

**HD Hyundai Infracore Co.,Ltd.**  
**and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2023 and 2022**

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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**December 31, 2023 and 2022**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

### Opinion

We have audited the accompanying consolidated financial statements of HD Hyundai Infracore Co.,Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Group's Internal Control over Financial Reporting for consolidation purposes as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 15, 2023 expressed an unqualified opinion.

### Basis for Opinion

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

### Key Audit Matters

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

#### (1) Impairment assessment of capitalized development costs

##### Why it is determined to be a key audit matter

As at December 31, 2023, the carrying amount of development costs capitalized as intangible asset is ₩ 100,041 million. The Group operates several R&D centers in Korea, Europe and other regions, and invests significant amounts to develop new products and technologies. Given the extent of judgement of management required, we consider impairment assessment of capitalized development costs to be a key audit matter (Note 16).

### **How our audit addressed the key audit matter**

Key audit procedures we have performed in relation to impairment assessment of capitalized development costs are as follows.

- Obtained an understanding on Group's accounting policies for impairment assessment of development costs, and tested design and operating effectiveness of related internal controls
- Obtained the details of capitalized development costs and reconciled the total amount to the amount recorded in the general ledger
- Tested development costs capitalized by examining management's assessment documentation and assessing whether the criteria set out in the relevant accounting standards have been met on a sampling basis
- Obtained an understanding and evaluated the development progress and prospect of the projects selected as a sample by interviewing with appropriate project manager and performing other procedures, and assessed appropriateness of management's conclusion on impairment indicator analysis
- Examined recoverable amount of cash-generating unit including development costs to determine whether assess future economic benefits of the projects capitalized

### **(2) Evaluation of provision for warranty**

#### **Why it is determined to be a key audit matter**

As at December 31, 2023, the carrying amount of provision for warranty amounts to ₩ 115,017 million. The Group provides product warranties for certain periods after sales of products and recognizes provision for warranty by estimating expected repair expenses. The performance obligation of warranty is determined based on diverse assumptions such as warranty periods, expected warranty expenses and the nature and extent of the Group provides. We drew attention to the adequacy of the warranty evaluation considering the fact that the management's estimation is intervened in measuring the provision for warranty (Note 24).

#### **How the matter was addressed in the audit**

We performed the following audit procedures in relation to the evaluation of provision for warranty of the Group. We:

- Obtained an understanding of Group's accounting policies for valuation of provision for warranty, and tested design and operating effectiveness of related internal controls
- Verified the accuracy of basic information for accounting estimation used by the management
- Compared reasons for the major assumptions, that management used for estimating the relevant liabilities, with the past performance
- Independently recalculated the balance of liabilities as at December 31, 2023

## **Other Matter**

Auditing standards and their application in practice vary among countries. The procedures and practices used 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 Korean 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.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing 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 Korean Standards on Auditing, 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sung-Woo Choi, Certified Public Accountant.

Seoul, Korea  
March 15, 2024

This report is effective as of March 15, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2023 and 2022**

<i>(in Korean won)</i>	Notes	December 31, 2023		December 31, 2022	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4,539,40,41	₩	239,481,457,874	₩	298,374,683,986
Short-term financial assets	4,67,40,41		45,097,137,017		58,793,133,630
Trade and other receivables	8,9,40,41		1,058,744,283,062		1,381,068,125,003
Contract assets	8,30,40,41		2,117,570,483		-
Inventories	10		1,425,467,665,614		1,315,174,320,657
Derivative assets	25,40,41		21,118,259,018		36,823,329,913
Other current assets	11		41,384,771,275		40,619,294,054
			<u>2,833,411,144,343</u>		<u>3,130,852,887,243</u>
<b>Non-current assets</b>					
Investments in associates and joint ventures	12,44		244,797,296		295,831,153
Long-term financial assets	4,67,40,41		3,371,178,538		12,308,547,479
Long-term trade and other receivables	8,40,41		20,521,975,854		33,148,181,285
Investment properties	13		9,048,443,505		9,818,624,134
Property, plant and equipment	14,18		1,187,873,518,787		1,156,403,731,850
Intangible assets	16,17		160,463,080,875		167,749,023,683
Right-of-use assets	15		64,406,879,210		72,225,450,176
Deferred tax assets	36		86,811,994,941		99,727,355,861
Non-current derivative assets	25,40,41		1,920,261,742		1,321,032,962
Defined benefit assets	23		44,679,222,379		49,302,720,424
Other non-current assets			5,673,315,866		3,514,200,000
			<u>1,585,014,668,993</u>		<u>1,605,814,699,007</u>
<b>Total assets</b>		<b>₩</b>	<b>4,418,425,813,336</b>	<b>₩</b>	<b>4,736,667,586,250</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Short-term financial liabilities	0	₩	651,502,195,240	₩	756,694,245,300
Current lease liabilities	4,18,19,22,40,41,42		15,972,921,832		14,639,270,019
Trade and other payables	15,40,41		826,323,966,085		1,069,431,020,567
Current contract liabilities	20,40,41		185,653,464,985		141,177,100,440
Current derivative liabilities	30		483,334,480		500,346,677
Current tax liabilities	25,40,41		57,692,582,220		5,312,986,484
Current provisions	36		65,674,255,714		83,487,913,716
Other current liabilities	24		98,301,799		2,628,014,620
			<u>1,803,401,022,355</u>		<u>2,073,870,897,823</u>
<b>Non-current liabilities</b>					
Long-term financial liabilities	4,18,19,22,40,41,42		603,499,674,436		817,960,084,747
Non-current lease liabilities	15,40,41		37,475,511,157		45,628,376,995
Long-term trade and other payables	20,40,41		11,032,519,280		7,981,499,886
Non-current contract liabilities	30		17,575,393,512		16,700,765,449
Defined benefit liabilities	23		224,307,025		192,063,018
Non-current provisions	24		50,914,301,138		60,435,686,763
Non-current derivative liabilities	25,40,41		1,407,546,355		-
Deferred tax liabilities	36		79,579,536,051		78,857,253,703
			<u>801,708,788,954</u>		<u>1,027,755,730,561</u>
<b>Total liabilities</b>			<u>2,605,109,811,309</u>		<u>3,101,626,628,384</u>
<b>Equity</b>					
Issued capital	1,26		199,603,453,000		197,763,411,000
Capital surplus	26		340,025,772,339		330,734,345,311
Capital adjustments	27		(1,580,679,334,513)		(1,580,526,916,708)
Accumulated other comprehensive income	28		251,140,457,052		256,351,254,019
Retained earnings	29		2,605,058,998,379		2,431,314,541,985
<b>Equity attributable to owners of the Parent Company</b>			<u>1,815,149,346,257</u>		<u>1,635,636,635,607</u>
<b>Non-controlling interest</b>			<u>(1,833,344,230)</u>		<u>(595,677,741)</u>
<b>Total equity</b>			<u>1,813,316,002,027</u>		<u>1,635,040,957,866</u>
<b>Total liabilities and equity</b>		<b>₩</b>	<b>4,418,425,813,336</b>	<b>₩</b>	<b>4,736,667,586,250</b>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Consolidated Statements of Income Statements**  
**Years Ended December 31, 2023 and 2022**

<i>(in Korean won)</i>	<b>Notes</b>	<b>2023</b>		<b>2022</b>	
<b>Revenue</b>	30,32	₩	4,659,604,596,066	₩	4,756,113,501,671
<b>Cost of goods sold</b>	33		<u>(3,536,020,180,302)</u>		<u>(3,748,492,193,515)</u>
<b>Gross profit</b>			1,123,584,415,764		1,007,621,308,156
Selling and administrative expenses	31,33		<u>(705,320,047,899)</u>		<u>(675,074,423,891)</u>
<b>Operating profit</b>			418,264,367,865		332,546,884,265
Finance income	34		108,324,344,185		141,192,070,611
Finance costs	4,34		(159,805,359,541)		(187,037,541,686)
Other non-operating income	35		13,001,242,040		15,917,085,722
Other non-operating expenses	35		(37,358,280,915)		(23,816,154,733)
Loss on equity method	12		<u>(50,991,031)</u>		<u>(92,743,225)</u>
<b>Profit before income tax</b>			342,375,322,603		278,709,600,954
Income tax expense	36		<u>(111,662,878,105)</u>		<u>(49,158,104,964)</u>
<b>Profit for the year :</b>	32	₩	<u>230,712,444,498</u>	₩	<u>229,551,495,990</u>
Owners of the Parent Company		₩	230,719,941,999	₩	229,771,426,564
Non-controlling interest			(7,497,501)		(219,930,574)
<b>Earnings per share</b>					
<b>attributable to the equity holders of the Parent Company</b>	37				
Basic earnings per share		₩	1,159	₩	1,163
Diluted earnings per share			1,158		1,157

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2023 and 2022**

<i>(in Korean won)</i>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Profit for the year</b>		₩ 230,712,444,498	₩ 229,551,495,990
<b>Other comprehensive income</b>			
<i>Other comprehensive income, net of tax, that will not be reclassified to profit or loss :</i>			
Gains (losses) on remeasurements of net defined benefit liabilities	23	(9,087,600,526)	22,449,139,705
Gains Revaluation reserves of property, plant and equipment	14, 28	203,007,883	2,030,078,835
<i>Other comprehensive income, net of tax, that will be reclassified to profit or loss :</i>			
Exchange differences	28	9,280,421,277	(19,148,115,102)
Cash flow hedges	25, 28	(14,716,864,918)	28,490,923,874
<b>Other comprehensive income for the year, net of tax</b>		<u>(14,321,036,284)</u>	<u>33,822,027,312</u>
<b>Total comprehensive income for the year</b>		<u>₩ 216,391,408,214</u>	<u>₩ 263,373,523,302</u>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the Parent Company		₩ 216,422,927,747	₩ 263,147,424,954
Non-controlling interest		(31,519,533)	226,098,348
		<u>₩ 216,391,408,214</u>	<u>₩ 263,373,523,302</u>

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

HD Hyundai Infracore Co.,Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
Years Ended December 31, 2023 and 2022

(in Korean won)

Notes	Attributable to owners of the Parent Company								Non-controlling Interest	Total						
	Share capital	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained Earnings	Subtotal										
<b>Balance at January 1, 2022</b>	W	197,434,567,000	W	629,006,834,313	W	(1,580,314,102,146)	W	245,424,395,334	W	1,879,093,975,716	W	1,370,645,670,217	W	(821,776,089)	W	1,369,823,894,128
<b>Total comprehensive income:</b>																
Profit for the year		-		-		-		-		229,771,426,564		229,771,426,564		(219,930,574)		229,551,495,990
Gains (losses) on remeasurements of net defined benefit I	23	-		-		-		-		22,449,139,705		22,449,139,705		-		22,449,139,705
Gains (losses) on revaluation reserves of property, plant a	14	-		-		-		2,030,078,835		-		2,030,078,835		-		2,030,078,835
Exchange differences	28	-		-		-		(19,594,144,024)		-		(19,594,144,024)		446,028,922		(19,148,115,102)
Cash flow hedges	25	-		-		-		28,490,923,874		-		28,490,923,874		-		28,490,923,874
<b>Total comprehensive income for the period</b>		-		-		-		10,926,858,685		252,220,566,269		263,147,424,954		226,098,348		263,373,523,302
<b>Transactions with owners:</b>																
Cancellation and redemption of share options	27	-		212,814,562		(212,814,562)		-		-		-		-		-
Exercise of stock warrants		328,844,000		1,514,696,436		-		-		-		1,843,540,436		-		1,843,540,436
Conversion of capital surplus to retained earnings		-		(300,000,000,000)		-		-		300,000,000,000		-		-		-
<b>Total transactions with owners</b>		328,844,000		(298,272,489,002)		(212,814,562)		-		300,000,000,000		1,843,540,436		-		1,843,540,436
<b>Balance at December 31, 2022</b>	W	197,763,411,000	W	330,734,345,311	W	(1,580,526,916,708)	W	256,351,254,019	W	2,431,314,541,985	W	1,635,636,635,607	W	(595,677,741)	W	1,635,040,957,866
<b>Balance at January 1, 2023</b>	W	197,763,411,000	W	330,734,345,311	W	(1,580,526,916,708)	W	256,351,254,019	W	2,431,314,541,985	W	1,635,636,635,607	W	(595,677,741)	W	1,635,040,957,866
<b>Total comprehensive income:</b>																
Profit for the year		-		-		-		-		230,719,941,999		230,719,941,999		(7,497,501)		230,712,444,498
Gains (losses) on remeasurements of net defined benefit I	23	-		-		-		-		(9,087,600,526)		(9,087,600,526)		-		(9,087,600,526)
Gains (losses) on revaluation reserves of property, plant a	14	-		-		-		201,624,642		1,383,241		203,007,883		-		203,007,883
Exchange differences	28	-		-		-		9,304,443,309		-		9,304,443,309		(24,022,032)		9,280,421,277
Cash flow hedges	25	-		-		-		(14,716,864,918)		-		(14,716,864,918)		-		(14,716,864,918)
<b>Total comprehensive income for the period</b>		-		-		-		(5,210,796,967)		221,633,724,714		216,422,927,747		(31,519,533)		216,391,408,214
<b>Transactions with owners:</b>																
Dividends paid	38	-		-		-		-		(47,889,268,320)		(47,889,268,320)		-		(47,889,268,320)
Cancellation and redemption of share options	26	-		38,741,789		(38,741,789)		-		-		-		-		-
Exercise of conversion rights	22,26	1,840,042,000		9,252,685,239		-		-		-		11,092,727,239		-		11,092,727,239
Disposal of shares of subsidiaries		-		-		(113,676,016)		-		-		(113,676,016)		(1,206,146,956)		(1,319,822,972)
<b>Total transactions with owners</b>		1,840,042,000		9,291,427,028		(152,417,805)		-		(47,889,268,320)		(36,910,217,097)		(1,206,146,956)		(38,116,364,053)
<b>Balance at December 31, 2023</b>	W	199,603,453,000	W	340,025,772,339	W	(1,580,679,334,513)	W	251,140,457,052	W	2,605,058,998,379	W	1,815,149,346,257	W	(1,833,344,230)	W	1,813,316,002,027

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

<i>(in Korean won)</i>	Note	2023	2022
<b>Cash flows from operating activities</b>			
Net cash generated from operations:	39		
Profit for the year		₩ 230,712,444,498	₩ 229,551,495,990
Adjustments		407,761,042,196	365,753,775,881
Changes in operating assets and liabilities		(104,420,529,937)	(300,656,717,422)
Interest received		24,618,171,086	29,144,653,059
Interest paid		(69,368,630,835)	(72,744,249,009)
Dividends received		114,517,430	418,750,000
Income taxes paid		(41,882,906,508)	(234,778,252,728)
<b>Net cash inflow from operating activities</b>		<u>447,534,107,930</u>	<u>16,689,455,771</u>
<b>Cash flows from investing activities</b>			
Decrease in short-term financial assets		15,076,405,168	24,818,633,155
Decrease in long-term financial assets		1,007,266,518	1,338,985,633
Proceeds from sales of property, plant and equipment	14	5,259,275,309	3,954,559,120
Proceeds from sales of investment properties	13	624,761,899	109,607,507
Proceeds from sales of intangible assets	16	2,144,603,425	3,590,643,190
Decrease in deposits		780,510,040	-
Changes in the consolidation scope (loss of control)		389,270,674	-
Others		-	207,872,000
Increase in short-term financial assets		(454,517,543)	-
Increase in long-term financial assets		(45,025,000)	(38,205,000)
Purchase of property, plant and equipment	14	(116,467,142,749)	(89,538,287,773)
Acquisition of intangible assets	16	(30,091,437,374)	(31,250,362,346)
Changes in the consolidation scope (obtaining a control)		-	(4,085,460,797)
<b>Net cash outflow from investing activities</b>		<u>(121,776,029,633)</u>	<u>(90,892,015,311)</u>
<b>Cash flows from financing activities</b>			
Net increase in short-term financial liabilities		9,308,838,955	-
Increase in long-term financial liabilities		382,669,572,197	837,949,121,953
Issuance of bonds	22	99,570,068,400	-
Exercise of stock warrants		-	1,666,409,430
Net decrease in short-term financial liabilities		-	(101,768,868,368)
Decrease in long-term financial liabilities		(446,470,523,934)	(934,430,064,055)
Repayments for bonds	22	(366,000,000,000)	-
Repayments for lease liabilities	15	(18,639,180,750)	(16,550,159,913)
Cost of issuance of new shares		(17,374,620)	(22,385,200)
Dividends paid		(47,889,268,320)	-
<b>Net cash outflow from financing activities</b>		<u>(387,467,868,072)</u>	<u>(213,155,946,153)</u>
Effects of exchange rate changes on cash and cash equivalents		2,816,563,663	40,349,739,407
<b>Net decrease in cash and cash equivalents</b>		(58,893,226,112)	(247,008,766,286)
Cash and cash equivalents at the beginning of the year		<u>298,374,683,986</u>	<u>545,383,450,272</u>
<b>Cash and cash equivalents at the end of period</b>		<u>₩ 239,481,457,874</u>	<u>₩ 298,374,683,986</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

# **HD Hyundai Infracore Co.,Ltd. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2023 and 2022**

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#### **1. General Information**

##### **(1) The Parent Company**

HD Hyundai Infracore Co.,Ltd. (the Parent Company) was incorporated on October 23, 2000, through a spin-off from machinery business segment of Daewoo Heavy Industries Ltd. ("DHI"). The Parent Company operates and manages manufacturing and selling businesses of industrial machinery and equipment.

On February 2, 2001, the Parent Company listed its stock on the Korea Exchange, and changed its name to Doosan Infracore Co., Ltd. from Daewoo Heavy Industries & Machinery Ltd. on April 29, 2005, and changed its name to Hyundai Doosan Infracore Co.,Ltd. from Doosan Infracore Co., Ltd. on September 10, 2021 and changed its name to HD Hyundai Infracore Co.,Ltd.. from Hyundai Doosan Infracore Co., Ltd. on March 27, 2023.

On July 1, 2021, the investment business segment including business of Doosan Bobcat Co., Ltd. and others, was spun off.

The Parent Company's share capital as at December 31, 2023, amount to ₩ 199,603 million through capital reduction without consideration (reduction in par value) and capital increases after the spin-off. As at December 31, 2023, 32.98% of the Parent Company is owned by HD Hyundai XiteSolution.,Ltd.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### (2) Consolidated Subsidiaries

1) The Parent Company's consolidated subsidiaries as at December 31, 2023 and 2022, are as follows:

Subsidiary	Main business	Location	Ownership interest held				Fiscal year end
			by the Group <sup>1</sup> (%)		by non-controlling interests <sup>1</sup> (%)		
			2023	2022	2023	2022	
HD Hyundai Infracore China Co., Ltd. <sup>2</sup>	Manufacturing and Sales	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore China Investment Co., Ltd. <sup>2</sup>	Holdings	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore North America LLC. <sup>2</sup>	Sales	USA	100.00	100.00	-	-	December 31
HD Hyundai Infracore (Beijing) Financial Leasing Corp. <sup>2</sup>	Finance	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore Chile S.A. <sup>2</sup>	Sales	Chile	100.00	100.00	-	-	December 31
HD Hyundai Infracore (Shandong) Co., Ltd. <sup>2</sup>	Sales	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore Norway AS. <sup>2</sup>	Manufacturing and Sales	Norway	100.00	100.00	-	-	December 31
HD Hyundai Infracore South America <sup>2</sup>	Sales	Brazil	99.99	99.99	0.01	0.01	December 31
Doosan Infracore Construction Equipment India Private Ltd.	Sales	India	100.00	100.00	-	-	March 31
Clue Insight Inc.	Software Development and Sales	USA	72.21	72.21	27.79	27.79	December 31
HD Hyundai Infracore Europe s.r.o. <sup>2</sup>	Sales	Czech	100.00	100.00	-	-	December 31
HD Hyundai Infracore (Hunan) Corp. <sup>2</sup>	Sales	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore (Beijing) Corp. <sup>2</sup>	Sales	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore Engine (Tianjin) Co., Ltd. <sup>2,3</sup>	Manufacturing and Sales	China	100.00	100.00	-	-	December 31
HD Hyundai Infracore Deutschland GmbH <sup>2,4</sup>	Sales	Germany	100.00	100.00	-	-	December 31
PT Hyundai Infracore Asia <sup>5</sup>	Sales	Indonesia	100.00	-	-	-	December 31

<sup>1</sup> The 'ownership interests held by the Group' refers to the simply aggregated portion of ownership interests directly held by the Parent Company and its consolidated subsidiaries. The 'ownership interests held by non-controlling interests' refers to the portion of ownership interests that are not attributable to the owners of the Parent Company, directly or indirectly. The 'ownership interests held by non-controlling interests' may differ from the portion of interests calculated by subtracting aggregated total portion of interests directly held by the entities within the Group from 100% (In other words, it is calculated by subtracting the effective ownership interest held by the entities within the Group from 100%).

