,394,792
Acquisition cost	₩ 157,694	99,924	62,490	257	803,586	609,098	1,733,049
Accumulated depreciation	(5,814)	(44,958)	(37,944)	(42)	(191,130)	(56,578)	(336,466)
Accumulated impairment loss	(60)	(1,424)	-	-	-	(307)	(1,791)

(2) The Group used incremental borrowing rate of interest to measure lease liability. Applied incremental borrowing rate is 1.04% ~ 11.45%.

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**16. Right-of-Use Assets, Continued**

(3) Gain and loss regarding lease for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
Depreciation		
Land	₩ 5,455	4,503
Building	32,373	26,770
Structure	18,655	22,268
Machinery	316	165
Ship	139,771	119,808
Other asset	61,600	45,983
	<u>₩ 258,170</u>	<u>219,497</u>
Interest expense	₩ 37,769	43,400
Short-term lease payments(*)	16,453	16,412
Payments for leases of low-value assets not short-term lease(*)	2,009	1,210
Variable lease payments not included in the measurement of the lease liabilities(*)	54,380	32,477
	<u>₩ 110,611</u>	<u>93,499</u>
	<u>₩ 368,781</u>	<u>312,996</u>

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

The total cash outflow related to leases for the year ended December 31, 2021 is amounting to ₩366,016 million.

(4) Details of the timing of the cash outflow of the lease liabilities under contract as of December 31, 2021 is as follows:

(In millions of won)

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Less than 6 months</u>	<u>6~12 months</u>	<u>1~3 years</u>	<u>Over 3 years</u>
Lease Liabilities	₩ 1,515,627	1,819,874	161,197	143,318	451,779	1,063,580

(5) The Group has a sub-lease in relation to the operation of gas station and the revenue from the sub-lease amounts to ₩9,344 million.

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17. Intangible Assets

(1) Details of goodwill as of December 31, 2021 and 2020 are as follows:

(In millions of won)

		<u>2021</u>	<u>2020</u>
Hyundai Oilbank Co., Ltd.	₩	1,087,419	1,087,419
Hyundai Doosan Infracore Co., Ltd.		309,252	-
Hyundai Electric & Energy Systems Co., Ltd.		95,835	95,835
HHI China Investment Co., Ltd.		26,615	26,615
Hyundai Construction Equipment India Private Ltd.		20,396	20,396
Hyundai and Shell Base Oil Co., Ltd.		66,311	66,311
Medi Plus Solution Co., Ltd.		11,284	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment		7,455	-
Others		10,833	10,541
	₩	<u>1,635,400</u>	<u>1,307,117</u>

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

(In millions of won)

		<u>2021</u>						
		<u>Goodwill</u>	<u>Customer relationships</u>	<u>Brands</u>	<u>Technologies</u>	<u>Development costs</u>	<u>Others</u>	<u>Total</u>
Beginning balance	₩	1,307,117	146,185	192,220	58,573	88,453	216,166	2,008,714
Acquisitions /								
Reclassification		-	-	-	-	30,329	16,691	47,020
Amortization / Impairment								
loss(*)		-	(20,440)	-	(31,036)	(32,068)	(29,030)	(112,574)
Disposals		-	-	-	-	(882)	(503)	(1,385)
Effect of movements in								
exchange rates		2,715	-	-	-	436	1,168	4,319
Effects of changes in								
scope of consolidation		325,568	389,806	-	349,017	704	53,108	1,118,203
Ending balance	₩	<u>1,635,400</u>	<u>515,551</u>	<u>192,220</u>	<u>376,554</u>	<u>86,972</u>	<u>257,600</u>	<u>3,064,297</u>
Acquisition cost	₩	1,712,421	801,947	192,220	643,017	230,398	450,920	4,030,923
Accumulated								
amortization/ impairment								
loss		(77,021)	(286,396)	-	(266,463)	(143,426)	(193,320)	(966,626)

(\*) The Group recognized impairment losses of ₩18,810 million for development costs and others that are unlikely to generate future economic benefits for the year ended December 31, 2021.

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### 17. Intangible Assets, Continued

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

(In millions of won)

	2020						
	Goodwill	Customer relationships	Brands	Technologies	Development costs	Others	Total
Beginning balance	₩ 1,315,031	206,981	192,220	122,630	87,922	227,145	2,151,929
Acquisitions /							
Reclassification	3,533	-	-	-	41,636	8,290	53,459
Disposals	-	-	-	-	(5,274)	(83)	(5,357)
Amortization / Impairment							
loss(*)	(77,021)	(111,889)	-	(64,057)	(35,841)	(19,199)	(308,007)
Effect of movements in							
exchange rates	-	-	-	-	(44)	(17)	(61)
Effects of changes in							
scope of consolidation	65,574	51,093	-	-	54	30	116,751
Ending balance	₩ 1,307,117	146,185	192,220	58,573	88,453	216,166	2,008,714
Acquisition cost	₩ 1,384,138	412,141	192,220	294,000	227,965	356,826	2,867,290
Accumulated							
amortization/ impairment							
loss	(77,021)	(265,956)	-	(235,427)	(139,512)	(140,660)	(858,576)

(\*) The Group recognized impairment losses of ₩226,305 million for development costs and others that are unlikely to generate future economic benefits for the year ended December 31, 2020.

The carrying amount of intangible assets with indefinite useful lives are ₩217,936 million and ₩208,067 million, respectively, as of December 31, 2021 and 2020.

(3) Details of major project in development costs for the year ended December 31, 2021 is as follows:

(In millions of won)

Description	Project	2021	
		Carrying amount	Residual Amortization period
Development costs	Engine(construction equipment) development etc.	₩ 1,035	Development in progress
	Stage5 construction equipment development project etc.	3,837	0.25~4.83 years
	21-ton slewing motor ASS`Y development (next-generation), etc.	2,655	Development in progress
	Eco-friendly construction equipment, etc.	16,787	0.10~5.00 years
	Small construction equipment, etc.	17,043	Development in progress
	KEPSCO 170kV 50kA GIS development	2,222	2.8 years
	Development of robot for built-in application ships, etc.	7,992	0.5~4.9 years
	Hi6 Controller commercialization development, etc.	13,503	Development in progress

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**17. Intangible Assets, Continued**

(4) Recognition of impairment losses

The Group tests goodwill for impairment annually by comparing the recoverable amount of CGU with its carrying amount.

1) Oil Refinery sector : Hyundai Oilbank Co., Ltd.

The recoverable amount of investments in subsidiaries as of December 31, 2021, was measured based on the calculation of the value in use. The value in use is measured by applying discount rate to future cash flow to be derived from continuing use of the asset. The recoverable amount of investments in subsidiaries is measured by the calculation of the value in use, and the value in use is calculated by estimating future cash flow based on 5-year business plan approved by the segment management.

Assumptions used in calculating the value in use as of December 31, 2021, are as follows:

	<b>Hyundai Oilbank Co., Ltd.</b>
Discount rate	8.70%
Period covered by cash flow forecast	5 years
Permanent growth rate	1.0%

The value in use as of December 31, 2021, was calculated by the following key assumptions.

- (i) Discount rate is the weighted average of equity and debt and estimated by applying cost of equity using risk-free interest rate reflecting the credit quality of country at the assessment date and the beta of the company in the same industry and corporate bond rate considering the credit quality of the segment.
- (ii) Future cash flow is estimated based on experience, oil price estimate of external appraisers, material operational consequence and business plan, and reflected inflation rate and investment plan.

As of December 31, 2021, the Group evaluated impairment loss of the goodwill, so that no impairment loss was recognized as the book value of CGU didn't exceed the recoverable amount.

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**17. Intangible Assets, Continued**

(4) Recognition of impairment losses, continued

2) Electric and electronic sector : Hyundai Electric & Energy Systems Co., Ltd.

The recoverable amount of investments in subsidiaries as of December 31, 2021, was measured based on the calculation of the value in use. The value in use is measured by applying discount rate to future cash flow to be derived from continuing use of the asset. The recoverable amount of investments in subsidiaries is measured by the calculation of the value in use, and the value in use is calculated by estimating future cash flow based on 5-year business plan approved by the segment management.

Assumptions used in calculating the value in use as of December 31, 2021, are as follows:

	<u>Hyundai Electric &amp; Energy Systems Co., Ltd.</u>
Discount rate	12.03%
Period covered by cash flow forecast	5 years
Permanent growth rate	1.0%

The value in use as of December 31, 2021, was calculated by the following key assumptions.

- (i) Discount rate is the weighted average of equity and debt and estimated by applying cost of equity using risk-free interest rate reflecting the credit quality of country at the assessment date and the beta of the company in the same industry and weighted average borrowing rate of the segment.
- (ii) Future cash flow is estimated based on experience, material operational consequence and business plan, and reflected inflation rate and investment plan.

As of December 31, 2021, the Group evaluated impairment loss of the goodwill, so that no impairment loss was recognized as the book value of CGU didn't exceed the recoverable amount.

3) Construction Equipment sector : Hyundai Construction Equipment Co., Ltd.

The recoverable amount of investments in subsidiaries as of December 31, 2021, was measured based on the calculation of the value in use. The value in use is measured by applying discount rate to future cash flow to be derived from continuing use of the asset. The recoverable amount of investments in subsidiaries is measured by the calculation of the value in use, and the value in use is calculated by estimating future cash flow based on 5-year business plan approved by the segment management.

Assumptions used in calculating the value in use as of December 31, 2021, are as follows:

	<u>Hyundai Construction Equipment Co., Ltd</u>
Discount rate	11.20%
Period covered by cash flow forecast	5 years
Permanent growth rate	1.0%

The value in use as of December 31, 2021, was calculated by the following key assumptions.

- (i) Discount rate is the weighted average of equity and debt and estimated by applying cost of equity using risk-free interest rate reflecting the credit quality of country at the assessment date and the beta of the company in the same industry and corporate bond rate considering the credit quality of the segment.
- (ii) Future cash flow is estimated based on experience, forecast of external research institution, material operational consequence and business plan, and reflected inflation.

As of December 31, 2021, the Group evaluated impairment loss of the goodwill, so that no impairment loss was recognized as the book value of CGU didn't exceed the recoverable amount.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 18. Greenhouse Gas Emission Rights and Emission Liabilities

- (1) The estimate of the number of free allocation allowances for emission rights each implementation year for the 3<sup>rd</sup> planning period(2021~2025) as of December 31, 2021 is as follows:

(In thousand tCO<sub>2</sub>-eq)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
Emission allowances allocated free of charge	7,229	7,150	7,150	7,096	7,096	35,721

- (2) Changes in the amount of emission right for the years ended December 31, 2021 and 2020, are as follows:

(In thousand tCO<sub>2</sub>-eq)

	<u>2021</u>	<u>2020</u>
Beginning balance and free of charge(*1)	7,229	4,919
Carry-over from prior year	62	15
Purchases (Sales)(*2)	33	(51)
Government submission(*2)	(7,299)	(4,821)
Borrowing (Carry-over)(*2)	-	(62)
	<u>25</u>	<u>-</u>

(\*1) Amount after considering additions and cancellations from the initial free allocation.

(\*2) Emission right is estimate as of December 31, 2021 and is subject to change depending on the results of the government`s acceptance.

- (3) The book value of emission allowances allocated free of charge is "0" won.
- (4) As of December 31, 2021, there are no emission allowances provided as guarantees.
- (5) Changes in emission liabilities for the years ended December 31, 2021 and 2020, are as follows:

(In millions of won)

		<u>2021</u>	<u>2020</u>
Beginning balance	₩	1,768	-
Transfer		10,069	1,768
Reversal		(1,596)	-
Offset		(308)	-
Ending balance	₩	<u>9,933</u>	<u>1,768</u>

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19. Pledged Assets

Assets pledged as collateral for the Group's borrowings as of December 31, 2021 is summarized as follows:

(In millions of won and in thousands of foreign currency)

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Secured creditor
Land and others	₩ 127,461	1,168,036	Long-term		Korea Development
Machinery and others	1,213,780			649,792	Bank and others
Property, plant and equipment(*)		2,653,076		1,701,473	Korea Development
		USD 95,025	Long-term	USD 15,000	Bank and others
	4,390,495	DEM 84,000		-	
Inventory and trade receivables					The Export-Import Bank of Korea
	389,769	273,000	Long-term	-	
	USD 111,930	USD 25,447	Long-term	USD 20,000	Wells Fargo & Company
	INR 9,753,242	INR 1,550,000	Short-term	INR 96,588	Shinhan bank
			Short-term	USD 8,495	ICICI Bank
Land and others	INR 1,144,110	USD 15,000	Long-term	USD 6,563	Shinhan Bank
Building	EUR 16,519	EUR 10,925	Long-term	EUR 10,925	BNP Paribas Fortis Bank,
	NOK 259,013	NOK 333,674	Long-term	NOK 11,730	Belgium Innovasjon
			Short-term	NOK 5,837	Norge and 1 company
Grand Ltd. Ship	USD 16,988	USD 11,365	Long-term	USD 10,618	HIHD Co., Ltd.
	₩ 6,121,505	4,094,112		2,351,265	
	USD 128,918	USD 146,837		USD 60,676	
	EUR 16,519	EUR 10,925		EUR 10,925	
	NOK 259,013	NOK 333,674		NOK 17,567	
	-	DEM 84,000		-	
	INR 10,897,352	INR 1,550,000		INR 96,588	

(\*) The Group has investment plans for the establishment of new process and the amounts agreed or to be agreed are ₩372,849 million as of December 31, 2021. The Group has investment plans for the construction of HPC and others (expected investment: ₩3,128,500 million), and the acquired or agreed amount for the acquisition is ₩2,956,200 million. The Group has Erection All Risks (EAR) Insurance in relation to the new HPC project amounting to ₩4,242,000 million, and provides the rights to receive insurance benefits as collaterals to Korea Development bank and other financial institutions (pledged amount: ₩3,138,000 million). In addition, the right to receive insurance benefits from property insurance for property, plant and equipment of Hyundai Doosan Infracore Co., Ltd, a subsidiary, is provided as collaterals to the Korea Development bank.

Meanwhile, Hyundai Construction Equipment Co., Ltd., a subsidiary, provides subordinated bonds (carrying amount: ₩3,000 million) as collaterals to Kodit 2020 the 6th Securitization specialty Co., Ltd. for issuing bonds. Hyundai Doosan Infracore Co., Ltd., a subsidiary, provides subordinated bonds (carrying amount: ₩ 15,255 million) as collaterals to Kodit 2020 the 15<sup>th</sup>, 18<sup>th</sup> Securitization specialty Co., Ltd. for issuing bonds.

In addition, in relation to the ₩250,000 million borrowings of Hyundai Genuine Co.,Ltd, a subsidiary, the entire stock of Hyundai Construction Equipment Co., Ltd and a portion of the stock of Hyundai Doosan Infracore Co., Ltd.(41,924,359 shares) are provided as collateral to KB Securities Co., Ltd(See Note 23).

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

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### 20. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Borrowings	₩	2,782,952	4,455,405	1,573,811	3,474,617
Debentures		1,471,101	4,955,316	674,422	3,809,136
Financial liabilities measured at FVTPL		8	-	406	-
Long-term financial guarantee liabilities		-	3,799	-	-
	₩	<u>4,254,061</u>	<u>9,414,520</u>	<u>2,248,639</u>	<u>7,283,753</u>

### 21. Trade and Other Payables

Trade and other payables as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Trade payables	₩	2,822,795	-	1,614,464	-
Other accounts payable		2,165,579	702,281	1,079,499	175,596
Accrued expense		477,662	9,419	337,614	-
Deposits received		3,775	40,978	4,058	25,731
	₩	<u>5,469,811</u>	<u>752,678</u>	<u>3,035,635</u>	<u>201,327</u>

### 22. Other Liabilities

Other liabilities as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Unearned revenues	₩	7,213	-	22,980	-
Deferred revenues		29,147	-	29,271	-
Others		51,187	2,388	4,409	-
	₩	<u>87,547</u>	<u>2,388</u>	<u>56,660</u>	<u>-</u>

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**23. Borrowings and Debentures**

(1) Short-term borrowings as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual Interest rate (%)	2021	2020
<b>Domestic consolidated subsidiaries:</b>				
General loan	The Korea Development Bank and others	1.99~2.88	₩ 221,000	494,000
General loan in foreign currency	The Korea Development Bank	3M Libor+2.36	17,783	32,640
Commercial paper (CP)	Shinhan Bank	CD3M+0.85	170,000	80,000
Invoice loan	The Industrial and Commercial Bank of China and others	0.34~0.70	298,949	105,928
Usance L/C	Shinhan Bank and others	0.25~0.99	115,774	81,885
Transferred receivables(*)	KEB Hana Bank and others	-	22,687	-
			<u>846,193</u>	<u>794,453</u>
<b>Overseas consolidated subsidiaries:</b>				
Foreign currency loan	Standard Chartered Bank and others	0.99~7.80	978,795	257,368
			<u>1,824,988</u>	<u>1,051,821</u>
<b>Current portion of long-term borrowings</b>			958,254	522,370
<b>Current portion of discount in long-term borrowings</b>			(290)	(380)
			<u>₩ 2,782,952</u>	<u>1,573,811</u>

(\*) As of December 31, 2021, financial liabilities related to transferred trade receivables that do not meet the conditions of financial instrument derecognition, amount to ₩22,687 million, which is collateralized by the Group's trade receivables(See Note 19).

(2) Long-term borrowings as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual Interest rate (%)	2021	2020
<b>Domestic consolidated subsidiaries:</b>				
General loan(*1)	Kookmin Bank and others	1.75~3.75	₩ 2,291,945	1,647,875
Sale-leaseback(*2)	Korea Asset Management Corporation	4.23	30,440	30,440
General fund for equipment	The Korea Development Bank and others	2.13~3.61	2,899,979	1,877,533
Commercial paper (CP)	Shinhan Bank and others	-	-	320,000
			<u>5,222,364</u>	<u>3,875,848</u>
<b>Overseas consolidated subsidiaries:</b>				
Foreign currency loan	Wells Fargo and others	1.66~4.99	211,146	146,490
			<u>5,433,510</u>	<u>4,022,338</u>
<b>Discount in long-term borrowings</b>			(20,141)	(25,731)
<b>Current portion of long-term borrowings</b>			(958,254)	(522,370)
<b>Current portion of discount in long-term borrowings</b>			290	380
			<u>₩ 4,455,405</u>	<u>3,474,617</u>

(\*1) The entire stock of Hyundai Construction Equipment Co., Ltd and a portion of the stock of Hyundai Doosan Infracore Co., Ltd. are provided as collateral to KB Securities Co., Ltd(See Note 19).