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

<sup>2</sup> For the year ended December 31, 2023, the subsidiaries changed their names, are as follows:

Before entity name change	After entity name change
Doosan Infracore North America LLC.	HD Hyundai Infracore North America LLC.
Doosan Infracore Norway AS.	HD Hyundai Infracore Norway AS.
Doosan Infracore Europe s.r.o.	HD Hyundai Infracore Europe s.r.o.
Doosan Infracore Deutschland GmbH	HD Hyundai Infracore Deutschland GmbH
Hyundai Doosan Infracore Chile S.A.	HD Hyundai Infracore Chile S.A.
Doosan Infracore China Co., Ltd.	HD Hyundai Infracore China Co., Ltd.
Doosan Infracore (China) Investment Co., Ltd.	HD Hyundai Infracore China Investment Co., Ltd.
Doosan (China) Financial Leasing Corp.	HD Hyundai Infracore (Beijing) Financial Leasing Corp.
Doosan Infracore (Shandong) Co., Ltd.	HD Hyundai Infracore (Shandong) Co., Ltd.
Doosan Infracore South America Industria E Comercio De Maquinas De Construc�o LTDA	HD Hyundai Infracore South America
Doosan Infracore Hunan Corp.	HD Hyundai Infracore (Hunan) Corp.
Doosan Infracore Beijing Corp.	HD Hyundai Infracore (Beijing) Corp.
Tianjin Hyundai Doosan Engine Co.,Ltd.	HD Hyundai Infracore Engine (Tianjin) Co., Ltd.

<sup>3</sup> For the year ended December 31, 2023, the Group acquired 50% of the residual shares of Tianjin Lovol Doosan Engine Company Ltd., a joint venture, for ₩ 5,017 million, and changed its name to HD Hyundai Infracore Engine (Tianjin) Co., Ltd.

<sup>4</sup> For the year ended December 31, 2022, the Group newly established HD Hyundai Infracore Deutschland GmbH as a wholly owned subsidiary of the Group.

<sup>5</sup> For the year ended December 31, 2023, the Group newly established PT Hyundai Infracore Asia as a wholly owned subsidiary of the Group.

2) Summarized financial information for major consolidated subsidiaries as at and for the year ended December 31, 2023 is as follows:

(in millions of Korean won)

	Assets		Liabilities		Sales		Profit (Loss) for		Total comprehensive income	
							the year			
HD Hyundai Infracore China Co., Ltd.	₩	831,336	₩	352,301	₩	426,498	₩	(64,366)	₩	(56,669)
HD Hyundai Infracore China Investment Co., Ltd.		123,647		2,715		15,541		(5,439)		(5,758)
HD Hyundai Infracore North America LLC.		417,359		333,488		676,338		7,342		8,565
HD Hyundai Infracore (Beijing) Financial Leasing Corp.		340,715		85,304		44,560		19,386		18,246
HD Hyundai Infracore Europe s.r.o.		390,828		353,043		797,115		6,102		7,817

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### (3) Changes in the Scope of Consolidation

1) Changes in the scope of consolidation for the year ended December 31, 2023, are as follows:

Subsidiary	Description	Reason
ECUBE Solution Co., Ltd.	Excluded from consolidation	Disposal of the shares
PT Hyundai Infracore Asia	Newly included in consolidation	New establishment corporation

2) Changes in the scope of consolidation for the year ended December 31, 2022, are as follows:

Subsidiary	Description	Reason
Doosan Infracore Japan Corp.	Excluded from consolidation	Liquidation
Tianjin Hyundai Doosan Engine Co.,Ltd.	Newly included in consolidation	Acquisition of the shares
Doosan Infracore Deutschland GmbH	Newly included in consolidation	New establishment corporation

## 2. Material Accounting Policies

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- defined benefit pension plans – plan assets measured at fair value

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### *(1) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023.

#### *- Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price*

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the consolidated financial statements.

#### *- New Standard: Korean IFRS 1117 Insurance Contract*

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules*

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc.

The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Group has no current tax expense related to Pillar Two. The impact of the Pillar Two income taxes is described in Note 36.

#### *(2) New standards and interpretations not yet adopted by the Group*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group.

#### *- Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements*

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1116 Leases - Lease Liability in a Sale and Leaseback*

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets*

The amendments require for an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability*

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

#### *(3) Reclassification of financial statements for the comparative year*

In order to facilitate comparison with the current period, some accounts are reclassified according to the category of accounts in the current consolidated financial statements. This reclassification does not affect the net profit or loss or net asset value reported in the previous year.

## **2.2 Consolidation**

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

### *1) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Power can generally be assessed by considering the voting rights of the shares held, but several factors, such as past voting patterns and contractual arrangements, should be taken into consideration. If the profits of the Group are likely to vary depending on the performance of investees, it will be exposed to or have the right to variable profits.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company. When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

#### *2) Investments in Associates and Joint Ventures*

Associates are entities over which the Group has significant influence but not control or joint control, where the Group in general holds 20% or more and 50% or less of the voting rights. Investments in joint ventures are investees sharing control over its economic activities with the Group based on a contractual agreement. The contractually agreed sharing of control of an arrangement only exists when financial and operating policy decisions of the investee require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures (collectively referred to as the "associates, etc.") are accounted for using the equity method of accounting, after initially being recognized at cost. The carrying amount of the investments contains the goodwill identified on initial recognition and is presented at the amount less accumulated impairment losses.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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The Group's proportionate interest of the investee's profit or loss and changes in other comprehensive income after the date of acquisition is respectively recognized in the Group's profit or loss and other comprehensive income. Cumulative changes after acquisition are adjusted from the carrying amount of the investment. If the Group's share of losses of the associates, etc. is greater than or equal to the investment in the associate, etc., including other unsecured notes, the Group discontinues to recognize further losses, except where it is obligated or required to be paid on behalf of the associates, etc. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

Unrealized gains on transactions between the Group and its associates, etc are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

Accounting policies of associate, etc. are changed if necessary for consistency with those of the Group.

For overseas investees whose financial statements are prepared in foreign currencies, the equity method is applied to financial statements translated in accordance with the accounting treatments of the translation of the financial statements of overseas' subsidiaries. The amount of difference between the translated amount of assets less liabilities and translated amount of equity is recognized as changes in the investee's equity (accumulated other comprehensive income) to the extent equivalent to the Group's interest.

### **2.3 Foreign Currency Translation**

#### *1) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

#### *2) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Translation differences on non-monetary assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

#### *3) Translation to the presentation currency*

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- ① Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- ② Income and expenses for each statement of profit or loss are translated at average exchange rates, unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions.
- ③ All resulting exchange differences are recognized in other comprehensive income.

Exchange differences from the net investment in the foreign operation and from other foreign currency instruments designated as hedging instrument for such investment are recognized in other comprehensive income. On disposal of part or all foreign operation, which leads to the loss of control, all of the accumulated exchange differences in respect of that operation are reclassified to profit or loss. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are recognized as assets and liabilities of the foreign operation and translated at the closing exchange rate.

#### **2.4 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash in bank, and other short-term highly liquid investments that are readily convertible to a known amount of cash. Bank overdraft is classified as short-term financial liabilities in the consolidated statements of financial position.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 2.5 Financial Assets

##### 1) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The changes of fair value of equity investments that are not designated under the fair value option are recorded through profit or loss.

##### 2) Recognition and Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### ① Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories.

##### (a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### (b) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. 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 or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

#### (c) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. 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 other comprehensive income and are not reclassified to profit or loss.

### ② *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the consolidated statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

### 3) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 4) *Derecognition*

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the statement of financial position.

#### 5) *Offsetting of financial instruments*

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 2.6 Financial Liabilities

#### 1) *Classification and measurement*

The Group’s financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as other financial liabilities.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as ‘trade and other payables’, and ‘borrowings’ in the statement of financial position.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Preferred shares that require mandatory redemption on a specific date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the income statement as ‘finance costs’, together with interest expenses recognized from other financial liabilities.

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#### 2) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 3) Financial guarantee contract liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- ① the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- ② the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

## 2.7 Compound Financial Instruments

The liability component and equity component of compound financial instruments issued by the Group are separately classified based on the substance of the contractual terms. The compound financial instruments issued by the Group are classified and presented separately as the financial liability component and equity conversion option which can be converted into equity instruments at the option of the holder. The liability component of the compound instruments is recognized initially at the fair value of a similar bond that does not have an equity conversion option, and subsequently recognized at amortized cost by applying the effective interest rate until extinguished on conversion or maturity of the bonds. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. If it is classified not as equity component but as derivatives, it is regarded as embedded derivatives estimated at the fair value of the same derivatives or calculated from a reasonable valuation model. The subsequent gains or losses arising from its fair value fluctuation are recognized in profit or loss.

## 2.8 Trade Receivables

Trade receivables are amounts owed by customer for products and services provided in the ordinary course of business. Receivables expected to be collected within the ordinary business cycle are classified as current assets. Otherwise, they are classified as non-current assets. Trade receivables

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are initially measured at fair value and are presented as net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

#### **2.9 Contract Assets and Liabilities**

Contract assets and liabilities represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

#### **2.10 Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes fixed and variable manufacturing overheads allocated to inventories by the most appropriate method of each category. The cost of inventories is determined by the gross average method (the specific identification method for materials in transit). And during the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year.

The Group periodically reviews changes in net realizable value of inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and recognizes loss on inventory valuation. Loss on inventory valuation is charged to cost of goods sold when it is ordinary and to other non-operating expense when it is extraordinary. When the previous circumstances that caused the loss on inventory valuation no longer exist and the new market value of inventories subsequently exceeds the carrying amount, the valuation loss is reversed to the extent not exceeding the initial carrying amount, and the reversal is deducted from cost of goods sold or other non-operating expenses.

#### **2.11 Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and after initial recognition, are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses except for lands to which the revaluation model is applied. When useful life of a certain part of property, plant and equipment is different compared to that of the whole asset, such part is recognized as a separate asset. The historical cost includes expenditure that is directly attributable to the acquisition of the item, including estimated costs of dismantling, removing or restoring the assets at the end of the expected useful life.

Subsequent costs, incurred to replace a part of previously recognized item of property, plant and equipment, are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. In such cases, the carrying amount of what was replaced is derecognized accordingly. Routine maintenance and repairs are expensed as incurred through profit or loss.

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Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method, which reflects the best estimate of the expected consumption pattern of future economic benefits inherent in the asset, to allocate their cost, net of their residual values.

The Group depreciates property, plant and equipment with a limited useful life over the following periods:

	<u>Estimated useful life (years)</u>
Buildings	20 – 40
Structures	10 – 20
Machinery	5 – 15
Vehicles	5
Tools	5
Office equipment	3 – 10

If a part of a property, plant and equipment has a cost that is significant in relation to the total cost of property, plant and equipment, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before the previous impairment, as adjusted by depreciation. Upon derecognition of a property, plant and equipment, the difference between the net disposal amount and carrying amount of the item is recognized as other non-operating income or expenses.

#### **2.12 Intangible Assets**

Intangible assets are initially measured at cost and are carried at cost, less accumulated amortization and accumulated impairment losses. Subsequent expenditure on an intangible asset is capitalized only when it is probable that the expected future economic benefits that are attributable to the asset will increase.

Intangible assets, except for goodwill and those with indefinite useful lives, are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use, over their estimated useful lives as follows. However, Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. Instead of being amortized they are tested for impairment in each reporting period.

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	<u>Estimated useful life (years)</u>
Industrial rights	5 – 10
Development costs	5 – 7
Other intangible assets	3 – 5

Goodwill acquired through business combinations refers to the consideration paid in excess of the fair value of the Group's share of the identifiable net assets of the subsidiary on the date of acquisition. Goodwill recognized from the acquisition of certain subsidiary, is classified as intangible assets. Goodwill is tested for impairment annually and carried at the historical cost at the date of business acquisition, less accumulated impairment losses. Impairment loss recognized for goodwill is not reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Expenditures relating to development activities are capitalized when the results of development plan were for new product developments or substantial improvement of functions of existing products, there is technical and commercial feasibility of completing the development and the Group has the ability to measure the expenditures attributable to the development with reliability. Capitalized development costs include expenditure on materials, salaries and related overhead cost that is reasonably allocated. Capitalized development costs are presented at the acquisition cost, less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods and selling and administrative expenses. The expenditure on research and development, which does not meet conditions noted above, is expensed through profit or loss when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. For intangible assets with indefinite useful life, assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

### **2.13 Investment Property**

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost, including transaction cost incurred in acquiring the asset. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 40 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

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#### 2.14 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

#### 2.15 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment test, assets are grouped at the lowest levels which separately generates identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

#### 2.17 Borrowings

Borrowings are measured initially at fair value, net of transaction costs and subsequently at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The difference between the amount received and the redemption amount is amortized using the effective interest method and recognized in profit or loss. Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, borrowings are classified as current liabilities.

#### 2.18 Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan

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assets and adjusting unrecognized past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service that entitles them to the contributions.

#### 2.19 Provisions and Contingent Liability

Provisions are recognized when 1) the Group has a present obligation (legal or constructive) as a result of a past event, 2) it is probable that the Group will be required to settle the obligation 3) and a reliable estimate can be made for the amount of the obligation. The amount of the provision is measured as present value of the prospective cash flows estimated to settle the present obligation when the difference between the face value and present value is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine whether the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. In this case, profit from reimbursement is offset against the expense incurred in the recognition of provision through profit or loss.

#### 2.20 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges)

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At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

#### **2.21 Dividend**

Dividend payable is recognized as liability when declaration of the dividend is approved at the shareholders' meeting.

#### **2.22 Share-based Payment Arrangement**

The Group recognizes share options granted to employees at the fair value at the grant date. The fair value determined at the grant date of the share option is expensed on a straight-line basis over the vesting period, reflecting the expected rate of the share option's right extinction.

#### **2.23 Revenue Recognition**

In accordance with K-IFRS 1115, the Group recognizes revenue from all types of the contracts by using the five-step revenue recognition model. The five-step revenue recognition model is as follows:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

##### *(1) Identify the separate performance obligation*

The Group generally separates contracts to recognize revenue from service rendered, apart from sales of goods or products. The Group determines standard warranty coverage periods per product and country considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If a customer has the option to purchase an additional warranty separately beyond the standard warranty coverage period, the warranty is considered as a separate performance obligation when revenue is recognized.

##### *(2) Performance obligation satisfied at a point in time*

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Revenue on sales of goods is recognized when the products have been delivered to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidences that all criteria for acceptance have been satisfied.

#### *(3) Sales with a right of return*

In accordance with K-IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

#### *(4) Revenue Recognition using percentage of completion method*

##### *① A performance obligation satisfied over time*

In accordance with Korean IFRS 1115, the Group recognizes revenue over time 1) if the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs or 2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or 3) the Group 's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

##### *② Methods for measuring progress*

When measuring the progress of performance obligations satisfied over time, the Group considers the characteristics of the goods or services promised to the customer and determines one of the following methods:

- Output methods: Revenue is recognized on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.
- Input methods: Revenue is recognized on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

## **2.24 Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in

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arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

#### 2.25 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, 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. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

#### 2.26 Earnings per Share

Basic earnings per common share are computed by dividing net income attributable to owners of the Group by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income attributable to the owners of the Group, which is adjusted by adding back the after-tax amount of expenses related to dilutive potential ordinary shares, by weighted-average number of common shares and dilutive potential

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ordinary shares outstanding during the period. Anti-dilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

#### 2.27 Assets Held for Sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

Non-current assets that are classified either as held for sale or as a part of a disposal group classified as held for sale are not depreciated (or amortized). If the fair value, less costs to sell, of the non-current assets, or disposal groups, held for sale decreases, impairment loss is recognized immediately through profit or loss. When it increases subsequently, the gain is recognized at the amount not exceeding the accumulated impairment loss.

#### 2.28 Lease

##### *Lessor accounting under Korean IFRS 1116*

At commencement or on modification of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of its relative stand-alone price.

As a lessor, the Group determines whether the lease is a finance lease or an operating lease at the inception of the lease. To classify each lease, the Group generally determines whether the lease transfers most of the risks and rewards incidental to ownership of the underlying asset. If most of the risks and rewards incidental to ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease, otherwise the lease is classified as an operating lease. As part of this assessment, the Group considers whether the lease term is for the major part of the economic life of the underlying asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. In addition, the classification of a lease is determined by the right-of-use asset arising from the head lease, not the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then the sub-lease is classified as an operating lease.

The Group has applied Korean IFRS 1115 '*Revenue from Contracts with Customers*' to allocate consideration in the contract to each lease and non-lease components.

The Group applies the Korean IFRS 1109 '*Derecognition and Impairment*' in relation to net investment in the lease (Note 2.5). The Group regularly reviews the estimated unguaranteed residual values used in computing the lessor's gross investment in the lease.

Lease income from operating leases where the Group is a lessor is recognized in other income on a

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straight-line basis over the lease term.

#### *Lessee accounting under Korean IFRS 1116*

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Also, lease liabilities are measured including lease payments to be paid in accordance with an extension option which is reasonably certain to exercise.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party

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financing was received

- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group elected not to apply that revaluation model to right-of-use assets held by the Group, but apply cost model.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

#### **2.29 Segment Reporting**

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

#### **2.30 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme**

The Group classifies the emission rights as intangible assets. The allowance received free of charge from the government are measured at zero, while those purchased are measured at acquisition cost. Also, if the emission rights granted free of charge by the government in relation to certain

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implementation year are sufficient to fulfill the obligation under the emission liability of current period, the emission liability is measured as zero. However, if there is a shortage, Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission.

#### **2.31 Approval of Issuance of the Financial Statements**

The consolidated financial statements 2023 were approved for issue by the Board of Directors on February 2, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting on March 25, 2024.

### **3. Critical Accounting Estimates and Assumptions**

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

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

#### *(1) Provisions for warranty*

The Group provides warranty for products when the related revenue is recognized. At the end of each reporting period, provisions are recorded at the best estimated costs to settle current and future warranty obligations. The Group continuously introduces new products using advanced complex technology, and accordingly, these estimates may change in future due to additional provisions required under local legislation and practice.

#### *(2) Allowance for doubtful accounts of trade and other receivables*

In order to calculate the impairment of trade and other receivables, the management of the Group estimates an expected bad debt considering the aging of receivables, past experience of bad debt and economic and industrial factors.

#### *(3) Impairment of capitalized development cost*

The Group performs an assessment for impairment of capitalized development costs at the end of each reporting period by reviewing project's business forecast, technical feasibility and future economic benefit. The assessment on indication of impairment or calculation of recoverable amount of capitalized development costs involves management's estimates and judgments.

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#### 4. Risk Management

The purpose of the Group's financial risk management is to improve financial structure and efficiency of fund management to create stable and sustainable management performance even under various financial risks such as market risk, credit risk and liquidity risk.

Financial risk management activities are mainly managed by the finance department, and, in close cooperation with the relevant departments, the department is engaged in activities such as identification, valuation and hedging of financial risks, and focusing on minimizing the impact of financial risks through regular monitoring.

##### (1) Market Risk

###### 1) *Foreign exchange risk*

The Group is exposed to foreign exchange risk as it makes international transactions in foreign currencies. Foreign exchange risk arises from forecast transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign exchange risk is managed by the Group's Regulation on foreign currencies. The Group's basis for foreign currency management is to reduce the volatility of profit or loss. The Group reduces exposure to foreign exchange risk by matching the inflow and the outflow of foreign currencies (natural hedge), and manages foreign exchange risk by using currency derivatives, such as currency forwards, for the remaining exposures.

###### 2) *Interest rate risk*

The Group's interest rate risk is related to borrowings and bank deposits with floating interest rates, and the related interest income and expense are exposed to interest rate risk. Borrowings and bank deposits with fixed interest rates do not have influence on current profit or loss and equity due to the changes in market interest rates.

To manage the Group's interest rate risk in advance, the Group tries to minimize external borrowings by using internal funds, reducing borrowings with high interest rates, improving the structure of long-term and short-term borrowings, maintaining the appropriate balance between borrowings with floating interest rate and fixed interest rate, and regularly monitoring domestic and international interest rate changes with action plans.

###### 3) *Price risk*

The Group is exposed to equity securities price risk arises from investments held by the Group that are classified as at fair value in the consolidated statement of financial position.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### **(2) Credit Risk**

Credit risk arises during the normal course of transactions and investing activities where customers or other parties are unable to comply with contractual obligations. The Group sets out and monitors credit limits for its customers and counterparts on a periodic basis considering financial conditions, historical experiences and other factors.

Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions, as well as credit exposures to major customers, including receivables and definite term contracts.

Main objectives of credit risk management are to efficiently manage credit risk based on the Group's credit policies, to promptly support decision-making processes and to minimize financial losses through safeguarding receivables. Where default is expected for receivables that represents impairment indicators or are past due at the end of reporting period, the Group assesses related credit risk and reflects it on allowances in its consolidated statement of financial position.

Receivables with specific impairment indicators such as insolvency and bankruptcy are individually assessed using appropriate allowance rates. A group of financial assets with similar credit risk natures that are not individually significant is assessed on a collective basis based on aging analysis and the Group's historical experience on collection.

#### **(3) Liquidity Risk**

Liquidity risk represents the risk that the Group may encounter difficulties in fulfilling its obligations to repay financial liabilities or in being not able to have additional funding for its normal business operations due to liquidity shortage.

The Group prepares cash flow budgets for a three-month period as well as annual fiscal year to forecast cash flows from operating, investing and financing activities. Through these forecasts, the Group secures and maintains an appropriate level of liquidity volume and accordingly manages liquidity risk in advance.

#### **(4) Capital Risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity.

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Gearing ratios and net borrowing to equity ratio as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Debt	₩	2,605,110	₩	3,101,627
Equity		1,813,316		1,635,041
Savings <sup>1</sup>		284,680		352,212
Borrowings <sup>2</sup>		1,253,918		1,572,199
Debt-to-equity ratio		143.67%		189.70%
Net borrowing-to-equity ratio <sup>3</sup>		53.45%		74.62%

<sup>1</sup> It consists of cash and cash equivalents and short-term and long-term financial instruments.

<sup>2</sup> For bonds, discount on bonds are deducted from the face value of bonds. And for borrowings, present value of discount are deducted from the face value of borrowings.

<sup>3</sup> (borrowings-deposits)/equity

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
1. Operating profit	₩	418,264	₩	332,547
2. Interest expenses		69,446		75,660
3. Interest coverage ratio (1/2)		6.02		4.40

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 5. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2023 and 2022, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022<sup>1</sup></b>	
Cash	₩	1	₩	2,071
Current deposits		12,365		1,111
Others (MMDA and others)		227,115		295,193
Total	₩	<u>239,481</u>	₩	<u>298,375</u>

#### 6. Short-term and Long-term Financial Instruments

Short-term and long-term financial investments as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>				<b>December 31, 2022</b>			
	<b>Current</b>		<b>Non-current</b>		<b>Current</b>		<b>Non-current</b>	
Financial assets at amortized cost	₩	45,097	₩	584	₩	58,243	₩	8,596
Financial assets at fair value through profit or loss		-		1,853		550		2,778
Financial assets at fair value through other comprehensive income		-		935		-		935
Total	₩	<u>45,097</u>	₩	<u>3,372</u>	₩	<u>58,793</u>	₩	<u>12,309</u>

#### 7. Restricted Financial Instruments

Details of restricted financial instruments as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>		<b>Description</b>
Short-term financial assets	₩	44,616	₩	51,388	Win-win Growth Fund and others
Long-term financial assets		583		8	Debt deposits and others
Total	₩	<u>45,199</u>	₩	<u>51,396</u>	

The Group separately deposited cash and cash equivalents of ₩ 13,556 million in financial institutions for the execution of government project.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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**8. Trade and Other Receivables, and Contract Assets**

(1) Trade and other receivables as at December 31, 2023 and 2022, consist of the following:

*(in millions of Korean won)*

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables <sup>1</sup>	₩ 697,166	₩ 3,525	₩ 749,877	₩ 7,256
Provision for impairment	(98,040)	-	(99,779)	-
Financial lease receivables	324,850	-	577,577	-
Provision for impairment	(14,157)	-	(14,303)	-
Subtotal	909,819	3,525	1,213,372	7,256
Other receivables:				
Other receivables <sup>2</sup>	192,857	7,401	205,294	8,556
Provision for impairment	(49,236)	(4,746)	(54,043)	(4,746)
Accrued income	5,301	-	5,943	-
Deposits	3	14,442	10,502	22,234
Provision for impairment	-	(100)	-	(152)
Subtotal	148,925	16,997	167,696	25,892
Total	₩ 1,058,744	₩ 20,522	₩ 1,381,068	₩ 33,148

<sup>1</sup> The Group recognizes the transfer of trade receivable as collateralized borrowing for those that do not meet the requirements for the elimination of financial instruments (Note 22).

<sup>2</sup> As at December 31, 2023, third-party reimbursable assets of ₩ 5,301 million (2022: ₩ 5,375 million) was recognized in relation to the payment of provision for warranty.

(2) Details of contract assets as at December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Contract assets	₩ 2,118	₩ -	₩ -	₩ -

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(3) Changes in provision for impairment for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>2023</b>				
	<b>Beginning balance</b>	<b>Provision for allowance</b>	<b>Spin-off</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>
Trade receivables	₩ 99,779	₩ (3,258)	₩ (911)	₩ 2,430	₩ 98,040
Financial lease receivables	14,303	315	(377)	(84)	14,157
Other receivables	54,043	(4,322)	(206)	(279)	49,236
Long-term other receivables	4,746	-	-	-	4,746
Long-term deposits	152	-	-	(52)	100
Total	<u>₩ 173,023</u>	<u>₩ (7,265)</u>	<u>₩ (1,494)</u>	<u>₩ 2,015</u>	<u>₩ 166,279</u>

<sup>1</sup> Includes gain or loss arising from changes in foreign exchange rates.

(in millions of Korean won)

	<b>2022</b>				
	<b>Beginning balance</b>	<b>Provision for allowance</b>	<b>Spin-off</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>
Trade receivables	₩ 103,801	₩ 653	₩ (2,270)	₩ (2,405)	₩ 99,779
Financial lease receivables	10,192	4,894	-	(783)	14,303
Other receivables	53,629	951	-	(537)	54,043
Long-term other receivables	4,213	533	-	-	4,746
Long-term deposits	156	-	-	(4)	152
Total	<u>₩ 171,991</u>	<u>₩ 7,031</u>	<u>₩ (2,270)</u>	<u>₩ (3,729)</u>	<u>₩ 173,023</u>

<sup>1</sup> Includes gain or loss arising from changes in foreign exchange rates.

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**9. Finance Lease**

(1) Gross investment in finance lease and present value of minimum lease payments as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Within one year	₩	265,894	₩	479,953
Later than one year but not later than five years		66,088		110,275
Total	₩	<u>331,982</u>	₩	<u>590,228</u>
Present value of minimum lease payments	₩	<u>324,850</u>	₩	<u>577,577</u>

(2) Unearned finance income of finance lease as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Gross investment in the lease	₩	331,982	₩	590,228
Net investment in the lease <sup>1</sup>		<u>324,850</u>		<u>577,577</u>
Unearned finance income	₩	<u>7,132</u>	₩	<u>12,651</u>

<sup>1</sup> In relation to the above lease, there is no unguaranteed residual value as at December 31, 2023, and there are no contingent rental payments incurred during the year ended December 31, 2023.

(3) Gain or loss related to finance lease for the years ended at December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Interest income from finance lease	₩	15,302	₩	20,229
Commissions received from finance lease		16,204		33,276
Total	₩	<u>31,506</u>	₩	<u>53,505</u>

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**10. Inventories**

Inventories as at December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	December 31, 2023			December 31, 2022		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 207,646	₩ (16,602)	₩ 191,044	₩ 208,064	₩ (17,920)	₩ 190,144
Finished goods	641,937	(15,448)	626,489	516,710	(12,300)	504,410
Semi-finished goods	156,778	(1,202)	155,576	175,414	(748)	174,666
Work in progress	40,715	-	40,715	43,671	-	43,671
Raw materials	349,029	(8,725)	340,304	306,352	(7,308)	299,044
Supplies	2,531	(1)	2,530	2,487	(1)	2,486
Materials in transit	68,810	-	68,810	100,753	-	100,753
Total	₩ 1,467,446	₩ (41,978)	₩ 1,425,468	₩ 1,353,451	₩ (38,277)	₩ 1,315,174

Inventories recognized as cost of goods sold during the year ended December 31, 2023, amounted to ₩ 3,275,778 million (2022: ₩ 3,480,483 million). Loss on valuation of inventories added to cost of goods sold amounted to ₩ 3,701 million for the same period (For 2022, Reversal of loss on valuation of inventories: ₩ 199 million).

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 11. Other Assets

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

(in millions of Korean won)

	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
Prepayments	₩	5,957	₩	5,547	₩	6,580	₩	3,514
Prepaid expenses		17,889		126		21,041		-
Prepaid tax		11,329		-		7,787		-
Right of return asset		4,462		-		3,961		-
Others		1,748		-		1,250		-
Total	₩	41,385	₩	5,673	₩	40,619	₩	3,514

#### 12. Interests in Associates and Joint ventures

(1) Details of investments in associates and joint ventures of the Group as at December 31, 2023 and 2022, are summarized as follows:

(in millions of Korean won)

Name of entity	Location	Month of financial statements	Type of business	December 31, 2023		December 31, 2022	
				Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Associates:							
Potenit Co.,Ltd.	Korea	December	Manufacturing	22.86	₩ -	18.78	₩ -
Joint ventures:							
Doosan Infracore Liaoning Machinery Sales Co., Ltd	China	December	Sales of excavator	43.00	₩ 245	43.00	₩ 296
Total					₩ 245		₩ 296

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(2) The tables below provide summarized financial information of joint ventures.

(in millions of Korean won)

		December 31, 2023							
		Current assets	Non-current assets	Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss) for the year	Total comprehensive income
Doosan Infracore									
Liaoning Machinery Sales Co., Ltd	₩	2,486	₩ 17	₩ 1,944	₩ 559	₩ 3,674	₩ (256)	₩ (249)	₩ (249)

(in millions of Korean won)

		December 31, 2023			
		Cash and cash equivalents	Current financial liabilities	Depreciation	Interest expenses
Doosan Infracore Liaoning Machinery Sales Co., Ltd	₩	122	₩ 886	₩ 16	₩ 36

(in millions of Korean won)

		December 31, 2022							
		Current assets	Non-current assets	Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss) for the year	Total comprehensive income
Doosan Infracore									
Liaoning Machinery Sales Co., Ltd	₩	3,479	₩ 40	₩ 2,713	₩ 806	₩ 8,060	₩ (251)	₩ (251)	₩ (251)

(in millions of Korean won)

		December 31, 2022			
		Cash and cash equivalents	Current financial liabilities	Depreciation	Interest expenses
Doosan Infracore Liaoning Machinery Sales Co., Ltd	₩	138	₩ 835	₩ 25	₩ 27

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

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(3) Changes in the Group's investment in joint ventures using the equity method for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023				
	Valuation method	Beginning balance	Share of loss	Other changes in equity	Ending balance
Doosan Infracore Liaoning Machinery Sales Co., Ltd	Equity method	₩ 296	₩ (51)	₩ -	₩ 245

(in millions of Korean won)

	December 31, 2022				
	Valuation method	Beginning balance	Share of loss	Other changes in equity	Ending balance
Doosan Infracore Liaoning Machinery Sales Co., Ltd	Equity method	₩ 394	₩ (93)	₩ (5)	₩ 296

(4) The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.

(in millions of Korean won)

	December 31, 2023					
	Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW(a*b)	Adjustments		Carrying amount
				Intergroup transaction	Others	
Doosan Infracore Liaoning Machinery Sales Co., Ltd	₩ 559	43.00	₩ 241	₩ 4	₩ -	₩ 245

(in millions of Korean won)

	December 31, 2022					
	Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW(a*b)	Adjustments		Carrying amount
				Intergroup transaction	Others	
Doosan Infracore Liaoning Machinery Sales Co., Ltd	₩ 806	43.00	₩ 347	₩ (51)	₩ -	₩ 296

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**13. Investment Properties**

(1) Details of investment properties as at December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	2023			2022		
	Land	Building	Total	Land	Building	Total
Acquisition cost	₩ 25,341	₩ 1,764	₩ 27,105	₩ 26,859	₩ 2,203	₩ 29,062
Accumulated depreciation	-	(281)	(281)	-	(303)	(303)
Accumulated impairment losses	(17,043)	(733)	(17,776)	(17,820)	(1,120)	(18,940)
Ending balance	₩ 8,298	₩ 750	₩ 9,048	₩ 9,039	₩ 780	₩ 9,819

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

*(in millions of Korean won)*

	2023			2022		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 9,039	₩ 780	₩ 9,819	₩ 8,994	₩ 2,154	₩ 11,148
Disposals	(1,176)	-	(1,176)	-	(96)	(96)
Depreciation	-	(30)	(30)	-	(1,278)	(1,278)
Impairment loss	(29)	-	(29)	-	-	-
Reversal of impairment loss	423	-	423	-	-	-
Others	41	-	41	45	-	45
Ending balance	₩ 8,298	₩ 750	₩ 9,048	₩ 9,039	₩ 780	₩ 9,819

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(3) Rental income and expenses from investment properties for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Rental income	₩	52	₩	1,387
Operating/repair and maintenance expenses (generated from rental income)		13		1,259
Operating/repair and maintenance expenses (not generated from rental income)		17		19

(4) Fair value of investment properties as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Land	₩	8,298	₩	9,859

The Group appraised the fair value of its investment property through a qualified and independent appraisal firm on November 1, 2023. The appraisal firm has appropriate qualifications and experience in relation to the assessment of real estate, and the assessment was conducted using a comparative method, which is a method of obtaining economic value based on the marketability of the property.

As at December 31, 2023, the difference between the fair value and the carrying amount of the building is not considered material.

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**14. Property, Plant and Equipment**

(1) Details of property, plant and equipment as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023									
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total	
Acquisition cost	₩ 654,520	₩ 428,051	₩ 105,625	₩ 717,471	₩ 12,316	₩ 408,378	₩ 65,484	₩ 34,471	₩	₩ 2,426,316
Government grants	-	(3,467)	-	(530)	-	-	(224)	-	₩	(4,221)
Accumulated depreciation	-	(183,101)	(54,533)	(549,103)	(8,305)	(308,767)	(49,172)	-	₩	(1,152,981)
Accumulated impairment losses	(1,510)	(46,083)	(5,135)	(18,800)	(436)	(7,696)	(1,580)	-	₩	(81,240)
Closing net book amount	₩ 653,010	₩ 195,400	₩ 45,957	₩ 149,038	₩ 3,575	₩ 91,915	₩ 14,508	₩ 34,471	₩	₩ 1,187,874

(in millions of Korean won)

	2022									
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total	
Acquisition cost	₩ 653,721	₩ 422,303	₩ 94,025	₩ 725,233	₩ 11,397	₩ 368,799	₩ 72,422	₩ 24,964	₩	₩ 2,372,864
Government grants	-	(3,601)	-	(605)	-	-	(291)	-	₩	(4,497)
Accumulated depreciation	-	(172,557)	(51,140)	(561,677)	(7,905)	(281,355)	(58,240)	-	₩	(1,132,875)
Accumulated impairment losses	(1,510)	(43,564)	(5,143)	(19,348)	(486)	(7,497)	(1,541)	-	₩	(79,088)
Closing net book amount	₩ 652,211	₩ 202,581	₩ 37,742	₩ 143,603	₩ 3,006	₩ 79,947	₩ 12,350	₩ 24,964	₩	₩ 1,156,404

Land, after initial recognition, is measured using a revaluation model. As at December 31, 2023, the carrying amount of land would be ₩ 408,237 million if measured based on a cost model.

Certain land, buildings and machinery are pledged as collaterals as at December 31, 2023, in connection with the borrowings from Korea Development Bank and others (Note 18).

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

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

	2023										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total		
Opening net book amount	₩ 652,211	₩ 202,581	₩ 37,742	₩ 143,603	₩ 3,006	₩ 79,947	₩ 12,350	₩ 24,964	₩ 1,156,404		
Acquisitions / Capital expenditure	-	1,327	1,706	24,219	1,968	42,618	4,936	54,317	131,091		
Transfers	-	2,227	10,229	11,904	-	1,593	4,070	(44,837)	(14,814)		
Disposals	-	(172)	(47)	(1,808)	(73)	(327)	(1,713)	-	(4,140)		
Depreciation	-	(10,489)	(3,662)	(29,050)	(1,313)	(31,902)	(5,141)	-	(81,557)		
Changes in the scope of consolidation	-	-	-	-	-	-	(3)	-	(3)		
Others	799	(74)	(11)	170	(13)	(14)	9	27	893		
Closing net book amount	₩ 653,010	₩ 195,400	₩ 45,957	₩ 149,038	₩ 3,575	₩ 91,915	₩ 14,508	₩ 34,471	₩ 1,187,874		

	2022										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total		
Opening net book amount	₩ 651,630	₩ 210,375	₩ 37,207	₩ 146,868	₩ 3,046	₩ 84,738	₩ 12,212	₩ 16,459	₩ 1,162,535		
Acquisitions / Capital expenditure	-	2,774	2,863	17,425	522	24,206	4,850	39,210	91,850		
Transfers	-	1,639	1,378	9,312	517	-	447	(34,896)	(21,603)		
Disposals	(20)	(988)	(70)	(2,242)	(59)	(239)	(43)	(844)	(4,505)		
Depreciation	-	(10,442)	(3,490)	(37,323)	(1,055)	(29,397)	(5,122)	-	(86,829)		
Changes in the scope of consolidation	-	-	-	9,353	51	802	19	4,974	15,199		
Others	601	(777)	(146)	210	(16)	(163)	(13)	61	(243)		
Closing net book amount	₩ 652,211	₩ 202,581	₩ 37,742	₩ 143,603	₩ 3,006	₩ 79,947	₩ 12,350	₩ 24,964	₩ 1,156,404		

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(3) The Group revalued its land assets as follows:

For the year ended December 31, 2013, the Group initially remeasured all land assets using fair value at the date of the revaluation. As at December 31, 2023, the fair values of land assets are determined from appraisal that is undertaken by independently qualified valuers, Mirae & Saehan Appraisal Co., Ltd. ("Mirae & Saehan") and others on September 23, 2021. Mirae & Saehan and others are members of Korea Association of Property Appraisers and comprise certified professionals that have a significant amount of industry experience.