(\*2) The asset was transferred by sale-leaseback, but failed to meet the condition for sale, and therefore the transfer price is as borrowings.

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### 23. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Description	Issue	Maturity	Annual interest rate (%)		2021	2020	Guarantee
<b>Hyundai heavy industries holdings Co., Ltd.</b>							
1 <sup>st</sup> -2	2015-03-03	2022-03-03	3.05	₩	70,000	70,000	Debenture
3 <sup>rd</sup> -2	2018-12-06	2021-12-06	-		-	220,000	Debenture
4 <sup>th</sup> -1	2019-04-11	2021-04-09	-		-	40,000	Debenture
4 <sup>th</sup> -2	2019-04-11	2022-04-11	2.70		160,000	160,000	Debenture
5 <sup>th</sup>	2019-06-04	2024-06-04	3.25		150,000	150,000	Debenture
6 <sup>th</sup>	2020-06-24	2023-06-23	3.70		45,000	45,000	Debenture
7 <sup>th</sup>	2020-10-16	2023-10-16	2.81		80,000	80,000	Debenture
8 <sup>th</sup> -1	2021-10-28	2023-10-27	3.19		50,000	-	Debenture
8 <sup>th</sup> -2	2021-10-28	2024-10-28	3.63		170,000	-	Debenture
<b>Hyundai Oilbank Co., Ltd.</b>							
114 <sup>th</sup> -3	2014-11-21	2021-11-21	-		-	60,000	Debenture
115 <sup>th</sup> -3	2015-03-27	2022-03-27	2.53		140,000	140,000	Debenture
116 <sup>th</sup> -1	2017-07-07	2022-07-07	2.58		180,000	180,000	Debenture
116 <sup>th</sup> -2	2017-07-07	2024-07-07	2.85		100,000	100,000	Debenture
117 <sup>th</sup>	2018-01-26	2023-01-26	2.89		150,000	150,000	Debenture
118 <sup>th</sup> -1	2018-08-28	2021-08-28	-		-	70,000	Debenture
118 <sup>th</sup> -2	2018-08-28	2023-08-28	2.44		90,000	90,000	Debenture
118 <sup>th</sup> -3	2018-08-28	2025-08-28	2.63		40,000	40,000	Debenture
119 <sup>th</sup> -1	2019-01-28	2024-01-26	2.14		120,000	120,000	Debenture
119 <sup>th</sup> -2	2019-01-28	2026-01-28	2.41		80,000	80,000	Debenture
120 <sup>th</sup> -1	2019-07-09	2024-07-09	1.66		60,000	60,000	Debenture
120 <sup>th</sup> -2	2019-07-09	2026-07-09	1.81		120,000	120,000	Debenture
120 <sup>th</sup> -3	2019-07-09	2029-07-09	2.14		120,000	120,000	Debenture
121 <sup>th</sup> -1	2019-10-14	2024-10-14	1.68		160,000	160,000	Debenture
121 <sup>th</sup> -2	2019-10-14	2026-10-14	1.88		100,000	100,000	Debenture
121 <sup>th</sup> -3	2019-10-14	2029-10-14	2.11		140,000	140,000	Debenture
122 <sup>nd</sup> -1	2020-02-26	2023-02-26	1.49		80,000	80,000	Debenture
122 <sup>nd</sup> -2	2020-02-26	2025-02-26	1.60		200,000	200,000	Debenture
122 <sup>nd</sup> -3	2020-02-26	2027-02-26	1.83		80,000	80,000	Debenture
122 <sup>nd</sup> -4	2020-02-26	2030-02-26	2.11		140,000	140,000	Debenture
Foreign Currency	2020-05-06	2023-05-08	Libor6M+1.30		118,550	108,800	Debenture
123 <sup>rd</sup> -1	2020-07-06	2023-07-06	1.66		190,000	190,000	Debenture
123 <sup>rd</sup> -2	2020-07-06	2025-07-06	1.88		50,000	50,000	Debenture
123 <sup>rd</sup> -3	2020-07-06	2030-07-06	2.43		60,000	60,000	Debenture
124 <sup>th</sup> -1	2020-10-16	2025-10-16	1.83		70,000	70,000	Debenture
124 <sup>th</sup> -2	2020-10-16	2030-10-16	2.46		30,000	30,000	Debenture
125 <sup>th</sup> -1	2021-01-28	2024-01-28	1.21		90,000	-	Debenture
125 <sup>th</sup> -2	2021-01-28	2026-01-28	1.62		150,000	-	Debenture
125 <sup>th</sup> -3	2021-01-28	2028-01-28	1.91		90,000	-	Debenture
125 <sup>th</sup> -4	2021-01-28	2031-01-28	2.38		70,000	-	Debenture

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**23. Borrowings and Debentures, Continued**

(3) Debentures as of December 31, 2021 and 2020 are summarized as follows, continued:

(In millions of won)

Description	Issue	Maturity	Annual interest rate (%)		2021	2020	Guarantee
<b>Hyundai Chemical Co., Ltd.</b>							
1 <sup>st</sup> -1	2019-08-13	2024-08-13	2.48	₩	130,000	130,000	Debenture
1 <sup>st</sup> -2	2019-08-14	2024-08-13	2.48		20,000	20,000	Debenture
2 <sup>nd</sup> -1	2021-05-26	2024-05-26	1.84		70,000	-	Debenture
2 <sup>rd</sup> -2	2021-05-26	2026-05-26	2.61		130,000	-	Debenture
3 <sup>rd</sup>	2021-07-30	2026-07-30	2.73		100,000	-	Debenture
<b>Hyundai electric &amp; energy system Co., Ltd.</b>							
2 <sup>nd</sup> -2	2018-09-19	2021-09-17	-		-	45,000	Debenture
2 <sup>nd</sup> -3	2018-09-19	2021-09-17	-		-	80,000	Debenture
3 <sup>rd</sup>	2019-03-08	2021-03-08	-		-	20,000	Debenture
4 <sup>th</sup> -1	2020-07-20	2022-07-20	3.80		30,000	30,000	Debenture
4 <sup>th</sup> -2	2020-07-20	2023-07-20	4.00		45,000	45,000	Debenture
5 <sup>th</sup> -1	2020-07-23	2023-07-23	3.56		50,000	50,000	Debenture
6 <sup>th</sup> -1	2020-10-28	2023-10-28	-		-	50,000	Debenture
7 <sup>th</sup>	2021-10-18	2024-10-18	3.34		50,000	-	Debenture
<b>Hyundai construction equipment Co., Ltd.</b>							
2 <sup>nd</sup> -2	2018-06-04	2021-06-04	-		-	100,000	Debenture
3 <sup>th</sup>	2018-08-29	2023-08-29	3.97		30,000	-	Debenture
5 <sup>th</sup>	2019-03-06	2021-03-06	-		-	10,000	Debenture
6 <sup>th</sup> (*6)	2019-07-04	2022-07-04	2.27		100,000	100,000	Debenture
7 <sup>th</sup> -1(*6)	2020-05-28	2022-05-27	3.00		50,000	50,000	Debenture
7 <sup>th</sup> -2(*6)	2020-05-28	2023-05-26	3.20		100,000	100,000	Debenture
8 <sup>th</sup> (*1)	2020-05-28	2023-05-28	2.41		65,000	65,000	Debenture
9 <sup>th</sup> (*1)	2020-06-25	2023-06-25	2.87		35,000	35,000	Debenture
10 <sup>th</sup> (*6)	2021-04-08	2024-04-08	2.34		50,000	-	Debentures
<b>Hyundai Core Motion Co., Ltd.</b>							
3 <sup>rd</sup>	2018-08-29	2023-08-29	-		-	30,000	Debenture
4 <sup>th</sup>	2018-10-16	2021-10-15	-		-	30,000	Debenture
<b>Hyundai Doosan Infracore Co., Ltd.</b>							
Bond with warrant(*2)	2017-08-01	2022-08-01	2.00		99,999	-	Debenture
Private bond	2020-02-13	2022-02-14	4.43		5,000	-	Debenture
Private bond	2020-02-27	2022-02-25	4.39		10,000	-	Debenture
Private bond	2020-06-08	2022-06-08	4.51		21,600	-	Debenture
Convertible bond(*3)	2020-06-08	2023-06-08	2.87		745	-	Debenture
Private bond	2020-07-10	2022-07-11	4.95		10,000	-	Debenture
Private bond	2020-08-03	2022-08-03	4.47		283,500	-	Debenture
Convertible bond(*4)	2020-08-03	2023-08-03	2.81		9,781	-	Debenture
Private bond	2020-08-10	2022-08-10	4.95		10,000	-	Debenture
Public bond	2020-10-27	2022-10-27	4.90		130,000	-	Debenture
Public bond	2020-12-11	2022-12-09	4.80		150,000	-	Debenture
Public bond	2021-02-03	2023-02-03	4.30		150,000	-	Debenture
Private bond	2021-02-26	2023-02-24	4.10		20,000	-	Debenture
Public bond	2021-03-12	2023-03-10	3.70		176,000	-	Debenture
Private bond	2021-04-23	2023-04-21	3.60		20,000	-	Debenture
Public bond	2021-05-04	2024-05-03	3.30		60,000	-	Debenture
Public bond	2021-07-29	2024-07-29	3.50		80,000	-	Debenture

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**23. Borrowings and Debentures, Continued**

(3) Debentures as of December 31, 2021 and 2020 are summarized as follows, continued:

(In millions of won)

Description	Issue	Maturity	Annual interest rate (%)	2021	2020	Guarantee
<b>Hyundai Genuine Co., Ltd.</b>						
Convertible bond(*5)	2021-08-19	2028-08-19	4.35	₩ 400,000	-	Debenture
				6,435,175	4,493,800	
<b>Discount on bonds</b>				(12,432)	(10,242)	
<b>Redemption premium on bonds</b>				12,559	-	
<b>Adjustment on bonds</b>				(8,885)	-	
<b>Current portion of bonds</b>				(1,460,625)	(675,000)	
<b>Current portion of discount on bonds</b>				1,497	578	
<b>Current portion of redemption premium on bonds</b>				(12,559)	-	
<b>Current portion of adjustment on bonds</b>				586	-	
				₩ 4,955,316	3,809,136	

(\*1) As of December 31, 2021 long-term financial instruments of ₩3,000 million are provided as collaterals of bonds(See Note 19).

(\*2) Detailed terms of bonds with warrant as of December 31, 2021 are as follow:

(In korean won)

Type	Date of issue	Maturity date	Coupon Rate(%)	YTM(%)	Exercisable period	Initial exercise price	Exercise price after adjustments	Issuing price
The 31 <sup>st</sup> Bonds with warrants	2017-08-01	2022-08-01	2.00	4.75	From one month after date of issue to one month before maturity	₩8,030 per share	₩5,660 per share	₩500,000 million

1) Early redemption clause

The early redemption right is exercisable as a whole or in part against the par value of bond with stock warrants at the interest payment date in 3 years after the date of issuance of bonds. Meanwhile, according to the exercise of the early redemption right, ₩393,821 million was repaid on August 3, 2020, and the remaining unclaimed amount will be repaid on the maturity date.

2) Maturity redemption

The coupon rate for the bond is 2.0% and for bonds not converted until maturity, 115.4175% of the principal amount will be paid on August 1, 2022 with a yield to maturity rate of 4.75% compounded quarterly.

3) Calculation of the exercise price

The exercise price will be adjusted when there is an increase in paid-in capital through issuance of shares at a prices lower than the market price, stock dividends, or capitalization of reserves, before exercising the stock warrants or when there is an issuance of stock purchase warrants or debt securities with warrants. The exercise price of stock warrants was adjusted to ₩5,660 from December 16, 2021.

4) Exercise of bonds with warrant

Due to the exertion of stock warrant, as at December 31, 2021, 74.42% of the outstanding balance of 31<sup>st</sup> warrant were exercised and 1.24% of the principal amount of the bonds was paid. The cumulative number of shares issued as a result of the exercise of stock warrants for 31<sup>st</sup> warrants is 17,912,319 shares.

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**23. Borrowings and Debentures, Continued**

(3) Debentures as of December 31, 2021 and 2020 are summarized as follows, continued:

(\*3) Details of change and issuance conditions of convertible bonds as of December 31, 2021, are as follow:

(In korean won)

Type	Date of issue	Maturity date	Coupon Rate(%)	YTM(%)	Exercisable period	Initial exercise price	Exercise price after adjustments	Issuing price
The 65 <sup>th</sup> Private convertible bonds	2020-06-08	2023-06-08	2.87	4.82	From one month after date of issue to one month before maturity	₩6,291 per share	₩5,536 per share	₩745 million

1) Early redemption clause

The early redemption right is exercisable as a whole or in part against the par value of convertible bond on June 8, 2022, at the interest payment date in two years after the date of issuance of bonds.

2) Maturity redemption

106.2537% of the remaining principal amount will be paid on June 8, 2023, at maturity date.

3) Calculation of the exercise price

The exercise price will be adjusted when there is an increase in paid-in capital, issuance of shares without consideration through issuance of shares at a price lower than the market price, stock dividends, or capitalization of reserves, before exercising the stock warrants or convertible bonds. The exercise price of stock warrants was adjusted to ₩5,536 from December 16, 2021.

(\*4) Details of change and issuance conditions of convertible bonds as of December 31, 2021, are as follow:

(In korean won)

Type	Date of issue	Maturity date	Coupon Rate(%)	YTM(%)	Exercisable period	Initial exercise price	Exercise price after adjustments	Issuing price
The 69 <sup>th</sup> Private convertible bonds	2020-08-03	2023-08-03	2.81	4.96	From one month after date of issue to one month before maturity	₩7,421 per share	₩6,530 per share	₩9,781 million

1) Early redemption clause

The early redemption right is exercisable as a whole or in part against the par value of convertible bond on August 3, 2022, at the interest payment date in two years after the date of issuance of bonds.

2) Maturity redemption

106.9085% of the remaining principal amount will be paid on August 3, 2023, at maturity date.

3) Calculation of the exercise price

The exercise price will be adjusted when there is an increase in paid-in capital, issuance of shares without consideration through issuance of shares at a price lower than the market price, stock dividends, or capitalization of reserves, before exercising the stock warrants or convertible bonds. The exercise price of stock warrants was adjusted to ₩6,530 from December 16, 2021.

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**23. Borrowings and Debentures, Continued**

(3) Debentures as of December 31, 2021 and 2020 are summarized as follows, continued:

(\*5) Details of change and issuance conditions of convertible bonds as of December 31, 2021, are as follow:

(In korean won)

Type	Date of issue	Maturity date	Coupon Rate(%)	YTM(%)	Exercisable period	Exercise price	Issuing price
The 1 <sup>st</sup> Private convertible bonds	2021-08-19	2028-08-19	4.35	4.35	From one month after date of issue to one month before maturity	₩498,850 per share	₩400,000 million

1) Early redemption clause

The early redemption right is exercisable as a whole or in part against the par value of convertible bond on five of six years after the date of issuance of bonds. In addition, from the date of one year after the date of issuance of bond to before the maturity date, bonds can be converted into 801,844 convertible preferred stock.

2) Maturity redemption

Principal amount will be paid on August 19, 2028, at maturity date.

3) Calculation of the exercise price

The exercise price will be adjusted when there is an increase in paid-in capital, issuance of shares without consideration through issuance of shares at a price lower than the market price, stock dividends, or capitalization of reserves, before exercising the stock warrants or convertible bonds.

(\*6) According to the agreement, there are restrictions such as maintaining the debt-to-equity ration below 500% and limiting the establishment of collateral rights until the obligation to pay the principal and interest of the bonds is completed(based on consolidated financial statements of Hyundai Construction Equipment Co., Ltd). If the Group violates obligations in the bond management contract performance report, notifies the 'debtor' and 'debt management company' that needs to hold a bondholder's meeting needs to be held, and may lose any gains due to the bondholder's meeting resolution.

(4) Aggregate maturities of the Group's borrowings and debentures as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

Periods		2021		
		Borrowings	Debentures	Total
Less than 1 year	₩	2,783,242	1,460,625	4,243,867
1 ~ 5 years		2,307,947	3,844,550	6,152,497
More than 5 years		2,167,309	1,130,000	3,297,309
	₩	<u>7,258,498</u>	<u>6,435,175</u>	<u>13,693,673</u>

(In millions of won)

Periods		2020		
		Borrowings	Debentures	Total
Less than 1 year	₩	1,574,191	675,000	2,249,191
1 ~ 5 years		2,713,722	2,948,800	5,662,522
More than 5 years		786,246	870,000	1,656,246
	₩	<u>5,074,159</u>	<u>4,493,800</u>	<u>9,567,959</u>

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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**23. Borrowings and Debentures, Continued**

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

(In millions of won)

		<b>2021</b>		
		<b>Borrowings</b>	<b>Debentures</b>	<b>Total</b>
Beginning balance		₩ 5,048,428	4,483,558	9,531,986
Cash flows from financing activities	Borrowing			
		12,571,419	1,421,952	13,993,371
	Repayment	(11,373,301)	(901,375)	(12,274,676)
Non-cash flows	Effects of changes in foreign exchange rates	94,128	(10,188)	83,940
	Amortization of discounts on Long-term borrowings	5,591	-	5,591
	Amortization of discounts on debentures	-	2,675	2,675
	Effects of changes in scope of consolidation	892,091	1,429,795	2,321,886
Ending balance		₩ <u>7,238,356</u>	<u>6,426,417</u>	<u>13,664,773</u>

(In millions of won)

		<b>2020</b>		
		<b>Borrowings</b>	<b>Debentures</b>	<b>Total</b>
Beginning balance		₩ 4,605,383	3,462,882	8,068,265
Cash flows from financing activities	Borrowing			
		14,593,091	1,566,784	16,159,875
	Repayment	(14,245,894)	(535,000)	(14,780,894)
Non-cash flows	Effects of changes in foreign exchange rates	(29,786)	(14,348)	(44,134)
	Amortization of discounts on Long-term borrowings	5,674	-	5,674
	Amortization of discounts on debentures	-	3,240	3,240
	Effects of changes in scope of consolidation	119,960	-	119,960
Ending balance		₩ <u>5,048,428</u>	<u>4,483,558</u>	<u>9,531,986</u>

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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**24. Employee Benefits**

(1) Recognized liabilities for defined benefit obligations as of December 31, 2021 and 2020 are as follows:

*(In millions of won)*

	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligations	₩ 749,737	477,000
Fair value of plan assets(*)	(705,784)	(446,211)
	<u>₩ 43,953</u>	<u>30,789</u>

(\*) As of December 31, 2021 and 2020, the excess payments of retirement pension of ₩7,756 million ₩5,053 million are recognized as plan assets in other non-current assets. The fair value of plan assets including excess payments are ₩713,540 million ₩451,263 million, respectively.