Fair value of a land is determined by reference to Officially Assessed Reference Land Price ("OARLP"), announced by the Ministry of Land, Infrastructure, and Transport, and recent market transactions of similar and recently sold parcels nearby the subject land in order to derive an indication of the most probable sales price (or value) of the land.

(4) Fair value measurements of land asset by fair value hierarchy level as at December 31, 2023, are as follows:

(in millions of Korean won)

Type	Level 1	Level 2	Level 3	Total
Land	₩	- ₩	- ₩	653,010 ₩

(5) Valuation methodologies and inputs used for fair value measurements of land assets are as follows:

Valuation methodology	Significant inputs that are not based on observable market	Correlation between unobservable inputs and fair value arguments
Officially Assessed Reference Land Price	Fluctuation rate of land price and others	Fair value increases (decreases) if rate of land price increases (decreases)
OARLP of similar parcels nearby the subject land, reflating corrections necessary for differences between the subject and the comparable	Parcel conditions and others	Fair value increases (decrease) if corrections of parcel conditions and others increase (decrease)
	Land conditions affecting the sales price and others	Fair value increases (decreases) if correction of land conditions affecting the sales price increases (decreases)

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(6) Borrowing costs added to the cost of property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Borrowing costs added to the cost of property, plant and equipment	₩ 90	₩ -
Interest rate	4.52%	-

(7) Classification of depreciation expenses for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Cost of goods sold	₩ 61,601	₩ 67,508
Selling and administrative expenses	9,155	7,779
Research and development expenses, etc.	10,801	11,542
Total	<u>₩ 81,557</u>	<u>₩ 86,829</u>

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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**15. Right-of-Use Assets and Lease Liabilities**

(1) Details of right-of-use assets as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Acquisition cost	₩ 13,901	₩ 68,565	₩ 11,226	₩ 445	₩ 94,137
Accumulated depreciation	(2,758)	(21,663)	(5,044)	(265)	(29,730)
Accumulated impairment losses	-	-	-	-	-
Ending balance	₩ 11,143	₩ 46,902	₩ 6,182	₩ 180	₩ 64,407

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Acquisition cost	₩ 14,489	₩ 75,524	₩ 10,793	₩ 262	₩ 101,068
Accumulated depreciation	(2,768)	(22,125)	(3,748)	(202)	(28,843)
Accumulated impairment losses	-	-	-	-	-
Ending balance	₩ 11,721	₩ 53,399	₩ 7,045	₩ 60	₩ 72,225

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

<i>(in millions of Korean won)</i>	<b>2023</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Beginning balance	₩ 11,721	₩ 53,399	₩ 7,045	₩ 60	₩ 72,225
New / Adjustment	976	15,625	2,525	200	19,326
Depreciation	(1,392)	(16,005)	(3,101)	(80)	(20,578)
Termination / Cancellation	(132)	(6,413)	(381)	-	(6,926)
Changes in the scope of consolidation	-	(5)	-	-	(5)
Effects of exchange rate changes	(30)	301	94	-	365
Ending balance	₩ 11,143	₩ 46,902	₩ 6,182	₩ 180	₩ 64,407

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Beginning balance	₩ 12,730	₩ 17,712	₩ 6,299	₩ 111	₩ 36,852
New / Adjustment	409	29,976	3,787	-	34,172
Depreciation	(1,124)	(12,435)	(2,774)	(59)	(16,392)
Termination / Cancellation	-	(439)	(299)	-	(738)
Changes in the scope of consolidation	-	18,110	-	-	18,110
Effects of exchange rate changes	(294)	475	32	8	221
Ending balance	₩ 11,721	₩ 53,399	₩ 7,045	₩ 60	₩ 72,225

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(3) Changes in lease liabilities for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>Lease liabilities</b>			
	<b>2023</b>		<b>2022</b>	
Beginning balance	₩	60,268	₩	24,792
Lease modification		(1,758)		-
Payment for lease liabilities		(22,040)		(17,594)
Acquisition of right-of-use assets <sup>1</sup>		19,710		34,054
Termination of lease agreement		(6,543)		(714)
Interest expenses		3,401		1,044
Changes in the scope of consolidation		(6)		18,169
Others		416		517
Ending Balance	₩	53,448	₩	60,268

<sup>1</sup> When lease liabilities were newly acquired during the year ended December 31, 2023, the lessee's incremental borrowings rate applied to the measurement was 4.10% to 6.86%.

(4) Classification of depreciation of right-of-use assets for the years ended December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

	<b>2023</b>		<b>2022</b>	
Cost of goods sold	₩	3,726	₩	1,771
Selling and administrative expenses		14,634		14,225
Research and development cost, etc.		2,218		396
Total	₩	20,578	₩	16,392

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(5) Details of the Group's maturity analysis of lease liabilities as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023									
	Nominal cash flows									
	Total		Less than 1 year		Less than 2 years		Less than 5 years		More than 5 years	
Lease liabilities	₩	61,117	₩	18,131	₩	12,771	₩	18,248	₩	11,967

(in millions of Korean won)

	December 31, 2022									
	Nominal cash flows									
	Total		Less than 1 year		Less than 2 years		Less than 5 years		More than 5 years	
Lease liabilities	₩	70,987	₩	17,365	₩	19,588	₩	21,104	₩	12,930

(6) Expenditures on short-term leases or leases of low-value assets for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023		2022	
Cost of goods sold	₩	1,148	₩	633
Selling and administrative expenses		2,318		2,596
Research and development cost, etc.		198		510
Total	₩	3,664	₩	3,739

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(7) The consolidated statements of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Depreciation of right-of-use assets	₩	20,578	₩	16,392
Interest expense relating to lease liabilities		3,401		1,044
Expense relating to short-term leases		3,246		3,519
Expense relating to leases of low-value assets that are not short-term leases		418		220
Total	₩	27,643	₩	21,175

(8) The total cash outflow for lease for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Lease liabilities	₩	22,040	₩	17,594
Expense relating to short-term leases and leases of low-value assets		3,664		3,739
Total	₩	25,704	₩	21,333

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**16. Intangible Assets**

(1) Details of right-of-use assets as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023					
	Goodwill	Industrial rights	Development cost	Greenhouse gas emission rights	Other intangible assets	Total
Acquisition cost	₩ 36,591	₩ 24,110	₩ 682,468	₩ 5	₩ 414,678	₩ 1,157,852
Accumulated amortization	-	(20,896)	(462,997)	-	(336,487)	(820,380)
Accumulated impairment loss	(33,946)	-	(119,430)	-	(23,633)	(177,009)
Ending balance	₩ 2,645	₩ 3,214	₩ 100,041	₩ 5	₩ 54,558	₩ 160,463

(in millions of Korean won)

	2022					
	Goodwill	Industrial rights	Development cost	Greenhouse gas emission rights	Other intangible assets	Total
Acquisition cost	₩ 37,086	₩ 14,860	₩ 653,779	₩ -	₩ 398,073	₩ 1,103,798
Accumulated amortization	-	(11,347)	(433,364)	-	(315,670)	(760,381)
Accumulated impairment loss	(34,405)	-	(119,430)	-	(21,833)	(175,668)
Ending balance	₩ 2,681	₩ 3,513	₩ 100,985	₩ -	₩ 60,570	₩ 167,749

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(2) Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023					
	Goodwill	Industrial rights	Development cost	Greenhouse gas emission rights	Other intangible assets	Total
Beginning balance	₩ 2,681	₩ 3,513	₩ 100,985	₩ -	₩ 60,570	₩ 167,749
Additions – internal development	-	-	28,891	-	-	28,891
Acquisitions	-	4	-	23	2,677	2,704
Transfers	-	632	-	-	11,852	12,484
Disposals	-	(237)	-	(18)	(1,983)	(2,238)
Amortization	-	(698)	(29,786)	-	(18,927)	(49,411)
Reversal of impairment loss	-	-	-	-	352	352
Others	(36)	-	(49)	-	17	(68)
Ending balance	₩ 2,645	₩ 3,214	₩ 100,041	₩ 5	₩ 54,558	₩ 160,463

(in millions of Korean won)

	2022					
	Goodwill	Industrial rights	Development cost	Greenhouse gas emission rights	Other intangible assets	Total
Beginning balance	₩ 2,810	₩ 3,566	₩ 104,928	₩ -	₩ 54,096	₩ 165,400
Additions – internal development	-	-	26,344	-	-	26,344
Acquisitions	-	-	-	-	5,487	5,487
Transfers	-	995	-	-	21,770	22,765
Disposals	-	(283)	-	-	(3,411)	(3,694)
Amortization	-	(765)	(30,126)	-	(16,347)	(47,238)
Impairment loss	-	-	-	-	(891)	(891)
Others	(129)	-	(161)	-	(134)	(424)
Ending balance	₩ 2,681	₩ 3,513	₩ 100,985	₩ -	₩ 60,570	₩ 167,749

The aggregated carrying amount of goodwill and others with indefinite useful lives in other intangible assets item is ₩ 8,644 million and ₩ 9,317 million as at December 31, 2023 and 2022, respectively.

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(3) Carrying amount and remaining amortization period of each significant development project as at December 31, 2023, is as follows:

<i>(in millions of Korean won)</i>	Name of development asset	Carrying amount		Remaining amortization period <sup>1</sup>
Development costs in development	Development project for Engine (Construction machinery), etc.	₩	46,361	-
Amortized development costs	Development project for Stage 5 Construction machinery, etc.		25,956	9~59 months
	Development project for Stage 5 Engine, etc.		24,571	8~52 months

<sup>1</sup> Remaining amortization period is presented only when amortization was begun. Otherwise, remaining amortization period is presented as “-”.

(4) Impairment losses (reversal) on intangible assets for the year ended December 31, 2023, is as follows:

Related account	Separate asset	Acquisition cost	Impairment loss(reversal)		Carrying amount	Recoverable amount valuation method
			2023	Accumulated		
Other intangible assets	Golf Membership <sup>1</sup>	₩ 9,223	₩ (352)	₩ 3,224	₩ 5,999	Fair value less costs to sell

<sup>1</sup> Recoverable amount was estimated to reflect the fair value less costs to sell of individual assets.

(5) Classification of impairment losses (reversal) for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	2023	2022
Non-operating expenses	₩ -	₩ 891
Non-operating incomes	(352)	-

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(6) Borrowing costs added to the cost of intangible assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>		<b>2023</b>		<b>2022</b>
Borrowing costs added to the cost of intangible assets	₩	1,503	₩	535
Interest rate		4.52%		4.13%

(7) Classification of amortization expenses for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>		<b>2023</b>		<b>2022</b>
Cost of goods sold	₩	29,250	₩	29,422
Selling and administrative expenses		20,162		17,817
Total	₩	<u>49,412</u>	₩	<u>47,239</u>

(8) The Group recognized total research and development costs of ₩ 168,753 million (2022: ₩ 150,597 million) as expenses in selling and administration expenses.

(9) Impairment test of goodwill

Carrying amount of Goodwill as at December 31, 2023, are as follows:

<i>(in millions of Korean won)</i>			<b>December 31, 2023</b>
Classification			
Goodwill	₩		2,645

The Group uses cash flow projections based on financial budgets approved by the directors covering five-year periods for a value-in-use calculation. The financial budgets are determined based on historical result and expectation of market growth. The assumptions for the calculation of value-in-use, as at December 31, 2023, are as follows:

Classification	December 31, 2023
Growth rate	1.00%
Discount rate	9.80%

Cash flows beyond that five-year periods have been extrapolated using the fifth-year cash flow. The growth rate does not exceed long-term average growth rate of market, and the discount rates used reflect relevant risks specific to the cash-generating units.

The Group calculated recoverable amount for each cash-generating unit based on value-in-use, and concluded that there was no impairment loss to recognize for the year ended December 31, 2023, since the total carrying amount did not exceed the recoverable amount.

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**17. Greenhouse Gas Emission Rights and Obligation**

(1) The quantities of emission permits which are allocated free of charge for the 3rd planning period (2021~2025) are as follows:

(in tCO <sub>2</sub> -eq)	2021	2022	2023	2024	2025	Total
Allocation with nil consideration	101,677	101,677	101,677	100,725	100,725	506,481

(2) Changes in emission permits quantities and the carrying amounts are as follows:

(in tCO <sub>2</sub> -eq, in millions of Korean won)	Total		2021		2022		2023		2024		2025	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1	506,481	₩ -	101,677	₩ -	101,677	₩ -	101,677	₩ -	100,725	₩ -	100,725	₩ -
Allocation with nil consideration (Allocation Cancellation)	(3,045)	-	(210)	-	(211)	-	(880)	-	(872)	-	(872)	-
Carrying forward	5,000	-	4,076	-	924	-	-	-	-	-	-	-
Purchase (Disposal)	1,772	23	(420)	-	1,830	18	362	5	-	-	-	-
Surrendered to the government	(209,343)	(18)	(105,123)	-	(104,220)	(18)	-	-	-	-	-	-
At December 31	300,865	₩ 5	-	₩ -	-	₩ -	101,159	₩ 5	99,853	₩ -	99,853	₩ -

(3) Details of emission obligations for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)	2023 <sup>1</sup>	2022
At January 1	₩ -	₩ -
Increase	-	-
Decrease	-	-
At December 31	₩ -	₩ -

<sup>1</sup> As at December 31, 2023, emission obligations are estimated at 96,735 tons (tCO<sub>2</sub>-eq).

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 18. Pledged Assets

The Group's assets pledged as collaterals for long-term and short-term borrowings as at December 31, 2023, are as follows:

(in thousands of USD, DM and NOK, in millions of Korean won)

Collateralized asset	Carrying amount	Collateralized amount	Classification	Amount of borrowings	Pledgee
Land and buildings <sup>1</sup>	KRW 744,622	KRW 371,112	Long-term borrowings	KRW 170,000	Korea Development Bank
		USD 95,025	Current portion of long-term borrowings	KRW 90,000	
		DM 84,000	Long-term borrowings	NOK 3,761	
Buildings, machinery and others	NOK 384,236	NOK 473,022	Long-term borrowings	NOK 3,761	Innovasjon Norge and 1 other
			Current portion of long-term borrowings	NOK 3,821	

<sup>1</sup> The Group's rights to property insurance benefits are pledged as collaterals to the Korea Development Bank.

#### 19. Long-Term and Short-Term Financial Liabilities

Details of long-term and short-term financial liabilities as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Borrowings	₩ 474,672	₩ 501,049	₩ 379,782	₩ 638,029
Bonds	176,830	101,367	376,912	177,476
Financial guarantee liabilities	-	1,084	-	2,456
Total	₩ 651,502	₩ 603,500	₩ 756,694	₩ 817,961

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**20. Trade and Other Payables**

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

*(in millions of Korean won)*

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Trade payables	₩ 419,568	₩ -	₩ 664,310	₩ -
Other payables	191,434	-	180,792	-
Accrued expenses	131,411	11,033	140,959	7,982
Others	83,911	-	83,370	-
Total	₩ 826,324	₩ 11,033	₩ 1,069,431	₩ 7,982

**21. Other Current Liabilities**

Other current liabilities as at December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	December 31, 2023		December 31, 2022	
Advances	₩	69	₩	2,579
Others		29		49
Total	₩	98	₩	2,628

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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**22. Borrowings and Bonds**

(1) Details of carrying amount of long-term and short-term borrowings as at December 31, 2023 and 2022, are as follows:

1) Short-term borrowings

(in millions of Korean won)

Category	Creditor	Annual interest rate (%) as at December 31, 2023	December 31, 2023	December 31, 2022
Domestic consolidated company :				
Usance L/C	Nonghup Bank and others	0.22~4.73	₩ 141,646	₩ 96,673
Transferred receivables <sup>1</sup>	Woori Bank and others	-	-	6,871
	Sub-Total		141,646	103,544
Overseas consolidated company :				
Borrowings in foreign currencies <sup>2</sup>	Woori Bank and others	3.40~3M Term SOFR+1.18	146,917	270,654
	Short-term borrowings total		288,563	374,198
	Current portion of long-term borrowings		186,109	5,584
	Total		₩ 474,672	₩ 379,782

<sup>1</sup> There are no financial liabilities related to transferred trade receivables that do not meet the Group's derecognition criteria as at December 31, 2023 (2022: ₩ 6,871 million). Trade receivables are pledged as collaterals for these liabilities.

<sup>2</sup> The Group has entered into a contract to pay fixed interest rate (3.60%) in CNY on future interest and principal payment date to avoid the risk of cash flow fluctuations due to exchange rate and interest rate fluctuations. (Note 25)

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2) Long-term borrowings

(in millions of Korean won)

Category	Creditor	Annual interest rate (%) as at December 31, 2023	December 31, 2023	December 31, 2022
Domestic consolidated company :				
Borrowings in	Korea Development Bank	4.76	₩ 100,000	₩ -
Korean Won	Korea Development Bank	4.70	20,000	20,000
	Korea Development Bank	6.13	50,000	50,000
	Korea Development Bank	CD + 1.61	90,000	90,000
	KB Kookmin Bank	-	-	5,000
	Bank of China	Financial bonds 6M + 1.40	30,000	30,000
	Agricultural Bank of China	CD + 1.60	30,000	30,000
	China Construction Bank	CD + 1.60	30,000	30,000
	Export-Import Bank of Korea	3.80	45,000	190,000
	SHINHAN BANK	5.95	40,000	-
	Borrowings in	KEB Hana Bank	1.70	92,728
foreign currencies	KEB Hana Bank	3M Euribor + 1.88	42,798	-
	Subtotal		570,526	532,828
Overseas consolidated company :				
Borrowings in	Innovasjon Norge and 1 other	7.30~8.25	958	1,502
foreign currencies	China Construction Bank	4.00	25,318	25,402
	KEB Hana Bank	4.30	10,615	13,460
	Korea Development Bank	4.00~4.20	43,402	43,546
	China Minsheng Bank	3.84	10,308	27,216
	Industrial and Commercial Bank of China	3.70	9,042	-
	China Merchants Bank Co Ltd	3.60~3.90	17,180	-
	Subtotal		116,823	111,126
Long-term borrowings total			687,349	643,954
Less: present value of discount			(191)	(341)
Less: current portion			(186,109)	(5,584)
Total			₩ 501,049	₩ 638,029

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(2) Details of carrying amount of bonds as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

Category	Date of issue	Maturity date	Annual interest rate (%) as at December 31, 2023	December 31, 2023	December 31, 2022	Whether the bonds are guaranteed <sup>1</sup>
65 <sup>th</sup>	2020-06-08	2023-06-08	-	₩ -	₩ 745	Non-guarantee bonds
69 <sup>th</sup>	2020-08-03	2023-08-03	-	-	9,781	Non-guarantee bonds
73 <sup>rd</sup>	2021-02-03	2023-02-03	-	-	150,000	Non-guarantee bonds
74 <sup>th</sup>	2021-02-26	2023-02-24	-	-	20,000	Non-guarantee bonds
75 <sup>th</sup>	2021-03-12	2023-03-10	-	-	176,000	Non-guarantee bonds
76 <sup>th</sup>	2021-04-23	2023-04-21	-	-	20,000	Non-guarantee bonds
78 <sup>th</sup>	2021-05-04	2024-05-03	3.30	60,000	60,000	Non-guarantee bonds
79 <sup>th</sup>	2021-07-29	2024-07-29	3.50	80,000	80,000	Non-guarantee bonds
FRN	2022-04-06	2025-04-03	3M compounded SOFR + 0.95 <sup>2</sup>	38,682	38,019	Guarantee bonds <sup>1</sup>
80-1 <sup>st</sup>	2023-03-15	2024-09-13	4.72	37,000	-	Non-guarantee bonds
80-2 <sup>nd</sup>	2023-03-15	2025-03-14	5.04	63,000	-	Non-guarantee bonds
		Subtotal		278,682	554,545	
		Less: present value of discount on bonds		(485)	(644)	
		Less: present value of discount on convertible bonds		-	(14)	
		Add: Redemption Premium on convertible bonds		-	722	
		Conversion right adjustment		-	(221)	
		Subtotal		(485)	(157)	
		Subtotal after deduction		278,197	554,388	
		Less: current portion (including present value of discount)		(176,830)	(376,912)	
		Total		₩ 101,367	₩ 177,476	

<sup>1</sup> The Group has been provided with guarantees by the financial institutions that issued the guaranteed bonds.

<sup>2</sup> The Group has entered into a contract to pay fixed interest rate (3.63%) in Korean Won on future interest and principal payment date to avoid the risk of cash flow fluctuations due to exchange rate and interest rate fluctuations. (Note 25)

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(3) Convertible bonds issued by the Group are fully converted as at December 31, 2023, and the details of changes of convertible bonds during the year ended December 31, 2023, are as follows:

(in millions of Korean won)

	Beginning balance	Exercise/ Amortization	Ending balance <sup>1</sup>
Convertible bonds	₩ 10,526	₩ (10,526)	₩ -
Redemption premium on convertible bonds	722	(722)	-
Present value of discount	(14)	14	-
Conversion right adjustment	(221)	221	-
Carrying amount	<u>₩ 11,013</u>	<u>₩ (11,013)</u>	<u>₩ -</u>
Compensation for conversion right (other capital surplus)	₩ 260	₩ (260)	₩ -

<sup>1</sup> 65<sup>th</sup> and 69<sup>th</sup> convertible bonds were fully converted into shares through the exercise of conversion rights. The number of shares issued through the exercise of conversion rights is 1,840,042 shares (65<sup>th</sup>: 134,608 shares, 69<sup>th</sup>:1,705,434 shares).

(4) Repayment schedule of the Group's borrowings and debentures as at December 31, 2023 and 2022, are summarized as follows:

(in millions of Korean won)

	December 31, 2023		
	Borrowings	Bonds	Total
Within one year	₩ 474,672	₩ 177,000	₩ 651,672
Between 1 and 5 years	<u>501,240</u>	<u>101,682</u>	<u>602,922</u>
Total	<u>₩ 975,912</u>	<u>₩ 278,682</u>	<u>₩ 1,254,594</u>

(in millions of Korean won)

	December 31, 2022		
	Borrowings	Bonds	Total
Within one year	₩ 379,782	₩ 376,526	₩ 756,308
Between 1 and 5 years	<u>638,370</u>	<u>178,019</u>	<u>816,389</u>
Total	<u>₩ 1,018,152</u>	<u>₩ 554,545</u>	<u>₩ 1,572,697</u>

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

(in millions of Korean won)

		<b>December 31, 2023</b>		
		<b>Liabilities</b>		
		<b>Borrowings</b>	<b>Bonds</b>	<b>Total</b>
Beginning balance		₩ 1,017,811	₩ 554,388	₩ 1,572,199
Cash flows from financial activities	Borrowing	391,978	99,570	491,548
	Repayments	(446,471)	(366,000)	(812,471)
	Effects of exchange rate changes	9,818	663	10,481
Non-cash flows	Amortization of present value of discount	169	-	169
	Amortization of bond discount	-	686	686
	Others	2,416	(11,110)	(8,694)
Ending balance		<u>₩ 975,721</u>	<u>₩ 278,197</u>	<u>₩ 1,253,918</u>

(in millions of Korean won)

		<b>December 31, 2022</b>		
		<b>Liabilities</b>		
		<b>Borrowings</b>	<b>Bonds</b>	<b>Total</b>
Beginning balance		₩ 513,564	₩ 1,246,136	₩ 1,759,700
Cash flows from financial activities	Borrowing	1,583,097	36,088	1,619,185
	Repayments	(1,082,143)	(735,292)	(1,817,435)
	Effects of exchange rate changes	6,830	729	7,559
Non-cash flows	Amortization of present value of discount	109	-	109
	Amortization of bond discount	-	6,043	6,043
	Others	(3,646)	684	(2,962)
Ending balance		<u>₩ 1,017,811</u>	<u>₩ 554,388</u>	<u>₩ 1,572,199</u>

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**23. Employee Benefits**

(1) Due to the operation of the defined contribution plans, the contributions paid to financial institutions are recognized as expenses. The expense recognized in profit or loss in relation to defined contribution plan was ₩ 4,140 million (2022: ₩ 990 million).

(2) Details of net defined benefit assets (liabilities) recognized in the consolidated statements of financial position as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefit obligations	₩ (125,310)	₩ (109,192)
Fair value of plan assets <sup>1</sup>	169,765	158,302
Net defined benefit liabilities	₩ (224)	₩ (192)
Net defined benefit assets	<u>44,679</u>	<u>49,302</u>

<sup>1</sup> The contributions to the National Pension Fund of ₩ 91 million are included in the fair value of plan assets as at December 31, 2023 (2022: ₩ 103 million).

(3) Plan assets as at December 31, 2023 and 2022 consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time deposits	₩ 165,999	₩ 155,285
Others	3,766	3,017
Total	<u>₩ 169,765</u>	<u>₩ 158,302</u>

(4) Profit and loss recognized for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current service cost	₩ 13,339	₩ 23,244
Past service cost	-	(7,498)
Interest expense	4,862	5,593
Interest income	(7,938)	(5,490)
Total	<u>₩ 10,263</u>	<u>₩ 15,849</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Beginning balance	₩	109,192	₩	233,156
Current service cost		13,339		23,244
Past service cost		-		(7,498)
Transfer in		1,871		153
Interest expense		4,862		5,593
Remeasurements:				
Actuarial loss (gain) from change in demographic assumptions		(1)		1,218
Actuarial loss (gain) from change in financial assumptions		10,306		(41,944)
Actuarial loss from others		982		7,400
Changes in the consolidation scope		(38)		-
Payments from plans		(15,733)		(112,137)
Exchange differences		180		31
Others		350		(24)
Ending balance	₩	<u>125,310</u>	₩	<u>109,192</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Beginning balance	₩	158,302	₩	219,874
Expected return on plan assets		7,938		5,490
Remeasurements:		(529)		(3,715)
Contributions from employers		11,000		21,000
Payments from plans:		(7,430)		(84,360)
Change in the contributions to the national pension fund		(11)		(19)
Exchange differences		172		32
Others		323		-
Ending balance	₩	<u>169,765</u>	₩	<u>158,302</u>

Actual gain or loss on plan assets is recognized as ₩ 7,409 million (gain) and ₩ 1,775 million (gain) for the years ended December 31, 2023 and 2022, respectively. The Group plans to contribute ₩ 12,821 million to the defined benefit plans in 2024.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(7) The significant actuarial assumptions as at December 31, 2023 and 2022, are as follows:

<i>(in percentage, %)</i>	<b>2023</b>	<b>2022</b>
Discount rate	4.20 ~ 4.60	4.20~5.36
Salary increase rate	2.50 ~ 3.68	2.50~3.63

(8) Weighted average duration of defined benefit obligation as at December 31, 2023 and 2022, are as follows:

<i>(in year)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Weighted average duration	13.20	11.01

(9) The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>
Discount rate:				
1% increase	₩ (12,615)	(10.07%)	₩ (11,052)	(10.12%)
1% decrease	15,049	12.01%	12,984	11.89%
Salary increase rate:				
1% increase	14,471	11.55%	12,589	11.53%
1% decrease	(12,368)	(9.87%)	(10,912)	(9.99%)

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**24. Provisions**

(1) Details of provision as at December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	2023					
	Provisions for warranty		Others		Total	
Current	₩	64,293	₩	1,382	₩	65,675
Non-current		50,724		190		50,914
Total	₩	115,017	₩	1,572	₩	116,589

*(in millions of Korean won)*

	2022					
	Provisions for warranty		Others		Total	
Current	₩	82,393	₩	1,095	₩	83,488
Non-current		60,436		-		60,436
Total	₩	142,829	₩	1,095	₩	143,924

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

*(in millions of Korean won)*

	2023					
	Provisions for warranty		Others		Total	
Beginning balance	₩	142,829	₩	1,095	₩	143,924
Additional provisions		52,842		427		53,269
Offset		(83,734)		(9)		(83,743)
Effect of exchange rate changes		3,102		59		3,161
Changes in the consolidation scope		(22)		-		(22)
Ending balance	₩	115,017	₩	1,572	₩	116,589

*(in millions of Korean won)*

	2022					
	Product warranties		Others		Total	
Beginning balance	₩	152,916	₩	1,127	₩	154,043
Additional provisions		74,610		(34)		74,576
Offset		(84,126)		(6)		(84,132)
Effect of exchange rate changes		(571)		8		(563)
Ending balance	₩	142,829	₩	1,095	₩	143,924

The Group recognizes provision by estimating expected expenses in relation to product warranty, defect repair services and others on the basis of the warranty period and historical experience and etc.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 25. Derivative Instruments

The Group has entered into derivative contracts with financial institutions to hedge foreign exchange fluctuation risk expected with future receipts of receivables. The fair value of derivatives is assessed based on information of forward exchange rate and interest rate from banks. Details of the valuation as at December 31, 2023, are as follows:

(1) Details of derivative instruments and hedge accounting are as follows:

Purpose	Type of derivative instruments	Description
Cash flow hedge	Foreign currency forward	A contract to avoid cash flow risk arising from forecasted sales in foreign currencies and forecasted expenses in foreign currencies related to the introduction of foreign materials.
	Foreign currency swap	A contract to avoid cash flow risk arising from changes in interest rate and currency exchange rate for foreign currency bonds and foreign currency borrowings.

(2) Details of valuation of derivative instruments as at December 31, 2023, are as follows:

(in thousands of foreign currencies and millions of Korean won)

Purpose	Cash flow hedge	Sell	Buy	Notional amount	Weighted average forward rate	Average maturity	Number of contracts
	Foreign currency forward	EUR	KRW	236,760	1425.79(EUR/KRW)	2025-05-22	102
	Foreign currency forward	KRW	JPY	13,718	9.21(JPY/KRW)	2024-03-04	5
	Foreign currency forward	USD	KRW	565,000	1310.72(USD/KRW)	2024-06-03	102
Cash flow hedge	Foreign currency swap	KRW	3M Compounded	37,107	1236.90(USD/KRW)	2025-04-03	1
		3.63%	SOFR + 0.95%				
	Foreign currency swap	CNY	USD	345,500	6.91(USD/CNY)	2024-05-08	1
		3.60%	3M Term SOFR+1.18%				

(\*) Settlement method : gross settlement

(\*) The currency unit of the notional amount is based on the selling currency.

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(3)The carrying amount of derivatives as at December 31, 2023, are as follows:

(in millions of Korean won)

Purpose	Type	Assets		Liabilities	
		Current	Non-current	Current	Non-current
Cash flow hedge	Foreign currency forward	₩ 19,318	₩ 4	₩ 483	₩ 1,408
	Foreign currency swap	1,800	1,916	-	-
	Total	₩ 21,118	₩ 1,920	₩ 483	₩ 1,408

(4) Gains or loss related to derivative instruments for the year ended at December 31, 2023, are as follows:

(in millions of Korean won)

Purpose	Type	2023			
		Revenue	Cost of goods sold	Finance expenses (income)	Other comprehensive income before income tax
Cash flow hedge	Foreign currency forward	₩ 1,277	₩ 2,249	₩ -	₩ (18,891)
	Foreign currency swap	-	-	2,721	(291)
	Total	₩ 1,277	₩ 2,249	₩ 2,721	(19,182)

For the years ended December 31, 2023, the Group has recognized loss on valuation of derivatives with cash flow hedge accounting amounting to ₩ 19,182 million after deducting deferred tax amounting to ₩ 4,465 million as other comprehensive income.

For the years ended December 31, 2023, the Group has recognized loss on valuation of derivatives with

In relation to cash flow hedges, the expected maximum period of exposure to cash flow risk from the hedged item transactions is less than 52 months from the end of the reporting period.

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**26. Share Capital and Capital Surplus**

Changes in share capital and Capital Surplus for the year ended December 31, 2023, are as follows:

*(in millions of Korean won except for share data)*

Description	Number of common stocks issued	Share capital	Capital Surplus	Consideration for convertible rights	Other capital surplus
Beginning balance	197,763,411	₩ 197,763	₩ 362,059	₩ 260	₩ (31,584)
Exercise of conversion rights	1,840,042	1,840	9,512	(260)	-
Cancellation of share options	-	-	-	-	39
Ending balance	<u>199,603,453</u>	<u>₩ 199,603</u>	<u>₩ 371,571</u>	<u>₩ -</u>	<u>₩ (31,545)</u>

Meanwhile, the Parent Company's total number of authorized shares is 400,000,000 shares and the total number of ordinary shares issued is 199,603,453 shares (2022: 197,763,411 shares) with a par value of ₩ 1,000 per share. As at December 31, 2023, the number of non-voting shares under the Commercial Law is 64,835 shares (2022: 64,835 shares).

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**27. Capital Adjustments**

(1) Capital Adjustments as at December 31, 2023 and 2022, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Treasury share	₩	(1,096)	₩	(1,096)
Loss on disposal of treasury share		(7,908)		(7,908)
Share options		12		51
Other capital adjustments		(1,571,687)		(1,571,574)
Total	₩	<u>(1,580,679)</u>	₩	<u>(1,580,527)</u>

(2) Share-based Payments

The Group granted share options number of times to its directors. Methods to grant share options, issuance of new shares, issuance of treasury shares or cash settlement, are decided by the Board of Directors at their meeting to be held on stock exercise date. These share options carry a two-year service vesting condition, subsequent to the resolution made at the shareholders' meeting. The number of granted options as at December 31, 2023, is as follows:

*(in Korean won except for share data)*

Date of grant	Description	Number of granted options	Exercisable period	Exercise price	Expected fair value at the date of grant
2014.03.21	10th grant	1,956	2017.03.21~2024.03.20	₩ 13,600	₩ 6,436

Changes in share option for the year ended December 31, 2023, are as follows:

	Number of common stocks to be issued (in shares)			Valuation amount (in millions of Korean won)		
	Beginning balance	Forfeited	Ending balance	Beginning balance	Decrease	Ending balance
9th grant	3,133	(3,133)	-	₩ 27	₩ (27)	-
10th grant	3,849	(1,893)	1,956	₩ 24	₩ (12)	₩ 12
Total	<u>6,982</u>	<u>(5,026)</u>	<u>1,956</u>	<u>₩ 51</u>	<u>₩ (39)</u>	<u>₩ 12</u>

There is no expense recognized due to share option granted in prior year. In addition, there is no compensation cost to be recognized for the year ended December 31, 2023, and for prospective period.

The Group calculated the compensation costs by applying fair value approach. Assumptions used in determining fair value of share options are as follows:

	Risk-free interest rate <sup>1</sup>	Expected exercisable period	Expected volatility	Expected dividend yield ratio
10th grant	3.27%	6.5 years	42.29%	0.00%

<sup>1</sup> Risk-free interest rate is based on 5-year and 10-year treasury bond yield rate.

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**28. Accumulated Other Comprehensive Income**

(1) Changes in accumulated other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023							
	Exchange differences		Cash flow hedges		Revaluation reserves of property, plant and equipment	Total		
Beginning balance	₩	59,156	₩	28,136	₩	169,059	₩	256,351
Increase		9,304		-		202		9,506
Decrease		-		(14,717)		-		(14,717)
Ending balance	₩	68,460	₩	13,419	₩	169,261	₩	251,140

(in millions of Korean won)

	2022							
	Exchange differences		Cash flow hedges		Revaluation reserves of property, plant and equipment	Total		
Beginning balance	₩	78,750	₩	(355)	₩	167,029	₩	245,424
Increase		-		28,491		2,030		30,521
Decrease		(19,594)		-		-		(19,594)
Ending balance	₩	59,156	₩	28,136	₩	169,059	₩	256,351

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(2) Income tax effects directly recognized in accumulated other comprehensive income (loss) as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>December 31, 2023</b>		
	<b>Before tax</b>	<b>Deferred tax assets (liabilities)</b>	<b>After tax</b>
Exchange differences	₩ 68,460	₩ -	₩ 68,460
Unrealized gain on valuation of derivatives	17,453	(4,034)	13,419
Gain on revaluation of property, plant and equipment	251,077	(81,816)	169,261
Total	<u>₩ 336,990</u>	<u>₩ (85,850)</u>	<u>₩ 251,140</u>

(in millions of Korean won)

	<b>December 31, 2022</b>		
	<b>Before tax</b>	<b>Deferred tax assets (liabilities)</b>	<b>After tax</b>
Exchange differences	₩ 59,156	₩ -	₩ 59,156
Unrealized loss on valuation of derivatives	36,636	(8,500)	28,136
Gain on revaluation of property, plant and equipment	251,079	(82,020)	169,059
Total	<u>₩ 346,871</u>	<u>₩ (90,520)</u>	<u>₩ 256,351</u>

**29. Retained Earnings**

(1) Retained earnings as at December 31, 2023 and 2022, consist of:

(in millions of Korean won)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Legal reserves <sup>1</sup>	₩ 4,789	₩ -
Retained earnings before appropriation	2,600,270	2,431,315
Total	<u>₩ 2,605,059</u>	<u>₩ 2,431,315</u>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit.

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(2) The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
1. Unappropriated retained earnings carried over from prior year	₩	2,431,315	₩	1,879,094
2. Profit for the year		230,720		229,771
3. Remeasurements of net defined benefit liabilities		(9,088)		22,450
4. Transfers of revaluation reserves of property, plant and equipment		1		-
5. Conversion of capital surplus to retained earnings <sup>1</sup>		-		300,000
6. Dividend paid		(47,889)		-
7. Unappropriated retained earnings to be carried forward	₩	2,605,059	₩	2,431,315

<sup>1</sup> In accordance with the resolution of the shareholders' annual general meeting on March 21, 2022, capital surplus was reduced and converted to retained earnings.