(2) Plan assets as of December 31, 2021 and 2020 are as follows:

*(In millions of won)*

	<b>2021</b>	<b>2020</b>
Retirement pension	₩ 712,913	450,702
Transfer to National Pension Fund	627	561
	<u>₩ 713,540</u>	<u>451,263</u>

(3) Expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 are as follows:

*(In millions of won)*

	<b>2021</b>	<b>2020</b>
Current service costs	₩ 64,924	60,661
Past service costs	(1,212)	-
Interest expenses on obligations	12,555	9,725
Expected return on plan assets	(11,767)	(8,949)
Contribution	1,125	597
	<u>₩ 65,625</u>	<u>62,034</u>

For the years ended December 31, 2021 and 2020, the Group executed the voluntary retirement program. As a result, the retirement bonus was incurred amounting to ₩7,474 million and ₩2,023 million recognized in selling, general and administrative expenses.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 24. Employee Benefits, Continued

(4) Changes in the defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		<u>2021</u>	<u>2020</u>
Beginning balance	₩	477,000	458,278
Current service costs		64,924	60,661
Past service cost and gains or losses on settlements		(1,212)	-
Interest expenses on obligations		12,555	9,725
Benefits paid		(65,619)	(53,480)
Transfers from related parties		14,598	17,001
Effect of movements in exchange rates		(91)	(69)
Actuarial gains and losses in other comprehensive income		2,208	(16,024)
Effects of changes in scope of consolidation		240,691	-
Others		4,683	908
Ending balance	₩	<u>749,737</u>	<u>477,000</u>

(5) Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		<u>2021</u>	<u>2020</u>
Beginning balance	₩	451,263	411,466
Benefits paid		(43,698)	(33,646)
Contributions paid into the plan		115,115	65,764
Expected return on plan assets		11,767	8,949
Actuarial losses in other comprehensive income		(6,094)	(1,622)
Effects of changes in scope of consolidation		193,649	-
Other		(8,462)	352
Ending balance	₩	<u>713,540</u>	<u>451,263</u>

The Group are reviewing the level of the fund each year and taking the policy to preserve fund in the event of a loss to the fund.

(6) Expected payment date of the defined benefit obligations as of December 31, 2021 is as follows:

(In millions of won)		<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>2 ~ 5 years</u>	<u>5 ~ 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Expected payment	₩	49,180	89,060	137,966	270,499	1,057,794	1,604,499

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For the years ended December 31, 2021 and 2020

**24. Employee Benefits, Continued**

(7) Principal actuarial assumptions as of December 31, 2021 and 2020 are as follows:

<i>(In percent)</i>	<b>2021</b>	<b>2020</b>
Discount rate	1.30~3.03	2.20~2.71
Future salary growth rate	1.06~3.71	1.05~3.58
Future mortality (Males, at age 45)	0.20	0.20

(8) Weighted average durations of defined benefit obligations as of December 31, 2021 and 2020 are as follows:

<i>(In years)</i>	<b>2021</b>	<b>2020</b>
Weighted average durations	11.03	11.16

(9) Reasonably possible changes as of December 31, 2021 and 2020 to the relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below:

<i>(In millions of won)</i>	<b>2021</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate (1% movement)	₩ (62,613)	73,853
Future salary growth (1% movement)	71,188	(61,468)

<i>(In millions of won)</i>	<b>2020</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate (1% movement)	₩ (43,346)	47,588
Future salary growth (1% movement)	44,620	(41,701)

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### 25. Provisions

Changes in provisions for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021					Total
		Provision for construction loss	Provision for product warranty	Provision for construction warranty	Provision for emissions	Other provision(*)	
Beginning balance	₩	32,088	202,657	9,338	1,768	48,770	294,621
Additions		2,011	152,033	545	10,069	176,956	341,614
Reversals		(5,390)	(62,844)	-	(1,596)	-	(69,830)
Utilization		-	(73,686)	(916)	(308)	(9,471)	(84,381)
Changes in scope of consolidation		-	158,330	-	-	4,571	162,901
Effect of movements in exchange rates		44	8,313	-	-	265	8,622
Ending balance	₩	28,753	384,803	8,967	9,933	221,091	653,547
Current		28,476	279,696	2,569	9,933	188,900	509,574
Non-current		277	105,107	6,398	-	32,191	143,973

(\*) As of December 31, 2021, regarding lawsuit pending as a defendant regarding ordinary wages, it includes expected amounts to be paid to workers if bonuses and others that were previously excluded from the ordinary wage are included.

(In millions of won)

		2020					Total
		Provision for construction loss	Provision for product warranty	Provision for construction warranty	Provision for emissions	Other provision	
Beginning balance	₩	35,856	177,682	5,692	-	4,487	223,717
Additions		739	118,742	4,865	1,768	553	126,667
Reversals		(4,640)	(23,342)	-	-	(885)	(28,867)
Utilization		-	(71,698)	(1,219)	-	(1,401)	(74,318)
Others(*)		148	2,159	-	-	46,000	48,307
Effect of movements in exchange rates		(15)	(886)	-	-	16	(885)
Ending balance	₩	32,088	202,657	9,338	1,768	48,770	294,621
Current		32,088	159,426	2,638	1,768	11,168	207,088
Non-current		-	43,231	6,700	-	37,602	87,533

(\*) Changes as the Group has acquired ship's digital control business by transfer from Hyundai Heavy Industries Co., Ltd. which is other related party included in large-scale corporate conglomerate and gas station directly operated by SK Network Co., Ltd. for the year ended December 31, 2020.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 26. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks to hedge the risk related to changes in foreign exchange rates, interest rate risk, crude oil prices and others. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and others. The evaluation details as of December 31, 2021, are as follows:

(1) The description of derivative instrument and hedge accounting

Hedge accounting	Type	Description
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Currency swap	Hedges cash flow risk on exchange rate fluctuation of borrowings in foreign currency
	Interest rate swap	Hedges cash flow risk on interest rate fluctuation
	Product forward	Hedges cash flow risk on refinery margin fluctuation
	Commodity futures	Hedges cash flow risk on raw materials price fluctuation

(2) Details of the derivatives entered into by the Group as of December 31, 2021 is as follows:

(In millions of won and in thousands of foreign currency)

Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate (In won)	Average maturities
		Sell	Buy				
Cash flow hedge	Interest rate swap	KRW	KRW ₩	40,000	1 ₩	-	2024-06-11
	Foreign currency forward	EUR	KRW	124,661	19	1,364	2022-04-12
		KRW	EUR	5,426	19	1,337	2022-01-14
		KRW	JPY	27,456	13	10	2022-04-14
		KRW	USD	37,040	30	1,164	2022-01-26
		USD	KRW	756,960	62	1,176	2022-04-25
	Currency swap	KRW	USD	30,695	1	1,228	2023-05-08
		KRW	USD	92,100	1	1,228	2023-05-08
		KRW	EUR	34,580	1	1,330	2024-12-03
		USD	KRW	15,000	1	1,131	2023-05-09
Product forward	USD	USD	652,577	100	-	2022-04-06	
Commodity futures	KRW	USD	3,335	4	1,186	2022-08-30	
For trading	Foreign currency forward	EUR	KRW	4,418	4	1,376	2022-03-03
		USD	KRW	281,857	18	1,183	2022-01-27

※ Terms of settlement: Settlement or collecting total

※ The contract amount: Denominated in the selling currency

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26. Derivative Financial Instruments, Continued

(3) Carrying amount related to derivatives as of December 31, 2021 is as follows:

(In millions of won)

Description	Category	Derivatives			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
Cash flow hedge	Interest rate swap	₩ -	65	113	-
	Foreign currency forward	3,546	-	11,160	-
	Foreign currency swap	655	616	811	2,997
	Product forward	34,408	-	40,380	-
	Commodity futures	102	-	-	-
		38,711	681	52,464	2,997
For trading	Foreign currency forward	120	-	925	-
		₩ 38,831	681	53,389	2,997

(In millions of won)

Description	Category	Financial instruments measured at FVTPL			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
For trading	Foreign currency forward	₩ 122	-	8	-

(4) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2021 is as follows:

(In millions of won)

Description	Category	Revenue	Cost of sales	Finance income	Finance costs	Accumulated other comprehensive income (loss)
Cash flow hedge	Interest rate swap	₩ -	-	-	775	1,220
	Foreign currency forward	(14,002)	148	-	-	(10,823)
	Currency swap	-	-	1,758	11	(649)
	Product forward	-	-	-	-	(5,870)
	Commodity futures	-	-	-	-	102
		(14,002)	148	1,758	786	(16,020)
For trading	Foreign currency forward	-	-	67,225	88,180	-
	Product forward	-	-	2,344	4,097	-
	Others	-	-	-	636	-
		-	-	69,569	92,913	-
		₩ (14,002)	148	71,327	93,699	(16,020)

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### 26. Derivative Financial Instruments, Continued

- (4) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2021 is as follows, continued

For the year ended December 31, 2021, the Group applies cash flow hedge accounting, for which the Group accounted the effective portion of the hedge amounting to ₩10,864 million, after netting off deferred tax effect of ₩5,156 million as gain (loss) on valuation of derivatives in accumulated other comprehensive income (loss). It consists of non-controlling interest portion of ₩7,165 million and controlling interest portion of ₩3,699 million.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately 36 months.

### 27. Capital and Capital Surplus

- (1) Capital

For the year ended December 31, 2021, the controlling company split shares, and the number of shares that the controlling company is authorized to issue, the number of shares that the Company issued, and the par value changed from 160,000,000 shares, 15,798,617 shares, ₩5,000 to 800,000,000 shares, 78,993,085 shares, ₩1,000 respectively. For the year ended December 31, 2020, the controlling company retired 488,000 shares of treasury stocks. Due to retirement of shares, the total par value of shares issued does not agree with paid-in capital by ₩2,440 million.

- (2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of the Company.

- (i) Capital surplus as of December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
Paid-in-capital in excess of par value	₩ 3,090,454	3,090,454
Other capital surplus(*)	2,142,784	2,102,249
	<u>₩ 5,233,238</u>	<u>5,192,703</u>

(\*) The change in other capital surplus from 2020 to 2021 is the amount resulted from paid-in capital increase of subsidiaries.

- (ii) Changes in capital surplus for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
Beginning balance	₩ 5,192,703	5,171,945
Paid-in capital increase of subsidiaries	3,056	20,758
Exercise of preemptive right of subsidiaries	23,296	-
Stock option of subsidiaries	10,373	-
Others	3,810	-
Ending balance	<u>₩ 5,233,238</u>	<u>5,192,703</u>

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**28. Hybrid Bonds**

(1) Hybrid bonds classified as non-controlling interests as of December 31, 2021 and 2020 issued by Hyundai Oilbank Co., Ltd., a subsidiary, are as follows:

(In millions of won)

Description	Issue	Maturity	Annual interest rate (%)		2021	2020
2 <sup>nd</sup> Hybrid bond	2020-03-30	2050-03-30	3.50	₩	280,000	280,000
3 <sup>rd</sup> Hybrid bond	2020-09-24	2050-09-24	3.65		130,000	130,000
4 <sup>th</sup> Hybrid bond	2020-10-26	2050-10-26	3.65		20,000	20,000
					430,000	430,000
	Issuance costs				(1,076)	(1,076)
				₩	428,924	428,924

(2) Terms and conditions of the hybrid bonds issued by Hyundai Oilbank Co., Ltd. as of December 31, 2021 are as follows:

(In millions of won)

	2 <sup>nd</sup> Hybrid bond	3 <sup>rd</sup> Hybrid bond	4 <sup>th</sup> Hybrid bond
Amount issued ₩	280,000	130,000	20,000
Maturity	30 years (At maturity, it can be extended in accordance with the Group's decision)		
Interest rate	Issue date ~ 2025-03-30: Fixed rate, 3.50% Re-calculated and applied every 5 years, 5-year treasury bond yield + annual 2.215% + annual 2.00% (Step-up clauses)	Issue date ~ 2025-09-24: Fixed rate, 3.65% Re-calculated and applied every 5 years, 5-year treasury bond yield + annual 2.473% + annual 2.00% (Step-up clauses)	Issue date ~ 2025-10-26: Fixed rate, 3.65% Re-calculated and applied every 5 years, 5-year treasury bond yield + annual 2.441% + annual 2.00% (Step-up clauses)
Interest payment condition	3 months deferred payment, selective payment postpone is possible		
Other	Depending on the Group's choice, the Group can redeem at the date of 5th anniversary after issuance and every interest payment thereafter.		

The Group has an unconditional option to extend the maturity of hybrid bonds at maturity. Also, payment of interest on the bonds can be postponed at the discretion of the Group. If the payment of interest is postponed, the Group cannot pay any dividend on common stock until the deferred interest is paid in full. The Group classifies hybrid bonds as equity because the Group holds unconditional rights to avoid the contractual obligation to deliver cash or other financial assets to the holder. In case of liquidation, the hybrid bonds are subordinated bonds which have priority over common stocks.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

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### 29. Capital Adjustment

(1) Capital adjustment as of December 31, 2021 and 2020 are summarized as follows:

<i>(In millions of won)</i>		<u>2021</u>	<u>2020</u>
Treasury stock(*)	₩	489,547	489,547
Change in equity of equity method investments		43,296	43,296
Others		405,600	189,506
	₩	<u>938,443</u>	<u>722,349</u>

(\*) As of December 31, 2021 and 2020, the fair value of the treasury stock held by the parent is ₩447,034 million and ₩472,008 million, respectively.

(2) The Group's treasury stock as of December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Number of shares</u>	<u>Carrying amount</u>	<u>Number of shares</u>	<u>Carrying amount</u>
Treasury stock(*)	8,324,655	₩ 489,547	8,324,655	₩ 489,547

(\*) Due to stock split for the year ended December 31, 2021, the number of shares is changed. These are the equity interests of the company and the additional equity acquired in 2017 among the treasury stock that the parent acquired Korea Shipbuilding & Offshore Engineering Co., Ltd.

### 30. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of December 31, 2021 and 2020 are summarized as follows:

<i>(In millions of won)</i>		<u>2021</u>	<u>2020</u>
Changes in fair value of financial Instruments measured at FVOCI	₩	13,366	10,573
Effective portion of changes in fair value of cash flow hedges		(2,077)	1,622
Exchange differences on translating foreign operations		42,888	(1,997)
Changes in equity of equity method investments		(139,273)	(109,610)
Revaluation of property, plant and equipment		325,569	349,592
	₩	<u>240,473</u>	<u>250,180</u>

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**30. Accumulated Other Comprehensive Income, Continued**

(2) Other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		<b>2021</b>		
		<b>Other comprehensive income (loss)</b>	<b>Owners of the Company</b>	<b>Non-controlling interests</b>
Changes in fair value of financial instruments measured at FVOCI	₩	3,837	2,793	1,044
Effective portion of changes in fair value of cash flows hedges		(10,864)	(3,699)	(7,165)
Exchange differences on translating foreign operations		152,134	44,885	107,249
Change in equity of equity method investments		(28,376)	(28,449)	73
Actuarial gains and losses		(6,749)	(2,345)	(4,404)
Revaluation of property, plant and equipment		404	(1,775)	2,179
Retained earnings of equity method investments		(8,213)	(8,213)	-
	₩	<u>102,173</u>	<u>3,197</u>	<u>98,976</u>

(In millions of won)

		<b>2020</b>		
		<b>Other comprehensive income (loss)</b>	<b>Owners of the Company</b>	<b>Non-controlling interests</b>
Changes in fair value of financial instruments measured at FVOCI	₩	13,512	10,194	3,318
Effective portion of changes in fair value of cash flows hedges		(1,154)	(985)	(169)
Exchange differences on translating foreign operations		(9,135)	(6,152)	(2,983)
Change in equity of equity method investments		(16,267)	(16,472)	205
Actuarial gains and losses		9,781	6,404	3,377
Revaluation of property, plant and equipment		269,525	180,224	89,301
Retained earnings of equity method investments		8,442	8,435	7
	₩	<u>274,704</u>	<u>181,648</u>	<u>93,056</u>

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**31. Retained Earnings**

(1) Retained earnings as of December 31, 2021 and 2020 are summarized as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Voluntary reserves	₩ 358,881	358,881
Unappropriated retained earnings	1,342,473	1,854,075
	₩ <u>1,701,354</u>	<u>2,212,956</u>

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

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Beginning balance	₩ 2,212,956	3,183,258
Profit (loss) for the year	186,012	(789,720)
Less: non-controlling interests	(318,309)	180,547
Retained earnings of equity method investments	(8,213)	8,435
Actuarial gains and losses	(2,345)	6,404
Reclassification of revaluation surplus	22,248	4,723
Treasury shares retirement	-	(124,266)
Dividend	(392,210)	(270,501)
Others	1,215	14,076
Ending balance	₩ <u>1,701,354</u>	<u>2,212,956</u>

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**32. Acquisition and Disposal of Subsidiary and Business**

(1) Business combinations

1) General information

① Acquisition of Hyundai Doosan Infracore Co., Ltd.