### **30. Revenue**

Revenue as at December 31, 2023 and 2022, consist of:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
1. Revenue from contracts with customers				
Type of revenue:				
- Revenue of manufactured products / merchandise	₩	4,527,273	₩	4,691,774
- Other revenue		108,391		110,241
Subtotal		4,635,664		4,802,015
Timing of revenue recognition:				
- At a point in time		4,347,723		4,525,788
- Over time		287,941		276,227
Subtotal		4,635,664		4,802,015
2. Revenue from other sources				
- Rental income		22,664		21,987
- profit or loss from hedge		1,277		(67,888)
Subtotal		23,941		(45,901)
Total	₩	4,659,605	₩	4,756,114

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

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### December 31, 2023 and 2022

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#### (2) Assets related to Contracts with Customers

The Group has recognized the following assets related to contracts with customers as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Contracts assets	₩	2,118	₩	-

#### (3) Liabilities related to Contracts with Customers

The Group has recognized the following liabilities related to contracts with customers as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Refund liabilities	₩	9,344	₩	7,682
Advances		79,523		47,187
Extended warranty/Incentive		109,093		91,438
Shipping•insurance service		5,269		11,571
Total	₩	203,229	₩	157,878

The amount recognized as profit for the year ended December 31, 2023 from contract liabilities recognized as at December 31, 2022 is ₩ 64,248 million (2022: ₩ 61,192 million).

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(4) Revenue Recognition using Percentage of Completion method

1) Changes in revenue recognition using percentage of completion method for the year ended December 31, 2023, are as follows:

(in millions of Korean won)

		<b>2023</b>
Beginning contract balance	₩	40,595
New contract		2,410
Revenue		(22,171)
Ending contract balance <sup>1</sup>	₩	20,834

<sup>1</sup> New contract amounts, additional contract amounts, changes in the contract amounts and change in foreign currency translation are included.

2) The expected timing of revenue recognition for the contract balance as at December 31, 2023, is as follow:

(in millions of Korean won)

	December 31, 2023			
	2024	2025	After 2026	Total
Expected amount	₩ 12,522	₩ 7,837	₩ 475	₩ 20,834

3) Details of accumulated revenue and others related to revenue measured by the percentage of completion as at December 31, 2023, are as follows.

(in millions of Korean won)

December 31, 2023						
			Receivables from revenue measured by the percentage of completion			
Cumulative revenue	Cumulative cost	Cumulative profit and loss	Amount charged	Contract assets	Contract liabilities	Provisions for loss
₩ 29,274	₩ 25,794	₩ 3,480	₩ -	₩ 2,118	₩ 2,568	₩ -

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4) *Impact of changes in estimated total costs*

Due to the factors causing the rise in costs in 2023, the estimated total costs for contracts in progress as at December 31, 2022, have changed. Details of changes in estimated total contract costs, profits or loss for the year and the succeeding year, and the impact on due from customers for contract assets and liabilities, are as follows:

*(in millions of Korean won)*

		2023						
Changes in total revenue for contracts	Changes in estimated total costs for contracts	Changes in profit and loss					Changes in contract assets	Changes in contract liabilities
		Current year	Succeeding years	Total				
₩	- ₩	(803) ₩	587 ₩	216 ₩	803 ₩	587 ₩	(587) ₩	

The impact on profit or loss for the current year and the succeeding year is determined based on total contract costs, which are estimated based on the circumstances present for the year ended December 31, 2023, and total contract revenue as at December 31, 2023. The estimated contract costs and total contract revenue may change in the future.

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**31. Selling and Administrative Expenses**

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Salaries	₩	134,443	₩	120,015
Post-employment benefits		5,226		6,693
Employee benefits		44,053		37,322
Printing		2,450		2,852
Freight and custody		4,122		3,203
Communications		2,882		3,330
Utilities		4,378		3,615
Maintenance		7,190		5,040
Insurance		7,794		7,160
Depreciation		9,185		9,057
Amortization		20,162		17,817
Research and development		168,753		150,597
Advertising		37,120		14,233
Sales commission		19,982		54,152
Taxes and dues		4,833		7,023
Travel		18,148		12,052
Commission		90,191		86,510
Entertainment		2,311		1,549
Education and training		1,989		2,526
Bad debt expenses (reversal)		(2,942)		5,547
Right of use asset depreciation		14,634		14,225
Warranty expenses		76,514		81,379
Others		31,902		29,177
Total	₩	705,320	₩	675,074

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**32. Segment Information**

The Group's operating segments are as follows:

Business segment	Main products
Engines ("EG")	Engine of the commercial cars and buses, engine parts, and others
Construction Equipment ("CE")	Crawler excavator, excavator parts and others

(1) Profit or loss by each segment

(in millions of Korean won)

	2023				
	Revenue	Inter-segment revenue	Operating profit	Profit for the year	Depreciation <sup>2</sup>
EG	₩ 1,354,732	₩ (193,141)	₩ 152,382	₩ 98,453	₩ 65,442
CE	5,203,401	(1,705,387)	265,882	132,259	86,135
Consolidation adjustments <sup>1</sup>	(1,898,528)	1,898,528	-	-	-
Total	₩ 4,659,605	₩ -	₩ 418,264	₩ 230,712	₩ 151,577

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

<sup>2</sup> Sum of property, plant and equipment depreciation, investment properties depreciation, amortization, and right-of-use depreciation.

(in millions of Korean won)

	2022				
	Revenue	Inter-segment revenue	Operating profit	Profit for the year	Depreciation <sup>2</sup>
EG	₩ 1,266,581	₩ (228,560)	₩ 124,698	₩ 97,171	₩ 66,647
CE	5,589,186	(1,871,093)	207,849	132,380	85,089
Consolidation adjustments <sup>1</sup>	(2,099,653)	2,099,653	-	-	-
Total	₩ 4,756,114	₩ -	₩ 332,547	₩ 229,551	₩ 151,736

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

<sup>2</sup> Sum of property, plant and equipment depreciation, investment properties depreciation, amortization, and right-of-use depreciation.

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(2) Segment assets and segment liabilities

(in millions of Korean won)

	2023					
	EG	CE	Common	Consolidation adjustments <sup>1</sup>	Total	
Segment assets	₩ 1,158,885	₩ 3,430,688	₩ 1,638,483	₩ (1,809,630)	₩ 4,418,426	
Segment liabilities	823,965	4,017,011	(1,253,110)	(982,756)	2,605,110	

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

(in millions of Korean won)

	2022					
	EG	CE	Common	Consolidation adjustments <sup>1</sup>	Total	
Segment assets	₩ 1,032,501	₩ 3,644,356	₩ 2,038,229	₩ (1,978,418)	₩ 4,736,668	
Segment liabilities	789,576	4,102,632	(650,335)	(1,140,246)	3,101,627	

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

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(3) Status of the region where the group is located

(in millions of  
Korean won)

	2023						Consolidation	
	Korea	North America	Asia	Europe	Others	adjustments	Total	
Revenue	₩ 4,241,475	₩ 678,837	₩ 656,246	₩ 923,315	₩ 58,260	₩ (1,898,528)	₩ 4,659,605	
Inter-segment revenue	(1,444,645)	(494)	(348,855)	(104,534)	-	1,898,528	-	
Revenue from external customers	2,796,830	678,343	307,391	818,781	58,260	-	4,659,605	

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

(in millions of  
Korean won)

	2022						Consolidation	
	Korea	North America	Asia	Europe	Others	adjustments	Total	
Revenue	₩ 4,228,552	₩ 514,543	₩ 1,155,997	₩ 892,852	₩ 63,823	₩ (2,099,653)	₩ 4,756,114	
Inter-segment revenue	(1,447,750)	(654)	(559,749)	(91,500)	-	2,099,653	-	
Revenue from external customers	2,780,802	513,889	596,248	801,352	63,823	-	4,756,114	

<sup>1</sup> Consolidation adjustments include intergroup transactions, unrealized gains and losses and others.

(4) Status of non-current asset by regional

(in millions of Korean won)

	December 31, 2023		December 31, 2022	
Korea	₩	1,261,100	₩	1,238,349
North America		10,533		19,885
Asia		111,197		114,977
Europe		26,868		22,875
Others		12,094		10,111
Total <sup>1</sup>	₩	1,421,792	₩	1,406,197

<sup>1</sup> Sum of property, plant and equipment, investment properties, right-of-use assets.

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**33. Expenses by Nature**

Expenses by Nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Purchases of inventories (raw materials and merchandise)	₩	2,910,183	₩	3,230,751
Changes in inventories		(108,342)		(238,752)
Employee benefits expenses		429,053		423,163
Depreciation		81,587		88,107
Depreciation of right-of-use assets		20,579		16,392
Amortization		49,412		47,238
Other expenses		858,868		856,668
Total	₩	<u>4,241,340</u>	₩	<u>4,423,567</u>

**34. Finance Income and Expenses**

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Finance income:				
Interest income	₩	9,559	₩	9,740
Gain on dividends		115		419
Gain on foreign currency transactions		69,724		85,569
Gain on foreign currency translations		27,361		43,858
Financial guarantee income		1,565		1,579
Gain on repayment of payables		-		27
Subtotal		<u>108,324</u>		<u>141,192</u>
Finance expenses:				
Interest expenses		(69,446)		(75,660)
Loss on foreign currency transactions		(50,786)		(58,874)
Loss on foreign currency translations		(39,060)		(51,943)
Financial guarantee expenses		(470)		(552)
Other finance expenses		(43)		(9)
Subtotal		<u>(159,805)</u>		<u>(187,038)</u>
Total	₩	<u>(51,481)</u>	₩	<u>(45,846)</u>

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**35. Other non-operating Income and Expenses**

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

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Other non-operating income:		
Gain on disposal of short-term financial assets	₩ 444	₩ 1
Gain on valuation of long-term financial assets	117	2
Gain on disposal of long-term financial assets	260	-
Gain on disposal of property, plant and equipment	3,381	1,130
Gain on disposal of other investment assets	-	6,609
Gain on disposal of intangible assets	152	179
Gain on disposal of investment properties	-	14
Reversal of impairment loss on investment properties	423	-
Reversal of impairment loss on intangible assets	352	-
Others	7,872	7,982
Subtotal	<u>13,001</u>	<u>15,917</u>
Other non-operating expenses:		
Loss on disposal of trade receivables	(24,638)	(17,145)
Loss on valuation of long-term financial assets	(365)	(42)
Loss on disposal of long-term financial assets	(11)	(13)
Impairment loss on short-term financial assets	(8,068)	-
Loss on disposal of other investment assets	-	(457)
Impairment loss on other receivables (reversal)	4,322	(1,484)
Loss on disposal of property, plant and equipment	(2,261)	(1,681)
Loss on disposal of intangible assets	(244)	(283)
Loss on disposal of investment properties	(551)	-
Impairment loss on intangible assets	-	(891)
Impairment loss on investment properties	(29)	-
Donations	(3,040)	(1,108)
Others	(2,473)	(712)
Subtotal	<u>(37,358)</u>	<u>(23,816)</u>
Total	<u>₩ (24,357)</u>	<u>₩ (7,899)</u>

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**36. Income Tax Expense**

(1) Current and deferred tax reflected in income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Current tax:	₩	90,633	₩	23,601
Deferred tax		13,638		39,302
Total income tax expense	₩	104,271	₩	62,903
Deferred tax charged directly to equity		7,392		(13,745)
Income tax expense	₩	111,663	₩	49,158

(2) The Group offsets deferred tax assets and deferred tax liabilities if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		
	<b>Beginning</b>	<b>Increases (decreases)</b>	<b>Ending</b>
Advances from government	₩ 1,026	₩ (22)	₩ 1,004
Allowance for doubtful accounts	5,382	27,894	33,276
Provision for product warranties	19,577	4,868	24,445
Net defined benefit liabilities (assets)	28,641	(33,664)	(5,023)
Investment in associates	(11,300)	5,654	(5,646)
Provision for temporary depreciation	(3,231)	14	(3,217)
Gain on revaluation of land	(100,924)	(4,538)	(105,462)
Derivative assets (liabilities)	(8,499)	4,456	(4,043)
Unrealized profit of inventories	11,940	1,257	13,197
Others	78,258	(19,557)	58,701
Total	₩ 20,870	₩ (13,638)	₩ 7,232

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(in millions of Korean won)

	2022		
	Beginning	Increases (decreases)	Ending
Advances from government	₩ 1,015	₩ 11	₩ 1,026
Allowance for doubtful accounts	34,012	(28,630)	5,382
Provision for product warranties	36,385	(16,808)	19,577
Net defined benefit liabilities	3,145	25,496	28,641
Investment in associates	(9,758)	(1,542)	(11,300)
Provision for temporary depreciation	(3,370)	139	(3,231)
Gain on revaluation of land	(105,274)	4,350	(100,924)
Derivative assets (liabilities)	113	(8,612)	(8,499)
Unrealized profit of inventories	10,586	1,354	11,940
Others	93,318	(15,060)	78,258
Total	₩ 60,172	₩ (39,302)	₩ 20,870

(3) Deductible temporary differences which have not been recognized as deferred tax assets as at December 31, 2023 and 2022, are as follows (except for investments in subsidiaries and associates):

(in millions of Korean won)

	December 31, 2023	December 31, 2022
Tax loss carryforwards	₩ 441,581	₩ 332,066
Deductible temporary differences and others	35,706	34,671
Tax credits carryover	-	6,947

The probability of deferred tax assets being realized depends on the Group's ability to generate taxable income in future years, the economic situation and industry forecast. The Group periodically reviews such matters.

(4) The estimated timing of the reversal of tax loss carryforwards not recognized as deferred tax assets as at December 31, 2023, are as follows :

(in millions of Korean won)

	Tax loss carryforwards
Within one year	₩ 10,426
Between 1 and 2 years	8,599
Between 2 and 3 years	84,217
Over 3 years	221,346
No timing of the reversal	116,993
Total	₩ 441,581

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(5) Temporary differences from investments in subsidiaries, joint ventures and associates, which are not recognized as deferred tax assets (liabilities) are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023	December 31, 2022
Subsidiaries and others	₩ 453,076	₩ 209,159

(6) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won)</i>	2023	2022
Profit before income tax expense	₩ 342,375	₩ 278,710
Tax at domestic tax rates applicable to profits in the respective countries	127,121	80,562
Adjustments:		
Non-temporary difference	(43,655)	326
Effect of change in recognition of deferred income tax	35,877	(13,225)
Tax credits	(5,733)	(1,101)
Additional income tax and tax refund for prior periods	(192)	(949)
Others	(1,755)	(16,455)
Income tax expense	₩ 111,663	₩ 49,158
Average effective tax rate (Income tax expense / Profit before income tax)	32.61%	17.64%

#### (7) Impact of Pillar Two income taxes

Under the *Pillar Two legislation*, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the group have an effective tax rate that exceeds 15%.

The Group is in review for the impact of implementation of Pillar Two legislation on the financial statements.

Even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

The application of the Pillar Two legislation is complex, making it difficult to reasonably estimate its impact. Each entity of the Group is conducting a review by contracting with tax experts for this purpose.

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**37. Earnings per Share**

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

Basic earnings per share attributable to owners of the Group for the years ended December 31, 2023 and 2022, are computed as follows:

<i>(in Korean won, shares)</i>	<b>2023</b>	<b>2022</b>
Profit attributable to the ordinary equity holders of the Parent Company	₩ 230,719,941,999	₩ 229,771,426,564
Weighted average number of ordinary shares outstanding <sup>(*)</sup>	<u>199,100,033</u>	<u>197,557,904</u>
Basic earnings per share	<u>₩ 1,159</u>	<u>₩ 1,163</u>

<sup>(\*)</sup> The weighted average number of ordinary shares outstanding is calculated as follows:

<i>(in shares)</i>	<b>2023</b>	<b>2022</b>
Ordinary shares at the beginning <sup>1</sup>	197,698,576	197,369,732
Exercise of convertible bonds	1,401,457	-
Exercise of stock warrants	-	<u>188,172</u>
Weighted average number of ordinary shares outstanding	<u>199,100,033</u>	<u>197,557,904</u>

<sup>1</sup> Treasury shares are excluded.

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(2) Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2023 and 2022, are computed as follows.

<i>(in Korean won, shares)</i>	<b>2023</b>		<b>2022</b>	
Profit attributable to ordinary shares before adjustment	₩	230,719,941,999	₩	229,771,426,564
Adjustment:		92,189,623		500,532,100
Profit attributable to ordinary shares after adjustment		230,812,131,622		230,271,958,664
Weighted average number of ordinary shares outstanding after adjustment <sup>(*)</sup>		199,268,690		199,008,051
Diluted earnings per share	₩	1,158	₩	1,157

(\*) The details of weighted-average number of ordinary shares outstanding after adjustment used to calculate diluted earnings per share are as follows:

<i>(in shares)</i>	<b>2023</b>		<b>2022</b>	
Ordinary shares at the beginning		199,100,033		197,557,904
Exercise of stock warrants		-		13,722
Convertible bonds		168,657		1,436,425
Weighted average number of Ordinary shares outstanding		199,268,690		199,008,051

Share options that could be used to dilute basic earnings per share in the future, which were not considered in the calculation of diluted earnings per share due to an anti-dilutive effect for the years ended December 31, 2023 and 2022, are as follows:

<i>(in shares)</i>	<b>2023</b>		<b>2022</b>	
Potential ordinary shares		1,956		6,982

**38. Dividends**

A dividend in respect of the year ended December 31, 2023, of ₩ 110 per share, amounting to a total dividend of ₩ 21,949 million, is to be proposed to shareholders at the annual general meeting on March 25, 2024. These consolidated financial statements do not reflect this dividend payable.

A dividend in respect of the year ended December 31, 2022, of ₩ 240 per share, amounting to a total dividend of ₩ 47,889 million, were approved by shareholders at the annual general meeting on March 27, 2023. Dividends for ordinary shares amounting to ₩ 47,889 million were paid in April 2023.

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**39. Consolidated Statements of Cash Flows**

(1) Details of adjustments, and changes in operating assets and liabilities in the consolidated statement of cash flows for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Adjustments:		
1. Income tax expense	₩ 111,663	₩ 49,158
2. Finance income	(52,222)	(73,783)
3. Finance expenses	110,224	129,057
4. Post-employment benefits	10,263	15,849
5. Bad debt expenses (reversal)	(2,942)	5,547
6. Other bad debt expenses (reversal)	(4,322)	1,484
7. Depreciation of property, plant and equipment	81,557	86,829
8. Amortization	49,411	47,238
9. Investment properties depreciation	30	1,278
10. Right of use asset depreciation	20,578	16,392
11. Gain on disposal of property, plant and equipment	(3,381)	(1,130)
12. Loss on disposal of property, plant and equipment	2,261	1,681
13. Gain on disposal of intangible assets	(152)	(179)
14. Loss on disposal of intangible assets	244	283
15. Contribution to provision for warranty	52,842	74,610
16. Contribution to other provision	427	-
17. Gain on disposal of investment properties	-	(14)
18. Loss on disposal of investment properties	551	-
19. Impairment loss on intangible assets	-	891
20. Impairment loss on investment properties	29	-
21. Reversal of impairment loss on intangible assets	(352)	-
22. Reversal of impairment loss on investment properties	(423)	-
23. Impairment loss on short-term financial assets	8,068	-
24. Gain on valuation of long-term financial assets	(117)	(2)
25. Loss on valuation of long-term financial assets	365	42
26. Gain on disposal of short-term financial assets	(444)	(1)
27. Gain on disposal of long-term financial assets	(260)	-
28. Loss on disposal of long-term financial assets	11	13
29. Loss on equity method investments	51	93
30. Dividend income	(115)	(419)
31. Others	23,916	10,837
Total	₩ 407,761	₩ 365,754

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<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Changes in operating assets and liabilities:				
1. Changes in trade receivables	₩	303,514	₩	33,144
2. Changes in other receivables		24,391		33,937
3. Changes in contracts assets		(2,118)		-
4. Changes in inventories		(88,814)		(265,724)
5. Changes in other current assets		(8,226)		(18,858)
6. Changes in trade payables		(273,443)		21,553
7. Changes in other payables		(3,661)		23,614
8. Changes in provisions		(83,735)		(84,132)
9. Changes in contract liabilities		45,351		(8,231)
10. Changes in other current liabilities		1,239		13,966
11. Payment of defined benefit obligations (defined benefit plan)		(15,733)		(112,137)
12. Transfer of post-employment benefits		1,871		153
13. Changes in plan assets		(3,559)		63,379
14. Changes in other non-current liabilities		(1,498)		(1,321)
Total	₩	<u>(104,421)</u>	₩	<u>(300,657)</u>

(2) The consolidated statements of cash flows are presented using indirect method. Significant non-cash transactions for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Payments of non-trade payables related to acquisition of property, plant and equipment and intangible assets	₩	(14,534)	₩	(2,520)

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**40. Financial Instruments**

(1) Carrying amount and fair value of financial assets and liabilities by category as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

		December 31, 2023												
		Carrying amount			Amortized Cost	Others	Total	Fair value						
Cash flow hedge instruments	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income												
<b>Assets recognized at fair value:</b>														
Long-term and short-term financial assets <sup>1</sup>	₩	-	₩	1,853	₩	935	₩	-	₩	-	₩	2,788	₩	2,788
Derivative assets		23,039		-		-		-		-		23,039		23,039
Long-term and short-term trade and other receivables		-		-		5,581		-		-		5,581		5,581
Subtotal		23,039		1,853		6,516		-		-		31,408		31,408
<b>Financial assets not measured at fair value:</b>														
Cash and cash equivalents		-		-		239,481		-		-		239,481		-
Long-term and short-term financial assets		-		-		45,681		-		-		45,681		-
Long-term and short-term trade and other receivables		-		-		1,073,685		-		-		1,073,685		-
Contract assets		-		-		2,118		-		-		2,118		-
Subtotal		-		-		1,360,965		-		-		1,360,965		-
Total	₩	23,039	₩	1,853	₩	6,516	₩	1,360,965	₩	-	₩	1,392,373	₩	31,408
<b>Liabilities recognized at fair value:</b>														
Derivative liabilities	₩	1,891	₩	-	₩	-	₩	-	₩	-	₩	1,891	₩	1,891
Subtotal		1,891		-		-		-		-		1,891		1,891
<b>Financial liabilities not measured at fair value:</b>														
Long-term and short-term borrowings		-		-		975,721		-		-		975,721		-
Long-term and short-term bonds		-		-		278,197		-		-		278,197		-
Long-term and short-term trade and other payables		-		-		837,356		-		-		837,356		-
Long-term and short-term lease liabilities		-		-		-		53,448		-		53,448		-
Long-term and short-term financial guarantee liabilities		-		-		-		1,084		-		1,084		-
Subtotal		-		-		2,091,274		54,532		-		2,145,806		-
Total	₩	1,891	₩	-	₩	-	₩	2,091,274	₩	54,532	₩	2,147,697	₩	1,891

<sup>1</sup> The amount of financial assets that the Group determined that there would be no significant difference between the carrying amount and the fair value is ₩ 935 million.

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December 31, 2022

	Carrying amount						Total	Fair value
	Cash flow hedge instruments	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Amortized Cost	Others			
<b>Assets recognized at fair value:</b>								
Long-term and short-term financial assets <sup>1</sup>	₩ -	₩ 3,328	₩ 935	₩ -	₩ -	₩ 4,263	₩ 4,263	
Derivative assets	38,144	-	-	-	-	38,144	38,144	
Long-term and short-term trade and other receivables	-	-	25,949	-	-	25,949	25,949	
Subtotal	38,144	3,328	26,884	-	-	68,356	68,356	
<b>Financial assets not measured at fair value:</b>								
Cash and cash equivalents	-	-	-	298,375	-	298,375	-	
Long-term and short-term financial assets	-	-	-	66,839	-	66,839	-	
Long-term and short-term trade and other receivables	-	-	-	1,388,267	-	1,388,267	-	
Subtotal	-	-	-	1,753,481	-	1,753,481	-	
Total	₩ 38,144	₩ 3,328	₩ 26,884	₩ 1,753,481	₩ -	₩ 1,821,837	₩ 68,356	
<b>Liabilities recognized at fair value:</b>								
Derivative liabilities	₩ 500	₩ -	₩ -	₩ -	₩ -	₩ 500	₩ 500	
Subtotal	500	-	-	-	-	500	500	
<b>Financial liabilities not measured at fair value:</b>								
Long-term and short-term borrowings	-	-	-	1,017,811	-	1,017,811	-	
Long-term and short-term bonds	-	-	-	554,388	-	554,388	-	
Long-term and short-term trade and other payables	-	-	-	1,077,413	-	1,077,413	-	
Long-term and short-term lease liabilities	-	-	-	-	60,268	60,268	-	
Long-term and short-term financial guarantee liabilities	-	-	-	-	2,456	2,456	-	
Subtotal	-	-	-	2,649,612	62,724	2,712,336	-	
Total	₩ 500	₩ -	₩ -	₩ 2,649,612	₩ 62,724	₩ 2,712,836	₩ 500	

<sup>1</sup> The amount of financial assets that the Group determined that there would be no significant difference between the carrying amount and the fair value is ₩ 1,487 million.

The Group does not present fair value for financial assets and liabilities in case the carrying amount is considered as a reasonable approximation of fair value.

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(2) Net gains or losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Other	Total
Financial income:					
Interest income	₩ 692	₩ -	₩ 8,867	₩ -	₩ 9,559
Dividend income	-	115	-	-	115
Gain on foreign currency transactions	-	-	69,723	-	69,723
Gain on foreign currency translations	-	-	27,361	-	27,361
Financial guarantee income	-	-	-	1,566	1,566
Subtotal	692	115	105,951	1,566	108,324
Financial expenses:					
Interest expenses	-	-	(66,045)	(3,401)	(69,446)
Loss on foreign currency transactions	-	-	(50,786)	-	(50,786)
Loss on foreign currency translations	-	-	(39,060)	-	(39,060)
Financial guarantee expenses	-	-	-	(470)	(470)
Other financial expenses	-	-	(43)	-	(43)
Subtotal	-	-	(155,934)	(3,871)	(159,805)
Total	₩ 692	₩ 115	₩ (49,983)	₩ (2,305)	₩ (51,481)

(in millions of Korean won)

	December 31, 2022				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Other	Total
Financial income:					
Interest income	₩ 2,351	₩ -	₩ 7,389	₩ -	₩ 9,740
Dividend income	-	419	-	-	419
Gain on foreign currency transactions	-	-	85,569	-	85,569
Gain on foreign currency translations	-	-	43,858	-	43,858
Gain on repayment of payables	-	-	27	-	27
Financial guarantee income	-	-	-	1,579	1,579
Subtotal	2,351	419	136,843	1,579	141,192
Financial expenses:					
Interest expenses	-	-	(74,616)	(1,044)	(75,660)
Loss on foreign currency transactions	-	-	(58,874)	-	(58,874)
Loss on foreign currency translations	-	-	(51,943)	-	(51,943)
Financial guarantee expenses	-	-	-	(552)	(552)
Other financial expenses	-	-	(9)	-	(9)
Subtotal	-	-	(185,442)	(1,596)	(187,038)
Total	₩ 2,351	₩ 419	₩ (48,599)	₩ (17)	₩ (45,846)

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(3) Fair value measurement

1) Fair value hierarchy

① The Group classified fair value measurements in accordance with the fair value hierarchy which reflects the significance of the inputs used in fair value measurement. The fair value hierarchy is as follows.

Classification	Description
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date
Level 2	All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability
Level 3	Unobservable inputs for the asset or liability

② Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	₩ -	₩ 5,581	₩ 935	₩ 6,516
Financial assets at fair value through profit or loss	-	-	1,853	1,853
Derivative assets	-	23,039	-	23,039
Derivative liabilities	-	1,891	-	1,891

<i>(in millions of Korean won)</i>	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	₩ -	₩ 25,949	₩ 935	₩ 26,884
Financial assets at fair value through profit or loss	-	-	3,328	3,328
Derivative assets	-	38,144	-	38,144
Derivative liabilities	-	500	-	500

The fair value of financial instruments that are traded in an 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

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price. These instruments are included in Level 1. Instruments included in Level 1 are comprised primarily of listed equity investments.

The fair value of financial instruments that are not traded in an active 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 others investments in companies newly established or having no comparative company are excluded from the fair value valuation because their fair value cannot be measured reliably.

#### 2) Valuation techniques and inputs for Level 2 of the fair value hierarchy

① Among the assets and liabilities measured at fair value as at the end of the reporting period, the valuation techniques and inputs for assets and liabilities classified as Level 2 of the fair value hierarchy are as follows:

<i>(in millions of Korean won)</i>	<b>December 31,</b>		<b>December 31,</b>		<b>Valuation</b>	<b>Inputs</b>
	<b>2023</b>		<b>2022</b>		<b>techniques</b>	
Derivative instruments:						
Derivative assets	₩	23,039	₩	38,144	Discounted cash flow models and others	Foreign exchange forward price, discount rate and others
Derivative liabilities		1,891		500	Discounted cash flow models and others	Foreign exchange forward price, discount rate and others

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3) Valuation techniques and inputs for Level 3 of the fair value hierarchy

① Changes in assets classified as Level 3 of the fair value hierarchy among the assets and liabilities measured at fair value for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>	<b>2022</b>
Financial assets at fair value through profit or loss:		
Beginning balance	₩ 3,328	₩ 2,818
Transfer	(552)	550
Valuation	13	(40)
Disposal	(936)	-
Ending balance	1,853	3,328
Financial assets at fair value through other comprehensive income:		
Beginning balance	₩ 935	₩ 935
Ending balance	935	935

② Valuation techniques and inputs for assets classified as level 3 of the fair value hierarchy among the assets and liabilities measured at fair value for the year ended December 31, 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		
	<b>Amount</b>	<b>Valuation Techniques</b>	<b>Inputs</b>
Financial assets at fair value through profit or loss:			
Machinery Financial Cooperative	₩ 550	Net asset value method	-
Beneficiary certificates	1,303	Net asset value method	-
Subtotal	<u>1,853</u>		
Financial assets at fair value through other comprehensive income:			
Others <sup>1</sup>	935	-	-
Total	<u>₩ 2,788</u>		

<sup>1</sup> The amount of financial assets that the Group determined that there would be no significant difference between the carrying amount and the fair value is ₩ 935 million.

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**41. Financial Risk Management**

(1) Credit Risk

1) Exposure to credit risk

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Cash and cash equivalents <sup>1</sup>	₩	239,480	₩	296,304
Short-term and long-term financial instrument (excluding equity securities)		47,533		69,617
Trade and other receivables		1,058,744		1,381,068
Contract assets		2,118		-
Long-term trade receivables and other non-current receivables		20,522		33,148
Derivative assets		23,039		38,144
Total	₩	<u>1,391,436</u>	₩	<u>1,818,281</u>

<sup>1</sup> Cash at hand is excluded.

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2) Impairment loss

Aging analysis of the Group's receivables and loss allowance provision for trade receivables as at December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2023							Total
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Over 12 months	
		Within due	0-3 months	3-6 months	6-12 months			
Trade receivables	₩ 101,556	₩ 534,223	₩ 39,582	₩ 11,856	₩ 2,247	₩ 7,702	₩ 697,166	
Contract assets	-	2,118	-	-	-	-	2,118	
Financial lease receivables	-	279,459	15,828	10,917	6,672	11,974	324,850	
Other receivables	31,422	113,803	23,581	5,174	955	17,922	192,857	
Accrued income	-	5,301	-	-	-	-	5,301	
Long-term trade receivables	-	3,478	-	-	-	47	3,525	
Long-term other receivables	4,745	2,656	-	-	-	-	7,401	
Deposits	-	14,445	-	-	-	-	14,445	
Loss allowance provision for trade receivables	(88,141)	(811)	(399)	(615)	(458)	(7,616)	(98,040)	
Loss allowance provision for lease	-	(260)	(266)	(1,005)	(1,987)	(10,639)	(14,157)	
Loss allowance provision for other receivables	(36,165)	(3)	(150)	(310)	(457)	(16,897)	(53,982)	
Loss allowance provision for deposits	-	(100)	-	-	-	-	(100)	
Total	₩ 13,417	₩ 954,309	₩ 78,176	₩ 26,017	₩ 6,972	₩ 2,493	₩ 1,081,384	

<i>(in millions of Korean won)</i>	December 31, 2022							Total
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Over 12 months	
		Within due	0-3 months	3-6 months	6-12 months			
Trade receivables	₩ 102,100	₩ 590,636	₩ 40,911	₩ 5,293	₩ 1,747	₩ 9,190	₩ 749,877	
Financial lease receivables	-	513,458	30,845	14,583	6,701	11,990	577,577	
Other receivables	36,722	123,416	28,558	195	651	15,752	205,294	
Accrued income	-	5,943	-	-	-	-	5,943	
Long-term trade receivables	-	7,210	-	-	-	46	7,256	
Long-term other receivables	4,747	3,809	-	-	-	-	8,556	
Deposits	-	32,736	-	-	-	-	32,736	
Loss allowance provision for trade receivables	(90,315)	(932)	(468)	(354)	(464)	(7,246)	(99,779)	
Loss allowance provision for lease	-	(507)	(488)	(1,028)	(1,517)	(10,763)	(14,303)	
Loss allowance provision for other receivables	(41,468)	(4)	(430)	(173)	(129)	(16,585)	(58,789)	
Loss allowance provision for deposits	-	(152)	-	-	-	-	(152)	
Total	₩ 11,786	₩ 1,275,613	₩ 98,928	₩ 18,516	₩ 6,989	₩ 2,384	₩ 1,414,216	

The allowance accounts in respect of financial assets (include contract assets) at amortized cost is used to record impairment losses until the loans and receivables become uncollectible. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly.

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(2) Liquidity Risk

1) The contractual maturities of financial liabilities as at December 31, 2023, are as follows. The amount includes interest payments and does not include the effect of offsetting arrangements.

(in millions of Korean won)

	December 31, 2023					
	Carrying amount	Nominal cash flows	0-6 months	6-12 months	1-3 years	Over 3 years
Non-derivative liabilities:						
Borrowings	₩ 975,721	₩ 1,023,820	₩ 383,035	₩ 122,779	₩ 517,716	₩ 290
Bonds	278,197	287,678	5,634	179,483	879	101,682
Trade and other payables	837,357	837,357	614,866	211,458	11,033	-
Lease liabilities	53,448	61,117	9,065	9,066	12,771	30,215
Derivative liabilities:						
Cash out flow	1,891	2,071	362	176	166	1,367
Total	₩ 2,146,614	₩ 2,212,043	₩ 1,012,962	₩ 522,962	₩ 542,565	₩ 133,554

The maximum amount of the guarantee that can be borne by the Group's financial guarantee contracts as at December 31, 2023 is ₩ 75,057 million (Note 22 and 42).

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

2) The contractual maturities of financial liabilities as at December 31, 2022, are as follows. The amount includes interest payments and does not include the effect of offsetting arrangements.

(in millions of Korean won)

	December 31, 2022					
	Carrying amount	Nominal cash flows	0-6 months	6-12 months	1-3 years	Over 3 years
Non-derivative liabilities:						
Borrowings	₩ 1,017,811	₩ 1,081,418	₩ 256,796	₩ 155,958	₩ 668,531	₩ 133
Bonds	554,388	568,176	382,583	3,430	182,163	-
Trade and other payables	1,077,413	1,077,413	849,334	220,098	7,981	-
Lease liabilities	60,268	70,987	8,683	8,682	19,588	34,034
Derivative liabilities:						
Cash outflow	500	503	503	-	-	-
Total	₩ 2,710,380	₩ 2,798,497	₩ 1,497,899	₩ 388,168	₩ 878,263	₩ 34,167

The maximum amount of the guarantee that can be borne by the Group's financial guarantee contracts as at December 31, 2022 is ₩ 146,767 million (Notes 22 and 42).

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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3) The expected period of cash flow that is expected to be hedged using the cash flow hedging derivatives, for the years ended December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

		December 31, 2023					
	Carrying amount	Nominal cash flows (include interest)	0-6 months	6-12 months	1-3 years	Over 3 years	
Foreign currency forward:							
Assets (+)	₩ 19,322	₩ 19,467	₩ 9,766	₩ 9,697	₩ 4	₩ -	
Liabilities (-)	(1,891)	(2,071)	(362)	(176)	(166)	(1,367)	
Foreign currency swap:							
Assets (+)	3,716	4,984	2,686	436	1,862	-	
Liabilities (-)	-	-	-	-	-	-	

*(in millions of Korean won)*

		December 31, 2022					
	Carrying amount	Nominal cash flows (include interest)	0-6 months	6-12 months	1-3 years	Over 3 years	
Foreign currency forward:							
Assets (+)	₩ 36,823	₩ 37,357	₩ 25,646	₩ 11,711	₩ -	₩ -	
Liabilities (-)	(500)	(503)	(503)	-	-	-	
Foreign currency swap:							
Assets (+)	1,321	2,473	294	459	1,720	-	
Liabilities (-)	-	-	-	-	-	-	

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(3) Foreign exchange risk

1) Exposure to foreign exchange risk

The Group's exposure to foreign exchange risk at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 16,291	₩ 2,212	₩ 7	₩ 213	₩ 5,382	₩ 24,105
Trade and other receivables	574,515	279,679	9,637	3	39,032	902,866
Total assets	590,806	281,891	9,644	216	44,414	926,971
Trade and other payables	(93,722)	(287,506)	(194,234)	(2,393)	(11,534)	(589,389)
Borrowings and bonds	(64,042)	(4,458)	-	(13,023)	-	(81,523)
Total liabilities	(157,764)	(291,964)	(194,234)	(15,416)	(11,534)	(670,912)
Net amounts presented in the statement of financial position	433,042	(10,073)	(184,590)	(15,200)	32,880	256,059
Derivative contracts	(740,554)	(337,570)	-	13,718	-	(1,064,406)
Net exposure amount	₩ (307,512)	₩ (347,643)	₩ (184,590)	₩ (1,482)	₩ 32,880	₩ (808,347)

(in millions of Korean won)

	December 31, 2022					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 22,272	₩ 3,129	₩ 842	₩ 738	₩ 8,990	₩ 35,971
Trade and other receivables	439,834	266,362	23,929	17	28,650	758,792
Total assets	462,106	269,491	24,771	755	37,640	794,763
Trade and other payables	(61,489)	(29,296)	(210,783)	(3,696)	(38,671)	(343,935)
Borrowings and bonds	(104,764)	(181,422)	-	(6,388)	-	(292,574)
Total liabilities	(166,253)	(210,718)	(210,783)	(10,084)	(38,671)	(636,509)
Net amounts presented in the statement of financial position	295,853	58,773	(186,012)	(9,329)	(1,031)	158,254
Derivative contracts	(593,216)	(152,218)	-	34,294	-	(711,140)
Net exposure amount	₩ (297,363)	₩ (93,445)	₩ (186,012)	₩ 24,965	₩ (1,031)	₩ (552,886)

The exchange rates used for the years ended December 31, 2023 and 2022, are as follows.