For the year ended December 31, 2021, Hyundai Genuine Co., Ltd., a subsidiary, acquired 29.48% shares of Hyundai Doosan Infracore Co., Ltd. from Doosan Heavy Industries Co., Ltd. and incorporated it as a subsidiary.

② Acquisition of Medi Plus Solution Co., Ltd.

For the year ended December 31, 2021, Hyundai Future Partners Co., Ltd., a subsidiary, acquired 76.76% shares of Medi Plus Solution Co., Ltd. and incorporated them as a subsidiary.

② Acquisition of Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment  
 As of December 31, 2021, Hyundai Construction Equipment Co., Ltd., a subsidiary, acquired 100% shares of Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment and incorporated it as a subsidiary.

2) Consideration Transferred

The consideration transferred at the date of acquisition is as follows:

*(In millions of won)*

	<u>Hyundai Doosan Infracore Co., Ltd.</u>	<u>Medi Plus Solution Co., Ltd.</u>	<u>Hyundai Heavy Industries Brasil- Manufacturing and Trading of Construction Equipment</u>
Cash	₩ 690,857	11,469	73,800

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**32. Acquisition and Disposal of Subsidiary and Business, Continued**

(1) Business combinations, continued

3) Identifiable assets acquired and liabilities assumed

Detail of fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

(In millions of won)

	<b>Hyundai Doosan Infracore Co., Ltd.</b>	<b>Medi Plus Solution Co., Ltd.</b>	<b>Hyundai Heavy Industries Brasil- Manufacturing and Trading of Construction Equipment</b>
<b>Assets</b>			
Cash and cash equivalent	₩ 809,676	80	9,103
Short-term / long-term financial assets	98,793	6	-
Trade receivable and other receivable	1,458,151	-	9,170
Inventories	952,399	312	117,812
Property, Plant and Equipment	1,199,075	71	37,576
Intangible assets	792,587	1,305	30
Investment property	19,719	-	-
Other assets	367,364	398	53,505
	<u>5,697,764</u>	<u>2,172</u>	<u>227,196</u>
<b>Liabilities</b>			
Short-term / long-term financial liabilities	2,333,920	1,150	31,792
Trade payable and other payable	1,112,481	389	120,311
Other liabilities	613,544	79	8,748
Accrued tax liabilities	195,286	283	-
	<u>4,255,231</u>	<u>1,901</u>	<u>160,851</u>
	<u>₩ 1,442,533</u>	<u>271</u>	<u>66,345</u>

4) The goodwill from business combinations is as follows:

(In millions of won)

	<b>Hyundai Doosan Infracore Co., Ltd.</b>	<b>Medi Plus Solution Co., Ltd.</b>	<b>Hyundai Heavy Industries Brasil- Manufacturing and Trading of Construction Equipment(*)</b>
Total consideration transferred	₩ 690,857	11,469	73,800
Fair values of identifiable net assets	1,442,533	271	66,345
Non-controlling interest	1,060,928	86	-
Goodwill	309,252	11,284	7,455

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**32. Acquisition and Disposal of Subsidiary and Business, Continued**

(1) Business combinations, continued

4) The goodwill from business combinations is as follows, continued

(\*) The fair value of assets acquired and liabilities assumed is provisional amount as of the combination date of the Group and measurement procedures will be completed within one year from the acquisition date. During measurement procedures, additional assets and liabilities can be recognized, which may change the amount of the goodwill.

5) Valuation techniques used to measure fair value of acquired significant assets are as follows:

<u>Acquisition assets</u>	<u>Valuation technique</u>
Property, plant and equipment	Market approach or cost approach: fair value was determined considering the price generated from market transactions of similar available assets or the replacement cost taking appropriate depreciation into account.
Intangible assets	Multi-period excess profit approach or royalty deduction approach: Multi-period excess profit approach was determined in consideration of the present value of net cash flows expected to arise from customer relationships. Royalty deduction approach was determined in present value of royalty payments reduced by possession of technology.

(2) Disposition of business segment

Hyundai Oilbank Co., Ltd., a subsidiary, disposed of 90% of 100% shares of Hyundai Oil Terminal Co., Ltd. and lost its control. The gain on disposal is ₩64,703 million.

(3) Merger

Hyundai Construction Equipment Co., Ltd., a subsidiary, merged Hyundai Core Motion Co., Ltd., a subsidiary, by absorption as of October 1, 2021, merger date. The Group applied the business combination under the common control to account for by carrying-amount method. Details of merger are as follows:

1) General information of merger

	<u>Surviving corporation</u>	<u>Merged corporation</u>
Company name	Hyundai Construction Equipment Co., Ltd.	Hyundai Core Motion Co., Ltd.
Main Business	Sale and manufacture of machinery equipment for construction	Supply of A/S parts of Hyundai Construction Equipment Co., Ltd. and manufacturing of hydraulic functional products

Hyundai Construction Equipment Co., Ltd., a surviving company, holds 100% shares of Hyundai Core Motion Co., Ltd., a merged company, and the merger ratio was calculated as 1:0 because the merger proceeded without issuing new shares.

2) Accounting for merger

Assets and liabilities of Hyundai Core Motion Co., Ltd. are acquired through merger under the common control and there is no change in control before and after the merger.

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### 33. Change in shares of subsidiaries

For the year ended December 31, 2021 the effect of change in shares of subsidiaries on the equity attributable to owners of the controlling company are as follows:

#### (1) Share increases

(In millions of won)

Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Reason	Change of non-controlling interest	Change of controlling interest
Weihai Hyundai Wind Power Technology Co., Ltd.	80.00	100.00	HHI China Investment Co., Ltd. acquired shares of Weihai Hyundai Wind Power Technology Co., Ltd.	₩ 463	(463)
HHI China Investment Co., Ltd.	60.00	100.00	Hyundai Construction Equipment Co., Ltd. acquired shares of HHI China Investment Co., Ltd.	(148,488)	154,584
Hyundai Doosan Infracore Co., Ltd.	29.48	33.35	Hyundai Genuine Co., Ltd. acquired shares of Hyundai Doosan Infracore Co., Ltd.	415,385	286,308
Doosan Infracore China Co., Ltd.	80.00	100.00	Hyundai Doosan Infracore Co., Ltd. acquired shares of Doosan Infracore China Co., Ltd.	(251,988)	85,324

#### (2) Share decreases

(In millions of won)

Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Reason	Change of non-controlling interest	Change of controlling interest
Hyundai Global Service Co., Ltd.	100.00	62.00	Hyundai Heavy Industries Holdings Co., Ltd. disposed of shares of Hyundai Global Service Co., Ltd. (*)	₩ 52,235	(174,362)
Hyundai Oilbank Co., Ltd.	74.13	73.85	Hyundai Heavy Industries Holdings Co., Ltd. disposed of shares of Hyundai Oilbank Co., Ltd.	12,315	9,458

(\*) As of December 31, 2021, the controlling company has entered into the contract with shareholders that compensates for the difference and grants put options to 38% of Hyundai Global Service Co., Ltd. shares that Global Vessel Solutions, L.P. holds, and sale price includes the value of the contract (See Note 45).

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**34. Revenue**

(1) Revenue streams

Details of revenue for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	₩ 28,471,644	19,175,403
Equity Income on Investments	(298,896)	(269,309)
Gain (loss) on valuation of hedging accounting	(14,002)	4,888
	<u>₩ 28,158,746</u>	<u>18,910,982</u>

(2) Disaggregation of revenue

Details of revenue from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
<b>Main products:</b>		
Ship	₩ 1,262,449	1,162,229
Oil refining	30,390,820	19,709,053
Electrical electronics	1,972,599	1,885,560
Construction machinery	6,186,178	3,653,976
Others	213,386	278,741
Consolidation adjustments(*)	(11,553,788)	(7,514,156)
	<u>28,471,644</u>	<u>19,175,403</u>
<b>Region:</b>		
Republic of Korea	15,549,078	13,973,092
North America	1,155,813	516,998
Asia	9,112,682	4,278,580
Europe	1,332,722	401,779
Others	1,321,349	4,954
	<u>28,471,644</u>	<u>19,175,403</u>
<b>Revenue recognition period:</b>		
Recognized when the goods are delivered	28,021,969	18,693,785
Recognized over time as services are provided	449,675	481,618
	<u>28,471,644</u>	<u>19,175,403</u>
<b>Contract period:</b>		
Short-term contract (within one year)	27,635,225	18,207,006
Long-term contract (more than one year)	836,419	968,397
	<u>₩ 28,471,644</u>	<u>19,175,403</u>

(\*) The consolidation adjustments are the amount of intra-group transactions and others.

There is no single external customer whose revenue amounts more than 10% of the Group for the years ended December 31, 2021 and 2020.

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**34. Revenue, Continued**

(3) Contract balances

Receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021		2020	
		Current	Non-current	Current	Non-current
Trade receivables	₩	2,981,772	9,726	1,693,596	8,688
Contract assets		228,673	-	227,085	-
Contract liabilities		662,268	82,258	445,440	65,105

(4) Performance obligations and revenue recognition policies

The Group's performance obligations and revenue recognition policies are the same for the year end December 31, 2020(See Note 4(23)).

(5) Construction contracts

1) Changes in outstanding contracts for the year ended December 31, 2021 is as follows:

(In millions of won)

		2021
Beginning balance(*)	₩	155,137
New contracts		156,596
Recognized as revenue		(151,472)
Ending balance	₩	160,261

(\*) The beginning balance includes the impact from translation of the contract balance denominated in foreign currency to Korean Won using on the appropriate exchange rate.

In connection with the construction contract, the Group has provided certain amounts of deposits or letters to financial institutions for various guarantees (e.g. bid bond, performance bond, refund guarantee, maintenance bond, etc).

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34. Revenue, Continued

(5) Construction contracts, continued

2) Accumulated profit and loss of construction in progress as of December 31, 2021 is as follows:

(In millions of won)

	2021						
	Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit (loss) of construction	Receivables on construction contracts (*)			Provisions for construction loss
				Billed receivables	Contracts assets	Contract liabilities	
<b>Ships</b>	₩ 279,110	237,782	41,328	-	8,964	22,149	277
<b>Electrical electronics</b>	255,494	291,026	(35,532)	11,686	5,881	4,032	8,666
<b>Others</b>	28,636	29,156	(520)	-	-	287	-
	₩ <u>563,240</u>	<u>557,964</u>	<u>5,276</u>	<u>11,686</u>	<u>14,845</u>	<u>26,468</u>	<u>8,943</u>

(\*) As of December 31, 2021, the allowance for receivables on construction contracts amounts to ₩5,672 million.

There is no amount of retentions according to the contract terms among the receivables on construction contracts.

The Group mainly collect the consideration based on the milestone payment method. Therefore, receivables, contract assets and contract liabilities might be changed according to the progress of construction.

3) The effect of changes in estimated total contract costs

(i) Effect of changes in estimated total contract costs

For the year ended December 31, 2021, due to the factors causing the change in estimated total contract costs, the estimated total contract costs for contracts in progress have changed. Details of change in profits or loss for the current year and the future period and the impact on contract assets and contract liabilities are as follows:

(In millions of won)

	Changes in total contract revenue(*)	Changes in total estimated contract costs(*)	Effect on profit (loss) of contract(*)			Changes in contract assets	Changes in contract liabilities
			Current year	Future period	Total		
<b>Ships</b>	₩ 1,329	1,956	(196)	(431)	(627)	(146)	(49)
<b>Electrical electronics</b>	979	(751)	1,412	318	1,730	1,853	624
<b>Others</b>	-	(78)	77	1	78	-	(2)
	₩ <u>2,308</u>	<u>1,127</u>	<u>1,293</u>	<u>(112)</u>	<u>1,181</u>	<u>1,707</u>	<u>573</u>

(\*) Changes in entire contract revenue (including foreign currency fluctuation) were included.

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**34. Revenue, Continued**

(5) Construction contracts, continued

3) The effect of changes in estimated total contract costs, continued

(i) Effect of changes in estimated total contract costs, continued

Effect on profit or loss for the current period and future period is calculated based on the total contract costs and total contract revenue estimated on the basis of situations generated in the current period. These estimations could be changed by variation of actual situations in the future.

(ii) Sensitivity analysis based on changes in the estimated total contract costs

The amount of contract assets and contract liabilities affected by the rate of progress which is determined by accumulated cost incurred divided by estimated total contract costs. Estimated total contract costs are calculated based on estimation on the materials cost, labour cost and construction period, and has a variance risk related to the fluctuation of exchange rate, changes in field installation cost, etc.

The Group has entered into foreign currency forward contracts to hedge the risk related to exchange rate fluctuation for reducing the short-term price risk.

The impacts on profit or loss of current period and future periods, contract assets and contract liabilities in case field installation cost changes 10% are as follows:

*(In millions of won)*

	<b>Effect on profit or loss this year</b>		<b>Effect on profit or loss in the future</b>		<b>Changes in contract assets</b>		<b>Changes in contract liabilities</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
<b>Electrical electronics</b> ₩	(1,542)	1,756	(284)	70	(340)	573	518	(297)

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### 35. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
Salaries	₩ 271,022	197,678
Bonus	69,477	44,212
Post-employment benefit costs	22,664	19,909
Employee welfare	66,209	48,278
Depreciation	46,374	40,359
Right-of-use assets depreciation	85,554	73,089
Bad debt expenses	20,456	10,695
Ordinary development costs	153,144	72,823
Advertising	63,449	43,907
Printing	2,108	951
Power cost	1,967	1,509
Warranty expenses	123,543	94,180
Insurance	11,443	8,400
Office supplies expenses	2,462	1,957
Supply expenses	3,517	2,633
Utility expenses	937	1,616
Repairs	10,919	5,906
Travel	12,127	7,993
Research	18,341	11,789
Training	2,403	1,775
Service charges	140,639	106,451
Transportation	135,179	137,170
IT service fee	5,903	7,407
Entertainment	6,012	3,795
Taxes and dues	23,460	25,309
Service contract expenses	138,728	106,403
Automobile maintenance	4,917	4,505
Sales commissions	48,800	26,935
Others	89,032	59,162
	₩ <u>1,580,786</u>	<u>1,166,796</u>

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### 36. Operating Segments

The Group has five reportable segments, as described below, which are its strategic business units.

- (i) Oil refining: Oil refining business
- (ii) Electrical electronics: Manufacturing and sale of transformers, low and medium voltage circuit breakers, switchgears, power electronics and control systems and wind turbine systems
- (iii) Construction equipment: Manufacturing and sale of construction equipment and wheel loaders
- (iv) Ship maintenance service: Engineering service and engine A/S
- (v) Others: Manufacturing of industrial and LCD robots, investment and others

Information about these reportable segments are as follows:

#### (1) The financial performance of each segment

(In millions of won)

	<b>2021</b>				
	<b>Revenue</b>	<b>Inter-segment revenue</b>	<b>Operating profit (loss)</b>	<b>Profit (loss)</b>	<b>Depreciation (*2)</b>
Oil refining	₩ 30,390,820	(10,236,855)	1,140,271	867,047	664,318
Electrical electronics	1,970,422	(177,435)	13,470	(30,828)	42,815
Construction equipment	6,174,353	(945,007)	215,151	81,579	132,758
Ship maintenance service	1,262,449	(175,453)	120,331	92,225	5,412
Others	458,673	(563,221)	212,634	470,145	12,236
Consolidation adjustments(*1)	(12,097,971)	12,097,971	(616,445)	(1,294,156)	44,028
	<b>₩ 28,158,746</b>	<b>-</b>	<b>1,085,412</b>	<b>186,012</b>	<b>901,567</b>

(\*1) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(\*2) Depreciation consists of depreciation of property, plant and equipment and right-of-use asset, and amortization.

(In millions of won)

	<b>2020</b>				
	<b>Revenue</b>	<b>Inter-segment revenue</b>	<b>Operating profit (loss)</b>	<b>Profit (loss)</b>	<b>Depreciation (*2)</b>
Oil refining	₩ 19,709,053	(6,203,999)	(594,030)	(437,451)	613,991
Electrical electronics	1,890,844	(95,117)	75,290	(39,049)	40,052
Construction equipment	3,653,582	(1,038,015)	110,951	28,515	66,243
Ship maintenance service	1,162,229	(159,661)	164,227	116,027	4,704
Others	589,525	(597,459)	302,088	84,297	9,302
Consolidation adjustments(*1)	(8,094,251)	8,094,251	(655,635)	(542,059)	44,113
	<b>₩ 18,910,982</b>	<b>-</b>	<b>(597,109)</b>	<b>(789,720)</b>	<b>778,405</b>

(\*1) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(\*2) Depreciation consists of depreciation of property, plant and equipment and right-of-use asset, and amortization.

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**36. Operating Segments, Continued**

(2) The assets (liabilities) of each segment

(In millions of won)

		2021	
		Assets	Liabilities
Oil refining	₩	20,843,909	13,708,459
Electrical electronics		2,487,760	1,698,746
Construction equipment		12,966,270	7,597,787
Ship maintenance service		531,306	343,322
Others		8,630,584	2,627,087
Consolidation adjustments(*)		(9,644,173)	(2,047,245)
	₩	<u>35,815,656</u>	<u>23,928,156</u>

(\*) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(In millions of won)

		2020	
		Assets	Liabilities
Oil refining	₩	16,646,748	10,228,172
Electrical electronics		2,439,660	1,631,344
Construction equipment		4,207,245	2,059,437
Ship maintenance service		558,224	273,013
Others		8,216,413	2,343,450
Consolidation adjustments(*)		(5,509,338)	(1,074,318)
	₩	<u>26,558,952</u>	<u>15,461,098</u>

(\*) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(3) Geographical information

(In millions of won)

		2021	
		Revenue	Inter-segment revenue
Korea	₩	23,272,156	(8,035,976)
North America		1,428,938	(273,125)
Asia		12,666,232	(3,553,550)
Europe		1,568,042	(235,320)
Others		1,321,349	-
Consolidation adjustments(*)		(12,097,971)	12,097,971
	₩	<u>28,158,746</u>	<u>-</u>

(\*) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

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**36. Operating Segments, Continued**

(3) Geographical information, continued

(In millions of won)

		2020	
		Revenue	Inter-segment revenue
Korea	₩	20,613,772	(6,905,101)
North America		519,998	(3,000)
Asia		5,455,260	(1,176,680)
Europe		411,249	(9,470)
Others		4,954	-
Consolidation adjustments(*)		(8,094,251)	8,094,251
	₩	<u>18,910,982</u>	<u>-</u>

(\*) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(4) Non-current assets

(In millions of won)

		2021	2020
Korea	₩	14,868,089	12,107,543
North America		138,019	121,487
Asia		285,784	134,741
Europe		75,819	51,898
Others		46,685	31,029
		<u>15,414,396</u>	<u>12,446,698</u>
Consolidation adjustments(*1)		2,588,541	1,646,231
(*2)	₩	<u>18,002,937</u>	<u>14,092,929</u>

(\*1) Consolidation adjustments are made by eliminating intra-group transactions and unrealized profits and losses.

(\*2) Total non-current assets consist of investment property, property, plant and equipment, intangible assets and right-of-use assets.

**37. Nature of Expenses**

The classification of expenses by nature for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021	2020
Changes in inventories	₩	(1,702,840)	872,383
Purchase of inventories		23,947,254	15,205,498
Depreciation		549,634	477,206
Right-of-use depreciation		258,170	219,497
Amortization		93,764	81,702
Labor cost		1,042,164	748,323
Other expenses		2,885,189	1,903,481
	₩	<u>27,073,335</u>	<u>19,508,090</u>

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

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### 38. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
<b>Finance income:</b>		
Interest income	₩ 33,227	35,417
Dividend income	1,007	539
Gain on valuation of financial instruments measured at FVTPL	487	42
Gain on disposal of financial instruments assets measured at FVTPL	70,754	47,256
Gain on foreign currency translation	46,677	104,984
Gain on foreign currency transactions	314,709	400,639
Gain on valuation of derivatives	1,758	-
Others	-	25
	₩ <u>468,619</u>	<u>588,902</u>
<b>Finance costs:</b>		
Interest expense	₩ 293,369	235,607
Loss on valuation of financial instruments measured at FVTPL	1,039	487
Loss on disposal of financial instruments measured at FVTPL	91,448	124,820
Loss on foreign currency translation	94,507	40,942
Loss on foreign currency transactions	369,682	385,891
Loss on valuation of derivatives	-	18,537
Loss on transaction of derivatives	11	-
Others	119,350	280
	₩ <u>969,406</u>	<u>806,564</u>

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

Other non-operating income and other non-operating expenses for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
<b>Other non-operating income:</b>		
Gain on disposal of investment property	₩ 2,209	-
Gain on disposal of subsidiaries	64,703	84,491
Gain on disposal of property, plant and equipment	12,083	1,428
Gain on disposal of right-of-use assets	23,489	7,622
Gain on disposal of intangible assets	308	292
Gain on disposal of other investment assets	938	245
Reversal of impairment loss on investment property	96	-
Reversal of other allowance doubtful accounts	5,273	2,525
Others	21,866	40,317
	<u>₩ 130,965</u>	<u>136,920</u>
<b>Other non-operating expenses:</b>		
Service charges	₩ 7,035	9,512
Loss on disposal of investments in associates	-	405
Loss on disposal of property, plant and equipment	6,652	14,768
Loss on disposal of right-of-use assets	27,720	4,120
Impairment loss on investment property	1,311	-
Impairment loss on property, plant and equipment	3,189	-
Loss on revaluation of property, plant and equipment	-	229
Loss on disposal of intangible assets	66	2,038
Impairment loss on intangible assets	18,810	226,305
Other bad debt expenses	5,628	237
Donation	17,162	14,783
Others	62,684	103,133
	<u>₩ 150,257</u>	<u>375,530</u>

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**40. Income Tax Expense (Benefit)**

(1) The components of income tax expense (benefit) for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Current tax expense	₩ 408,205	69,087
Adjustment for prior periods	414	9,709
Origination and reversal of temporary differences	23,634	(240,007)
Income tax recognized in other comprehensive income	(109,787)	(95,558)
Others	5,516	(6,664)
	<u>₩ 327,982</u>	<u>(263,433)</u>

(2) Income tax recognized directly in other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Gains on valuation of derivatives	₩ 3,440	953
Exchange differences on translating foreign operations	535	(343)
Change in equity of equity method investments	1	329
Actuarial gains and losses	3,061	(3,222)
Revaluation of property, plant and equipment	(945)	(85,605)
Retained earnings of equity method investments	-	7
Loss on valuation of financial instruments measured at FVOCI	(1,303)	(4,987)
Others	(114,576)	(2,690)
Income tax recognized directly in other comprehensive loss	<u>₩ (109,787)</u>	<u>(95,558)</u>

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**40. Income Tax Expense (Benefit), Continued**

(3) Reconciliation of effective tax rate for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Profit (loss) before income tax	₩ 513,996	(1,053,152)
Income tax using each component's statutory tax rate	181,370	(219,625)
Adjustment for:		
- Tax effect of non-deductible expenses	9,474	4,692
- Tax effect of non-taxable income	(25,644)	(72,431)
- Tax credits	(1,677)	(2,323)
- Current adjustments for prior periods	414	9,709
- Temporary differences of deferred tax not recognized	118,444	24,744
- Tax effect of tax rate change	6,093	(22)
- Others	39,508	(8,177)
Income tax expense (benefit)	₩ <u>327,982</u>	<u>(263,433)</u>
Effective tax rate	63.81%	(*)

(\*) The effective tax rate is not calculated because it is tax income.

(4) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<u>2021</u>	<u>2020</u>
Deferred tax assets (liabilities) at the end of the period	₩ (160,020)	(55,709)
Deferred tax assets (liabilities) at the beginning of the period	(55,709)	(253,479)
Exchange differences on translating foreign operations	14,497	(42,237)
Others	<u>(95,174)</u>	-
Deferred tax effects by origination and reversal of temporary differences	₩ <u>23,634</u>	<u>(240,007)</u>

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

(6) The Group 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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**40. Income Tax Expense (Benefit), Continued**

(7) Deferred tax assets (liabilities) recovery and payment periods are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
Deferred tax assets (liabilities) payment due in 12 months	₩ 224,426	67,172
Deferred tax assets (liabilities) payment due after 12 months	(384,446)	(122,881)
	<u>₩ (160,020)</u>	<u>(55,709)</u>

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

(In millions of won)

	<u>2021</u>		
	<u>Beginning balance</u>	<u>Change</u>	<u>Ending balance</u>
Trade and other receivables	₩ 54,931	55,490	110,421
Asset revaluation	(336,080)	(140,536)	(476,616)
Property, plant and equipment	40,977	(18,914)	22,063
Derivatives	3,107	1,021	4,128
Accrued expenses	6,775	7,455	14,230
Provisions	44,319	71,075	115,394
Financial assets measured at FVOCI	48	830	878
Others	(157,201)	(44,683)	(201,884)
	<u>(343,124)</u>	<u>(68,262)</u>	<u>(411,386)</u>
Tax losses carried forward	274,150	(47,887)	226,263
Tax incentives carried forward	13,265	11,838	25,103
	<u>₩ (55,709)</u>	<u>(104,311)</u>	<u>(160,020)</u>

(In millions of won)

	<u>2020</u>		
	<u>Beginning balance</u>	<u>Change</u>	<u>Ending balance</u>
Trade and other receivables	₩ 45,058	9,873	54,931
Asset revaluation	(228,696)	(107,384)	(336,080)
Property, plant and equipment	39,680	1,297	40,977
Derivatives	(830)	3,937	3,107
Accrued expenses	6,705	70	6,775
Provisions	40,355	3,964	44,319
Financial assets measured at FVOCI	49	(1)	48
Others	(246,026)	88,825	(157,201)
	<u>(343,705)</u>	<u>581</u>	<u>(343,124)</u>
Tax losses carried forward	81,304	192,846	274,150
Tax incentives carried forward	8,922	4,343	13,265
	<u>₩ (253,479)</u>	<u>197,770</u>	<u>(55,709)</u>

(9) Since it is probable that future taxable profit will be available against which the unused tax losses can be utilized, the Group recognized the related deferred tax assets.

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**40. Income Tax Expense (Benefit), Continued**

(10) Expiration schedule of unused deficit for the year ended December 31, 2021 is as follows:

*(In millions of won)*

	<b>2021</b>
2022	₩ 10,843
2023	18,757
2024	59,222
2025	69,743
2026	103,813
2027	88,545
2028	49,086
After 2029	495,823
Extinction period inexistent	223,040
	₩ <u>1,118,872</u>

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**41. Earnings (loss) per Share**

(1) Basic earnings (loss) per share for the years ended December 31, 2021 and 2020 are as follows:

<i>(In won, except share data)</i>	<u>2021</u>	<u>2020</u>
Loss for the year, attributable to the owner of the Company	₩ (132,297,229,158)	(609,172,064,168)
Weighted average number of ordinary shares outstanding <i>(In share)(*)</i>	<u>70,668,430</u>	<u>71,140,755</u>
Loss per share	₩ <u><u>(1,872)</u></u>	<u><u>(8,563)</u></u>

(\*) Weighted average number of ordinary shares

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

*(In shares)*

	<u>2020</u>		
	<u>Number of shares outstanding</u>	<u>Weighted average</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance(*1)	73,108,430	366/366	73,108,430
Treasury stock	(2,440,000)	(*2)	<u>(1,967,675)</u>
Weighted average number of ordinary shares outstanding			<u><u>71,140,755</u></u>

(\*1) For the year ended December 31, 2021, the Group split shares (par value changed from ₩5,000 to ₩1,000) and calculated the weighted average number of ordinary shares outstanding based on new shares. The weighted average number of ordinary shares outstanding for the year ended December 31, 2020 was re-calculated.

(\*2) The Parent company acquired treasury stocks for the year ended December 31, 2021 and calculated weighted average number of ordinary shares outstanding as at the date of acquisition.

(2) As the Group has no dilutive securities for the years ended December 31, 2021 and 2020, diluted earnings per share have not been calculated.

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**42. Cash Generated from Operations**

(1) Cash generated from operations for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

	<u>2021</u>	<u>2020</u>
<b>Profit (loss) for the year</b>	₩ 186,012	(789,720)
<b>Adjustments for:</b>		
Post-employment benefit costs	64,500	61,437
Depreciation	549,096	477,206
Investment property depreciation	538	-
Right-of-use assets depreciation	258,170	219,497
Amortization	93,764	81,702
Bad debt expenses	20,456	10,695
Finance income	(153,910)	(140,982)
Finance costs	600,264	295,574
Share of profit (loss) of equity accounted investees	298,896	269,309
Other non-operating income	(110,610)	(100,493)
Other non-operating expenses	65,647	253,305
Share of profit of equity accounted investees	51,337	(229)
Income tax expense (benefit)	327,983	(263,433)
Finance income (revenue)	(31,333)	(24,983)
Finance costs (cost of sale)	15,262	6,237
<b>Changes in assets and liabilities:</b>		
Trade receivables	(644,303)	357,393
Other receivables	(66,103)	136,669
Contract assets	(5,291)	66,609
Inventories	(1,702,840)	872,383
Derivatives	(21,763)	34,095
Other current assets	23,601	22,003
Long-term trade receivables	866	1,630
Long-term other receivables	(458)	3,256
Other non-current assets	92	988
Trade payables	284,170	(450,766)
Other payables	579,074	33,168
Contract liabilities	67,103	(11,157)
Other current liabilities	(2,670)	(794)
Long-term other payables	(8,375)	(4,033)
Benefits paid	(65,619)	(53,480)
Succession of benefits	14,598	17,001
Plan assets	(71,302)	(32,503)
Provisions	168,395	69,482
Other non-current liabilities	547	(2,232)
	<u>₩ 599,782</u>	<u>2,204,554</u>

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**42. Cash Generated from Operations, Continued**

(2) Significant transactions that do not involve cash inflows and outflows operations for the years ended December 31, 2021 and 2020 are as follows:

*(In millions of won)*

	<b>2021</b>	<b>2020</b>
Reclassification of construction-in-progress	₩ 457,248	853,357
Trade payable of plant, property and equipment acquisition	67,187	(52,431)
Reclassification of current portion of bond and borrowings	1,595,958	834,512
Recognition of right-of-use assets and lease liabilities	252,270	1,040,089
Claims for stock purchase	35,668	-

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

(1) Categories of financial instruments as of December 31, 2021 and 2020 are summarized as follows:

	2021				
	Carrying amounts				
	Fair value –hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total
<b>Assets carried at fair value:</b>					
Financial instruments(*)	₩ -	75,147	57,669	-	132,816
Derivative assets	39,392	120	-	-	39,512
	39,392	75,267	57,669	-	172,328
<b>Assets carried at amortized cost:</b>					
Cash and cash equivalents	-	-	-	2,137,064	2,137,064
Financial instruments	-	-	-	281,453	281,453
Trade and other receivables	-	-	-	5,135,582	5,135,582
	-	-	-	7,554,099	7,554,099
<b>Financial assets total</b>	39,392	75,267	57,669	7,554,099	7,726,427
<b>Liabilities carried at fair value:</b>					
Financial liabilities	-	8	-	-	8
Derivative liabilities	55,461	926	-	-	56,387
	55,461	934	-	-	56,395
<b>Liabilities carried at amortized cost:</b>					
Borrowings	-	-	-	7,238,356	7,238,356
Debentures	-	-	-	6,426,417	6,426,417
Trade and other payables	-	-	-	6,222,490	6,222,490
Lease liabilities	-	-	-	1,515,627	1,515,627
	-	-	-	21,402,890	21,402,890
<b>Financial liabilities total</b>	₩ 55,461	934	-	21,402,890	21,459,285

(\*) The financial instruments that are measured at acquisition price because they could not be reliably measured at fair value amount to ₩64,418 million.

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

(1) Categories of financial instruments as of December 31, 2021 and 2020 are summarized as follows, continued:

	2020				
	Carrying amounts				
	Fair value –hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Fair values
<b>Assets carried at fair value:</b>					
Derivative assets	₩ 62,446	-	-	-	62,446
Financial instruments	-	72,310	32,215	-	104,525
	62,446	72,310	32,215	-	166,971
<b>Assets carried at amortized cost:</b>					
Cash and cash equivalents	-	-	-	2,038,501	2,038,501
Financial instruments(*)	-	-	-	208,653	208,653
Trade and other receivables	-	-	-	2,643,581	2,643,581
	-	-	-	4,890,735	4,890,735
	62,446	72,310	32,215	4,890,735	5,057,706
<b>Financial assets total</b>					166,971
<b>Liabilities carried at fair value:</b>					
Financial liabilities	-	406	-	-	406
Derivative liabilities	78,019	-	-	-	78,019
	78,019	406	-	-	78,425
<b>Liabilities carried at amortized cost:</b>					
Borrowings	-	-	-	5,048,428	5,048,428
Debentures	-	-	-	4,483,558	4,483,558
Trade and other payables	-	-	-	3,236,962	3,236,962
Lease liabilities	-	-	-	1,342,449	1,342,449
	-	-	-	14,111,397	14,111,397
	78,019	406	-	14,111,397	14,189,822
<b>Financial liabilities total</b>					78,425

(\*) The financial instruments that are measured at acquisition price because they are not reliably measured at fair value amount to ₩8,551 million. The Group did not present fair value for financial assets and financial liabilities whose carrying amount is deemed to be a reasonable approximation of fair value.

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**43. 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, 2021 and 2020 are as follows:

	2021			
	Fair value – hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Total
<b>Selling, general and administrative expenses</b>				
Bad debt expense	₩ -	-	-	(20,456)
<b>Finance income</b>				
Interest income	-	-	-	33,227
Dividend income	-	323	684	1,007
Gain on valuation of financial instruments measured at FVTPL	-	487	-	487
Gain on disposal of financial instruments measured at FVTPL	-	70,754	-	70,754
Gain on foreign currency translation	-	-	-	46,677
Gain on foreign currency transactions	-	-	-	314,709
Gain on valuation of derivatives	1,758	-	-	1,758
<b>Finance cost</b>				
Interest expense	(775)	-	-	(293,369)
Loss on valuation of financial instruments	-	(1,039)	-	(1,039)
Loss on disposal of financial instruments	-	(91,448)	-	(91,448)
Loss on foreign currency translation	-	-	-	(94,507)
Loss on foreign currency transaction	-	-	-	(369,682)
Loss on transaction of derivatives	(11)	-	-	(11)
Others	-	-	-	(119,350)
<b>Other non-operating income (loss)</b>				
Reversal of other allowance doubtful accounts	-	-	-	5,273
Other bad debt expenses	-	-	-	(5,628)
<b>Other comprehensive income (loss)</b>				
Gain(loss) on valuation of derivative	(10,864)	-	-	(10,864)
Losses on valuation of financial instruments measured at FVOCI	-	-	3,837	3,837
	₩ (9,892)	(20,923)	4,521	(502,331)
				(528,625)

(In millions of won)

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**For the years ended December 31, 2021 and 2020**

**43. 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, 2021 and 2020 are as follows, continued:

	2020			
	Fair value – hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial assets at amortized cost
	Total			
	₩			
<b>Selling, general and administrative expenses</b>				
Bad debt expense	-	-	-	(10,695)
<b>Finance income</b>				
Interest income	-	-	-	35,417
Dividend income	-	539	-	539
Gain on valuation of financial instruments measured at FVTPL	-	42	-	42
Gain on disposal of financial instruments measured at FVTPL	-	47,256	-	47,256
Gain on foreign currency translation	-	-	-	104,984
Gain on foreign currency transactions	-	-	-	400,639
Others	-	-	-	25
<b>Finance cost</b>				
Interest expense	-	-	-	(235,607)
Loss on valuation of financial instruments	-	(487)	-	(487)
Loss on disposal of financial instruments	-	(124,820)	-	(124,820)
Loss on foreign currency translation	-	-	-	(40,942)
Loss on foreign currency transaction	-	-	-	(385,891)
Loss on valuation of derivatives	(4,542)	(13,995)	-	(18,537)
Others	-	-	-	(280)
<b>Other non-operating income (loss)</b>				
Reversal of other allowance doubtful accounts	-	-	-	2,525
Other bad debt expenses	-	-	-	(237)
<b>Other comprehensive income (loss)</b>				
Gain(loss) on valuation of derivative	(1,154)	-	-	(1,154)
Losses on valuation of financial instruments measured at FVOCI	-	-	13,512	-
	₩	(91,465)	13,512	(130,062)
		(91,465)	13,512	(213,711)

(In millions of won)

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 44. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>		<b>2021</b>	<b>2020</b>
Cash and cash equivalents(*)	₩	2,133,189	2,036,285
Fair value –hedging instruments		39,512	62,446
Financial instruments measured at FVTPL		75,147	72,310
Financial instruments		281,453	208,653
Trade receivables and other receivables		5,135,582	2,643,581
Contract asset		228,673	227,085
	₩	<u>7,893,556</u>	<u>5,250,360</u>

(\*) Cash in hand were excluded.