(in Korean won)

	Exchange rates at the end of the reporting period		Average exchange rates	
	2023	2022	2023	2022
USD	₩ 1,289.40	₩ 1,267.30	₩ 1,305.41	₩ 1,291.95
EUR	1,426.59	1,351.20	1,412.36	1,357.38
CNY	180.84	181.44	184.22	191.57
JPY(100)	912.66	953.18	931.24	983.44

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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2) Sensitivity analysis

As at the end of the reporting period, if the exchange rate of the Korean won is higher than USD, EUR, CNY, JPY, or other currencies, the Group's profit or loss would have increased or decreased. This analysis assumes variability that the Group believes is reasonably probable at the end of each period.

The changes profit or loss are as follows:

<i>(in million of Korean won)</i>		<b>Effect on profit or loss</b>			
<b>Changes in exchange rates</b>		<b>2023</b>		<b>2022</b>	
USD	3% increase	₩	(9,225)	₩	(8,921)
EUR	3% increase		(10,429)		(2,803)
CNY	3% increase		(5,538)		(5,580)
JPY	3% increase		(44)		749
Others	3% increase		986		(31)

If all other variables are held constant, strengthening of won by the same percentage would result in opposite effect by the same amount.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### (4) Interest Rate Risk

1) Details of the Group's interest-bearing financial instruments as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023		December 31, 2022	
<b>Fixed interest rates</b>				
Financial assets	₩	268,829	₩	309,203
Financial liabilities		(911,063)		(1,251,528)
Total	₩	(642,234)	₩	(942,325)
<b>Floating interest rates</b>				
Financial assets	₩	36,408	₩	37,536
Financial liabilities		(343,531)		(321,168)
Total	₩	(307,123)	₩	(283,632)

#### 2) Fair value sensitivity analysis for fixed rate instruments

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 at December 31, 2023, are as follows:

(in thousands of USD and CNY)

Type	Notional amount		Details of contracts		Maturity date
Woori Bank	USD	30,000	Floating interest rate and receipt of foreign currency	3M Compounded SOFR + 0.95%	2025-04-03
			Fixed interest rate and payment in Korean won	3.63%	
Standard Chartered Bank (China)	CNY	345,500	Floating interest rate and receipt of foreign currency	3M Compounded SOFR + 1.18%	2024-05-08
			Fixed interest rate and payment in Korean won	3.6%	

#### 3) Cash flow sensitivity analysis for floating rate instruments

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

(in millions of Korean won)

	2023				2022			
	100 bp increase		100 bp decrease		100 bp increase		100 bp decrease	
Profit (loss) before income tax expense	₩	(3,071)	₩	3,071	₩	(2,836)	₩	2,836

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 42. Commitments and Contingencies

(1) As at December 31, 2023, the Group has entered into bank general loan agreements amounting to ₩ 1,893,669 million with various financial institutions.

(2) Among our long-term investment securities, subordinated bonds are pledged as collateral to KODIT 2020 18th Securitization Specialty Co., Ltd and others in relation to bonds.

(3) There are no financial liabilities related to the transferred receivables that the Group continues to recognize because the Group substantially retains all of the risks and rewards of ownership as at December 31, 2023.

(4) As at December 31, 2023, guarantees provided by the Group for third parties are as follows:

*(in thousands of foreign currencies and millions of Korean won)*

Guarantor	Beneficiary	Guaranteed amount	Korean won equivalent
HD Hyundai Infracore China Co., Ltd.	End User	CNY 367,768	₩ 66,507

Meanwhile, as at December 31, 2023, the Group has been provided with guarantees in relation to Floating-Rate Note (FRN) amounting to USD 30,600 thousand by Woori Bank. Also, the Group entered into agreements with various banks for performance guarantees of USD 2,713 thousand regarding exports and others, and with Seoul Guarantee Insurance Company and Machinery Financial Cooperative for performance and warranty guarantees of ₩ 79,278 million in total. Regarding guarantees provided by Machinery Financial Cooperative, equity investment of ₩ 100 million in Machinery Financial Cooperative is also pledged as a collateral.

#### 43. Major Lawsuits

As at December 31, 2023, the Group is involved in various pending lawsuits with total claims amounting to ₩ 29,634 million, and the Group recognized provision for litigation and others for ₩ 1,382 million. The outcome of the lawsuit and its effects cannot be reasonably estimated as at December 31, 2023.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 44. Related Party Transactions

(1) The major related parties of the Group as at December 31, 2023, are as follows:

Type	Name of entity	Type of business
Ultimate parent	HD HYUNDAI CO.,LTD.	Holdings company
Next most senior parent	HD Hyundai XiteSolution.,Ltd. <sup>1</sup>	Manufacture of machinery for construction and mining
Associates and joint ventures	Doosan Infracore Liaoning Machinery Sales Co., Ltd	Sales of excavators, etc.
	PoteNit Co.,Ltd.	Manufacture of industrial robots, etc.
Other related parties (large-scale business group affiliated company, etc)	HD HYUNDAI HEAVY INDUSTRIES CO.,LTD <sup>2</sup> .	Manufacture of ships, offshore structures, plants and engines
	HD Hyundai Construction Equipment Co.,Ltd. <sup>3</sup>	Manufacturing and sales of construction machinery
	HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. <sup>4</sup>	Shipbuilding
	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.	Shipbuilding
	HD HYUNDAI OILBANK CO., LTD. <sup>5</sup>	Manufacture of petroleum products
	Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Production and sales of hydraulic cylinders
	HD Hyundai Robotics Co., Ltd	Manufacturing and sales of robots
	HD HYUNDAI ELECTRIC CO.,LTD	Manufacturing and sales of industrial electrical equipment
	ULSAN HYUNDAI FOOTBALL CLUB CO.,LTD.	Professional soccer club business
	ECUBE Solution Co., Ltd. <sup>6</sup>	Production and sales of engine aftertreatment devices, etc.
	MEDI PLUS SOLUTION CO.,LTD.	Development and service of health and medical solutions
	Hyundai Heavy Industries (China) Investment Co.,Ltd.	Holdings company
	Hyundai Financial Leasing Co., Ltd.	Financial business like loan lease
	Hyundai (Jiangsu) Engineering Machinery Co., Ltd.	Manufacturing and sales of construction machinery
	Hyundai Oilbank (Shanghai) Co., Ltd.	Trading of petroleum products
	Hyundai Construction Equipment Americas.,Inc.	Sales of construction machinery
	Hyundai Construction Equipment Brasil - Manufacturing and Trading of Construction Equipment S.A	Manufacturing and sales of construction machinery
	Hyundai Construction Equipment Europe N.V.	Sales of construction machinery
	KDB INVESTMENT 2HO INC. and The Korea Development Bank Group <sup>7</sup>	Special Purpose Company under Financial Investment Services And Capital Markets Act.
	Other related parties	Others

<sup>1</sup> For the year ended December 31, 2023, the entity changed its name to HD Hyundai XiteSolution.,Ltd. from Hyundai Genuine Co., Ltd.

<sup>2</sup> For the year ended December 31, 2023, the entity changed its name to HD HYUNDAI HEAVY INDUSTRIES CO.,LTD. from HYUNDAI HEAVY INDUSTRIES CO., LTD.

<sup>3</sup> For the year ended December 31, 2023, the entity changed its name to HD Hyundai Construction Equipment Co.,Ltd. from Hyundai Construction Equipment Co., Ltd.

<sup>4</sup> For the year ended December 31, 2023, the entity changed its name to HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. from KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO.,LTD.

<sup>5</sup> For the year ended December 31, 2023, the entity changed its name to HD HYUNDAI OILBANK CO., LTD. from Hyundai Oil Bank Co.,Ltd.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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<sup>6</sup> For the year ended December 31, 2023, the Group disposed of 100% shares of ECUBE Solution Co., Ltd. to HD Hyundai XiteSolution., Ltd., the next most senior parent.

<sup>7</sup> In accordance with Korean IFRS 1024 Related Party Disclosures - Government-related entities disclosure exemption, receivables and payables including all transactions and commitments with government-related entities are not included in our disclosures.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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

(in millions of Korean won)

Type	Name of entity	2023						
		Sales	Other sales <sup>1</sup>	Purchase	Acquisition of property, plant and equipment and intangible assets	Other purchases <sup>2</sup>		
Ultimate parent	HD HYUNDAI CO.,LTD.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	12,003
Next most senior parent	HD Hyundai XiteSolution.,Ltd.	4,591	1,631	90	-	-	-	49,399
Joint ventures	Doosan Infracore Liaoning Machinery Sales Co., Ltd	2,074	-	-	-	-	-	-
Other related parties <sup>1</sup>	HD HYUNDAI HEAVY INDUSTRIES CO.,LTD.	-	-	-	-	-	-	1,251
	HD Hyundai Robotics Co., Ltd	-	-	-	100	-	-	-
	HD HYUNDAI ELECTRIC CO.,LTD	-	-	-	-	-	-	1,680
	HD Hyundai Construction Equipment Co.,Ltd.	30,963	3,269	6,673	-	-	-	4,888
	HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.	-	-	-	-	-	-	3,136
	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.	-	-	5,485	-	-	-	-
	HD HYUNDAI OILBANK CO., LTD.	-	-	16,611	-	-	-	423
	ULSAN HYUNDAI FOOTBALL CLUB CO.,LTD.	-	-	-	-	-	-	620
	Changzhou Hyundai Hydraulic Machinery Co., Ltd.	-	-	12,490	-	-	-	-
	ECUBE Solution Co., Ltd.	-	-	5,017	-	-	-	-
	MEDI PLUS SOLUTION CO.,LTD.	-	-	-	-	-	-	12
	Hyundai Heavy Industries (China) Investment Co.,Ltd.	252	-	-	-	-	-	417
	Hyundai Financial Leasing Co., Ltd.	122	-	-	-	-	-	-
	Hyundai (Jiangsu) Engineering Machinery Co., Ltd.	336	-	2,032	-	-	-	-
	Hyundai Construction Equipment Europe N.V.	179	-	-	-	-	-	-
	Hyundai Construction Equipment Americas.,Inc.	18,661	-	-	-	-	-	-
Hyundai Construction Equipment Brasil - Manufacturing and Trading of Construction Equipment S.A	-	66	-	-	-	-	-	
	Total	₩ 57,178	₩ 4,966	₩ 48,398	₩ 100	₩ -	₩ 73,829	

<sup>1</sup> Other sales include the amount of disposal of property, plant and equipment and intangible assets.

<sup>2</sup> Other purchases include lease payments of ₩ 4,950 million.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(in millions of Korean won)

Type	Name of entity	2022											
		Sales		Other sales <sup>1</sup>		Purchase of raw materials		Acquisition of property, plant and equipment and intangible assets		Acquisition of right-of-use asset		Other purchases <sup>2</sup>	
Ultimate parent	HD HYUNDAI CO.,LTD.	₩	-	₩	-	₩	-	₩	-	₩	19,002	₩	707
Next most senior parent	HD Hyundai XiteSolution.,Ltd.		504		8		-		277		-		12,814
Joint ventures	Doosan Infracore Liaoning Machinery Sales Co., Ltd.		8,605		-		-		-		-		-
Other related parties <sup>1</sup>	HD HYUNDAI HEAVY INDUSTRIES CO.,LTD.		-		-		-		-		-		338
	HD Hyundai Construction Equipment Co.,Ltd.		13,497		-		2,785		-		-		55
	HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.		-		-		-		-		-		899
	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.		-		-		4,535		-		-		-
	HD HYUNDAI OILBANK CO., LTD.		-		-		9,882		-		-		-
	Changzhou Hyundai Hydraulic Machinery Co., Ltd.		-		-		891		-		-		219
	Hyundai Heavy Industries (China) Investment Co.,Ltd.		-		-		-		-		-		530
	Hyundai Financial Leasing Co., Ltd.		188		-		-		-		-		-
	Hyundai (Jiangsu) Engineering Machinery Co., Ltd.		116		-		-		-		-		-
	Hyundai Oilbank (Shanghai) Co., Ltd.		-		-		1		-		-		-
	Hyundai Construction Equipment Americas.,Inc.		2,417		-		-		-		-		-
	Hyundai Construction Equipment Brasil - Manufacturing and Trading of Construction Equipment S.A		-		327		-		-		-		-
	Total	₩	25,327	₩	335	₩	18,094	₩	277	₩	19,002	₩	15,562

<sup>1</sup> Other sales include the amount of disposal of property, plant and equipment and intangible assets.

<sup>2</sup> Other purchases include lease payments of ₩ 333 million.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(3) Outstanding balances of significant receivables and payables for related parties as at December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

Type		2023			
		Trade receivables	Other receivables	Trade payables	Other payables <sup>1</sup>
Ultimate parent	HD HYUNDAI CO.,LTD.	₩ -	₩ 3,874	₩ -	₩ 13,428
Next most senior parent	HD Hyundai XiteSolution.,Ltd.	2,455	1,579	16	13,134
Joint ventures	Doosan Infracore Liaoning Machinery Sales Co., Ltd	130	-	-	47
Other related parties	HD HYUNDAI HEAVY INDUSTRIES CO.,LTD.	-	-	-	392
	HD HYUNDAI ELECTRIC CO.,LTD	-	-	-	382
	HD Hyundai Construction Equipment Co.,Ltd.	2,693	2,691	1,493	903
	HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.	-	-	-	621
	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.	-	-	506	-
	HD HYUNDAI OILBANK CO., LTD.	-	-	5,531	12
	Changzhou Hyundai Hydraulic Machinery Co., Ltd.	-	-	1,332	-
	MEDI PLUS SOLUTION CO.,LTD.	-	-	-	5
	Hyundai Heavy Industries (China) Investment Co.,Ltd.	-	-	-	29
	Hyundai (Jiangsu) Engineering Machinery Co., Ltd.	14	51	1,995	-
	Hyundai Construction Equipment Europe N.V.	68	-	-	-
	Hyundai Construction Equipment Americas.,Inc.	2,185	-	-	-
		₩ 7,545	₩ 8,195	₩ 10,873	₩ 28,953

<sup>1</sup> Other payables include lease liabilities of ₩ 12,453 million.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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(in millions of Korean won)

Type		2022							
		Trade receivables		Other receivables		Trade payables		Other payables <sup>1</sup>	
Ultimate parent	HD HYUNDAI CO.,LTD.	₩	-	₩	4,490	₩	-	₩	18,800
Next most senior parent	HD Hyundai XiteSolution.,Ltd.		25		195		-		3,665
Joint ventures	Doosan Infracore Liaoning Machinery Sales Co., Ltd		700		-		-		10
Other related parties	HD HYUNDAI HEAVY INDUSTRIES CO.,LTD.		-		-		-		147
	HD Hyundai Construction Equipment Co.,Ltd.		3,574		255		1,816		203
	HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.		-		-		-		231
	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.		-		-		440		-
	HD HYUNDAI OILBANK CO., LTD.		-		-		5,083		31
	Changzhou Hyundai Hydraulic Machinery Co., Ltd.		-		-		803		-
	Hyundai Heavy Industries (China) Investment Co.,Ltd.		-		21		-		-
	Hyundai Construction Equipment Americas.,Inc.		1,553		-		-		-
			₩	5,852	₩	4,961	₩	8,142	₩

<sup>1</sup> Other payables include lease liabilities of ₩ 18,768 million.

# HD Hyundai Infracore Co.,Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(4) Fund transactions (including equity transactions) with related parties for the years ended December 31, 2023 and 2022.

<i>(in millions of Korean won)</i>		<b>2023</b>		<b>2022</b>	
Next most senior parent	HD Hyundai XiteSolution.,Ltd. <sup>1</sup>	₩	1,733	₩	15,801

<sup>1</sup> For the year ended December 31, 2023, the Group disposed of 100% shares of ECUBE Solution Co., Ltd. to HD Hyundai XiteSolution.,Ltd., the next most senior parent

As of December 31, 2023, the Group has pledged Assets and borrowings to the other related parties, Korea Development Bank. (Notes 18 and 22).

There are no fund transactions (including equity transactions) with related parties for the year ended December 31, 2022.

(5) There are no collaterals provided to related parties as at December 31, 2023.

(6) The compensation to the key management personnel of the Group for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>		<b>2023</b>		<b>2022</b>	
Short-term benefits <sup>1</sup>		₩	1,805	₩	2,235
Post-employment benefits			288		279
Other long-term benefits			163		-
	Total	₩	<u>2,256</u>	₩	<u>2,514</u>

<sup>1</sup> Short-term benefits are amounts attributable to the current period for income tax laws

The above key management includes executive directors (include external directors) who have significant authority and responsibility for planning, operation and control on the Group's operation.

**HD Hyundai Infracore Co.,Ltd. and Subsidiaries**  
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**45. Business Combination**

1) Tianjin Hyundai Doosan Engine Co., Ltd. was established on January 19, 2018, through joint investment of 50/50 with Arbos Technology Group Co., Ltd. (formerly, Tianjin Lovol Heavy industry).

On December 6, 2022, the Group additionally acquired 50% of shares of Arbos Technology Group Co., Ltd. for ₩ 5,017 million and obtained control.

2) The following table summarizes the consideration paid for Arbos Technology Group Co., Ltd., the book amount of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>	
Consideration		
Cash and cash equivalents	₩	5,017
		<u>5,017</u>
Fair value of shares owned before the business combination		<u>5,017</u>
Total consideration transferred	₩	<u>10,034</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		932
Trade receivables and other receivables		1,933
Inventories		5,099
Property, plant and equipment		15,199
Right-of-use assets		18,110
Other assets		296
Trade payables and other payables		(13,366)
Long-term and short-term lease liabilities		(18,169)
	₩	<u>10,034</u>

3) For the year ended December 31, 2022, the Group recognized ₩ 6,609 million as other non-operating income in the consolidated statement of income, including the measurement of the fair value of the 50% shares owned by the Group before the business combination.

**46. Events After the Reporting Period**

According to the resolution of the Board of Directors on February 2, 2024, the Parent Company decided to acquire the treasury shares amounting to ₩ 56 billion through a trust agreement after the reporting period, and retire the treasury shares on August 6, 2024.

# **Independent Auditor's Report on Internal Control over Financial Reporting for Consolidation Purposes**

(English Translation of a Report Originally Issued in Korean)

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

## **Opinion on Internal Control over Financial Reporting for Consolidation Purposes**

We have audited HD Hyundai Infracore Co.,Ltd. and its subsidiaries (collectively referred to as the "Group") Internal Control over Financial Reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Group, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, and the consolidated statements of comprehensive income, and consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements including material accounting policy information, and our report dated March 15, 2023 expressed unqualified opinion.

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

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting for consolidation purposes* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of ICFR for consolidation purposes and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting for consolidation purposes, and for its assessment about the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying *Management's Report on the Effectiveness of Internal Control over Financial Reporting for Consolidation Purposes*.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting for consolidation purposes.

## **Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting for Consolidation Purposes**

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

An audit of internal control over financial reporting for consolidation purposes involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial

reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting for consolidation purposes based on the assessed risk.

**Definition and Inherent Limitations of Internal Control over Financial Reporting for consolidation purposes**

An entity's internal control over financial reporting for consolidation purposes is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting for consolidation purposes includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Sung-Woo Choi, Certified Public Accountant.

Seoul, Korea

March 15, 2024

<p>This report is effective as at March 15, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Group's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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## Management's Report on the Effectiveness of Internal Control over Financial Reporting for Consolidation Purposes

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

We, as the Chief Executive Officer (which means the presentative director) and the Internal Accounting Officer of HD Hyundai Infracore Co., Ltd. ("the Company"), assessed operating status of the Company's Consolidated Internal Control over consolidated Financial Reporting ("ICFR" ) for the year ending December 31, 2023.

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

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

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

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

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

Feb 01, 2024

Chief Executive Officer or President : Cho Youngcheul



Internal Accounting Control Officer : Eom Wonchan