The maximum exposure to credit risk for financial guarantee contracts is ₩6,114,807 million as of December 31, 2021 (See notes 45 and 47).

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

<i>(In millions of won)</i>		<b>2021</b>	<b>2020</b>
Korea	₩	2,851,227	1,196,294
North America		303,503	146,954
Asia		1,926,462	1,482,364
Europe		396,069	174,473
Others		168,448	79,234
	₩	<u>5,645,709</u>	<u>3,079,319</u>

(ii) Impairment loss

The aging of financial assets at amortized cost (including contract asset) and the related allowance for impairment as of December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>		<b>2021</b>		<b>2020</b>	
		<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
Not past due	₩	4,888,154	(9,407)	2,650,745	(22,091)
Past due up to 6 months		514,892	(16,419)	293,556	(5,158)
Past due 6~12 months		116,224	(13,071)	82,864	(11,550)
Past due 1~3 years		322,352	(206,570)	102,965	(47,654)
More than 3 years		359,537	(309,983)	281,699	(246,057)
	₩	<u>6,201,159</u>	<u>(555,450)</u>	<u>3,411,829</u>	<u>(332,510)</u>

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 44. Financial Instruments, Continued

(1) Credit Risk, continued

(ii) Impairment loss, continued

The movement in the allowance for impairment in respect of financial assets at amortized cost (including contract asset) for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>		<u>2021</u>	<u>2020</u>
Beginning balance	₩	332,510	351,860
Bad debt expenses (reversal of allowance accounts)		(23,613)	(326)
Write-offs		(16,267)	(3,399)
Effects of changes in scope of consolidation		262,820	(15,625)
Ending balance	₩	<u>555,450</u>	<u>332,510</u>

The allowance accounts in respect of financial assets at amortized cost (including contract asset) are used to record impairment losses unless the Group 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, 2021 and 2020 impairment losses and impairment reversals that occur in financial assets at amortized cost (including contract asset) recorded as other non-operating income are as follows:

<i>(In millions of won)</i>		<u>2021</u>	<u>2020</u>
Other bad debt expense	₩	5,628	(237)
Reversal of other allowance doubtful accounts		(5,273)	2,525
	₩	<u>355</u>	<u>2,288</u>

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 44. Financial Instruments, Continued

(2) Liquidity risk

(i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

	2021					
	Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
<b>Non-derivative financial liabilities:</b>						
Borrowings	₩ 7,238,357	7,853,599	2,105,612	903,202	2,295,170	2,549,615
Debentures	6,426,417	6,949,741	545,607	1,067,107	3,000,672	2,336,355
Trade and other payables	6,222,490	6,864,726	4,919,116	1,170,806	100,572	674,232
Lease liabilities	1,515,627	1,800,001	153,444	142,184	444,172	1,060,201
<b>Derivative financial liabilities:</b>						
Derivative contracts used for hedging	55,461	61,123	52,123	6,003	2,997	-
Others	934	934	934	-	-	-
₩	<u>21,459,286</u>	<u>23,530,124</u>	<u>7,776,836</u>	<u>3,289,302</u>	<u>5,843,583</u>	<u>6,620,403</u>

The maximum amount for financial guarantee contracts is ₩6,114,807 million as of December 31, 2021 (See notes 45 and 47).

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)

	2020					
	Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
<b>Non-derivative financial liabilities:</b>						
Borrowings	₩ 5,048,428	5,434,158	1,014,773	666,301	1,957,389	1,795,695
Debentures	4,483,558	4,848,437	122,850	657,549	1,989,773	2,078,265
Trade and other payables	3,236,962	3,246,048	2,987,431	56,753	193,359	8,505
Lease liabilities	1,342,449	1,581,637	127,687	112,930	387,027	953,993
<b>Derivative financial liabilities:</b>						
Derivative contracts used for hedging	78,019	78,036	57,146	5,942	14,837	111
Others	406	406	406	-	-	-
₩	<u>14,189,822</u>	<u>15,188,722</u>	<u>4,310,293</u>	<u>1,499,475</u>	<u>4,542,385</u>	<u>4,836,569</u>

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

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### 44. Financial Instruments, Continued

(2) Liquidity risk, continued

(ii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2021 and 2020 are summarized as follows:

(In millions of won)

		2021					
		Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
<b>Currency forward</b>							
Assets	₩	3,546	3,767	2,983	784	-	-
Liabilities		(11,160)	(12,121)	(12,116)	(5)	-	-
<b>Currency swaps</b>							
Assets		1,271	1,441	655	-	786	-
Liabilities		(3,808)	(3,815)	(403)	(415)	(2,997)	-
<b>Interest rate swaps</b>							
Assets		65	67	-	-	67	-
Liabilities		(113)	(115)	(92)	(23)	-	-
<b>Product forward</b>							
Assets		34,408	34,408	27,335	6,541	532	-
Liabilities		(40,380)	(40,380)	(34,814)	(5,566)	-	-
<b>Commodity futures</b>							
Assets		102	102	-	102	-	-
	₩	<u>(16,069)</u>	<u>(16,646)</u>	<u>(16,452)</u>	<u>1,418</u>	<u>(1,612)</u>	<u>-</u>

(In millions of won)

		2020					
		Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
<b>Currency forward</b>							
Assets	₩	9,443	9,498	9,109	389	-	-
Liabilities		(3,810)	(3,810)	(3,423)	(354)	(33)	-
<b>Currency swaps</b>							
Assets		-	-	-	-	-	-
Liabilities		(18,771)	(18,771)	(4,592)	-	(14,179)	-
<b>Interest rate swaps</b>							
Assets		-	-	-	-	-	-
Liabilities		(2,335)	(2,351)	(1,099)	(516)	(625)	(111)
<b>Product forward</b>							
Assets		53,003	53,003	47,869	5,134	-	-
Liabilities		(53,103)	(53,104)	(48,032)	(5,072)	-	-
	₩	<u>(15,573)</u>	<u>(15,535)</u>	<u>(168)</u>	<u>(419)</u>	<u>(14,837)</u>	<u>(111)</u>

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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44. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk:

The Group's exposure to foreign currency risk based on notional amounts as of December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	221,755	1,434	5,829	306	13,294	242,618
Trade and other receivables		1,594,891	254,095	69,771	97	19,249	1,938,103
Trade and other payables		(2,360,164)	(54,260)	(56,389)	(13,923)	(14,588)	(2,499,324)
Borrowings and debentures		(474,852)	(38,010)	(642)	(4,824)	(683)	(519,011)
Gross statement of financial position exposure		(1,018,370)	163,259	18,569	(18,344)	17,272	(837,614)
Derivative contracts		(801,198)	(31,302)	-	266	-	(832,234)
<b>Net exposure</b>	₩	<u>(1,819,568)</u>	<u>131,957</u>	<u>18,569</u>	<u>(18,078)</u>	<u>17,272</u>	<u>(1,669,848)</u>

(In millions of won)

		2020					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	305,530	782	-	39	1,389	307,740
Trade and other receivables		942,919	36,850	19,388	49	90,189	1,089,395
Trade and other payables		(1,850,897)	(13,234)	(11,809)	(6,470)	(4,056)	(1,886,466)
Borrowings and debentures		(289,341)	(32,462)	-	(38,296)	-	(360,099)
Gross statement of financial position exposure		(891,789)	(8,064)	7,579	(44,678)	87,522	(849,430)
Derivative contracts		61,818	28,626	-	5,384	-	95,828
<b>Net exposure</b>	₩	<u>(829,971)</u>	<u>20,562</u>	<u>7,579</u>	<u>(39,294)</u>	<u>87,522</u>	<u>(753,602)</u>

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 44. Financial Instruments, Continued

(3) Currency risk, continued

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, CNY, JPY and other currencies as of December 31, 2021 and 2020 would have increased (decreased) profit or loss by the amounts shown below.

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The changes in profit or loss are as follows:

(In millions of won)

		Profit or loss	
		2021	2020
USD (3 percent strengthening)	₩	(54,587)	(24,899)
EUR (3 percent strengthening)		3,959	617
CNY (3 percent strengthening)		557	227
JPY (3 percent strengthening)		(542)	(1,179)
Others (3 percent strengthening)		518	2,626

A strengthening of the won against the above currencies as of December 31, 2021 and 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above assuming all other variables remain constant.

(4) Interest rate risk

(i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021	2020
<b>Fixed rate instruments:</b>			
Financial assets	₩	1,095,170	1,096,371
Financial liabilities		(8,783,346)	(6,397,300)
	₩	(7,688,176)	(5,300,929)
<b>Variable rate instruments:</b>			
Financial assets	₩	1,378,951	1,262,180
Financial liabilities		(4,513,924)	(3,219,593)
	₩	(3,134,973)	(1,957,413)

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### 44. Financial Instruments, Continued

(4) Interest rate risk, continued

(ii) Interest rate risk arises from savings and borrowings with floating interest rates. The Group properly hedges the risk borrowings with floating interest rates through interest rate swaps. Interest rate swap contracts as of December 31, 2021 are as follows:

(In millions of won and in thousands of foreign currency)

Counterparties	Currency	Amount	Interest rate		Expiration date
Woori Bank	KRW	₩ 40,000	Receives floating interest rate	CD(3M) + 1.45%	2024.06.11
			Pays fixed interest rate	3.28%	
Shinhan Bank	EUR	26,000	Receives floating interest rate	EuLibor(3M) + 1.22%	2024.12.03
			Pays fixed interest rate	2.89%	
CA-CIB	USD	75,000	Receives floating interest rate	Libor(6M) + 1.30%	2023.05.08
			Pays fixed interest rate	1.53%	
Shinhan Bank	USD	25,000	Receives floating interest rate	Libor (6M) + 1.30%	2023.05.08
			Pays fixed interest rate	1.48%	

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2021 and 2020 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>2021</b>			
Variable rate instruments	₩	(31,350)	32,187
Interest rate swaps		1,321	(1,321)
Foreign currency swap		653	(653)
Net cash flow sensitivity	₩	<u>(29,376)</u>	<u>30,213</u>
<b>2020</b>			
Variable rate instruments	₩	(19,574)	19,574
Interest rate swaps		2,800	(2,800)
Foreign currency swap		1,600	(1,600)
Net cash flow sensitivity	₩	<u>(15,174)</u>	<u>15,174</u>

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 44. Financial Instruments, Continued

(5) Fair values

(i) Fair value hierarchy

The Group 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, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>2021</b>				
Financial assets measured at FVOCI ₩	19	-	57,650	57,669
Financial assets measured at FVTPL	8	122	75,017	75,147
Financial liabilities measured at FVTPL	-	8	-	8
Derivative assets	-	39,512	-	39,512
Derivative liabilities	-	56,386	-	56,386
<b>2020</b>				
Financial assets measured at FVOCI ₩	16	-	32,199	32,215
Financial assets measured at FVTPL	-	7,561	64,749	72,310
Financial liabilities measured at FVTPL	-	406	-	406
Derivative assets	-	62,446	-	62,446
Derivative liabilities	-	78,019	-	78,019

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 Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 are comprised primarily of listed equity investments.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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**44. Financial Instruments, Continued**

(5) Fair values, continued

(i) Fair value hierarchy, continued

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.

Unlisted equity securities, investments in capital and other investments in entities newly established or having no comparative entity are excluded from the fair value valuation because their fair value cannot be measured reliably.

(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, 2021 and 2020 are as follows:

*(In millions of won)*

	<b>2021</b>	<b>2020</b>	<b>Valuation techniques</b>	<b>Input variables</b>
<b>Derivatives assets:</b>				
Derivatives	₩ 39,512	62,446	Cash flow discount model and others	Currency forward price, discount rate and others
<b>Financial assets measured at FVTPL:</b>				
Short-term financial assets	122	7,561	Cash flow discount model and others	, Contractual cash flow, interest rate and others
<b>Derivatives liabilities:</b>				
Derivatives	56,386	78,019	Cash flow discount model and others	Currency forward price, discount rate and others
<b>Financial liabilities measured at FVTPL:</b>				
Derivatives	8	406	Cash flow discount model and others	Currency forward price, discount rate and others

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 44. Financial Instruments, Continued

(5) Fair values, continued

(iii) Valuation techniques and significant unobservable inputs at fair value hierarchy Level 3

(a) Changes in financial asset classified as Level 3 in the fair value hierarchy of assets and liabilities measured at fair value are as follows:

(In millions of won)

		2021	2020
<b>Financial assets at FVTPL:</b>			
Beginning balance	₩	64,749	54,041
Acquisition		60,884	10,744
Disposal		(54,250)	(19)
Profit or loss included in net income		(195)	(17)
Changes in scope of consolidation		3,829	-
Ending balance	₩	<u>75,017</u>	<u>64,749</u>
<b>Financial assets at FVOCI:</b>			
Beginning balance	₩	32,199	-
Acquisition		18,888	14,495
Valuation		5,628	24,098
Disposal		-	(6,394)
Changes in scope of consolidation		935	-
Ending balance	₩	<u>57,650</u>	<u>32,199</u>

(b) The valuation technique and inputs of assets and liabilities classified as level 3 in the fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2021 is as follows:

(In millions of won)

	Amount	Valuation technique	Input valuables	Significant unobservable inputs	Range of significant unobservable inputs
<b>Financial assets measured at FVTPL:</b>					
Construction Guarantee Cooperation	₩ 289	Market comparison on technique	PBR	PBR	0.42
Machinery Financial Cooperation	3,076	Net asset value method	-	-	-
Debt instrument	3,000	-	-	-	-
Long-term financial assets	5,273	Discounted cash flows	-	-	-
Others(*)	63,379	-	-	-	-
<b>Financial assets measured at FVOCI:</b>					
Equity instrument	56,606	Discounted free cash flows	Discount rate, Growth rate	Discount rate, Growth rate	6.47%~8.9% 0%~1%
Others(*)	1,044	-	-	-	-
	<u>₩ 132,667</u>				

(\*) The carrying amount was used as there would be no significant difference between the carrying amount and the fair value.

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**44. Financial Instruments, Continued**

(5) Fair values, continued

(iii) Valuation techniques and significant unobservable inputs at fair value hierarchy Level 3, continued

(c) The effect of changes in unobservable inputs as of December 31, 2021 on the fair value measurement of financial assets and financial liabilities is as follows:

*(In millions of won)*

	Unobser- vable inputs	Effects of unobservable inputs on the measurement of fair value	Calculating the effects of variation	Variation effects of fair value	
				Favorable change	Unfavorable change
<b>Financial assets measured at FVTPL:</b>					
Construction Guarantee Cooperation	PBR	Fair value change as increase(decrease) of price- to-book ratio	Fair value change as increase(decrease) of 1P (price-to-book ratio)	₩ 7	(7)



# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 45. Commitments and Contingencies

- (1) As of December 31, 2021, the Group has entered into overdraft agreements with KEB Hana Bank and other financial institutions amounting to ₩70,000 million and general loan agreements with Korea Development Bank and others amounting to ₩5,809,750 million, USD 764,459 thousand, EUR 101,025 thousand, CNY 3,583,500 thousand, INR 1,860,000 thousand and NOK 48,464 thousand.
- (2) As of December 31, 2021, the Group has entered into credit facilities agreements such as letters of credit with KEB Hana Bank and others for the Group's exports and imports totaling ₩28,100 million and USD 4,831,319 thousand.
- (3) As of December 31, 2021, the Group has entered into credit facilities agreements such as secured receivables loan with Shinhan Bank and others totaling ₩1,395,363 million and USD 713,640 thousand.
- (4) As of December 31, 2021, the Group provides guarantees amounting to ₩3,229,000 million, USD 1,876,043 thousand, EUR 33,500 thousand, CNY 2,361,498 thousand, INR 168,000 thousand and CAD 10,000 thousand for the borrowings and others of its subsidiaries.
- (5) In relation to the Group's contract performance guarantees of export and domestic construction, as of December 31, 2021, the Group has been provided with maximum guarantees amounting to ₩382,532 million, USD 470,156 thousand and CNY 383,002 thousand by various banking facilities.
- (6) As of December 31, 2021, the Group has entered into a share option agreement with the Shell Petroleum Company Limited ("Shell"), a shareholder of Hyundai Shell Base Oil Co., Ltd. According to the agreement, Shell holds a put option to sell its 40% of shares to Hyundai Oilbank Co., Ltd. that evaluated by the external evaluation institution at that time (From August 2014 to August 2021: If the supply of raw materials from Hyundai Oilbank Co., Ltd. to Hyundai Shell Base Oil Co., Ltd. falls below a certain level, After August 2021: no condition). Also, Hyundai Oilbank Co., Ltd. holds a call option to purchase its 40% of shares from Shell that evaluated by the external evaluation institution at that time (From August 2021 to August 2029: If the volume of products purchased from Hyundai Shell Base Oil Co., Ltd. falls below a certain level, After August 2029: no condition).
- (7) As of December 31, 2021, the Group has been provided guarantees for the borrowings from Lotte Chemical Co., Ltd. and Hyundai OCI Co., Ltd. amounting to ₩1,046,000 million and ₩160,000 million, respectively.
- (8) For the year ended December 31, 2021, the Group disposed of 90% shares of Hyundai Oil Terminal Co., Ltd. which runs terminal business and storage business to Orion Terminal Limited and has entered into trading option agreement on the terminal business. According to the agreement, the Group holds a call option to purchase the terminal business from August 2026 to August 2031 if the operating profit of terminal business in each fiscal year since the transaction date exceeds 3 times of those in 2020. Also, Orion Terminal Limited holds a put option to sell the terminal business from August 2026 to August 2031 if the Group sells more than 3 oil storage places to 3<sup>rd</sup> party since the transaction date.
- (9) The Group has entered into consignment operation agreement of logistics centers with Hyundai Oil Terminal Co., Ltd. on August 11, 2021 and consigned operation of oil storage locations that Hyundai Oilbank Co., Ltd. holds from August 20, 2021 to December 31, 2030.
- (10) The Group has entered into arrangement agreement with respect to use of the trademark on August 11, 2021 that Hyundai Oil Terminal Co., Ltd. provides its trademark for 10 years since August 11, 2021 (Both parties hold rights to terminate at will).

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 45. Commitments and Contingencies, Continued

(11) As of December 31, 2021, the Group has entered into an agreement about the land (book value of ₩37,558 million) that acquired from Daegu Metropolitan City that Daegu Metropolitan City can reclaim the land if the Hyundai Robotic Co., Ltd. do not dispose land within five years after transferring ownership or do not use contractual purpose acquired from Daegu Metropolitan City.

(12) In accordance with Article 530, paragraph 9.1 of the Commercial law, an existing entity, Korea Shipbuilding & Offshore Engineering Co., Ltd. and newly established entity, Hyundai Electric & Energy Systems Co., Ltd., Hyundai Construction Equipment Co., Ltd., and Hyundai Heavy Industries Holdings Co., Ltd. are jointly liable for the liability Korea Shipbuilding & Offshore Engineering Co., Ltd. prior to split-off.

(13) In accordance with Article 530, paragraph 9.1 of the Commercial law, an existing entity, Hyundai Heavy Industries Holdings Co., Ltd. and newly established entity, Hyundai Robotics Co., Ltd. are jointly liable for the liability of Hyundai Heavy Industries Holdings Co., Ltd. prior to split-off.

(14) As of December 31, 2021, Hyundai Electric & Energy Systems Co., Ltd., a subsidiary, has granted a debt guarantee amounting to ₩44,973 million for the loan for treasury stock of employee stock ownership association based on the board of directors' decision on 2017. The amount of debt is ₩37,477 million at the time of guarantee and the amount of debt guarantee is based on 120% of the debt. Due to the repayment of debt from certain employees' stock ownership association, the remaining balance of debt is ₩13,270 million and debt guarantee is ₩32,683 million as of December 31, 2021.

In addition, Hyundai Electric & Energy Systems Co., Ltd., a subsidiary, has granted a debt guarantee amounting to ₩15,207 million for the loan for treasury stock of employee stock ownership association based on the board of directors' decision on 2019. The amount of debt is ₩15,207 million at the time of guarantee and the amount of debt guarantee is based on 100% of the debt. Due to the repayment of debt from certain employees' stock ownership association, the remaining balance of debt is ₩3,525 million and debt guarantee is ₩3,525 million as of December 31, 2021.

(15) As of December 31, 2021, Hyundai Construction Equipment Co., Ltd., a subsidiary, provided a debt guarantee amounting to ₩70,250 million for the borrowing of treasury stock of the employees 'shareholders' equity in the amount of the amount allocated for treasury stock issuance on October 31, 2017 by resolution of the board of directors. Debt guarantees amounted to ₩58,542 million at the time of guarantee, and the guaranteed guarantee amount is based on 120% of the debt amount. As a result of repayment of loans to certain employees of the Group's employees, the Group's outstanding loan balance amounted to ₩27,295 million as of December 31, 2021, and the amount of the guaranteed guarantee amounted to ₩32,754 million.

(16) As of December 31, 2021, the Group has entered into a contract with shareholders that grants call options to Aramco Overseas Company B.V., 2.9% of the interest in Hyundai Oilbank Co., Ltd.

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

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 45. Commitments and Contingencies, Continued

(17) Hyundai Oilbank Co., Ltd., a subsidiary, has entered into LNG supply agreement that Hyundai Oilbank Co., Ltd. shall purchase fixed amount of LNG from KOGAS on October 31, 2021. According to the agreement, it comes into force on October 2025 and supply period is from March 2026 to December 31, 2034.

(18) As of December 31, 2021, Hyundai Oilbank Co., Ltd., a subsidiary, has signed a long-term crude oil purchase contract and refinery product supply contract with Saudi Aramco and others, and the details of the contract are as follows:

	<b>Contract for the sale of crude oil equipment</b>		<b>Refinery product supply contract</b>
The counterparty to the contract	Saudi Arabian Oil Company	Aramco Trading Co	Aramco Trading Singapore Pte Ltd.
Contract period	2020.01.01 ~ 2039.12.31		2020.02.01 ~ 2039.12.31
Contracted product	Saudi crude oil	Saudi and others' crude oil	Gasoline, diesel, aviation oil

(19) For the year ended December 31, 2021, the Group has entered into a lease contract with Koramco Energy Plus Reit, and the contract period is 10 years from the commencement date of the contract, June 1, 2020. The Group has an option to extend the contract period by 5 years if requested by the Group before two and a half years from the closing date of the contract.

(20) As of December 31, 2021, the Company has entered into the contract with shareholders that compensates for the difference and grants put options to 38% of Hyundai Global Service Co., Ltd. shares that Global Vessel Solutions, L.P. holds.

#### 1) Make-whole payment

Authorizer	Hyundai Heavy Industries Holdings Co., Ltd.
Requirements	Offering price is less than entry price
Underlying asset	Hyundai Global Service Co., Ltd. stock
Exercise price	Offering price – entry price

#### 2) Put option

Authorizer	Hyundai Heavy Industries Holdings Co., Ltd.
Requirements	Failure of IPO
Expiration date	Within 5 years from the date of issue (eligible for a 1-year extension)
Exercise price	Max ( entry price, price at exercise date )

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 46. Litigations

#### (1) Ordinary wage lawsuit

##### 1) Ordinary wage lawsuit (Busan High Court 2022na29)

Date of filing	December 28, 2012.
Litigant	Plaintiff: Kyung-Hwan Jeong and nine others, Defendant: Hyundai Heavy Industries Co., Ltd. took over the lawsuit
Litigation content	Plaintiff filed a suit claiming that total bonuses should be included in the ordinary wage category and recalculated.
Litigation value	₩630 million
The progress of litigation	Defendant partially lost the first trial (Ulsan District Court 2012 gahap 10108) on February 12, 2015. Defendant won the second trial (Busan High Court 2015 na 1888) on January 13, 2016. Plaintiff filled appeals and the third trial is in progress (Supreme Court 2016 da 7975) on January 28, 2016. Supreme Court is in progress on March 19, 2020. Defendant lost the third trial (Supreme Court 2016 da 7975) and the third trial remanded on December 16, 2021. Remand after reversal filed (Busan High Court 2022 na 29) on January 3, 2022.
Future litigation schedule and countermeasures	Currently, review on remand at Busan High Court is in progress.
The effect on the Group as a result of litigation	According to the judgement of supreme court, the Group estimated amount that workers should receive and accounted for other provisions. Final amount will come out when overturned ruling is retried.

##### 2) Ordinary wage lawsuits (Busan High Court 2018na54524)

Date of filing	July 9, 2015
Litigant	Plaintiff: Dong-guk, Kim and 12,436 others, Defendant: Korea Shipbuilding & Offshore Engineering Co., Ltd.
Litigation content	Plaintiff filed a suit claiming that total bonuses should be included in the ordinary wage category and recalculated.
Litigation value	₩1,250 million
The progress of litigation	Filed a lawsuit on July 9, 2015 Defendant won the first trials (Ulsan District Court 2015 gahap 2351) on May 30, 2018 Plaintiff filled appeals and the third trial is in progress (Busan High Court 2021 na 54524) on June 20, 2018 First date of a sentence on November 7, 2018
Future litigation schedule and countermeasures	Currently, appeal process is in progress.
The effect on the Group as a result of litigation	If Korea Shipbuilding & Offshore Engineering Co., Ltd.(formerly, Hyundai Heavy Industries Co., Ltd.) loses the case, it is expected to make an additional loss from compensation. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

Above-mentioned cases submitted to Korea Shipbuilding & Offshore Engineering Co., Ltd. are transferred only to the plaintiffs to which the newly established company belongs.

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**46. Litigations, Continued**

(2) The transformer's antidumping

1) The transformer's second annual antidumping appeal (US Court of Appeals for the Federal Circuit)

Date of filing	March 2016.
Litigant	Plaintiff: ABB, INC., Defendant: United States Government
Litigation content	In March 2016, ABB, INC., appealed the US Department of Commerce's antidumping duties determination rate of 4.07% in the second annual review to the United States Court of International Trade (CIT).
The progress of litigation	The International Trade Court upheld a 16.13% tariff rate at the U.S. Department of Commerce on May 26, 2020(U.S time). Appeals to Court of Appeals for the Federal Circuit (CAFC) on July 24, 2020.
Future litigation schedule and countermeasures	Procedures for investigation of evidence are scheduled.
The effect on the Group as a result of litigation	Since the electric and electronic business is under the jurisdiction of the Group before the division, and we will reflect the impact in our financial statements as determined by the U.S. Court of Appeals for the Federal Circuit(CAFC) and may pay additional tariffs or receive refunds.

2) The transformer's fourth annual antidumping appeal (US Court of International Trade)

Date of filing	March 30, 2018.
Litigant	Plaintiff: Korea Shipbuilding & Offshore Engineering Co., Ltd. Defendant: United States Government
Litigation content	March 12, 2018, Korea Shipbuilding & Offshore Engineering Co., Ltd. appealed the US Department of Commerce's antidumping duties determination rate of 60.81% about transformer that electro electronic segment of Hyundai Heavy Industries Co., Ltd. exported in the four annual review to the United States Court of International Trade (CIT).
The progress of litigation	July 9, 2021 (US time), the United States Court of International Trade (CIT) finally approved the 0% anti-dumping duty rate, which is the final calculated plan of the U.S. Department of commerce, and the complainant (ABB, INC.) dissatisfied with the decision, appealed to the Superior Court of Appeals for the Federal Circuit (CAFC).
Future litigation schedule and countermeasures	It will participate in the Court of Appeals for the Federal Circuit (CAFC) appeal process and respond.
The effect on the Group as a result of litigation	In the future, according to the decision of the Superior Court of Appeals for the Federal Circuit (CAFC), there is a possibility that the anti-dumping-related expenses that we have already recognized will be reversed in the amount of USD 79,720 thousand.

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**46. Litigations, Continued**

(2) The transformer's antidumping, continued

3) The Transformer's sixth annual antidumping appeal (US Court of International Trade)

Date of filing	May 27, 2020.
Litigant	Plaintiff: The Group Defendant: United States Government
Litigation content	April 16, 2020, the Group appealed the US Department of Commerce's antidumping duties determination rate of 60.81% about transformer that the Group exported in the sixth annual review to the United States Court of International Trade (CIT). The Group filed a complaint with the International Trade Court (CIT) on May 27, 2020 against the decision of the U.S. Department of Commerce.
The progress of litigation	Litigation process is in progress.
Future litigation schedule and countermeasures	Procedures for investigation of evidence are scheduled.
The effect on the Company as a result of litigation	The Group have deposited tariffs according to the US Department of Commerce's anti-dumping tariff rate of 60.81%, so there is no additional tariff burden based on the judgment.

(3) Counterindemnity charged sue related to LPG price-fixing (Seoul Central District Court 2012 gahap 85828 and three cases)

Date of filing	April 2, 2010 etc.
Litigant	Plaintiff: Taxi operator, the disabled and others, Defendant: Hyundai Oilbank Co., Ltd. and six others
Litigation content	The Fair Trade Commission imposed fines on two LPG importers and four domestic oil refinery companies including subsidiaries for alleged collusive price-fixing on LPG prices from January 1, 2003 to December 31, 2008. 1,751 private taxi drivers, corporate taxi drivers and others jointly filed a lawsuit against four domestic oil refinery companies including Hyundai Oilbank Co., Ltd. and two LPG importers claiming damages. On the other hand, Hyundai Oilbank Co., Ltd., has filed a lawsuit against Fair Trade Commission Hyundai Oilbank and filed a lawsuit against Hyundai Oilbank and won on revocation lawsuit and corrective order.
Litigation value	₩28,450 million
The progress of litigation	The first trial suit is currently pending (Seoul Central District Court)
Future litigation schedule and countermeasures	The Group plans to appeal against a decision, if it loses the first trial (entirely or partly).
The effect on the Group as a result of litigation	If Hyundai Oilbank Co., Ltd. loses the case, it is expected to make an additional loss from compensation. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 46. Litigations, Continued

- (4) Counterindemnity charged sue related to land contamination for Hankook Shell Oil Co., Ltd. (Seoul High District Court 2018 na 2052465)

Date of filing	February 21, 2012
Litigant	Plaintiff: Hankook Shell Oil Co., Ltd., Defendant: Hyundai Oilbank Co., Ltd.
Litigation content	Hankook Shell Oil Co., Ltd. filed litigation for damages of contamination clean-up costs and others including already accrued costs and costs likely to accrue in the future due to fuel spills at Busan refinery in the past and current Busan oil reservoir of Hyundai Oilbank Co., Ltd. on the site of the Hankook Shell Oil Co., Ltd.
Litigation value	₩14,244 million (Decrease the purpose of the plaintiff's claim from ₩14,775 million)
The progress of litigation	The first trial suit is partially won on August 20, 2021. The second trial suit and appeal on September 10, 2021. According to the first sentence, the quotation amount was ₩7,970 million. If the Group miss the payment, it incurs arrear interest, Hankook Shell Oil Co., Ltd. paid ₩ 11,030 million (quotation amount ₩7,970 million and arrear interest as of August 20, 2021 ₩3,060 million).
Future litigation schedule and countermeasures	Currently pending in the appeals court (Seoul High Court) and will be appealed if lose even a part of it.
The effect on the Group as a result of litigation	If Hyundai Oilbank Co., Ltd. loses the case, it is expected to make an additional loss from compensation. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated

- (5) Claim for payment of purchase price of sale (Seoul Central District Court 2018 gahap 520613)

Date of filing	March 29, 2018
Litigant	Plaintiff: private equity fund that Mirae Asset Global Investments Co., Ltd, IMM, and Hana Financial Investment Co., Ltd founded. Defendant: Hyundai Doosan Infracore Co., Ltd.
Litigation content	Plaintiff filed litigation for claim for payment excluding amounts that were claimed on November 2015 based on the obligation to return the purchase price under the share sale agreement due to obstruction of exercising the right to sell together 20% shares of Doosan Infracore China Co., Ltd. ("DICC") acquired through SPC jointly established in 2011.
Litigation value	₩705,100 million
The progress of litigation	Filed in the court
Future litigation schedule and countermeasures	Plaintiff filed an application for withdrawal of litigation to Seoul Central District Court on October 29, 2021.
The effect on the Group as a result of litigation	As plaintiff withdraw the litigation, it is expected not to have any impact on the Group's financial statements.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 46. Litigations, Continued

(6) Claim for reimbursement for construction warranty of Incheon Airport Energy Co., Ltd

Date of filing	December 16, 2021
Litigant	Plaintiff: DB Insurance Co., Ltd Defendant: Hyundai Heavy Industries Co., Ltd., Hyundai Electric & Energy Systems Co., Ltd.
Litigation content	After compensating for damages caused by a defect in blades of a gas turbine, plaintiff filed a lawsuit for indemnity against Hyundai Heavy Industries Co., Ltd. which supplied the gas turbine as a peripheral defendant and Hyundai Electric & Energy Systems Co., Ltd. which is assumed to have actually manufactured the gas turbine as a preliminary defendant.
Litigation value	<del>₩</del> 11,600 million
The progress of litigation	Filed a lawsuit on December 16, 2021.
Future litigation schedule and countermeasures	Defendant is planning to request withdrawal of preliminary lawsuit against Hyundai Electric & Energy Systems Co., Ltd. at the date of pleading because the gas turbine was not manufactured by Hyundai Electric & Energy Systems Co., Ltd.
The effect on the Group as a result of litigation	If the lawsuit against Hyundai Electric & Energy Systems Co., Ltd. is withdrawn, the outcome will not have a impact on the Group.

(7) In addition to the cases mentioned above, the Group has filed various lawsuits pending. Currently, the impact on the Group's consolidated financial statements, if any, cannot be reliably estimated. However, management of the Group believes that the ultimate outcomes will not have a significant impact on the Group's consolidated financial statements.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 47. Related Parties

- (1) Transactions between the Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements and the related parties as of December 31, 2021 is as follows:

Description	Company	Main business
Associates	Korea Shipbuilding & Offshore Engineering Co., Ltd.	Non-finance holding company
	Koramco Energy Plus Reit and 4 companies Potenit Co.,Ltd.	Real estate investing company Manufacturing of industrial robots
Joint ventures	Hyundai Cosmo Petrochemical Co., Ltd.	Manufacture of basic chemicals for petrochemical industry
	Asan Kakao Medical Data Co., Ltd.	Application software development and supply
	Haining Hagong Hyundai Robotics. Co., Ltd.	Sale of robot and service
	Tianjin Lovol Doosan Engine Company LTD.	Sale and production of engine
	Doosan Infracore Liaoning Machinery Sales Co., Ltd	Sale of excavator
	Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	New technology business investment service
Others (large-scale corporate conglomerate)	Hyundai Heavy Industries Co., Ltd.	Shipbuilding
	Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
	Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
	Aramco Overseas Company B.V and subsidiaries	Oil refinery
	Other related companies of Korea Shipbuilding & Offshore Engineering Co., Ltd.	Others

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47. Related Parties, Continued

(2) Transactions with related parties

1) Significant transactions for the years ended December 31, 2021 and 2020 with related parties are as follows:

(In millions of won)

Description	2021			
	Revenue and other	Purchases and other		
	Revenue (*1)	Purchase of raw materials	Purchase of Property, Plant and Equipment	Others purchase
<b>Associates:</b>				
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 1,021	1,304	832	25,926
Koramco Energy Plus Reit and 4 companies	-	596	6,946	48,369
	1,021	1,900	7,778	74,295
<b>Joint ventures:</b>				
Hyundai Cosmo Petrochemical Co., Ltd.	1,906,023	918,584	5,017	8,471
Mirae asset-Hyundai Heavy Industries holdings Co., Ltd Growth Opportunity Securities Investment joint No.1	34	-	-	-
Haining Hagong Hyundai Robotics. Co., Ltd.	2,530	888	-	-
Tianjin Lovol Doosan Engine Company LTD.	1,841	3,612	-	-
Doosan Infracore Liaoning Machinery Sales Co., Ltd	2,444	-	-	-
	1,912,872	923,084	5,017	8,471
<b>Other related parties (large-scale corporate conglomerate):</b>				
Hyundai Heavy Industries Co., Ltd.	191,296	18,439	592	40,336
Hyundai Samho Heavy Industries Co., Ltd.	94,270	38	-	39
Hyundai Mipo Dockyard Co., Ltd.	56,849	89	-	82
Hyundai E&T Co., Ltd.	528	8,507	-	3,414
Ulsan Hyundai Football Club Co., Ltd.	47	-	-	21,166
Hyundai Heavy Industries MOS Co., Ltd.	176	4,259	-	4,776
Hyundai Energy Solutions America Inc.	1,369	1	36	636
Hyundai Heavy Industries Power Systems Co., Ltd.	8,779	16,592	-	15
Hyundai Heavy Industries Brazil - Manufacturing and Trading of Construction Equipment(*2)	145,362	41,713	-	396
Taeback Wind Power Co., Ltd	1,164	-	-	-
Taeback Guinemi Wind Power Co., Ltd.	1,923	-	-	-
S-Oil Co., Ltd.	449,524	54,056	4	463,432
Aramco Trading Singapore Pte Ltd.	2,328,138	158,359	-	979
Saudi Arabian Oil Company	-	2,629,692	-	-
Aramco Trading Limited	-	3,138,672	-	-
Aramco Trading Company	521	2,276,882	-	-
Aramco Trading Fujaifah FZE	-	166,238	-	-
Others	1,474	-	-	-
	3,281,420	8,513,537	632	535,271
	₩ 5,195,313	9,438,521	13,427	618,037

(\*1) Including sales of property, plant and equipment, interest income and others.

(\*2) For the year ended December 31, 2021, Hyundai Construction Equipment Co., Ltd., a subsidiary, acquired 100% shares of Hyundai Heavy Industries Brazil - Manufacturing and Trading of Construction Equipment from Korea Shipbuilding & Offshore Engineering Co., Ltd., an associate, and Hyundai Heavy Industries Brazil - Manufacturing and Trading of Construction Equipment is reclassified from other related parties to subsidiary. The transaction amount until the date of acquiring control (December 2021) are disclosed.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 47. Related Parties, Continued

(2) Transactions with related parties, continued

1) Significant transactions for the years ended December 31, 2021 and 2020 with related parties are as follows, continued:

(In millions of won)

Description	2020			
	Revenue and other	Purchases and other		
	Revenue (*1)	Purchase of raw materials	Purchase of Property, Plant and Equipment	Others purchase
<b>Associates:</b>				
Korea Shipbuilding & Offshore Engineering Co., Ltd.(*2)	₩ 715	2,687	825	35,757
Koramco Energy Plus Reit	-	-	349,726	4,728
Others	-	-	43,228	650
	<u>715</u>	<u>2,687</u>	<u>393,779</u>	<u>41,135</u>
<b>Joint ventures:</b>				
Hyundai Cosmo Petrochemical Co., Ltd.	1,253,829	635,879	3,807	7,007
Haining Hagong Hyundai Robotics. Co., Ltd.	646	13	-	-
Hyundai and Shell Base Oil Co., Ltd.(*3)	364,549	70,480	-	300
	<u>1,619,024</u>	<u>706,372</u>	<u>3,807</u>	<u>7,307</u>
<b>Other related parties (large-scale corporate conglomerate):</b>				
Hyundai Heavy Industries Co., Ltd.	186,624	21,873	653	39,326
Hyundai Samho Heavy Industries Co., Ltd.	66,957	-	7	676
Hyundai Mipo Dockyard Co., Ltd.	42,509	-	-	134
Hyundai Heavy Industries Power Systems Co., Ltd.	19,095	59,830	-	5,844
Hyundai E&T Co., Ltd.	546	6,923	-	3,836
Hyundai Energy Solutions America Inc.	17,670	230	-	1,044
Hyundai Heavy Industries MOS Co., Ltd.	160	4,488	-	5,015
Ulsan Hyundai Football Club Co., Ltd.	29	142	-	17,742
Hyundai Heavy Industries Brazil				
- Manufacturing and Trading of Construction Equipment	74,904	15,752	-	345
S-Oil Co., Ltd.(*4)	266,850	12,270	2	268,940
Aramco Trading Singapore Pte Ltd.(*5)	416,302	123,042	-	-
Saudi Arabian Oil Company(*5)	-	1,659,916	-	-
Aramco Trading Limited(*5)	-	1,498,898	-	-
Aramco Trading Company(*5)	-	899,064	-	823
Aramco Overseas Company B.V(*5)	-	27,723	-	-
Aramco Trading Fujairah FZE	12,327	-	-	56
Others	<u>1,103,973</u>	<u>4,330,151</u>	<u>662</u>	<u>343,781</u>
	<u>₩ 2,723,712</u>	<u>5,039,210</u>	<u>398,248</u>	<u>392,223</u>

(\*1) Including sales of property, plant and equipment, interest income and others.

(\*2) Hyundai Oilbank Co., Ltd. acquired shares of Daehan Oil Pipeline Corporation from Korea Shipbuilding & Offshore Engineering Co., Ltd. and acquisition amount of ₩14,386 million is included in others purchase.

(\*3) Due to changes in the shareholders' agreements, Hyundai and Shell Base Oil Co., Ltd. has been incorporated as a subsidiary on November 2020. The transaction amounts until October 2020, before changes in the agreement between shareholders and acquiring a control are disclosed.

(\*4) Inventory exchange amount between S-oil Co., Ltd. and Hyundai Oilbank Co., Ltd. are included.

(\*5) Aramco Overseas Company B.V affiliates and Hyundai Oilbank Co., Ltd. have signed long-term crude oil purchase and refinery supply contracts.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 47. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2021 and 2020 between the Group and associates or joint ventures are as follows:

(In millions of won)

	2021			
	Trade and other receivables		Trade and other payables	
	Trade Receivable	Other receivables	Trade Payables	other payables
<b>Associates:</b>				
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 71	189	3,656	1,139
Koramco Energy Plus Reit and 4 companies	-	88,179	184	263,431
	<u>71</u>	<u>88,368</u>	<u>3,840</u>	<u>264,570</u>
<b>Joint ventures:</b>				
Hyundai Cosmo Petrochemical Co., Ltd.	27,207	390	24,815	20,152
Haining Hagong Hyundai Robotics. Co., Ltd.	1,230	-	-	-
Tianjin Lovol Doosan Engine Company LTD.	1,511	-	938	-
Doosan Infracore Liaoning Machinery Sales Co., Ltd	729	-	-	15
	<u>30,677</u>	<u>390</u>	<u>25,753</u>	<u>20,167</u>
<b>Other related parties (large-scale corporate conglomerate):</b>				
Hyundai Heavy Industries Co., Ltd.	57,696	795	8,524	8,409
Hyundai Samho Heavy Industries Co., Ltd.	28,457	524	-	534
Hyundai Mipo Dockyard Co., Ltd.	17,310	-	8	1,450
Hyundai E&T Co., Ltd.	-	71	1,047	-
Ulsan Hyundai Football Club Co., Ltd.	8	2,833	-	-
Hyundai Heavy Industries MOS Co., Ltd.	24	-	1,811	-
Hyundai Energy Solutions America Inc.	227	-	66	-
Hyundai Heavy Industries Power Systems Co., Ltd.	2,100	945	660	71
S-Oil Co., Ltd.(*1)	-	-	2,897	7,178
Saudi Arabian Oil Company(*2)	-	-	341,903	-
Aramco Trading Limited(*2)	-	-	1,226	-
Aramco Trading Company(*2)	-	-	47,266	19
Aramco Trading Singapore Pte Ltd.(*2)	80,011	-	1,073	-
Aramco Trading Fujairah FZE(*2)	-	-	35,206	-
Others	885	-	-	-
	<u>186,718</u>	<u>5,168</u>	<u>441,687</u>	<u>17,661</u>
	<u>₩ 217,466</u>	<u>93,926</u>	<u>471,280</u>	<u>302,398</u>

(\*1) Inventory exchange amount between S-oil Co., Ltd. And Hyundai Oilbank Co., Ltd. are included.

(\*2) Aramco Overseas Company B.V and Hyundai Oilbank Co., Ltd. have signed long-term crude oil purchase and refinery supply contracts.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 47. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2021 and 2020 between the Group and associates or joint ventures are as follows, continued:

(In millions of won)

	2020			
	Trade and other receivables		Trade and other payables	
	Trade Receivable	Other receivables	Trade Payables	other payables
<b>Associates:</b>				
Korea Shipbuilding & Offshore Engineering Co., Ltd.	₩ 2	213	2,929	1,843
Koramco Energy Plus Reit	-	92,097	-	309,129
Others	-	3,137	-	40,187
	2	95,447	2,929	351,159
<b>Joint ventures:</b>				
Hyundai Cosmo Petrochemical Co., Ltd.	40,663	1,120	22,665	13,237
<b>Other related parties</b>				
<b>(large-scale corporate conglomerate):</b>				
Hyundai Heavy Industries Co., Ltd.	54,173	14,592	7,784	4,778
Hyundai Samho Heavy Industries Co., Ltd.	18,854	1,561	50	176
Hyundai Mipo Dockyard Co., Ltd.	11,641	3,106	28	528
Hyundai Heavy Industries Power Systems Co., Ltd.	984	15,196	3,686	-
Hyundai E&T Co., Ltd.	-	-	889	-
Hyundai Energy Solutions America Inc.	207	-	51	-
Hyundai Heavy Industries MOS Co., Ltd.	20	-	1,312	-
Ulsan Hyundai Football Club Co., Ltd.	4	3,091	-	-
Hyundai Heavy Industries Brazil				
- Manufacturing and Trading of Construction Equipment	32,240	3,886	2,269	47
S-Oil Co., Ltd.(*1)	-	15,598	1,550	-
Aramco Trading Singapore Pte Ltd.(*2)	2,004	-	2,871	-
Saudi Arabian Oil Company(*2)	-	-	200,548	-
Aramco Trading Limited(*2)	-	-	53,741	-
Aramco Trading Company(*2)	-	-	58,470	-
Others	8	-	-	4,853
	120,135	57,030	333,249	10,382
₩	160,800	153,597	358,843	374,778

(\*1) Inventory exchange amount between S-oil Co., Ltd. And Hyundai Oilbank Co., Ltd. are included.

(\*2) Aramco Overseas Company B.V and Hyundai Oilbank Co., Ltd. have signed long-term crude oil purchase and refinery supply contracts.

HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES  
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47. Related Parties, Continued

(3) Fund transactions with related parties

1) HHI China Investment Co., Ltd., a subsidiary company, has cashpooling arrangements with other related parties, and the details of the Group's fund transactions under the agreement are as follows:

(In thousands of CNY currency)

			2021		
			Beginning balance	Change	Ending balance
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Borrowing	CNY	17,335	(17,335)	-

(In thousands of CNY currency)

			2020		
			Beginning balance	Change	Ending balance
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Borrowing	CNY	-	17,335	17,335
	Loan		2,073	(2,073)	-

2) For the year ended December 31, 2021 Hyundai Oilbank Co., Ltd., a subsidiary, acquired interest in Koramco Energy Plus Reit, an associate, and 4 companies investing ₩7,500 million and recognized lease liabilities of ₩6,668 million due to rent of gas station, one of transactions with associates.

3) For the year ended December 31, 2020 Hyundai Oilbank Co., Ltd., a subsidiary, acquired interest in Koramco Energy Plus Reit, an associate, and 4 companies investing ₩50,000 million and recognized lease liabilities of ₩368,656 million due to rent of gas station, one of transactions with associates.

4) For the year ended December 31, 2021 Hyundai Oilbank Co., Ltd., a subsidiary, paid dividends of ₩16,166 million to Aramco Overseas Company B.V which has significant influence over the Group and received dividends of respectively ₩2,388 million and ₩13 million from Koramco Energy Plus Reit and Koramco Ocheon PFV Co., Ltd., an associate.

5) For the year ended December 31, 2020 Hyundai Oilbank Co., Ltd., a subsidiary, paid dividends of ₩34,581 million to Aramco Overseas Company B.V which has significant influence over the Group and received dividends of ₩5 million from Hyundai Cosmo Petrochemical Co., Ltd., a joint venture.

6) For the year ended December 31, 2021 the Group acquired interest in Tianjin Lovol Doosan Engine Company LTD. investing ₩3,604 million and share ratio doesn't change.

(4) Details of guarantees provided by the Group for the related parties as of December 31, 2021 is as follows:

(In thousands of USD currency)

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
HHI China Investment Co., Ltd.	Yantai Hyundai Moon Heavy Industries Co., Ltd.	Ningbo Bank	Payment guarantee	USD	10,352

In order to secure debt amounting to ₩90,000 million of Koramco Banpo PFV Co., Ltd., an associate, 189,000 shares of the common stocks that the Group owns have been pledged.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 47. Related Parties, Continued

(5) Compensation for key management of the Group for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	₩ 17,355	14,966
Post-employment benefits	1,652	2,090
	₩ 19,007	17,056

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

### 48. Disposal group held for sale

(1) Assets held for sale and liabilities held for sale for the years 2021 and 2020 are as follows:

<i>(In millions of won)</i>	<b>2021</b>	<b>2020</b>
Hyundai Oilbank Co., Ltd.		
Investments in associates and joint ventures(*1)	₩ 3,768	-
Hyundai LNS Co., Ltd.		
Property, Plant and Equipment(*2)	1,527	-
Hyundai Constructions Equipment Co., Ltd.		
Property, Plant and Equipment(*3)	-	4,335
Weihai Hyundai Wind Power Technology Co., Ltd.		
Right-of-use assets(*4)	-	1,345
	₩ 5,295	5,680

(\*1) It entered into a stock sale agreement of Koramco Ocheon PFV Co., Ltd., an associate, on December 24, 2021. The expected number of shares is 202,500 shares that the Group holds and sale price is ₩17,300 million.

(\*2) Robot logistics system demo centers were decided to be paid for paid-in capital decrease to Astec Co., Ltd and the entire assets were classified to assets held for sale. The payment for capital reduction was completed on January 31, 2022 after creditor protection procedures expired.

(\*3) Hyundai Constructions Equipment Co., Ltd. classified the performance test site as assets held for sale as the site will be used for the construction of the Ulsan Autonomous Ship Demonstration Center. The site has been disposed on February 2021.

(\*4) Weihai Hyundai Wind Power Technology Co., Ltd., a subsidiary, decided to sell right of land use and the asset has been disposed on 2021.

(2) As of December 31, 2020, accumulated gain on revaluation of assets held for sale recognized in other comprehensive income are ₩676 million net of tax effects. As procedures of disposal were completed for the year ended December 31, 2021, ₩676 million recognized in other comprehensive income are reclassified to retained earnings.

# HYUNDAI HEAVY INDUSTRIES HOLDINGS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 49. Split-off

The Company established a new subsidiary, Hyundai Robotics Co., Ltd. by split-off the entire robot-related business except for certain segments such as investment in May 1, 2020.

		2020
Division method	Split-off	
Companies	Surviving company	Hyundai Heavy Industries Holdings Co., Ltd.
	Newly established company	Hyundai Robotics Co., Ltd.
Schedule	Board of Directors resolution date	December 13, 2019
	Shareholders' General Meeting date	March 25, 2020
	Splitter date	May 1, 2020

### 50. Subsequent Events

- (1) The Group decided to acquire 61.84% shares of Plaspo Co., Ltd. for ₩22,900 million through the resolution of the board of directors on February 4, 2022 for the purpose of expanding renewable energy business by adding product line-up such as power converters.
- (2) Weihai Hyundai Wind Power Technology Co., Ltd., a subsidiary of the Group, has been liquidated on February 11, 2022.
- (3) The Group acquired in market of 2,900,000 shares of Korea Shipbuilding & Offshore Engineering Co., Ltd, an associate, from The Asan Foundation (off-hours block trading) on February 24, 2022. After acquisition, the Group holds 24,807,124 shares of Korea Shipbuilding & Offshore Engineering Co., Ltd and share ratio changed from 30.95% to 35.05%.
- (4) Hyundai Chemical Co., Ltd., a subsidiary, issued corporate bond amounting to ₩248,000 million on January 27, 2022 and the Group issued corporate bond amounting to ₩200,000 million on March 2, 2022.
- (5) Hyundai Chemical Co., Ltd., a subsidiary, entered into re-financing contract amounting to ₩470,000 million on February 16, 2022 in relation to the original MX equipment loans of ₩476,666 million. In this regard, Hyundai Oilbank Co., Ltd. and Lotte Chemical Co., Ltd. have signed an agreement to fulfill their obligation to supplement funds for insufficient funds according to the share ratio.